Re-imagined

INDUS Holding AG
Annual Report 2020

[IN]spiring

PROGRESS

[2021]

RE-IMAGINED

The art of successful change

OPEN MINDS AND STRONG LEADERSHIP

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STABLE AND SUSTAINABLE

How INDUS is securing its long-term financial flexibility

WHAT DOES THE MARKET OF TOMORROW NEED?

Dr. Johannes Schmidt on INDUS' future portfolio development

[INDUS]

INDUS

... is a leading specialist in sustainable investment and in development of companies in the SME sector of the German-speaking countries. We primarily acquire owner-managed companies and assist them in their entrepreneurial development on a long-term basis.

Our subsidiaries stand out in particular due to their strong position in special niche markets. As a growth-oriented financial investor, we ensure that our companies retain their special strength – their SME status.

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References

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[IN]spiring PROGRESS

Magazine 2021

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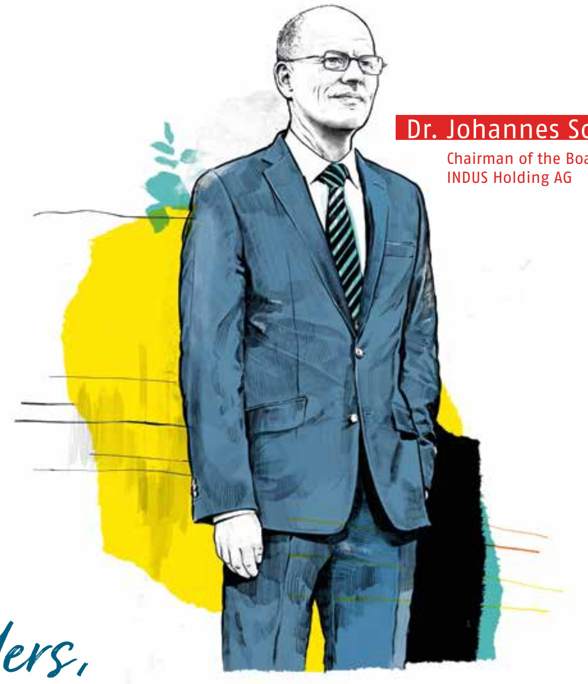


Dr. Johannes Schmidt
Chairman of the Board of
INDUS Holding AG

Dear readers,

What a contradiction! One the one hand, we have the virus that is set continue putting massive restrictions on people's everyday lives for a long while yet. And on the other hand, we are seeing massive technological progress in numerous areas that has the potential to fundamentally change our private and working lives forever. Despite the unusual recent events, some things don't change – the gates to the future remain open to those who are willing to grab the wheel.

We all get to have a say in how the future will look. That includes the INDUS Group. To be a real future player, we need a culture of open-mindedness. A willingness to ask questions. The courage to act on ideas by changing our thinking from "yes, but" to "yes, and."

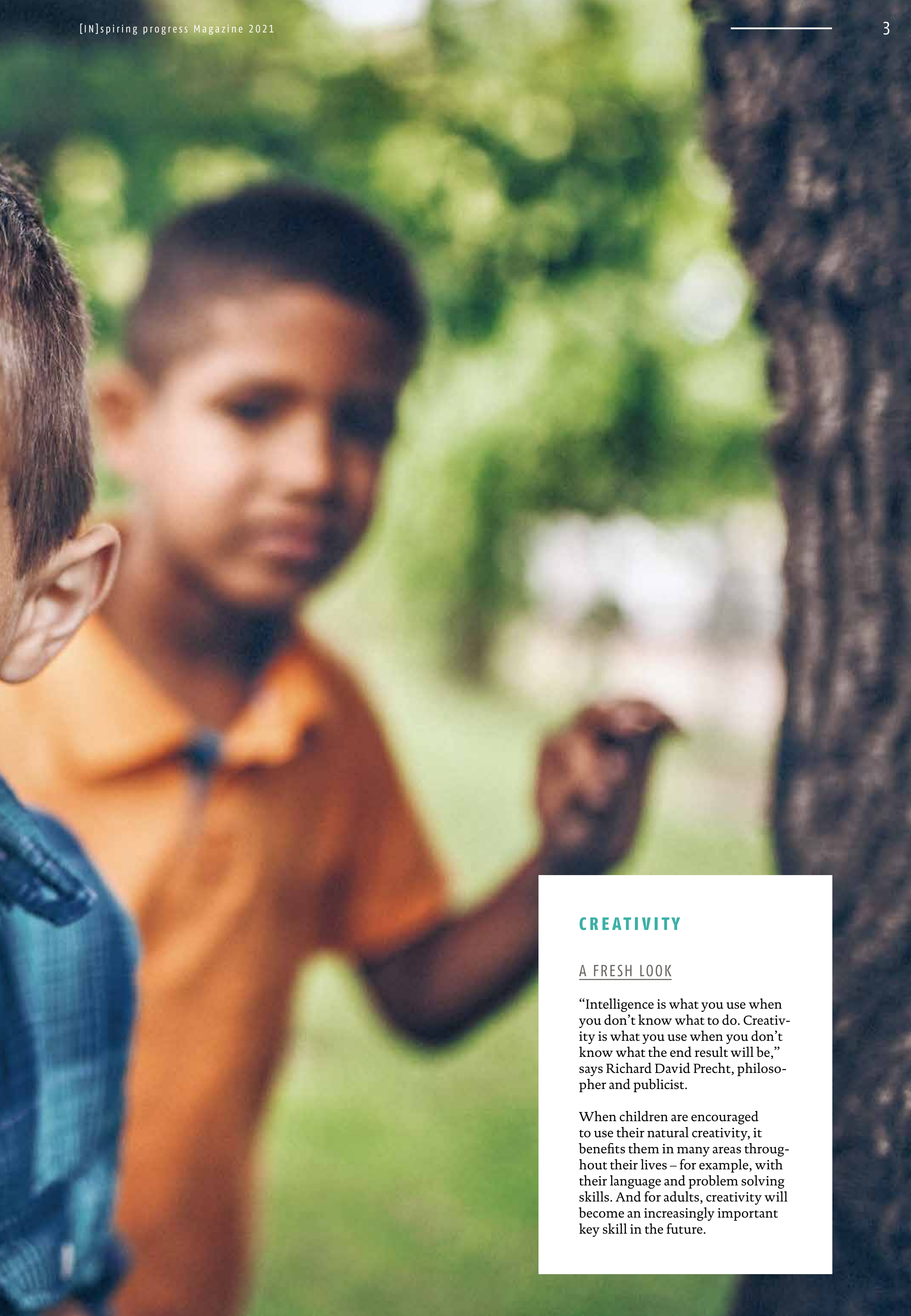
What we also need is emotional security, because people who feel secure can accept challenges and help bring about new solutions with a positive attitude. We give our companies this security – with the long-term focus of our business model and our philosophy of holding companies in the portfolio for as long as possible.

And we strengthen this security by offering our companies a range of resources to help them, particularly in the field of innovation. It brings me great joy to see our portfolio companies making use of our knowledge, network and development bank. I can see in the strategic projects of our companies that as they pursue innovation, they keep the most important element – the people they are doing this for, their customers – at the forefront of their decision making.

"The best way to predict the future is to create it." This much-quoted statement is an excellent starting point for innovation. Try it. I'm sure there is plenty to discover, especially right now. You'll see things in a new light – and by reimagining what is possible, you will be able to get all kinds of innovations off the ground.

Johannes Schmidt

Schmidt



CREATIVITY

A FRESH LOOK

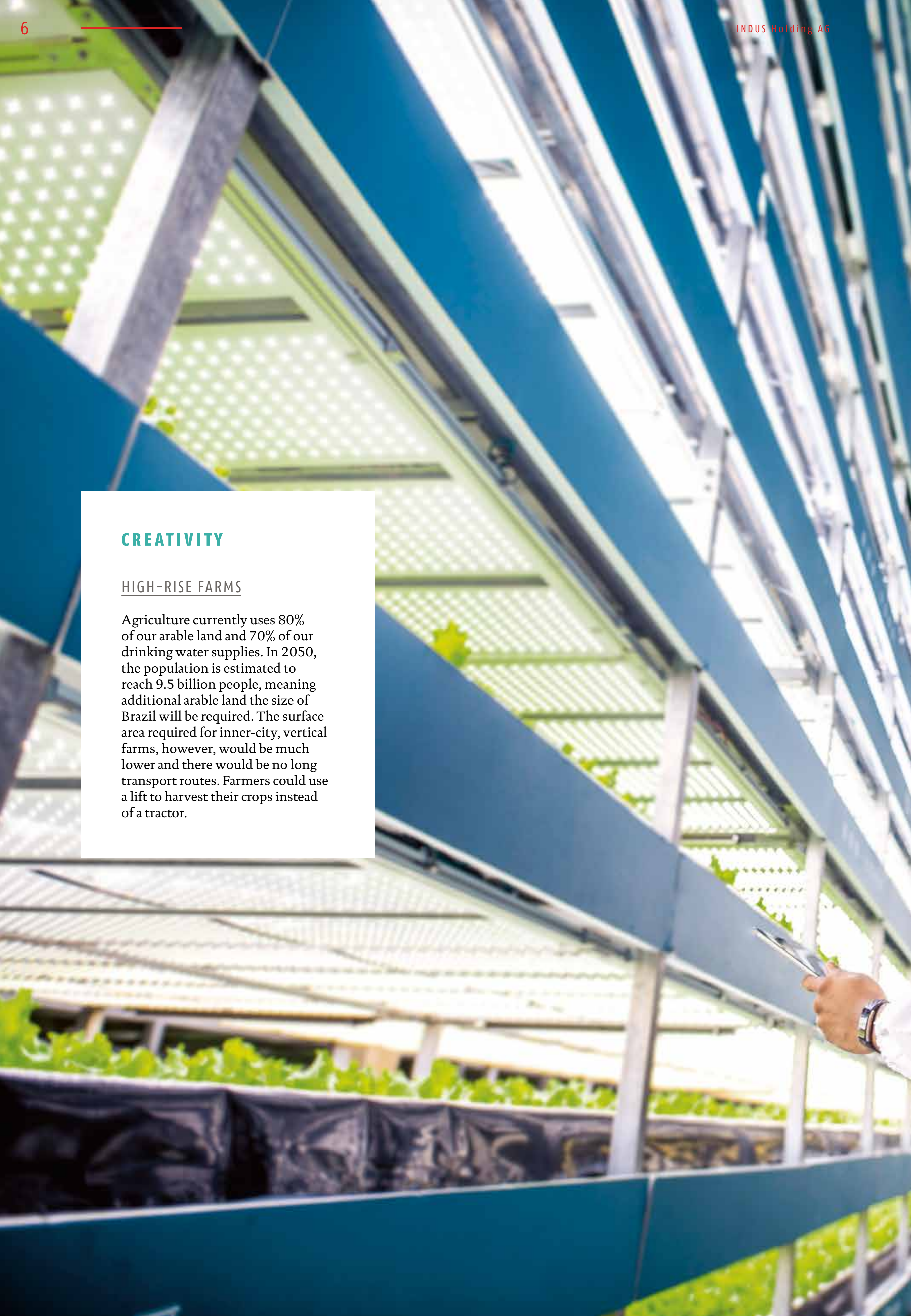
“Intelligence is what you use when you don’t know what to do. Creativity is what you use when you don’t know what the end result will be,” says Richard David Precht, philosopher and publicist.

When children are encouraged to use their natural creativity, it benefits them in many areas throughout their lives – for example, with their language and problem solving skills. And for adults, creativity will become an increasingly important key skill in the future.

CREATIVITY

THE SHOTGUN METHOD

In April 2000, Craig Venter, with his company Celera Genomic, won the race to map the human genome with a sequencing method that he had developed. His unusual method involved shooting DNA into strands using a shotgun firing pattern and then viewing and sequencing the fragments individually.



CREATIVITY

HIGH-RISE FARMS

Agriculture currently uses 80% of our arable land and 70% of our drinking water supplies. In 2050, the population is estimated to reach 9.5 billion people, meaning additional arable land the size of Brazil will be required. The surface area required for inner-city, vertical farms, however, would be much lower and there would be no long transport routes. Farmers could use a lift to harvest their crops instead of a tractor.

RE-IMAGIN

THE ART OF SUCCESSFUL CHANGE **When the economy and conditions change as fundamentally as they are doing right now, companies not only have to be flexible – they also have to be creative. We have no formula to create solutions for the new challenges we face. So we have to create a new future.**

→ **Christian Landau**

is the Dean of the EBS Business School and a member of the Management Group. His teaching and research centers on the core topics of strategic management and the related issues of innovation and technology management. His focus includes companies' dynamic abilities, business models, strategic and disruptive innovation, ecosystems, open innovation and crowdsourcing, and the geographical aspects of strategy and innovation.

CRISES CHANGE THE DYNAMIC – IDEALLY FOR THE BETTER

"Companies are ready for change," remarks Christian Landau, a professor at EBS Business School in Oestrich-Winkel, Hesse, where he researches the dynamic ability of companies: "Companies often run into problems when it comes to implementing lasting change." In many companies, outdated structures, deep-rooted processes, false incentive systems and inexperience in shaping change mean there are big barriers to change and this has made many organizations resistant to change to a certain extent.

Professor Landau believes that crises can be very helpful in breaking through these barriers. They create so much pressure that companies are forced to change: "We are experiencing this now to a degree with the changes to our work processes. Many companies struggled with employees working from home before the coronavirus outbreak. Less than a year later and it's become the norm for many people. There were virtually no problems and little bureaucracy to deal with in setting up the IT structures required." You would see a similar dynamic at an SME who has just been informed

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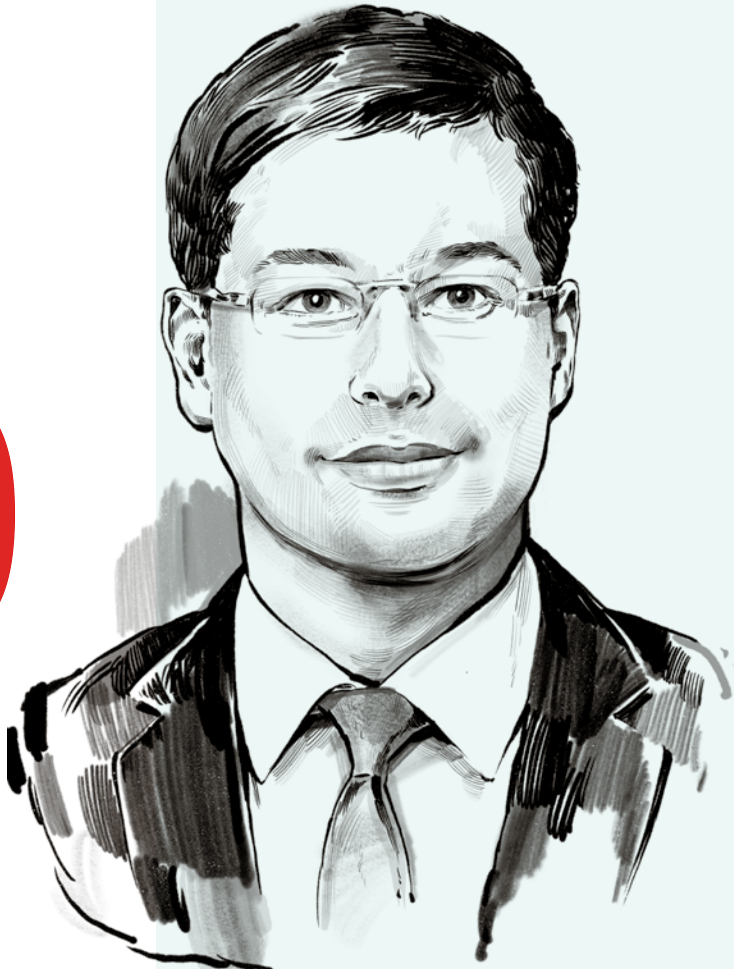
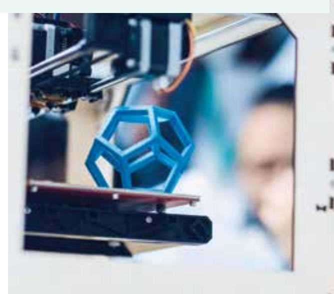


> »The backdrop has changed so starkly in some cases that a fundamental rethink is necessary.«

Prof. Christian Landau, Professor of Strategic Management and Dean of EBS Business School



that a key customer would be looking for an alternative after 30 years due to changes in requirements.

Culturally speaking at least, companies on the other side of the Atlantic don't find themselves in this position as often. North American companies traditionally think and develop in line with the market: What solutions provide the most benefits for customers and thus produce more demand? This question is the primary – and permanent – driving force for innovation. In Europe, and especially in Germany, companies approach innovation >

»Market opportunities for innovative solutions only exist where there is sufficient added value.«

Dr. Simon Sevsek, INDUS Holding AG

> from a more technological point of view. To put it plainly, the question of what is possible leads engineers down rabbit holes and they can lose sight of whether something is marketable. Christian Landau: "However, the solution with the greatest benefit for the customer is often the one that comes to dominate the market and is not necessarily the best solution from a technological point of view."

IT IS IMPORTANT TO REASSESS THE BUSINESS MODEL

There are also the time frames to consider – innovation cycles have become shorter and digitalization has driven the domination of innovations up. The automotive industry is currently seeing first-hand how quickly innovations can dominate. With strategic support from the state, Chinese companies have pushed e-mobility forward in a very short amount of time. Christian Landau: "Once standards have been set, there is usually little room left for alternatives, even if these alternatives are better."

How can companies increase the probability of their innovations succeeding? According to Christian Landau, companies should consciously take a step further back than they normally would when looking for new solutions: "It's even more important nowadays not to focus solely on product innovation. If you look at a business model within the greater context, moving up and downstream along the value chain, you're more likely to find more exciting solutions." He also recommends looking at what customers are currently interested in: "That is not necessarily a better version of a product that you have always produced. If you concentrate on understanding your customers you're likely to find really innovative solutions." A positive side effect of such a change in points of view is that the chance of potential competitors winning your customers over with new ideas becomes smaller.

INNOVATION IS ALSO VERY IMPORTANT TO COMPANIES IN THE INDUS GROUP

The 47 portfolio companies in the Group are all specialists in their fields and serve demanding customers. In order for the holding company to assist them in their innovation work, the Board of Management has created a function that focuses on supporting innovation processes throughout the Group. Simon Sevsek has held this position since 2019. The 30-year-old, who has a doctorate in materials science, is currently overseeing 10 to 15 projects with varying degrees of complexity. Sometimes his work consists of a simple professional exchange or giving a company the benefit of his methodological knowledge. Other times, he closely assists with comprehensive projects that start with the joint development of innovation strategies and future fields.

As far as the understanding of innovation is concerned, Simon Sevsek agrees with Christian Landau's approach: "Innovations are not defined by a company but by the market. The most important aspect is whether an innovation creates added value that is recognized by the market." >

→ Simon Sevsek

has a doctorate in materials science and worked in the scientific field at RWTH Aachen until 2019. As part of a cluster of excellence, focusing on a specialist field, his research explored the intersection of theory and practice. Since 2019 he has been the link between the Board of Management and the innovation work being done by the companies in the INDUS Group.

> There is no end to the examples of markets quickly accepting useful innovations. One example is the smartphone, which has been operated by touch screen rather than keyboard since the introduction of the iPhone. Or the principle of software as a service (SaaS), where IT infrastructure including maintenance is bought as a service rather than operated in-house as a system. Smart devices, mobility services, drone technology, 3D printing – the list goes on and on. For some innovations, such as gene editing (CRISPR) and commercialized space flight (reusable rockets), the parameters may be more challenging, but if the market recognizes added value, even these innovations will find a way.

PORTFOLIO COMPANIES CAN COUNT ON INDUS AS A COMMITTED PARTNER

The support that INDUS provides its portfolio companies does not take the form of technological knowledge or ideas – they already have those. Simon Sevsek: "What we can do is train people in how to implement ideas so they are ready for the market." This explicitly includes linking innovation decisions with feasibility studies. Only economically viable innovations will find a stable spot on the market. INDUS provides committed support, set criteria and occasionally even arbitration in order to harmonize the interests of different departments.

INDUS also provides support in visualizing and analyzing trends and developments using a "technology radar." The technology radar records different technological developments and megatrends and investigates their importance for each company. Direct and indirect influencing factors are included and various trends are combined. This produces an image that shows us which fields could provide the foundation for future innovation and thus which fields a company should be focusing on. Simon Sevsek: "Companies have to critically question their business fields. This is the only way they will be able to see new business opportunities. And they will need these to stay successful."

The megatrends that INDUS is currently observing closely include AI and additive manufacturing, for instance. But hydrogen technology is also a topic on INDUS' radar. The goal is for the specialists in the INDUS Group to make a greater contribution to this field in the future. As we all know, a lot can happen with a little imagination. <<

Good to know

→ **Germany, the innovation champion**

In 2020, Germany came out on top of the Bloomberg innovation index – ahead of the long-term champion South Korea, and followed by Singapore, Switzerland, Sweden and Israel.

Source: Bloomberg

How INDUS supports innovation

— Market and trend analyses
— Managing innovation processes
— Innovation portfolios
— Dynamic capability and routines

Knowledge

+

Development bank
(max. 80% of project volume)

The innovation development bank encourages portfolio companies to take up innovation projects that have a broader opportunities profile. In order to fulfill the conditions for funding, the projects must have significant innovative power in the market. They must also have a clear innovation strategy.

+

— Cooperation within the Group
— Recruiting experts
— Universities
— Sharing experience and knowledge Group-wide

Network

+

Strategic projects

— Defining innovation strategies and future fields
— Overcoming anti-innovation bias
— Core skills analysis
— Technology & innovation road map

NEW PRODUCTS

NEW BUSINESS PROCESSES

NEW SERVICES

NEW BUSINESS MODELS

OPEN MINDS AND STRONG LEADERSHIP

THE MARKET IS UNDERGOING A SIGNIFICANT SHIFT AND THE CORONAVIRUS PANDEMIC IS ACCELERATING THIS TRANSFORMATION. Prof. Nadine Kammerlander is an expert in the SME industry. She talks about the topics dominating the field right now.

Diversity is a success factor. After all, heterogeneous teams where everyone is equal are more open-minded.

IT SEEMS AS THOUGH THE CURRENT SITUATION IS PARTICULARLY DIFFICULT FOR SOME SME COMPANIES. WHY IS THAT?

NK – There are currently a number of factors that are making life difficult for SMEs. One is the general volatility on the markets, which has increased drastically in recent years. We're also observing great technological changes in some sectors – for instance, the automotive industry. The pandemic is causing problems, too. Along with the companies directly affected by restrictions, it is also having an impact on SME companies right now, especially those that depend on globalization, such as suppliers.

How well a company is doing at the moment also depends on how the company has positioned themselves. Until recently we were experiencing a solid upturn that may well have hidden a number of weaknesses in companies. That means strategic, financial or personnel problems may have been concealed at some companies. For those companies, the pandemic will act like a magnifying glass, bringing those problems into the light.

HOW ARE SMEs REACTING TO THE DIFFICULT OVERALL SITUATION?

NK – I am currently working with some colleagues from Australia on a study to see how SMEs are behaving in this pandemic. We have identified two distinct approaches. One is "hibernation." These companies are trying to weather the crisis, by lowering costs and taking advantage of state support, for instance. They intend to hibernate through the crisis, as it were. The other approach used by companies is to actively manage the crisis, by adapting their business models and entering new fields, for example. They are strengthening their business so that they can continue to make sales and profits even during this difficult time.

WHAT MAKES THE ACTIVE COMPANIES DIFFERENT? WHAT WILL HELP THEM MASTER THE CRISIS?

NK – We have seen that an active approach often leads to new products and customer groups. In the current pandemic, a lot of companies in the field of protective equipment, for example, have been taking this approach.

The characteristics associated with traditional family-run business can also help companies to master the crisis. The ability to make decisions and implement them quickly in a fast-changing environment is a particular quality. Another very important aspect is good financial management. Those with a solid equity ratio have quick access to the means necessary to make investments, e.g., in new machinery.

And last but not least, the workforce is also a critical factor. The workforce must be fully committed to implementing the measures. If companies want to adapt in a crisis situation and implement transformation rapidly, their employees' levels of training and motivation in particular are extremely important.

> »*It is not the* **idea,** *but its implementation that is often the* **difficulty.**«

SUCCESSFUL TRANSFORMATION OFTEN GOES HAND IN HAND WITH SUCCESSFUL INNOVATION. WHAT ARE THE CHALLENGES THAT COMPANIES FACE?

NK – It is not usually a lack of innovative ideas that is the stumbling block. But where companies tend to struggle is with implementation. Many ideas are "talked to death" at management level. One of the reasons for this is that the more innovative an idea is, the greater the uncertainty about the underlying business plan. Companies have to make a lot of assumptions: about the market and how it will develop, the "right way" to implement new approaches and much more. And the more volatile the environment, the stronger the tendency to resist.

»Innovation processes *should be removed from* day-to-day business.«

To read the full interview in the online magazine, scan the QR code or click on the text.

PROF. NADINE KAMMERLANDER

is a professor at the WHU – Otto Beisheim School of Management, where she is the head of the Institute of Family Business and Mittelstand. Before joining the WHU, she spent several years with a leading strategic consultancy and provided support for international companies in the automotive and high-tech sectors. Her teaching and research focuses primarily on innovation, management and succession.

HOW CAN COMPANIES INCREASE THE PROBABILITY OF SEEING SUCCESS FROM INNOVATION?

NK – Innovative projects are usually more successfully implemented when the issue lands higher up the chain of command – ideally this should be the responsibility of top management levels. Decisions regarding innovation can be pushed forward more effectively, which can help prevent the project being buried under day-to-day business.

It's also helpful – especially when it comes to the more "radical" ideas – if innovative processes are removed from the normal running of the company and given their own space. With fires both big and small to be put out every day, daily business and innovation development tend to naturally stand in one another's way. Structures, processes and incentives for employees are usually laid out in such a way that they're more likely to take care of daily business. To ensure implementation is successful, it is better to put together a project team that can drive innovation forward at full steam.

WE GET THE IMPRESSION THAT MANY SME COMPANIES ARE STILL HOLDING BACK WHEN IT COMES TO DIGITALIZATION. WOULD YOU AGREE?

NK – Yes, I would. My institute surveyed around 1,700 SME companies last year. The results showed that the SME industry recognizes the relevance of digitalization, but is trailing behind when it comes to the specific implementation of digital technologies. Basic IT instruments such as CRM management and ERP systems were only being used by 50–75% of the companies. The more advanced the technologies, the less they were being used by the companies. Artificial intelligence was only being used by 5%.

The study also showed that many SME companies would like to move forward in this direction, but they were uncertain of how. So we can conclude that there is a lack of examples to follow and a lack of knowledge in dealing with topics such as big data. Moreover, there are not enough standards and norms to guide them. Many companies fear making a "double investment" by investing too early in technologies that may not catch on.

COMPETITIVE PRESSURE IS RISING AND DIGITAL SKILLS ARE A CENTRAL FACTOR FOR SUCCESS. HOW MUCH TIME DO COMPANIES HAVE TO ENSURE THEY DO NOT FALL BEHIND IN THE FUTURE?

NK – That depends on the sector and how the global competition develops. In the B2B field, companies in Germany are further along with digital development than in the B2C field. But if I had to make a prediction, I would say within three to five years. For some companies, a "winner takes all" situation will occur. Where signs are starting to point to this trend, companies will have to move fast.

TO WHAT EXTENT IS "OPEN-MINDEDNESS" A GENERATIONAL MATTER? WHAT ARE THE CHARACTERISTICS OF THE NEW GENERATION OF COMPANIES?

NK – First of all, being open-minded does not necessarily have anything to do with age, it has more to do with personality. There are older businesspeople who are very open-minded and younger ones that are much more reserved. However, when we look at open-mindedness in connection with the topics of innovation and digitalization, younger people really do tend to be more open-minded. One reason for this could be that the younger generation has grown up with comparatively less stability in the last twenty years – through a time of technological change and increasing international mobility. This has led to younger managers gathering a lot of experience in a shorter time. In addition, it's not surprising that "digital natives" take digitalization in their stride. The companies Viessmann and Vestner are two good examples of the younger generation taking the lead and having a decisive impact on the company's direction.

But this does not mean that future-proof corporate management must be just old or just young. Just the opposite. The latest research shows that diversity in management is a success factor. We know that homogeneous teams are much less open-minded than heterogeneous teams. The most important aspect though is that there is equality between team members.

HOW IMPORTANT IS COOPERATION RIGHT NOW FOR FORGING THE PATHS AHEAD? HOW ARE ATTITUDES TOWARD MERGERS AND ACQUISITIONS CHANGING AT THE MOMENT?

NK – Cooperation is becoming more important all in all. And diversity plays a vital role here, too. This means that companies currently have to cooperate closely with businesses with very different backgrounds – e.g., industrial companies with start-ups. With different corporate cultures, this often is not easy for either side.

If we take a look at the well-positioned SMEs, we can see that owners are becoming more open-minded with regard to sales or bringing in investors. And the focus is increasingly on whether it is a good match – how well the partners fit together beyond the price tag.

WHAT DO YOU THINK THE PROTOTYPICAL SME WILL LOOK LIKE IN FIFTEEN YEARS?

NK – A positive view of the prototypical SME in 15 years is one where the company uses digital processes wherever it is necessary and helpful for customers, costs and security. It will have maintained the typical advantages that it has today, including effective decision-making structures. It will have motivated employees that are well-educated in digital fields and that have no problems finding their feet in the new world. And it will not be funded solely by the owner but is economically – in whatever shape – borne by numerous investors so that nothing stands in the way of its future development or growth.

STABLE AND SUSTAINABLE

HOW INDUS IS SECURING ITS LONG-TERM FINANCIAL FLEXIBILITY Over recent years, INDUS has secured a broad spectrum of financing options for itself. Another instrument was added in fall 2020 with the issue of its first "green promissory note." This allows the company to also perform larger acquisitions at any time.

INDUS WILL BE PUBLISHING ITS FIRST SEPARATE SUSTAINABILITY MAGAZINE IN 2021

A SUSTAINABLE CORPORATE STRATEGY IS PART OF INDUS' CORPORATE DNA

Sustainability has a long tradition at INDUS. Since the Group was founded, business has been based around the sustainable "buy, hold & develop" model. A fundamental part of the SME-like corporate culture has always been the idea that the careful and efficient use of natural resources of all kinds is what makes for sustainable leadership. So, it was only natural for INDUS to take part in the Carbon Disclosure Project reporting early on and for it to have been ranked by the rating agency ISS ESG, formerly Oekom, since 2015. INDUS also publishes a robust non-financial (sustainability) report in accordance with the recommendations of the German Sustainability Code.

This consistent sustainability strategy is in line with rising external expectations. The EU and the German federal government have laid out ambitious measures with the 2030 Climate Protection program. The area of "Sustainable Finance" – taking into consideration sustainability aspects in private and public financing decisions – is intended to flank the transformation measures for achieving a climate-neutral economy. At the same time, expectations regarding transparency are also increasing on the capital market. Investors and creditors are increasingly basing their decisions on more stringent and critical evaluations of the issuers' sustainability profiles. Suppliers and customers also expect aspects of business relating to sustainability to be clearly disclosed.

No wonder then that the market for green finance is booming in Europe. By financing environmental and climate protection projects or by linking financing with environmental ratings, companies are taking stakeholders' interest in sustainability into consideration. Both political institutions and private sector stakeholders are publishing supplementary frameworks for sustainable financing. This helps the market to defy the confusion caused by the coronavirus pandemic. According to the consulting company Capmarcon, the green emissions volume in the first three quarters of 2020 climbed 63% in comparison with the previous year – to EUR 143 billion.

SUSTAINABLE FINANCING – "GREEN FINANCE" FROM INDUS

The future will be greener. Funding – at least at favorable conditions – will only be made available if used in a sustainable manner. A company's financial ratings will take into account sustainability risk when the default likelihood is evaluated. Bond issuers with high ESG ratings will have lower spreads, a stronger financial basis and a lower risk of default.

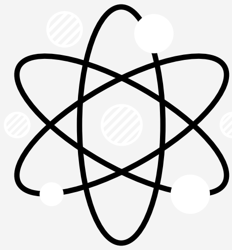
"Providing solid financing for a company without a coherent sustainability strategy has already become unthinkable."

Rudolf Weichert, Member of the INDUS Board of Management

By issuing an ESG-linked promissory note in fall 2020, INDUS linked financing with a sustainability rating for the first time and thus implemented another element of its sustainability strategy. If the sustainability rating deteriorates, financing will become more expensive. If the rating improves, interest payments will fall. INDUS was only able to issue this note with a volume of EUR 60 million because it has been successfully working on a comprehensive sustainability strategy and implementing it within the Group since 2015.

Sustainable finance – a summary

- Sustainability is fully established in the finance department.
- With a sustainable financing system, more climate-neutral, energy-efficient and resource-efficient projects will be launched.
- Sustainability aspects must be taken into account when issuing to investors or creditors.
- New reporting standards and frameworks set new standards.
- Consistently applying the sustainability strategy secures financial opportunities – and the further growth of the INDUS Group.



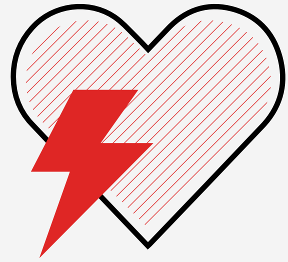
The computing power of the future

The theoretical possibilities of quantum computing are enormous. Not only can **quantum bits** accept the states 0 and 1 simultaneously, but also theoretically an endless amount of states in between. 300 qubits can represent 2 to the power of 300 states. The result is a **number larger than there are particles in the universe**. However, this technology is in its infancy – quantum computing was first successfully applied to a mathematical problem in 2019. In the future, it is expected to solve complex tasks in a variety of disciplines that cannot be solved with current technology.

»CREATIVITY IS INTELLIGENCE HAVING FUN.«

ALBERT EINSTEIN

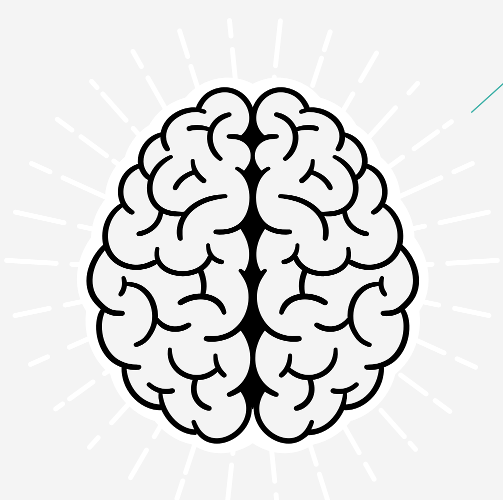
$E=mc^2$



Setting the pace

In order to control life-threatening cardiac rhythm disorders, **Wilson Greatbatch** developed a pacemaker – the first ever implantable model – in collaboration with surgeon **William Chardack**. Longer lasting batteries, also developed by Greatbatch, made this possible. His pacemaker was implanted in a patient for the first time in 1960. Today around 1,000,000 people have modern pacemakers fitted every year, each of which generates around **420 million electrical pulses within 10 years**.

RE-IMAGINED



Lightening-quick connections

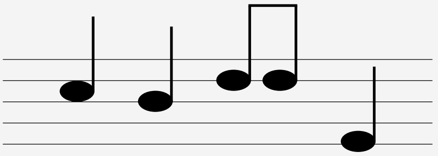
AROUND 80 TO 120 BILLION NEURONS ...

... and a similar number of glial cells make up the structure of the human brain. Neurons communicate via countless synapses – there are an estimated **100 trillion connections** between individual brain cells. This is equivalent to 1,000 terabytes of storage space on a PC.

Treasure hunt

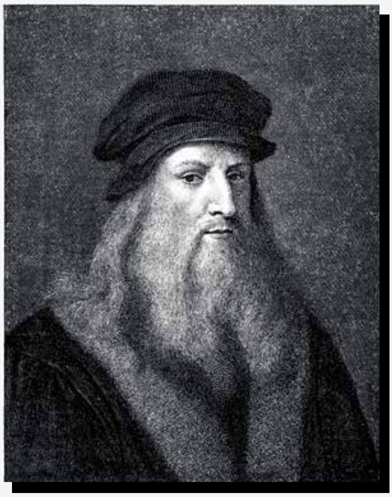
Golden sounds

While trying to make gold, the Turkish alchemist **Avedis Zildjian** discovered a metal alloy that would from then on give cymbals a unique tone. Famous composers such as **Joseph Haydn** helped make the cymbal an integral part of the music of Western Europe. The jazz movement in the United States in the 1930s, and a TV appearance by The Beatles in 1964, established the global market leadership of the cymbal manufacturer **Avedis Zildjian Company**, named after the alchemist.



Airplane technology for children

While picking up his grandchildren from the airport in 1964, Owen Finlay Maclaren came up with the idea of developing an ultralight, compact folding buggy. The former airplane engineer used his **knowledge of developing folding landing gear for fighter jets** and presented the **Maclaren baby buggy** in 1967, which became an instant bestseller across the world.



Leonardo da Vinci (1452–1519)

One of the first engineers of all time, da Vinci developed machinery and machines that replaced physical labor with mechanical work. His notebooks contain drawings and plans for a mechanical saw, a self-driving cart, a spinning machine and an odometer developed for measuring long distances. With his revolutionary work in this field, Leonardo prophesied the industrial age.

0110010001
1010010110
0111011010
0101110100
0110000101
101100

... this is the binary translation for the word "digital"

The root is formed by the Latin "digitus" which means "digit" as in fingers and toes, and plays on counting to numbers below ten on your fingers. Ten is represented by the numbers 1 and 0 – electricity on/off, both basic states of a computer that works digitally using the binary system.

WHAT DOES THE MARKET OF *TOMORROW* NEED?

DR. JOHANNES SCHMIDT ON THE DEVELOPMENT OF THE INDUS PORTFOLIO The INDUS portfolio will continue to grow over the next few years. The cross-sectionality of its services will also continue to evolve.

01

Dr. Schmidt: To what extent has COVID-19 put pressure on the Group to transform again?

I like to use the example of an iceberg floating just below the surface here. When the water level is lowered, the iceberg suddenly becomes visible. In the same way, the coronavirus pandemic has revealed weaknesses in the portfolio – which the Board of Management has been working to address. With our “Powering Ahead” package of measures, which we introduced in the middle of 2020, we have taken a targeted approach to overcoming these weaknesses. We made great progress with this in 2020. As part of the PARKOUR strategy program, we had already set ourselves the goal of increasing the fitness of our portfolio companies, enabling our portfolio companies to develop faster, and improving our operational performance. The coronavirus pandemic has acted as an accelerator in this process.

02

How do you equip companies to deal with this?

In the INDUS Group, we have benefited from the agility of our SME portfolio companies once again in an extremely difficult period. The high level of individual responsibility that the companies take on is key here. The managing directors and their workforce quickly rose to these challenges and found pragmatic solutions that ensured the highest level of safety for all staff – while keeping company operations running as smoothly and undisturbed as possible. At the holding company, we supported the portfolio companies’ development by encouraging operational excellence and innovation. By securing financing for the Group we created the foundation for companies to continue to grow during the crisis.

03

Has the profile of your target companies also changed?

When it comes to the acquisition of new companies, we had already identified the growth industries we want to expand into as part of our PARKOUR strategy program. The branches of automation, measuring technology and control engineering, construction technology, safety technology, technology for infrastructure and logistics, and energy and environmental technology have not become any less attractive or relevant as a result of the coronavirus pandemic. The acquisition of Jungmann Systemtechnik GmbH & Co. KG, which we secured in 2020, fits in with this strategy perfectly. JST is one of the leading suppliers of control room solutions such as production control centers for industry, control rooms for energy and water management, IT control rooms for data centers, and safety and traffic control centers. This acquisition boosts the automation, measuring technology and control engineering growth industry in our portfolio.

04

If the markets keep changing as rapidly as they are today, won't the risk profile increase for purchasing?

It doesn't necessarily have to be that way. The coronavirus pandemic has put business models to the test under real conditions. The pandemic has mercilessly exposed the weaknesses, but also the strengths of the business models. This makes it possible to accurately assess the risk profile of target companies in the M&A process. Of course, there is still uncertainty about macroeconomic development and the question of when the pandemic will be overcome. But, companies that are able to come through the pandemic well will be able to seize the opportunities available to them as the economy starts to recover.

05

What part does sustainability have to play in your investment decisions?

At INDUS we started addressing the topic of sustainability seriously early on. The DNA of our "buy, hold & develop" business model is inherently sustainable. We incorporated the assessment of target companies' sustainability performance into the due diligence of our M&A process years ago. We have also been adhering to the ISS ESG (formerly oekom) rating since 2015, which meant we were able to issue an ESG-linked promissory note for the first time in 2020. In this year's planning process, we have dedicated an entire chapter to the topic of sustainability. In this chapter, the individual portfolio companies show the concrete measures they have implemented to enhance their sustainability strategies. At the holding company, we are continuing to actively support our portfolio companies' sustainability projects. We have adapted our successful innovation development bank model to create a sustainability development bank. This sustainability development bank will support projects that further improve the sustainability performance of our portfolio companies.

06

The INDUS strategy is to "buy, hold & develop." Will this remain the strategy in the future?

It is this Board of Management's firm belief that the "buy, hold & develop" strategy represents a solid foundation for the success of the INDUS Group now and in the future. The sale of companies will also continue to be the exception, not the rule. We continue to commit our full attention to supporting our existing portfolio companies in their operational excellence and innovation. And with our M&A strategy, we are continuing to pursue the development of the Group in the sectors we have identified as growth industries. This means we can continue to offer our stakeholders an exciting comprehensive package.

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Introducing INDUS projects

HAUFF-TECHNIK – AIMING HIGH WITH A NEW LOGISTICS CENTER

MILESTONE FOR FUTURE LOGISTICS

HAUFF-TECHNIK, a manufacturer of cable and pipe feed-throughs, has every reason to celebrate. After just 18 months of construction, the company has put its future-proof, fully automated and expandable logistics center for small parts and packaged pallet goods into operation at its headquarters in Hermaringen. The building increases throughput, delivery performance and capacity to meet rising order volumes and solid growth in the construction industry.

SMART STORAGE

The new L-shaped construction is connected to the neighboring production plant, which means that the goods can be transported quickly to storage using digitally controlled tugger trains. In addition to storage and commissioning areas, the new building also has 55 new office workspaces. The heart of the new logistics center is the fully automated consolidation area with an SAP-controlled conveyor line, assigned packing stations and an order combination system with 580 containers. The two-aisle, automated pallet high-bay warehouse, measuring 25 meters, has 4,900 storage spaces and the automated small-parts storage area has 8,120 containers. Not only storage, but processes, too, have become more efficient and streamlined.

Several hundred items from all product groups will be available ex stock in the future.

5,500
m² GROSS FLOOR AREA

25
METER HIGH-BAY WAREHOUSE

AURORA – INDIVIDUAL TESTING DEVICE DEVELOPMENT

DIGITAL
- Computer-aided differential pressure testing

FAST & EFFICIENT
- Testing time reduced from two minutes to thirty seconds
- No drying times
- Parallel testing of several heat exchangers possible
- Testing fully integrated into the production process
- No warehousing for unfinished goods required

SUSTAINABLE & TRANSPARENT
- No expenses for disposal of dirty water and no energy required for drying
- Direct labeling

FLEXIBLE & USER FRIENDLY
- Testing can be done after installation
- User-friendly interface

AURORA, a manufacturer of heating and air-conditioning systems for commercial vehicles, produces around 500 heat exchangers a day. Each and every one has to be tested for leaks before it leaves the plant. The conventional testing method takes up time and resources, with soldered heat exchangers being checked in water baths like bicycle tires. Moving to differential pressure testing was the obvious solution. This method is easily explained: If the pressure in the heat exchanger differs to a reference pressure figure then there is a leak. There are differential pressure testing devices on the market, but these are too big, and likewise too expensive, to be deployed at AURORA. So, AURORA decided to develop its own testing devices – with great success. The devices, which significantly simplify the processes in production and quality assurance and cost a fifth of the devices available on the market, are now being used at three of AURORA's sites.

IEF-WERNER – ALWAYS ONE STEP AHEAD

Roland Wertz heads up a project on predictive maintenance.

IEF-Werner, a manufacturer of automation components and systems, is working on predicting the future. Or more specifically, the point in time at which maintenance work will become necessary. Roland Wertz, Head of Research & Development, gives us an insight into the project.

MR. WERTZ, UNTIL RECENTLY MACHINE LEARNING WAS MORE OF A SCIENTIFIC PLAYGROUND. HOW DID AN SME LIKE IEF BECOME INTERESTED IN THE TOPIC?

ROLAND WERTZ – The motivation behind our project is easily explained – unplanned downtimes cost our customers money. Knowledge about the state of the

[IN]side

plant and the ability to plan maintenance and repair work are very valuable. But so far, plants have not been able to diagnose themselves – they cannot go to the doctor and say what is wrong like we can. This is the starting point for our project.

IN WHAT WAY?

WERTZ – We aim to have the machine interpret existing data by recognizing patterns and correlations, thereby constantly monitoring the state of its own health. It should notify us of anomalies before they cause a problem.

WHAT KIND OF DATA IS THIS AND WHERE DOES IT COME FROM?

WERTZ – The evaluations are related to use, e.g., vibrations and electricity consumption. Previous attempts at predictive maintenance have worked with additional, occasionally expensive, sensors. IEF knows its components inside out, so we can take the sensors into account in the basic design or even replace them with mathematical models. This will allow us to significantly reduce the number of sensors we use.

IS THIS ALREADY HAPPENING IN PRACTICE?

WERTZ – We are currently evaluating the data collected in testing as part of an INDUS development bank project and in partnership with Fraunhofer IPA. We use an iterative cycle to arrive at the mathematical models needed for predictive maintenance. It's an exciting process.

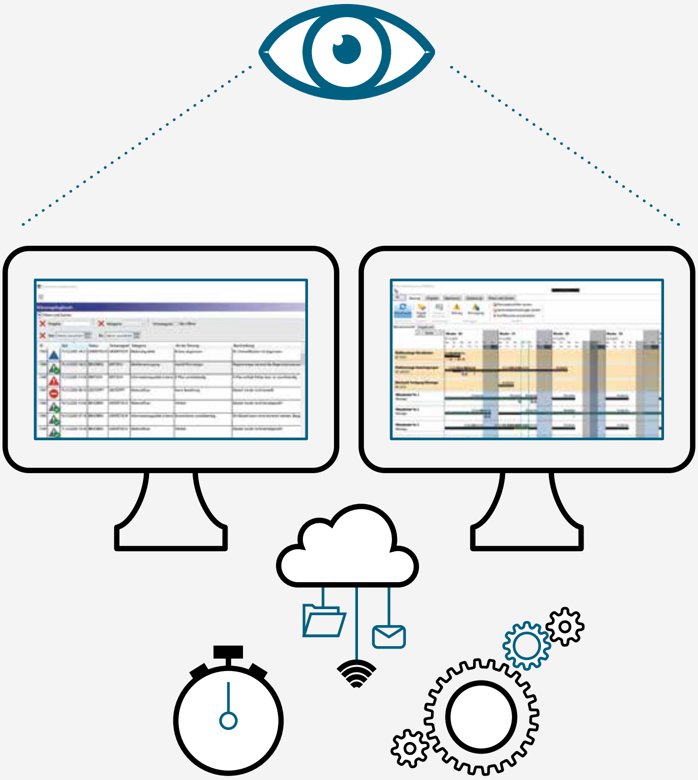
OFA – CUSTOM-MADE INNOVATION

Discovering trends and developing innovative products is part of day-to-day business for OFA Bamberg. An interdisciplinary team made up of members from R&D, production and product management handles the development of new products for the manufacturer of surgical stockings, bandages and orthotic devices. But how does this team come up with ideas that have what it takes to become innovation champions? Through design thinking. This approach turns initial "problems" into concrete prototypes as quickly as possible – following a defined multi-stage process. In the final testing phase, test subjects and experts evaluate the design with regards to fashion, medical efficacy and wear comfort. The ease with which the product can be put on and removed, along with its feel, is thus directly tested in everyday situations. Feedback from the test subjects goes straight back to the development process so that user requirements can be directly included in the development of new features. With this design thinking approach OFA developed its Lastofa Forte range. This included the first flat-knitted medical compression quality stockings made of Merino wool that provide support in treating edemas, scars and burns.

The innovative Lastofa Forte has already received a Red Dot Award for product design.

M. BRAUN AND MIGUA – AT A GLANCE

Taking their name from vehicle displays, dashboards collect and visualize data from various sources within a company. This makes the order backlog and KPIs, for example, easy to access at any time – keeping company employees well informed. In 2020, two companies in the INDUS Group introduced new dashboard solutions.



TRANSPARENT ORDER PROCESSING

At MIGUA, a supplier of customer-specific joint profile systems, several employees from a number of departments work on one project simultaneously. Because many of the project steps are based on the preceding ones, a cockpit was developed in partnership with RWTH Aachen where the status of each order is shown in real time from input to shipping. To achieve this, production and sales planning lists, and order-processing ERP data were overlaid. Now employees can see what tasks are currently pending on two large, centrally positioned monitors, while passing by. Key figures such as lead time and adherence to deadlines are also automatically tracked. The next development stages are in the pipeline, with the inclusion of the network-independent sales force and expansion to all MIGUA product groups on the agenda.

PRODUCTION PLANNER AND DASHBOARD ALL IN ONE

With this project, the INDUS portfolio company M. BRAUN aimed to increase transparency in order and resource planning, especially in production. The manufacturer of inert gas glove box systems and gas scrubbing equipment had already exhausted the possibilities of the ERP system. Intensive work was completed in-house to develop a dashboard that built on the existing system in the most effective way possible. The end result is a tool with functions that go beyond simple visualization. The new solution significantly improves coordination between material provision and production. Workflows can be logged in a user friendly manner and errors can be systematically recorded and monitored. And more is planned. The dashboard and production planner are to be made available on mobile end devices in the future.

[IN]side

BETEK – WORLD'S MOST HIGH-TECH ROAD MILLING TOOL PRODUCTION PLANT

20,000,000
ROAD MILLING TOOLS A YEAR

223
TRUCK LOADS (WITH TRAILERS) A YEAR

3
YEARS IN DEVELOPMENT

INVESTMENT IN HIGHLY EFFICIENT PRODUCTION

The Black Forest town of Aichhalden has gained a new attraction that is passing tourists by. At the end of 2019, BETEK put a high-tech, fully automated soldering conveyor for road milling tools into operation in its new production hall. The carbide specialist is now able to produce an additional 90,000 milling tools each day. This equates to an impressive total weight of 30 tons per day. The milling tools produced are primarily used in road construction – for instance, to mill off the road surface. "This plant's output alone can cover 30% of the annual demand for road milling tools," states Dr. Marc Siemer, the company's managing director. "This puts BETEK in an ideal position to expand further in the coming years."

FULLY AUTOMATED

BETEK engineers worked on developing this highly efficient plant for three years. It was then built in collaboration with an automation company. What makes it special? The three-step processing of the milling tool is now completed in one fully automated step. The plant can also be quickly adjusted to produce different types of milling tools. "In the last 30 years, milling tool production automation has increased by a factor of 22," says managing director Tobias Hilgert. "This keeps us one step ahead of the competition."

Ultrasound welding equipment combines high speed with high precision.

FLYING HIGH-FREQUENCY

AN INTERVIEW WITH DR. HANS HESSE FROM HESSE MECHATRONICS The Paderborn-based specialist for ultrasound wire bonders and welding equipment is one of the world's most successful providers in this field. With the company's fully automated machines, high-precision electricity conducting connections can be established between semiconductors and the substrates they are on – for example, between high-frequency technology components, power electronics, medical technology, automotive technology or between cells in battery modules. The founder and CEO, Dr. Hans Hesse, gives us an insight into the more challenging times in his entrepreneurial career.

[QUESTION] Dr. Hesse, how did you become an entrepreneur?

DR. HANS HESSE Looking back, I would say it was due to a series of lucky coincidences. As a young man, I'd often thought about setting up my own company, but I didn't really know how to go about it. As an engineer, your focus is more on technical issues. And so, after receiving my doctorate, I went to work as a scientific assistant at the Robotics Research Institute at TU Dortmund

University. Then a company asked me to develop a technological idea for a local streetcar company. The most complicated aspect of the task for me was writing an invoice – as a scientific officer. You could say that this was the start of my entrepreneurial career. After that I worked at the technical university during the day and the rest of my time was spent on my one-man business. But obviously nobody can keep that up for long. In 1988, with a big order on my desk, I gathered my courage and became fully independent.

[QUESTION] Was this before you founded Hesse Mechatronics?

HESSE Yes, Hesse Mechatronics was only established in 1995. In the years before the company was founded, we took on various hardware and software service orders. The business slowly grew until we were commissioned to develop the controls for a bonder. That was our first contact with semiconductors. And this is what Hesse Mechatronics mainly deals with today. Our good luck at the time was that we already had a variation of the solution ready to go. Our bad luck was that the customer went bust before they could pay.

[QUESTION] So this turned out to be the first real crisis you faced?

HESSE And luckily we made it through. We had already put so much work into the project, that I could not give up on it. I had a contact in business development and this contact led me to a KfW development bank subsidiary in Bonn where we received funding of two million deutsche marks. A customer from our home region of Ostwestfalen made this step possible for us. The entrepreneur was impressed with our idea and became the project's lead investor.

[QUESTION] So with the development bank and the entrepreneur, there were already two who believed in you and your project …

HESSE Yes, and this was especially important in the beginning. Looking back, I'd say we were also quite naive. I began the development of our machines thinking that we just had to give our customers the right kinematics – or to put it more simply, motion mechanics – with sufficient precision and dynamics. It was the customers themselves who were the experts in the technology this would build on. So I wrongly assumed that we would just have to purchase the central component, the electromechanical transducer. But as soon as the first machine was ready, I saw that I was mistaken.

[QUESTION] And so you had to take on this task, too?

HESSE For better or worse, because there was no going back. If I had known this to begin with, I would probably never have developed the bonder – the job would have been too daunting. So in retrospect, my lack of knowledge was an important part of what gave me the courage to take on the task. When young entrepreneurs present their ideas to me nowadays, I sometimes recognize this same appetite for adventure, which will help them to overcome some of the obstacles they may face in the future.

[QUESTION] An entrepreneur's path also has some surprises then. Did it always end well in your case?

HESSE Let's just say there weren't only surprises of a technical nature.

A CENTRAL COMPONENT OF AN AUTOMATIC BONDER IS THE ELECTROMECHANICAL TRANSDUCER, WHICH MAKES A TOOL GENERATE BENDING VIBRATIONS. THE TOOL, WHICH LOOKS LIKE A NEEDLE, PUSHES A WIRE ONTO THE CONTACT AND VIBRATES BACK AND FORTH AT A FREQUENCY OF 100kHz (100,000 VIBRATIONS PER SECOND) FOR EXAMPLE, AND WITH AN AMPLITUDE OF A FEW MICROMETERS (A FEW THOUSANDTHS OF A MILLIMETER). USING A FRICTION WELDING PROCESS, THIS ALLOWS A CONDUCTIVE CONNECTION TO BE CREATED WITHIN A FEW THOUSANDTHS OF A SECOND.

Battery technology is one of the many application areas where bonders and smart welders are used.

Surprises can pop up in all areas of life and their effects can be very different. But whatever happens, entrepreneurs need a certain amount of resilience. For example, I once discovered that a business partner had been cheating me for years. In these critical situations it takes a lot of strength to fight back. On the other hand, you need space to switch off and recharge. You also need people that you can trust and ask for advice. The path that an entrepreneur walks can be very narrow – but, to answer your question, in the end there was always a solution to every problem.

[QUESTION] Having someone you can trust is important. Would you say this also applies when it comes to developing new ideas?

HESSE Definitely. Marketable innovations come about when we combine different perspectives. I like to exchange ideas with Prof. Wallaschek, for instance, whom we have been working with for more than 25 years. He heads the Institute of Dynamics and Vibration Research at the University of Hanover. Our customers, too, are important partners for me and the company when it comes to brainstorming new developments. Our discussions with them give us very specific trigger points that we can use in developing and improving our products. Of course, this only works when both sides trust one another. Without trust you hit a wall of silence. We have gained this trust, broken through the wall and created an atmosphere of cooperation based on trust.

[QUESTION] Do you sometimes worry that you are missing important innovations?

HESSE As specialists, we're active in a very small market that we know well. We only have one competitor in Germany. Beyond that there are another three to five worldwide. However, in these fast-changing times, we are in no way protected against surprises. That is why we also cooperate with universities and large companies in the electronics industry, in addition to our own innovation work. As a leading company in the market, we are always under pressure to be at the right place at the right time with the right machine. We take this challenge on every day.

Hesse Mechatronics currently employs around 220 employees in Germany, Hong Kong, Japan and the United States. The headquarters at Lise-Meitner-Straße, completed just three years ago, are now undergoing another several-million-euro expansion.

DR. HANS HESSE

Hans Hesse is the founder and managing director of Hesse GmbH, Paderborn. After studying physics at the University of Münster and electrical engineering at Ruhr University Bochum, he worked as a scientific assistant at the University of Hagen and received a doctorate in electrical engineering. He left his post on the academic board of the Robotics Research Institute at TU Dortmund University to start his own business in 1988.

Find out more at:
www.hesse-mechatronics.com

INDUS TICKER 2020

Awards

The INDUS Group was overjoyed to once again receive a number of awards in 2020:

- BETEK, MIGUA, OFA and BUSCHJOST, a GSR subsidiary, each received a top innovator award for their successful innovation management, putting them among the TOP 100 most innovative SME companies.
- OFA's premium bandage range Dynamics Plus won the German Brand Award.
- The Cologne Chamber of Industry and Commerce recognized ASS for its commitment to vocational training.
- BILSTEIN & SIEKERMANN and REMKO received the award for "Germany's Best Trainers" from Capital.
- BETEK Tools Taicang Ltd., BETEK's Chinese branch, received an award for its outstanding first quarter in 2020 from the Taicang government. Despite the coronavirus pandemic, BETEK was able to generate more than 100% of the previous year's quarterly sales and was happy to receive prize money.
- A team of Swiss students researched special optics for MIKROP and achieved third place in the WTT Young Leader Awards market research category.
- In September, the INDUS website received a gold International Business Award in the financial services category.
- At the end of the year, INDUS received the LACP Spotlight Award, taking home silver in the digital (web) category.

Anniversaries

- ROLKO, SMA and WEIGAND have stood at their customers' sides for 30 years.
- IEF, M+P, OBUK and RAGUSE celebrated their 40th anniversaries in 2020.
- MEWESTA celebrated 50 years of business in 2020.
- RÜBSAMEN looked back on its 60 years in the field of metal processing this year.
- SCHUSTER celebrated its 75th anniversary at the end of the year.
- Established in 1930, AURORA celebrated its 90th anniversary this year.
- MIGUA celebrated its 100th anniversary in May and launched an ideas workshop where employees can discuss ideas and develop innovations in a creative atmosphere.

Acquisitions

INDUS grew with a first-level acquisition at the end of 2020:

- Jungmann Systemtechnik GmbH & Co. KG (JST), a specialist in integrated control room solutions, joined the INDUS portfolio. JST belongs to the automation/measuring technology/control engineering growth industry defined in the PARKOUR strategy program.

Annual Shareholders' Meeting

Due to the coronavirus pandemic, INDUS held its first virtual Annual Shareholders' Meeting on August 13, 2020. Around 200 viewers watched the three-hour event broadcast from a TV studio in Ossendorf, Cologne.

Sustainability

Sustainability remained an important topic at INDUS in 2020:

- INDUS again achieved "prime" status in the ISS ESG ratings, defending its top position in the international comparison group "financials/multi-sector holdings."
- INDUS placed its first ESG-linked promissory note loan in September. The promissory note loan's interest rate is linked to the sustainability rating INDUS receives from ISS ESG.

You can catch up with our other interesting projects in this area in our separate sustainability magazine, which will be published in the summer.

[IN]spiring PROGRESS

IMPRINT

CONTACT

Nina Wolf
Senior Manager
Corporate Communications
Phone: +49 (0)2204/40 00-73
Email: presse@indus.de

INDUS HOLDING AG
Kölner Straße 32
51429 Bergisch Gladbach

P.O. Box 10 03 53
51403 Bergisch Gladbach

Phone: +49(0)2204/40 00-0
Fax: +49 (0)2204/40 00-20
Email: indus@indus.de
www.indus.de

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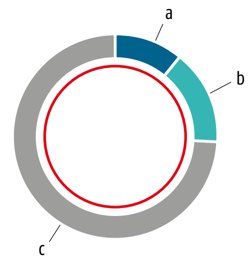
Key Figures 2020

in EUR million	2020	2019	2018
Sales	1,558.6	1,742.8	1,710.8
EBITDA	157.7	225.7	218.1
EBIT before impairment	65.7	135.2	150.5
EBIT margin before impairment (in %)	4.2	7.8	8.8
Impairments*	40.6	17.3	16.1
EBIT	25.1	117.9	134.4
EBIT margin (in %)	1.6	6.8	7.9
Group net income for the year (earnings after taxes)	-26.9	60.1	71.2
Operating cash flow	174.4	167.7	96.0
Cash flow from operating activities	155.2	147.3	74.7
Cash flow from investing activities	-52.4	-76.2	-98.3
Cash flow from financing activities	-42.0	-46.1	-2.8
Earnings per share (in EUR)	-1.10	2.43	2.90
Cash flow per share (in EUR)	6.35	6.02	3.05
Dividend per share (in EUR)	0.80**	0.80	1.50
Dividend yield (in %)	2.5**	2.1	3.8
Payout ratio (in %)	54.6**	24.6	48.0
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Total assets	1,728.8	1,808.2	1,720.0
Equity	676.4	727.7	709.8
Equity ratio (in %)	39.1	40.2	41.3
Working capital	410.5	478.3	472.1
Net debt	518.9	546.2	482.8
Cash and cash equivalents	194.7	135.1	109.6
Total assets of INDUS Holding AG	1,650.1	1,593.0	1,551.3
Equity of INDUS Holding AG	950.0	934.7	893.5
Equity ratio INDUS Holding AG (in %)	57.6	58.7	57.6
Portfolio companies (number as of Dec. 31)	46	47	45
Employees within the Group (on average)	10,654	10,856	10,714

* Impairments of goodwill and property, plant, and equipment
** Subject to approval at Annual Shareholders' Meeting on May 26, 2021

PORTFOLIO STRUCTURE 2020 BY YEARS (in % / number of portfolio companies)

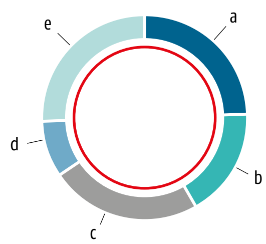


a
1 to 5 years – **11 / 5**

b
5 to 10 years – **15 / 7**

c
More than 10 years – **74 / 34**

2020 SALES BREAKDOWN BY SEGMENT (in % / EUR million)



a
Construction/Infrastructure – **24.6 / 384.0**

b
Automotive Technology **17.3 / 269.2**

c
Engineering – **23.7 / 370.0**

d
Medical Engineering/Life Science – **9.1 / 142.1**

e
Metals Technology **25.3 / 393.6**

Goals

– Profitable Growth
– Value Enhancement
– Balanced Portfolio Structure

Added Value

BUSINESS PERFORMANCE

(in EUR million)

	2020	2019
Revenue	1,558.6	1,742.8
Other operating income	22.1	34.4
Own work capitalized	6.4	7.6
Change in inventories	-27.6	-22.9
Remaining income	1.5	1.0
Business performance	**1,561.0**	**1,762.9**

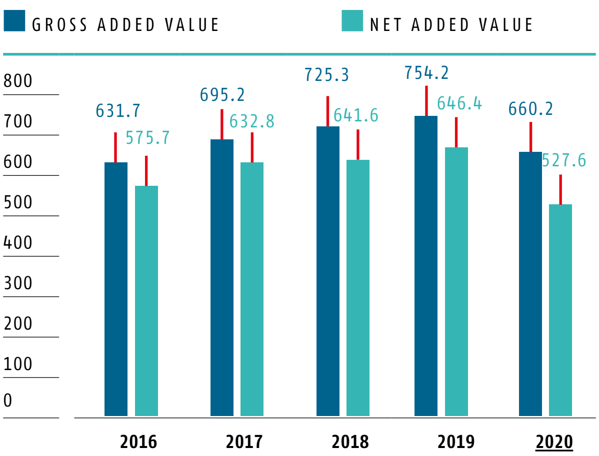
ADDED VALUE

(in EUR million)

	2020	2019
Business performance	1,561.0	1,763
Cost of materials	-690.1	-782.4
Other operating expenses	-210.7	-226.3
Gross added value	**660.2**	**754.2**
Depreciation/amortization	-132.6	-107.8
Net added value	**527.6**	**646.4**

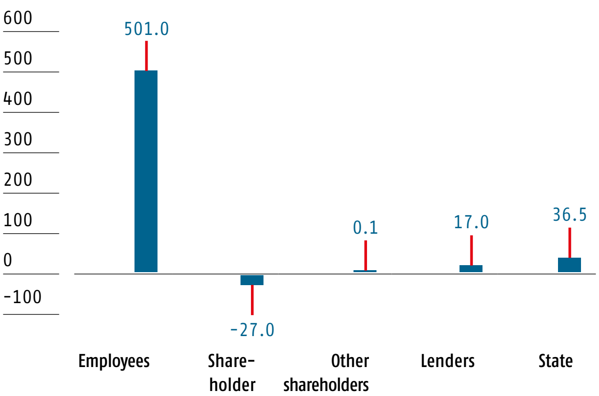
DEVELOPMENT OF ADDED VALUE IN 2020

(in EUR million)



UTILIZATION OF NET ADDED VALUE IN 2020

(in EUR million)



01

Company and Shareholders

Contents

Our Broad Positioning Is Paying Off Particularly Now

2020 was, without a doubt, an exceptional year for INDUS. A year of particular challenges but also of small and large successes in our day-to-day business activities shaped by the coronavirus. The INDUS Board of Management takes stock.

How can you sum up a year like 2020?

DR. JOHANNES SCHMIDT – 2020 was an exceptional year and demanded a great deal from all the INDUS Group's employees – both in the portfolio companies and in the holding company. At the same time, our portfolio companies' high degree of agility, which the managing directors as "local entrepreneurs" and our motivated workforces proved day after day, enabled us to adapt quickly to the ever-changing external circumstances caused by the pandemic.

RUDOLF WEICHERT – We were able to maintain the added value in the companies most of the time, even during the lockdowns, while also maintaining high standards for protecting the health of our employees. We therefore came through the crisis year relatively well as a group, with consolidated sales decreasing by 10.6% to EUR 1.56 billion. At EUR 174.4 million, our operating cash flow was in fact above the previous year's level. Operating income, which was EUR 25.1 million, was particularly affected by the Automotive Technology segment's negative performance, the goodwill impairments recognized, and the effects from implementing the INTERIM SPRINT package of measures.

INTERIM SPRINT is a good term. What's already happened there and what's behind this?

DR. JOHANNES SCHMIDT – Implementing the INTERIM SPRINT package of measures meant we sold a portfolio company, a sub-subsidiary, and a division of a portfolio company in 2020. We also closed a division of a portfolio company, and we'll fully complete the closure of another portfolio company in mid-2021. This means INTERIM SPRINT has significantly strengthened our portfolio structure.

What issues are particularly occupying your portfolio companies at the moment? What areas for improvement are you working on?

AXEL MEYER – The coronavirus pandemic is continuing to keep our managing directors and our portfolio companies' employees in suspense. We're focusing particular attention on implementing health protection measures for our employees and at the same time meeting operating challenges, which puts considerable strain on everyone involved. Where possible, our employees are working from home. And a lot of work is now being done virtually. For example, machinery at customers' premises all over the world is being installed and put into operation with video assistance, and certification audits are being conducted online. We've also expanded our web-based training options for customers.

JÖRN GROSSMANN – Despite the pandemic, the portfolio companies are looking ahead. Innovation activities continue. And the portfolio companies are also intensively focusing on initiating acquisitions of complementary additions to strengthen their market position or supplement their product portfolios.

How much has the pressure for innovation and efficiency further increased?

AXEL MEYER – It's noticeable that pressure for efficiency is still increasing. In addition to the many other coronavirus-related challenges, material prices are currently rising significantly. That's why our "improving performance" strategic initiative really hits the mark. Our "Operational Excellence in Production" and "Operational Excellence in Business Development/Sales" programs help our portfolio companies to improve their value-adding core processes. This enables them to better exploit existing market opportunities or, in the spirit of lean management, "avoid waste." Especially in the area of business development and sales, there's considerable potential that can be leveraged – in some cases even faster than in production. The best example is the pricing of products and services: You have to develop a clear picture of customer benefit here and then price this consistently. A smart pricing policy creates concrete earnings potential.

JÖRN GROSSMANN – In the period after the coronavirus in particular, innovation pressure is also going to continue to increase. The topic of digitalization is still on everyone's lips. We're deliberately strengthening our portfolio companies' creativity and innovativeness with the "driving innovation" strategic initiative from our PARKOUR strategy program. Even in 2020, which was a difficult year, we carried on with important innovation projects and started new ones. We've invested a total of around EUR 1.5 million to support our portfolio companies' important innovation projects with our innovation development bank.

What does the current situation mean for the intended acquisitions?

DR. JOHANNES SCHMIDT – We've set ourselves clear growth targets for the portfolio with the "strengthening the portfolio structure" strategic initiative. We want to grow it

sustainably with acquisitions in the sectors we've identified as growth industries. In the past year, the market for the types of acquisition targets INDUS typically chooses – the hidden champions of the SME industry – largely dried up until well into the third quarter. Since the end of the third quarter, we have, however, seen a significant revival. The "good" companies have now proved that they can even develop in a stable way in times of pandemic. That is giving the sellers – and we almost exclusively talk to owners of family-run businesses here – the courage to start sales processes again.

We're currently at an advanced stage in several processes. I'm very confident that we'll succeed in several more acquisitions in 2021, as set out in our PARKOUR strategy program – both growth acquisitions at portfolio level and complementary additions for our portfolio companies.

What can the shareholders and partners expect for 2021 overall?

RUDOLF WEICHERT – 2021 will be a transition year for the INDUS Group after the adverse year of 2020. We're going to see clear improvements in the Automotive Technology segment. However, 2021 will remain difficult for the two series suppliers in restructuring, because the series ramp-ups for important new projects are only just starting. The background to this is the long lead times in the industry. We expect a recovery in the Engineering, Medical Engineering/Life Science, and Metals Technology segments. And the Construction/Infrastructure segment remains an important linchpin of the portfolio.

DR. JOHANNES SCHMIDT – We're going to continue to systematically implement the PARKOUR strategy program in 2021. The positive effects from the INTERIM SPRINT package of measures and the tailwind as a result of anticipated positive macroeconomic development let us take a major step toward healthy profitability. We're also going to further strengthen the portfolio structure with important acquisitions.

We're going to achieve our goals – together with the creative and bold managing directors in our portfolio companies and particularly also together with our motivated and dedicated employees in our portfolio companies and the holding company. On behalf of the entire Board of Management, I'd like to thank everyone very much for this dedication. <<

Management Bodies

The INDUS Board of Management*

DR.-ING. JOHANNES SCHMIDT
CHAIRMAN OF THE BOARD

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

DR. JÖRN GROSSMANN
BOARD MEMBER

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

AXEL MEYER
BOARD MEMBER

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

RUDOLF WEICHERT
BOARD MEMBER

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

* Detailed information concerning the professional qualifications of the Board of Management members may be found on our website. For information concerning memberships on other supervisory boards, see page 195.

The INDUS Supervisory Board

Supervisory Board members representing shareholders are elected for no longer than the period until the end of the Annual Shareholders' Meeting that resolves the approval of the actions for the fourth financial year after the start of the term in office. The financial year in which the term of office begins is not taken into account here. The Annual Shareholders' Meeting can define a shorter term of office for the Supervisory Board members representing shareholders on their election. Re-election is permitted. Candidates must not be above the age of 70 at the time of their election or re-election. The terms of office of the serving members of the Supervisory Board end with the end of the Annual Shareholders' Meeting in 2023. Detailed information concerning the professional qualifications of the Supervisory Board members may be found on our website. For information concerning memberships of Supervisory Board committees, see page 194 et seq.

JÜRGEN ABROMEIT
Supervisory Board Chairman (since 2018)

WOLFGANG LEMB*
Deputy Supervisory Board Chairman (since 2018)

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

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

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

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

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

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

ISABELLA PFALLER
Member of the Supervisory Board (since 2018)

HELMUTH SPÄTH
Member of the Supervisory Board (since 2012)

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

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

Supervisory Board Committees

Nomination Committee

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

Personnel Committee

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

Audit Committee

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

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

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

* Employee representative

Report of the Supervisory Board

Dear Shareholders,

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

Cooperation Between the Board of Management and the Supervisory Board

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

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

Composition of the Supervisory Board

There have been no changes to the composition of the Supervisory Board compared to the previous year. Details regarding the composition of the Supervisory Board and its committees can be found on page 9 in the section "Management Bodies" and on page 194 et seq. in the section "Further Information on the Board Members" of the Annual Report, as well as on the INDUS website.

Meeting Frequency and Attendance

Six ordinary meetings and one extraordinary Supervisory Board meeting were held in the 2020 financial year. In view of the COVID-19 pandemic, the meetings were generally held as video conferences. Only one meeting was held as a face-to-face meeting. In addition, the resolutions of the shareholder representatives on the Supervisory Board on independence were adopted in a conference call on March 9. The Board of Management attended all Supervisory Board meetings except for the aforementioned conference call for shareholder representatives, although the Supervisory Board also regularly discussed agenda items without the Board of Management. Apart from one excused absence of a member at the Personnel Committee meeting and the Supervisory Board meeting on September 24, 2020, all members of the Supervisory Board and the committees always took part in all meetings of the Supervisory Board and its committees.

Conflicts of Interest

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

SUPERVISORY BOARD MEETINGS AND WORK OF THE COMMITTEES IN THE 2020 FINANCIAL YEAR

	Participation	in %
Supervisory Board		
Jürgen Abromeit (Chairman)	7/7	100
Wolfgang Lemb (Deputy Chairman)	7/7	100
Dr. Jürgen Allerkamp	7/7	100
Dr. Dorothee Becker	7/7	100
Dorothee Diehm	7/7	100
Pia Fischinger	7/7	100
Cornelia Holzberger	7/7	100
Gerold Klausmann	7/7	100
Isabella Pfaller	7/7	100
Helmut Späth	7/7	100
Uwe Trinogga	7/7	100
Carl Martin Welcker	7/7	100
Personnel Committee		
Jürgen Abromeit (Chairman)	5/5	100
Dr. Dorothee Becker	4/5	80
Dorothee Diehm	5/5	100
Wolfgang Lemb	5/5	100
Audit Committee		
Isabella Pfaller (Chairwoman)	4/4	100
Dr. Jürgen Allerkamp	4/4	100
Gerold Klausmann	4/4	100

Corporate Governance

On the basis of detailed, legally verified questionnaires, a self-evaluation of the work of the Supervisory Board and of the Personnel Committee and Audit Committee was carried out. In addition, the Supervisory Board together with the Board of Management issued an updated Declaration of Conformity with the German Corporate Governance Code on December 9, 2020, pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it available on the INDUS website.

Main Topics of the Meetings

The **first ordinary Supervisory Board meeting** on **March 26, 2020,** focused on the submission and clarification of the 2019 annual financial statements of INDUS Holding AG and the Group and the resolutions on these. The Chairwoman of the Audit Committee particularly addressed significant aspects of accounting for the consolidated financial statements to the Supervisory Board. At the Audit Committee's recommendation and after thorough exchanges with the external auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, the Supervisory Board approved the annual financial statements and the consolidated financial statements as well as the separate non-financial INDUS Group report for the financial year 2019. The Supervisory Board agreed with the dividend and resolutions proposed by the Board of Management for the 2020 Annual Shareholders' Meeting. On the basis of the proposal of the Audit Committee, the Supervisory Board resolved to propose to the Annual Shareholders' Meeting that Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Cologne, be appointed as the external auditor for the company and the Group for the 2020 financial year.

Following the recommendations of the Personnel Committee, the necessary resolutions regarding the variable remuneration of the members of the Board of Management were passed. Moreover, the Board of Management informed the Supervisory Board of the INDUS Group's economic position as of February 2020, including special reports on the ongoing repositioning projects. In addition, it explained the plan of action undertaken in view of the effects of the COVID-19 pandemic.

The Supervisory Board held a **second ordinary meeting** on **May 20, 2020**. The board dealt in depth with the Board of Management's report concerning business performance in the months from January to April 2020 at this meeting. Moreover, the Board of Management presented the Forecast I to the end of 2020, which was prepared based on the results for the period ended March 2020, and also dealt with the development of liquidity. With respect to the 2020 Annual Shareholders' Meeting, the Supervisory Board agreed that it should be held virtually.

In addition to the current business performance, the main topics discussed at the **third ordinary Supervisory Board meeting** on **July 7, 2020,** in particular comprised the INTERIM SPRINT package of measures to optimize the portfolio resolved and explained in detail by the Board of Management, the planning process at mid-year that was additionally triggered and also in the context of the COVID-19 pandemic, the subsequent impairment tests, and the effects of the package of measures on the half-year figures.

At the **fourth ordinary meeting** on **August 13, 2020**, the Supervisory Board discussed the Forecast II of the portfolio companies in depth, which was prepared on the basis of actual figures for the period ended June 30, 2020, and also the implementation of the INTERIM SPRINT package of measures on the basis of the Board of Management's explanations. In particular, the development of the direct portfolio companies BACHER and KIEBACK and the sub-subsidiary FICHTHORN were discussed.

The **fifth ordinary Supervisory Board meeting** was held on **September 24, 2020**. In addition to discussing the current plan presented by the Personnel Committee for further developing the remuneration system for the Board of Management, the Supervisory Board also discussed the results of the self-evaluation carried out. Based on the Personnel Committee's recommendations, the Supervisory Board decided to extend the appointment of Rudolf Weichert to the company's Board of Management and approve Mr. Weichert's Board of Management contract extension. The Board of Management provided information on the financial performance as of August 31, 2020, and on the further implementation of the package of measures. Following a detailed explanation by the Board of Management, the Supervisory Board approved the closure of BACHER AG.

At the **extraordinary Supervisory Board meeting** on **November 16, 2020**, the Board of Management explained the planned acquisition of JUNGMANN Systemtechnik GmbH & Co. KG, which the Supervisory Board approved following a discussion.

The Supervisory Board held a **sixth ordinary meeting** on **December 9, 2020**. At the meeting, the Board of Management reported the current financial performance as of October 31, 2020, the current status of repositioning projects in the Automotive Technology segment, and the current outlook for the remainder of the 2020 financial year. The Board of Management then covered business planning for the 2021 financial year. In the discussion that followed, the Supervisory Board and the Board of Management considered the details of the planning process. The Supervisory Board adopted the annual planning without changes.

Another focus was on the discussions and the resolution on the new remuneration system for the Board of Management, which meets the changed requirements following the implementation of the Second Shareholder Rights Directive into German law and the revision of the German Corporate Governance Code. The new remuneration system for the Board of Management including the remuneration caps decided for the respective members of the Board of Management will be presented to the 2021 Annual Shareholders' Meeting for approval. In addition, the Supervisory Board argued in favor of retaining the rules on remuneration for the Supervisory Board laid down in the Articles of Incorporation.

Work of the Committees

The main task of the Supervisory Board committees is to prepare decisions and topics for the complete Board's sessions. Decision-making powers may be transferred to the committees for this purpose insofar as the law permits. The chairmen of the committees reported to the Supervisory Board regularly and in detail on their committees' work. Both the Personnel Committee and the Audit Committee met several times in the past year. In accordance with Section 27 (3) of the Codetermination Act, there was no need for the Mediation Committee or the Nomination Committee to convene. The composition of the committees is presented on page 8 et seq. of the Annual Report under the heading "Management Bodies" and on the INDUS website.

In the 2020 financial year, the **Personnel Committee** prepared the Supervisory Board's personnel decisions in **five meetings** on **March 26, May 20, September 15 and 24, and December 9, 2020**. Where necessary, decisions were made or resolutions to be taken were recommended to the Supervisory Board. The committee discussed the topic of compensation paid to the Board of Management in detail. In addition to recommendations for the Supervisory Board regarding adopting the necessary resolutions on compensation paid to the Board of Management in the existing system, the Personnel Committee worked intensively on developing a new remuneration system for the Board of Management taking account of the change in conditions as a result of the implementation of the Second Shareholder Rights Directive into German law and the revision of the German Corporate Governance Code. The newly developed remuneration system for the Board of Management was ultimately recommended to the Supervisory Board for resolution. Details regarding compensation for the Supervisory Board members can be found in the compensation report. Another focus of committee work was contractual matters relating to members of the Board of Management. For example, the extension of Mr. Weichert's appointment and Board of Management contract was recommended to the Supervisory Board for resolution. The upcoming contract extension with Dr. Großmann in 2021 was also discussed.

The **Audit Committee** met **four times** in the 2020 financial year: on **March 23 and 26, July 7, and December 9, 2020**. Taking part in the meetings, in addition to members of the Board of Management, were representatives of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne. The Audit Committee obtained the external auditor's Statement of Independence as required, verified his qualifications, entered into the remuneration agreement, and established the focal points of the audit. The external auditor declared to the Audit Committee that there were no facts or circumstances present that would constitute grounds for assuming a lack of impartiality on his part. The main topics of discussion were the 2019 annual financial statements, the effects of the COVID-19 pandemic and the package of measures adopted by the Board of Management to optimize the portfolio ("INTERIM SPRINT") on the 2020 half-yearly financial statements in particular, the review of the risk management and compliance report for 2019, and further development of the compliance management system.

Approval of the Annual Financial Statements and the Consolidated Financial Statements as of December 31, 2020

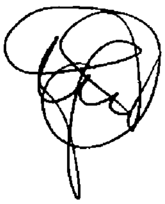
Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, appointed auditor of the separate and consolidated financial statements by resolution at the Annual Shareholders' Meeting of August 13, 2020, audited the annual financial statements, the consolidated financial statements, and the combined management report of the Group and of INDUS Holding AG for the 2020 financial year pursuant to the Supervisory Board's instructions. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The external auditor provided the annual financial statements with an unqualified audit certificate. The auditor also confirmed that the risk management system complied with the provisions of law, and that there are no identifiable risks that might jeopardize the company as a going concern. As planned, the interim financial reports were not audited.

Annual financial statements, consolidated financial statements, the combined management report, the external auditor's audit report, and the non-financial INDUS Group report were presented to all members of the Supervisory Board in good time. These were discussed in detail at the Supervisory Board meeting held on March 18, 2021, for adoption of the financial statements. This meeting was also attended by the external auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, which reported on the main results of the audit. The external auditor was also available to answer any further questions. The Supervisory Board discussed all of the submissions and audit reports in depth.

Following the final review of the documents submitted and the recommendations of the Audit Committee, the Supervisory Board raised no objections to the annual financial statements, the consolidated financial statements, or the combined management report, and agreed with the external auditor's findings. The Supervisory Board thus approved the 2020 annual financial statements and the 2020 consolidated financial statements. The annual financial statements for 2020 have therewith been adopted in accordance with Section 172 (1) of the German Stock Corporation Act (AktG). Following its review of the proposal, the Supervisory Board concurred with the Board of Management's proposed appropriation of distributable profit. The Supervisory Board also reviewed the separate non-financial report for the INDUS Group. To form its opinion, it drew on the review performed by the external auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne. The Supervisory Board raised no objections to the separate non-financial report for the INDUS Group.

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

Bergisch Gladbach, Germany, March 18, 2021



On behalf of the Supervisory Board,
Jürgen Abromeit
Chairman

INDUS Share

The 2020 Stock Market Year: Significant Influence From the Coronavirus Pandemic

The 2020 stock market year was dominated by the coronavirus and thus shaped by high volatilities. The pandemic was already affecting the GLOBAL ECONOMY in February. The economic downturn was twice as deep as in the financial crisis and occurred significantly more quickly. This led to unprecedented falls in prices on capital markets.

Information on the general economic conditions can be found starting on p. 66

However, the losses were almost completely wiped out again by the end of the third quarter, although the "second wave" in October then caused stock markets to correct once more. The market then continued in a negative trend until the outcome of the US election, enormous state liquidity measures and guarantees, and the news that vaccines to combat the virus would be available in the near future caused it to trend positively again.

At the end of the year, at 13,201 points (as of December 21, 2020) the DAX, which is a broad-market index, was only around 4% lower than its high of February 19, 2020, of 13,789 points. This is all the more remarkable, as it reached a low of 8,841.71 points in mid-March. In other words, investors saw a range of variation of almost 40% in the year.

The INDUS Share: Unfavorable Share Price Performance in the Volatile Market Environment

At the start of the reporting period, the INDUS share remained stable and even occasionally traded above the EUR 40 mark up to February 21, 2020 (the annual high was EUR 40.45 on January 8, 2020). It then, similarly to the market as a whole, fell to an annual low of EUR 21.40 on March 18, 2020, due, in particular, to pandemic concerns on capital markets.

However, the subsequent recovery following the significant price losses, which also affected members of the SDAX, was less strong: By the start of June, the price had recovered to EUR 31.90, only to hit a low of EUR 24.70 on October 28, 2020. From there, the share recovered again – partly because the capital market was further informed of a recovery from the coronavirus shock in the form of positive Q3 figures on November 12, 2020 – and has leveled off at between EUR 30 and EUR 32 since mid-November 2020.

At the end of the year, it closed at EUR 32.10, which was equivalent to a drop of 19.25% since the start of the year.

Liquidity of the Share: Increase in the Reporting Year

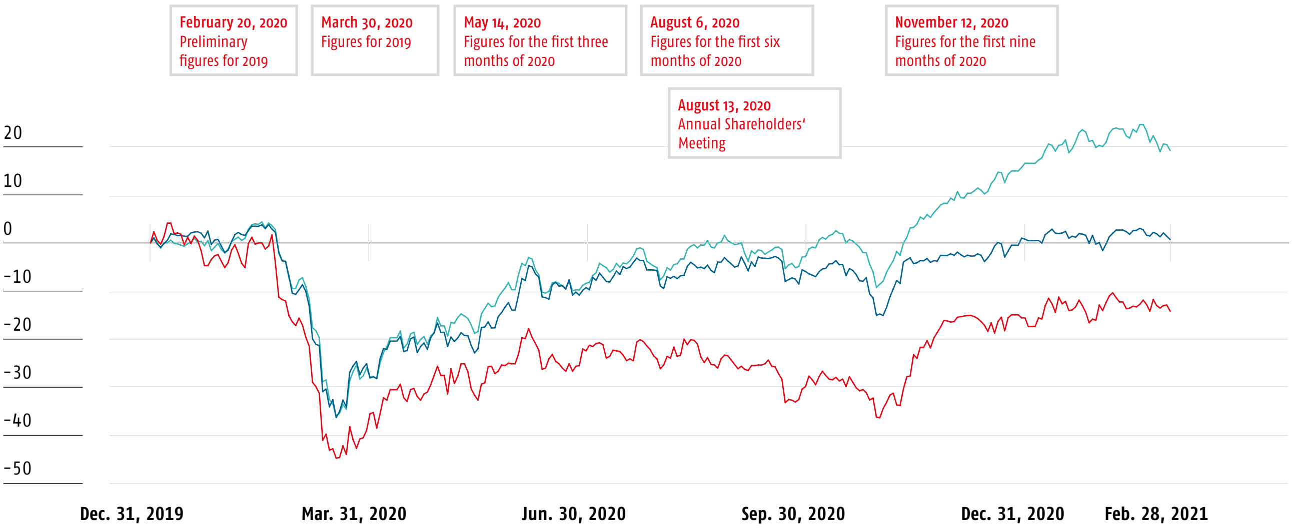
The liquidity of the INDUS share visibly increased in the reporting year. On average, according to the statistics of the German Stock Exchange, 28,585 shares were traded per day on XETRA and the German regional exchanges during the financial year. This amounted to an average of 21,940 shares a day in 2019. In addition, larger trades were made outside of the exchanges: Just over 76% of trading volume was on XETRA and regional German stock markets, according to Bloomberg, and was traded just above the level of the previous year.

KEY SHARE DATA (in EUR)

	2020	2019	2018
Earnings per share Group	-1.10	2.43	2.90
Cash flow per share Group	6.35	6.02	3.05
Dividend per share[1]	0.80	0.80	1.50
Dividend yield in %[1]	2.5	2.1	3.8
Sum disbursed in EUR million[1]	19.6	19.6	36.7
Year-high closing price[2] (Jan. 8, 2020)	40.45	47.45	66.00
Year-low closing price[2] (Mar. 18, 2020)	21.40	31.45	37.65
Price at year-end[2]	32.10	38.85	39.00
Market capitalization[3] in EUR million	784.86	949.90	953.57
Average daily trading volume in number of shares	28,585	21,940	24,711

1) Subject to approval at Annual Shareholders' Meeting on May 26, 2021
2) XETRA closing price
3) As of reporting date, based on complete capital stock of 24,450,509 shares

SHARE PRICE PERFORMANCE OF THE INDUS SHARE IN 2020 EXCL. DIVIDEND (in %)



Source: Bloomberg

INDUS SHARE DATA

WKN / ISIN	620010 / DE0006200108
Stock exchange code	INH.DE
Share class	No-par-value shares
Stock exchanges	XETRA, Düsseldorf, Frankfurt (regulated market), Berlin, Hamburg, Hanover, Munich, Stuttgart
Market segment/Index	Prime Standard/SDAX
Designated sponsors	Commerzbank, ICF, Hauck & Aufhäuser
Subscribed capital	EUR 63,571,323.62
Authorized capital in 2019	EUR 31,785,660.51
Number of shares	24,450,509

Stable Shareholder Structure With Many Institutional Investors

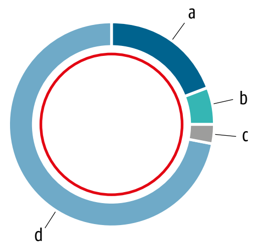
INDUS Holding AG's largest shareholder remains Versicherungskammer Bayern in Munich. In line with its long-term capital investment strategy, it holds 19.4% of the capital stock (according to the Board of Management's knowledge). The other anchor is formed by a group of private investors who are represented jointly. The spokesman for the group of proxy shareholders is Hans Joachim Selzer of Driedorf, Germany. This group holds 5.8% of INDUS shares, according to its own statements. Epina GmbH & Co. KG, Gütersloh, became one of INDUS Holding AG's larger shareholders in November 2017. The rest of the company's share capital (71.8%) is held by a broad range of investors. INDUS Holding AG currently does not hold any treasury shares.

Distribution: Proposed Dividend of EUR 0.80 per Share

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

As of December 31, 2020, the holding company had EUR 35.8 million in balance sheet profit. The Board of Management and the Supervisory Board will therefore propose a dividend payment of EUR 0.80 per share (previous year: EUR 0.80) to the Annual Shareholders' Meeting. This brings the total sum disbursed to EUR 19.6 million with a dividend payout ratio of 54.6%.

SHAREHOLDER STRUCTURE OF INDUS HOLDING AG AS OF DEC. 31, 2020 (in %)



a
Versicherungskammer Bayern – **19.4**

b
H. J. Selzer et al. – **5.8**

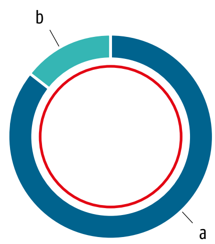
c
EPINA GmbH & Co. KG – **3.0**

d
Free float* – **71.8**

* Deutsche Börse defines free float as all shares not held by major shareholders (share of share capital of at least 5%). According to this definition, free float amounts to 74.8%.

Source: company information

THE INDUS SHARE HAS PRICE POTENTIAL



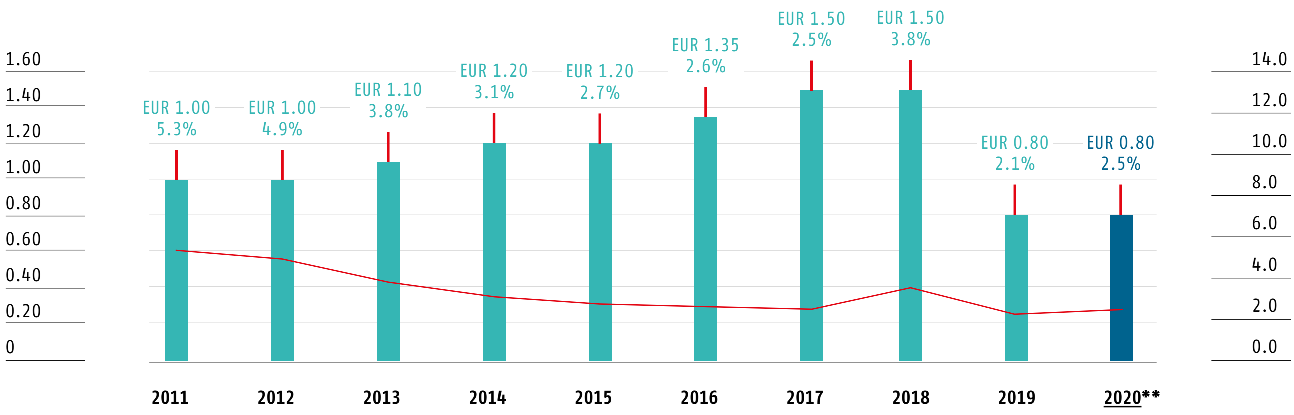
a
Buy – **6**

b
Hold – **1**

- Commerzbank (EUR 30.00) – hold
- FMR (EUR 38.50) – buy
- Hauck & Aufhäuser (EUR 41.00) – buy
- HSBC (EUR 50.00) – buy
- Independent Research (EUR 38.00) – buy
- LBBW (EUR 38.00) – buy
- M.M.Warburg (EUR 39.00) – buy

Average price target: EUR 39.21

DIVIDEND PER SHARE* WITH DIVIDEND YIELD FROM 2011 TO 2020 (in EUR/in %)



* Dividends paid to shareholders for the financial year concerned
** Subject to approval at the Annual Shareholders' Meeting on May 26, 2021

Dividend yield

Investor Relations Work: Strong Interest in Digital Formats During the Coronavirus Pandemic

A key topic in the dialogue with the capital market in 2020 was the information on the company's current performance. Over the reporting period, the Board of Management sought a continuous exchange of views with existing and potential investors. It used almost exclusively digital formats for this due to coronavirus constraints.

Despite the digital format, INDUS saw no drop in interest from the capital market but a pure digitalization of events. In the reporting year, twelve roadshows or conferences were held with international and national investors. At presentations by the Board of Management, interest increased considerably in some cases as a result of the digital format. In addition, greater use was made of the format of sales force briefings in order to ensure the same level of information between analysts and the sales force.

INDUS maintains dialogue with private investors through the Annual Shareholders' Meeting, participating in the DSW Investor Forum and through personal contact. Interested investors can stay abreast of current events through the INDUS newsletter.

By actively cultivating relations with the capital markets, INDUS underscores its commitment to transparent and regular communication. The FINANCIAL CALENDAR provides an overview of the most important dates for the current financial year. The financial calendar is regularly updated and is also available on the company's website.

An overview of the most important dates in the current business year can be found on the inside cover of the Annual Report on page 207. The financial calendar is also available at www.indus.de/en/investor-relations/financial-calendar

YOUR CONTACT AT INVESTOR RELATIONS

Dafne Sanac
Head of Investor Relations
Phone: +49 (0)2204/40 00-32
Email: investor.relations@indus.de

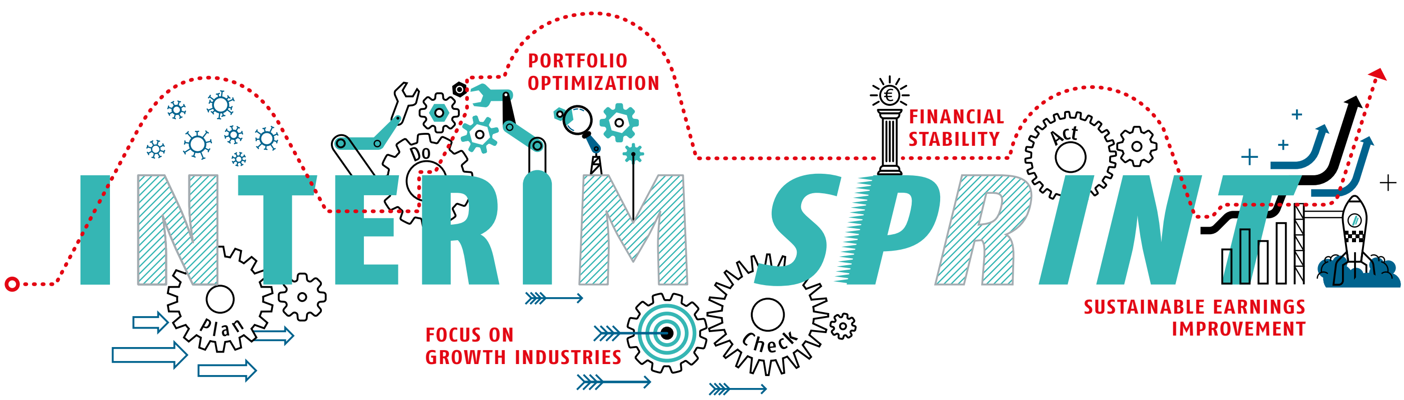
PARKOUR – Status Report

Handling the coronavirus pandemic underlined our investment portfolio's agility once more in 2020. On the one hand, COVID-19 increased the pressure on the Group to transform. On the other, the strengths of our SMEs and diversified portfolio have again been proven. The continuation of our PARKOUR strategy program further expands this resilience: We are resolutely strengthening the portfolio structure, constantly driving innovation, and systematically improving performance in the portfolio companies.

Focus 1: Strengthening the Portfolio Structure

PARKOUR focuses on the targeted development and forward-looking orientation of our portfolio. Our **INTERIM SPRINT package of measures**, which we implemented in 2020, clearly boosted this portfolio optimization. This is because the coronavirus pandemic highlighted existing weaknesses that we have specifically addressed. For example, we sold our subsidiary KIEBACK and the sub-subsidiary FICHTHORN, both from the Automotive Technology segment. In the Metals Technology segment, we closed the plastics plating sector at SIMON Systems, which was no longer sustainable, and decided to close the portfolio company BACHER. Moreover, the systematic expansion of the portfolio and the continuous development of our portfolio companies remain key building blocks of our INDUS DNA. We are systematically following our successful strategy of "buy, hold & develop."

Furthermore, we are sticking to the target of acquiring two to three companies per year from our six defined growth industries. Despite the fact that COVID-19 has made conditions more difficult, we were able to sign the purchase agreement for Jungmann Systemtechnik (JST) in November 2020, and the deal closed at the start of January 2021. The SME JST with its registered office in Buxtehude offers complete solutions for setting up control centers and control stations and strengthens the INDUS portfolio in the growth industry of **measuring technology, automation and control engineering** in a targeted manner. In line with our multi-tier transaction model, we also acquired remaining shares in M+P, PEISELER, MBN and SELZER in 2020.



Focus 2: Driving Innovation

PARKOUR aims to increase our portfolio companies' innovativeness. We systematically support our portfolio companies with the strategic orientation of their innovation activities in order to retain and increase competitiveness in the long term. To this end, we provide **methodological support** to establish appropriate processes and methods in the portfolio companies and seamlessly integrate them into the organizational structure. The aim is to identify and take advantage of market opportunities.

We support innovation projects with high strategic importance and a corresponding level of innovation through pro rata financial subsidies via the **INDUS development bank**. We also funded numerous projects via this existing instrument in 2020, despite the coronavirus pandemic. For example, M. BRAUN developed a glove box with voice control, and MBN designed an innovative screwdriver magazine.

In order to seize the opportunities from **megatrends** such as digitalization or green tech in a targeted way, we provide **working groups** within the Group. The aim of this direct communication between the portfolio companies is to jointly analyze market prospects and accumulate knowledge with added value. Experts from industry and research additionally inject ideas from outside. In 2020, for example, a working group was initiated on the topic of "opportunities in hydrogen technologies."

When further developing our portfolio companies' range of expertise, we also focus on **acquisitions of younger, innovative companies** at sub-subsidiary level. With the revival of the M&A market after the COVID-19 pandemic, the focus continues to be on complementary additions in the defined growth industries.

Despite the COVID-19 pandemic, we systematically advanced key building blocks of our PARKOUR strategy in 2020. We stand by our targets for 2025.

1. **55 to 60 portfolio companies** with sales significantly **over EUR 2 billion**.
2. **EBIT target** margin of **10%** again reliably achieved.
3. **Growth industries** clearly represented in the portfolio.
4. **Innovation** established as growth driver in the portfolio companies.
5. We live **digitalization** because our companies have mastered the shift to the "Tech Generation."
6. **Operational excellence** implemented in the portfolio companies' value-adding core processes.
7. **Internationalization** successfully continued by the portfolio companies.

Sustainable and responsible actions toward our stakeholders are the guiding principle for all of the economic activities in our Group.

Focus 3: Improving Performance

The effects of the pandemic in particular have again demonstrated the importance of operational excellence in the portfolio companies. PARKOUR deliberately focuses on the continuous improvement of business processes in the complete value chain.

One focus is on **increasing productivity in order processing**. In a status check of production processes across the Group, it was possible to work out and prioritize the action required in the portfolio companies. In 2020, we gave the portfolio companies more support with implementing concrete optimization projects in production and logistics. In our lean management training, employees were trained to become certified lean experts and lean trainers who can now pass on their knowledge within the Group. At the exchange of best practices, we also provide networking opportunities around order processing.

A second focus, which was established in 2019 to promote operational excellence, is on the **business development, strategic marketing, and sales** area. In 2020, we were able to carry out status checks at selected portfolio companies in order to work out the respective action required in strategy, sales, marketing, and pricing and to define fitting measures – which are being implemented independently by the portfolio companies or with the support of the holding company. Successful examples include implementation projects – for instance, at ELTHERM, IPETRONIK, HORN, GSR, and M+P INTERNATIONAL. We support methodological skills in the portfolio companies through actively sharing knowledge: For example, we are further expanding our range of seminars, which have been in greater demand due to the pandemic.

02

Non-financial Report

02

Contents

Non-financial Report

Sustainability at INDUS

This report is geared to the recommendations of the German Sustainability Code. The full application of national and international frameworks on sustainability reporting has been deliberately avoided. This is due to INDUS Holding AG's business model and the fact that these frameworks do not provide meaningful guidance for it either in terms of content or form. They thus do not address the sustainability aspects relevant for understanding INDUS' business performance in an appropriate way.

INDUS' long-term approach and our related promise that we will be a reliable partner for our portfolio companies in the long term means that the achievement of entrepreneurial success through economically, socially, and environmentally sustainable activities is part of the INDUS Group's identity.

INDUS Holding AG (hereinafter also "INDUS") is among the leading specialists in the acquisition and long-term support of SMEs. Through our long-term approach without an exit strategy, our investment focus is on SMEs with successful and established business models, which are frequently still owner-managed at the time of the acquisition. INDUS only acquires majority shareholdings in SMEs in the manufacturing sector of the German-speaking countries. This differentiates INDUS from turnaround investors and buy-and-sell investors, who limit their economic involvement to short periods. INDUS is represented through sub-subsidiaries, branches, portfolio companies, and representative offices in 32 countries on five continents around the world. INDUS' registered office is in Bergisch Gladbach, Germany, from where the holding company is managed by the four members of its Board of Management. The Group portfolio is characterized by a high degree of portfolio diversification, because the companies operate in diverse business and technological fields, selling markets, and business cycles. As a majority shareholder and financial holding company, INDUS supports its portfolio companies by providing capital for business development and as a strategic sparring partner for the portfolio companies' managing directors. In this collaboration based on a spirit of trust, INDUS accordingly ensures that in the event of conflicting objectives, long-term entrepreneurial success will always be the overarching objective above any short-term profits that might be made. INDUS' business model can be summarized with the phrase "buy, hold & develop."

INDUS and the portfolio companies do not define entrepreneurial success exclusively on a financial basis. As a significant regional employer, INDUS and the portfolio companies are aware of the particular importance of the local environment, especially because of the frequently long local history of the portfolio companies. The companies' local bonds can also be seen in the fact that employees are not infrequently already the second generation of their family to work at the company and live in its direct vicinity. Understanding that environmental protection does not end at the property boundaries is thus part of INDUS' DNA. For the INDUS Group, SUSTAINABILITY means the compatibility of economic, social, and environmental aspects.

The first INDUS sustainanility magazine will be published in the summer of 2021

Since the 2017 financial year, INDUS Holding AG has reported on its general business model in accordance with the CSR Directive Implementation Act (CSR-RUG) in the annual report's management report as well as providing dedicated information on the relevant thematic sustainability aspects (ESG: environment, social, governance) in the non-financial report. The sustainability strategy is embedded in the strategy program as a separate component and is in the Board of Management's direct area of responsibility due to its strategic significance. As an independent strategy component, the legal and content-related topics from the ESG field are a point of strategic sparring between the Board of Management and the portfolio companies' managing directors. A bonus has therefore been integrated into INDUS Holding AG's compensation system for the Board of Management as part of the short-term incentive (STI) as a financial incentive for progress in sustainability aspects. The Board of Management donates this bonus to selected, local charitable organizations if the targets set are achieved.

Current legal and regulatory developments are monitored, used to analyze the sustainability strategy and serve as a basis for updating the strategy when it needs to be changed. INDUS is currently particularly monitoring the development of EU Regulation 2020/852 ("Taxonomy Regulation") and the Due Diligence Act ("Supply Chain Act") so as to be able to introduce appropriate measures in the future if adaptations are needed, once there is legal certainty.

The tightening of legal requirements reflects not only the increased public awareness of the significance of ESG aspects but also the reality of the progression of global warming and the increased danger of failure to meet the objectives of international agreements. Due to the trend in global warming, INDUS considers significant weather events such as heat waves and severe storms likely to occur. The companies of the INDUS Group are covered in this respect by relevant insurance policies against natural disasters and business interruptions. With regard to an impact on production conditions, the product portfolio, and the Group's performance as a result of global warming, INDUS does not expect the current situation to get worse. This is also due to the INDUS Group's high level of diversification in terms of locations, selling markets, and fields of business.

Nevertheless, INDUS strives to make early and forward-looking adaptations to the product portfolio and existing processes in the portfolio companies in order to be able to continue to take advantageous market positions. The holding company financially supports the INDUS Group with this and encourages early dialogue with the portfolio companies' customer base.

Read the article on sustainable financing at INDUS in our 2021 magazine, p. 18 et seq.

As a listed financial holding company, INDUS Holding AG also holds continuous dialogue on sustainability aspects with institutional investors, commercial banks, and other participants in the capital market in order to make use of information on emerging trends when updating the SUSTAINABILITY STRATEGY. The topic of sustainability's increased significance on the capital market can also be seen in the fast-growing demand for green forms of investment, such as ESG-linked promissory note loans. INDUS supports this development: It issued a EUR 60 million ESG-linked promissory note loan on the basis of the existing ISS ESG rating with Prime status (C+) for the first time in September 2020 and is thus implementing the INDUS Group's efforts in the area of sustainable financing.

INDUS' Action Areas

In the 2020 financial year, the sustainability strategy was continued as an independent component of the PARKOUR strategy program in order to bring new knowledge and approaches to the Group and incorporate new legal and regulatory requirements. As a result, new strategic focuses and programs were established and these were operationalized jointly with the portfolio companies as strategic goals.

The Ten Principles of the United Nations Global Compact (UN GC) form the basis of the fundamental principles of the strategic focus. INDUS has combined these into five principles and transferred them into a total of six action areas. The five **principles** are:

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

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

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

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

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

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

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

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

"Materiality" in the INDUS Group

Another important part of developing the new focuses and programs has been the revision of the understanding of the term "materiality analysis" in the context of the sustainability strategy. In the 2016 financial year, a materiality analysis to identify potentially relevant sustainability aspects for INDUS was made in a strategy workshop together with INDUS Holding AG's Board of Management. These aspects were subjected to regular assessments in the following years up to and including 2019. To this end, the significance of the aspects for internal and external stakeholders was compared. The importance of all aspects for both stakeholder groups increased over time so that no significant difference between the aspects remained in the end.

Living up to legal and regulatory content requirements and our own aims requires a portfolio-company-specific focus of activities on sustainability aspects that may significantly impact the INDUS Group's business performance, results of operations and situation (outside-in) or that are significantly influenced by the INDUS Group's operating activities and business relations (inside-out). The identification and definition of the material sustainability aspects in the form of a **materiality analysis** is carried out **methodically** by the combination of the outside-in and inside-and analysis of action areas (i) to (v) at segment and portfolio company level by the Board of Management (top-down) and the portfolio companies' managing directors (bottom-up). The bottom-up analysis takes place via the regular strategy process using the analysis of opportunities from the individual sustainability strategy and based on the risk analysis in the INDUS Group's integrated risk management system. The basis for the top-down materiality analysis remains the proven results of the Board of Management's workshop from 2016, which, according to the assessment of whether the results are up to date and complete, are unchanged compared to the previous year.

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

Value Drivers of ESG Initiatives

Four value drivers of ESG initiatives that are of particular significance for the INDUS Group are addressed in particular in the strategic sparring. For all four value drivers, INDUS offers methodological or financial support to the portfolio companies:

1. SALES OPPORTUNITIES

An increase in sales can be achieved through new "green" products. A differentiating feature could, for example, be the use of renewable raw materials in the current product range or also the use of a new technology that minimizes resource consumption during the product's service life. INDUS expects this value-driver to further increase in importance in connection with a progressive increase in public awareness and thus generate additional sales via relevant differentiating features and also expects it to be able to compensate for the reduction in existing sales. The activities of the PARKOUR strategy program's "driving innovation" strategic initiative support the portfolio companies.

2. EFFICIENCY INCREASES

Careful use of staff and resources can increase the organization's efficiency and thus generate a positive cost-saving effect or offset cost increases. This can help to improve the operating margin or can also be passed on to the customer as a price adjustment, as a result of which additional unit sales can be achieved. INDUS supports increases in efficiency in production in the PARKOUR strategy program's "improving performance" strategic initiative. INDUS also supports the portfolio companies with efficiency-increasing investments and in the innovation process. On the personnel side, the promotion of employee training improves staff performance and also increases loyalty to the Group. The Group's clear commitment to sustainability in connection with the appropriate implementation of sustainability initiatives additionally increases many employees' personal attachment to the INDUS Group.

3. ENTREPRENEURIAL VISION

Our precautionary and careful approach to the environment and employees drastically reduces the risk that regulatory changes will result in a negative impact for which the Group is not prepared. Compliance with high environmental and employee safety standards consequently also serves to limit potential future additional burdens as a result of legal and regulatory changes. The INDUS Code of Conduct, which the portfolio companies take from the holding company, is central to this.

4. OPTIMIZED INVESTMENT DECISIONS

Taking environmental aspects into account in investment decisions makes it possible to better assess the costs over the total life of an investment. One example of this is the forecast of the expected price rise in fossil fuels in mobile combustion or the possible further significant increase in the price of electricity. In order to support the portfolio companies, INDUS has developed the concept of the sustainability development bank, which will start operation from the 2022 financial year. INDUS will use it to subsidize the portfolio companies' investments with effect on net income with up to 80% of the total amount of the investment. The key criterion for the decision is whether greenhouse gas emissions (GHG-e) will be effectively reduced as a result of the subsidized investment.

In addition, INDUS factors in possible sustainability risks when assessing potential acquisition targets. Significant sustainability risks or important negative sustainability criteria are potential criteria for exclusion.

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

The INDUS portfolio's high level of diversification and the operational independence of the portfolio companies means that the portfolio companies independently develop projects that accordingly contribute to the value drivers of the ESG initiatives. In order to honor the independence of the portfolio companies, INDUS only issues Group-wide quantitative targets for such ESG aspects **in the form of key performance indicators (KPIs)** that are identified in the materiality analysis as relevant and material for the Group. Other key performance indicators are determined, but primarily serve to track the Group's development and are **not equipped with a concrete quantified target (PI: performance indicator)**. The PARKOUR strategy program includes significant growth by 2025. Ongoing changes in the scope of consolidation should thus be expected in the next few years. INDUS therefore generally uses **intensity targets** per million euros of gross added value (GAV) or, in relation to the size of the workforce, per full-time equivalent (FTE) for the ESG KPIs. The traceability of the degree of achievement of the ESG targets can thus be maintained in the event of changes in the scope of consolidation. The **2018 financial year is used as the base year for the target definitions**.

The **results of the materiality analysis** for the individual action areas are presented below:

(i) Protecting the Environment

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

INDUS follows the pollution, biodiversity, and water protection environmental targets within the framework of the applicable national standards. INDUS thus aims to maintain high existing standards with regard to these environmental targets and comply with regulatory requirements. The waste the INDUS Group's operating business produces is in general not particularly toxic and can be disposed of in a manner typical for the industry. Nevertheless, INDUS wants to keep the recycling rate for all waste as high as possible (**PI: PE09-Rec**), minimize the waste volume in relation to the Group's gross added value (**PI: PE10-Was**), and use local water resources sparingly (**PI: PE11-WW**). INDUS sees these ESG aspects – which are of subordinate importance for the INDUS Group – as possible sources of the **(2) efficiency increases** value-driver.

In order to assess the importance of the "adaptation to climate change" and "circular economy" environmental targets for the INDUS Group, it is helpful to consider the production output of the INDUS Group's portfolio companies. The INDUS Group's portfolio companies mostly occupy a place in the middle of the value chain and sell corresponding intermediate products for further processing. The high proportion of intermediate products produced is also exemplified in the figure on page 29 in the comparison of the Scope 1+2 emissions (2019) with the emissions from the use of the INDUS Group's products (4.2% of Scope 3 emissions) in Scope 3 (2019) and with the emissions of greenhouse gases shown from the production of purchased precursors (71.7%) and the further processing of intermediate products (12.6%). As SME suppliers of intermediate products, the INDUS Group's portfolio companies do not generally have the opportunity to significantly influence the upstream or downstream value chain with regard to the design of precursors or end products concerning the "adaptation to climate change" and "circular economy" environmental targets. INDUS' focus is therefore primarily on minimizing direct greenhouse gas emissions (Scope 1+2), which the "climate protection" environmental target explicitly targets.

This reduction is therefore of the highest relevance for the INDUS Group in the (i) "protecting the environment" action area. Fundamentally, the INDUS Group has two possible levers for reducing greenhouse gas emissions: first, using low emission energy sources, particularly taking account of the distribution of greenhouse gas emissions in Scope 1+2, approximately 72% of which originate from the purchase of electricity; and second, increasing **energy efficiency**, which is also extremely important from an economic point of view. INDUS therefore records the greenhouse gas emissions in Scopes 1-3, focuses on reducing greenhouse gas emissions in Scope 1+2 (**KPI: PE01-GHG**) and seeks to reduce energy use (**PI: PE04-E**). For information purposes, INDUS also states the greenhouse gas emissions separately, broken down into Scope 1 (**PI: PE05-S1**), Scope 2 (**PI: PE06-S2**) and Scope 3 (**PI: PE07-S3**) emissions and total emissions (**PI: PE08-Tot**), in each case based on per million euros of gross added value and in each case additionally broken down into holding company emissions and Group emissions.

INDUS additionally reports the proportion of sales (**KPI: PE02-SustS**) and investments (excluding acquisitions) (**KPI: PE03-SustI**) of the INDUS Group, which is accounted for by the portfolio companies that follow the INDUS Group's emission reduction target path. How these key performance indicators are determined is explained in detail in the section on the determination of the targets for the ESG KPIs.

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

EMISSION SOURCES OF THE SCOPE 1+2 EMISSIONS OF THE INDUS GROUP IN THE FINANCIAL YEAR 2019 (in %)

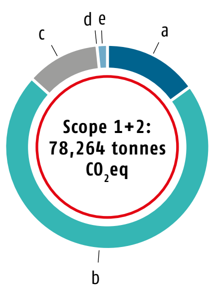
a
Stationary combustion (Scope 1) – **15.0**

b
Electricity (Scope 2) – **71.9**

c
Mobile combustion (Scope 1) – **11.6**

d
Fugitive emissions (Scope 1) – **<0.1**

e
District heating (Scope 2) – **1.5**



CATEGORIZATION AND BREAKDOWN OF THE GREENHOUSE GAS EMISSIONS OF THE VALUE CHAIN (SCOPE 3) OF THE INDUS GROUP IN 2019 (in %)

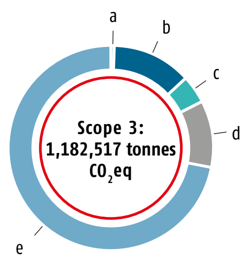
a
Business travel – **0.7**

b
Further processing of production output at customers – **12.6**

c
Use of INDUS products by end customers – **4.2**

d
Other – **10.7**

e
Production of purchased primary products – **71.7**



(ii) Fair Work

This action area is of particular importance with regard to the **(2) efficiency increases and (3) entrepreneurial vision** value drivers. For INDUS, exemplary conduct toward employees is the essential basis of all value creation. INDUS particularly emphasizes mutual respect, fairness, team spirit, professionalism, and openness. These values are therefore an integral part of the INDUS Code of Conduct. The code covers all the sustainability strategy's action areas and, as a voluntary commitment, goes considerably beyond legal requirements.

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

(iii) Social Justice

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

(iv) Human Rights

Respect for **human rights** is the core aspect of the Code of Conduct for the entire INDUS Group. The INDUS Group's portfolio companies have their main sites in the German-speaking region and benefit from the high standards in place within the value chain to protect employee rights and human rights. Respect for human rights is seen not as a "value-driver" but as a basic requirement for our own economic activities and as a matter of course. There are good contacts with suppliers and customers upstream and downstream in the value chain, as a result of which a relationship of trust has grown over the years. Nevertheless, the INDUS portfolio companies independently pay attention to compliance with human rights in the value chain via relevant news in the media – the option of adjusting the value chain can be considered where necessary. On principle, none of the INDUS portfolio companies primarily operate in the defense industry or the corresponding value chain.

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

(v) Honest Business

In this action area, the key ESG value-driver is **(3) entrepreneurial vision**, and the key ESG risks are thus loss of reputation and penalties arising from misconduct in business activities. Respecting the current laws and regulatory framework is at the heart of all the INDUS Group's business activities. It is thus important to avoid misconduct and resulting fines (**KPI: HB01-Fin**) and non-monetary penalties (**KPI: HB02-NmP**). INDUS also separately states expenses for lawsuits and action due to anti-competitive behavior and violations of antitrust laws and monopoly legislation (**PI: HB04-Comp**). Payments must not be made to political parties pursuant to the Code of Conduct (**KPI: HB03-Pol**). Global markets are increasingly being tapped as part of the "internationalization" strategic initiative in the PARKOUR strategy program. Gaps in knowledge are tackled through communication within the Group and the support of local experts in order to avoid unintentional misconduct as far as possible. INDUS records the proportion of revenue in countries with increased risk of corruption (**PI:HB05-CPI**) for information purposes using a very strict threshold of 60 points in Transparency International's Corruption Perception Index to define the relevant countries. Below this level, the country is deemed to be a country with an increased risk of corruption. Detailed information on tax issues can be found in the management report and the consolidated financial statements in the annual report.

(vi) Shareholder Support

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

standard examination of relevant environmental aspects and environmental risks in the **due diligence process (DD)**, there will be a dedicated assessment of greenhouse gas emissions, which will serve as the basis for forecasting future financial burdens that may arise in the course of the attainment of INDUS' sustainability goals.

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

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

For the accounting of the INDUS Group's greenhouse gas footprint, INDUS uses the financial control approach in accordance with the Greenhouse Gas (GHG) Protocol Standards. According to these, 100% of the emissions of all the companies in the scope of consolidation in which INDUS or a direct portfolio company of INDUS holds at least 50% are included in the INDUS Group's GHG footprint. This is the case for all the INDUS Group's portfolio companies in the scope of consolidation. All companies with relevant greenhouse gas emissions held by the INDUS Group for the entire financial year are taken into account in this scope of consolidation. These include the significant production facilities and larger office and sales units. Data is not collected for units with very low emissions, especially local sales offices. By applying the criteria for greenhouse gas emissions, the other action areas are also qualitatively covered in the INDUS Group. Overall, the scope of consolidation in the non-financial reporting consequently largely corresponds to the financial scope of consolidation less various units with very low emissions. The gross added value of the "sustainability" scope of consolidation and the financial data for calculating the Scope 3 emissions are calculated on the basis of the unconsolidated statement of income under IFRS of the individual companies in the scope of consolidation. In addition, new acquisitions and business disposals in the current financial year are not taken into account in the scope of consolidation in non-financial reporting. In comparison to the 2019 financial year, in the 2020 financial year Dessauer Schaltschrank- und Gehäusetechnik GmbH and MESUTRONIC Gerätebau GmbH were therefore taken into account for sustainability data collection for the first time. The sale of Kieback GmbH & Co. KG to the managing directors and the sale of a sub-subsidiary to a strategic investor meant that these companies were removed from the scope of consolidation in sustainability reporting. In addition, the operating activities at a site in Brazil and a site in Germany were discontinued, as a result of which the companies became units with very low emissions and were therefore removed from the scope of consolidation.

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

Emissions are categorized into Scope 1 (direct emissions from mobile and stationary combustion), Scope 2 (emissions that arise from the generation of purchased electricity) and Scope 3 (indirect emissions – for example, as a result of business trips and purchased goods and services) in line with the GHG Protocol Standards. The emissions in Scope 1 and Scope 2 are set off against corresponding emission factors on the basis of the activity data collected. Due to the diversity of the INDUS Group and its frequently assumed position in the middle of the value chain, a similar procedure for the emissions in Scope 3 would be disproportionate, meaning that mainly financial data such as sales, purchased services or costs of materials, and other items are used for the purpose-oriented calculation of these emissions. This financial data is offset against sales-based emission factors, which have been calculated on the basis of the information in the current sustainability reports from companies that have in each case been selected to be representative of various industrial segments of customers and suppliers, such as metal products, plastic & synthetic resins, or iron & steel. This procedure was carried out for the first time in the 2020 financial year. The plan is to update emission factors annually. For comparability with the Scope 3 emissions from the base year of 2018 and the previous year 2019, the corresponding Scope 3 emissions of previous years were recalculated with the current emission factors, and they are reported in this updated form in the associated performance indicators. For the coming financial years, the revenue-based emission factors are to be continuously updated so that the improvements in the greenhouse gas emissions of the INDUS Group's value chain are accurately represented in the INDUS Group's Scope 3 emissions. The value chain in Scope 3 is taken into account both upstream and downstream in accordance with all 15 categories of the GHG Protocol Standards.

Targets and Time Horizon of the ESG KPIs

By changing the accounting approach to include the portfolio companies' emissions in Scope 1 and Scope 2 and on the basis of the materiality analysis, the targets for the ESG KPIs were made tougher in the 2020 financial year. INDUS differentiates short-term targets with a target year of 2025 from medium-term targets (2030) and long-term targets (2040) with regard to the time horizon. INDUS monitors the performance indicators (PIs) but does not currently have concrete targets for them. Data relating to headcount is always expressed in full-time equivalents (FTEs) based on the last day of the financial year and includes external personnel.

The reduction targets for greenhouse gas emissions always refer to greenhouse gases according to the market-based calculation because the INDUS Group's expenses – for example, in the form of purchasing green electricity – are accurately represented in this way. Moreover, the reduction targets are net targets. The purchase of emission offsetting certificates must always be seen as a possible additional measure and does not replace the sustainability initiatives in the Group. The greenhouse gas emissions offset by emissions certificates are reported separately in the tables of key figures at the end of the non-financial report. The 2018 financial year is used as the base year for the reduction targets. The basis of the emission reduction targets is the sector target for the "industry" sector of the German Climate Change Act. For the period from 2020 to 2030, the act provides for an almost linear reduction in annual greenhouse gas emissions from 186 million metric tonnes of CO_2eq (2020) to 140 million metric tonnes of CO_2eq (2030). In 2018, the figure was 195 million metric tonnes of CO_2eq. In percentage terms, this is equivalent to an annual reduction from 2018 of approximately 2.8% (based on the emission total of the "industry" sector in 2018). INDUS sees the emission reductions provided for there as an absolute minimum target for its own efforts and has therefore decided to set ambitious short- and medium-term targets that go beyond the requirements of the Climate Change Act.

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

INDUS HOLDING AG'S SUSTAINABILITY TARGETS

					Target year		
Action area	Name	KPI	Unit	2018 (base year)	2025	2030	2040
	GHG-e (Scope 1+2)*	PE01-GHG	tonnes CO_2eq/ million EUR GAV	113	73 (-35%)	56 (-50%)	17 (-85%)
	Percentage of sales accounted for by portfolio companies in line with the target	PE02-SustS	%	–	100	100	100
Protecting the environment	Percentage of investments accounted for by portfolio companies in line with the target	PE03-SustI	%	–	100	100	100
	Work accidents	FW01-WA	Number/100 FTEs	3.3			ongoing <3.0
Fair work	Fatal work accidents	FW02-FWA	Number	0			ongoing 0
Social justice	Legitimate local complaints	SJ01-LC	Number	0			ongoing 0
Human rights	Employees with Code of Conduct	HR01-CoC	in % of FTE	100			ongoing 100
	Monetary value of significant fines	HB01-Fin	EUR '000	0			ongoing 0
	Total number of non-monetary penalties	HB02-NmP	Number	0			ongoing 0
Honest business	Payments to political parties	HB03-Pol	% of GAV	0			ongoing 0

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

To calculate the proportion of sales and the proportion of investments (**PE02-SustS** and **PE03-SustI**) represented by the portfolio companies that follow the emission path of the INDUS Group's target, it is necessary to annually determine the degree of target attainment by the individual portfolio companies with regard to the INDUS Group's emission reduction target (**PE01-GHG**). The INDUS Group's objectives are deemed to have been met on an annual basis if the corresponding portfolio company either (a) has an emission intensity lower than a linear emission reduction path according to the INDUS target for 2025 prescribes or (b) it has been possible to reduce the portfolio company's emission intensity in the financial year by at least 3% per financial year based on the 2018 base year. The percentage reduction of 3% is derived from the German Climate Change Act's target (2.8%). The following table illustrates the two criteria:

REQUIREMENTS FOR THE PORTFOLIO COMPANIES MEETING THE EMISSIONS TARGET

			Target year							
		Unit	2018	2019	2020	2021	2022	2023	2024	2025
either	Emission intensity	tonnes CO_2eq/ million EUR GAV	<113	<107	<102	<96	<90	<85	<79	<73
or	Reduction of emission intensity compared to the base year of 2018	%	–	>3	>6	>9	>12	>15	>18	>21

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

The INDUS Group's non-financial report and the reported key performance indicators (KPIs) were REVIEWED by the external auditors Ebner Stolz.

The audit review opinion on the non-financial report can be found on page 191 et seqq.

Action Areas in the 2020 Financial Year

Environmental Issues | Protecting the Environment

GOALS

In order to protect and preserve the environment, the INDUS Group is working at an increased pace to reduce its greenhouse gas footprint so as to not emit any more greenhouse gases (on a net basis) by 2050 at the latest. As an intermediate target, emission intensity is to be reduced by 35% by 2025 compared to the 2018 base year.

A key value-driver here is the resource efficiency of the production units of the INDUS Group. The INDUS Group will be able to generate competitive advantages in the long term through sustainable products and production processes. The aim is thus for all INDUS Group companies to reduce their emission intensity effectively so that the portfolio companies' corresponding shares of the Group's total sales and investment volume can be categorized as sustainable. The objective for these shares is 100%.

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

MEASURES

With the updating of the sustainability strategy in the 2020 financial year, the focus in the "protecting the environment" action area was on deriving emission reduction targets for the INDUS Group and discussion of the measures introduced and planned between INDUS Holding AG's Board of Management and the portfolio companies' managing directors. In accordance with the high proportion of emissions from purchasing electricity in the INDUS Group (2019: 71.9% of Scope 1+2 emissions), mainly electricity saving measures were derived and introduced – for example, reviewing the cost effectiveness of installing photovoltaic systems. In addition, some portfolio companies are switching to purchasing green energy and other portfolio companies are reviewing these measures and the partial conversion of the fleet to hybrid and electric vehicles.

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

When checking possible new acquisitions, market opportunities are analyzed and market developments are forecast, taking account of relevant future trends, which may also include green tech. In the due diligence process, which is always supervised by at least one member of INDUS Holding's Board of Management, the relevant work also includes ensuring compliance with legal and regulatory environmental requirements. For targets whose business and production processes are expected to have a greenhouse gas emission intensity significantly greater than that of INDUS Holding AG's portfolio companies, the aspects of the "protecting the environment" action area are audited separately.

The holding company takes out relevant insurance policies for natural disasters and business interruptions plus liability and product liability insurance policies for all the companies of the INDUS Group.

THE 2020 FINANCIAL YEAR

The development of the key figures for the “protecting the environment” action area in the 2020 financial year is summarized in the table below:

KEY FIGURES FROM THE “PROTECTING THE ENVIRONMENT” ACTION AREA

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
GHG-e (Scope 1+2)*	**PE01-GHG**	**tonnes CO_2eq/ million EUR GAV**	**113**	**108 (-5%)**	**102 (-10%)**	**73 (-35%)**	**KPI[1]**
GHG-e (Scope 1+2) (gross)		tonnes CO_2eq/ million EUR GAV	113	109	104		
GHG-e (Scope 1+2)		tonnes CO_2eq	79,586	78,264	65,910		
of which INDUS Holding		tonnes CO_2eq	161	164	128		
Percentage of sales accounted for by portfolio companies in line with the target	**PE02-SustS**	**%**	**55.6**	**83.4**	**83.3**	**100**	**KPI[1]**
Percentage of investments accounted for by portfolio companies in line with the target	**PE03-SustI**	**%**	**40.1**	**74.5**	**77.8**	**100**	**KPI[1]**
Energy intensity	PE04-E	MWh/million EUR GAV	323	312	331	reduction	PI[2]
from renewable energy sources		%	1.1	1.2	3.0		
from renewable energy sources		MWh	2,461	2,734	6,382		
GHG-e (Scope 1)	PE05-S1	tonnes CO_2eq/ million EUR GAV	30	29	30	reduction	PI[2]
GHG-e (Scope 1)		tonnes CO_2eq	21,323	20,843	19,209		
of which INDUS Holding		tonnes CO_2eq	161	164	128		
GHG-e (Scope 2, market-based)	PE06-S2	tonnes CO_2eq/ million EUR GAV	83	80	73	reduction	PI[2]
GHG-e (Scope 2, market-based)		tonnes CO_2eq	58,264	57,421	46,701		
of which INDUS Holding		tonnes CO_2eq	0	0	0		
GHG-e (Scope 2, location-based)		tonnes CO_2eq/ million EUR GAV	85	82	82		
GHG-e (Scope 2, location-based)		tonnes CO_2eq	59,711	58,977	52,293		
of which INDUS Holding		tonnes CO_2eq	51	67	58		
GHG-e (Scope 3)[3]	PE07-S3	tonnes CO_2eq/ million EUR GAV	1,647	1,646	1,615		PI[2]
GHG-e (Scope 3)[3]		tonnes CO_2eq	1,162,786	1,182,517	1,028,308		
of which INDUS Holding		tonnes CO_2eq	609	1256	361		
GHG-e (Scope 1-3)[3]	PE08-Tot	tonnes CO_2eq/ million EUR GAV	1,758	1,752	1,719		PI[2]
GHG-e (Scope 1-3)[3]		tonnes CO_2eq	1,242,372	1,260,781	1,094,218		
of which INDUS Holding		tonnes CO_2eq	770	1,420	489		
Emission offsetting		tonnes CO_2eq	703	1,769	1,179		
Recycling ratio	PE09-Rec	%	58.9	62.2	65.3	increase	PI[2]
Waste intensity	PE10-Was	in t/EUR million EUR GAV	22.7	24.9	22.0	reduction	PI[2]
Total water withdrawal intensity	PE11-WW	m^3/million EUR GAV	937	842	1,078	reduction	PI[2]

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

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

Despite decreases in sales and the unconsolidated gross added value (GAV) due to the pandemic, production was not completely stopped in the majority of INDUS Holding AG's production units, meaning that the base load required to cover the energy demand was continuously available. Because of the reduced production output, this resulted in increased energy intensity of 331 MWh/million EUR GAV (**SU04-E**). As a result of an increased proportion of energy purchased from renewable sources (3.0% of total purchased energy; +1.8% in comparison to the previous year), it was nevertheless possible to decrease gross and net emission intensity by 5% year-over-year to 104 and 102 metric tonnes of CO_2eq/million EUR GAV (**SU01-THG**). The savings largely came from selected electricity tariffs with higher proportions of renewable energy sources in the energy mix, which is particularly reflected in the reduction of greenhouse gas emissions in Scope 2 (market-based) to 73 metric tonnes of CO_2eq/million EUR GAV (**SU06-S2**). The proportion of the portfolio companies' sales and investments that were generated in line with INDUS' emission reduction target path is at a similar level to the previous years at 83.3% (**PE02-SustS**) and 77.8% (**PE03-SustI**).

In total, 1,179 metric tonnes of CO_2eq were offset with emissions certificates, of which 378 metric tonnes of CO_2eq relate to the Scope 1+2 emissions of the holding company and the Scope 3 emissions for the holding company that are due to business trips, investments made (excluding company acquisitions), indirect emissions from the upstream chain of energy procurement and indirect emissions from the downstream disposal of waste and wastewater. The remaining emissions certificates were largely used to offset the emissions of various portfolio companies' fleets.

Employee Issues | Fair Work

GOALS

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

MEASURES

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

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

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

THE 2020 FINANCIAL YEAR

The table below shows the development of the key figures for the “fair work” action area in the 2020 financial year:

KEY FIGURES FROM THE “FAIR WORK” ACTION AREA

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
Work accidents	**FW01-WA**	**Number/100 FTEs**	**3.3**	**2.9**	**2.1**	**<3.0**	**KPI[1]**
Fatal work accidents	**FW02-FWA**	**Number**	**0**	**2**	**0**	**0**	**KPI[1]**
Development expenditure	FW03-Tr	EUR/FTE	257	280	183		PI[2]
Trainees	FW04-Tr	Number	429	409	407		PI[2]
Dual study	FW05-DuSt	Number	82	76	75		PI[2]
Proportion of permanent contracts	FW06-Perm	% of total FTEs	96.1	97.2	97.2		PI[2]

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

The number of work accidents per 100 FTEs was reduced significantly to 2.1 in 2020 (**FW01-WA**). It can be assumed that this is also connected to a higher temporary rate of short-time work due to the pandemic. However, INDUS also assumes that the rapid and local tightening of occupational health and safety measures due to the pandemic has raised awareness of occupational health and safety in general, as a result of which it has been possible to reduce work accidents.

Despite an economically difficult environment, it was possible to keep the number of trainees (**FW04-Tr**) and employees on dual study programs (**FW05-DuSt**) almost the same.

Social Issues | Social Justice

GOALS

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

MEASURES

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

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

The compensation system for INDUS Holding AG's Board of Management includes a premium for achieving defined ESG targets as part of the short-term incentive (STI). The Board of Management donates this premium to local charitable organizations if the targets set are reached.

THE 2020 FINANCIAL YEAR

The development of the key figures for the "Social Justice" action area in the 2020 financial year is summarized in the table below:

KEY FIGURES FROM THE "SOCIAL JUSTICE" ACTION AREA

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
Legitimate local complaints	**SJ01-LC**	**Number**	**0**	**1**	**0**	**0**	**KPI[1]**
Donations to local social institutions	SJ02-LDon	EUR	280,916	218,926	237,341		PI[2]
Donations to other social institutions	SJ03-NIDon	EUR	201,087	180,152	74,348		PI[2]
Collaboration with social institutions	SJ04-Coll	% of the INDUS Group	31	27	29		PI[2]
Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	58	72		PI[2]

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

In the 2020 financial year, it was possible to avoid any legitimate local complaints **(SJ01-LC)**, meaning that this objective was fully met.

Respect for Human Rights | Human Rights

GOALS

Orientation to and compliance with principles that are set out in the INDUS Code of Conduct are of key importance for INDUS. The code goes beyond the legal requirements as a voluntary commitment. The INDUS Code of Conduct can be found on INDUS Holding AG's website. The Code of Conduct provides, for example, that no business relations may be maintained with customers or suppliers that are publicly known to be in breach of fundamental principles of the INDUS Code of Conduct. Legally and ethically impeccable behavior toward fellow humans and the environment are considered a fundamental principle. INDUS strives for full penetration of the principles of the Code of Conduct among the workforce and accordingly makes sure that the Code is made available to all employees in all the companies.

One significant point of the INDUS Code of Conduct is the diversity of the workforce – INDUS is convinced that a diverse workforce can promote creativity and productivity and thus make an important contribution to corporate success. INDUS expressly rejects all forms of discrimination. Staff are recruited, promoted, trained, and developed on the basis of job-related criteria. INDUS stands for respectful and open contact with other people, irrespective of their gender, social or marital status, age, skin color and origin, possible disabilities, religion, or sexual orientation, and strongly condemns any form of discrimination. Breaches of this fundamental principle are recorded via compliance reporting and systematically followed up. INDUS advocates a balance between working life and personal life in all its forms. There are no objectives regarding the workforce's age structure or the proportion of female employees in the workforce or in management positions.

MEASURES

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

In the due diligence process for potential new acquisitions, INDUS audits whether the target complies with legal and regulatory requirements both at a national and an international level. Breaches of aspects of the "human rights" action area are not typical in the future fields and growth industries defined by INDUS. In questionable cases, INDUS always discusses legal aspects with experts in advance. Moreover, INDUS does not acquire any companies that primarily generate sales in the defense industry.

THE 2020 FINANCIAL YEAR

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

KEY FIGURES FROM THE "HUMAN RIGHTS" ACTION AREA

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
Employees supplied with Code of Conduct	**HR01-CoC**	**in % of FTE**	**100**	**99.96**	**100**	**100**	**KPI[1]**
Age structure of the workforce[3]	HR02-AS	% of the FTE aged <20/20–29/30–39/40–49/50–59/≥60	2/18/23/24/26/7	2/17/24/24/26/8	2/16/24/24/26/8		PI[2]
Proportion of women in the workforce	HR03-FR	in % of FTE	30.3	30.5	30.4		PI[2]
Proportion of women in management positions	HR04-FM	in % of FTE in management positions	15.4	16.5	20.3		PI[2]

[1] KPI: Quantified performance indicator subject to review by the auditor.
[2] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.
[3] Percentages are rounded to whole numbers, so slight deviations from 100% are possible.

All the INDUS Group's employees had the Code of Conduct available to them. The goal of **HR01-CoC** was fully met.

Combating Corruption and Bribery | Honest Business

GOALS

For INDUS, it is clear that all of the INDUS Group's business activities must be carried out in compliance with current laws, as stipulated in the INDUS Code of Conduct. Accordingly, the aim is to avoid any significant fines (> EUR 10,000) and any non-monetary penalties that result from breaches of regulations or laws in the field of the environment, financial statement accounting, discrimination, or corruption. Furthermore, INDUS does not influence legislative procedures or make any payments to political parties.

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

MEASURES

Compliance with legal and regulatory requirements is fundamentally a typical business process that falls within the scope of each INDUS Group portfolio company. The companies of the INDUS Group independently ensure compliance with the INDUS Code of Conduct. INDUS ensures compliance with appropriate business standards and records any breaches in its compliance reporting. In the event of breaches, INDUS Holding's Board of Management enters into dialogue with the managing directors of the portfolio companies regarding the introduction of countermeasures. To ensure awareness of the relevant requirements regarding compliance aspects, this topic is regularly part of the annual entrepreneurs' conference (Unternehmertagung) and part of the continuing strategic sparring process. Further information on the holding company's compliance management system can be found in the Board of Management and the Supervisory Board's declaration on the German Corporate Governance Code, which can be found on INDUS Holding AG's website. INDUS supports the design of compliance management systems at the portfolio companies – for example, through training courses.

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

In the course of 2020, INDUS Holding AG prepared the implementation of a Group-wide whistleblower system that will be rolled out across the whole INDUS Group at the start of 2021. Internal and external parties can report information (anonymously on request) on unlawful conduct and breaches of the rules of the INDUS Code of Conduct to the INDUS compliance organization for further investigation through the whistleblower system. This information can particularly relate to all the aspects discussed here.

THE 2020 FINANCIAL YEAR

The table below shows the development of the key figures for the "Honest Business" action area in the 2020 financial year:

KEY FIGURES FROM THE "HONEST BUSINESS" ACTION AREA

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
Monetary value of significant fines	**HB01-Fin**	**EUR '000**	**0**	**29.7**	**0**	**0**	**KPI[1]**
Total number of non-monetary penalties	**HB02-NmP**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
Payments to political parties	**HB03-Pol**	**% of GAV**	**0.00**	**0.00**	**0.00**	**0**	**KPI[1]**
Legal costs due to competition violations	HB04-Comp	EUR '000	1.38	0	0		PI[2]
Sales in countries with increased risk of corruption	HB05-CPI	% of total sales	17.6	19.1	19.2		PI[2]

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

No significant fines were imposed on the INDUS Group in the 2020 financial year (**HB01-Fin**), nor were any non-monetary penalties incurred (**HB02-NmP**). As in previous years, 0.00% of the gross added value was spent on payments to political parties (**HB03-Pol**). No legal costs due to competition violations were payable (**HB04-Comp**). The proportion of sales in countries with an increased risk of corruption (CPI > 60) remained at the same level as the previous year (**HB05-CPI**), although the threshold for selecting the countries is deliberately set very high.

Shareholder Support

GOALS

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

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

MEASURES

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

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

THE 2020 FINANCIAL YEAR

The table below shows the development of the key figures for the "Shareholder Support" action area in the 2020 financial year:

KEY FIGURES FROM THE "SHAREHOLDER SUPPORT" ACTION AREA

Key figure		Unit	2018 (base year)	2019	2020	2025 (target year)	
Companies with stated emission reduction goals	SS01-ET	% of the INDUS Group		Recorded from 2020	83		PI[1]
The innovation development bank's "green tech" innovation projects	SS02-InnD	Funding in EUR '000	460	645	502		PI[1]
Funding from the sustainability development bank	SS03-SustF	Subsidies in EUR '000		Start in 2022			PI[1]

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

As part of the budget process and strategic sparring, 83% of INDUS Holding AG's portfolio companies adopted emission reduction goals formulated up to the target year 2025 (**SS01-ET**). The remaining companies already have emission intensities that are significantly below the INDUS average, have been added to the sustainability scope of consolidation in 2020, or are in positions where the derivation and assessment of suitable reduction paths is associated with a greater expenditure of time and is therefore to be completed in 2021.

Overview of Key Figures

Action area	Key figure		Unit	2018	2019	2020	2025	
	GHG-e (Scope 1+2)*	**PE01-GHG**	**tonnes CO_2eq/million EUR GAV**	**113**	**108 (-5%)**	**102 (-10%)**	**73 (-35%)**	**KPI[1]**
	GHG-e (Scope 1+2) (gross)		tonnes CO_2eq/million EUR GAV	113	109	104		
	GHG-e (Scope 1+2)		tonnes CO_2eq	79,586	78,264	65,910		
	of which INDUS Holding		tonnes CO_2eq	161	164	128		
	Percentage of sales accounted for by portfolio companies in line with the target	**PE02-SustS**	**%**	**55.6**	**83.4**	**83.3**	**100**	**KPI[1]**
	Percentage of investments accounted for by portfolio companies in line with the target	**PE03-SustI**	**%**	**40.1**	**74.5**	**77.8**	**100**	**KPI[1]**
	Energy intensity	PE04-E	MWh/million EUR GAV	323	312	331	reduction	PI[2]
	from renewable energy sources		%	1.1	1.2	3.0		
	from renewable energy sources		MWh	2,461	2,734	6,382		
	GHG-e (Scope 1)	PE05-S1	tonnes CO_2eq/million EUR GAV	30	29	30	reduction	PI[2]
	GHG-e (Scope 1)		tonnes CO_2eq	21,323	20,843	19,209		
	of which INDUS Holding		tonnes CO_2eq	161	164	128		
Protecting the environment	GHG-e (Scope 2, market-based)	PE06-S2	tonnes CO_2eq/million EUR GAV	83	80	73	reduction	PI[2]
	GHG-e (Scope 2, market-based)		tonnes CO_2eq	58,264	57,421	46,701		
	of which INDUS Holding		tonnes CO_2eq	0	0	0		
	GHG-e (Scope 2, location-based)		tonnes CO_2eq/million EUR GAV	85	82	82		
	GHG-e (Scope 2, location-based)		tonnes CO_2eq	59,711	58,977	52,293		
	of which INDUS Holding		tonnes CO_2eq	51	67	58		
	GHG-e (Scope 3)[3]	PE07-S3	tonnes CO_2eq/million EUR GAV	1,647	1,646	1,615		PI[2]
	GHG-e (Scope 3)[3]		tonnes CO_2eq	1,162,786	1,182,517	1,028,308		
	of which INDUS Holding		tonnes CO_2eq	609	1256	361		
	GHG-e (Scope 1-3)[3]	PE08-Tot	tonnes CO_2eq/million EUR GAV	1,758	1,752	1,719		PI[2]
	GHG-e (Scope 1-3)[3]		tonnes CO_2eq	1,242,372	1,260,781	1,094,219		
	of which INDUS Holding		tonnes CO_2eq	770	1,420	489		
	Emission offsetting		tonnes CO_2eq	703	1,769	1,179		
	Recycling ratio	PE09-Rec	%	58.9	62.2	65.3	increase	PI[2]
	Waste intensity	PE10-Was	in t/EUR million EUR GAV	22.7	24.9	22.0	reduction	PI[2]
	Total water withdrawal intensity	PE11-WW	m^3/million EUR GAV	937	842	1,078	reduction	PI[2]
	Work accidents	**FW01-WA**	**Number/100 FTEs**	**3.3**	**2.9**	**2.1**	**<3.0**	**KPI[1]**
	Fatal work accidents	**FW02-FWA**	**Number**	**0**	**2**	**0**	**0**	**KPI[1]**
Fair work	Development expenditure	FW03-Tr	EUR/FTE	257	280	183		PI[2]
	Trainees	FW04-Tr	Number	429	409	407		PI[2]
	Dual study	FW05-DuSt	Number	82	76	75		PI[2]
	Proportion of permanent contracts	FW06-Perm	% of total FTEs	96.1	97.2	97.2		PI[2]

Action area	Key figure		Unit	2018	2019	2020	2025	
	Legitimate local complaints	**SJ01-LC**	**Number**	**0**	**1**	**0**	**0**	**KPI[1]**
	Donations to local social institutions	SJ02-LDon	EUR	280,916	218,926	237,341		PI[2]
Social justice	Donations to other social institutions	SJ03-NIDon	EUR	201,087	180,152	74,348		PI[2]
	Collaborations with social institutions	SJ04-Coll	% of the INDUS Group	31	27	29		PI[2]
	Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	58	72		PI[2]
	Employees supplied with Code of Conduct	**HR01-CoC**	**in % of FTE**	**100**	**99.96**	**100**	**100**	**KPI[1]**
Human rights	Age structure of the workforce[4]	HR02-AS	% of FTEs aged <20/ 20-29/30-39/40-49/ 50-59/≥60	2/18/23/24/ 26/7	2/17/24/24/ 26/8	2/16/24/24/ 26/8		PI[2]
	Proportion of women in the workforce	HR03-FR	in % of FTE	30.3	30.5	30.4		PI[2]
	Proportion of women in management positions	HR04-FM	% of FTEs in management positions	15.4	16.5	20.3		PI[2]
	Monetary value of significant fines	**HB01-Fin**	**EUR '000**	**0**	**29.7**	**0**	**0**	**KPI[1]**
	Total number of non-monetary penalties	**HB02-NmP**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
Honest business	**Payments to political parties**	**HB03-Pol**	**% of GAV**	**0.00**	**0.00**	**0.00**	**0**	**KPI[1]**
	Legal costs due to competition violations	HB04-Comp	EUR '000	1.38	0	0		PI[2]
	Sales in countries with increased risk of corruption	HB05-CPI	% of total sales	17.6	19.1	19.2		PI[2]
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Shareholder support	The innovation development bank's green tech innovation projects	SS02-InnD	Funding in EUR '000	460	645	502		PI[2]
	Funding from the sustainability development bank	SS03-SustF	Subsidies in EUR '000	Start in 2022				PI[2]

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

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

Percentages are rounded to whole numbers, so slight deviations from 100% are possible.

03

Combined Management Report

03

Contents

Introduction to the Group

INDUS is a listed holding company with a managed portfolio of 46 SMEs based in German-speaking countries as of the reporting date. As a specialist in the field of sustainable investment in and development of companies, INDUS acquires majority stakes in predominantly owner-managed companies and assists them in their entrepreneurial development on a long-term basis. INDUS ensures that the portfolio companies retain their SME status. We intend to further expand the portfolio in the years to come through targeted acquisitions of new hidden champions in defined growth industries.

The Company

Positioning and Business Model

VALUE- AND GROWTH-ORIENTED SME HOLDING COMPANY

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

The number of the company's portfolio companies has increased since its founding in 1989. As of the reporting date, its PORTFOLIO COMPRISED 46 COMPANIES (previous year: 47). The purchase agreement for the most recent portfolio company was signed in November 2020. The economic transfer and initial consolidation of this newly acquired portfolio company took place in January 2021. On December 31, 2020, a total of 195 fully consolidated enterprises (previous year: 200) belonged to the INDUS Group.

Further information on portfolio companies can be found in the overview of portfolio companies starting on p. 200 and on our website www.indus.de/en/about-indus/investment

The INDUS Group consists of the holding company INDUS Holding AG with registered office in Bergisch Gladbach, Germany, and the individual portfolio companies. All direct INDUS portfolio companies have their registered offices in Germany (42) or Switzerland (4). The INDUS Group is represented by sub-subsidiaries, branches, and representative offices in 32 countries on five continents.

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

Detailed information on the share can be found on p. 15 et seqq.

Further information on the business model can be found at www.indus.de/en/about-indus/business-model

In the regions where the portfolio companies operate, INDUS positions itself as a LONG-TERM-ORIENTED INVESTOR WITHOUT AN EXIT STRATEGY but with the clear aim of strategically developing the portfolio companies. This sets the company apart from the buy-and-sell and turn-around investors in particular, who as a rule limit their financial involvement to brief periods. Among both listed and unlisted German holding companies, INDUS sees itself as one of the leading companies.

Further information on the INDUS Board of Management can be found on p. 8, and at www.indus.de/en/about-indus/board-of-management

The holding company with its registered office in Bergisch Gladbach, Germany, is managed by the BOARD OF MANAGEMENT, which consists of four members. The Board of Management consists of Dr. Johannes Schmidt (Chairman), Dr. Jörn Großmann, Axel Meyer, and Rudolf Weichert. As of the reporting date, the holding company had 34 employees, not including the Board of Management (previous year: 33). The employees are all employed in Bergisch Gladbach, Germany, and report directly to the Board of Management.

Further information can be found at www.indus.de/en/mergers-acquisitions/investment-criteria

THE INDUS BUSINESS MODEL: BUY, HOLD & DEVELOP

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

INDUS primarily acquires owner-managed companies and particularly keeps an eye on arrangements for succession in the families managing the companies. Continuity and the company's SME status are secured with the transfer of ownership. Therefore, the former owners ideally remain as co-shareholders and managing directors of the company for a certain period. INDUS avoids the direct acquisition of companies undergoing restructuring. Also excluded are involvements in subsidized industries and investments in the war technology and armaments sectors.

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

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

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

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

EXTERNAL INFLUENCING FACTORS

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

Further information on the general economic conditions can be found on p. 66 et seqq.

The most significant external factor since the beginning of 2020 has been the **coronavirus pandemic**. The consequences of the global spread of the coronavirus and the resulting containment measures are having a massive impact on the global economy. Numerous restrictions have adversely affected the provision of services. INDUS and its portfolio companies were required to protect employees from infections and, despite all the restrictions, continue to meet customers' expectations and needs. The companies constantly found new, practical solutions to this with creativity and flexibility. Overall, the INDUS Group's companies quickly adapted to the new challenges of the coronavirus crisis and proved their resilience and SME agility.

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

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

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

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

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

Portfolio

Further information can be found at www.indus.de/en/about-indus/investment

46 COMPANIES IN FIVE SEGMENTS

The portfolio consisted of 46 portfolio companies on the reporting date. These are assigned to five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology. In the 2020 financial year, these company areas 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	384.0	269.2	370.0	142.1	393.6
Operating result (EBIT)	64.5	-87.8	31.4	10.2	14.4
Companies	11	8	12	5	10
Employees	1,898	3,202	2,243	1,646	1,616

PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

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

PORTFOLIO STRUCTURE BY SALES

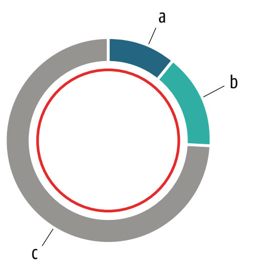
The portfolio companies' annual sales figures range from just under EUR 10 million to more than EUR 100 million. Roughly 46% of the portfolio companies generate annual sales figures of at least EUR 25 million. Slightly more than one in five generate annual sales figures below EUR 15 million.

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

a
1 to 5 years – **11 / 5**

b
5 to 10 years – **15 / 7**

c
More than 10 years – **74 / 34**

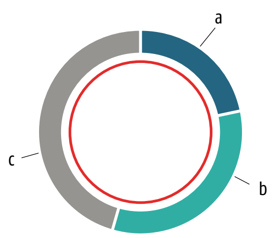


PORTFOLIO STRUCTURE BY SALES (in %)

a
Up to EUR 15 million – **22**

b
EUR 15 million to
EUR 25 million – **32**

c
Over EUR 25 million – **46**

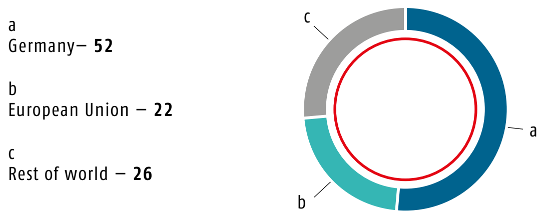


SELLING MARKETS ON FIVE CONTINENTS

In regional terms, all of the portfolio companies are concentrated in sales territories with a politically and economically stable background. The portfolio companies' largest market for unit sales and thus revenue is Germany at 52%. The companies generate another 22% of their revenue in other EU countries. A further 26% is generated outside the EU. In the 2020 financial year, this distribution was unchanged from the previous year. The INDUS strategy also calls for an increase in the international share of sales in the years to come.

SALES BY REGION

(in %)



PORTFOLIO CHANGES IN 2020

INDUS made one acquisition at portfolio company level during the financial year. The economic transfer of this portfolio company did not take place until January 2021. In line with its tiered transaction model, INDUS acquired remaining shares in four directly held portfolio companies. As part of the INTERIM SPRINT package of measures to optimize the portfolio, one company was acquired at portfolio company level, one company was acquired at sub-subsidiary level and one division of a subsidiary was sold. In addition, the decision was made to close a portfolio company, and this closure was initiated. In addition, the closure of a division of a portfolio company was also completed.

GROWTH ACQUISITIONS

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

Further information can be found at www.jungmann.de/en

ACQUISITION OF REMAINING SHARES

INDUS acquired the shares of an existing shareholder and former managing director of M+P International Mess- und Rechnertechnik GmbH, Hanover, as planned in January 2020. By acquiring shares amounting to 14.5%, INDUS was able to increase the amount of shares it holds in M+P to 91.06%. M+P supplies measurement and test systems for vibration testing and has been part of the INDUS Group since January 2017.

In April 2020 and again in September 2020, INDUS acquired 10% of the shares in PEISELER Holding GmbH, Remscheid, from the existing shareholders and previous managing directors as planned. The acquisition of the stake increases INDUS' interest in PEISELER to 100%.

PEISELER manufactures high-precision indexing devices and rotary tilt tables for machine tools and has been part of the INDUS portfolio since May 2017.

In April 2020, all remaining shares in MBN Maschinenbaubetriebe Neugersdorf GmbH, Neugersdorf, were acquired from the existing shareholders. Following the scheduled acquisition of the remaining 25% of the shares, INDUS now holds 100% of the shares in MBN. The MBN Group develops and manufactures automated systems and machinery for final vehicle assembly and has been part of the INDUS Group since November 2014.

In June 2020, INDUS acquired the remaining 15% of the shares in SELZER Fertigungstechnik GmbH & Co. KG. Driedorf, from the existing shareholders. The acquisition means that INDUS now holds 100% of the shares in SELZER Fertigungstechnik GmbH & Co. KG. SELZER has been part of the INDUS Group since 2005 and manufactures ready-to-install metal components and assemblies for automotive transmissions, brakes, and engines.

SALE OF KIEBACK, FICHTHORN AND SIMON KINETICS

KIEBACK GmbH & Co. KG, Osnabrück, formerly part of the Automotive Technology segment was sold on July 24, 2020. The deconsolidation took place on July 31, 2020. KIEBACK had been part of INDUS since 1998 and specializes in prototype parts and small series for the automotive industry.

One positive development in the Automotive Technology segment was that we were also able to avert the agreed closure of the sub-subsidiary FICHTHORN GmbH & Co. KG, a subsidiary of SELZER Holding GmbH. Instead, the company was sold to a strategic investor that wants to maintain the site and keep a significant share of the existing jobs. The sale was completed with effect from October 16, 2020.

Back in February 2020, SIMON was able to sell the SIMON Kinetics division to the British Titus Group. The SIMON Kinetics division manufactures furniture fittings and damping systems.

CLOSURE OF BACHER AND THE PLASTICS PLATING BUSINESS

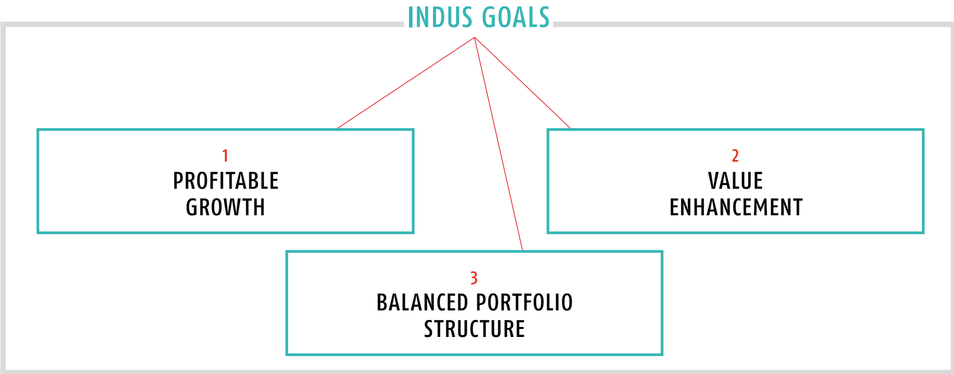
For BACHER AG from the Metals Technology segment, following the conclusion of the consultation procedure that is required by law in Switzerland, the decision was made to discontinue operations in 2021, and this is currently being implemented.

Furthermore, operating activities in the plastics plating division of SIMON, which is part of the Metals Technology segment, were also discontinued in 2020. Continuing operations would have become unprofitable due to the considerable investment required as a result of the imminent EU-wide ban on chromium(VI) oxide.

Targets and Strategy

Goals

INDUS GOALS



PROFITABLE GROWTH

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

VALUE ENHANCEMENT

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

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

BALANCED PORTFOLIO STRUCTURE

The INDUS Group plans to grow inorganically particularly through acquisitions of companies from the six defined growth industries. Candidates of interest for the portfolio are companies that are active in future-oriented industrial niche markets and occupy leading positions in these markets. INDUS focuses on companies in growth industries to ensure that the investment portfolio will continue to maintain a balanced, and hence stable, structure in the future. For the period until 2025, the aim is to grow from the current 46 portfolio

Please read the article on portfolio development in our 2021 magazine starting on p. 22

companies to 55 to 60 portfolio companies and generate Group sales of significantly more than EUR 2 billion.

The investment portfolio's balanced structure and strong diversification are of particularly key significance when individual companies face structural or economic challenges. The portfolio companies are currently facing the coronavirus crisis and its impact. From the Board of Management's perspective, the INDUS Group's entire portfolio benefits from the agility of SMEs and their resilience.

CONSISTENT GROWTH – CONTINUOUS VALUE ENHANCEMENT – CONSTANT DIVIDEND POLICY

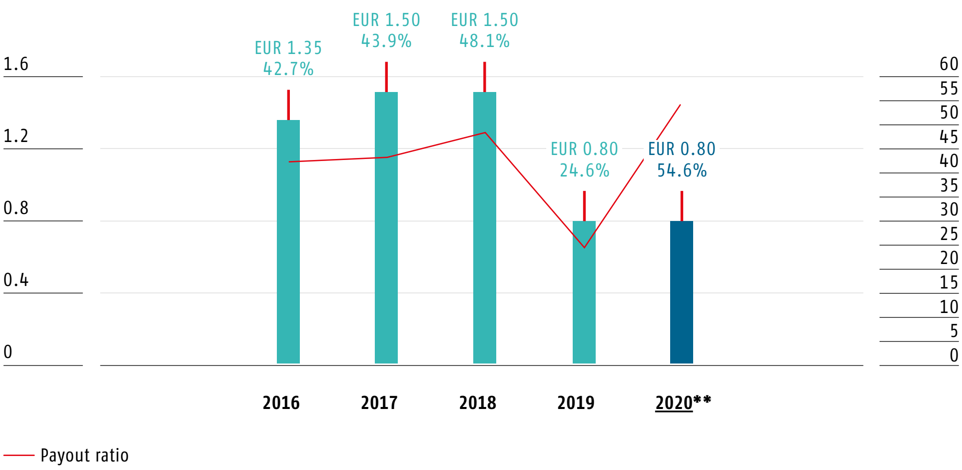
As owners, the shareholders are entitled to share in the success of their company through predictable profit distributions. That is why INDUS regularly pays a dividend. The average target value of the dividend proposed by the Board of Management and Supervisory Board amounts to between 40% and 50% of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

Further information on the share and the dividend can be found on p. 17 et seq.

The Board of Management of INDUS Holding AG has decided to propose a **DIVIDEND** of EUR 0.80 per share to the Annual General Meeting. This corresponds to approximately 55% of the balance sheet profit of INDUS Holding AG. The proposed dividend takes into account the forecast for 2021, which includes a significant improvement in results of operations compared to the previous year.

DIVIDENDS PER SHARE* WITH PAYOUT RATIO FROM 2016 TO 2020

(in EUR/in %)



* Dividend payment for the respective financial year
** Subject to the approval of the Annual Shareholders' Meeting on May 26, 2021

Strategy

"PARKOUR": TACKLING NEW OBSTACLES SUCCESSFULLY

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

Further information on our PARKOUR strategy program can be found in the status report on p. 19 et seq., and at www.indus.de/en/philosophy/strategy

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

The PARKOUR strategy has set out three key strategic initiatives:

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

1. STRENGTHENING PORTFOLIO STRUCTURE

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

THE SIX PREFERRED GROWTH INDUSTRIES FOR COMPANY ACQUISITIONS

1
AUTOMATION AND MEASURING TECHNOLOGY, AND CONTROL ENGINEERING

2
CONSTRUCTION TECHNOLOGY

3
SAFETY TECHNOLOGY

4
MEDICAL ENGINEERING/LIFE SCIENCE

5
TECHNOLOGY FOR INFRASTRUCTURE/LOGISTICS

6
ENERGY AND ENVIRONMENTAL TECHNOLOGY

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

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

In the 2020 financial year, the **INTERIM SPRINT** package of measures to optimize the portfolio was adopted and implemented by the INDUS Board of Management. Part of this package of measures to implement the goals defined in the PARKOUR strategy programme was the disposal of KIEBACK at the investment level of FICHTHORN at the level of the sub-subsidiaries and the disposal of the SIMON Kinetics business area of SIMON. In addition, it was decided to shut down BACHER and to discontinue the operations of SIMON's Plastics Electroplating business unit. Overall, the INTERIM SPRINT package of measures was a necessary and important interim step to achieve the objectives set with the PARKOUR strategy.

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

In light of the structural upheaval in the automotive industry, which has resulted in high pressure on margins, series suppliers in the Automotive Technology segment will not be able to achieve INDUS' margin targets for the foreseeable future. The environment for suppliers has further deteriorated with the coronavirus crisis. Extensive repositioning projects are currently underway to make series suppliers fit for the demands of future technologies. The Automotive Technology segment is intended to remain an INDUS segment in the future following repositioning. However, in some cases it may be necessary to further examine whether another owner could offer individual companies and their employees better long-term development opportunities.

Read more in the article "Reimagined" in our 2021 magazine starting on p. 8

2. DRIVING INNOVATION

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

INDUS supports selected innovation projects in the Group with financial subsidies. The development funds cover 50 to 80% of the project volume. The holding company has set aside an annual budget up to 3% of consolidated EBIT for this purpose. The aim is to ensure the portfolio companies' future viability and open up new production areas and markets. Despite the coronavirus pandemic, INDUS therefore did not reduce the absolute volume of development funds available in the 2020 financial year compared to the 2019 financial year.

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

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

3. IMPROVING PERFORMANCE

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

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

INDUS assists the portfolio companies in realizing productivity potential in procurement, production, and logistics. One significant element here is providing support for the portfolio companies to introduce Lean management to achieve waste-free, Lean corporate processes. The support consists of an overarching training program on Lean management, various networking formats for sharing best practices in the INDUS Group, and individual workshops with the portfolio companies to impart specific methodological knowledge. Specific optimization projects are accompanied directly by INDUS or by external partners.

Management Control

Planning and Strategy Processes

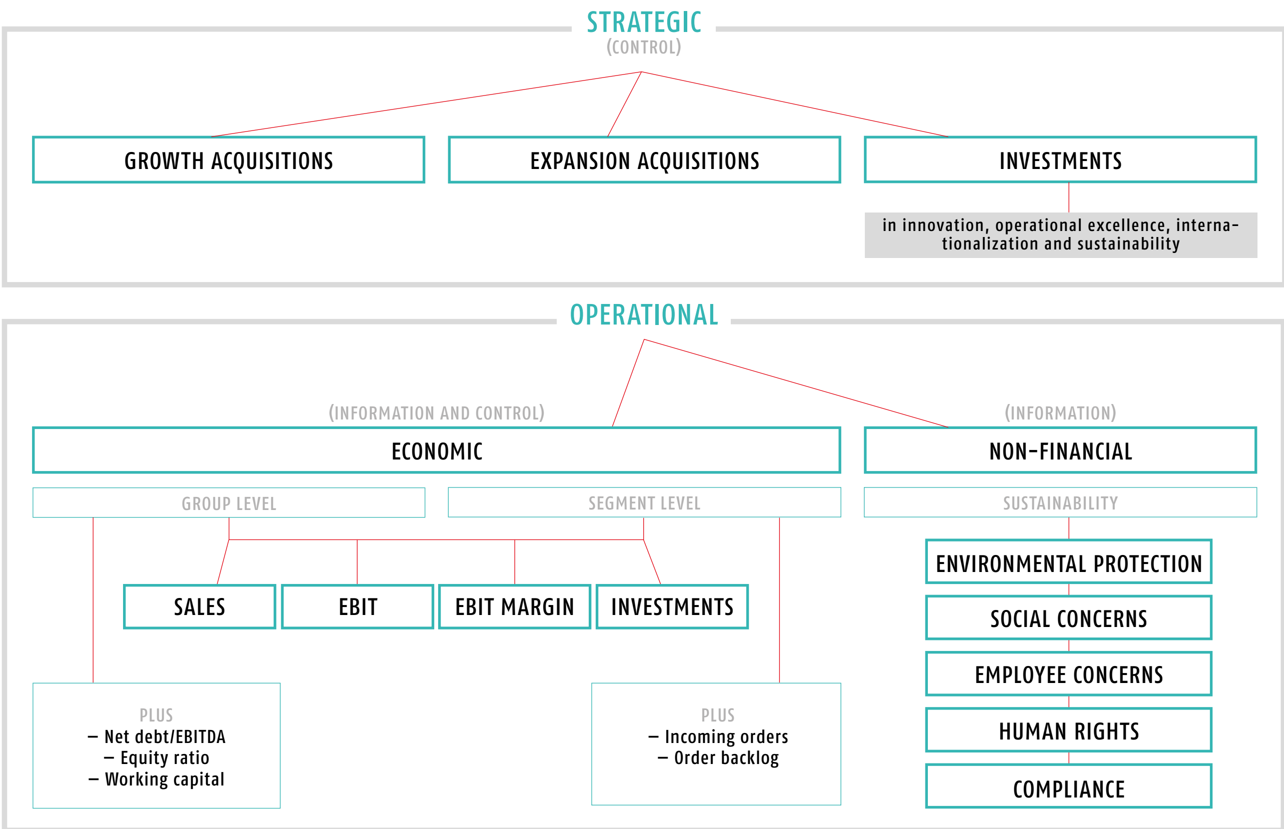
Based on the INDUS strategy PARKOUR, the portfolio companies develop their own individual business strategies for the coming financial years. This then forms the strategic base for planning their business development, the necessary investments and the development of their financial position and results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

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

Management Variables

The economic indicators used by the holding company to assess the situation correspond to the **operational financial** performance indicators commonly used for manufacturing companies. In addition, **strategic financial** performance indicators are used for direct investment decision-making.

INFORMATION AND CONTROL PARAMETERS



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

Interim Reporting

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

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

Regular Management Dialogue

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

Non-financial Performance Indicators

Employees

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

On average in the 2020 financial year, the holding company had 35 employees excluding members of the Board of Management (previous year: 32). It is in the interest of INDUS to boost the productivity of its employees and to encourage their long-term loyalty to the company. To that end, INDUS offers its employees the basic conditions of a modern, attractive employer in terms of healthcare, educational advancement, and income.

IN THE GROUP: CULTIVATING AN SME-APPROPRIATE CULTURE

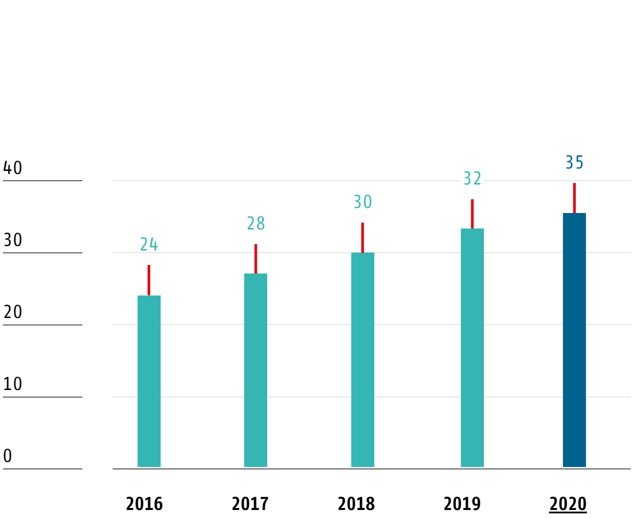
On average, 10,644 people were employed in the INDUS Group during the reporting year (previous year: 10,856). Management of those employed by the portfolio companies is the responsibility solely of their managements. Accordingly, the portfolio companies direct their human resources work, in both quantitative and qualitative terms, on their own. SMEs assume a high level of responsibility when it comes to training; this is also true in particular of the companies within the INDUS Group. A total of 415 trainees were employed throughout the Group in 2020 (previous year: 448); this equates to a trainee ratio of 3.9% (previous year: 4.1%). Thus, even during the coronavirus pandemic, INDUS employs a high number of trainees in the portfolio companies.

Development and Innovation

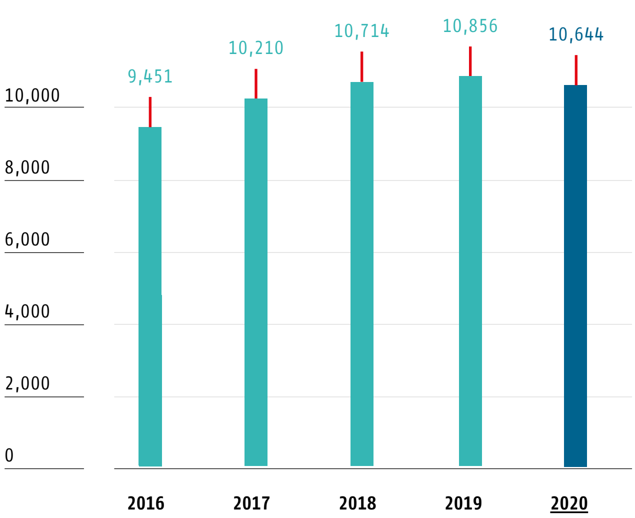
R&D SUPPORT FOR PORTFOLIO COMPANIES

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

EMPLOYEES IN THE HOLDING COMPANY (Number)



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



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

Funds for innovations in future fields: INDUS budgets 3% of annual consolidated EBIT for its portfolio companies as part of the “driving innovation” strategic initiative in order to advance suitable innovation projects. Due to the great importance of innovation projects, the absolute amount remained at the 2019 level in 2020. A similar level is budgeted for this financial support for the portfolio companies in the 2021 financial year. This enables INDUS to specifically promote activities and projects with a significant level of innovation and in predefined future fields that, in INDUS’ view, offer outstanding long-term development potential but are also associated with higher risks. These innovations enable the companies to tap into new business fields and technologies and thus strengthen their competitive position.

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

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

INNOVATION ACTIVITIES UP AGAIN AT THE PORTFOLIO COMPANIES

The expenses for R&D ACTIVITIES recognized in the INDUS Group’s consolidated financial statements for 2020 amounted to EUR 18.9 million (previous year: EUR 20.3 million). The allocation of funds for this field was therefore at a high level again, and this is expected to continue in the years to come.

Further information can be found in Note [9] on p. 145

Not only is a higher real net output ratio required of the portfolio companies but also an increasing degree of in-house, individual R&D capability and innovation effectiveness. The relevance to customers is a top priority in development work: Successful development partnerships are in place with both customers and suppliers.

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

Sustainability

More information on the topic of sustainability can be found in our Non-financial Report starting on p. 21, and at www.indus.de/en/investor-relations/sustainability

A separate INDUS sustainability magazine will also be published in the summer of 2021.

CORPORATE SUCCESS THROUGH SUSTAINABLE MANAGEMENT

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

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

To **ensure profitability**, INDUS uses traditional economic key figures, thus aligning itself with stability-oriented benchmarks. This strengthens entrepreneurial success in the interests of the Group, the shareholders, and other stakeholders in the long term. The holding company ensures a stable balance sheet, adequate liquidity, and a flexible financing basis. **Socially**, all members of the INDUS Group align themselves with traditional SME industry benchmarks. Central to these is the principle of responsibility – for the survival of the company, but first and foremost for the people who ensure it. This is reflected in the company-specific codes of conduct, in the promotion of employee training, and in the attitude towards social responsibility, particularly in the local regions where the portfolio companies operate. With respect to the **environment**, INDUS supports the portfolio companies with their efforts to conserve resources and avoid greenhouse gas emissions. For instance, INDUS provides investment funds for efficiency measures and promotes sustainable product innovation in the future field of green tech (energy and environmental technology and technologies and products with an improved energy-efficient use profile). As far as **governance and compliance** are concerned, the Board of Management and Supervisory Board have always considered themselves bound to create added value in a responsible, transparent, and sustainable manner. For example, they have followed the majority of the recommendations and suggestions of the German Corporate Governance Code since its introduction, thus documenting the importance of the rules of good corporate governance and supervision. In the 2020 financial year, the Board of Management of INDUS Holding AG resolved to implement a Group-wide whistleblower system. Its introduction in the first quarter of the 2021 financial year also implements the applicable recommendations of the German Corporate Governance Code.

INDUS will again publish a non-financial report for the INDUS Group for the period to December 31, 2020. This will be published as part of the Annual Report. In addition, a separate sustainability magazine will report on the progress of sustainability initiatives in the INDUS Group for the first time in 2021.

Corporate Governance

Declaration on Corporate Governance

The Board of Management and Supervisory Board of INDUS have committed themselves to thorough observance of the principles of good corporate governance. The management body and supervisory body therefore issue the appropriate "Declaration on Corporate Governance" on an annual basis. The current full declaration is available on the INDUS website in the section "About INDUS/Corporate Governance."

The annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) constitutes a part of the Declaration on Corporate Governance. This was issued by the Board of Management and the Supervisory Board on December 9, 2020. In it they state that, with two exceptions, in 2020 INDUS Holding AG was in compliance with all of the recommendations made by the government commission and the German Corporate Governance Code. The two exceptions relate to confidential whistle-blowing possibilities and certain sections of the Board of Management's compensation. The full Declaration of Conformity can be viewed on the INDUS website in the section "About INDUS/Corporate Governance."

The Declaration on Corporate Governance and the full annual Declaration of Conformity can be viewed on our website at www.indus.de/en/about-indus/corporate-governance

Report on the Economic Situation

Sales for the INDUS Group fell from the previous year's figure of EUR 1.74 billion to EUR 1.56 billion in the 2020 financial year. Despite the coronavirus pandemic, the Construction/Infrastructure and Metals Technology segments nearly maintained their level of sales. In the other segments, sales fell significantly compared to the previous year. The INDUS Group's operating result (EBIT) was EUR 25.1 million, compared to EUR 117.9 million in the previous year. This includes impairments of EUR 40.6 million. The EBIT margin was 1.6%. Operating cash flow rose from EUR 167.7 million in the previous year to EUR 174.4 million in the reporting period. This was largely due to decreased working capital.

Changes in the Economic Environment

Macroeconomic Trends

GLOBAL ECONOMY: GLOBAL SLUMP DUE TO THE CORONAVIRUS CRISIS

The global economy fell into a severe recession in 2020 due to the coronavirus crisis. Because of the nearly parallel course of the pandemic and comparable containment measures around the world, this downturn took an almost synchronous course internationally. Europe, the United States, and emerging markets were hit simultaneously by a drastic slump in the second quarter. The exception was China, where the outbreak of the pandemic occurred three months earlier and a strong recovery started as early as the second quarter.

In the summer months, economic activity resumed in large parts of the world – despite the continuing threat of COVID-19. Fiscal and monetary policy measures supported this recovery in many economies (the United States, Europe, China, Brazil, and India). It was thus possible to partially offset losses in the pronounced recovery in the third quarter. Although this upturn was significantly curbed in the fourth quarter as a result of the second wave of infection and associated containment measures, it remained intact overall. In 2020, the global economy's gross domestic product shrank by an estimated 3.5% according to the International Monetary Fund. The Kiel Institute for the World Economy (IfW) expects a decrease of 3.8%. Economic output decreased by 3.6% in the United States and 7.2% in the euro area in 2020 according to IfW estimates. Following the coronavirus shock at the start of 2020, the Chinese economy recovered more rapidly than expected, even in view of the consistent containment of the pandemic: It grew by an estimated 1.8% in 2020.

GERMAN ECONOMY: RECOVERY CURBED BY SECOND WAVE

The coronavirus crisis also led to a recession in Germany. Following a massive slump in economic output by more than 10% in the second quarter, the economy recovered across the board at the start of the summer and particularly in the third quarter of 2020. Private consumption and exports rose, and the labor market also showed a positive trend again. The second wave of infection and associated pandemic restrictions severely inhibited this catch-up effect and particularly impacted consumer-related sectors. By contrast, industry largely continued its recovery but had to absorb considerable losses in the year as a whole. Overall, although the German economy shrank less in 2020 than was forecast at the start of the pandemic, the decrease in economic output was still around 5%. By comparison, GDP fell by 5.7% during the 2009 financial crisis.

Changes in the Industrial Environment

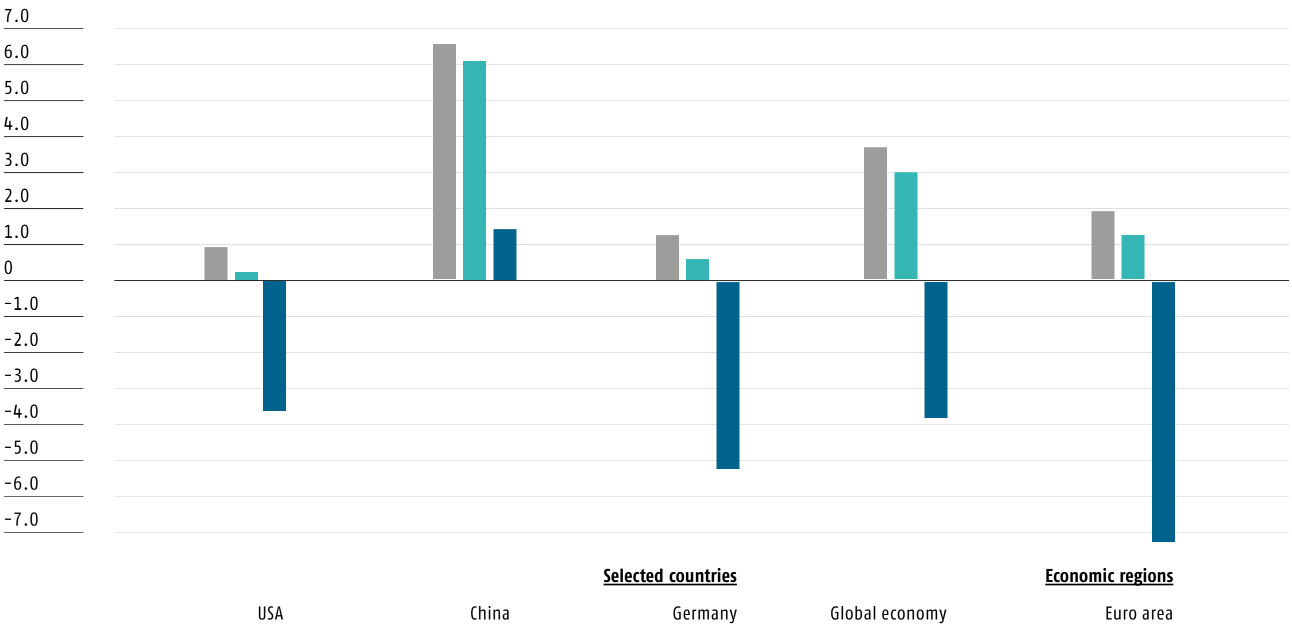
GERMAN INDUSTRIAL PRODUCTION: CRISIS NOT YET OVER DESPITE RECOVERY

The starting point for German industry in 2020 was already difficult after a previous year of recession. Although a strong recovery in the third quarter in particular partially made up for the massive slump in the spring caused by the coronavirus, industrial production overall recorded another year of decline. For example, sales in the manufacturing sector fell by 10.1% adjusted for calendar effects in 2020 according to the German Federal Statistical Office. Incoming orders in the manufacturing sector were down 7.2% on the previous year. The number of people employed in the manufacturing sector fell by 2.2%.

CONSTRUCTION/INFRASTRUCTURE: DEMAND REMAINS INTACT EVEN DURING THE CORONAVIRUS CRISIS

The German construction industry proved to be extremely stable in the coronavirus crisis and thus proved to be an economic support. The construction industry had already been experiencing extraordinary economic conditions for some time and was clearly focused on growth at the start of 2020 with a record order backlog. Construction industry companies came through the coronavirus crisis without a slump similar to other sectors. For example, the added value in the construction industry even increased in a year-over-year comparison during the lockdown months; contrary to the macroeconomic trend, it grew by 1.4% in real terms on an annual basis according to the Hauptverband der Deutschen Bauindustrie (HDI). The total number of people in work in the construction sector grew by 0.7%; machine capacity utilization remains high. Looking at the detail, however, the picture is mixed: While

ECONOMIC TENDENCIES: CHANGE IN GROSS DOMESTIC PRODUCT (GDP), ANNUAL GROWTH (2018–2020) (in %)



	USA	China	Germany	Global economy	Euro area
2020 (preliminary)	-3.6	1.8	-5.2	-3.8	-7.2

Source: IfW, figures for Germany adjusted for calendar and seasonal effects (As of: Dec 2020) incoming orders are decreasing in the commercial construction sector, demand in housing construction continues to rise. Overall, demand remains intact, even if growing competition and higher costs, including as a result of hygiene measures due to the coronavirus, are at the same time squeezing construction companies' profit margins.

AUTOMOTIVE TECHNOLOGY: GERMAN AUTOMOTIVE MARKET IN UPHEAVAL

Automotive manufacturers and suppliers, who are already greatly challenged by the technological change to e-mobility and the associated structural change, were additionally impacted by the enormous effects of the coronavirus crisis in 2020. In the first half of the year in particular, production, incoming orders, and exports decreased drastically. According to the German trade association Verband der Automobilindustrie (VDA), this simultaneous supply and demand shock led to a 15% slump in the global passenger car market overall in 2020. In particular, unit sales of light vehicles in the United States (-28%), Brazil (-27%), and Europe (-24%) dropped massively. New vehicle registrations in Germany decreased by 19%. Even the Chinese automotive market, which recovered relatively quickly after the first slump, was unable to reach the previous year's level (-6%). German passenger car exports decreased by 24%.

The transformation process toward alternative drives was given a boost in Germany in 2020: The number of new registrations of vehicles with electric drives increased steadily – partly driven by environmental bonus funding. In December 2020, almost 27% of new car registrations were electric vehicles. However, the charging infrastructure remains a stumbling block to further development – at the start of the year, there were 17 vehicles to each publicly accessible charging point.

MECHANICAL ENGINEERING: WORST PERFORMANCE SINCE THE FINANCIAL CRISIS – SHARP DIFFERENCES DEPENDING ON THE BRANCH

The coronavirus crisis in 2020 hit the German mechanical engineering sector hard. Even though export figures recovered from the second half of the year and the decreases in November and December were below expectations, overall production fell by around 12% in real terms in Germany in 2020. Both German exports and total revenue decreased by around 13% in real terms from January to November as compared to the previous year. Because of the support from short-time work, these decreases have not yet been reflected in staff cuts: The number of people employed in the German mechanical engineering sector decreased by around 4% in 2020.

The impact of the pandemic hit different areas of specialization in Germany with varying severity. For example, exports from January to November fell sharply in a year-over-year comparison in the machine tools area (-30%) and the precision tools area (-20%). Other areas, such as agricultural technology, were unscathed by the crisis (+0.1%). This mixed picture can also be seen in incoming orders: Whereas plastics and rubber machines and agricultural, fluid, and conveyor technology saw a significant increase in incoming orders in the fourth quarter of 2020, measurement and testing technology, processing technology, and machine tools, for example, struggled with drops of 15 to 30%.

MEDICAL TECHNOLOGY: SELECTIVE INCREASE IN DEMAND CANNOT COMPENSATE FOR GENERAL DECREASES IN SALES

The coronavirus pandemic also hurt economic development opportunities in the medical technology sector. Postponed operations, fewer visits to the doctor, and a decrease in prescriptions meant the sector saw significant decreases in sales in 2020. Increased demand for medical protective equipment and hygiene products could not compensate for this impact. Exports, which are also key for medical technology companies, also saw clear decreases. Although the German Industry Association for Optics, Photonics, Analytical and Medical Technologies SPECTARIS only anticipated a decrease in sales of a good 3% in its 2020

November survey, it is striking that smaller companies with fewer than 200 employees have been hit harder by the crisis. As of September, incoming orders were down -12% here and there were double-digit decreases in revenues compared to the previous year in some cases.

METALS TECHNOLOGY: PRONOUNCED RECESSION IN 2020

The metals industry in Germany was already under enormous pressure at the start of 2020 as a result of significant decreases in production and incoming orders. The impact of the COVID-19 pandemic worsened this difficult starting position dramatically. For example, in April 2020 production was around 39% and sales around 41% down on the previous year in the metals and electronics industry. Approximately 38% of employees in the sector were on short-time work in May 2020. Around 140,000 jobs had already been cut by September 2020. Although the metals industry somewhat recovered from the deep slump in the second quarter over the course of the year – partly supported by foreign orders rising again – the decrease in sales in metal production and processing remained around 13% after nine months. In October, the companies in the metals industry expected annual sales figures to be down by an average of 23%. M+E production was around 15% below the previous year according to estimates by the Federation of German Employers' Associations in the Metal and Electrical Engineering Industries Gesamtmetall.

Performance of the INDUS Group

The Board of Management's Overall Assessment

COVID-19 IMPACT AND GENERAL WEAKNESS IN THE AUTOMOTIVE SECTOR HURT INDUS' 2020 PERFORMANCE – CONSTRUCTION/INFRASTRUCTURE ACHIEVES EXCELLENT INCOME

In the 2020 financial year, the INDUS Group generated sales of EUR 1.56 billion. Sales fell by 10.6% and were thus well within the forecast range of EUR 1.50–1.65 billion. All the segments were affected by the decrease in sales – albeit to varying degrees. Sales in the Construction/Infrastructure and Metals Technology segments decreased only slightly, by -1.3% and -3.8%, respectively. The decreases in sales in the other segments amounted to -11 to -23% and are primarily due to the economic impact of the coronavirus pandemic. In the Automotive Technology segment, the structural crisis in the automotive industry additionally impacted the portfolio companies.

At EUR 25.1 million, operating income (EBIT) was up on the August forecast (as part of the 2020 half-yearly report) but significantly below the previous year's figure of EUR 117.9 million. This was due to the economic consequences of the coronavirus pandemic, the structural weakness in the automotive industry, and resulting non-cash impairments. The impairments of EUR 40.6 million largely affect goodwill and also property, plant, and equipment, and intangible assets, and are the result of worsened expectations of the future. In June 2020, the Board of Management of INDUS Holding AG adopted the INTERIM SPRINT package of measures to optimize the portfolio, and has been implementing them since. As part of the package of measures, KIEBACK was sold at the shareholding level, the granddaughter FICHTHORN and the SIMON Kinetics business unit. Furthermore, the decision was made to close the Swiss company BACHER AG following the conclusion of the Swiss consultation procedure. The discontinuation is currently being implemented and will be completed in the course of the 2021 financial year. In addition, SIMON's plastics electroplating business was discontinued due to the pending ban on chromium trioxide.

Overall, these various effects have had a detrimental effect on income and are responsible for its decline. With 1.6% (previous year: 6.8%), the EBIT margin for the INDUS Group is well short of the "10% + X" target. Operating cash flow developed positively in 2020, rising by EUR 6.7 million from EUR 167.7 million in the previous year to EUR 174.4 million in the reporting year. This is particularly due to a welcome reduction in working capital. Working capital was EUR 410.5 million as of December 31, 2020, and was thus EUR 67.8 million lower than as of the previous year's reporting date. This reduction is to a considerable extent a success from the program for reducing the working capital as part of the strategic initiative to promote operational excellence. In addition, the decrease in operating activities due to the pandemic also contributed to this reduction.

In terms of segments, the Construction/Infrastructure segment was able to further increase its high operating income (EBIT) and generate an EBIT margin of 16.8%. The Engineering, Medical Engineering/Life Science and Metals Technology segments saw drops in income and were not able to achieve their target margins. In the Automotive Technology segment, the difficult structural situation in the automotive industry, the impact of the coronavirus as well as impairments and other measures from the INTERIM SPRINT program resulted in an operating loss of EUR -87.8 million.

At the end of 2020, INDUS signed the purchase agreement for a new portfolio company. JST Systemtechnik GmbH & Co. KG is an SME that provides integrated control room solutions and extensive know-how in conceptual design, construction, and maintenance of control rooms. The economic transfer of the transaction and the initial consolidation of JST took place in January 2021. In addition, remaining shares in the MBN, M+P, PEISELER, and SELZER portfolio companies were acquired.

Investments in property, plant, and equipment, and intangible assets amounted to EUR 52.5 million, Due to the coronavirus crisis, INDUS had already reduced the investments in the Group starting in the second quarter. The Group's financial position remained very stable in 2020. At 39.1%, the Group's equity ratio is slightly below the target ratio of 40% (previous year: 40.2%). The level of liquidity was deliberately increased as a precautionary measure because of the possible impact of the coronavirus pandemic. As of the reporting date, cash and cash equivalents amounted to EUR 194.7 million. Its traditionally favorable liquidity position gave INDUS enough economic strength for the capital investment it made or intended to make. This is why the company maintains liquidity buffers and credit lines. The repayment term (net debt/EBITDA) was 3.3 years (previous year: 2.4 years) and was thus above the stipulated target range of 2 to 2.5 years.

Overall, the portfolio companies reacted to the coronavirus crisis in an extremely agile way and quickly rose to the challenges of the pandemic. This continues to happen to this day through flexibilization of working from home, adaptations to heavily fluctuating customer inquiries, and systematic, cost-conscious behavior in compliance with strict occupational health and safety rules to protect employees.

In the past year with the coronavirus crisis, the broad diversification of the portfolio has particularly proved its worth. Furthermore, the crisis has shown that our PARKOUR strategy program equips the companies with the fitness and flexibility necessary to cope with difficult economic times. The Board of Management will also continue to focus on increasing operational excellence and promoting innovations in the portfolio companies in the future. In order to develop the portfolio, INDUS continues to look for interesting acquisitions in the future fields defined in the PARKOUR strategy.

PARKOUR puts the non-financial key performance indicators under the spotlight and will keep a close eye on their development to use them as management variables over coming years.

TARGET PERFORMANCE COMPARISON

	ACTUAL 2019	TARGET 2020	ACTUAL 2020	Level of achievement
GROUP				
Management variables				
Acquisitions	2 growth acquisitions	dependent on overall performance	1 growth acquisition that was signed in 2020 and is economically effective starting in 2021	achieved
Sales	EUR 1.74 billion	EUR 1.50 to 1.65 billion	EUR 1.56 billion	achieved
EBIT	EUR 117.9 million	EUR 85 to 95 million	EUR 25.1 million	not achieved
EBIT margin	6.8%	5 to 6.5%	1.6%	not achieved
Investments in property, plant, and equipment, and intangible assets	EUR 78.3 million	less than previous year	EUR 52.5 million	achieved
Supplementary management variables				
Equity ratio	40.2%	>40%	39.1%	not achieved
Net debt/EBITDA	2.4 years	≤3.0 years	3.3 years	not achieved
Working capital	EUR 478.3 million	less than previous year	EUR 410.5 million	achieved
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 388.9 million	falling sales	EUR 384.0 million	forecast achieved
EBIT	EUR 63.0 million	falling income	EUR 64.5 million	better than expected
EBIT margin	16.2%	13 to 15%	16.8%	better than expected
Automotive Technology				
Sales	EUR 350.3 million	falling sales	EUR 269.2 million	forecast achieved
EBIT	EUR -35.8 million (incl. EUR 17.3 million impairment)	rising income	EUR -87.8 million (incl. EUR 33.8 million impairment)	not achieved
EBIT margin	-10.2% (before impairment -5.3%)	-9 to -7%	-32.6% (without impairment -20.1%)	not achieved
Engineering				
Sales	EUR 434.6 million	falling sales	EUR 370.0 million	forecast achieved
EBIT	EUR 54.6 million	falling income	EUR 31.4 million (incl. EUR 2.3 million impairment)	forecast achieved
EBIT margin	12.6%	9 to 11%	8.5% (before impairment 9.1%)	not achieved (achieved without impairment)
Medical Engineering/Life Science				
Sales	EUR 159.7 million	slight fall in sales	EUR 142.1 million	forecast achieved
EBIT	EUR 18.6 million	falling income	EUR 10.2 million	forecast achieved
EBIT margin	11.6%	9 to 11%	7.2%	not achieved
Metals Technology				
Sales	EUR 409.2 million	falling sales	EUR 393.6 million	forecast achieved
EBIT	EUR 25.8 million	rising income	EUR 14.4 million (incl. EUR 4.5 million impairment)	not achieved
EBIT margin	6.3%	5 to 7%	3.7% (before impairment 4.8%)	not achieved

Group Earnings Performance

CONSOLIDATED STATEMENT OF INCOME

(in EUR million)

	2020	2019	2018	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
Sales	**1,558.6**	**1,742.8**	**1,710.8**	**-184.2**	**-10.6**
Other operating income	22.1	34.4	20.6	-12.3	-35.8
Own work capitalized	6.4	7.6	7.8	-1.2	-15.8
Change in inventories	-27.6	-22.9	35.1	-4.7	20.5
Overall performance	**1,559.5**	**1,761.9**	**1,774.3**	**-202.4**	**-11.5**
Cost of materials	-690.1	-782.4	-811.9	92.3	11.8
Personnel expenses	-501.0	-527.5	-506.6	26.5	5.0
Other operating expenses	-210.7	-226.3	-237.7	15.6	6.9
EBITDA	**157.7**	**225.7**	**218.1**	**-68.0**	**-30.1**
Depreciation/amortization	-132.6	-107.8	-83.7	-24.8	-23.0
Operating income (EBIT)	**25.1**	**117.9**	**134.4**	**-92.8**	**-78.7**
Financial income	-15.5	-18.9	-19.7	3.4	18.0
Earnings before taxes (EBT)	**9.6**	**99.0**	**114.7**	**-89.4**	**-90.3**
Taxes	-36.5	-38.9	-43.5	2.4	6.2
Earnings after taxes	**-26.9**	**60.1**	**71.2**	**-87.0**	**-144.8**
of which attributable to non-controlling shareholders	0.1	0.6	0.3	-0.5	-83.3
of which attributable to INDUS shareholders	-27.0	59.5	70.9	-86.5	-145.4

SALES DOWN IN ALL SEGMENTS

INDUS Group **sales** fell by 10.6% to EUR 1,558.6 million in the financial year. All the segments are affected by the decrease in sales – but to varying degrees. The Construction/Infrastructure segment only saw a very slight decrease in sales compared to the very high sales of the previous year. In the Automotive Technology and Engineering segments, revenue dropped sharply. This was caused firstly by the consequences of the coronavirus crisis and secondly by this segment's structural and economic problems. The Medical Engineering/Life Science segment was significantly affected by the coronavirus pandemic at the start of the financial year during the first lockdown. In the course of the business year, business increasingly normalized, but was again slowed down towards the end of the year by the second lockdown. Overall, the losses of the first lockdown could not be recouped. Fortunately, there were only small decreases in sales in the Metals Technology segment of -3.8%. The decrease in sales for the INDUS Group as a whole amounted to 11.6% organically. Inorganic growth in sales of 1.0% was generated by the acquisitions of MESUTRONIC and DSG in the previous year.

Other operating income amounted to EUR 22.1 million, compared with EUR 34.4 million in the same period of the previous year. The previous year's figure included in particular the proceeds from the sale of the minority interest in TKI Automotive GmbH, which totaled EUR 16.8 million.

Change in inventories decreased from EUR -22.9 million to EUR -27.6 million. Compared to the previous year, **cost of materials** fell disproportionately to the decrease in sales by -11.8% to EUR 690.1 million (previous year: EUR 782.4 million). The reason for this is in particular the declining business in 2020. The **cost-of-materials ratio** thus also fell slightly from 44.9% to 44.3%.

Personnel expenses decreased. In the previous year, the expense was EUR 527.5 million. In the past financial year, personnel expenses were EUR 501.0 million. The decline is mainly due to short-time work in connection with the coronavirus pandemic and a reduction in the number of employees in the INDUS Group. In personnel expenses, the subsidies for social security contributions in connection with the short-time working allowance from the state COVID-19 support measure in the amount of EUR 2.6 million were offset with an effect on income. Furthermore, income from the settlement of Swiss pension plans in the amount of EUR 4.5 million was charged to personnel expenses. Because the decrease in personnel expenses was disproportionately low compared to sales, the **personnel expense ratio** of 32.1% in the past fiscal year was 1.8 percentage points higher than in the previous year (30.3%).

Other operating expenses decreased by 6.9% to EUR 210.7 million. In particular, travel expenses and expenses for marketing and trade fairs fell due to the coronavirus restrictions. As a result, operating income before depreciation/amortization (EBITDA) amounts to EUR 157.7 million (-30.1%).

Depreciation was EUR 132.6 million, EUR 24.8 million (23.0%) higher than in the previous year. This included depreciation/amortization of EUR 92.1 million (previous year: EUR 90.5 million) and impairments of EUR 40.6 million (previous year: EUR 17.3 million). The impairments relate to goodwill and property, plant and equipment as well as intangible assets. Of this amount, EUR 33.8 million is attributable to the Automotive Technology segment, EUR 2.3 million is attributable to the Engineering segment and EUR 4.5 million is attributable to the Metals Technology segment (previous year: all impairments in the Automotive Technology segment). The impairments are the result of a less promising outlook.

SHARP DECREASE IN EBIT – IMPACTED BY THE CORONAVIRUS, IMPAIRMENTS AND STRUCTURAL CHANGE IN AUTOMOTIVE TECHNOLOGY

This resulted in an operating income or **EBIT** of EUR 25.1 million for 2020, a reduction of EUR 92.8 million below the previous year (EUR 117.9 million). The EBIT margin was 1.6% compared to 6.8% in the previous year. Without taking impairments into account, the INDUS Group generated operating income of EUR 65.7 million (previous year: EUR 135.2 million). The EBIT margin before impairment was 4.2%, as against 7.8% in the previous year. Net financial income improved by EUR 3.4 million, from EUR -18.9 million to EUR -15.5 million. The financial income includes net interest, income from shares measured according to the equity method, and other financial income. Net interest went down from EUR -15.5 million to EUR -16.2 million. Measurements of minority interests in particular are reported in the other financial income item. A EUR 3.6 million reduction in expenses was achieved here due to scheduled acquisitions of minority interests and lower earnings in the portfolio companies.

Earnings before taxes (**EBT**) fell to EUR 9.6 million (previous year: EUR 99.0 million). Tax expenses decreased by EUR 2.4 million to EUR 36.5 million. The decrease in tax expenses is significantly smaller than the decrease in earnings before taxes. This is largely due to the lack of tax relief resulting from goodwill impairments and absence of loss carryforwards within the Group. Due to its business model, INDUS does not form tax groups.

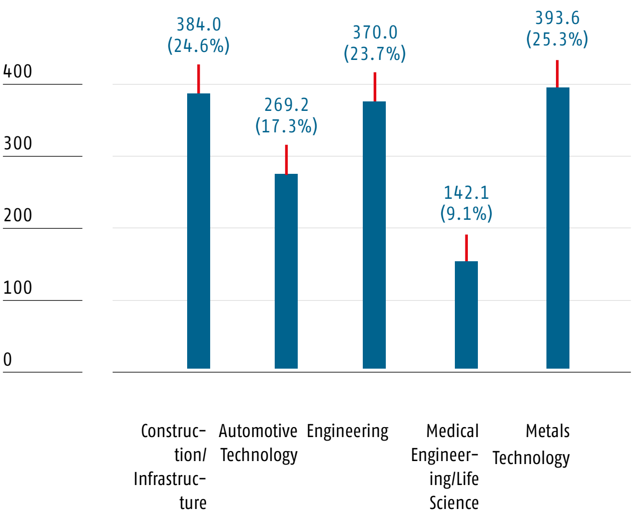
Earnings after taxes totaled EUR -26.9 million (previous year: EUR 60.1 million). This equates to a decrease of EUR 87.0 million compared to the previous year. Interests attributable to non-controlling shareholders amounted to EUR 0.1 million (previous year: EUR 0.6 million). Earnings after taxes for INDUS shareholders amounted to EUR -27.0 million. This equates to earnings per share of EUR -1.10 as compared to EUR 2.43 in the previous year.

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

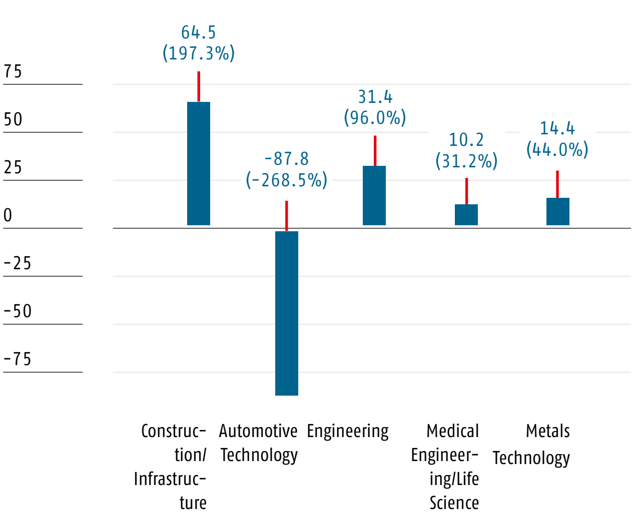
The individual segments' shares of sales and earnings have changed further in their ratios to one another. The **Construction/Infrastructure** segment's contribution to sales increased to 24.6% (previous year: 22.3%) and that of **Metals Technology** to 25.2% (previous year: 23.5%). The Metals Technology segment was thus the strongest segment in the INDUS Group in terms of sales in 2020, overtaking the **Engineering** segment as the segment with the strongest sales. The Engineering segment is now the third strongest segment at 23.7% (previous year: 24.9%) ahead of the **Automotive Technology** segment with a share of 17.3% (previous year: 20.1%). This has been on a steady slide over recent years, in line with the economic conditions. The **Medical Engineering/Life Science** segment remains the smallest segment in the Group with a relatively constant revenue share of 9.1% (previous year: 9.2%).

The distribution of operating income (EBIT) exhibits very large differences between the segments. The Construction/Infrastructure segment generated a 197.3% share of income (previous year: 49.9%). The Engineering segment's contribution to income was 96.0% (previous year: 43.3%), while the Medical Engineering/Life Science segment's contribution to income went up to 31.2% (previous year: 14.7%). The Metals Technology segment's contribution to income decreased year-over-year to 44.0% (previous year: 20.4%). The still difficult situation in the Automotive Technology segment and the extreme impact of the coronavirus in the segment led to a contribution to income of -268.5% compared to -28.4% in the previous year.

SALES BREAKDOWN BY SEGMENT (in EUR million)



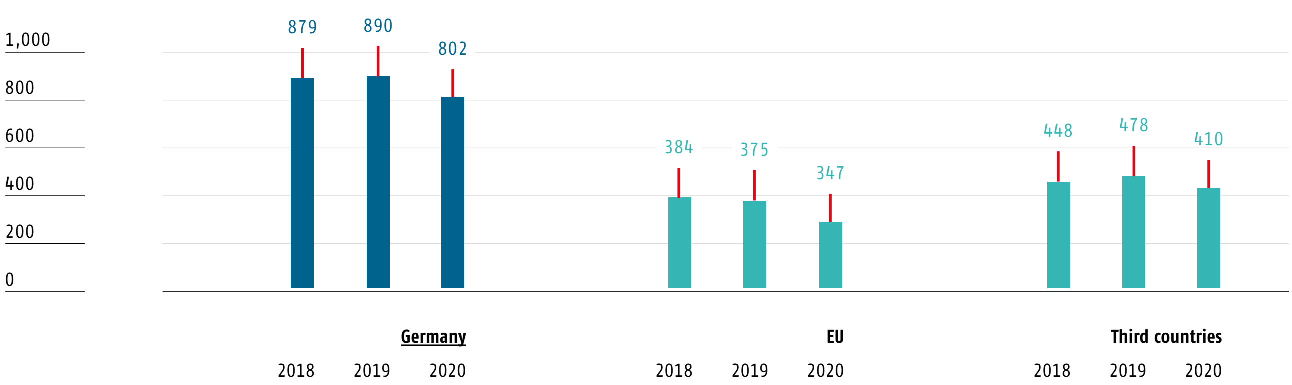
EBIT BREAKDOWN BY SEGMENT (in EUR million)



CONTRIBUTION TO SALES BY THE REGIONS

The INDUS Group's sales decrease is attributable in almost equal measure to its domestic and international business. In relative terms, the domestic share of sales increased slightly by 0.3 percentage points to 51.4% (previous year: 51.1%). Foreign sales decreased by 11.3% to EUR 756.7 million as compared to the previous year. Domestic sales decreased by 9.9% to EUR 801.8 million.

SALES TRENDS BY REGION 2018–2020 (in EUR million)



Earnings Trends in the Segments

CONSTRUCTION/INFRASTRUCTURE

SEGMENT DESCRIPTION

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

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

SEGMENT PERFORMANCE: EBIT MARGIN REACHES NEW HIGH AT 16.8%

The Construction/Infrastructure segment slightly improved compared to the previous year despite the COVID-19 pandemic. In the 2020 financial year, the INDUS portfolio companies again increased their operating income (EBIT), which rose to EUR 64.5 million. The EBIT margin of 16.8% far exceeded the target of 13–15%.

At EUR 384.0 million, the sales of the companies in the segment were slightly below the previous year's figure of EUR 388.9 million. Segment sales thus decreased slightly by 1.3% or EUR 4.9 million compared to 2019. With still good order volumes in the construction sector, the segment's portfolio companies managed to maintain the previous year's extremely high level of sales despite the coronavirus crisis and the completed major contract in the area of digital infrastructure. The portfolio companies from the infrastructure and air-conditioning devices sectors contributed the highest shares of sales.

Operating income (EBIT) increased by 2.4% or EUR 1.5 million from EUR 63.0 million to EUR 64.5 million. All portfolio companies in the segment made a positive contribution to income. Overall, the performance in the Construction/Infrastructure segment in 2020 is very encouraging and is positive without qualification. Despite the coronavirus crisis and the major digital infrastructure project completed at the start of the year, operating income again increased.

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	384.0	388.9	358.7	-4.9	-1.3
EBITDA	79.9	77.0	60.1	2.9	3.8
Depreciation/amortization	-15.4	-14.0	-10.1	-1.4	-10.0
EBIT	64.5	63.0	50.0	1.5	2.4
EBIT margin in %	16.8	16.2	13.9	0.6 pp	–
Investments	18.1	18.8	25.5	-0.7	-3.7
Employees	1,898	1,874	1,839	24	1.3

The segment's 16.8% EBIT margin exceeds both the good figure of the previous year of 16.2% and the INDUS target range of 13 to 15%. The materials usage ratio, which improved in many areas due to stable or slightly decreasing materials prices and the high capacity utilization in the segment, contributed to the excellent margin.

Investments totaling EUR 18.1 million in the reporting year were EUR 0.7 million less than the previous year's figure (previous year: EUR 18.8 million). The resources were partly used for a plant expansion at a portfolio company in the infrastructure sector.

AUTOMOTIVE TECHNOLOGY

SEGMENT DESCRIPTION

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

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

In the past financial year, INDUS adopted and implemented the INTERIM SPRINT package of measures to optimize the portfolio. During the implementation, it was possible to sell KIEBACK at portfolio company level and FICHTHORN at sub-subsidiary level. For the series suppliers in the segment, INDUS regularly checks whether better development prospects for the company and employees would present themselves for individual portfolio companies under a different owner. It is encouraging that the repositioning projects in important areas have progressed well.

SEGMENT PERFORMANCE: EXTREME CORONAVIRUS IMPACT AND STRUCTURAL DIFFICULTIES NEGATIVELY IMPACT SALES AND INCOME

The structural crisis in the automotive industry, which started in mid-2019, has already had a lasting adverse impact on the segment companies. In the 2020 financial year, the Automotive Technology segment was additionally hit hard by the consequences of the coronavirus crisis. Since the start of the first lockdown, the segment companies have used the tool of short-time work on a large scale. At times, up to 53% of employees were on short-time work. On December 31, 2021, approximately 4% of the employees at German locations were still on short-time work.

Sales in the Automotive Technology segment decreased by EUR 81.1 million, or 23.2%, to EUR 269.2 million during the reporting period. This reduction affects all the segment companies and reflects the extreme slump in unit sales during the second quarter and the slow pace of restarting between June and August. Since September, revenues have increased again slightly but are still below the already low level of the previous year. Strict OEM savings measures mean pronounced weakness is not only affecting the series production business but also the development-related areas.

Measures to cut costs and the use of short-time work were only able to partially make up for the sharp decrease in sales. The restructuring and repositioning projects in the segment's two largest series suppliers continue to impact the income situation. Significant new orders with the two companies for important new model series, which will generate significant sales increases in subsequent years – including in e-mobility – are encouraging. The portfolio company KIEBACK GmbH & Co. KG in Osnabrück was sold in the summer as part of the INTERIM SPRINT package of measures. In the fall, this was followed by the sale of FICHTHORN GmbH & Co. KG, a subsidiary of SELZER Holding. The divestitures gave both companies new development prospects. The respective buyers plan to retain a large proportion of the jobs and to continue the companies.

Impairments of goodwill and property, plant, and equipment, and intangible assets of EUR 33.8 million (previous year: EUR 17.3 million) had already been recognized in the second quarter in the Automotive Technology segment.

The upheaval in the automotive industry, the consequences of the coronavirus pandemic, the measures for portfolio optimization described above, and the impairments recognized resulted in operating income (EBIT) of EUR -87.8 million (previous year: EUR -35.8 million). This equates to an EBIT margin of -32.6% compared to -10.2% in the previous year. At EUR -54.0 million, operating income (EBIT) before impairment was also significantly below the previous year's figure of EUR -18.5 million. This resulted in an EBIT margin before impairment of -20.1% (previous year: -5.3%).

Investments amounted to EUR 18.0 million (previous year: EUR 22.8 million) and were thus EUR 4.8 million lower than in the previous year. The decreased investments are connected with the restrictive investment policy due to the coronavirus crisis.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	269.2	350.3	391.0	-81.1	-23.2
EBITDA	-26.7	9.0	28.4	-35.7	<-100
Depreciation/amortization	-27.3	-27.5	-23.4	0.2	0.7
EBIT before impairment	-54.0	-18.5	5.0	-35.5	<-100
EBIT margin before impairment in %	-20.1	-5.3	1.3	-14.8 pp	–
Impairment	-33.8	-17.3	0.0	-16.5	-95.4
EBIT	-87.8	-35.8	-4.5	-52.0	<-100
EBIT margin in %	-32.6	-10.2	-1.2	-22.4 pp	–
Investments	18.0	22.8	29.5	-4.8	-21.1
Employees	3,202	3,360	3,524	-158	-4.7

ENGINEERING

SEGMENT DESCRIPTION

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

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

SEGMENT PERFORMANCE: CONSIDERABLE FALL IN SALES AND EARNINGS

The German mechanical engineering industry was severely affected by the coronavirus crisis. In total, the mechanical engineering segment was hit by a decrease in sales in the double-digit range. This industry trend was also reflected in the portfolio companies in INDUS' Engineering segment in 2020.

Segment sales in Engineering fell by EUR 64.6 million (-14.9%) to EUR 370.0 million (previous year: EUR 434.6 million). This includes an inorganic sales increase of EUR 9.6 million as a result of the acquisition of MESUTRONIC in 2019. All the segment's portfolio companies, with the exception of MESUTRONIC, reported decreases in sales. In particular, companies that supply the machine tool industry and portfolio companies in the automation technology sector are still being hit hard by the effects of the coronavirus pandemic and saw high double-digit decreases in sales. After a low in the second quarter, sales increased significantly again in both the third and the fourth quarters of the financial year but remained noticeably behind the previous year's sales.

KEY FIGURES FOR ENGINEERING

(in EUR million)

	2020	2019	2018	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
Revenue with external third parties	370.0	434.6	387.0	-64.6	-14.9
EBITDA	53.9	73.0	64.2	-19.1	-26.2
Depreciation/amortization	-20.2	-18.4	-12.2	-1.8	-9.8
EBIT before impairment	33.7	54.6	52.0	-20.9	-38.3
EBIT margin before impairment in %	9.1	12.6	13.4	-3.5 pp	–
Impairment	-2.3	0.0	0.0	-2.3	<-100
EBIT	31.4	54.6	52.0	-23.2	-42.5
EBIT margin in %	8.5	12.6	13.4	-4.1 pp	–
Investments	4.1	30.9	12.0	-26.8	-86.7
Employees	2,243	2,180	2,027	63	2.9

Operating income (EBIT) was down by EUR 23.2 million to EUR 31.4 million and was thus down disproportionately to sales. The adjustment measures in personnel expenses, particularly through short-time work and cost cuts in selling, operating and administrative expenses could not make up for the decrease in sales or slump in gross profit. The EBIT margin for the reporting period at 8.5% was thus down considerably on the previous year's figure of 12.6%. Like sales performance, operating incomes rose significantly again in both the third and the fourth quarter of the financial year.

The reduced forecast for a portfolio company in the machine tool industry led to recognition of impairment losses on goodwill of EUR 2.3 million in the third quarter. Before impairments, the operating income was EUR 33.7 million (previous year: EUR 54.6 million). This meant a margin of 9.1% before impairments (previous year: 12.6%).

The order backlog as of year-end was around EUR 30 million lower than the previous year's figure and remains unsatisfactory. In particular, companies in the segment operating in the project business have processed a significant number of their existing orders and are continuing to witness considerable reluctance on the part of their customers to place new orders. However, increases in incoming orders with a low in the second quarter can also be seen here.

At EUR 4.1 million, segment investments were substantially lower than in the previous year and exclusively comprised investments in fixed assets. In the previous year, this figure included the acquisition of MESUTRONIC. Investments in fixed assets fell slightly in comparison to the previous year.

MEDICAL ENGINEERING/LIFE SCIENCE

SEGMENT DESCRIPTION

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

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

SEGMENT PERFORMANCE: DECREASE IN SALES AND INCOME DUE TO THE CORONAVIRUS

The medical technology industry was severely affected by the coronavirus pandemic, particularly by delayed operations and fewer prescriptions for medical aids as a consequence of the decrease in visits to the doctor. Only companies that were able to service the demand for hygiene and protective equipment from the coronavirus pandemic profited from the pandemic.

The Medical Engineering/Life Science segment generated sales of EUR 142.1 million in the 2020 financial year (previous year: EUR 159.7 million) and was thus EUR 17.6 million (11.0%) below the previous year's sales figure. The segment's companies were hit unexpectedly hard by the effects of the coronavirus pandemic during the first lockdown between March and May because elective surgeries were put on hold and sales opportunities in the rehabilitation technology sector were limited. Restrictions on popular sports meant unit sales of orthotic devices and bandages decreased, as did unit sales of compression stockings due to the restrictions on air travel and tourism. Four of the five portfolio companies in the segment were affected by this decrease. One portfolio company from the field of non-wovens was able to maintain its level of sales from the previous year. In the second half of the year, the affected portfolio companies' sales rose again but were still below the previous year's level.

At EUR 10.2 million, operating income (EBIT) was down by EUR 8.4 million on the previous year's figure of EUR 18.6 million. The segment's EBIT margin decreased from 11.6% in the same period of the previous year to 7.2% in the reporting year. Fortunately, the field of non-wovens was able to increase its income compared to the previous year. The segment's other portfolio companies saw considerable slumps in income. The opportunities to offset this through short-time work and cost savings in the area of selling, operating, and administrative expenses were not able to offset the slump in sales.

Investments were made exclusively in fixed assets and, at EUR 6.2 million, were EUR 1.3 million higher in 2020 than the previous year's figure of EUR 4.9 million.

KEY FIGURES FOR MEDICAL ENGINEERING/LIFE SCIENCE

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	142.1	159.7	154.3	-17.6	-11.0
EBITDA	20.4	27.9	24.7	-7.5	-26.9
Depreciation/amortization	-10.2	-9.3	-7.4	-0.9	-9.7
EBIT	10.2	18.6	17.3	-8.4	-45.2
EBIT margin in %	7.2	11.6	11.2	-4.4 pp	–
Investments	6.2	4.9	8.4	1.3	26.5
Employees	1,646	1,718	1,687	-72	-4.2

METALS TECHNOLOGY

SEGMENT DESCRIPTION

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

In 2020, the decision was made to close the Swiss company BACHER AG as part of the INTERIM SPRINT package of measures following the conclusion of the consultation procedure required by law in Switzerland. The discontinuation of business operations is scheduled to take place in 2021. Furthermore, SIMON was able to sell the SIMON Kinetics business to the British Titus Group in 2020 and cease the plastics plating business's operating activities at the end of the third quarter. Continuing the plastics plating business's operating activities would have become unprofitable due to the considerable investment required as a result of the imminent EU-wide ban on chromium(VI) oxide.

SEGMENT PERFORMANCE: CLOSURE OF BACHER AG WAS INITIATED

The Metals Technology segment reported only a slight decline in sales compared to the previous year. Sales fell from EUR 409.2 million to EUR 393.6 million in the reporting year. This equates to a decrease of 3.8%. Taking into account the decreases in sales from contracts already expiring at BACHER AG and the discontinuation of the plastics plating business at SIMON, a slight increase in sales was achieved in the segment despite the lockdown months. This is particularly due to the significant contributions to sales by the international business with carbide products.

At EUR 18.9 million, operating income (EBIT) before impairment was EUR 6.9 million lower than the previous year's figure of EUR 25.8 million. The EBIT margin before impairment was 4.8%, as against 6.3% in the previous year. The decrease is primarily influenced by the business performance of Swiss company BACHER AG. The operating result (EBIT) before impairment includes income from the settlement of Swiss pension plans in the amount of EUR 4.5 million. Outside of the international business with carbide products, the

KEY FIGURES FOR METALS TECHNOLOGY

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	393.6	409.2	420.0	-15.6	-3.8
EBITDA	36.9	46.1	48.5	-9.2	-20.0
Depreciation/amortization	-18.0	-20.3	-13.6	2.3	11.3
EBIT before impairment	18.9	25.8	34.9	-6.9	-26.7
EBIT margin before impairment in %	4.8	6.3	8.3	-1.5 pp	–
Impairment	-4.5	0.0	-6.6	-4.5	–
EBIT	14.4	25.8	28.3	-11.4	-44.2
EBIT margin in %	3.7	6.3	6.7	-2.6 pp	–
Investments	6.9	25.1	26.3	-18.2	-72.5
Employees	1,616	1,687	1,602	-71	-4.2

segment companies were affected by the coronavirus crisis to differing degrees. The countermeasures here included short-time work and cost savings.

At BACHER AG, impairments totaling EUR 4.5 million were recognized on goodwill, property, plant, and equipment, and intangible assets in the course of the closure. As a result, the segment's operating income (EBIT) was EUR 14.4 million (previous year: EUR 25.8 million). The EBIT margin for the 2020 financial year was 3.7% (previous year: 6.3%).

Investments of EUR 6.9 million in the reporting year related to investments in fixed assets. The previous year's investments include the acquisition of DSG. Investments in fixed assets decreased by EUR 11.3 million in the Metals Technology segment due to the restrictive investment policy in connection with the coronavirus pandemic.

Financial Position

Financial and Liquidity Management

PRINCIPLES AND OBJECTIVES

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

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

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

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

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

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

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

Further information can be found in the article "Stable and Sustainable" starting on p. 18 of the 2021 magazine

FINANCING ANALYSIS FOR 2020

INDUS continued in 2020 to use operating cash flow and long-term financing to cover its capital requirements. The main components continued to be long-term unsecured loan agreements, promissory note loans and, to a lesser extent, leases. A promissory note loan with a sustainability component (ESG linked) was placed for the first time, meaning that INDUS now also uses the field of sustainable financing instruments to cover its capital requirements. Funds from firmly committed credit lines were also temporarily used so as to be able to cover any unexpected liquidity requirements in connection with the coronavirus crisis. These funds were not needed during the year and were repaid in full as of the reporting date. Liabilities to banks amounted to EUR 340.4 million as of the reporting date (previous year: EUR 361.7 million); these are primarily (99%) denominated in euros. The volume of credit held in foreign currencies is low and consists of South African rands amounting to EUR 1.5 million (previous year: EUR 1.3 million). In the previous year, the volume of credit held in foreign currencies included Swiss francs amounting to EUR 0.3 million. Promissory note loans amounted to EUR 287.1 million (previous year: EUR 245.2 million). INDUS also has unused credit lines totaling EUR 83.6 million (previous year: EUR 79.4 million).

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

Financial Position

CONSOLIDATED STATEMENT OF CASH FLOWS, CONDENSED

(in EUR million)

	2020	2019	2018
Earnings after taxes	**-26.9**	**60.1**	**71.2**
Depreciation/amortization	131.5	107.8	83.7
Other non-cash changes	51.9	40.9	63.0
Cash-effective change in working capital	63.9	4.3	-65.5
Change in other balance sheet items	0.4	6.2	-9
Tax payments	-46.4	-51.6	-47.4
Operating cash flow	**174.4**	**167.7**	**96.0**
Interest	-19.2	-20.4	-21.3
Cash flow from operating activities	**155.2**	**147.3**	**74.7**
Cash outflow for investments and acquisitions	-54.5	-108.3	-103.8
Cash inflow from the disposal of assets	2.1	32.1	5.5
Cash flow from investing activities	**-52.4**	**-76.2**	**-98.3**
Cash inflow from minority shareholders	0.2	0.0	0.0
Dividend payment	-19.6	-36.7	-36.7
Dividends paid to minority shareholders	-1.0	-1.4	-0.5
Cash outflow from the repayment of contingent purchase price commitments	-22.3	-2.4	-23.0
Cash inflow from raising of loans	140.6	141.5	155.8
Cash outflow from the repayment of loans	-120.3	-125.4	-97.0
Cash outflow from the repayment of lease liabilities	-19.6	-21.7	-1.4
Cash flow from financing activities	**-42.0**	**-46.1**	**-2.8**
Net changes in cash and cash equivalents	60.8	25.0	-26.4
Changes in cash and cash equivalents caused by currency exchange rates	-1.2	0.5	0.1
Cash and cash equivalents at the beginning of the period	135.1	109.6	135.9
Cash and cash equivalents at the end of the period	**194.7**	**135.1**	**109.6**

HIGHER OPERATING CASH FLOW IN THE YEAR OF THE CORONAVIRUS

Despite the significant decrease in earnings after taxes by EUR 87.0 million, it was again possible to improve operating cash flow, which is now EUR 174.4 million and thus EUR 6.7 million higher than the previous year's figure (previous year EUR 167.7 million). The improvement was largely achieved through a significant reduction of EUR 63.9 million in working capital. Cash inflows were reported in current operating assets particularly as a result of reductions in inventories (EUR -48.9 million) and trade receivables (EUR -40.6 million). The tax payments have decreased as a result of the deterioration of the financial performance compared to the previous year.

Interest paid (including variable interest on purchase price commitment to minority shareholders) was slightly down with EUR -19.2 million against the previous year figure of EUR 20.4 million. This reflects the reduced variable interest from purchase price commitments following the acquisition of minority interests as planned.

This resulted in a cash flow from operating activities of EUR 155.2 million and increased by EUR 7.9 million mainly due to the significantly lower rise in working capital.

Cash flow from investing activities was EUR -52.4 million as of the end of the year (previous year: EUR -76.2 million). The cash outflow for investments in intangible assets and in property, plant, and equipment are significantly lower than in the same period of the previous year at EUR 52.5 million (previous year: EUR 78.3 million). The drop is related to the restrictive investment policy adopted in light of the coronavirus crisis. Cash outflow for investment in the previous year also included cash outflow for investment in the new acquisitions MESUTRONIC and DSG of EUR 29.2 million. The cash inflow from the disposal of assets in the current financial year comprised cash outflows in connection with the sale of KIEBACK and FICHTHORN of EUR -4.3 million and cash inflow from the disposal of other assets of EUR 6.4 million. In the previous year, cash inflow from the disposal of fixed assets largely comprised the sale of the minority interest in TKI Automotive GmbH. Overall, cash flow from investing activities decreased by EUR 23.8 million to EUR 52.4 million.

At EUR -42.0 million, cash flow from financing activities was only slightly below the previous year's figure of EUR -46.1 million. Dividends paid to shareholders fell by EUR 17.1 million from the previous year to EUR 19.6 million. By contrast, cash outflow from the repayment of contingent purchase price commitments increased significantly to EUR -22.3 million (previous year: EUR -2.4 million). The payment dates of the contingent purchase price commitments depend on exercising the respective contractually agreed terms of the call/put options. Changes in cash and cash equivalents from borrowing and repayment of loans are at the previous year's level. The draw down of credit lines during the year as a precaution against liquidity risks was repaid in full by the reporting date. The cash outflow from the repayment of lease liabilities fell by EUR 2.1 million. The decrease is due to the more restrictive investment policy and the end of a building lease in 2019 as scheduled.

Amidst all of its financing activity, as of the end of 2020 INDUS possessed a high degree of liquidity. As of the reporting date, cash and cash equivalents amounted to EUR 194.7 million (previous year: EUR 135.1 million). This relatively high level of cash and cash equivalents is due to the holding company purposefully creating a liquidity buffer. This serves as a precautionary measure against possible effects of the coronavirus pandemic as well as the provision of funds to finance the new acquisition of JST at the beginning of January 2021. A detailed statement of cash flows is part of the consolidated financial statements.

Net Assets

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

	Dec. 31, 2020	Dec. 31, 2019	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
ASSETS				
Non-current assets	**1,001.7**	**1,058.2**	**-56.5**	**-5.3**
Fixed assets	985.8	1,039.2	-53.4	-5.1
Receivables and other assets	15.9	19.0	-3.1	-16.3
Current assets	**727.1**	**750.0**	**-22.9**	**-3.1**
Inventories	332.5	381.4	-48.9	-12.8
Receivables and other assets	199.9	233.5	-33.6	-14.4
Cash and cash equivalents	194.7	135.1	59.6	44.1
Total assets	**1,728.8**	**1,808.2**	**-79.4**	**-4.4**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,333.5**	**1,389.4**	**-55.9**	**-4.0**
Equity	676.4	727.7	-51.3	-7.0
Borrowings	657.1	661.7	-4.6	-0.7
of which provisions	51.1	54.4	-3.3	-6.1
of which payables and deferred taxes	606.0	607.3	-1.3	-0.2
Current financing instruments	**395.3**	**418.8**	**-23.5**	**-5.6**
of which provisions	77.3	74.6	2.7	3.6
of which liabilities	318.0	344.2	-26.2	-7.6
Total equity and liabilities	**1,728.8**	**1,808.2**	**-79.4**	**-4.4**

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,728.8 million, a EUR 79.4 million decrease from the previous year's reporting date. The reduction in total assets is due first and foremost to the EUR 53.4 million reduction in fixed assets. In addition, working capital as of December 31, 2020, decreased by EUR 67.8 million to EUR 410.5 million.

ASSETS: REDUCTION DUE TO THE PANDEMIC – RESTRICTIVE INVESTMENTS AND WORKING CAPITAL MANAGEMENT

As compared to the previous reporting date, **non-current assets** decreased by EUR 56.5 million, or 5.3%, to EUR 1,001.7 million. Goodwill decreased by EUR 33.9 million due to the impairments in the second and third quarters. In addition, there was a EUR 25.2 million decrease in tangible fixed assets. This was caused by the restrictive investment policy for securing liquidity in the COVID-19 pandemic and also by impairments.

Compared to the previous reporting date, **current assets** decreased by EUR 22.9 million to EUR 727.1 million. Inventories fell by EUR 48.9 million (12.8%) because of pandemic-related financial performance in the 2020 financial year and because of restrictive working capital management. The EUR 40.6 million (20.0%) reduction in trade receivables should also be seen in this context. The EUR 59.6 million increase in cash and cash equivalents to EUR 194.7 million had the opposite effect. The level of liquidity was deliberately increased as a precautionary measure because of the possible impact of the coronavirus pandemic. In addition, the purchase price payment for the portfolio company JST acquired in January 2021 was held as liquidity as of December 31, 2020.

EQUITY AND LIABILITIES: EQUITY RATIO JUST UNDER 40%

Equity decreased to EUR 676.4 million partly because of the dividend paid of EUR 19.6 million and the net loss. The equity ratio fell slightly year-over-year from 40.2% to 39.1% as of the reporting date. The equity ratio is thus marginally below the level of 40.0%, which was defined as the target.

At EUR 657.1 million, **non-current liabilities** were EUR 4.6 million lower than the previous year. Both non-current provisions (EUR -3.3 million) and non-current financial liabilities (EUR +7.4 million) remained relatively constant with regard to the previous year's figures. Deferred taxes decreased by EUR 7.5 million.

Current liabilities reduced by EUR 23.5 million to EUR 395.3 million. This decrease consists of a fall in other current liabilities (EUR -45.9 million) and a slight decrease in trade payables (EUR -7.0 million). The EUR 24.8 million increase in current financial liabilities had an offsetting effect. The reduction in other liabilities is related to the purchase price commitments from the acquisition of remaining shares that were paid in the amount of EUR 22.3 million. The increased current financial liabilities result from new borrowing in connection with financing the acquisitions of remaining shares and with a maturing promissory note loan, which was previously included in non-current financial liabilities.

WORKING CAPITAL (in EUR million)

	Dec. 31, 2020	Dec. 31, 2019	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
Inventories	332.5	381.4	-48.9	-12.8
Trade receivables	161.9	202.5	-40.6	-20.0
Trade payables	-48.9	-55.9	7.0	-12.5
Advance payments received	-9.7	-18.9	9.2	-48.7
Contract liabilities	-25.3	-30.8	5.5	-17.9
Working capital	**410.5**	**478.3**	**-67.8**	**-14.2**

INDUS calculates **working capital** by adding trade receivables to inventories and deducting trade payables along with advance payments received and contract liabilities. As of December 31, 2020, working capital stood at EUR 410.5 million. It thus fell by 14.2% in relation to the previous year's reporting date. This development is largely due to the decrease in sales as a result of the coronavirus pandemic but also to the success of continuous working capital management in the Group.

NET FINANCIAL LIABILITIES

(in EUR million)

			Difference 2020 to 2019	
	Dec. 31, 2020	Dec. 31, 2019	absolute	in %
Non-current financial liabilities	553.8	546.3	7.5	1.4
Current financial liabilities	159.8	135.0	24.8	18.4
Cash and cash equivalents	-194.7	-135.1	-59.6	44.1
Net financial liabilities	**518.9**	**546.2**	**-27.3**	**-5.0**

INDUS calculates **net debt** as the sum of current and non-current financial liabilities less cash and cash equivalents. As of December 31, 2020, it amounted to EUR 518.9 million, which equates to a decrease of 5.0% as compared to the previous year's reporting date. The reduction is due to the EUR 59.6 million increase in cash and cash equivalents while financial liabilities only rose by EUR 32.3 million. The ratio of net debt to equity (gearing) is 77% (previous year: 75%). The net debt/EBITDA ratio is 3.3 (previous year: 2.4). This means that the debt relief period is above the target corridor of 2.0 to 2.5 years, but due to the strong cash flow it is more effective than initially expected on the basis of the earnings situation.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Investments	**53.5**	**107.5**	**102.4**	**-54.0**	**-50.2**
of which in:					
Company acquisitions	**0.0**	**29.2**	**11.5**	**-29.2**	**<-100**
At-equity investments	**1.0**	**0.0**	**0.0**	**1.0**	**-**
Intangible assets	**8.4**	**11.0**	**12.0**	**-2.6**	**-23.6**
Property, plant, and equipment	**44.1**	**67.3**	**78.9**	**-23.2**	**-34.5**
of which in:					
Land and buildings	2.9	7.1	4.3	-4.2	-59.2
Technical equipment and machinery	13.7	27.5	26.6	-13.8	-50.2
Other equipment, factory and office equipment	10.9	16.6	19.9	-5.7	-34.3
Advance payments and facilities under construction	16.6	16.1	28.1	0.5	3.1
Depreciation/amortization (without right-of-use assets/leases)*	**-110.7**	**-91.5**	**-83.7**	**-19.2**	**-21.0**

* This table does not include amortization of right-of-use assets/leases totaling EUR 21.9 million (previous year: EUR 16.3 million)

Investments in the reporting year were -50.2% lower than in the previous year and amounted to EUR 53.5 million. Of this, EUR 44.1 million was invested in property, plant, and equipment (-34.5%), EUR 8.4 million in intangible assets (-23.6%) and EUR 1.0 million in at-equity investments.

Investments in intangible assets registered a reduction of EUR 2.6 million to EUR 8.4 million. This is mainly due to the introduction of ERP systems and capitalization of development costs.

Investments in property, plant, and equipment continued to be the focal point of investments. These remain at a high level despite a deliberate reduction of EUR 23.2 million due to the coronavirus. The funds used by the portfolio companies are intended to improve the portfolio companies' value-added processes and thus strengthen the companies' competitive position. The investment projects include a diverse range of individual measures.

In 2020, there were some major specific investments in technical equipment, in particular at the series suppliers in the Automotive Technology segment in preparation for new series ramp-ups.

Advance payments increased slightly by EUR 0.5 million to EUR 16.6 million.

Depreciation/amortization was EUR 110.7 million compared to EUR 91.5 million in the previous year and thus increased by EUR 19.2 million.

Financial Performance of INDUS Holding AG

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

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

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Sales	**6.1**	**5.9**	**5.8**	**0.2**	**3.4**
Other operating income	1.6	19.4	4.8	-17.8	-91.8
Personnel expenses	-6.0	-6.6	-6.7	0.6	9.1
Other operating expenses	-11.7	-8.0	-9.1	-3.7	-46.3
Income from investments	69.2	85.6	77.5	-16.4	-19.2
Income from loans of financial assets	42.8	58.7	51.5	-15.9	-27.1
Other interest and similar income	11.4	9.8	8.5	1.6	16.3
Depreciation and amortization of property plant, and equipment and intangible assets	-0.6	-0.6	-0.6	0.0	0.0
Impairments of financial investments	-51.3	-55.2	-27.7	3.9	7.1
Expenses from loss absorption	-5.1	-11.7	-6.7	6.6	56.4
Interest and similar expenses	-11.8	-10.7	-10.7	-1.1	-10.3
Earnings before taxes	**44.6**	**86.6**	**86.6**	**-42.0**	**-48.5**
Taxes	-9.8	-8.7	-12.1	-1.1	-12.6
Net income	**34.8**	**77.9**	**74.5**	**-43.1**	**-55.3**
Profit carried forward	1.0	1.7	1.8	-0.7	-41.2
Balance sheet profit	**35.8**	**79.6**	**76.3**	**-43.8**	**-55.0**

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

Revenues comprise the services provided by the company for portfolio companies. At EUR 6.1 million, they were EUR 0.2 million higher than the previous year's figure.

Other operating income decreased by EUR 17.8 million to EUR 1.6 million. In the previous year, appreciation of financial investments of EUR 17.4 million was recognized. No appreciation took place in the reporting year. The appreciation related to reversals of impairments of financial assets in previous years. These are possible up to the level of the original acquisition cost but not beyond this.

Personnel expenses fell from EUR 6.6 million in 2019 to EUR 6.0 million in the reporting year. This was caused by the lower expenses for variable compensation paid to the Board of Management.

The EUR 3.7 million increase in other operating expenses to EUR 11.7 million is almost exclusively due to the disposal loss from the disposal of KIEBACK GmbH & Co. KG.

The income from investments fell from EUR 85.6 million to EUR 69.2 million due to the financial performance in the financial year. At the same time, income from loans of financial assets fell by EUR 15.9 million to EUR 42.8 million. Interest income arises largely from interest expenses charged on by the holding company to the portfolio companies and, at EUR 11.4 million, was slightly higher than the previous year, rising by EUR 1.6 million.

Impairments of financial investments relate to write-downs of shares in affiliated companies amounting to EUR 51.3 million (previous year: EUR 55.2 million). These arose as a result of impairment testing carrying amounts of the portfolio companies and largely concerned the Metals Technology segment (previous year: Automotive Technology). Expenses from loss absorption came to EUR 5.1 million (previous year: EUR 11.7 million) and primarily related to losses in the Metals Technology segment (previous year: Basic Automotive Technology and Metals Technology).

Interest expense increased by EUR 1.1 million to EUR 11.8 million. This is partly because of the holding company's higher liquidity provisioning as part of risk management due to the pandemic.

In total, earnings before taxes were thus EUR 44.6 million, which was EUR 42.0 million below the previous year's level.

Tax expenses for the financial year amounted to EUR 9.8 million, EUR 1.1 million more than in the previous year. Current taxes decreased by EUR 3.3 million compared to the previous year. The increase results exclusively from the rise in deferred taxes (+4.4 million EUR). This increase was mainly due to differences between book values under commercial law and capital accounts for tax purposes, including supplementary tax balance sheets for partnerships.

Net income amounted to EUR 34.8 million, EUR 43.1 million lower than in the previous year.

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

	Dec. 31, 2020	Dec. 31, 2019
ASSETS		
Intangible assets	0.2	0.3
Property, plant and equipment	8.9	9.4
Financial investments	1,163.1	1,153.3
Fixed assets	**1,172.2**	**1,163.0**
Receivables and other assets	423.8	415.4
Cash on hand and bank balances	53.4	14.0
Current assets	**477.2**	**429.4**
Prepaid expenses	0.7	0.6
Total assets	**1,650.1**	**1,593.0**
EQUITY AND LIABILITIES		
Equity	950.0	934.7
Provisions	2.9	2.9
Liabilities	645.2	608.7
Deferred tax liabilities	52.0	46.7
Total equity and liabilities	**1,650.1**	**1,593.0**

The holding company's statement of financial position reflects on the asset side the carrying amounts of the portfolio companies along with long- and short-term loans to the portfolio companies. Total assets of INDUS Holding AG increased by EUR 57.1 million during the financial year and amounted to EUR 1,650.1 million as of December 31, 2020. The increase in fixed assets of EUR 9.2 million is due not only to the acquisition of shares in M+P and PEISELER but also to impairments of financial assets and additions in the area of loans to the portfolio companies.

Current assets increased by EUR 47.8 million to EUR 477.2 million. This is largely due to the EUR 39.4 million increase in cash and cash equivalents to EUR 53.4 million.

The equity of INDUS Holding AG increased in the reporting period by EUR 15.3 million to EUR 950.0 million. The equity ratio as of December 31, 2020, amounted to 57.6% and was thus slightly below the equity ratio as of December 31, 2019 (58.7%). Liabilities amounted to EUR 645.2 million as of December 31, 2020, and thus increased by EUR 36.5 million compared to December 31, 2019. The increase in liabilities is connected with the significantly higher level of cash and cash equivalents as of the reporting date.

INDUS Holding AG employed a total of 34 employees, not including the Board of Management, as of December 31, 2020 (previous year: 33 employees).

Post-balance Sheet Events

With effect as of January 4, 2021, INDUS Holding AG acquired all the shares in JST Jungmann Systemtechnik GmbH & Co. KG, Buxtehude.

There are no other events after the reporting date that have particular significance for the INDUS Group.

Further Legal Information

Compensation Report

Preliminary Remarks

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

The Compensation Report covers the applicable provisions of the German Commercial Code (HGB), the German Accounting Standards (DRS 17), the laws governing disclosure and appropriateness of the compensation paid to Board of Management members (VorstAG, VorstOG) and the principles of the German Corporate Governance Code (GCGC), as amended on December 16, 2019. The tables reporting the individualized compensation paid to the Board of Management were formed on the basis of the tables recommended by the German Corporate Governance Code, as amended on February 7, 2017. The new regulations of the German Stock Corporation Act (AktG) on the Compensation Report pursuant to Section 162 AktG will not be applied early. The INDUS Supervisory Board decided on a new compensation system for the members of the Board of Management in December 2020. The new system came into force on January 1, 2021. The goal is to implement the changed statutory regulations regarding the remuneration of the Board of Management in accordance with the German Act Implementing the Second Shareholder Rights Directive (ARUG II). Implementation of the Second EU Shareholder Rights Directive (ARUG II). The system also takes into account the recommendations of the government commission for the German Corporate Governance Code in the version dated December 16, 2019 – announced in the German Federal Gazette on March 20, 2020. This new Board of Management compensation system will be presented to the Annual Shareholders' Meeting for approval on May 26, 2021.

Board of Management Compensation

The compensation system for 2020 is presented in this report; it was last reviewed by the Supervisory Board in 2009 and last presented at the 2010 Annual Shareholders' Meeting. In accordance with legal requirements, the compensation system consists of three elements: fixed salary, short-term incentives and long-term incentives. When targets have been met in their entirety, variable components always account for more than 40% of compensation; components with a multi-year measurement base and short-term variable components are weighted accordingly. A sustainability component was introduced for the first time in the 2016 financial year.

The short-term incentive is based on earnings before taxes and interest (consolidated EBIT before impairment of goodwill). The target is set annually as part of the corporate planning process with the Supervisory Board. If the target is attained in full (100%), the bonus factor is likewise 100%. If the target attainment is less than 50%, the resulting value for the bonus factor is 0. If it is between 50% and 125%, the bonus factor is twice the degree in excess of 50% to which the target is attained. A cap (maximum upper limit) applies at target attainments from 125%.

The long-term incentive consists of "virtual" stock options (SARs, stock appreciation rights). An SAR comprises a commitment to pay an amount determined by the difference between the exercise price of the SAR and the current market price of company shares on exercise of the SAR. The SAR exercise price corresponds to the average closing price of company shares in XETRA trading over the last 20 trading days prior to option issuance. The Board of Management is granted a tranche of SARs each year. The option price of the SAR is calculated when it is granted. The contractually agreed target amount determines the number of SARs allocated to the tranche. The SARs are non-forfeitable from the date they are granted. There is a vesting period for the exercise of options for each tranche granted (four years). The exercise period immediately following the statutory waiting period amounts to two years. A tranche can only be paid out if the share price is higher than the exercise price of the tranche's SAR on exercise and a defined payout threshold is cleared (minimum price

BOARD OF MANAGEMENT COMPENSATION – GRANTED BENEFITS

	Dr. Johannes Schmidt Chairman of the Board (since July 1, 2018, Board of Management member since 2006)				Dr. Jörn Großmann Board of Management (since 2019)			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed salary	540	540	540	540	340	340	340	340
Ancillary benefits	25	18	18	18	20	30	30	30
Total	**565**	**558**	**558**	**558**	**360**	**370**	**370**	**370**
One-year variable component of the compensation	230	230	0	345	170	170	0	255
Multi-year variable component of the compensation								
2019 tranche*	140	0	0	0	70	0	0	0
2020 tranche**	0	140	0	280	0	70	0	140
Total	**370**	**370**	**0**	**625**	**240**	**240**	**0**	**395**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**935**	**928**	**558**	**1,183**	**600**	**610**	**370**	**765**

* 2019 tranche: stock appreciation rights (Jan. 1, 2019–Dec. 31, 2024)
** 2020 tranche: stock appreciation rights (Jan. 1, 2020–Dec. 31, 2025)

increase of 12% during the vesting period). There is an upper limit (cap) on payment of 200% of the contractually agreed target.

In financial year 2020, 55,031 SARs were granted (previous year: 69,060). On the date on which they were granted, the total fair value of the SARs was EUR 350 thousand (previous year: EUR 350 thousand). The fair value of previously granted SARs was calculated at a total of EUR 976 thousand on the reporting date (previous year: EUR 636 thousand). A provision in this amount was formed in the annual financial statements. This addition for the financial

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

	Dr. Johannes Schmidt Chairman of the Board (since July 1, 2018, Board of Management member since 2006)		Dr. Jörn Großmann Board of Management (since 2019)		Axel Meyer Board of Management (since 2017)		Rudolf Weichert Board of Management (since 2012)	
	2019	2020	2019	2020	2019	2020	2019	2020
Fixed salary	540	540	340	340	340	353	390	390
Ancillary benefits	25	18	20	30	18	18	32	31
Total	**565**	**558**	**360**	**370**	**358**	**371**	**422**	**421**
One-year variable component of the compensation	155	134	68	98	120	98	120	98
Multi-year variable component of the compensation	0	0	0	0	0	0	0	0
Tranche 2015*	118	0	0	0	0	0	107	0
Tranche 2016**	0	0	0	0	0	0	0	0
Total	**273**	**134**	**68**	**98**	**120**	**98**	**227**	**98**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**838**	**692**	**428**	**468**	**478**	**469**	**649**	**519**

* 2015 tranche: stock appreciation rights (Jan. 1, 2015–Dec. 31, 2020)
** 2016 tranche: stock appreciation rights (Jan. 1, 2016–Dec. 31, 2021)

(in EUR '000)

Axel Meyer Board of Management (since 2017)				Rudolf Weichert Board of Management (since 2012)			
2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
340	353	353	353	390	390	390	390
18	18	18	18	32	31	31	31
358	**371**	**371**	**371**	**422**	**421**	**421**	**421**
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
598	**611**	**371**	**766**	**662**	**661**	**421**	**816**

year, before discount, is recognized with an amount of EUR 386 thousand in the personnel expenses item. A reversal of EUR 46 thousand is included in other operating income (previous year: EUR 17 thousand in other operating income and EUR 676 thousand in personnel expenses). Payments on stock options amounting to EUR 0 thousand were made during the financial year (previous year: EUR 494 thousand).

Fair value calculation is based on an option-price model of Black/Scholes and reasonable volatility on the part of INDUS, along with a risk-free interest rate that takes the capping of payment claims into account. For the 2019 and 2020 financial years, Board of Management compensation was reported in individualized form on the basis of the standard tables recommended by the German Corporate Governance Code, as amended on February 7, 2017.

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

In accordance with the recommendation in item G.1 of the German Corporate Governance Code, as amended on December 16, 2019, the Board of Management's compensation is to include upper limits overall and in regard to variable remuneration. The maximum compensation for the Board of Management can be found in the table "Granted Benefits."

Supervisory Board Compensation

Further information on the meetings of the Supervisory Board can be found in the "Report of the Supervisory Board" starting on p. 10

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

There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. Total compensation paid to Supervisory Board members in the 2020 financial year was EUR 751 thousand (previous year: EUR 667 thousand). No Supervisory Board member received any compensation in the financial year or the previous year for consultancy services personally provided to Group companies. Offices that members of the Board of Management and Supervisory Board held in legally stipulated Supervisory Boards or comparable supervisory bodies in domestic and foreign commercial enterprises are disclosed in the Notes to the Consolidated Financial Statements under item [37]. See the Notes for related party disclosures.

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

SUPERVISORY BOARD COMPENSATION (in EUR '000)

	Fixed component of the compensation		Attendance fee		Total	
	2019	2020	2019	2020	2019	2020
Jürgen Abromeit	80	80	30	42	110	122
Dr. Jürgen Allerkamp	35	35	12	21	47	56
Dr. Dorothee Becker	35	35	15	18	50	53
Dorothee Diehm	35	35	15	21	50	56
Pia Fischinger	30	30	16	21	46	51
Cornelia Holzberger	28	30	14	21	42	51
Gerold Klausmann	35	35	15	21	50	56
Wolfgang Lemb	50	50	20	32	70	82
Isabella Pfaller	45	45	16	21	61	66
Sergej Schönhals	2	0	0	0	2	0
Helmut Späth	30	30	16	21	46	51
Uwe Trinogga	30	30	16	21	46	51
Carl Martin Welcker	35	35	12	21	47	56
Total	**470**	**470**	**197**	**281**	**667**	**751**

Acquisition-related Disclosures

Disclosures in Accordance With Sections 289a (1) and 315a (1) HGB: Capital Stock, Voting Rights, and Transfer Of Shares

As of December 31, 2020, the capital stock of INDUS Holding AG amounted in total to EUR 63,571,323.62. This is divided into 24,450,509 no-par-value shares. Each individual no-par-value share entitles its holder to one vote. There are no different share classes. All shares carry the same rights and obligations. The rights and obligations are derived from provisions of law.

Interests of More Than 10%

According to the information INDUS currently has, the insurer Versicherungskammer Bayern, Versicherungskammer des öffentlichen Rechts, Munich, held 19.4% of INDUS shares as of the reporting date.

Privileges and Voting Rights Control

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

Appointment and Dismissal of Members of the Board of Management

Members of the Board of Management are appointed and dismissed in accordance with the provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG). The Articles of Incorporation do not contain any special rules in this regard. The Supervisory Board appoints members of the Board of Management for a maximum term of five years; repeat appointments by the Supervisory Board are permitted. In accordance with Section 8.1 of the Articles of Incorporation, the Board of Management consists of at least two individuals. Pursuant to Section 8.2 of the Articles of Incorporation, the Supervisory Board may appoint one member of the Board of Management as chairman or spokesman, and another as deputy chairman.

Material Agreements in the Event of a Change of Control

In the event of a material change in the composition of the Supervisory Board (change of control), the members of 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. The severance payment will be based on the total compensation, including all fixed and variable components and non-cash benefits. Severance payments will be made for the period up to the scheduled end date – in the case of termination for a maximum of two years and in the case of dismissal for a minimum of two years, but only to a maximum of 150% of their compensation package for two years.

The INDUS Articles of Incorporation can be found at www.indus.de/en/about-indus/corporate-governance

Amendments to the Articles of Incorporation

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

Share Issuance and Buy-back Powers of the Board of Management

CONTINGENT CAPITAL

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

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

The implementation of the contingent capital increase is conditional upon:

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

AUTHORIZED CAPITAL

The Board of Management is authorized by Section 6.1, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 28, 2024, once or in several installments, by a total of up to EUR 31,785,660.51 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 12,225,254 new registered no-par-value shares (Authorized Capital 2019) and, in doing so, to set a start date for profit sharing that deviates from that set out by law, also with retroactive effect from a financial year that has already passed insofar as no resolution has been passed as yet on the profit for this financial year that has already passed. Shareholders will generally be given subscription rights. The new shares may be assumed also by one or more financial institutions chosen by the Board of Management with the obligation to offer them to the shareholders (indirect subscription rights). However, the Board of Management is authorized, with the Supervisory Board's approval, to exclude shareholders' statutory subscription rights in the following cases:

— to avoid fractional amounts;
— in the event of a capital increase through cash contributions; if the issue price of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) is not significantly below the stock market price and the aggregate number of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG does not exceed 10% of the capital stock, either at the time at which this authorization takes effect or at the time at which this authorization is exercised. Shares that were sold or issued, or are to be issued, on the basis of other authorizations during the term of this authorization, in direct application or in application mutatis mutandis of Section 186 (3) sentence 4 AktG excluding subscription rights, shall count towards this limit;
— in cases involving a capital increase through non-cash contributions, in particular for the purposes of acquiring a company, company divisions, investing in a company, or other material operating resources;
— and to grant the holders of conversion or option rights relating to shares in the company/corresponding conversion or option obligations subscription rights to offset dilutions to the extent that would be available to them as shareholders following their exercise of these rights/fulfillment of these obligations.

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

SHARE BUY-BACKS

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

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

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

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

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

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

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

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

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

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

Opportunities and Risks

INDUS employs a professional opportunity and risk management system. It helps the management of INDUS achieve its corporate goals, especially the PARKOUR strategy program established in 2019. Its core task is to discover opportunities early on and to enable their use following an appropriate opportunity/risk assessment. At the same time, risks should be identified at an early stage so that the company is able to respond appropriately and confidently. Risks sometimes need to be deliberately taken in order to be able to take advantage of opportunities at all. Risks may also arise from missed opportunities. The opportunity and risk management is a systematic process that accompanies entrepreneurial decisions to achieve targets.

Opportunity Management

Strengthening Portfolio Structure

GROWTH ACQUISITIONS

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

COMPLEMENTARY ADDITIONS

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

Driving Innovation

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

Improving Performance

The aim of the "improving performance" initiative as part of the PARKOUR strategy program is the increased use of opportunities in operating activities. INDUS specifically promotes initiatives in the areas of business development, strategic marketing, sales, and pricing and provides help and support for the portfolio companies' processes. In production, opportunities are seen primarily in increasing production potential. There is a wide range of support services for the portfolio companies, particularly for the implementation of lean management plans.

Sustainability

The 2020 financial year was an important year for continuing INDUS' sustainability strategy. The sustainability strategy was established and revised as an independent component of the PARKOUR strategy program in order to bring new knowledge and approaches to the Group and accommodate new legal and regulatory requirements. INDUS sees considerable opportunities from the value drivers of the ESG initiatives significant to INDUS:

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

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

The Portfolio Companies' Opportunities

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

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

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

Over the medium to long term, INDUS believes there will be consistently good growth opportunities for the Medical Engineering/Life Science segment, due to demographic changes and consistent demand for medical technologies and their ensuing life science applications. Increasing regulatory requirements, particularly as a result of the new European Medical Device Regulation, which will come into force one year later on May 26, 2021, due to the COVID-19 pandemic, provide opportunities for companies that are able to consistently satisfy these requirements.

Risk Management

Structure and Instruments

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

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

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

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

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

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

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

Internal Control and Risk Management System (Report in Accordance With Sections 289 (4) and 315 (4) HGB)

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

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

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

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

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

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

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

Description of Individual Risks

The portfolio companies and INDUS Holding AG identify and assess risks locally and initially by means of a bottom-up approach. The risk manager of INDUS Holding AG assists in this process. The risks are assessed on the basis of their potential effects and the probability of their occurrence. The probability of their occurrence relates to the forecast horizon of one year. The overall assessment of the Group's risk exposure is based on an aggregation of the individual risks in each risk category. To illustrate the potential effects from the Group's perspective, the following table is based on the sum of the gross risks' expected values, i.e., initially leaving out of consideration measures that had been implemented to minimize risk.

COVID-19 Pandemic

The current coronavirus pandemic was included as a new standalone risk category in March 2020. Although there have been other epidemics in recent years, for example, SARS, MERS, EBOLA, and A/H1N1, their impact has been limited and they did not have the same global consequences. Until now, the probability of such a risk had been regarded as low and now needs to be revised. A systematic analysis of extreme risks will now regularly be part of the risk assessment. The risks resulting from the coronavirus pandemic are discussed below using the standard risk classification.

BUSINESS ENVIRONMENT AND SECTOR RISKS

The drastic measures taken to reduce the speed with which coronavirus infections are spreading have led global economic processes to become increasingly disrupted. This is compounded by the high degree of anxiety among consumers and investors and the effects it is having on consumption and investing activity. The diversity of the INDUS Group portfolio companies, both in terms of industry and geographic location, is a clear risk-minimizing advantage. INDUS assumed that significant parts of value-creating production would remain operational.

This risk materialized as a result of a drastic slump in sales in the Automotive Technology segment in particular, but also in parts of the Engineering segment and in Medical Engineering/Life Science.

Business risks (as assessed by the Board of Management)	Possible financial impact (expected value of gross risks)	Risk situation in 2021 compared with previous year
COVID-19 pandemic	significant	lower
Business environment and sector risks	significant	unchanged
Corporate strategy risks	significant	unchanged
Performance risks	significant	unchanged
Personnel risks	low	unchanged
EDP risks	low	unchanged
Financial risks	significant	slightly increased
Legal risks	significant	unchanged
Other risks	low	unchanged

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

In the Automotive Technology segment, sales also fell drastically due to the plant closures of key customers, mainly in April and May. There was a noticeable recovery in the third quarter. At present, however, there is considerable uncertainty regarding the impact of the second lockdown starting in November.

In the Engineering segment, it is particularly those portfolio companies that participate indirectly in the performance of the automotive industry via the supply chain that are confronted with a slump in sales. As customers are proving very reluctant to invest, not only in the automotive industry, order backlogs are dwindling rapidly. As a result, there will be a delayed negative impact in 2021 until customers start showing more of a willingness to invest again.

The Medical Engineering/Life Science segment experienced a sharp drop in sales due to the immediate impact of the coronavirus pandemic. This is due, in particular, to the lower number of "standard" operations (surgery sets and endoscopes), coronavirus-related restrictions on popular sports (bandages and orthotic devices) and restrictions on travel (compression stockings). The trend in the second half of 2020 in particular suggested that things would return to normal fairly quickly in this area; however, the current second lockdown is resulting in renewed disruption, albeit to a lesser extent.

The risk-minimizing effect of INDUS' diversified portfolio has been confirmed. The Construction/Infrastructure segment, key portfolio companies in the Engineering segment and also the Metals Technology segment have only marginally been affected by the pandemic. Some companies in the Construction/Infrastructure segment have even been able to take advantage of opportunities.

PERFORMANCE RISKS

The global travel restrictions have made operations abroad (e.g., for assembly) impossible. Services cannot be performed in full and invoiced. This affects the Engineering segment in particular.

The restrictions on travel options are having an impact on the provision of services, particularly in the engineering sector. Facilities cannot be installed at customer sites and, conversely, cannot be assembled by suppliers at their own plants. Service work cannot be carried out in certain countries. This situation has more or less dragged on through the year due to the numerous lockdowns in Europe and has worsened significantly again, especially since November.

The portfolio companies managed to maintain supplies of primary materials and either replace critical suppliers or qualify replacements. In some cases, emergency stocks had to be set up, with a negative effect on working capital. Nevertheless, no major production losses due to disruptions in the pre-supply chain have been reported to date – in part thanks to the measures taken – and we do not expect any to occur, despite the ongoing lockdown.

PERSONNEL RISKS

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

Protecting staff from infection is the foremost objective of all portfolio companies. This can be achieved by following the advice of the German Federal Centre for Health Education (BZgA) and the Robert Koch Institute on how to prevent infection. All portfolio companies have taken steps to maintain normal operations as far as possible. This includes physically separating individual employees and groups of employees across all departments, facilitating a high degree of home working where possible, having groups of employees work in staggered shifts, holding online meetings, avoiding visits at either customers' or company premises, etc. Many authorities have already imposed sweeping measures to protect the public from infection, e.g., by confining people to their homes, banning public gatherings and more. INDUS is convinced that these stringent measures will be effective in reducing the spread of the disease. The measures taken by the management teams of the portfolio companies have proved effective to date. The same applies to the measures taken by INDUS Holding itself. There have been no major downtimes to date. The INDUS Group did not experience any major downtimes during the summer months, which saw increased travel activity, either. Protection measures have been stepped up further due to the increased infection figures since September/October and the new lockdown since November. More use is being made of online meetings and remote working again, with external visits being avoided. Individual portfolio companies have organized rapid coronavirus tests for employees in-house. Working at a distance has now become standard practice and serves to protect employees. Despite the declining growth in infections, however, we still believe that there is a high risk of at least repeated minor outbreaks of infection at individual portfolio companies.

EDP RISKS

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

Current developments to date match our assessment. Based on the Group's experience to date, we believe that the risk for the 2021 financial year is also rather low, despite the second lockdown, as companies are now even better prepared than they were at the start of the coronavirus pandemic.

FINANCIAL RISKS

A number of different financial risks arise from the economic collapse. The risk of inadequate service performance leads to loss in cash receipts. Possible insolvencies of customers may mean that expected cash inflows will not be received at all. Customers unilaterally extend payment terms or demand a price reduction but yet expect capacities to be maintained. Some cash outflows are fixed and cannot be stopped without risking liability or damages. This kind of situation always carries a liquidity risk. Thanks to its solid equity base and a number of long-standing and reliable partners in the banking sector, INDUS considers itself to be in a good position. Another advantage is the broad positioning of the Group, which balances out risks. As a precaution, INDUS has increased its free liquidity to prevent any possible cash shortages. At the same time, monitoring of cash and cash equivalents has been substantially intensified in the Group. Moreover, there are additional unused credit lines available. Investments have been cut back and potential company acquisitions deferred. We have reacted quickly by putting these measures in place. Furthermore, the German Federal Government has announced an aid package for companies including liability waivers for the lending financing partners, short-time work payments and tax deferrals. The Federal Government continues to offer export credit guarantees (Hermes cover) for exports to China and other coronavirus risk areas.

INDUS has not experienced any major defaults on payments on the part of its customers to date. No liquidity risk has materialized so far. Given what is, in some cases, the significant impact of the business environment and sector risks on the INDUS Group's customers, the default risk on the customer side would still, however, appear to be higher.

As things stand at present, INDUS itself has no plans, and no need, to make use of state-subsidized financing. We are still keeping a close eye on liquidity within the Group and, as a precaution, an increased level of liquidity will be maintained over the coming months. There are no restrictions on INDUS' ability to continue to raise debt capital on favorable terms. The revolving borrowing structure and the placement of an ESG-linked promissory note loan were completed in May and September 2020, respectively, as planned.

LEGAL RISKS

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

The INDUS Group's guiding principle in any COVID-19 related disruptions to the performance chain is good and direct communication with the relevant contracting partners so that any disputes can be avoided and issues arising from the global crisis can be resolved fairly. INDUS supports its portfolio companies with competent legal advice in cases where this is not possible. No legal disputes have arisen from the coronavirus pandemic for any portfolio company at the time of writing.

For the 2021 financial year, we estimate the legal risk to be rather low based on the experience within the Group to date.

VALUATION RISKS ARISING FROM RECOGNIZED GOODWILL

Due to the sometimes drastic slump in sales and revenue, an impairment test was carried out as of June 30, 2020. The future value of a portfolio company or other assets is not determined to any considerable degree by a temporary slump in sales or earnings, but rather by the ability to generate sustainable cash flows. Nevertheless, the coronavirus pandemic means that there is a higher degree of uncertainty in forecasting. Despite base interest rates that are at an all-time low, this is reflected in higher capital costs as an objective valuation yardstick. In this respect, we refer to the explanatory information in the chapter of this Annual Report entitled "Goodwill".

The resulting impairments were recognized through profit and loss in the financial statements in the second quarter.

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

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

Business Environment and Sector Risks

The portfolio companies' business activities are subject to the close correlation between business results and developments in the overall economic environment. Along with the risks inherent in the business cycle, increases in energy and raw material prices pose risks to the performance of the individual companies and of the Group as a whole. INDUS avoids disproportional dependency on individual sectors through a well-balanced investment portfolio diversified into five segments. The portfolio companies' high degree of specialization and strong positions within their respective niche markets reduce their industry risk and the general economic risk. However, fundamental risks arising from economic and/or sector-specific factors cannot be avoided. The automotive industry is also undergoing an enormous structural shift towards e-mobility, a shift that presents both opportunities and risks for the supplier industries.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. Currently 51.4% of total sales are generated domestically (previous year: 51.1%). The Group's business is thus still strongly affected by the state of the German economy. This regional diversification of operating activities disperses business risk for INDUS. Further internationalization will gradually de-prioritize the domestic market.

Corporate Strategy Risks

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

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

Performance Risks

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

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

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

Personnel Risks

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

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

EDP Risks

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

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

Financial Risks

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

A widely diversified financing structure, which is spread over eight (previous year: eight) core banks, keeps the company from being dependent on individual lenders, so that at this time the bank-related default risk the company is exposed to is limited. The largest single liability represents roughly 8% of the total liability (previous year: approx. 8%). The portfolio of companies, which is intended to be long term in nature, is financed by the holding company via a revolving long-term loan. Credit protection is in place at individual subsidiary level. The agreed covenants do not appear to pose a business risk at this time. A deterioration in key financial ratios could lead to higher financing terms as a result of changed rating assessments. INDUS relies on a mix of fixed-rate and variable loans for its funding requirements, the latter of which are hedged with interest rate swaps. Due to the interest rate hedges, a change in interest rates would not impact financial position during the term of any particular loan. The nominal volume of interest rate hedges totaled EUR 198.8 million as of December 31, 2020 (previous year: EUR 236.4 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 10.1 million as of December 31, 2020 (previous year: EUR 2.3 million); the majority was held by the portfolio companies. Further explanation of financing matters may be found in the Notes under "Information on the Significance of Financial Instruments."

The financial risks are expected to be higher than the previous year as a result of an increased risk of bad debt losses.

Legal Risks

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

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

Other Risks

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

Sustainability Risk

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

Risks Arising From Reported Goodwill

Based on its corporate strategy of pressing ahead with diversification by continuously enlarging its investment portfolio, the Group recognized EUR 380.9 million in GOODWILL (previous year: EUR 415.2 million). According to IAS 36, this must be subjected to an impairment test at least once a year. If the recoverable amount is less than the carrying amount then goodwill is subject to impairment. During the reporting year, impairment losses were recorded, primarily on goodwill, in the amount of EUR 40.6 million (previous year: EUR 16.1 million). INDUS has accounted for the goodwill risk by reporting in the statement of financial position any impairments identified through impairment testing.

Further information on goodwill can be found in Note [18] on p. 149

The goodwill recognized is spread across 45 cash generating units (CGUs) from all segments. No individual component of goodwill is larger than 10% of total goodwill. Any impairment does not have any immediate negative impact on liquidity. Indirect effects – for example, as a result of rising interest rates due to a deterioration in company key figures (rating) – are possible and are looked at as part of risk management.

For further information please refer to the Interview with the Board of Management starting on p. 5

The Board of Management's Overall Assessment

In the 2020 financial year, INDUS was able to add a new portfolio company to its portfolio and thus continue a key focus of its long-term strategy – growth through acquisitions – in the difficult year of the coronavirus pandemic. For 2021, INDUS aims to grow further through acquisitions. The emphasis will be on construction technology, measuring technology and control engineering, automation, energy and environmental technology, health, and safety technology. The Board of Management sees great growth opportunities for 2021 in possible acquisitions at both the portfolio level and the level of the portfolio companies (sub-subsidiaries).

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

Opportunities arising can be taken on the basis of secured funding. Even during the pandemic year of 2020, INDUS was able to draw on sufficient, freely available funds and place its financing needs on the market without any problems. In September 2020, an ESG-linked promissory note was placed on the market for the first time.

Risks to performance in 2021 are posed in particular by economic trends. This is closely connected with the future development of the global coronavirus pandemic. We believe that the current coronavirus situation has improved slightly compared to 2020. The availability of vaccines and better testing systems and strategies create hope that the pandemic is becoming increasingly manageable and the negative influence on financial performance will diminish further in 2021.

In addition, there are still major unresolved geopolitical conflicts and situations of instability in many countries. Development in Europe is also characterized by numerous uncertainties, particularly the impact of Brexit in practice. It is the opinion of the Board of Management that these risks for INDUS have not changed substantially in the 2020 financial 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 financial year ended, the Board of Management identified no risks that could materially affect the Group as a going concern.

Forecast Report

Germany, Europe and the world are currently in the grip of the coronavirus crisis. Future macroeconomic development depends on the course of the pandemic and the time it takes for the situation to normalize. This forecast report takes full account of the conditions prevailing at the time of writing this report at the end of March 2021. The INDUS Group expects sales totaling EUR 1.55–1.70 billion and an operating income (EBIT) of EUR 95–110 million for 2021.

Forecast Economic Outlook

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

Global Economy: Slow Recovery Expected – High Level of Uncertainty in Forecasts

The global economy has been slowly recovering since the massive slump in spring 2020. At the same time, the ongoing COVID-19 pandemic and its impact continue to curb the global economy's potential for recovery. In view of high numbers of infections in the second wave, faltering vaccination progress, and the high risk of mutations spreading, the future course of the pandemic remains hard to predict. The resulting general uncertainty reduces the willingness of companies around the world to invest and reduces private consumption. As a result of unemployment rising sharply in some countries, global purchasing power has also been curbed. As a result, it is likely that even after the economy returns to normal, it will not be possible to return to the growth trend seen before the pandemic. For example, despite the fundamentally positive forecast for 2021, it can be assumed that reluctance to invest will continue for a prolonged period, insolvencies will increase, and new jobs in other areas will only be created slowly. In 2021, the economic institutes expect an increase in global economic output by about 6%. The EU is expected to grow by around 5%, the United States by 3–4% and China by around 9%.

There are risks associated with the long-term consequences of the pandemic: The sharp increase in government debt and simultaneous decrease in government revenues or the possibility of a wave of insolvencies with correspondingly high job losses could curb global financial performance. Particularly in emerging markets, there is also a danger of a financial crisis as a result of loan defaults. The course of the trade dispute between the United States and China or (in a weakened form) the United States and the EU remains open – even following the US election. The impact of Brexit remains equally uncertain in practice. At the same time, the availability of new vaccines could, however, also influence events more positively then currently assumed. For example, the positive purchasing managers' indices in many countries – except China – at the start of the year send a positive signal for the growth that can be expected. With a gradual end to the various pandemic-related restrictions, a clear improvement in consumer sentiment could create new stimuli for growth. In view of the varying and volatile overall situation, the uncertainty of forecasts thus remains high overall.

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

	2020 (previous year's forecast)	2020 (provisional calculation)	2021 (forecast)
Economic regions			
Global economy	2.0	-3.8	6.1
Euro area	-1.0	-7.2	4.9
Selected countries			
United States	1.5	-3.6	3.7
China	3.8	1.8	9.2
Germany	-4.5 to -8.7	-5.2	3.1

Source: Kiel Institute for the World Economy, Werte für Deutschland kalender- und saisonbereinigt (as of: Dec. 2020)

German Economy: Long-term Recovery Depends on Global Course of the Pandemic

After the second wave of infection significantly slowed the recovery of the German economy, only slow growth is expected in 2021. For example, the ifo Business Climate Index fell again slightly in January 2021. Industrial companies in particular were more pessimistic about their business expectations. However, another dramatic slump like in spring 2020 is not expected. The prospects for industry are cautiously positive overall – in view of stable foreign business overall and a slightly increasing order backlog. Nevertheless, a recovery up to the level of 2019 is not achievable in the short term. IfW Kiel forecasts economic growth of 3.1% overall. The Federation of German Industries (BDI) also thinks that the pre-crisis level cannot yet be reached again in 2021 – assuming growth of 3.5%.

As soon as the restrictions are lifted and demand normalizes, individual industries that are currently massively impacted by measures to contain the infection are likely to recover relatively quickly. At the same time, the crisis is acting as a catalyst, increasing the need for structural change in German industry. The globally low level of investment activity is also likely to continue to affect the German economy for some time to come. The general restrained approach to investments due to lost sales and profits as a result of the pandemic, the underutilization of capacity, and a high level of uncertainty are expected to continue into 2022. With respect to the forecasts, it should also be noted that unlike before the 2009 financial crisis, an economic downturn was already discernible two years prior to the pandemic. In an international context, the increase in protectionist tendencies in the last few years is also still a decisive factor for the export-oriented German economy's growth prospects.

The extensive monetary and fiscal policy support measures in Germany are helping the economy recover rapidly. However, for the long-term economic forecast, the key questions are how the pandemic can be contained internationally and how the selling markets outside of Germany will develop. A long-term upturn can only occur in an open, export-oriented economy such as Germany if infection numbers can be reduced globally and the global economy recovers. Dependence on the global pandemic situation thus remains high.

Construction Industry: Slight Weakening Expected Overall

Expectations for 2021 are cautiously positive. Although the Zentralverband des Deutschen Baugewerbes (ZDB) reported at the end of January that it still expects sales at the same level as the previous year, according to the ifo Business Climate Index of January 2021, construction companies are bracing themselves for a harder 2021. With a stable order backlog, the assessment of the current situation and the expectations for the next few months both worsened at the end of January. In housing construction, the strong upward trend is likely to weaken. The commercial construction sector was the hardest hit by the coronavirus crisis. This weakness is expected to continue in 2021 due to the reluctance to invest within the industry but also – unlike in the 2009 crisis – the impact on the service sector.

A certain reluctance by construction companies to invest also fits into this cautious assessment: Investments are primarily aimed at procuring replacements according to the ZDB survey, the focus is only occasionally also on rationalization investments. Investment intentions for the next few months generally remain at a low level in construction according to a January 2021 survey by the Association of German Chambers of Industry and Commerce (DIHK).

The coronavirus pandemic is likely to present opportunities for certain companies in the construction industry as a result of the general digitalization boost and thus the accelerated expansion of infrastructure. The moderate wage increases negotiated in the 2020 wage negotiation round will also have a positive impact in 2021. Even in the main construction sector, which has been less affected by the crisis, the focus has been on job security rather than a significant rise in pay.

Vehicle Market: Forecasts Still Uncertain

The uncertainties as a result of the COVID-19 pandemic and the structural change in the industry still remain high in the automotive market. Even though precise forecasts of unit sales are difficult, the Zentralverband Deutsches Kraftfahrzeuggewerbe (ZDK) expects a slow return to normality on the German market. Following the collapse in new car registrations in 2020 (2.9 million vehicles), 3-3.1 million new cars are expected to hit German roads in 2021.

Although automotive manufacturers and suppliers had been steadily more optimistic about their current economic situation since April 2020, their assessment of it in the ifo Business Climate Index has been more pessimistic again since December. The order backlog has been falling since the second lockdown. Production plans are slipping into negative territory. At the same time, the expectations for the next few months have improved again significantly since the end of the year. Export expectations, although continuing to be negative, are brightening. The German trade association Verband der Automobilindustrie (VDA) expects a broad-based recovery of the international markets in 2021 – even though the pre-coronavirus level will likely not yet be achieved again and a sustainable improvement of the market situation is expected to be slow in coming. Potential higher growth rates in 2021 must the assessed in light of a catch-up effect following the slump in unit sales in 2020. A 12% increase in sales is expected in Europe and a 9% increase in the United States, but the pre-crisis level will not be achieved in these markets. Only on the Chinese market are more cars expected to be sold than before the coronavirus with an increase of +8%. A recovery of 9% is forecast for the global market. Positive stimuli are expected as a result of the increasing demand for e-vehicles and hybrid vehicles but also as a result of a global trend for having your own vehicle as a protected space, in which there is no risk of infection. However, the annual figures again make the high pressure and high level of uncertainty in the sector clear: The new registrations in Germany nosedived by around 31% year-over-year. German incoming orders fell by 39% and exports by 19%. Production fell by 23%, partly due to semiconductor supply bottlenecks.

Mechanical Engineering Sector: Despite Positive Year-end Result, Uncertainty Remains High

Mechanical engineering companies are cautiously optimistic about their situation: For example, the ifo Business Climate Index has shown a positive trend in the mechanical engineering sector since July 2020. The assessment of the current business situation is steadily improving, albeit still slightly negative. Mechanical engineering companies have also been more positive about the prospects for the next few months again since December 2020 despite the second lockdown. The latest figures from the mechanical engineering industry confirm this recovery, because incoming orders in the mechanical engineering sector returned to the previous year's level for orders from both Germany and abroad in December 2020. For 2021, the trade association Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA) forecast an increase of 4% for the German market. However, a high level of uncertainty remains – mechanical engineering companies in particular have been directly affected by stricter travel and border regulations, meaning that setbacks cannot be ruled out.

The majority of mechanical engineering companies consequently do not expect to be able to achieve the pre-crisis level in the short term. According to a January survey by trade association Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA), 39% of companies surveyed expect the level of sales in 2019 not to be reached again until 2022; 18% think it will not be reached again until 2023. Only 15% expect to reach the pre-crisis level as early as 2021.

Medical Technology Sector: Changed Market and Competitive Conditions as a Result of the Coronavirus

According to a trend report by the SPECTARIS trade association, the coronavirus crisis is not only resulting in lost sales but also medium- and long-term changes in market and competitive structures. The gap between large and small enterprises is threatening to increase. Market consolidation is expected. Digital excellence is seen as a key criterion for success in opening up new markets and customer contacts. Digital sales channels, service channels and processes in particular are likely to increase in importance and the acceptance of telemedicine is likely to rise. More than one in five companies expects a fundamental change to its business model.

The German medical technology sector has a strong international focus with an export ratio of around 65%. When assessing the international selling markets, according to the German Medical Technology Association (BVMed), a shift toward the Chinese, US, and German markets is evident. The British market will be given less importance in the future in view of Brexit. Risks for exports are seen in view of global protectionist tendencies.

The existing high administrative burden and increasing regulatory requirements increase cost pressure in the industry – and at the same time undermine companies' innovativeness. 81% of the companies surveyed by BVMed see the EU Medical Device Regulation (MDR) as a great obstacle to the future development of the sector. 76% of the SPECTARIS companies surveyed in fall 2020 also expect an increase in price pressure as a result of statutory health insurance funds' falling income from contributions.

Metals Technology Sector: Pre-crisis Level Unlikely to be Reached in 2021

With uncertain prospects, it will likely be hard for companies in the metals industry to return to the pre-crisis level in the short term. In the fourth flash survey by employers' association Gesamtmetall on the effects of the coronavirus pandemic, one in two companies said that it was not possible for them to estimate when the old production level could be reached again. Only 16% of companies expected to reach the pre-crisis level again as early as 2021. 18% expected to have reached the 2019 level by as early as mid-2021. In addition to the coronavirus pandemic, a structural change is affecting the industry, which was triggered by the massive changes in the automotive industry. This uncertainty is also reflected in the ifo Business Climate Index. Following a continuous recovery since April 2020, at the start of the year the business climate worsened again for manufacturers of metal products. Business expectations for the next few months in particular have worsened again.

Expected Group Performance

PARKOUR: The INDUS Group's Strategy Program Until 2025

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

Further information on our PARKOUR strategy program can be found in the status report on p. 19 et seq.

PARKOUR focuses on the development of the Group until 2025 and endeavors to increase the entrepreneurial fitness of the portfolio companies taking account of all the challenges of the markets. The agility and resilience of the SME portfolio companies in the INDUS Group was already demonstrated in 2020 by how they dealt with the coronavirus crisis. The PARKOUR strategy will continue in the future to focus on the targeted strengthening of the portfolio structure, driving innovations, and improving performance through operational excellence at the portfolio companies:

STRENGTHENING PORTFOLIO STRUCTURE

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

In the 2020 financial year, the INTERIM SPRINT package of measures to optimize the portfolio was adopted and implemented by the INDUS Board of Management. In the process, the INDUS Group's major weaknesses were successfully addressed and eliminated. The disposals of a portfolio company, a sub-subsidiary, and a division were realized, the closure of a division was completed, and the decision was made to close a portfolio company. The closure process will complete 2021. Overall, the INTERIM SPRINT package of measures was a necessary and important interim step to achieve the objectives set with the PARKOUR strategy.

INDUS continues to face up to the changes in the vehicle industry. Wide-ranging repositioning is underway to get the series suppliers ready for the emerging and promising automotive technologies. There were significant setbacks here as a result of the decrease in orders in connection with the coronavirus pandemic in the 2020 financial year. These will continue to affect INDUS in 2021 as well. Furthermore, INDUS will continue to investigate whether a different owner would be able to offer certain series suppliers and their employees better long-term development opportunities.

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

DRIVING INNOVATION

INDUS will push ahead with the already successfully established strategy for supporting innovation ability in the portfolio companies and expand it further. In addition to product innovations, INDUS will provide portfolio companies with support for new services, business processes and business models. Up to 3% of the consolidated EBIT is made available each year to drive promising innovation projects forward. The same level of help will thus also be budgeted for 2021.

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

To support the groundwork on the portfolio companies' innovation strategies, there will be an increased focus on "strategic projects" in 2021. In addition to financial incentivization by the development bank, this also requires the provision of strategic sparring for the innovation strategy in order to derive suitable innovation projects. Any strategic project is therefore based on the individual corporate strategy from which the innovation strategy is to be derived.

IMPROVING PERFORMANCE

INDUS will concentrate on improving performance at the portfolio companies by expanding operational excellence. Three strategic projects aim to improve performance: "Operational Excellence in Business Development/Strategic Marketing/Sales" and "Operational Excellence in Production" and "Financial Excellence."

The Business Development/Strategic Marketing/Sales project offers sales side support services to the portfolio companies, for instance in the areas of market development, competition analysis, sales optimization, and pricing. These measures directly target the optimization of market positioning and market cultivation and are expected to result in a sustainable improvement in income.

With the Production project, the holding company supports portfolio companies in improving their value-adding core processes, ranging from production strategy and production planning and control to process effectiveness and efficiency. The program to boost operational excellence includes comprehensive education and training offers in Lean management for knowledge transfer. INDUS also initiates and assists the portfolio companies on site with corresponding optimization projects.

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

Additional Activities to Promote Sustainability in the 2021 Financial Year

INDUS will further intensify its ACTIVITIES TO PROMOTE SUSTAINABLE BUSINESS PRACTICES within the holding company and its portfolio companies in the 2021 financial year. Special attention will be paid to continuing with measures to achieve the sector-wide target for a 35% reduction in CO_2 emissions by 2030 (compared to the base year 2018) set by the German federal government in its Climate Action Program 2030.

Further information can be found in our non-financial report starting on p. 23

Expectations for the Financial Year 2021

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

The continuing coronavirus pandemic means the plans for 2021 are characterized by considerable uncertainty with regards to future macroeconomic development. Slight reductions in sales and decreasing EBIT are predicted for the Construction/Infrastructure segment. In the Automotive Technology segment, although sharply rising sales and EBIT are planned, this is not enough to give the segments a positive EBIT. Neither major repositioning project in the segment will generate significant growth in sales until 2022, and at present, considerable additional preliminary work still remains to be done to achieve this. The companies in the Engineering segment expect EBIT to rise and sales to rise sharply. The Medical Engineering/ Life Science segment expects a rise in sales and sharply rising EBIT. Decreasing sales but a sharp increase in EBIT are predicted for the Metals Technology segment.

Overall, the forecasts for 2021 predict that sales will rise again from EUR 1.55 to 1.70 billion. Operating income (EBIT) is likely to be in a range of EUR 95 million to EUR 110 million and thus significantly above the level of 2020. These target figures do not take into account the new acquisitions that are sought at the first and second levels. The range for the EBIT margin will probably be between 5.5% and 6.5%. These forecasts were made on the basis of the assumptions described above and involve considerable uncertainty due to the ongoing coronavirus pandemic. The forecast for operating income does not include any impairment of goodwill or property, plant, and equipment.

The INDUS Group investment budget for this year was set in December 2020 and totals around EUR 81 million (excluding acquisitions). This represents a “normal” investment volume without the coronavirus pandemic. New production equipment and the establishment of new production sites are planned as large investment projects. The plan as of year-end 2020 budgets an amount of EUR 65 million for acquisitions of companies for 2021. This includes the cash outflows for JST Jungmann Systemtechnik GmbH & Co. KG, which was acquired through signature on November 17, 2020. The economic transfer, initial consolidation, and purchase price payment took place at the start of 2021. The acquisition budget for 2021 includes another acquisition at portfolio company level.

The INDUS Group’s equity ratio will remain below 40% 2021 as a result of the coronavirus pandemic. In the medium term, the target is still to achieve an equity ratio of 40%. Under its revolving financing program, INDUS also expects to borrow in the form of loans and promissory note loans in 2021. In such financing matters the Group can rely on its tried and tested bank partners of many years, with whom we are in constant contact. The debt repayment term based on EBITDA is expected to improve in 2021 and again be below 3.0. The repayment term in 2021 will thus not yet return to the target range of 2.0 to 2.5 years. The 2020 figure of 3.32 years, which was shaped by the coronavirus, could lead to a rating downgrade in 2021.

FINANCIAL POSITION: SHARPLY RISING SALES AND EBIT PLANNED FOR 2021

TARGET PERFORMANCE COMPARISON

	ACTUAL 2020	TARGET 2021
GROUP		
Management variables		
Acquisitions	1 growth acquisition that was signed in 2020 and is economically effective starting in 2021.	2 growth acquisitions
Sales	EUR 1.56 billion	EUR 1.55 to 1.70 billion
EBIT	EUR 25.1 million	EUR 95 million to EUR 110 million
EBIT margin	1.6%	5.5 to 6.5%
Investments in property, plant, and equipment, and intangible assets	EUR 52.5 million	EUR 85 to 90 million
Supplementary management variables		
Equity ratio	39.1%	<40%
Net debt/EBITDA	3.3 years	<3 years
Working capital	EUR 410.5 million	above previous year
SEGMENTS		
Construction/Infrastructure		
Sales	EUR 384.0 million	slight fall in sales
EBIT	EUR 64.5 million	falling income
EBIT margin	16.8%	13 to 15%
Automotive Technology		
Sales	EUR 269.2 million	sharp rise in sales
EBIT	EUR -87.8 million	sharp rise in income
EBIT margin	-32.6%	negative
Engineering		
Sales	EUR 370.0 million	sharp rise in sales
EBIT	EUR 31.4 million	rising income
EBIT margin	8.5%	7 to 9%
Medical Engineering/Life Science		
Sales	EUR 142.1 million	sharp rise in sales
EBIT	EUR 10.2 million	sharp rise in income
EBIT margin	7.2%	7 to 9%
Metals Technology		
Sales	EUR 393.6 million	falling sales
EBIT	EUR 14.4 million	sharp rise in income
EBIT margin	3.7%	7 to 9%

The German construction industry proved to be robust in the coronavirus crisis and thus proved to be an economic support. The companies expect stable business activities overall for the next few months, albeit with a slight decreasing trend. The coronavirus pandemic is likely to present opportunities for certain companies in the construction industry as a result of the general digitalization boost and thus the accelerated expansion of infrastructure. The companies in the **Construction/Infrastructure** segment worked to their capacity limit again in 2020. The record year of 2019 was exceeded again in the past financial year. For the next year, most companies in the segment expect to move sideways at a continuing high level. However, sales and income will not be able to match the record highs of 2019 and 2020. Stable and profitable business is still expected in digital infrastructure. In this area, companies are benefiting from the expansion of the fiberglass infrastructure now underway all over the country. INDUS expects an EBIT margin in a range from 13% to 15%.

Companies in the **Automotive Technology** segment have seen very negative development since 2019. All the portfolio companies have reported significant losses due to lack of orders. As part of the INTERIM SPRINT package measures, KIEBACK was sold in 2020 to its managing director and FICHTHORN was sold to a strategic investor. The segment companies currently expect a recovery in unit sales in 2021, which began to emerge in the third and particularly in the fourth quarter of 2020. This makes up for part of the drastic slump in sales in 2020, but a recovery to the level before the coronavirus pandemic will not occur in the short term. For series suppliers, 2021 will be very challenging again because existing capacity is still not being utilized and because of the ongoing repositioning projects and the opening of new international production sites. Overall, a sharp rise in sales and operating income (EBIT) is expected in the Automotive Technology segment. However, the INDUS Board of Management also expects negative segment EBIT for another year.

The expectations of the companies in the **Engineering** segment for 2021 vary. The portfolio companies in the area of projects in traditional automation technology and machine-tool construction saw decreases in incoming orders. The coronavirus pandemic further dramatically reduced the willingness of customers to invest. In 2020, this reluctance to invest was very noticeable. A turnaround in the trend in incoming orders is not yet currently foreseeable there. The stable business performance and positive prospects for planned engineering manufacturers from the fields of logistics and metal detection is encouraging. The Board of Management expects a sharp rise in sales and a rise in operating income (EBIT) year-over-year in the segment. The EBIT margin will be between 7% and 9%.

For the **Medical Engineering/Life Science** segment – according to a trend report by the SPECTARIS trade association – the coronavirus crisis not only involves lost sales but also medium- and long-term changes in market and competitive structures. According to the report, the gap between large and small enterprises is threatening to increase and market consolidation is expected. Digital excellence is seen as a key criterion for success in opening up new markets and customer contacts. Overall, the INDUS companies in the segment again expect slight growth for the coming year. Following the initially unexpected slump in sales during the coronavirus pandemic, an increase in sales and income is expected for next year. Operating income (EBIT) is expected to rise sharply and achieve a margin in a range of 8–10%.

In the **Metals Technology** segment, most portfolio companies saw a significant slowdown of business in the first half of 2020. In some cases, business then, however, stabilized in the second half of 2020. Most segment companies expect a further normalization of business for the following year. A one-off negative impact on segment earnings in 2021 will result from the closure of BACHER, which was decided in summer 2020. Overall, the benefits from the closures will outweigh the costs in 2021. The INDUS Board of Management expects a decrease in sales and a sharp rise in operating income (EBIT) for the Metals Technology segment. The EBIT margin is expected to be in a range of 7–9%.

04

Consolidated Financial Statements

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Consolidated Statement of Income

in EUR '000	Notes	2020	2019
REVENUE	[7]	**1,558,554**	**1,742,799**
Other operating income	[8]	22,090	34,426
Own work capitalized	[9]	6,367	7,559
Change in inventories	[10]	-27,541	-22,883
Cost of materials	[11]	-690,106	-782,448
Personnel expenses	[12]	-501,007	-527,461
Depreciation/amortization	[13]	-132,630	-107,810
Other operating expenses	[14]	-210,647	-226,286
OPERATING INCOME (EBIT)		**25,080**	**117,896**
Interest income		270	288
Interest expense		-16,459	-15,805
NET INTEREST	[15]	**-16,189**	**-15,517**
Income from shares accounted for using the equity method		787	684
Other financial income		-44	-4,089
FINANCIAL INCOME	[15]	**-15,446**	**-18,922**
EARNINGS BEFORE TAXES		**9,634**	**98,974**
Taxes	[16]	-36,536	-38,902
EARNINGS AFTER TAXES		**-26,902**	**60,072**
of which attributable to non-controlling shareholders		85	615
of which attributable to INDUS shareholders		-26,987	59,457
Earnings per share, basic, in EUR	[17]	-1.10	2.43
Earnings per share, diluted, in EUR		-1.10	2.43

Consolidated Statement of Comprehensive Income

in EUR '000	2020	2019
EARNINGS AFTER TAXES	**-26,902**	**60,072**
Actuarial gains/losses	-897	-8,669
Deferred taxes	351	2,627
Items not to be reclassified to profit or loss	**-546**	**-6,042**
Currency conversion adjustment	-5,158	3,060
Change in the market values of hedging instruments (cash flow hedge)	1,977	-1,192
Deferred taxes	-332	184
Items to be reclassified to profit or loss	**-3,513**	**2,052**
OTHER COMPREHENSIVE INCOME	**-4,059**	**-3,990**
TOTAL COMPREHENSIVE INCOME	**-30,961**	**56,082**
of which attributable to non-controlling shareholders	85	615
of which attributable to INDUS shareholders	-31,046	55,467

Consolidated Statement of Financial Position

in EUR '000	Notes	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Goodwill	[18] [20]	380,932	415,169
Right-of-use assets from leasing/rent	[19]	85,780	75,738
Other intangible assets	[20]	93,066	101,409
Property, plant and equipment	[20]	405,470	430,679
Investment property	[20]	5,938	2,843
Financial investments	[21]	7,130	6,366
Shares accounted for using the equity method	[22]	7,527	6,951
Other non-current assets	[23]	3,915	3,309
Deferred taxes	[24]	11,992	15,720
Non-current assets		**1,001,750**	**1,058,184**
Inventories	[26]	332,463	381,364
Receivables	[23]	161,943	202,527
Other current assets	[24]	20,402	21,107
Current income taxes		17,568	9,889
Cash and cash equivalents		194,701	135,120
Current assets		**727,077**	**750,007**
TOTAL EQUITY AND LIABILITIES		**1,728,827**	**1,808,191**
EQUITY AND LIABILITIES			
Subscribed capital		63,571	63,571
Capital reserve		239,833	239,833
Other reserves		371,904	422,510
Equity held by INDUS shareholders		**675,308**	**725,914**
Non-controlling interests in the equity	[27]	1,046	1,807
Equity		**676,354**	**727,721**
Pension provisions	[29]	49,682	52,942
Other non-current provisions	[30]	1,404	1,482
Non-current financial liabilities	[31]	553,773	546,341
Other non-current liabilities	[24]	20,139	21,370
Deferred taxes		32,109	39,602
Non-current liabilities		**657,107**	**661,737**
Other current provisions	[30]	77,339	74,608
Current financial liabilities		159,841	135,045
Trade payables	[31]	48,926	55,931
Other current liabilities	[24]	94,175	140,096
Current income taxes		15,085	13,053
Current liabilities		**395,366**	**418,733**
TOTAL EQUITY AND LIABILITIES		**1,728,827**	**1,808,191**

Consolidated Statement of Changes in Equity

in EUR '000	Subscribed capital	Capital reserve	Retained earnings	Other reserves	Equity held by INDUS shareholders	Shares held by non-controlling shareholders	Group equity
AS OF JAN. 1, 2019	**63,571**	**239,833**	**424,785**	**-21,066**	**707,123**	**2,702**	**709,825**
Earnings after taxes			59,457		59,457	615	60,072
Other comprehensive income				-3,990	-3,990		-3,990
Total comprehensive income			**59,457**	**-3,990**	**55,467**	**615**	**56,082**
Dividend payment			-36,676		-36,676	-1,376	-38,052
Change in scope of consolidation						-134	-134
AS OF DEC. 31, 2019	**63,571**	**239,833**	**447,566**	**-25,056**	**725,914**	**1,807**	**727,721**
AS OF JAN. 1, 2020	**63,571**	**239,833**	**447,566**	**-25,056**	**725,914**	**1,807**	**727,721**
Earnings after taxes			-26,987		-26,987	85	-26,902
Other comprehensive income				-4,059	-4,059		-4,059
Reclassification			-2,593	2,593			
Total comprehensive income			**-29,580**	**-1,466**	**-31,046**	**85**	**-30,961**
Dividend payment			-19,560		-19,560	-1,034	-20,594
Change in scope of consolidation						188	188
AS OF DEC. 31, 2020	**63,571**	**239,833**	**398,426**	**-26,522**	**675,308**	**1,046**	**676,354**

Consolidated Statement of Cash Flows

in EUR '000	2020	2019
Earnings after taxes	-26,902	60,072
Depreciation/appreciation of non-current assets (excluding deferred taxes)	131,530	107,810
Gains (-)/losses (+) from the disposal of fixed assets	-1,307	-17,416
Taxes	36,536	38,902
Financial income	15,446	18,922
Other non-cash transactions	-94	254
Changes in provisions	5,773	-1,227
Increase (-)/decrease (+) in inventories, receivables, and other assets	88,372	39,247
Increase (+)/decrease (-) in trade payables and other equity and liabilities	-29,877	-27,442
Income taxes received/paid	-46,373	-51,633
Dividends received	1,340	244
Operating cash flow	**174,444**	**167,733**
Interest paid	-19,612	-20,930
Interest received	356	483
Cash flow from operating activities	**155,188**	**147,286**
Cash outflow from investments in		
intangible assets	-8,438	-10,953
Property, plant and equipment	-44,050	-67,297
Financial investments	-965	-779
Shares accounted for using the equity method	-1,014	0
Shares in fully consolidated companies	0	-29,188
Cash inflow from the disposal of		
shares in fully consolidated companies	-4,296	0
Other assets	6,418	32,065
Cash flow from investing activities	**-52,345**	**-76,152**
Cash inflow from minority shareholders	188	0
Dividends paid to shareholders	-19,560	-36,676
Dividends paid to minority shareholders	-1,034	-1,375
Cash outflow from the repayment of contingent purchase price commitments	-22,336	-2,431
Cash inflow from raising of loans	140,581	141,487
Cash outflow from the repayment of loans	-120,285	-125,414
Cash outflow from the repayment of lease liabilities	-19,569	-21,732
Cash flow from financing activities	**-42,015**	**-46,141**
Net changes in cash and cash equivalents	60,828	24,993
Changes in cash and cash equivalents caused by currency exchange rates	-1,247	480
Cash and cash equivalents at the beginning of the period	135,120	109,647
Cash and cash equivalents at the end of the period	**194,701**	**135,120**

Notes

Basic Principles of the Consolidated Financial Statements

[1] General Information

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

INDUS Holding AG prepared its consolidated financial statements for the financial year from January 1, 2020 to December 31, 2020 in accordance with the International Financial Reporting Standards (IFRS) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU).

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

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

The consolidated financial statements are prepared using historical cost accounting, with the exception of balance sheet items which must be carried at fair value. The annual financial statements of the companies included in the scope of consolidation were prepared as of the reporting date of INDUS Holding AG and are based on uniform accounting and valuation methods. Pursuant to Section 315e of the German Commercial Code (HGB), INDUS Holding AG is obligated to prepare its consolidated financial statements in compliance with the IFRS. The basis for this is Directive No. 1606/2002 of the European Parliament and Council on the application of international accounting standards in the European Union. Information that must be included in the Notes in accordance with the German Commercial Code (HGB) and goes beyond what is mandatory under IFRS is presented in the Notes as well. The financial statements were drawn up by the Board of Management on March 17, 2021. The Supervisory Board approved the consolidated financial statements at its meeting on March 18, 2021.

[2] Application and Impact of New and Revised Standards

All standards whose application was mandatory as of December 31, 2020, 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 2020 FINANCIAL YEAR

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

STANDARDS PUBLISHED BY DECEMBER 31, 2020, WHICH WERE NOT APPLIED EARLY IN THESE FINANCIAL STATEMENTS

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

[3] Accounting Principles

CONSOLIDATION PRINCIPLES

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

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

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

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

CURRENCY CONVERSION

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

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

		Exchange rate as of the reporting date		Average exchange rate	
	1 EUR =	Dec. 31, 2020	Dec. 31, 2019	2020	2019
United Arab Emirates	AED	4.487	4.119	4.193	4.099
Brazil	BRL	6.374	4.516	5.890	4.413
Canada	CAD	1.563	1.460	1.529	1.486
Switzerland	CHF	1.080	1.085	1.070	1.113
China	CNY	8.023	7.821	7.871	7.734
Czech Republic	CZK	26.242	25.408	26.455	25.670
Denmark	DKK	7.441	7.472	7.454	7.466
UK	GBP	0.899	0.851	0.889	0.877
Hungary	HUF	363.890	330.530	351.204	325.229
South Korea	KRW	1,336.000	1,296.280	1,345.106	1,304.889
Morocco	MAD	10.862	10.740	10.829	10.732
Mexico	MXN	24.416	21.220	24.512	21.557
Poland	PLN	4.560	4.257	4.443	4.298
Romania	RON	4.868	4.783	4.838	4.746
Serbia	RSD	117.574	117.568	117.620	117.471
Singapore	SGD	1.622	1.511	1.574	1.527
Turkey	TRY	9.113	6.684	8.044	6.357
Taiwan	TWD	34.322	33.580	33.596	34.596
United States	USD	1.227	1.123	1.141	1.120
South Africa	ZAR	18.022	15.777	18.768	16.173

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

FINANCIAL STATEMENT ACCOUNTING AND MEASUREMENT

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

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

The goodwill recognized in the purchase price allocation is distributed across 45 (previous year: 44) cash generating units. No individual goodwill amount is significant within the meaning of IAS 36.134.

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

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

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

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

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

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

Financial instruments are contracts that are financial assets at one company and simultaneously financial liabilities or an equity instrument at another. The subsequent valuation of assets must occur in the categories "trading and derivatives," "hold," and "hold and sell" in accordance with the business model. Financial liabilities must be recognized in the category "financial liabilities, measured at fair value through profit and loss" or the category "financial liabilities measured at cost."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred taxes are measured using the tax rate valid for the periods in which the differences are expected to be reversed. Regardless of maturities, deferred taxes are not to be discounted. Deferred taxes are recognized on the basis of the tax rates prevailing or approved in the various countries in accordance with the current legal position. In Germany, a corporate income tax rate of 15% applies. Taking into consideration the average trade tax assessment multiplier of 395% and a solidarity surcharge of 5.5%, the income tax rate for domestic companies comes to 29.6% (previous year: 29.6%). Foreign tax rates range between 16% and 34% (previous year: between 16% and 35%).

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

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

The revenue recognized is the equivalent value that is expected for the transfer of goods or the performance of services. However, it must be probable that the revenue will not be subject to material correction. The general prerequisite is that the amount of revenue can be reliably determined and there is sufficient probability that INDUS will receive an economic benefit. Contracts with customers generally contain payment terms that are standard for the industry. Advance payments are in some cases agreed for contracts that lead to point-in-time sales recognition. Material financing components are not agreed in customer contracts. Warranty agreements that are standard for the industry were recognized as provisions for product warranties in the amount of EUR 12,910 thousand (previous year: EUR 11,980 thousand).

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

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

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

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

The 2020 financial year was negatively affected by significant economic **effects of the coronavirus pandemic**. It was possible to reduce these effects through provisions undertaken by the portfolio companies and INDUS Holding AG as well as government support in the form of short-term allowances. The negative effects were particularly registered in new orders, revenue, and operating income (EBIT). Depending on the company, business model, region, and clients, the economic disruptions caused by COVID-19 and their expected duration vary widely. Essentially, short-cycle businesses were affected by the coronavirus pandemic. The measurement of certain balance sheet items dated December 31, 2020 are therefore subject to increased uncertainty. In particular, goodwill, inventories, trade receivables, contract assets, deferred taxes on tax loss carryforwards, and provisions were affected.

In the corporate planning process and the attendant assumption-based and estimate-related parameters, INDUS does not assume a long duration for the coronavirus pandemic. The affected estimate-related forward-looking parameters are interest rates, foreign currency rates, market risk premiums, payment defaults, good credit standing, revenue, new orders, and payment receipts. These planning assumptions are burdened with heightened uncertainty.

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

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

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

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

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

For the 2021 financial year, INDUS does not on the whole anticipate events requiring material adjustment to balance sheet items in these financial statements. The assumptions made regarding conditions in the general economy and relevant markets in particular have been discussed in detail in the forecast report in the combined management report.

[4] Scope of Consolidation

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

FULLY CONSOLIDATED SUBSIDIARIES

	Germany	Abroad	Total	of which attributable to investments of less than 100%
Dec. 31, 2020				
Construction/ Infrastructure	26	9	35	2
Automotive Technology	29	22	51	3
Engineering	29	26	55	19
Medical Engineering/ Life Science	7	9	16	5
Metals Technology	21	9	30	1
Other	8	0	8	0
Total	**120**	**75**	**195**	**30**
Dec. 31, 2019				
Construction/ Infrastructure	26	9	35	2
Automotive Technology	33	23	56	9
Engineering	29	26	55	25
Medical Engineering/ Life Science	7	9	16	4
Metals Technology	21	9	30	1
Other	8	0	8	0
Total	**124**	**76**	**200**	**41**

The complete listing of investments of the INDUS Holding AG in accordance with Section 313 HGB [Handelsgesetzbuch: German Commercial Code], which forms part of the Notes, is published with the consolidated financial statements in the German Federal Gazette.

The carrying amount of interests attributable to non-controlling shareholders is EUR 1,046 thousand (previous year: EUR 1,807 thousand). None of the non-controlling interests are significant individually.

Insofar as minority shareholders have a right to tender at the time of the initial consolidation that INDUS cannot withdraw from, and combination with a call/put option exists for INDUS, economic or anticipated ownership resides with INDUS and the affected shares are fully consolidated and recognized at fair value as a contingent purchase price commitment. As of the reporting date, purchase price commitments from minority interests with a right to tender of EUR 18,990 thousand (previous year: EUR 40,266 thousand) were recognized. Purchase price models exist for all material cases that allow an objective measurement of the shares taking into consideration the company-specific risk structure, which guarantees an exchange of non-controlling interests at fair value. INDUS may generally exercise its rights at contractually agreed exercising periods.

As of December 31, 2020, the scope of consolidation includes 35 limited liability companies (GmbH) as general partners that form a single company with the corresponding LLCs (December 31, 2019: 37 limited liability companies (GmbH) as general partners).

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

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

[5] Business Combinations

DISCLOSURES ON INITIAL CONSOLIDATION FOR THE CURRENT FINANCIAL YEAR

JST

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

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

Goodwill of EUR 12,878 thousand, determined in the course of the purchase price allocation, is in part not tax-deductible. Goodwill is the residual amount of the total consideration less the value of the re-assessed acquired assets and assumed liabilities and does not represent the accountable potential earnings of the acquired company for the future or the expertise of the personnel.

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

NEW ACQUISITION: JST (in EUR '000)

	Carrying amounts at the time of acquisition	Assets added due to initial consolidation	Addition to consolidated statement of financial position
Goodwill	0	12,878	12,878
Other intangible assets	0	20,241	20,241
Property, plant and equipment	137	0	137
Inventories	564	1,649	2,213
Receivables	865	0	865
Other assets*	660	0	660
Cash and cash equivalents	827	0	827
Total assets	**3,053**	**34,768**	**37,821**
Other provisions	865	0	865
Financial liabilities	0	0	0
Trade payables	279	0	279
Other equity and liabilities**	1,884	6,611	8,495
Total liabilities	**3,028**	**6,611**	**9,639**

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

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

The initial consolidation of JST took place in January 2021. The acquisition has no effect on the 2020 consolidated financial statements.

[6] Company Disposals

DISCLOSURES ON DECONSOLIDATION FOR THE CURRENT FINANCIAL YEAR

SALE OF KIEBACK AND FICHTHORN

On July 24, 2020, INDUS signed an agreement on the sale of the Osnabrück-based subsidiary KIEBACK GmbH & Co. KG from the Automotive Technology segment to the managing director. KIEBACK had been part of INDUS since 1998 and specializes in prototype parts and small series for the automotive industry. KIEBACK was deconsolidated effective July 31, 2020.

On October 16, 2020, SELZER Holding GmbH sold FICHTHORN GmbH & Co. KG from the Automotive Technology segment to a strategic investor. It was thereby possible to prevent the originally planned shutdown of FICHTHORN. The buyer plans to maintain the site and keep a significant share of the existing jobs. The deconsolidation was completed effective October 16, 2020.

The following assets and liabilities were deducted based on sales:

DIVESTMENT: KIEBACK AND FICHTHORN

	Disposal consolidated statement of financial position
Other intangible assets	0
Property, plant and equipment	0
Financial investments	0
Inventories	2,398
Receivables	2,311
Other assets*	372
Cash and cash equivalents	4,296
Total assets	**9,377**
Other provisions	2,494
Financial liabilities	1,557
Trade payables	496
Other equity and liabilities**	275
Total liabilities	**4,822**

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

From the deconsolidation of KIEBACK and FICHTHORN, expenses in the amount of EUR 4,300 thousand were recorded.

Notes to the Statement of Income

[7] Revenue

Revenues include EUR 193,033 thousand in revenues using measurement over time (previous year: EUR 251,014 thousand). Also included is EUR 13,859 thousand in revenue from services (previous year: EUR 16,739 thousand). A breakdown of revenue by reportable segments can be found under segment reporting [34].

[8] Other Operating Income

in EUR '000	2020	2019
Income from the reversal of provisions	5,322	4,316
Income from asset disposals	2,166	18,187
Release of valuation allowances	2,163	2,653
Transfer to earnings/release of deferrals carried as liabilities	1,123	1,074
Insurance compensation	1,423	776
Appreciation/reversal of impairment on property, plant, and equipment	1,120	0
Income from rental and lease agreements	364	335
Income from currency conversion	312	1,883
Gains from tax audits	754	0
Other operating income	7,343	5,202
Total	**22,090**	**34,426**

Income from currency conversion of EUR 312 thousand (previous year: EUR 1,883 thousand) is offset by expenses of EUR -5,768 thousand (previous year: EUR -1,147 thousand). The figure from exchange rate differences recognized in income therefore amounts to EUR -5,456 thousand (previous year: EUR 736 thousand).

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

[9] Own Work Capitalized

in EUR '000	2020	2019
Other own work capitalized	1,950	5,097
Own work capitalized in accordance with IAS 38	4,417	2,462
Total	**6,367**	**7,559**

Expenses for research and non-activable development in the amount of EUR 18,925 thousand (previous year: EUR 20,272 thousand) were recognized for the period.

[10] Change in Inventories

in EUR '000	2020	2019
Work in process	4,598	9,516
Finished goods	-32,139	-32,399
Total	**-27,541**	**-22,883**

[11] Cost of Materials

in EUR '000	2020	2019
Raw materials, consumables and supplies, and purchased merchandise	-586,227	-658,981
Purchased services	-103,879	-123,467
Total	**-690,106**	**-782,448**

[12] Personnel Expenses

in EUR '000	2020	2019
Wages and salaries	-423,721	-442,231
Social security	-76,196	-80,075
Pensions	-1,090	-5,155
Total	**-501,007**	**-527,461**

Personnel expenses do not include the interest component from the transfer to pension provisions. This is recognized in net interest at EUR 496 thousand (previous year: EUR 1,120 thousand).

During the financial year, subsidies for social insurance contributions based on governmental COVID-19 support in the amount of EUR 2,604 thousand (previous year: EUR 0 thousand) were recognized as personnel expenses with an affect on net income.

[13] Depreciation/Amortization

in EUR '000	2020	2019
Depreciation/amortization	-92,078	-90,546
Impairment	-40,552	-17,264
Total	**-132,630**	**-107,810**

This item includes both depreciation/amortization and impairments. The impairment losses are the result of the planned annual impairment testing on September 30, 2020 and the contingent impairment testing during the year on June 30, 2020. The impairment losses relate to goodwill in the amount of EUR 33,916 thousand (Automotive Technology segment: EUR 29,223 thousand, Engineering segment: EUR 2,300 thousand, Metals Technology segment: EUR 2,393 thousand), property, plant and equipment in the amount of EUR 5,168 thousand (Automotive Technology: EUR 3,078 thousand, Metals Technology: EUR 2,090 thousand) and intangible assets in the amount of EUR 1,468 thousand (Automotive Technology: EUR 1,468 thousand).

[14] Other Operating Expenses

in EUR '000	2020	2019
Selling expenses	-79,225	-93,537
Operating expenses	-63,210	-70,266
Administrative expenses	-51,128	-54,829
Other expenses	-17,084	-7,654
Total	**-210,647**	**-226,286**

SELLING EXPENSES

in EUR '000	2020	2019
Shipping, packaging and provisions	-45,425	-47,449
Vehicle, travel and entertainment expenses	-14,244	-21,207
Marketing and trade fairs	-7,709	-14,018
Receivables and guarantees	-9,219	-8,646
Other selling expenses	-2,628	-2,217
Total	**-79,225**	**-93,537**

OPERATING EXPENSES

in EUR '000	2020	2019
Machinery and plant: rent and maintenance	-23,016	-25,408
Land and buildings: leases and occupancy costs	-14,552	-14,832
Energy, supplies, tools	-15,407	-16,154
Other operating expenses	-10,235	-13,872
Total	**-63,210**	**-70,266**

ADMINISTRATIVE EXPENSES

in EUR '000	2020	2019
EDP, office, and communication services	-15,943	-16,849
Consulting and fees	-19,845	-19,290
Insurance	-4,729	-4,916
Human resources administration and continuing education	-5,238	-7,706
Other administrative costs	-5,373	-6,068
Total	**-51,128**	**-54,829**

OTHER EXPENSES

in EUR '000	2020	2019
Cost of currency conversion	-5,768	-1,147
Losses due to deconsolidation of companies	-4,300	0
Disposal of fixed assets	-858	-772
Other	-6,158	-5,735
Total	**-17,084**	**-7,654**

Expenses for short-term leases of EUR 193 thousand (previous year: EUR 44 thousand) and for low-value leased assets of EUR 335 thousand (previous year: EUR 244 thousand) are included in various items of other operating expenses.

[15] Financial Income

in EUR '000	2020	2019
Interest and similar income	270	288
Interest and similar expenses	-16,459	-15,805
Net interest	**-16,189**	**-15,517**
Income from shares accounted for using the equity method	**787**	**684**
Market value of interest rate swaps	0	2
Minority interests	-539	-4,140
Expense from/amortization of financial assets	-103	-417
Income from financial investments	598	466
Other financial income	**-44**	**-4,089**
Total	**-15,446**	**-18,922**

Interest expenses include interest expenses for lease liabilities pursuant to IFRS 16 of EUR 1,795 thousand (previous year: EUR 2,088 thousand). The "minority interests" item includes an effect on income from the subsequent valuation of the contingent purchase price liabilities (call/put options) of EUR 2,380 thousand (previous year: EUR -1,947 thousand) and earnings after taxes that external entities are entitled to from shares in limited partnerships and stock corporations with call/put options.

[16] Taxes

in EUR '000	2020	2019
Non-recurring taxes	444	-523
Current taxes	-41,171	-48,494
Deferred taxes	4,191	10,115
Total	**-36,536**	**-38,902**

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

SPECIAL TAX ASPECTS

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

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

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

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

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

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

	2020	2019
Earnings before income taxes	9,634	98,974
Expected tax expenses 29.6% (previous year: 29.6%)	2,852	29,296
Reconciliation		
Non-recurring taxes	-444	523
Measurement of associated companies according to the equity method	-233	-202
Amortization of goodwill corporations	5,891	1,412
Structural effects of		
divergent local tax rates	532	611
divergent national tax rates	-643	-711
Corporate acquisition transaction costs	65	201
Tax-exempt disposal gains	0	-5,230
Capitalization or valuation allowance of deferred tax loss carryforwards	2,917	1,143
Use of actual tax loss carryforward	-176	-1,221
No offsetting of income for autonomous subsidiaries	19,977	8,673
Income attributable to other shareholders	159	1,226
Effects of the interest barrier on INDUS Holding AG	384	377
Other non-deductible expenses and tax-free income	5,255	2,804
Actual tax expenses	**36,536**	**38,902**
as a percentage of income	379.2	39.3

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

[17] Earnings per Share

Earnings came to EUR -1.10 per share (previous year: EUR 2.43 per share). The weighted average number of shares in circulation remained unchanged in the current year at 24,450,509. See item [27] for further details.

in EUR '000	2020	2019
Income attributable to INDUS shareholders	**-26,987**	**59,457**
Weighted average shares outstanding (in thousands)	24,451	24,451
Earnings per share (in EUR)	-1.10	2.43

Notes to the Consolidated Statement of Financial Position

[18] Goodwill

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

FIXED ASSET SCHEDULE – GOODWILL (in EUR '000)

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

	Carrying amount as of Jan. 1, 2019	Changes in scope of consolidation	Addition	Disposal	Impairment	Currency difference	Carrying amount as of Dec. 31, 2019
Construction/Infrastructure	115,438	0	0	0	0	284	115,722
Automotive Technology	66,405	0	0	0	-14,472	-674	51,259
Engineering	142,481	10,447	0	0	0	304	153,232
Medical Engineering/Life Science	69,639	0	0	0	0	0	69,639
Metals Technology	24,627	6	0	0	0	684	25,317
Total goodwill	**418,590**	**10,453**	**0**	**0**	**-14,472**	**598**	**415,169**

GOODWILL IMPAIRMENT

IMPAIRMENT TEST AS OF JUNE 30, 2020 DUE TO TRIGGERING EVENTS

The large-scale spread of the coronavirus has resulted in significant economic disruption to some of the INDUS Group's portfolio companies. The Board of Management of INDUS Holding AG has been continually reviewing the implications of the coronavirus crisis on the individual portfolio companies. It took the economic effects as an opportunity to perform an impairment test at an earlier date than at the end of the year pursuant to IAS 36 for those portfolio companies that have been hit hardest in economic terms.

A total of eleven portfolio companies were identified for impairment testing due to triggering events. The tests were each based on a new planning calculation to reflect the prevailing circumstances.

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

Value in use is calculated applying the latest estimates prepared by management. The planning premises take into account both current knowledge and historical developments. In accordance with the detailed planning periods of usually three years, future cash flows are extrapolated with a global growth rate of 1.0%. The payments determined in this manner are discounted using capital cost rates. These are based on risk-free interest rates of 0.00%, a market risk premium of 8.00%, segment-specific beta coefficients derived by a peer group and borrowing rates. The following pre-tax cost of capital rates were applied: Construction/Infrastructure 8.5%; Automotive Technology 10.3%; Engineering 9.3%; Medical Engineering/Life Science 7.0% and Metals Technology 8.9%.

The test performed due to triggering events resulted in impairment losses on goodwill of EUR 31,616 thousand. The impairment losses concern two cash generating units (CGUs) from the Automotive Technology segment in the amount of EUR 18,083 thousand or EUR 11,140 thousand for a total of EUR 29,223 thousand, whose carrying amounts before impairment losses amounted to EUR 29,223 thousand, and one cash generating unit in Metals Technology in the amount of EUR 2,393 thousand (carrying amount before impairment losses: EUR 2,393 thousand). The depreciation requirement is derived from the deteriorated future prospects – partly caused by the coronavirus – within the affected cash-generating units.

ANNUAL IMPAIRMENT TEST AS OF SEPTEMBER 30, 2020

The scheduled annual impairment test for all goodwill was performed as of September 30, 2020. The latest projections were available from all portfolio companies for the purposes of this test. The planning premises take into account both current knowledge and historical developments.

In accordance with the detailed planning periods of usually three years, future cash flows are extrapolated with a global growth rate of 1.0% (previous year: 1.0%). The payments determined in this manner are discounted using capital cost rates. These are based on risk-free interest rates of 0.00% (previous year: 0.10%), a market risk premium of 8.00% (previous year: 7.00%) and segment-specific beta coefficients derived by a peer group and borrowing rates. The following pre-tax cost of capital rates were applied: Construction/Infrastructure 8.5% (previous year: 6.3%); Automotive Technology 9.5% (previous year: 8.5%); Engineering 9.3% (previous year: 7.9%); Medical Engineering/Life Science 6.7% (previous year: 6.1%); and Metals Technology 8.6% (previous year: 7.7%).

The annual impairment test resulted in impairment losses on goodwill of EUR 2,300 thousand. The impairment tests concern a cash generating unit (CGU) from the Engineering segment. The impairment tests can be ascribed to deteriorated future prospects in this cash generating unit (CGU). The carrying amount of goodwill before impairment losses amounted to EUR 11,526 thousand.

In the same period of the previous year, goodwill impairments were recognized in the amount of EUR 14,472 thousand and related to the Automotive Technology segment.

An increase in the cost of capital before tax by 0.5 percentage points would lead to additional goodwill impairments in the amount of EUR 5,051 thousand (previous year: EUR 9,405 thousand). An reduction in the growth rate by 1.0 percentage points would lead to additional goodwill impairments in the amount of EUR 6,868 thousand.

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

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

FIXED ASSET SCHEDULE – RIGHT-OF-USE ASSETS FROM LEASING/RENT

(in EUR '000)

	Carrying amount as of Jan. 1, 2020	Addition	Disposal	Addition depreciation	Disposal depreciation	Transfers/ Exchange rate differences	Carrying amount as of Dec. 31, 2020
Right-of-use assets – land and buildings	60,639	24,091	1,544	13,442	1,507	-642	70,609
Right-of-use assets – technical equipment and machinery	7,430	4,400	966	3,058	499	-34	8,271
Right-of-use assets – vehicles	6,416	3,522	1,716	4,428	1,711	-21	5,484
Right-of-use assets – other leasing/rent	1,253	1,164	605	1,002	605	1	1,416
Total right-of-use assets from leasing/rent	**75,738**	**33,177**	**4,831**	**21,930**	**4,322**	**-696**	**85,780**
	Carrying amount as of Jan. 1, 2019	Addition	Disposal	Addition depreciation	Disposal depreciation	Transfers/ Exchange rate differences	Carrying amount as of Dec. 31, 2019
Right-of-use assets – land and buildings	0	70,617	-973	9,962	-973	-16	60,639
Right-of-use assets – technical equipment and machinery	0	8,342	-198	2,911	-198	1,999	7,430
Right-of-use assets – vehicles	0	9,915	-617	3,496	-617	-3	6,416
Right-of-use assets – other leasing/rent	0	2,030	-53	777	-53	0	1,253
Total right-of-use assets from leasing/rent	**0**	**90,904**	**-1,841**	**17,146**	**-1,841**	**1,980**	**75,738**

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

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

PURCHASE/MANUFACTURING COSTS IN 2020

(in EUR '000)

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

DEPRECIATION/AMORTIZATION IN 2020

(in EUR '000)

	Opening balance Jan. 1, 2020	Changes in scope of consolidation	Addition	Appreciation	Disposal	Transfers	Currency difference	Closing balance Dec. 31, 2019
Goodwill	**68,841**	**-4,798**	**33,916**	**0**	**0**	**0**	**-43**	**97,916**
Capitalized development costs	17,557	0	3,081	0	0	0	7	20,645
Property rights, concessions and other intangible assets	140,269	-883	13,816	0	-2,023	201	-229	151,151
Total other intangible assets	**157,826**	**-883**	**16,897**	**0**	**-2,023**	**201**	**-222**	**171,796**
Land and buildings	114,034	-1,246	10,256	-1,078	-652	-5,331	-456	115,527
Technical equipment and machinery	358,557	-18,016	30,083	-21	-7,140	171	-1,914	361,720
Other equipment, factory and office equipment	138,092	-2,764	19,415	0	-8,455	-4	-466	145,818
Advance payments and facilities under construction	0	0	0	0	0	0	0	0
Total property, plant, and equipment	**610,683**	**-22,026**	**59,754**	**-1,099**	**-16,247**	**-5,164**	**-2,836**	**623,065**
Investment property	**830**	**0**	**133**	**0**	**0**	**5,331**	**0**	**6,294**

PURCHASE/MANUFACTURING COSTS IN 2019

(in EUR '000)

	Opening balance Jan. 1, 2019	Changes in scope of consolidation	Addition	Disposal	Transfers	Currency difference	Closing balance Dec. 31, 2019
Goodwill	**472,950**	**10,453**	**0**	**0**	**0**	**607**	**484,010**
Capitalized development costs	39,547	0	4,275	-11,610	0	86	32,298
Property rights, concessions and other intangible assets	205,255	15,503	6,679	-978	187	291	226,937
Total other intangible assets	**244,802**	**15,503**	**10,954**	**-12,588**	**187**	**377**	**259,235**
Land and buildings	312,411	5,118	7,060	-219	10,243	1,880	336,493
Technical equipment and machinery	448,894	2,258	26,519	-8,450	5,383	1,873	476,477
Other equipment, factory and office equipment	190,680	1,146	16,571	-6,014	5,118	569	208,070
Advance payments and facilities under construction	31,273	0	16,104	-1,216	-25,868	29	20,322
Total property, plant, and equipment	**983,258**	**8,522**	**66,254**	**-15,899**	**-5,124**	**4,351**	**1,041,362**
Investment property	**3,673**	**0**	**0**	**0**	**0**	**0**	**3,673**

DEPRECIATION/AMORTIZATION IN 2019

(in EUR '000)

	Opening balance Jan. 1, 2019	Changes in scope of consolidation	Addition	Appreciation	Disposal	Transfers	Currency difference	Closing balance Dec. 31, 2019
Goodwill	**54,360**	**0**	**14,472**	**0**	**0**	**0**	**9**	**68,841**
Capitalized development costs	25,599	0	3,503	0	-11,610	0	65	17,557
Property rights, concessions and other intangible assets	128,373	0	12,628	0	-912	0	180	140,269
Total other intangible assets	**153,972**	**0**	**16,131**	**0**	**-12,522**	**0**	**245**	**157,826**
Land and buildings	102,783	0	10,862	0	-165	0	554	114,034
Technical equipment and machinery	337,149	0	30,715	0	-7,963	-2,734	1,390	358,557
Other equipment, factory and office equipment	125,092	0	18,375	0	-5,532	-225	382	138,092
Advance payments and facilities under construction	7	0	0	0	-7	0	0	0
Total property, plant, and equipment	**565,031**	**0**	**59,952**	**0**	**-13,667**	**-2,959**	**2,326**	**610,683**
Investment property	**720**	**0**	**110**	**0**	**0**	**0**	**0**	**830**

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

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

	Dec. 31, 2020	Dec. 31, 2019
Goodwill	380,932	415,169
Capitalized development costs	16,081	14,741
Property rights, concessions and other intangible assets	76,985	86,668
Total other intangible assets	**93,066**	**101,409**
Land and buildings	211,303	222,459
Technical equipment and machinery	103,006	117,920
Other equipment, factory and office equipment	64,476	69,978
Advance payments and facilities under construction	26,685	20,322
Property, plant and equipment	**405,470**	**430,679**
Investment property	**5,938**	**2,843**

[21] Financial Investments

in EUR '000	Dec. 31, 2020	Dec. 31, 2019
Other investments	2,509	2,482
Other loans	4,621	3,884
Total	**7,130**	**6,366**

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

[22] Shares Accounted for Using the Equity Method

As of December 31, 2020, the carrying amounts of shares accounted for using the equity method totaled EUR 7,527 thousand (previous year: EUR 6,951 thousand).

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

in EUR '000	2020	2019
Purchase price of associated companies	6,583	5,569
Appropriated income in the period	787	684
Key figures of the associated companies:		
Assets	15,822	13,621
Liabilities	5,199	4,148
Capital	10,624	9,473
Revenue	20,454	16,811
Earnings	1,576	1,348

[23] Other Assets

in EUR '000	Dec. 31, 2020	Dec. 31, 2019
Accrual of payments not relating to the reporting period	6,633	7,339
Other tax refund claims	3,846	3,841
Long-term receivables	750	188
Reinsurance premiums	702	707
Loans and other receivables	858	780
Positive swap market value	145	34
Contract initiation costs	2,435	1,898
Other assets	8,948	9,629
Total	**24,317**	**24,416**
of which current	20,402	21,107
of which non-current	3,915	3,309

In the other assets, contract initiation costs in the amount of EUR 2,435 thousand (previous year: EUR 1,898 thousand), which are recognized at the nominal value of the payments made, were activated. The contract initiation costs are realized over the term of the contracts depending on the supplied amounts of the total volume. No deliveries were made during the past financial year.

[24] Deferred Taxes and Current Income Taxes

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

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

2019 (in EUR '000)	Assets	Liabilities	Balance
Goodwill of limited partnerships	4,126	-22,315	-18,189
Intangible assets	5	-44,998	-44,993
Property, plant and equipment	2,197	-5,378	-3,181
Receivables and inventories	1,519	-4,370	-2,851
Other current assets	0	-10	-10
Long-term provisions	12,529	0	12,529
Current liabilities	23,488	-670	22,818
Capitalization of loss carryforwards	9,995	0	9,995
Netting of accounts	-38,139	38,139	0
Deferred taxes	**15,720**	**-39,602**	**-23,882**

Netting is undertaken for income tax which is due to the same tax authority. This relates mainly to the corporate income tax of INDUS Holding AG and those of its German subsidiaries, which are incorporated companies by law.

Deferred tax liabilities result mainly from the calculation of deferred taxes on the tax-deductible goodwill of limited partnerships. For tax purposes, rules governing the purchase price allocation are similar to those under IFRS for limited partnerships, and the resulting assets – and goodwill of a fiscal nature – are tax-deductible. As goodwill is no longer amortized in accordance with IFRS, deferred taxes will henceforth be accrued in line with the amortization of fiscal goodwill as per the conditions set forth in IAS 12.21B. Deferred taxes must be recognized until the company is sold.

The change in the balance of deferred taxes is explained in the following tables:

DEVELOPMENT OF DEFERRED TAXES

(in EUR '000)

	Jan. 1, 2020	Statement of Income	Other	Dec. 31, 2020
Trade tax	4,421	404	0	4,825
Corporate income tax	2,114	-649	0	1,465
Foreign tax	3,460	-2,282	0	1,178
Capitalization of loss carryforwards	**9,995**	**-2,527**	**0**	**7,468**
Other deferred taxes	-33,877	6,718	-426	-27,585
Deferred taxes	**-23,882**	**4,191**	**-426**	**-20,117**

	Jan. 1, 2019	Statement of Income	Other	Dec. 31, 2019
Trade tax	3,511	910	0	4,421
Corporate income tax	726	1,388	0	2,114
Foreign tax	1,030	2,430	0	3,460
Capitalization of loss carryforwards	**5,267**	**4,728**	**0**	**9,995**
Other deferred taxes	-36,312	5,387	-2,952	-33,877
Deferred taxes	**-31,045**	**10,115**	**-2,952**	**-23,882**

The other changes in deferred taxes are composed as follows:

in EUR '000	2020	2019
Provisions for mark-to-market evaluation of cash flow hedges	-332	184
Currency conversion reserve	244	-399
Pension provisions (actuarial gains/losses)	351	2,627
Reclassification of retained earnings	-689	0
Change in scope of consolidation	0	-5,364
Total	**-426**	**-2,952**

Recognized deferred taxes are based on tax loss carryforwards of EUR 41,406 thousand (previous year: EUR 60,671 thousand).

Other tax loss carryforwards amounting to a total of EUR 310,533 thousand (previous year: EUR 239,241 thousand), where the probability of realization in the next years is unlikely, were not capitalized. These are largely trade tax loss carryforwards, resulting from the special tax aspects of the INDUS Group, as described under [16]. Future potential realization possibilities are therefore determined by the trade tax rate that is applicable at the time. The largest individual item is the holding company's trade tax loss carryforward. Utilization of the tax loss carryforwards is not subject to any time restrictions.

Due to the low probability of realization, deferred tax assets of EUR 0 thousand were not recognized (previous year: EUR 380 thousand). Deferred tax assets of EUR 4,133 thousand (previous year: EUR 6,327 thousand) were offset against the corresponding deferred tax liabilities at companies with current tax losses.

For temporary differences associated with shares in subsidiaries, no deferred tax liabilities have been recognized because INDUS Holding AG is able to control the timing of the reversal of the temporary differences and no liquidation of the differences (through disposal or distribution) is planned. The total of the unrecognized temporary differences associated with investments in subsidiaries is EUR 55,284 thousand (previous year: EUR 20,339 thousand).

[25] Inventories

in EUR '000	Dec. 31, 2020	Dec. 31, 2019
Raw materials, consumables, and supplies	120,836	132,655
Unfinished goods	80,319	96,908
Finished goods and goods for resale	111,011	124,951
Advance payments	20,297	26,850
Total	**332,463**	**381,364**

The carrying amounts for inventories include depreciation of EUR 24,039 thousand (previous year: EUR 18,656 thousand).

[26] Receivables

in EUR '000	Dec. 31, 2020	Dec. 31, 2019
Receivables from customers	149,081	180,579
Contract receivables	10,699	19,470
Receivables from associated companies	2,163	2,478
Total	**161,943**	**202,527**

In the current reporting year, EUR 750 thousand of receivables from customers with a payment term of over one year have been recognized (previous year: EUR 188 thousand).

Receivables include contract receivables with revenue recognized according to the measurement-over-time method. The level of contract receivables increased due to new orders in accordance with the measurement-over-time method and advanced order completions. On the other hand, there were reductions due to billing. The following table contains further information about contract receivables:

in EUR '000	2020	2019
Costs incurred including prorated income	88,610	121,819
Advance payments received	103,226	133,195
Contract receivables	10,699	19,470
Contract liabilities	25,315	30,846

Contract liabilities relate to contracts with revenue recognition over time exhibiting an offset surplus of received prepayments. These are shown under other liabilities in the statement of financial position. Of the contract liabilities recognized in the amount of EUR 30,846 thousand in the previous year, EUR 20,736 thousand were recognized as revenue in the reporting year. As of December 31, 2020, there are contract liabilities with allocated transaction prices of EUR 156,009 thousand (previous year: EUR 143,427 thousand). These are scheduled to be realized as revenue within the next 1 to 30 months.

The receivables include valuation allowances of EUR 5,946 thousand (previous year: EUR 7,883 thousand). The development is depicted below:

in EUR '000	2020	2019
Valuation allowances as of January 1	**7,883**	**6,483**
Exchange rate difference	-44	24
Change in scope of consolidation	-15	86
Additions	2,226	4,061
Utilization	-2,253	-104
Reversals	-1,851	-2,667
Valuation allowances as of December 31	**5,946**	**7,883**

Receivables in the amount of EUR 921 thousand (previous year: EUR 521 thousand) were derecognized through profit and loss in the financial year.

[27] Equity

SUBSCRIBED CAPITAL

The capital stock came to EUR 63,571,323.62 on the reporting date. Capital stock consists of 24,450,509 no-par-value shares. The shares are bearer shares, each conferring one vote at the Annual Shareholders' Meeting. The shares are admitted to the Regulated Market of the Düsseldorf and Frankfurt Stock Exchanges, and for over-the-counter trading in Berlin, Hamburg, and Stuttgart.

AUTHORIZED CAPITAL

In accordance with Section 6(1) of the Articles of Incorporation, the Board of Management is authorized, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 28, 2024, once or in several installments, by a total of up to EUR 31,785,660.51 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 12,225,254 new registered no-par-value shares (Authorized Capital 2019). Shareholders will generally be given subscription rights. The new shares may be assumed also by one or more financial institutions chosen by the Board of Management with the obligation to offer them to the shareholders (indirect subscription rights). However, the Board of Management is authorized, with the Supervisory Board's approval, to exclude shareholders' statutory subscription rights in the following cases:

— to avoid fractional amounts;
— in the event of a capital increase through cash contributions,
— if the issue price of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) is not significantly below the stock market price and the aggregate number of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG does not exceed 10% of the capital stock, either at the time at which this authorization takes effect or at the time at which this authorization is exercised. Shares that were sold or issued, or are to be issued, on the basis of other authorizations during the term of this authorization, in direct application or in application mutatis mutandis of Section 186 (3) sentence 4 AktG excluding subscription rights, shall count towards this limit;
— in cases involving a capital increase through non-cash contributions, in particular for the purposes of acquiring a company, company divisions, investing in a company, or other material operating resources; and
— to grant the holders of conversion or option rights relating to shares in the company/corresponding conversion or option obligations a subscription right, to offset dilutions, to the extent that would be available to them as shareholders following their exercise of these rights/fulfillment of these obligations.

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

CONTINGENT CAPITAL

At the Annual Shareholders' Meeting on May 24, 2018, the company's capital stock was conditionally increased by up to EUR 11,700,000.04, divided into 4,500,000 no-par-value shares (contingent capital 2018).

The implementation of the contingent capital increase is conditional upon:

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

The new shares participate in profits from the beginning of the financial year in which option or conversion rights are exercised or option or conversion obligations are fulfilled. The Supervisory Board is authorized to amend the wording of the Articles of Incorporation in accordance with such use of the contingent capital and to change all option or conversion deadlines after they expire.

RESERVES AND CONSOLIDATED NET INCOME AVAILABLE FOR DISTRIBUTION

The development of reserves is presented in the statement of changes in equity and includes INDUS Holding AG's capital reserves. As of the reporting date, the equity ratio was 39.1% (previous year: 40.2%).

INTERESTS ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Interests held by non-controlling shareholders essentially consist of the non-controlling interests in the limited liability companies WEIGAND Bau GmbH and subsidiaries of ROLKO-Kohlgrüber GmbH. Minority interests in limited partnerships and limited liability companies, for which the economic ownership of the corresponding minority interests had already been transferred under reciprocal option agreements at the acquisition date, are shown under other liabilities [30].

APPROPRIATION OF DISTRIBUTABLE PROFIT

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

Payment of a dividend of EUR 0.80 per no-par-value share (previous year: EUR 0.80 per no-par-value share). At

24,450,509 shares (previous year: 24,450,509 shares), this equates to a payment of EUR 19,560,407.20 (previous year: EUR: 19,560,407.20). The full text of the proposed appropriation of distributable profit is published separately. The proposed dividend was not recognized in the balance sheets and there are no tax consequences.

DEVELOPMENT OF OTHER RESERVES (in EUR '000)

	Jan. 1, 2019	Other income 2019	Dec. 31, 2019	Other income 2020	Reclassification into retained earnings	Dec. 31, 2020
Currency conversion reserve	1,268	3,060	4,328	-5,158	0	-830
Pension provisions (actuarial gains/losses)	-24,271	-8,669	-32,940	-897	3,282	-30,555
Deferred taxes for pensions	6,173	2,627	8,800	351	-689	8,462
Provisions for cash flow hedges	-5,056	-1,192	-6,248	1,977	0	-4,271
Deferred taxes for cash flow hedges	820	184	1,004	-332	0	672
Total other reserves	**-21,066**	**-3,990**	**-25,056**	**-4,059**	**2,593**	**-26,522**

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

CAPITAL MANAGEMENT

INDUS Holding AG manages capital so as to increase return on equity and ensure the INDUS Group has adequate liquidity and good credit standing. The ratio of equity to interest-bearing total capital, consisting of interest-bearing debt capital and equity, is constantly optimized to the same end. Interest-bearing debt capital comprises pension provisions and financial liabilities, less cash and cash equivalents, and amounts to EUR 568,595 thousand (previous year: EUR 599,208 thousand). Taking equity in the statement of financial position into account, total capital comes to EUR 1,244,949 thousand (previous year: EUR 1,326,929 thousand). Relative to total interest-bearing capital employed, the equity ratio is 54.3% (previous year: 54.8%).

The EUR 81,890 thousand reduction in total capital (previous year: EUR 90,643 thousand) was due to a EUR 51,367 thousand decrease in equity (previous year: increase of EUR 17,896 thousand) and a EUR 30,613 thousand decline in interest-bearing debt capital (previous year: increase of EUR 72,747 thousand).

INDUS Holding AG is not subject to any other legally mandatory capital requirements, with the exception of the minimum capital rules stipulated in stock corporation law. Furthermore, INDUS Holding AG has entered into obligations to maintain a minimum equity ratio at the stock corporation in connection with loan agreements. This enables it to keep receiving funds on reasonable terms. INDUS Holding AG's required minimum equity ratio was exceeded in the past financial year. The lenders have extraordinary termination rights in case of a change of control. Certain key figures have been defined for promissory note loans.

[28] Pensions

The defined benefit plans exist in portfolio companies in Germany and Switzerland. The German pension plans are based on lifetime pension payments for the beneficiaries and their surviving dependents and are subject to the regulations for pension provisions, pension funds, life insurance, and relief funds, which are mainly regulated through the company pension. The pension plans are only financed via guarantee fund assets in individual cases. Pension obligations in Switzerland are subject to the legal regulations for company pensions and are financed in accordance with these regulations so that they are funded via pension funds. The average weighted term of the obligations for German plans amounts to 15.2 years (previous year: 15.4 years) and for Swiss plans 19.0 years (previous year: 19.0 years).

STATEMENT OF INCOME

(in EUR '000)

	2020	2019	Change
Current service cost	3,218	2,569	649
Interest cost	496	1,120	-624
Income from plan assets	-128	-404	276
Past service costs	-122	-16	-106
Administrative expenses – foundation	152	147	5
Settlement of a Swiss pension plan	-4,542	0	-4,542
Cost of defined benefit obligation	**-926**	**3,416**	**-4,342**
+ Defined contribution plan cost	3,770	3,713	57
= Cost of pension commitments for the period	**2,844**	**7,129**	**-4,285**

BALANCE SHEET VALUE

(in EUR '000)

	2020	2019	Change
Present value of benefit obligations financed by provisions	49,682	52,942	-3,260
Present value of funded benefit obligations	34,411	43,526	-9,115
Defined benefit obligation: accumulated benefit obligations	**84,093**	**96,468**	**-12,375**
Market value of plan assets	-34,411	-43,526	9,115
Net obligation = provisions	**49,682**	**52,942**	**-3,260**
Actuarial gains/losses	-30,555	-32,940	2,385
Opening balance: amount carried on the statement of financial position as of January 1	**52,942**	**43,702**	**9,240**
Pension obligation expenses	-926	3,417	-4,343
Pension payments	-2,935	-2,878	-57
Actuarial gains/losses realized in equity	897	8,669	-7,772
Exchange rate change	-296	32	-328
Closing balance: amount carried on the statement of financial position as of December 31	**49,682**	**52,942**	**-3,260**
Underlying assumptions in %:			
Discount factor			
Germany	0.75	0.90	
Switzerland	0.15	0.25	
Salary trend			
Germany	2.50	2.50	
Switzerland	0.90	0.90	
Pension trend			
Germany	1.75	1.75	
Switzerland	0.00	0.00	
Expected income from plan assets			
Germany	0.75	0.90	
Switzerland	0.00	0.00	

In the current financial year, benefit obligations in Switzerland were settled with a defined benefit obligation in the amount of EUR 14,600 thousand (previous year: EUR 0 thousand) due to the shutdown of BACHER AG.

Interest expense is included in the net interest item. The expected income from plan assets largely corresponds to the actual income.

The defined benefit plans are impacted by actuarial risks, such as longevity risk and interest rate risk. An increase or decrease in the discount factor of 0.5 percentage points would reduce net obligation by EUR 5,815 thousand (previous year: EUR 5,632 thousand) or increase net obligation by EUR 7,628 thousand (previous year: EUR 7,134 thousand).

In connection with retirement benefits, payments amounting to EUR 3,278 thousand are expected in 2021 (in 2019 for 2020: EUR 3,502 thousand).

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

in EUR '000	2020	2019
Assets as of January 1	**43,526**	**41,185**
Expected return on plan assets	128	404
Ongoing contributions by the companies	3,283	3,209
Pensions paid	-2,989	-3,169
Netting/other	237	420
Settlement of a Swiss pension plan	-10,058	0
Exchange rate change	284	1,477
Assets as of December 31	**34,411**	**43,526**

The statement of financial position also contains reimbursement claims of EUR 640 thousand (previous year: EUR 707 thousand).

[29] Other Provisions

Other provisions include interest in the amount of EUR 28 thousand (previous year: EUR 37 thousand).

PROVISIONS IN 2020 (in EUR '000)

	Opening balance as of Jan. 1, 2020	Change in scope of consolidation	Utilization	Reversal	Additions/ newly created	Currency difference	Closing balance as of Dec. 31, 2020
Sales and purchasing obligations	34,462	-134	24,869	3,515	30,040	-68	35,916
Personnel expenses	25,986	-527	22,173	765	21,624	-124	24,021
Other provisions	15,642	-1,833	9,237	941	15,358	-183	18,806
Total	**76,090**	**-2,494**	**56,279**	**5,221**	**67,022**	**-375**	**78,743**

Liabilities from sales activities include provisions for warranties based on legal or de facto obligations, liabilities for customer bonuses and rebates as well as estimated values for anticipated invoices. Provisions for personnel expenses are formed for personnel credit hours, service anniversaries, partial retirement, severance commitments, and similar obligations. Other provisions relate to a range of possible individual risks, which are measured in terms of their probability of occurrence. There were no significant expected reimbursements in relation to obligations recognized as per IAS 37.

[30] Financial Liabilities

FINANCIAL LIABILITIES/DEVELOPMENT

(in EUR '000)

	Jan. 1, 2020 carrying amount	Cash-effective	Non-cash			Dec. 31, 2020 carrying amount
			Initial financial statement accounting	Change in scope of consolidation	Exchange rate adjustment	
Liabilities to banks	361,694	-21,282	0	0	-7	340,405
Liabilities from leasing	74,520	-19,569	33,177	-1,557	-451	86,120
Promissory note loans	245,172	41,917	0	0	0	287,089
Total financial liabilities	**681,386**	**1,066**	**33,177**	**-1,557**	**-458**	**713,614**

	Jan. 1, 2019 carrying amount	Cash-effective	Non-cash			Dec. 31, 2019 carrying amount
			Initial financial statement accounting	Change in scope of consolidation	Exchange rate adjustment	
Liabilities to banks	358,829	-634	0	3,444	55	361,694
Liabilities from leasing	5,323	-21,732	90,904	0	25	74,520
Promissory note loans	228,254	16,918	0	0	0	245,172
Total financial liabilities	**592,406**	**-5,448**	**90,904**	**3,444**	**80**	**681,386**

FINANCIAL LIABILITIES/DERIVATIVES

(in EUR '000)

	Dec. 31, 2020 carrying amount	Repayment obligation		
		Up to 1 year	1 to 5 years	More than 5 years
Liabilities to banks				
in the Group's currency EUR	338,883	98,772	219,460	20,651
in South African rands	1,522	1,522	0	0
Liabilities from leasing	86,120	16,465	53,430	16,225
Promissory note loans	287,089	43,082	158,007	86,000
Total financial liabilities	**713,614**	**159,841**	**430,897**	**122,876**
Derivative nominal values	209,083	53,823	137,961	17,299

	Dec. 31, 2019 carrying amount	Repayment obligation		
		Up to 1 year	1 to 5 years	More than 5 years
Liabilities to banks				
in the Group's currency EUR	360,088	99,765	232,549	27,774
in Swiss francs	269	269	0	0
in other currencies	1,337	958	379	0
Liabilities from leasing	74,520	15,971	38,193	20,356
Promissory note loans	245,172	18,082	162,947	64,143
Total financial liabilities	**681,386**	**135,045**	**434,068**	**112,273**
Derivative nominal values	238,587	44,401	154,803	39,383

[31] Other Liabilities

in EUR '000	Dec. 31, 2020	Current	Non-current	Dec. 31, 2019	Current	Non-current
Liabilities to outside shareholders	30,683	13,167	17,516	58,948	40,662	18,286
Accounts payable for personnel	19,344	19,344	0	19,760	19,760	0
Derivative financial instruments	4,279	4,279	0	6,255	6,255	0
Advance payments received	9,709	9,491	218	18,858	18,388	470
Contract liabilities	25,315	25,315	0	30,846	30,846	0
Accrual of non-recurrent payments	9,572	9,572	0	11,866	11,866	0
Accrual of payments not relating to the reporting period	3,042	2,784	258	2,198	1,837	361
Investment subsidies	1,604	0	1,604	1,752	0	1,752
Customer credit notes	5,992	5,992	0	8,784	8,784	0
Sundry other liabilities	4,774	4,231	543	2,199	1,698	501
Total	**114,314**	**94,175**	**20,139**	**161,466**	**140,096**	**21,370**

Liabilities to outside shareholders include, at EUR 18,990 thousand (previous year: EUR 40,266 thousand), contingent purchase price commitments carried at fair value insofar as minority shareholders are able to tender their shares to INDUS by terminating the Articles of Incorporation or on the basis of option agreements. During the financial year, there were no new purchase price commitments, EUR 2,380 thousand was recognized in expenses, and EUR 22,336 thousand was deducted mainly due to payouts to outside shareholders. Purchase price commitments fluctuated in line with the percentage change in the operating income (EBIT), partially kept in check by upper and lower limits.

Other Disclosures

[32] Information on the Statement of Cash Flows

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

in EUR '000	2020	2019
Cash-effective attributable to the acquisition of portfolio companies:	0	-34,947
subject to assumed financial liabilities	0	5,759
Net purchase price	**0**	**-29,188**

Cash and cash equivalents include limited-authorization accounts amounting to EUR 400 thousand (previous year: EUR 0 thousand). Investing and financing transactions of EUR 494 thousand (previous year: EUR 777 thousand) that did not lead to changes in cash and cash equivalents are not included in the statement of cash flows.

EUR 21,364 thousand (previous year: EUR 23,820 thousand) was paid for leases (interest and principal repayment) in the financial year.

[33] Change in the "Assets Held for Sale" Classification

On June 30, 2020, and September 30, 2020, a subsidiary in the Automotive Technology segment was recognized as a disposal group. The corresponding assets and liabilities of the disposal group were reclassified into the separate balance sheet items "Assets held for sale" and "Liabilities in connection with the assets held for sale."

Based on the changed market situation, the sale of the company within the next twelve months can no longer be regarded as highly likely, and so the disposal group is no longer classified as "held for sale." The corresponding non-current assets were measured on December 31, 2020, with the continued carrying amounts. The reclassification has no effect on the statement of income or other comprehensive income. Likewise, the disclosure during the year was also executed without effect on the income.

[34] Segment Reporting

SEGMENT INFORMATION BY DIVISION

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

	Construction/ Infrastructure	Automotive Technology	Engineering	Medical Engineering/ Life Science	Metals Technology	Total Segments	Reconciliation	Consolidated Financial Statements
2020								
Revenue with external third parties								
From contracts with customers	347,643	241,701	232,175	136,819	393,566	1,351,904	-242	1,351,662
In accordance with the over time method	36,321	19,836	136,876	0	0	193,033	0	193,033
From service contracts	58	7,619	948	5,234	0	13,859	0	13,859
Revenue with external third parties	**384,022**	**269,156**	**369,999**	**142,053**	**393,566**	**1,558,796**	**-242**	**1,558,554**
Revenue with Group companies	35,493	73,697	64,960	16,120	54,519	244,789	-244,789	0
Revenue	**419,515**	**342,853**	**434,959**	**158,173**	**448,085**	**1,803,585**	**-245,031**	**1,558,554**
Segment earnings (EBIT)	**64,475**	**-87,840**	**31,418**	**10,209**	**14,363**	**32,625**	**-7,545**	**25,080**
Depreciation/amortization	**-15,419**	**-61,132**	**-22,447**	**-10,160**	**-22,555**	**-131,713**	**-917**	**-132,630**
of which amortization	-15,419	-27,363	-20,147	-10,160	-18,072	-91,161	-917	-92,078
of which impairment	0	-33,769	-2,300	0	-4,483	-40,552	0	-40,552
Segment EBITDA	**79,894**	**-26,708**	**53,865**	**20,369**	**36,918**	**164,338**	**-6,628**	**157,710**
Income from measurement according to the equity method	**-79**	**-194**	**1,060**	**0**	**0**	**787**	**0**	**787**
Investments	**18,123**	**17,988**	**4,111**	**6,230**	**6,885**	**53,337**	**165**	**53,502**
of which company acquisitions	0	0	0	0	0	0	0	0
of which acc. to the equity method	0	1,014	0	0	0	1,014	0	1,014
Dec. 31, 2020								
Shares accounted for using the equity method	4,080	720	2,727	0	0	7,527	0	7,527
Goodwill	115,759	21,913	150,581	69,639	23,040	380,932	0	380,932

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8

(in EUR '000)

	Construction/ Infrastructure	Automotive Technology	Engineering	Medical Engineering/ Life Science	Metals Technology	Total Segments	Reconciliation	Consolidated Financial Statements
2019								
Revenue with external third parties								
From contracts with customers	332,410	326,400	253,391	154,164	408,589	1,474,954	92	1,475,046
In accordance with the over time method	56,402	14,456	180,156	0	0	251,014	0	251,014
From service contracts	59	9,437	1,073	5,552	618	16,739	0	16,739
Revenue with external third parties	**388,871**	**350,293**	**434,620**	**159,716**	**409,207**	**1,742,707**	**92**	**1,742,799**
Revenue with Group companies	35,329	81,282	77,053	19,004	62,486	275,154	-275,154	0
Revenue	**424,200**	**431,575**	**511,673**	**178,720**	**471,693**	**2,017,861**	**-275,062**	**1,742,799**
Segment earnings (EBIT)	**63,013**	**-35,799**	**54,585**	**18,616**	**25,771**	**126,186**	**-8,290**	**117,896**
Depreciation/amortization	**-13,960**	**-44,842**	**-18,436**	**-9,324**	**-20,301**	**-106,863**	**-947**	**-107,810**
of which amortization	-13,960	-27,578	-18,436	-9,324	-20,301	-89,599	-947	-90,546
of which impairment	0	-17,264	0	0	0	-17,264	0	-17,264
Segment EBITDA	**76,973**	**9,043**	**73,021**	**27,940**	**46,072**	**233,049**	**-7,343**	**225,706**
Income from measurement according to the equity method	**152**	**14**	**518**	**0**	**0**	**684**	**0**	**684**
Investments	**18,755**	**22,752**	**30,914**	**4,943**	**25,064**	**102,428**	**5,010**	**107,438**
of which company acquisitions	0	0	22,287	0	6,901	29,188	0	29,188
of which acc. to the equity method	0	0	0	0	0	0	0	0
Dec. 31, 2019								
Shares accounted for using the equity method	4,159	0	2,792	0	0	6,951	0	6,951
Goodwill	115,722	51,259	153,232	69,639	25,317	415,169	0	415,169

RECONCILIATION

(in EUR '000)

	2020	2019
Segment earnings (EBIT)	**32,625**	**126,186**
Areas not allocated including holding company	-7,554	-8,485
Consolidations	9	195
Financial income	-15,446	-18,922
Earnings before taxes	**9,634**	**98,974**

The classification of segments corresponds without change to the current state of internal reporting. The companies are assigned to the segments based on their selling markets if the large majority of their range is sold in a particular market environment (Automotive Technology, Medical Engineering/Life Science). Otherwise they are classified by common features in their production structure (Construction/Infrastructure, Engineering, Metals Technology). The reconciliations contain the figures of the holding company, non-operating units not allocated to any segment, and consolidations. See the explanation provided in the management report regarding the products and services that generate segment sales.

The key control variable for the segments is operating income (EBIT) as defined in the consolidated financial statements. The information pertaining to the segments has been ascertained in compliance with the reporting and valuation methods that were applied in the preparation of the consolidated financial statements. The transfer prices between the segments are based on arm's-length prices.

SEGMENT INFORMATION BY REGION

The breakdown of sales by region relates to our selling markets. Owing to the diversity of our foreign activities, a further breakdown by country would not be meaningful since no country other than Germany accounts for 10% of Group sales.

Non-current assets, less deferred taxes and financial instruments, are based on the registered offices of the companies concerned. Further differentiation would not be useful since the majority of companies have their registered office in Germany.

Owing to the diversification policy at INDUS, there were no individual product or service groups and no individual customers that accounted for more than 10% of sales.

in EUR '000	Group	Germany	EU	Third countries
2020				
Revenue with external third parties	1,558,554	801,805	346,678	410,071
Dec. 31, 2020				
Non-current assets, less deferred taxes and financial instruments	978,713	830,743	57,378	90,592
2019				
Revenue with external third parties	1,742,799	890,190	374,341	478,268
Dec. 31, 2019				
Non-current assets, less deferred taxes and financial instruments	1,032,789	873,328	56,787	102,674

[35] Information on the Significance of Financial Instruments

FINANCIAL INSTRUMENTS (in EUR '000)

	Balance sheet value	Not within the scope of IFRS 9	Financial instruments IFRS 9	Of which measured at fair value	Of which measured at amortized cost
DEC. 31, 2020					
Financial investments	7,130	0	7,130	2,509	4,621
Cash and cash equivalents	194,701	0	194,701	0	194,701
Receivables	161,943	10,699	151,244	0	151,244
Other assets	24,317	12,914	11,403	145	11,258
Financial instruments: Assets	**388,091**	**23,613**	**364,478**	**2,654**	**361,824**
Financial liabilities	713,614	0	713,614	0	713,614
Trade payables	48,926	0	48,926	0	48,926
Other liabilities	114,314	52,090	62,224	23,269	38,955
Financial instruments: equity and liabilities	**876,854**	**52,090**	**824,764**	**23,269**	**801,495**

	Balance sheet value	Not within the scope of IFRS 9	Financial instruments IFRS 9	Of which measured at fair value	Of which measured at amortized cost
DEC. 31, 2019					
Financial investments	6,366	0	6,366	2,482	3,884
Cash and cash equivalents	135,120	0	135,120	0	135,120
Receivables	202,527	19,470	183,057	0	183,057
Other assets	24,416	13,078	11,338	34	11,304
Financial instruments: Assets	**368,429**	**32,548**	**335,881**	**2,516**	**333,365**
Financial liabilities	681,386	0	681,386	0	681,386
Trade payables	55,931	0	55,931	0	55,931
Other liabilities	161,466	68,717	92,749	46,521	46,228
Financial instruments: equity and liabilities	**898,783**	**68,717**	**830,066**	**46,521**	**783,545**

The fair value of financial liabilities that are measured at amortized costs is EUR 732,962,000 (previous year: EUR 692,259,000). The fair value of all other financial instruments measured at amortized costs corresponds to the amortized cost, or deviates immaterially.

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

	Carrying amounts		Net gains/losses	
	Dec. 31, 2020	Dec. 31, 2019	2020	2019
Financial assets measured at fair value through profit and loss	145	34	111	-370
Financial assets measured at cost	361,824	333,365	-5,296	-1,489
Financial assets recognized at fair value directly in equity – of which attributable to equity instruments	2,509	2,482	0	0
Financial instruments: Assets	**364,478**	**335,881**	**-5,185**	**-1,859**
Financial liabilities measured at fair value through profit and loss	18,990	40,273	0	0
Financial liabilities measured at cost	801,495	783,545	-1,329	172
Derivatives with hedging relationship, hedge accounting	4,279	6,248	0	0
Financial instruments: equity and liabilities	**824,764**	**830,066**	**-1,329**	**172**

The gains and losses from changes to the fair value of forward exchange contracts are included in the category “Financial assets measured at fair value through profit and loss.” The net result of “Financial assets measured at cost” results largely from valuation allowances on receivables and exchange rate gains and losses from the translation of foreign currency transactions. The gains and losses in the “Financial assets recognized at fair value directly in equity” category include income/expenses from equity instruments that are recognized in this valuation category.

Losses from forward exchange contracts and any losses due to the ineffectiveness of derivatives are recognized in the “Financial liabilities measured at fair value through profit and loss” category. The expenses in the “Financial liabilities measured at cost” category include exchange rate gains and losses from the translation of liabilities in foreign currency.

Total interest income for financial instruments not measured at fair value through profit and loss amounts to EUR 234,000 (previous year: EUR 270,000). The corresponding total interest expenses are EUR 16,030,000 (previous year: EUR 15,141,000).

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 managing director. 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

Liquidity risk is the risk that future payment obligations cannot be met due to lack of cash. The INDUS Group's liquidity is monitored by INDUS Holding AG's Treasury department using liquidity reports.

Basically, the individual portfolio companies finance themselves from their operating results. Transfers are made between INDUS Holding AG and the portfolio companies depending on the liquidity situation. The INDUS Group holds sufficient cash and cash equivalents to enable the firm to take action at any time (2020: EUR 194,701,000, previous year: EUR 135,120,000). It also has unused credit lines totaling EUR 83,620,000 (previous year: EUR 79,408,000).

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. In the 2020 financial year, a promissory note loan with a sustainability component (ESG-linked) in the amount of EUR 60,000,000 was taken out (previous year: EUR 0). The interest on the promissory note loan is linked to the sustainability rating.

The following cash outflows, which are incorporated into the INDUS Group's long-term financial planning, were determined in consideration of the conditions for financial instruments determined as of the reporting date:

CASH OUTFLOW

(in EUR '000)

	Dec. 31, 2020			Dec. 31, 2019		
	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	1,804	3,385	170	1,879	4,816	521
Total derivative financial instruments	**1,804**	**3,385**	**170**	**1,879**	**4,816**	**521**
Financial liabilities	171,350	455,247	135,212	147,109	459,992	125,435
of which liabilities from leasing	18,974	58,439	16,908	17,679	41,340	21,644
Trade payables	48,926	0	0	55,931	0	0
Other liabilities	89,896	18,536	1,604	133,842	19,617	1,752
Total financial instruments	**310,172**	**473,783**	**136,816**	**336,882**	**479,609**	**127,187**

Cash flows consist of principal payments and their respective interest. The accumulated payment flows from financial liabilities and interest rate derivatives result in the payment flow from corresponding fixed-term loans.

DEFAULT RISK

Default risk means the risk of financial losses due to non-settlement or partial settlement of existing receivables.

In the financing area of INDUS, contracts are concluded only with counterparties of first-class credit standing. In the operational area, the portfolio companies are responsible for ongoing decentralized risk monitoring. Default risks are taken into account by means of adequate valuation allowances. The maximum default risk corresponds to the balance sheet value of loans and receivables originated by the company, while for derivatives it is equal to the sum total of their positive market values.

Corporate risk is widely diversified, as INDUS Group companies are autonomous and they all develop and offer a variety of products on different markets.

A concentration of default risks arising from business relationships exists in the Automotive Technology segment and results from the segment's oligopolistic customer structure. Based on the total stock of trade receivables, there are seven customers (previous year: eight) with a share of more than 1% each. This equates to a share of about 16% of open items as recognized in the consolidated financial statements (previous year: 21%). The ten largest customers accounted for approximately 20% of Group sales (previous year: approximately 23%).

Furthermore, there are receivables from customers and associated companies which are overdue but have had no valuation allowances carried out for them. There are generally no major payment defaults with due dates of up to three months, since overdue payments largely result from timing differences in their booking. Since trade receivables were not subjected to valuation allowances and were not overdue, there were no indications as of the reporting date that the debtors may not be able to meet their payment obligations. Trade receivables are regarded as in default if it is very unlikely that the debtor will meet its payment obligation. This is particularly the case in insolvency proceedings or in legal disputes with no prospect of success. The expected defaults are calculated using past experience, taking account of the expectations for future financial performance. For all other financial assets, the default risk is seen as very low.

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

	2020	2019
Carrying amount in the statement of financial position	161,943	202,527
impairment contained therein	5,946	7,882
gross value of receivables before impairment	167,889	210,409
of which as per reporting date		
neither impaired nor overdue	134,556	157,038
not impaired and overdue by the following periods		
less than 3 months	21,432	37,660
3 to 6 months	3,596	3,866
6 to 9 months	1,086	960
9 to 12 months	564	773
over 12 months	1,460	1,933

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

DEFAULT RISK ON RECEIVABLES

	Loss rate (weighted average)	Gross carrying amount	Expected loss	Impaired credit rating
Not overdue and between 1 and <3 months overdue	0.94%	155,988	1,459	No
Between 3 and <6 months overdue	8.18%	3,596	294	No
Between 6 and <9 months overdue	7.55%	1,086	82	No
Between 9 and <12 months overdue	6.21%	564	35	No
>12 months overdue	5.41%	1,460	79	Yes

The anticipated default risk is determined on the basis of historical data, particularly historical default rates. If an increase or reduction in bad debt losses can be expected in the future, this is taken into account accordingly when measuring anticipated defaults.

The business models, customers and the economic, political and geographical environment are considered in the detection of default risk. The individual Group companies therefore apply specific default rates.

INTEREST RATE RISK

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

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

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

MARKET PRICE RISK SENSITIVITY ANALYSIS (in EUR '000)

	Dec. 31, 2020		Dec. 31, 2019	
	+100 BP	-100 BP	+100 BP	-100 BP
Market value of derivatives	4,598	-4,834	3,684	-3,877
of which equity/hedges	4,598	-4,834	3,684	-3,877
of which interest expense per statement of income	0	0	0	0
Market value of loans	11,571	-12,199	17,015	-18,326
Total market value	**16,169**	**-17,033**	**20,699**	**-22,203**

Since interest rate risks are virtually completely hedged against, economically speaking, changes in interest rates would be offset in variable interest-bearing debt and derivative financial instruments. There would therefore be no material impact on future cash flows.

CURRENCY RISK

Currency risks basically result from the operating activities of the Group companies and financing transactions between the foreign portfolio companies and the respective holding company. Risk analyses are carried out on a net basis, while hedges are concluded by the portfolio companies on a case-by-case basis in accordance with the philosophy of commercial autonomy. The instruments employed are forward exchange transactions and suitable options.

Currency risks have an effect on the presentation of the financial position and financial performance when financial instruments are denominated in currencies other than the functional currency of the Group company in question. Risks arising from the currency translation of financial statements to the Group's currency are not taken into consideration. Since currency hedges are not formally accounted for as hedges, this does not have an impact on provisions for the mark-to-market valuation of financial instruments.

Assuming that the exchange rates of all foreign currencies were to rise by 10% against the euro as of the reporting date, net income from currency conversion would change by EUR -4,631,000 (previous year: EUR -4,182,000). As in the previous year, net receivables in US dollars and Swiss francs are the main influence.

FINANCIAL STATEMENT ACCOUNTING

HEDGING INSTRUMENTS

As at the reporting date, currency hedges with a nominal volume of EUR 10,113,000 (previous year: EUR 2,338,000) were in place. The currency hedges relate to transactions in US dollars and British pounds (previous year: US dollars, Chinese renminbi and British pounds). Hedging contracts have a market value of EUR 40,000 (previous year: EUR -104,000).

Interest rate hedging accounts for a nominal volume of EUR 198,828,000 (previous year: EUR 236,353,000). The market values amounted to EUR -4,279,000 (previous year: EUR -6,111,000). The interest rate hedges relate in full (previous year: EUR 161,353,000) to loan transactions that have already been recognized in the balance sheet, and thus there are no remaining unrecognized (previous year: EUR 75,000,000) future highly probable loan transactions with interest rate risk. Further details on terms and maturities are included in the report on financial liabilities.

FINANCIAL STATEMENT ACCOUNTING OF HEDGING TRANSACTIONS AS HEDGE ACCOUNTING

Of the hedging instruments presented above, the following hedging instruments are part of hedge accounting:

HEDGE ACCOUNTING PURSUANT TO IFRS 9 (in EUR '000)

	Nominal amounts	Carrying amount of hedging instruments	Balance sheet item	Changes in hedging instrument values recognized in other income
Dec. 31, 2020				
Cash flow hedges				
Interest rate hedges	198,828	-4,279	other current liabilities	1,840
Exchange rate hedges	0	0	other current liabilities	137
Total		**-4,279**		**1,977**
Dec. 31, 2019				
Cash flow hedges				
Interest rate hedges	236,353	-6,111	other current liabilities	-1,216
Exchange rate hedges	1,198	-137	other current liabilities	24
Total		-6,248		-1,192

The average interest rate for interest rate hedges is 0.94% (previous year: 0.9%). There were no currency hedges as at the reporting date. The currency hedges in the previous year were exclusively in USD. The average exchange rate of the currency hedges was EUR 1 = USD 1.2523.

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

	Reserve for cash flow hedges	Deferred taxes for cash flow hedges
As of January 1, 2019	-5,056	820
Change in fair value		
Interest rate hedges	-1,216	191
Exchange rate hedges	24	-7
As of December 31, 2019	**-6,248**	**1,004**
As of January 1, 2020	-6,248	1,004
Change in fair value		
Interest rate hedges	1,840	-291
Exchange rate hedges	137	-41
As of December 31, 2020	**-4,271**	**672**

[36] Collateral Furnished

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

PLEDGED ASSETS (in EUR '000)

	2020	2019
Land charges	18,146	20,828
Securities collateral	150	1,371
Other collateral	752	929
Total collateral	**19,048**	**23,128**

[37] Contingent Liabilities

Liabilities from guarantees exist in the amount of EUR 7,218,000 (previous year: EUR 7,785,000). 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.

[38] Other Financial Obligations

Obligations from purchase commitments for fixed assets came to EUR 18,056,000 (previous year: EUR 14,094,000), of which EUR 18,032,000 (previous year: EUR 13,983,000) was for property, plant, and equipment, and EUR 24,000 (previous year: EUR 111,000) was for intangible assets. In addition, there is a payment obligation from a multi-year customer contract in the amount of EUR 1,500,000 (previous year: EUR 0).

[39] Related Party Transactions

MEMBERS OF MANAGEMENT IN KEY POSITIONS AND AFFILIATED PERSONS

In line with the structure of the INDUS Group, key management personnel include 12 members of the Supervisory Board (previous year: 12 members), 4 people on the Board of Management of INDUS Holding AG (2019: 4 people), and the managing directors of the operating units (2020: 113 people, previous year: 116 people).

There are no pension commitments by INDUS Holding AG for members of the Board of Management which must be disclosed in the financial statements.

COMPENSATION OVERVIEW (in EUR '000)

	Aufwand der Periode	davon Gehälter	davon SAR*	davon Abfindung	davon Pensionen
2020					
INDUS Holding AG					
Supervisory Board	751	751	0	0	0
Board of Management**	2,810	2,460	350	0	0
Subsidiaries					
Managing directors	20,220	19,514	0	0	706
Family members	196	196	0	0	0
Total	**23,977**	**22,921**	**350**	**0**	**706**
2019					
INDUS Holding AG					
Supervisory Board	668	668	0	0	0
Board of Management**	2,795	2,445	350	0	0
Subsidiaries					
Managing directors	21,598	20,441	0	280	877
Family members	143	143	0	0	0
Total	**25,204**	**23,697**	**350**	**280**	**877**

* SAR = stock appreciation rights.
** The granted benefits are listed for the Board of Management.

The employee representatives on the Supervisory Board also have employment contracts with the respective INDUS portfolio companies.

SUPERVISORY BOARD COMPENSATION

The Supervisory Board's compensation was determined by the extraordinary Annual Shareholders' Meeting of INDUS Holding AG in November 2018. This is stipulated in Section 16 (1) and (2) of the Articles of Incorporation. In addition to reimbursement of out-of-pocket expenses incurred in performing their duties in the financial year ended, all Supervisory Board members receive fixed compensation of EUR 30,000 along with an attendance fee of EUR 3,000 thousand per meeting. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. Each member of a Supervisory Board committee receives compensation in the amount of EUR 5,000 in addition to reimbursement of out-of-pocket expenses for his/her activities in the past financial year. The chairman of the committee receives twice the amount mentioned above. There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. The Supervisory Board met seven times in 2020 (previous year: six times).

BOARD OF MANAGEMENT COMPENSATION

The long-term incentive consists of "virtual" stock options (SARs, stock appreciation rights). An SAR comprises a commitment to pay an amount determined by the difference between the exercise price of the SAR and the current market price of company shares on exercise of the SAR. The SAR exercise price corresponds to the average closing price of shares in the company in XETRA trading over the last 20 trading days prior to option issuance. The Board of Management is granted a tranche of SARs each year. The option price of the SAR is calculated when it is granted. The contractually agreed target determines the number of SARs allocated to the tranche. The SARs are non-forfeitable from the date they are granted. There is a vesting period for the exercise of options for each tranche granted (four years). The exercise period immediately following the statutory waiting period amounts to two years. A tranche can only be paid out if the share price is higher than the exercise price of the tranche's SAR on exercise and a defined success hurdle is cleared (minimum price increase of 12% during the vesting period). There is an upper limit (cap) on payment of 200% of the contractually agreed target.

The number of SARs granted to Board of Management members in annual tranches is determined based on the option price at the grant date and the contractually specified target price. In financial year 2020, 55,031 SARs were granted (previous year: 69,060). On the date on which they were granted, the total fair value of the SARs was EUR 350,000 (previous year: EUR 350,000). The total number of SARs granted up to December 31, 2020, was 268,505 (previous year: 216,756). The fair value of previously granted, not yet exercised SARs totaled EUR 976,000 as of the reporting date (previous year: EUR 636,000). A provision in this amount was formed in the annual financial statements. The addition is included in personnel expenses at EUR 386,000 (previous year: EUR 676,000). A liquidation of EUR 46,000 is included in other operating income (previous year: EUR 17,000). Payments on stock options amounting to EUR 0 were made during the financial year (previous year: EUR 494,000).

Fair value calculation is based on an option-price model of Black/Scholes and reasonable volatility on the part of INDUS, along with a risk-free interest rate that takes the cap on payment claims into account.

In the event of a material change in the composition of the Supervisory Board (change of control), the members of the INDUS Holding AG Board of Management have a special right to terminate their employment contracts within one year. In the event of a dismissal for cause, or dismissal of the Board of Management within one year after a change of control without good cause within the meaning of Section 626 BGB, the company will pay out severance to the members of the Board of Management. This will be based on the member's full compensation, including all fixed and variable components of the compensation and non-cash benefits. Severance payments will be paid for a maximum of the period through the end of their employment contracts, or a total term of two financial years if the regular end of the contract differs from this period.

For the 2020 and the 2019 financial year, the compensation paid to the members of the Board of Management of INDUS Holding AG comprised basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program), and a share-based component of the compensation (long-term incentive program).

Board of Management members received a total of EUR 2,794,000 (previous year: EUR 2,908,000). A total of EUR 2,810,000 is attributable to the financial year (previous year: EUR 2,795,000), of which EUR 1,720,000 is attributable to fixed compensation (previous year: EUR 1,705,000), EUR 740,000 to short-term variable compensation (previous year: EUR 740,000) and EUR 350,000 to SARs (previous year: EUR 350,000). The previous year variable compensation amounts to EUR -16,000 (previous year: EUR 113,000) See the compensation section of the management report for individual Board of Management compensation.

OTHER RELATIONS

INDUS Group transactions with persons or companies which control or are controlled by the INDUS Group must be disclosed insofar as they have not already been included in the consolidated financial statements as a consolidated company. Affiliated companies are the companies in the consolidated financial statements accounted for using the equity method. The other categories relate to key management personnel, their family members and their attributable companies.

RELATED PARTY TRANSACTIONS

(in EUR '000)

	Sales and other operating income	Goods purchases	Other purchases	Open items	Loans granted
2020					
Related associated companies	3,775	82	61	1,595	839
Family members of BoM members and shareholders	0	87	63	0	0
Non-controlling shareholders	12,923	0	873	0	0
Managing directors of portfolio companies	0	0	172	0	0
Total related party transactions	**16,698**	**169**	**1,169**	**1,595**	**839**
2019					
Related associated companies	2,248	5	166	1,361	675
Family members of BoM members and shareholders	0	157	58	1	0
Non-controlling shareholders	5,347	0	1,553	0	0
Managing directors of portfolio companies	2	0	527	46	0
Total related party transactions	**7,597**	**162**	**2,304**	**1,408**	**675**

In the 2020 financial year, revenue of EUR 12,923,000 (previous year: EUR 5,347,000) was realized from a business relationship with a related party of a non-controlling shareholder.

[40] Employees

AVERAGE NUMBER OF EMPLOYEES IN THE FINANCIAL YEAR

	2020	2019
Employees per region		
Germany	7,588	7,885
Europe (EU & Switzerland)	1,531	1,516
Rest of world	1,525	1,455
Total	**10,644**	**10,856**
Employees per segment		
Construction/Infrastructure	1,898	1,874
Automotive Technology	3,202	3,360
Engineering	2,243	2,180
Medical Engineering/Life Science	1,646	1,718
Metals Technology	1,616	1,687
Other	39	37
Total	**10,644**	**10,856**

[41] Cost of the Annual Financial Statements and Audit of the Consolidated Financial Statements

External auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft's fee for auditing the consolidated financial statements amounted to EUR 458,000 (previous year: EUR 407,000), of which EUR 3,000 (previous year: EUR 13,000) was for previous years, EUR 55,000 (previous year: EUR 33,000) for other confirmation and valuation services, of which EUR 3,000 for previous years (previous year: EUR 3,000), EUR 0 (previous year: EUR 0) for accountancy services and EUR 3,000 (previous year: EUR 0) for other services. "Confirmation services" refer to auditing services for the non-financial statement of INDUS Group and a governance confirmation.

[42] 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 2020 and made it available to shareholders on the INDUS Holding Aktiengesellschaft website (www.indus.de).

[43] Use of Facilitation in Accordance With Section 264 (3) and Section 264b German Commercial Code (HGB)

In the complete list of shareholdings recorded in the electronic commercial register in accordance with Section 313 of the German Commercial Code (HGB), which constitutes part of the Notes, the subsidiaries are listed to which exemption from disclosure duties has been applied in accordance with Section 264 (3) and Section 264b of the German Commercial Code (HGB) as of December 31, 2020.

[44] Events After the Reporting Date

With effect as of January 4, 2021, INDUS Holding AG acquired all the shares in JST Jungmann Systemtechnik GmbH & Co. KG, Buxtehude.

There are no other events after the reporting date that have particular significance for the INDUS Group.

Bergisch Gladbach, Germany, March 17, 2021

INDUS Holding AG

The Board of Management

Dr. Johannes Schmidt

Dr. Jörn Großmann

Axel Meyer

Rudolf Weichert

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Further Information

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Contents

Responsibility Statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements dated December 31, 2020, give a true and fair view of the financial position and financial performance of the Group, and the combined management report for the 2020 financial year includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group, in accordance with the applicable accounting principles.

Bergisch Gladbach, March 17, 2021

The Board of Management

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

Dividend Proposal

The following proposal will be submitted to the Annual Shareholders' Meeting regarding the appropriation of the balance sheet profit for the 2020 financial year in the amount of EUR 35,841,974.12:

Payment of a dividend of EUR 0.80 per no-par-value share (24,450,509) on the capital stock of EUR 63,571,323.62	19,560,407.20
Transfer to other retained earnings	15,000,000.00
Profit carried forward	1,281,566.92
Balance sheet profit	35,841,974.12

Bergisch Gladbach, March 17, 2021

The Board of Management

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

The following report of the independent Group auditors also includes an "assurance report in accordance with Section 317 (3b) of the German Commercial Code (HGB) on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes" ("ESEF report"). The assurance subject underlying the ESEF report (the ESEF documents to be assessed) is not attached. The assessed ESEF documents can be seen in or accessed from the German Federal Gazette.

Report of the Independent Group Auditors

To INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinion

We have audited the consolidated financial statements of **INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany**, and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as of December 31, 2020, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, along with the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany, for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of the separate sustainability report including the non-financial report and the declaration on corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) published on the company website to which reference is made in the "Non-financial Key Performance Indicators", "Corporate Governance", and "Description of Individual Risks" sections of the combined management report.

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

— the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU, and with the additional requirements under German law in accordance with Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and

— the accompanying combined management report as a whole provides an appropriate view of the position of the Group. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the risks and opportunities of future development. Our opinion on the combined management report does not extend to the elements of the combined management report where the content was not audited, outlined above.

In accordance with Section 322 (3) Sentence 1 HGB, we declare that our audit has not resulted in any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis of Opinion

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits of the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under these requirements and principles are set out in further detail in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" in our report. In accordance with the requirements under European law and German commercial and professional law, we are independent of the Group companies and we have fulfilled our other professional responsibilities under German law in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) letter f of the EU Audit Regulation that we have not provided prohibited non-audit services under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained represents a sufficient and appropriate basis for our opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters which in our professional judgment were of most significance in the audit of the consolidated financial statements for the financial year January 1 to December 31, 2020. These matters were considered in the context of our overall audit of the consolidated financial statements, and when forming our opinion in this regard, we have not provided a separate opinion on these matters.

We have set out what, in our view, constitutes the key audit matter:

GOODWILL IMPAIRMENT

A) FINANCIAL STATEMENT RISK

The consolidated financial statements include the balance sheet item "Goodwill." As of the reporting date, goodwill in the amount of EUR 380.9 million was recognized. This goodwill is allocable to 45 cash-generating units.

As a result of the annual impairment test, impairment losses of EUR 40.6 million were recorded in relation to five cash-generating units. These impairment losses affected goodwill (EUR 33.9 million), tangible fixed assets (EUR 5.2 million), and intangible assets (EUR 1.5 million).

Company information relating to goodwill is contained in sections 12 and 17 of the Notes.

Cash-generating units that have goodwill allocated to them are subject to impairment testing as required or at least once a year. The recoverable amount of a cash-generating unit, which must be compared with the carrying amount, including goodwill, of the cash-generating unit, is the higher of the two values from the fair value less costs of disposal or value in use. The value in use is generally used to determine the recoverable amount. The present value of future cash flows forms the underlying basis for this, as there are usually no market values available for cash-generating units.

During impairment testing, the value in use is determined using an evaluation method based on discounted cash flow, which in turn is based on expectations regarding the future development of the individual operating activities and the estimates concerning the resulting future cash flows. The multi-year forecasts prepared by the legal representatives of the portfolio companies and the Board of Management are taken as a basis for this. Discounting is based on the weighted capital costs of the individual reporting segments. The results of impairment tests are subject to the influence of estimated values and therefore considerable uncertainty. This particularly applies with regard to the potential economic impact of the COVID-19 pandemic on the portfolio companies' sales and earnings projections. In light of this and due to the complexity of the valuation and materiality of the balance sheet item goodwill, we deemed this to be a key matter during the audit.

B) AUDIT APPROACH AND CONCLUSIONS

As part of our audit, we initially turned our attention to the process of implementing impairment testing of goodwill and the checks relevant to accounting implemented in this process.

In our other audit procedures, we focused in particular on that material goodwill for which there were indications of impairment or for which the recoverable amounts of the cash-generating unit were close to or under their carrying amount.

We assessed the forecasts upon which the impairment testing of material goodwill deemed at risk is based on the basis of an analysis of the forecasts presented to us, the premises underlying these and supplementary and explanatory documents. Furthermore, we held discussions for this purpose with the employees of the company's management control department responsible for the respective portfolio companies and, in selected cases, with the local managing directors of the portfolio companies and the Board of Management of INDUS Holding Aktiengesellschaft. In the process, we also examined them for potential judgment bias and for verifiable consideration of the potential economic impact of the COVID-19 pandemic on the portfolio companies' sales and earnings projections.

In addition, we have assessed the planning accuracy by comparing planning for the previous year against the actual values achieved.

We also assessed the appropriateness of the valuation method applied and its methodical implementation, the derivation of segment-specific discounting interest rates, and the accuracy of the accounting in random samples.

We have validated the calculation results of the company using additional analyses which also included sensitivity analysis.

We have also assessed the accuracy and completeness of the assets and liabilities included in the carrying amount of the cash-generating unit.

The valuation methods, parameters and assumptions applied by the legal representatives have been correctly derived and are within an acceptable range.

Other Information

The legal representatives or Supervisory Board of INDUS Holding Aktiengesellschaft are responsible for the disclosures under other information. The other information comprises:

— the elements of the combined management report whose content has not been audited referred to in the “Opinions” section,
— the report of the Supervisory Board,
— the Corporate Governance report in accordance with the German Corporate Governance Code,
— the declaration under Section 297 (2), Sentence 4 HGB relating to the consolidated financial statements and the declaration under Section 315 (1), Sentence 5 HGB relating to the combined management report and
— the other parts of the Annual Report, but not the consolidated financial statements, the information included in the content audit of the combined management report and our associated report.

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration made in accordance with Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the Group declaration on corporate governance in the “Corporate Governance” section of the combined management report. The legal representatives are responsible for any other information included under “other information.”

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of audit conclusion in relation to this.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information mentioned above and, in doing so, to consider whether the other information:

— is materially inconsistent with the consolidated financial statements, the audited content of the combined management report, or our knowledge obtained during the audit,
— or otherwise appears materially misstated.

If, based on the procedures that we have performed, we come to the conclusion that there is a material misrepresentation in this other information, we have a duty to report it. We have nothing to report in this context.

Responsibilities of Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for preparing the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for internal controls which they determine necessary to enable the preparation of consolidated financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to the going concern. In addition, they are responsible for financial reporting on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative other than this.

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

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

External Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatements in the consolidated financial statements and in the combined management report, whether these are intended or unintended, and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate for providing a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— Obtain an understanding of internal control systems relevant to the audit of the consolidated financial statements and of arrangements and systems relevant to the audit of the combined management report to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
— Evaluate the appropriateness of accounting standards used by the legal representatives and the reasonableness of estimates and related disclosures made by the legal representatives.
— Draw conclusions on the appropriateness of legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and the combined management report or, if these disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained as at the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
— Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group in compliance with IFRS as adopted by the EU

and the additional requirements of German commercial law in accordance with Section 315e (1) HGB.

— Obtain sufficient and appropriate audit evidence on the financial information of the companies or operating activities within the Group so as to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the guidance, monitoring, and performance of the audit of the consolidated financial statements. We are solely responsible for our opinion.
— Evaluate the consistency of the combined management report with the consolidated financial statements, conformity with [German] law, and the view of the Group's position it provides.
— Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate whether prospective information is properly derived from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those responsible for governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant shortcomings on internal control identified by us during our audit.

We also provide those responsible for governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to impact our independence, and where applicable, the related safeguards.

From the matters communicated to those responsible for governance, we determine matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prevents public disclosure about the matter.

Other Statutory and Other Legal Requirements

Assurance Report in Accordance With Section 317 (3b) of the German Commercial Code (HGB) on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

Opinion

We have performed an assurance engagement in accordance with Section 317 (3b) of the German Commercial Code (HGB) to obtain reasonable assurance of whether the electronic reproduction of the consolidated financial statements and the combined management report contained in the accompanying file **indusholding-2020-12-31.zip SHA256: 5994E8C27216793A3342C47EDE6CC4A03EFB63906B7522E9425ABA16983253C8** and prepared for publication purposes (hereinafter also referred to as the "ESEF documents") meets the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the aforementioned file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the aforementioned accompanying file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on the other information contained in the aforementioned file beyond this opinion and our opinions on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2020, contained in the above "Report on the audit of the consolidated financial statements and of the combined management report."

Basis for the Opinion

We conducted our assessment of the reproduction of the consolidated financial statements and the combined management report contained in the aforementioned accompanying electronic file in accordance with Section 317 (3b) of the German Commercial Code (HGB) and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibility under these is described in more detail in the „Responsibility of the external auditor for the assurance engagement on the ESEF documents" section. Our audit firm applied the requirements for the quality assurance system of the German Institute of Public Auditors (IDW) quality assurance standard: Quality assurance requirements in audit practice (IDW QS 1).

Responsibility of the Legal Representatives and the Supervisory Board for the ESEF Documents

The legal representatives are responsible for preparing the ESEF documents with the electronic reproduction of the consolidated financial statements and combined management report in accordance with Section 328 (1) Sentence 4 No. 1 of the German Commercial Code (HGB) and for marking up the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

In addition, the legal representatives are responsible for the internal checks they consider necessary for preparing ESEF documents that are free from material breaches – whether due to fraud or error – of the requirements of Section 328 (1) HGB for the electronics reporting format.

The legal representatives are also responsible for the submission to the operator of the German Federal Gazette of the ESEF documents together with the Group auditor's report and the accompanying audited consolidated financial statements and audited combined management report as well as other documents to be published.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Responsibility of the External Auditor for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance of whether the ESEF documents are free from material breaches – whether due to fraud or error – of the requirements of Section 328 (1) of the German Commercial Code (HGB). We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— identify and assess the risks of material breaches of the requirements of Section 328 (1) of the German Commercial Code (HGB), whether due to fraud or error, plan and perform assurance procedures in response to those risks, and obtain assurance evidence that is sufficient and appropriate for providing a basis for our opinion.
— obtain an understanding of the internal control system relevant to the assessment of the ESEF documents in order to plan assurance procedures that are appropriate in the circumstances, but not with the aim of expressing an opinion on the effectiveness of these controls.
— evaluate the technical validity of the ESEF documents – i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date on the technical specification for this electronic file.
— evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
— evaluate whether marking up the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Disclosures Pursuant to Article 10 of the EU Audit Regulation

We were elected as the external auditor for the consolidated financial statements at the Annual Shareholders' Meeting on August 13, 2020. We were engaged by the Supervisory Board on December 21, 2020. We have been the Group auditor of INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany, continually since the financial year 2013.

We declare that the opinions expressed in this external auditor's report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

Auditor Responsible

The auditor responsible for the engagement is Mr. Nikolaus Krenzel.

Cologne, March 18, 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Burkhard Völkner	Nikolaus Krenzel
Wirtschaftsprüfer	Wirtschaftsprüfer

Independent Auditor's Limited Assurance Engagement Statement

To INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany:

We have performed a limited assurance audit of the INDUS Holding Aktiengesellschaft combined separate non-financial report (hereafter "non-financial report") for the INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany, and the Group in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB (Handelsgesetzbuch: German Commercial Code) for the period January 1 to December 31, 2020.

Responsibility of the Legal Representatives

The legal representatives of INDUS Holding Aktiengesellschaft are responsible for preparing the non-financial report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

The responsibility of the company's legal representatives includes selecting and applying appropriate methods to prepare the non-financial report and making assumptions and estimates regarding individual disclosures that are appropriate under the applicable circumstances. In addition, the legal representatives are responsible for ensuring the internal checks determined necessary for preparing a non-financial report are free from material misstatement, whether due to fraud or error.

Auditor's Declaration of Independence and Quality Assurance

In accordance with the requirements under European law and German commercial and professional law, we are independent of the company and have fulfilled our other professional responsibilities in accordance with these requirements.

Our auditing company applies the national statutory regulations and professional proclamations on quality assurance, particularly statutes for auditors and certified accountants as well as the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) quality assurance standard "Quality Assurance Requirements in Auditing Firms (IDW QS 1).".

Responsibility of the Auditor

It is our responsibility to provide a limited assurance opinion on the non-financial Group declaration based on the audit we have performed. We performed our audit in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information," published by IAASB. This requires us to plan and perform the audit in such a way that we can state with limited assurance that we did not become aware of any matters that led us to believe the non-financial report for the period January 1 to December 31, 2020, was prepared in a way that was not in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB in all material respects. This does not mean that a separate opinion is given on each disclosure. In comparison with a reasonable level of assurance, the audit procedures performed for a limited assurance audit are less comprehensive, which leads to a considerably lower level of assurance being obtained. The auditor is responsible for judging which audit procedures are necessary.

Our audit included the following audit procedures and other activities:

- Understanding the structure of the sustainability organization and the inclusion of relevant stakeholders
- Interviews concerning the materiality analysis to gain an understanding of the approach to identifying material sustainability topics and the corresponding reporting units
- A risk evaluation of relevant information regarding the sustainability performance in the reporting period
- Interviews and estimates of the design and implementation of systems and processes for determining, processing, and monitoring the information and results covered in the audit, including the consolidation of data
- Interviewing persons responsible for gathering information on the design, due diligence processes, results and risks, as well as performing internal checks and consolidating the information covered in the audit
- Inspecting selected internal and external documents
- Analytical evaluation of selected data and trends in quantitative information, which were submitted by the reporting units at Group level for consolidation
- Evaluation of the local data collection, validation, and reporting processes, and the reliability of submitted data based on interviews with randomly selected reporting units
- Evaluation of the overall presentation of the information
- Interviews concerning the measures determined during Board of Management, Supervisory Board, committee, or other meetings that could impact the sustainability report, as well as inspecting the corresponding meeting minutes
- Comparison with findings from the audit of the consolidated and annual financial statements

Opinion

Based on the audit performed and the evidence obtained, we have not become aware of any matters that lead us to believe that the INDUS Holding Aktiengesellschaft non-financial report for the period January 1 to December 31, 2020, was not prepared in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB in all material respects.

Purpose of the Statement

We provide this statement based on the agreement entered into with INDUS Holding Aktiengesellschaft. The limited assurance audit was performed for INDUS Holding Aktiengesellschaft, and the statement serves purely to inform INDUS Holding Aktiengesellschaft of the results of this audit. The statement is not a suitable basis for third parties to make (investment) decisions on.

Conditions of the Assignment and Liability

This assignment, including in relation to third parties, is subject to the general terms of engagement for German public auditors and public audit firms from January 1, 2017, annexed to this statement. We also refer to the liability regulations listed under item 9 and the exclusion of liability toward third parties. We bear no responsibility, liability, or other duties toward third parties.

Cologne, March 18, 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Burkhard Völkner	Nikolaus Krenzel
Wirtschaftsprüfer	Wirtschaftsprüfer

Further Information on the Board Members

The Supervisory Board of INDUS Holding AG

Jürgen Abromeit
Chairman/CEO of A-Xellence AG, Osnabrück
CHAIRMAN OF THE BOARD

Wolfgang Lemb*
Managing Director of IG Metall, Frankfurt am Main
DEPUTY CHAIRMAN OF THE BOARD

Dr. Jürgen Allerkamp
Fully qualified lawyer, CEO of Investitionsbank Berlin, Berlin

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
— BPWT Berlin Partner für Wirtschaft und Technologie GmbH, Berlin, Chairman of the Supervisory Board
— IBB Beteiligungsgesellschaft mbH, Berlin**

Dr. Dorothee Becker
Graduate economist, Spokesperson for the Management of the Gebrüder Becker group, Wuppertal

Dorothee Diehm*
First Authorized Representative of IG Metall – Freudenstadt office, Freudenstadt

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
— HOMAG Group AG, Schopfloch

Pia Fischinger*
Deputy Chairperson of the Karl Simon GmbH & Co. KG works council, Aichhalden

Cornelia Holzberger*
Lawyer (commercial law), M. Braun Inertgas-Systeme GmbH, Garching-Hochbrück

Gerold Klausmann*
Head of Finance/Management Control department at Karl Simon GmbH & Co. KG, Aichhalden

Isabella Pfaller

Graduate mathematician, member of the Supervisory Board of the Versicherungskammer Bayern, Munich

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
— Bayerische Beamtenkasse AG, Munich, Chairperson of the Supervisory Board***
— Consal Beteiligungsgesellschaft AG, Munich***
— Union Krankenversicherung AG, Saarbrücken, Chairperson of the Supervisory Board ***

Helmut Späth

Business graduate

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
— ifb SE, Grünwald, Chairman of the Supervisory Board

Uwe Trinogga*

Head of Quality Assurance at Selzer Fertigungstechnik GmbH & Co. KG, Driedorf

Carl Martin Welcker

Engineer (graduate engineer), Managing Director of Alfred H. Schütte GmbH & Co. KG, Cologne

The Board of Management of INDUS Holding AG

Dr.-Ing. Johannes Schmidt

CHAIRMAN OF THE BOARD

Further mandates in advisory bodies:
— Richard Bergner Holding GmbH & Co. KG

Dr. Jörn Großmann

Graduate in biological sciences, MBA

Axel Meyer

Dipl.-Wirtschafts-Ing., LL.M.

Rudolf Weichert

Business graduate

Further mandates in advisory bodies:
— Börsenrat (business advisory board) of Düsseldorf Stock Exchange

* Employee representatives to the Supervisory Board.
** This mandate is with a group company of Investitionsbank Berlin.
*** These mandates are with group companies of Versicherungskammer Bayern.

Investments of INDUS Holding AG

by segment	Capital (in EUR million)	INDUS stake (in %)
Construction/Infrastructure		
ANCOTECH AG, Dielsdorf/Switzerland*	3.93**	100
BETOMAX systems GmbH & Co. KG, Neuss	2.03	100
FS-BF GmbH & Co. KG, Reichshof-Hahn*	0.64	100
HAUFF-TECHNIK GmbH & Co. KG, Hermaringen*	1.74	100
H. HEITZ Furnierkantenwerk GmbH & Co. KG, Melle*	4.39	100
MIGUA Fugensysteme GmbH, Wülfrath*	1.69	100
OBUK Haustürfüllungen GmbH & Co. KG, Oelde*	0.52	100
REMKO GmbH & Co. KG Klima- und Wärmetechnik, Lage*	1.82	100
SCHUSTER Klima Lüftung GmbH & Co. KG, Friedberg	1.05	100
WEIGAND Bau GmbH, Bad Königshofen i. Grabfeld	1.00	80
WEINISCH GmbH & Co. KG, Oberviechtach	0.53	100
Automotive Technology		
AURORA Konrad G. Schulz GmbH & Co. KG, Mudau*	7.53	100
BILSTEIN & SIEKERMANN GmbH & Co. KG, Hillesheim*	3.11	100
IPETRONIK GmbH & Co. KG, Baden-Baden*	2.75	100
SCHÄFER GmbH & Co. KG, Osnabrück*	2.98	100
SELZER Fertigungstechnik GmbH & Co. KG, Driedorf*	9.47	100
SITEK-Spikes GmbH & Co. KG, Aichhalden	1.05	100
S.M.A. Metalltechnik GmbH & Co. KG, Backnang*	6.14	100
WIESAUPLAST Deutschland GmbH & Co. KG, Wiesau*	13.73	100
Engineering		
ASS Maschinenbau GmbH, Overath*	0.57	100
M. BRAUN Inertgas-Systeme GmbH, Garching b. Munich*	1.96	100
BUDDE Fördertechnik GmbH, Bielefeld*	0.39	75
ELTHERM GmbH, Burbach*	1.25	100
GSR Ventiltechnik GmbH & Co. KG, Vlotho*	0.57	100
HORN GmbH & Co. KG, Flensburg*	8.46	100
IEF-Werner GmbH, Furtwangen im Schwarzwald	1.28	100
MBN – Maschinenbaubetriebe Neugersdorf GmbH, Ebersbach-Neugersdorf*	0.74	100
MESUTRONIC Gerätebau GmbH, Kirchberg im Wald*	0.54	90
M+P International Mess-und Rechnertechnik GmbH, Hanover*	1.23	91
PEISELER GmbH & Co. KG, Remscheid*	1.16	100
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100

by segment	Capital (in EUR million)	INDUS stake (in %)
Medical Engineering/Life Science		
IMECO GmbH & Co. KG, Hösbach*	0.75	100
MIKROP AG, Wittenbach/Switzerland*	1.13**	100
OFA Bamberg GmbH, Bamberg*	1.52	100
RAGUSE Gesellschaft für medizinische Produkte mbH, Ascheberg*	0.92	100
ROLKO Kohlgrüber GmbH, Borgholzhausen*	1.29	100
Metals Technology		
BACHER AG, Reinach/Switzerland	3.20**	100
BETEK GmbH & Co. KG, Aichhalden*	6.08	100
DSG Dessauer Schaltschrank- und Gehäusetechnik GmbH, Dessau-Roßlau	0.03	100
HAKAMA AG, Bättwil/Switzerland	5.00**	100
Anneliese KÖSTER GmbH & Co. KG, Ennepetal*	2.47	100
MEWESTA Hydraulik GmbH & Co. KG, Münsingen	0.54	100
PLANETROLL GmbH & Co. KG, Munderkingen	0.54	100
Helmut RÜBSAMEN GmbH & Co. KG, Metalldrückerei-Umformtechnik, Bad Marienberg	0.53	100
Karl SIMON GmbH & Co. KG, Aichhalden*	5.08	100
VULKAN INOX GmbH, Hattingen*	1.07	100

* including subsidiaries
** in CHF million

Key Figures

in EUR '000	2013	2014	2015	2016	2017	2018	2019	2020
Consolidated statement of income								
Sales	1,186,785	1,255,723	1,388,857	1,444,270	1,640,640	1,710,788	1,742,799	1,558,554
of which domestic	611,191	655,198	708,993	735,486	815,497	878,860	890,190	801,805
of which abroad	55,594	600,525	679,864	708,784	825,143	831,928	852,609	756,749
Personnel expenses	322,628	349,010	392,012	430,230	479,679	506,637	527,461	501,007
Personnel expense ratio (personnel expenses as % of sales)	27.2	27.8	28.2	29.8	29.2	29.6	30.3	32.1
Cost of materials	562,789	598,204	651,562	648,685	745,894	811,929	782,448	690,106
Cost-of-materials ratio (cost of materials as % of sales)	47.4	47.6	46.9	44.9	45.5	47.5	44.9	44.3
EBITDA	161,828	173,532	185,473	199,424	213,918	218,083	225,706	157,710
Depreciation/amortization	43,685	47,970	50,103	55,976	62,438	83,657	107,810	132,630
EBIT*	118,143	125,562	135,370	143,448	151,481	134,426	117,896	25,080
EBIT margin (EBIT as % of sales)	10.0	10.0	9.7	9.9	9.2	7.9	6.8	1.6
Financial income*	-19,447	-24,857	-26,075	-20,070	-22,290	-19,720	-18,922	-15,446
EBT	98,696	100,705	109,295	123,378	129,191	114,706	98,974	9,634
Group net income for the year (earnings after taxes)	63,974	63,314	68,287	80,418	83,074	71,185	60,072	-26,902
Earnings per share, basic per IFRS (in EUR)	3.02	2.74	2.78	3.27	3.37	2.90	2.43	-1.10
Statement of financial position								
Assets								
Intangible assets	360,493	412,268	453,630	483,008	515,044	509,420	592,315	559,778
Property, plant and equipment	271,833	306,818	334,846	369,331	397,008	418,227	430,679	405,470
Inventories	236,056	265,690	281,612	308,697	339,154	408,693	381,364	332,463
Receivables	156,218	162,091	160,744	177,626	197,528	202,523	202,527	161,943
Other assets	40,383	45,029	56,752	55,762	68,571	71,508	66,186	74,472
Cash and cash equivalents	115,921	116,491	132,195	127,180	135,881	109,647	135,120	194,701
Equity and liabilities								
Equity	515,330	549,872	595,430	644,568	673,813	709,825	727,721	676,354
Provisions	74,566	80,750	92,235	96,815	118,730	118,966	129,032	128,424
Financial liabilities	423,529	462,315	488,550	503,731	534,846	592,406	681,386	713,614
Other equity and liabilities	167,479	215,450	243,563	276,490	325,797	298,821	270,052	210,435
Total assets	**1,180,904**	**1,308,387**	**1,419,778**	**1,521,604**	**1,653,186**	**1,720,018**	**1,808,191**	**1,728,827**

in EUR '000	2013	2014	2015	2016	2017	2018	2019	2020
Group equity ratio (equity/total assets) as %	43.6	42.0	41.9	42.4	40.8	41.3	40.2	39.1
Non-current financial liabilities	304,769	367,935	367,935	389,757	439,545	465,886	546,341	553,773
Current financial liabilities	118,760	94,381	111,616	113,974	95,301	126,520	135,045	159,841
Net debt (non-current and current financial liabilities – cash and cash equivalents)	307,608	345,824	356,356	376,551	398,965	482,759	546,266	518,913
Net debt/EBITDA	1.9	2.0	1.9	1.9	1.9	2.2	2.4	3.3
Trade payables	45,543	47,942	46,749	55,409	66,162	65,659	55,931	48,926
Advance payments and contract liabilities	21,983	30,263	39,860	58,409	67,569	73,378	49,703	35,024
Working capital (inventories + trade receivables – trade payables – advance payments – contract liabilities)	324,748	349,576	355,746	372,505	402,951	472,180	478,257	410,457
Gearing (net debt/equity)	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.8
Equity ratio (earnings after taxes/equity) in %	12.4	11.5	11.5	12.5	12.3	10.0	8.3	-4.0
Investments	100,895	97,156	107,380	103,884	111,425	102,401	107,438	53,502
Statement of Cash Flows								
Operating cash flow	117,411	104,385	157,341	137,945	144,942	96,010	167,733	174,444
Cash flow from operating activities	97,522	86,961	130,942	114,564	123,962	74,654	147,286	155,188
Cash flow from investing activities	-99,625	-95,234	-112,768	-104,454	-109,956	-98,317	-76,152	-52,345
Cash flow from financing activities	19,977	8,195	-3,149	-14,938	-3,898	-2,706	-46,141	-42,015
Cash flow per share (in EUR)	4.35	3.56	5.36	4.69	5.07	3.05	6.02	6.35
Other performance indicators								
XETRA price at year-end (in EUR)	29.20	38.11	44.51	51.64	59.50	39.00	38.85	32.10
Average number of shares	22,410,431	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509
Number of shares at the end of year	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509
Market capitalization	713,955	931,809	1,088,292	1,262,624	1,454,805	953,570	949,902	784,861
Total dividend (in EUR million)**	26,896	29,341	29,341	33,008	36,676	36,676	19,560	19,560
Dividend per share (in EUR)**	1.10	1.20	1.20	1.35	1.50	1.50	0.80	0.80
Number of portfolio companies	40	42	44	44	45	45	47	46

* All financial years adjusted to new statement of income structure
** Total dividend amount and dividend per share for the financial year; dividend proposal for the 2020 financial year – subject to approval at Annual Shareholders' Meeting on May 26, 2021

Overview of Portfolio Companies

Our portfolio companies operate independently within their markets. They use this freedom to actively develop their business further, tailoring it closely to customers' needs. This keeps both the individual firms and our Group as a whole successful and resilient.

The INDUS World

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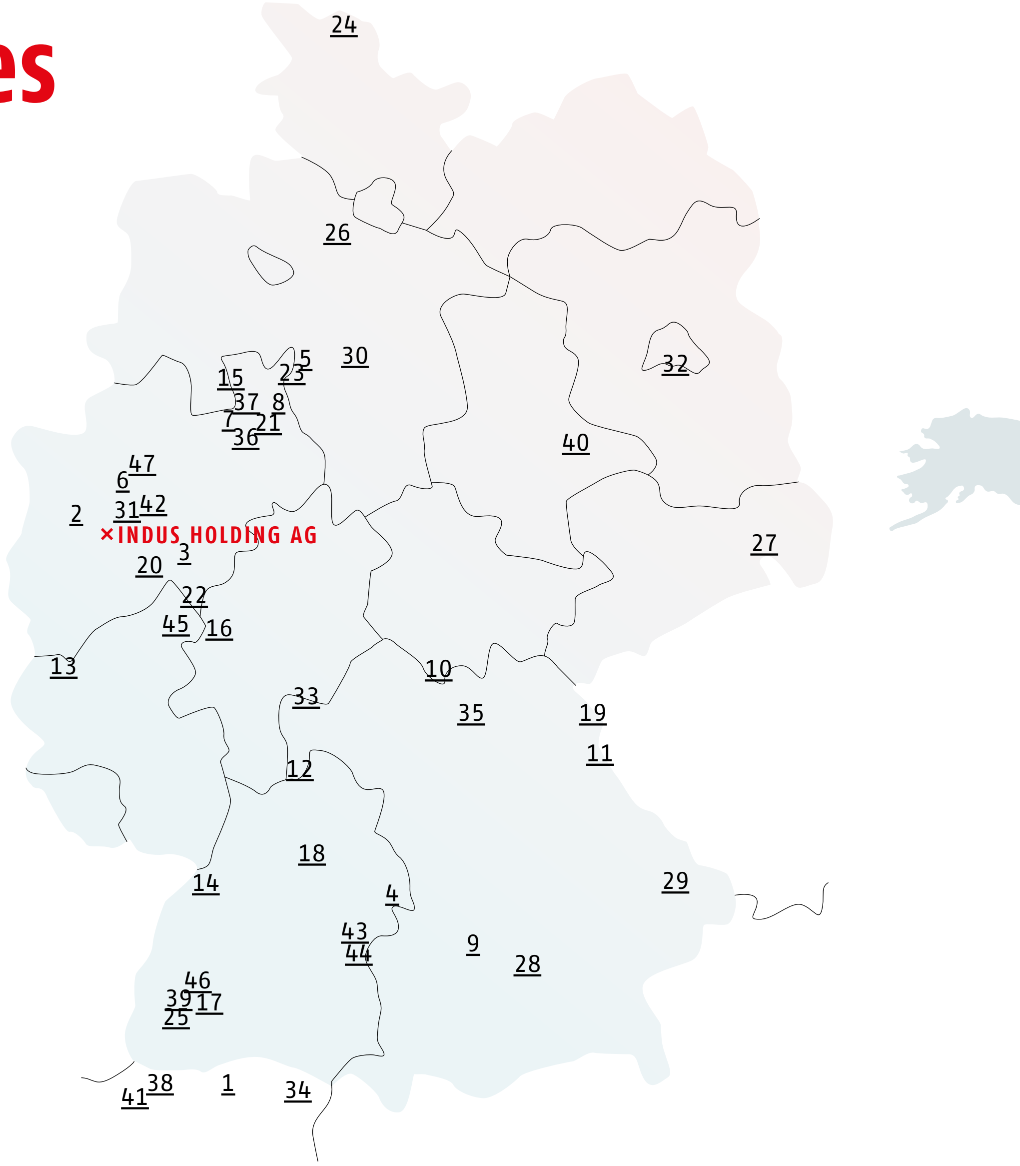
Portfolio Companies in Germany and Switzerland



CONSTRUCTION/ INFRASTRUCTURE

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

AUTOMOTIVE TECHNOLOGY

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

ENGINEERING

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

MEDICAL ENGINEERING/ LIFE SCIENCE

33 IMECO
34 MIKROP
35 OFA
36 RAGUSE
37 ROLKO

METALS TECHNOLOGY

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

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Locations of the INDUS Group Worldwide

LOCATIONS WORLDWIDE

1 Canada
2 USA
3 Mexico
4 Chile
5 United Kingdom
6 Netherlands
7 Switzerland
8 Austria
9 Germany
10 Italy
11 Hungary
12 Denmark
13 Czech Republic
14 Poland
15 Slovakia
16 Serbia
17 Bosnia and Herzegovina
18 Finland
19 Romania
20 Turkey
21 Spain
22 France
23 Russia
24 Morocco
25 South Africa
26 United Arab Emirates
27 Kazakhstan
28 India
29 Singapore
30 China
31 South Korea
32 Taiwan

Further information on the INDUS Group's portfolio companies can be found at www.indus.de/en/about-indus/investment

Construction/Infrastructure

24.6% / EUR 384.0 Million of Total Sales

The construction and infrastructure sectors are elementary in any country. SMEs in the construction industry ensure that we can live and work comfortably in Germany. Immigration and urbanization provide the sector with further momentum. The increase in mobility will also cause demand for infrastructure services to rise sharply. Another sector gaining in importance is the safety technology sector.

The companies in this INDUS segment operate in various areas within the construction industry. Their products and services range from reinforcements and construction materials to air conditioning and heating technology along with accessories for private housing construction.

ANCOTECH GROUP, DIELSDORF
Special reinforcements and tanker transport systems
Sales 2020: EUR 46.6 million
www.ancotech.com

BETOMAX SYSTEMS GMBH & CO. KG, NEUSS
Concrete construction solutions
Sales 2020: EUR 19.0 million
www.betomax.de

FS-BF GMBH & CO. KG, REICHSHOF/HAHN
Sealants made from silicone and acrylic
Sales 2020: EUR 38.3 million
www.fsbf.com

H. HEITZ FURNIERKANTENWERK GMBH & CO. KG, MELLE
Edge and wrapping veneer for the furniture and construction industries
Sales 2020: EUR 27.8 million
www.h-heitz.de

HAUFF-TECHNIK GMBH & CO. KG, HERMARINGEN
Innovative sealing systems for cables and pipes
Sales 2020: EUR 87.4 million
www.hauff-technik.de

MIGUA FUGENSYSTEME GMBH, WÜLFRATH
Section construction for expansion joints
Sales 2020: EUR 15.7 million
www.migua.de

OBUK HAUSTÜRFÜLLUNGEN GMBH & CO. KG, OELDE
Individual front door panels
Sales 2020: EUR 28.5 million
www.obuk.de

REMKO GMBH & CO. KG, LAGE
Efficient heating technology
Sales 2020: EUR 75.1 million
www.remko.de

SCHUSTER KLIMA LÜFTUNG GMBH & CO. KG, FRIEDBERG
Energy-efficient ventilation and air-conditioning technology
Sales 2020: EUR 13.9 million
www.klima-schuster.de

WEIGAND BAU GMBH, BAD KÖNIGSHOFEN IM GRABFELD
Modern pipeline and cable duct construction
Sales 2020: EUR 25.6 million
www.weigandbau.de

WEINISCH GMBH & CO. KG, OBERVIECHTACH
High-quality powder coating of metals
Sales 2020: EUR 6.1 million
www.weinisch.de

Sales by portfolio companies with external third parties

Automotive Technology

17.3% / EUR 269.2 Million
of Total Sales

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

The companies in this INDUS segment provide a broad range of products and services for the automotive industry: from design and model or prototype construction to pre-series and small series production, from testing and measurement solutions and solutions for specialized vehicles to series production of components for manufacturers of cars and commercial or special-use vehicles.

AURORA KONRAD G. SCHULZ GMBH & CO. KG, MUDAU
Heating and air-conditioning systems for commercial vehicles
Sales 2020: EUR 44.2 million
www.aurora-eos.com

BILSTEIN & SIEKERMANN GMBH & CO. KG, HILLESHEIM
Cold extrusion parts, turned parts, and locking screws
Sales 2020: EUR 14.0 million
www.bsh-vs.com

IPETRONIK GMBH & CO. KG, BADEN-BADEN
Measurement systems and services for automotive development
Sales 2020: EUR 42.3 million
www.ipetronik.com

KIEBACK GMBH & CO. KG, OSNABRÜCK*
Prototype parts and small series for the automotive industry
Sales 2020: EUR 3.9 million
www.kieback.de

* The company was deconsolidated on July 31, 2020.

SCHÄFER GMBH & CO. KG, OSNABRÜCK
Model and mold construction for the automotive and aviation industries
Sales 2020: EUR 13.6 million
www.schäfer-modellbau.de

SELZER GROUP, DRIEDORF
Precision metal technology for the series production of automobiles
Sales 2020: EUR 55.5 million
www.selzer-automotive.de

SITEK-SPIKES GMBH & CO. KG, AICHHALDEN
Tire studs and carbide tools
Sales 2020: EUR 15.5 million
www.sitek.de

S.M.A. METALLTECHNIK GMBH & CO. KG, BACKNANG
Products for automotive air-conditioning and servo technology
Sales 2020: EUR 36.3 million
www.sma-metalltechnik.de

WIESAUPLAST GMBH & CO. KG, WIESAU
Precision plastics
Sales 2020: EUR 43.9 million
www.wiesauplast.de

Sales by portfolio companies with external third parties

Engineering

23.7% / EUR 370.0 Million of Total Sales

No other industry embodies the phrase "Made in Germany" as well as the engineering industry. Industrial production would be unimaginable without this segment. All over the world, German companies in this sector have a first-class reputation. With their expertise and quality, German SMEs have for many decades ensured that German products are in high demand internationally.

The INDUS companies in this segment develop complete conveying systems and robotic gripping systems, produce valve technology, automation components (including those used for vehicle assembly), and installations for clean room systems, and design electric heat tracing systems.

ASS MASCHINENBAU GMBH, OVERATH
Robotic hands and automation systems for manufacturers
Sales 2020: EUR 15.6 million
www.ass-automation.com

BUDDE FÖRDERTECHNIK GMBH, BIELEFELD
Specialist in logistics and material flows
Sales 2020: EUR 77.2 million
www.budde.de

ELTHERM GMBH, BURBACH
Specialist in electrical heat tracing systems
Sales 2020: EUR 32.5 million
www.eltherm.com

GSR VENTILTECHNIK GMBH & CO. KG, VLOTHO
Innovative valve technology for demanding industrial applications
Sales 2020: EUR 21.2 million
www.ventiltechnik.de

HORNGROUP HOLDING GMBH & CO. KG, FLENSBURG
Refueling technology and workshop solutions worldwide
Sales 2020: EUR 29.2 million
www.the-horngroup.com

IEF-WERNER GMBH, FURTWANGEN
Automation components and systems
Sales 2020: EUR 18.5 million
www.ief.de

ACQUISITION

JUNGMANN SYSTEMTECHNIK GMBH & CO. KG, BUXTEHUDE
All-in-one solutions for control desk, control room and control centre set-up
www.jungmann.de

MBN MASCHINENBAUBETRIEBE NEUGERSDORF GMBH, EBERSBACH-NEUGERSDORF
Sophisticated solutions for special machinery and plant technology
Sales 2020: EUR 52.9 million
www.mbn-gmbh.de

M. BRAUN INERTGAS-SYSTEME GMBH & CO. KG, GARCHING
Inert gas glove box systems for industry and research
Sales 2020: EUR 60.4 million
www.mbraun.de

MESUTRONIC GERÄTEBAU GMBH, KIRCHBERG IM WALD
Metal and foreign body detection in production
Sales 2020: EUR 24.7 million
www.mesutronic.de

M+P INTERNATIONAL MESS- UND RECHNERTECHNIK GMBH, HANOVER
Measurement and test systems for vibration control and analysis
Sales 2020: EUR 11.8 million
www.mpihome.com

PEISELER GMBH & CO. KG, REMSCHEID
High-precision indexing devices and rotary tilt tables for machine tools
Sales 2020: EUR 15.7 million
www.peiseler.de

TSN TURMBAU STEFFENS & NÖLLE GMBH, BERLIN
International construction of towers
Sales 2020: EUR 10.3 million
www.turmbau.de

Sales by portfolio companies with external third parties

Medical Engineering/ Life Science

9.1% / EUR 142.1 Million of Total Sales

As the population ages, healthcare is becoming a huge growth market, driven by a high pace of innovation. SMEs seize new knowledge and use it to develop products which are compatible with markets and everyday life. By focusing their efforts in this way, they become specialists that assert themselves outstandingly in the competitive market – and not just in the field of treatment, but also in the care and prevention fields.

The companies in this INDUS segment produce orthotic devices and surgical stockings and bandages, develop lenses and optical devices, and produce surgical accessories, rehabilitation technology, and hygienic products for both medical applications and household use.

IMECO GMBH & CO. KG, HÖSBACH
Nonwoven products –
"More than Nonwoven"
Sales 2020: EUR 24.4 million
www.imeco.de

MIKROP AG, WITTENBACH (CH)
Miniaturized precision optics
Sales 2020: EUR 12.4 million
www.mikrop.ch

OFA BAMBERG GMBH, BAMBERG
Compression hosiery and bandages
Sales 2020: EUR 70.5 million
www.ofa.de

RAGUSE GESELLSCHAFT FÜR MEDIZINISCHE PRODUKTE MBH, ASCHEBERG-HERBERN
Indication-specific production of surgical drapes
Sales 2020: EUR 11.8 million
www.raguse.de

ROLKO KOHLGRÜBER GMBH, BORGHOLZHAUSEN
Rehabilitation equipment
Sales 2020: EUR 23.0 million
www.rolko.de

Sales by portfolio companies with external third parties

Metals Technology

25.3% / EUR 393.6 Million
of Total Sales

Metals and metal processing play a significant part in the base materials processing industry. It is mainly SMEs which, thanks to the precision of their work and the quality of their products, create the conditions for high-quality end products. The reliability of its performance makes this segment a stable pillar in the day-to-day economy.

The companies in this INDUS segment provide a range of products and services that encompass solutions for rail technology, the production of carbide tools for road construction and mining, the manufacture of housings for laboratory diagnostics, blasting agents for the steel industry, and bolt welding technology for bridges and other applications.

BACHER AG, REINACH (CH)
Components made from steel and aluminum
Sales 2020: EUR 16.4 million
www.bacherag.ch

BETEK GMBH & CO. KG, AICHHALDEN
Carbide-tipped wear parts
Sales 2020: EUR 225.5 million
www.betek.de

DESSAUER SCHALTSCHRANK- UND GEHÄUSETECHNIK GMBH, DESSAU-ROSSLAU
Switch cabinets and machine casings
Sales 2020: EUR 9.5 million
www.dessauer-schaltschraenke.de

HAKAMA AG, BÄTTWIL (CH)
High-performance sheet metals
Sales 2020: EUR 21.9 million
www.hakama.ch

KÖSTER & CO. GMBH, ENNEPETAL
Cold working parts and stud welding technology
Sales 2020: EUR 16.1 million
www.koeco.net

MEWESTA HYDRAULIK GMBH & CO. KG, MÜNSINGEN
Hydraulic control blocks and systems
Sales 2020: EUR 4.8 million
www.mewesta.de

PLANETROLL GMBH & CO. KG, MUNDERKINGEN
Stirring technology and power transmission technology
Sales 2020: EUR 4.8 million
www.planetroll.de

HELMUT RÜBSAMEN GMBH & CO. KG, BAD MARIENBERG
Metal processing and forming technology
Sales 2020: EUR 45.0 million
www.helmut-ruebsamen.de

KARL SIMON GMBH & CO. KG, AICHHALDEN
Components and assemblies made from metal and plastic
Sales 2020: EUR 26.5 million
www.simon.group

VULKAN INOX GMBH, HATTINGEN
Granules for surface treatment
Sales 2020: EUR 23.1 million
www.vulkan-inox.de

Sales by portfolio companies with external third parties

Contact

Nina Wolf
Public Relations
Phone: +49 (0)2204/40 00-73
Email: presse@indus.de

Dafne Sanac
Investor Relations
Phone: +49 (0)2204/40 00-32
Email: investor.relations@indus.de

INDUS HOLDING AG
Kölner Straße 32
51429 Bergisch Gladbach

P.O. Box 10 03 53
51403 Bergisch Gladbach

Phone: +49(0)2204/40 00-0
Fax: +49 (0)2204/40 00-20
Email: indus@indus.de

www.indus.de

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

Financial Calendar

Date	Event
March 23, 2021	Publication of 2020 annual report; Analyst conference on the 2020 financial year
May 12, 2021	Publication of interim report on the first quarter of 2021
May 26, 2021	Annual Shareholders' Meeting 2021
August 11, 2021	Publication of interim report on the first half of 2021
November 11, 2021	Publication of interim report on the first nine months of 2021

Find the INDUS financial calendar and dates for corporate events at www.indus.de/en/investor-relations/financial-calendar

Imprint

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

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