INTERIM REPORT Q3 2020

INDUS

KEY FIGURES

in EUR million	Q1–Q3 2020	Q1–Q3 2019
Sales	1,164.1	1,312.8
EBITDA	114.4	168.1
EBIT before impairment	45.1	103.1
EBIT margin before impairment (in %)	3.9	7.9
Impairment	-40.8	-12.5
EBIT	4.3	90.6
EBIT margin (in %)	0.4	6.9
Group net income for the year (earnings after taxes)	-33.5	50.1
Earnings per share (in EUR)	-1.40	2.02
Operating cash flow	98.2	106.5
Cash flow from operating activities	84.6	91.5
Cash flow from investing activities	-29.0	-64.1
Cash flow from financing activities	6.9	-10.0
	SEP. 30, 2020	**DEC. 31, 2019**
Total assets	1,773.1	1,808.2
Equity	668.2	727.7
Equity ratio (in %)	37.7	40.2
Working capital	464.0	478.3
Net debt	550.4	546.2
Cash and cash equivalents	196.1	135.1
Portfolio companies (number as of reporting date)	46	47

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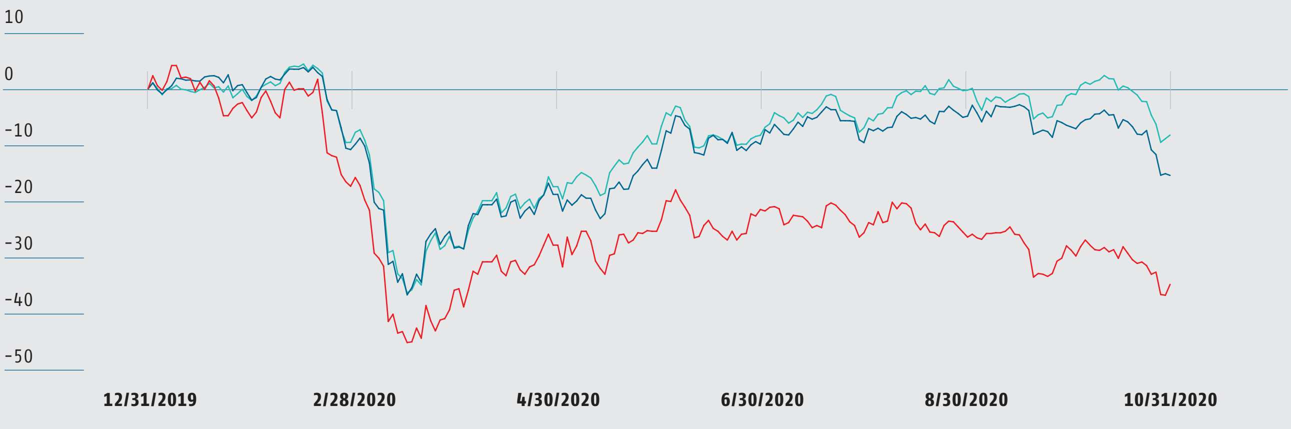
- INDUS on an upward trend as uncertain conditions continue
- First nine months marked by the coronavirus pandemic
- Clearly positive trend in Q3: operating income almost at previous year's level
- Forecast for the 2020 financial year confirmed

SHARE PRICE PERFORMANCE OF THE INDUS SHARE JANUARY TO OCTOBER 2020 EXCL. DIVIDENDS (indexed, in %)



Source: Bloomberg

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

In this quarterly report, we look back on what was an encouraging third quarter of 2020 for the INDUS Group all in all, despite all of the coronavirus-related restrictions. Earnings in the Construction/Infrastructure segment remain very good, while business performance in the Engineering, Medical Engineering/Life Science and Metals Technology segments stabilized. Capacity utilization in the Automotive Technology segment has also been rising slightly again since September. Our operating income (EBIT) for the third quarter is almost on a par with the level witnessed in the same quarter of 2019.

Our SME portfolio companies have shown remarkable agility. Hand-in-hand with their employees, their management teams are showing considerable commitment and flexibility in rising to the challenges created by the coronavirus pandemic day in, day out. They are adapting quickly to meet customer demand, which is sometimes marred by considerable volatility. They are maintaining a systematic focus on costs and remain committed to driving working capital levels down.

In partnership with our employees at the holding company, we have provided our portfolio companies with intensive support in navigating these uncertain times. At the holding company, we continued to systematically work through the package of measures adopted to optimize our portfolio, implemented our rolling financing program as planned, and forged ahead with our M&A activities.

- Our portfolio optimization measures are progressing. We sold KIEBACK, formerly part of the Automotive Technology segment, in July 2020. Fortunately, we were able to avoid the agreed closure of the sub-subsidiary FICHTHORN, also from the Automotive Technology segment, selling the company to a strategic investor in October instead. The investor will maintain the site and keep a significant share of the existing jobs. For BACHER AG from the Metals Technology segment, the decision was made to discontinue operations in 2021 following the conclusion of the consultation procedure that is required by law in Switzerland. The formal resolution will be passed by the Annual General Meeting of BACHER AG in December with the votes cast by INDUS Holding AG as the sole shareholder.

- In September, we issued an ESG-linked promissory note loan ("green" promissory note loan) based on our ISS ESG rating for the first time as part of our scheduled refinancing program. We will be using it to cover the INDUS Group's general financing requirements. The volume of the promissory note loan originally amounted to EUR 50 million, a volume that we increased to EUR 60 million in response to the high demand among investors.

- With regard to M&A, we are still working on company acquisitions. Although the market remains quiet, we are pursuing several promising projects. Our financial strength, good cash flow and considerable cash resources within the Group give us sufficient room for maneuver in these endeavors.

Mid-November is traditionally the time at which we would be rounding off the planning for the 2021 financial year. This year's uncertain economic environment makes it particularly difficult for our management to present reliable projections for the years to come. We have just completed the scheduled annual impairment test as of September 30, 2020. In the Engineering segment, we recognized slight impairments on goodwill in the amount of EUR 2.3 million, with impairments on property, plant and equipment of EUR 0.6 million being recognized in the Metals Technology segment.

We are naturally keeping a close eye on how the coronavirus pandemic is unfolding, and on the potential economic implications of the second Europe-wide lockdown. Our portfolio companies and the holding company are well equipped. Our companies have done their best to take precautions as far as material supplies are concerned. Measures to protect our employees are being systematically implemented at our portfolio companies. Wherever possible, employees are now working from home again. Nevertheless, it is impossible to rule out infections, which could also lead to isolated disruptions at our portfolio companies, entirely. We are, however, well prepared and currently expect our portfolio companies to be able to continue operating largely unhindered in the fourth quarter.

As a result, we are sticking to the forecast for 2020 as a whole that we released back in August. We expect to see total sales of between EUR 1.45 billion and EUR 1.6 billion. Operating income (EBIT) will be in a range of EUR 0 million to EUR 20 million. Our forecast is based on the assumption that the coronavirus protection measures will not be tightened any further, and that operations at our portfolio companies can be maintained.

Dear shareholders, 2020 is placing tremendous demands on all of us – both at work and at home. We, the Board of Management of INDUS, are convinced that this difficult year will do a particularly good job of demonstrating the strength of our portfolio. Broadly diversified activities, independent management teams and committed employees, both within our portfolio companies and at the holding company, allow for a creative and flexible response to the various challenges that this year has thrown in our path. This gives us reason to be confident as we move into the last quarter of the year, despite the second lockdown.

Stay healthy!

Bergisch Gladbach, November 2020

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

INTERIM MANAGEMENT REPORT

PERFORMANCE OF THE INDUS GROUP IN THE FIRST NINE MONTHS OF 2020

CONSOLIDATED STATEMENT OF INCOME (in EUR million)

			DIFFERENCE	
	Q1–Q3 2020	**Q1–Q3 2019**	**ABSOLUTE**	**IN %**
Sales	**1,164.1**	**1,312.8**	**-148.7**	**-11.3**
Other operating income	12.7	26.0	-13.3	-51.2
Own work capitalized	3.2	3.4	-0.2	-5.9
Change in inventories	-6.4	-5.8	-0.6	-10.3
Overall performance	**1,173.6**	**1,336.4**	**-162.8**	**-12.2**
Cost of materials	-529.9	-610.1	80.2	13.1
Personnel expenses	-377.4	-396.9	19.5	4.9
Other operating expenses	-151.9	-161.3	9.4	5.8
EBITDA	**114.4**	**168.1**	**-53.7**	**-31.9**
Depreciation/amortization	-110.1	-77.5	-32.6	-42.1
Operating income (EBIT)	**4.3**	**90.6**	**-86.3**	**-95.3**
Financial income	-10.6	-13.5	2.9	21.5
Earnings before taxes (EBT)	**-6.3**	**77.1**	**-83.4**	**<-100**
Taxes	-27.2	-27.0	-0.2	-0.7
Earnings after taxes	**-33.5**	**50.1**	**-83.6**	**<-100**
of which attributable to non-controlling shareholders	0.8	0.7	0.1	14.3
of which attributable to INDUS shareholders	-34.3	49.4	-83.7	<-100

The 2020 financial year has been dominated by the economic and operational implications of the coronavirus pandemic. Most of the INDUS portfolio companies have been materially impacted by the consequences of the pandemic, a situation that persists to this day in some cases. This makes the performance achieved in the third quarter of the financial year all the more encouraging, with operating income (EBIT) down only slightly on the previous year. INDUS is currently in the process of implementing a package of measures to optimize its portfolio. The implementation of some of these measures will continue into 2021. Effects on income have been taken into account in these financial statements to the greatest extent possible.

SALES DOWN IN FOUR SEGMENTS

In the first nine months of 2020, the INDUS portfolio companies generated sales of EUR 1,164.1 million, a decrease of EUR 148.7 million (-11.3%) as against the same period of the previous year. Revenue in the Automotive Technology and Engineering segments took a real nosedive. The Medical Engineering/Life Science and Metals Technology segments both reported slight sales declines. In the Construction/Infrastructure segment, slight growth in sales was achieved in spite of the coronavirus crisis. The organic decrease in sales in the INDUS Group came to 12.6%. An inorganic plus in sales of 1.3% was generated by MESUTRONIC and DSG, which were acquired in the previous year.

Other operating income amounted to EUR 12.7 million, EUR 13.3 million lower than in the previous year. In the previous year, the figure included the income from the sale of TKI Automotive GmbH in the amount of EUR 16.8 million.

The cost-of-materials ratio dipped slightly from 46.5% to 45.5%. The personnel expense ratio rose from 30.2% to 32.4%. As was to be expected, it was not possible to fully adjust personnel costs to match the lower production capacity, despite intensive use of short-time working models. Other operating expenses were down by EUR 9.4 million (5.8%) to EUR 151.9 million. Operating, selling and administrative expenses were reduced in line with sales. The only increase was in other expenses due to a one-time effect resulting from the deconsolidation of KIEBACK, which was sold effective July 31, 2020, and due to exchange rate losses.

Depreciation/amortization increased by EUR 32.6 million to EUR 110.1 million in total. This included depreciation/amortization of EUR 69.3 million (previous year: EUR 65.0 million) and impairments of EUR 40.8 million (previous year: EUR 12.5 million). Of the impairment losses of EUR 40.8 million, EUR 33.8 million (previous year: EUR 12.5 million) were recognized in the Automotive Technology segment, EUR 2.3 million (previous year: no impairment) in the Engineering segment and EUR 4.7 million (previous year: no impairment) in the Metals Technology segment.

CONTRIBUTION TO INCOME OF EUR 22.6 MILLION IN Q3

At EUR 4.3 million, operating income (EBIT) for the first nine months of the year was down by EUR 86.3 million on the previous year's figure (EUR 90.6 million). The EBIT margin came in at 0.4% (previous year: 6.9%). The drop is due primarily to the marked economic impact of the coronavirus pandemic in large parts of the INDUS Group. This figure also includes the non-cash impairment of EUR 40.8 million mentioned above. This meant that operating income (EBIT) before impairment of EUR 45.1 million was achieved for the first nine months of 2020. Looking at the third quarter of 2020, the operating income of EUR 22.6 million is encouraging against the backdrop of the ongoing coronavirus pandemic. This is almost on a par with the previous year's figure of EUR 24.2 million.

Net financial income improved by EUR 2.9 million, from EUR -13.5 million to EUR -10.6 million. This improvement was due primarily to income from the lower valuation of contingent purchase price liabilities. Financial income includes net interest, income from shares accounted for using the equity method and other financial income. The valuations of the interest rate swaps and minority interests are reported within other financial income.

At EUR -6.3 million, earnings before taxes (EBT) were down by EUR 83.4 million on the previous year's figure (EUR 77.1 million). Tax expenses came to EUR 27.2 million, following EUR 27.0 million in the previous year. Before the interests attributable to non-controlling shareholders were deducted, income for the period came to EUR -33.5 million (previous year: EUR 50.1 million). Earnings per share came to EUR -1.40 as against EUR 2.02 in the comparison period.

During the first nine months of 2020, the INDUS Group companies employed 10,693 people on average (previous year: 10,818 employees). This figure is down by 125 employees. After adjustments to reflect the employees who joined the INDUS Group from MESUTRONIC and DSG, the portfolio companies that were acquired in the previous year, the INDUS Group has 361 employees less than it did in the previous year. Around 1,250 employees were on short-time work at the end of September. This corresponds to a rate of 15% at the INDUS portfolio companies concerned. As against June 30, 2020, the number of employees on short-time work has halved.

PACKAGE OF MEASURES TO OPTIMIZE THE PORTFOLIO BEING IMPLEMENTED

As already outlined in the report on the second quarter, the Board of Management of INDUS Holding AG approved the “Powering Ahead” package of measures to optimize the portfolio in June 2020, and has been implementing these measures ever since.

As part of this package of measures, KIEBACK GmbH & Co. KG, Osnabrück, formerly part of the Automotive Technology segment, was sold effective July 24, 2020. The company was deconsolidated with effect from July 31, 2020.

In the Automotive Technology segment 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 decision was made to sell the company to a strategic investor that will maintain the site and keep a significant share of the existing jobs. The sale was completed after the end of the quarter with effect from October 16, 2020.

For BACHER AG from the Metals Technology segment, the decision was made to discontinue operations in 2021 following the conclusion of the consultation procedure that is required by law in Switzerland. The only step still to be taken is the formal resolution to be passed by the Annual General Meeting of BACHER AG in December 2020 with the votes cast by INDUS Holding AG as the sole shareholder.

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.

Operating activities in SIMON’s plastics plating sector, which are part of the Metals Technology segment, also ceased at the end of the third quarter of 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.

In these financial statements for the third quarter of 2020, these measures combined result in valuation allowances and expenses totaling EUR 16.0 million. This figure includes valuation allowances on property, plant and equipment and intangible assets, as well as valuation allowances in connection with the recognition of disposal groups and deferred tax assets. It also includes expenses for the recognition of provisions and for the deconsolidation of KIEBACK. EUR 11.9 million of this amount was recognized in the Automotive Technology segment and EUR 4.1 million in the Metals Technology segment.

ACQUISITION OF THE REMAINING SHARES IN M+P, PEISELER, MBN AND SELZER

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 control and analysis, and has been part of 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 shares in SELZER Fertigungstechnik GmbH & Co. KG 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.

SEGMENT REPORTING

INDUS Holding AG divides its investment portfolio into five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science and Metals Technology. As of September 30, 2020, our investment portfolio encompassed 46 operating units.

CONSTRUCTION/INFRASTRUCTURE

EBIT MARGIN OF 18.0%

Sales in the Construction/Infrastructure segment increased slightly by EUR 0.7 million (0.2%) as against the same period of the previous year to EUR 295.6 million. Segment sales were already at a very high level in the previous year, a level that was maintained in the reporting period.

Operating income increased disproportionately to sales, namely by 13.0% to EUR 53.1 million (previous year: EUR 47.0 million). The EBIT margin reached a very high value of 18.0%. It outstripped the solid margin seen in the previous year (15.9%) by 2.1 percentage points. A margin of 17.5% was achieved for the individual quarter from July 1, 2020, to September 30, 2020.

All in all, developments in the Construction/Infrastructure segment were very encouraging in the first nine months of 2020. Despite the coronavirus crisis, companies in the segment were able to significantly improve their operating income with sales that were virtually unchanged. We expect to see a seasonal slowdown in business, albeit at a continued high level, for the remaining three months of the year.

Looking at the year as a whole, we are currently predicting a slight year-over-year drop in sales and operating income (EBIT) on a par with the previous year's level. This rests on the assumption that there will be no further significant disruptions in the remaining few weeks of the year as the coronavirus pandemic continues to unfold.

The investments made in the segment related exclusively to fixed assets. At EUR 11.4 million, they were up slightly on the previous year's level (EUR 11.0 million).

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

			DIFFERENCE	
	Q1–Q3 2020	Q1–Q3 2019	ABSOLUTE	IN %
Revenue with external third parties	295.6	294.9	0.7	0.2
EBITDA	64.7	57.2	7.5	13.1
Depreciation/amortization	-11.6	-10.2	-1.4	-13.7
EBIT	53.1	47.0	6.1	13.0
EBIT margin in %	18.0	15.9	2.1 pp	–
Investments	11.4	11.0	0.4	3.6
Employees	1,890	1,867	23	1.2

AUTOMOTIVE TECHNOLOGY

EMERGING SIGNS OF STABILIZATION WITH A HIGH LEVEL OF UNCERTAINTY AT PRESENT

The Automotive Technology segment is still feeling the impact of the structural crisis in the automotive market, which had already started to leave a clear mark in the second half of 2019, and the massive implications of the coronavirus crisis. In order to cushion the immediate blow of the coronavirus crisis, considerable use was made of the short-time work model. At the end of June, around 45% of employees working in German and Swiss locations in this segment were on short-time work. At the end of the third quarter, around 30% of employees were still on short-time work.

Sales in the Automotive Technology segment decreased by EUR 69.6 million, or 26%, in a year-over-year comparison to EUR 198.2 million. The sharp decline reflects the extreme slump in call-off figures during April and May and the slow pace of recovery in the months from June to August. In September, for the first time in this financial year, some companies in the segment had returned to reporting revenue that matched the prior-year level. It remains to be seen how these companies will be affected by the second lockdown starting in November.

The use of short-time working models and cost-cutting measures were only able to compensate for the impact of the sharp decline in sales in part. Although measures to reposition the two well-known series suppliers are progressing well, they are also having an additional negative impact on segment earnings.

In June 2020, as part of the package of measures to optimize the portfolio, the decision was made to sell KIEBACK GmbH & Co. KG, Osnabrück. KIEBACK was sold at the end of July 2020. It was also possible to avoid the closure of the sub-subsidiary FICHTHORN GmbH & Co. KG, a subsidiary of SELZER Holding, which had been agreed in the second quarter. Instead, the decision was made in the third quarter of the year to sell the company to a strategic investor that will maintain the site and keep a significant share of the existing jobs. The company was sold after the end of the quarter with effect from October 16, 2020. In total, expenses of EUR 11.9 million were recognized in the reporting period in connection with the disposal of KIEBACK and the imminent sale of FICHTHORN, EUR 8.2 million of which had already been recognized in the second quarter.

Due to the lower earnings prospects for the future, impairment had already been recognized on goodwill in the amount of EUR 29.2 million in the second quarter.

Due to the massive impact of the coronavirus pandemic, the package of measures to optimize the portfolio and the valuation allowances recognized, operating income (EBIT) amounted to EUR -74.9 million. The EBIT margin fell to -37.8%. At EUR -41.1 million, operating income (EBIT) before impairment was down considerably, namely by EUR 31.0 million, on the previous year's figure. Taking into account the sale of an investment accounted for using the equity method in the same quarter of the previous year and the negative effects resulting from the "Powering Ahead" package of measures, the comparable EBIT before impairment losses and the one-time effects referred to above comes in at EUR -34.8 million, compared to EUR -26.9 million in the previous year.

Following the elimination of one-time effects and impairment losses, the third quarter of 2020 was the best quarter in the reporting period to date in terms of both revenue and operating income. It is unclear whether this trend will continue in the fourth quarter due to the ongoing uncertainty regarding the further development of the automotive market. Customer call-off behavior remains unstable, and the potential effects of the escalating coronavirus pandemic and the second lockdown imposed in November are currently uncertain.

In our forecast for the year as a whole, we still expect to see a marked drop in sales and operating income (EBIT) that is clearly in negative territory in a year-over-year comparison.

At EUR 7.3 million, investments were EUR 7.0 million lower than in the same period of the previous year due to the restrictive investment policy pursued since the outbreak of the coronavirus crisis.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY (in EUR million)

			DIFFERENCE	
	Q1–Q3 2020	Q1–Q3 2019	ABSOLUTE	IN %
Revenue with external third parties	198.2	267.8	-69.6	-26.0
EBITDA	-20.2	10.5	-30.7	<-100
Depreciation/amortization	-20.9	-20.6	-0.3	-1.5
EBIT before impairment	-41.1	-10.1	-31.0	<-100
EBIT margin before impairment in %	-20.7	-3.8	-16.9 pp	–
Impairment	-33.8	-12.5	-21.3	<-100
EBIT	-74.9	-22.6	-52.3	<-100
EBIT margin in %	-37.8	-8.4	-29.4 pp	–
Investments	7.3	14.3	-7.0	-49.0
Employees	3,228	3,372	-144	-4.3

ENGINEERING

Q3 SHOWS UPWARD TREND WITH ORDER INTAKE THAT REMAINS SLUGGISH

In the Engineering segment, sales showed a marked decrease of EUR 57.5 million (-18.1%) to EUR 260.5 million as against the same period of the previous year. With only one exception, all portfolio companies in this segment recorded dwindling sales. In particular, companies that supply the machine tool industry and companies in the automation technology sector are still being hit hard by the effects of the coronavirus pandemic.

Lower expectations for the future at a portfolio company in the machine tool industry led to goodwill impairment losses of EUR 2.3 million as of September 30, 2020.

Operating income (EBIT) was down by EUR 21.7 million (-60.3%) to EUR 14.3 million due to lower income at almost all companies in the segment. The EBIT margin for the reporting period came to 5.5%, down considerably on the previous year's figure. With a margin of 10.8%, however, the third quarter is the strongest quarter in the reporting year to date.

The segment's order backlog is 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. In our forecast for the year as a whole, we expect to see much lower segment sales in a year-over-year comparison. We do, however, predict a further improvement in the EBIT margin in the last quarter of the year, provided that we are spared any unexpected effects of the second coronavirus lockdown. Nevertheless, a marked drop in operating income (EBIT) is on the cards for the year as a whole. The EBIT margin will be within a range of 6% to 8%.

The investments of EUR 2.5 million made during the reporting period relate to investments in fixed assets. In addition to investments in fixed assets, the previous year's investments of EUR 28.3 million include the acquisition of the MESUTRONIC Group.

KEY FIGURES FOR ENGINEERING (in EUR million)

			DIFFERENCE	
	Q1–Q3 2020	Q1–Q3 2019	ABSOLUTE	IN %
Revenue with external third parties	260.5	318.0	-57.5	-18.1
EBITDA	31.9	49.8	-17.9	-35.9
Depreciation/ amortization	-15.2	-13.8	-1.4	-10.1
EBIT before impairment	16.6	36.0	-19.4	-53.9
EBIT margin before impairment in %	6.4	11.3	-4.9 pp	–
Impairment	-2.3	0.0	-2.3	–
EBIT	14.3	36.0	-21.7	-60.3
EBIT margin in %	5.5	11.3	-5.8 pp	–
Investments	2.5	28.3	-25.8	-91.2
Employees	2,247	2,147	100	4.7

MEDICAL ENGINEERING/LIFE SCIENCE

UPWARD TREND IN THE THIRD QUARTER

The Medical Engineering/Life Science segment reported sales of EUR 106.7 million in the first nine months of 2020, which corresponds to a decrease of EUR 14.3 million (-11.8%) in a year-over-year comparison. In the third quarter, sales increased again compared to the previous quarter. In the second quarter of 2020, for example, companies in the segment were hit unexpectedly hard by the effects of the coronavirus pandemic during the lockdown, as elective operations were put on the back burner and sales opportunities in the rehabilitation technology sector were limited. Sales in the third quarter were still 9% lower than in the same period of the previous year.

In the first nine months of 2020, operating income (EBIT) fell by EUR 6.2 million to EUR 7.8 million. All companies in the segment have been affected by this decline in earnings. The EBIT margin for the segment came to 7.3% (previous year: 11.6%), well below the figure for the previous year.

In our forecast for the year as a whole, we expect to see lower sales and much lower operating income (EBIT) in a year-over-year comparison. The EBIT margin will be within a range of 7% to 9%. The fourth quarter could, however, bring negative short-term effects resulting from the second lockdown based on the experience of the second quarter.

Investments stood at EUR 3.0 million, on a par with the previous year (EUR 2.8 million).

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

			DIFFERENCE	
	Q1–Q3 2020	Q1–Q3 2019	ABSOLUTE	IN %
Revenue with external third parties	106.7	121.0	-14.3	-11.8
EBITDA	15.3	21.0	-5.7	-27.1
Depreciation/ amortization	-7.5	-7.0	-0.5	-7.1
EBIT	7.8	14.0	-6.2	-44.3
EBIT margin in %	7.3	11.6	-4.3 pp	–
Investments	3.0	2.8	0.2	7.1
Employees	1,656	1,716	-60	-3.5

METALS TECHNOLOGY

SLIGHT RECOVERY IN Q3

Segment sales in Metals Technology reported a decline in the first nine months of 2020 of EUR 8.0 million (-2.6%) to EUR 303.3 million. In the third quarter of 2020, however, sales of EUR 109.3 million were generated, almost on a par with the previous year (Q3 2019: EUR 110.8 million).

At EUR 14.9 million, operating income (EBIT) before impairment was EUR 8.5 million lower than the previous year's figure. Most companies in the segment were hit hard by the coronavirus crisis and were forced to register for short-time working models to a large extent. It is important to note that the segment earnings include significant negative effects relating to the further deterioration in business performance at the Swiss company BACHER AG. The EBIT margin before impairment was down by 2.6 percentage points on the previous year's figure (7.5%) at 4.9%. Since the end of the lockdown, however, the earnings situation in the Metals Technology segment has improved significantly. The EBIT margin before impairment for the third quarter was 6.3% (previous year: 7.3%).

In the current quarter, a further EUR 0.6 million in impairment losses on property, plant and equipment was recognized at BACHER AG. Due to the lower earnings prospects for the future, impairments had already been recognized on goodwill, property, plant and equipment and intangible assets in the amount of EUR 4.1 million in the second quarter.

Operating income (EBIT) for the first nine months therefore came to EUR 10.2 million with an EBIT margin of 3.4%.

For BACHER AG, the decision was made to discontinue operations in 2021 following the conclusion of the consultation procedure that is required by law in Switzerland. The only step still to be taken is the formal resolution to be passed by the Annual General Meeting of BACHER AG in December 2020 with the votes cast by INDUS Holding AG as the sole shareholder.

In our forecast for the year as a whole, we expect to see lower sales and much lower operating income (EBIT) in a year-over-year comparison. The EBIT margin will be within a range of 2% to 4%, provided that the fourth quarter does not bring any disruptions due to the second coronavirus lockdown, which is not currently expected to be the case.

At EUR 3.7 million, investment was well below that of the previous year (EUR 8.2 million).

KEY FIGURES FOR METALS TECHNOLOGY (in EUR million)

			DIFFERENCE	
	Q1–Q3 2020	Q1–Q3 2019	ABSOLUTE	IN %
Revenue with external third parties	303.3	311.3	-8.0	-2.6
EBITDA	28.3	36.1	-7.8	-21.6
Depreciation/amortization	-13.4	-12.7	-0.7	-5.5
EBIT before impairment	14.9	23.4	-8.5	-36.3
EBIT margin before impairment in %	4.9	7.5	-2.6 pp	–
Impairment	-4.7	0.0	-4.7	–
EBIT	10.2	23.4	-13.2	-56.4
EBIT margin in %	3.4	7.5	-4.1 pp	–
Investments	3.7	8.2	-4.5	-54.9
Employees	1,632	1,680	-48	-2.9

FINANCIAL POSITION

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

	Q1–Q3 2020	Q1–Q3 2019	DIFFERENCE ABSOLUTE	DIFFERENCE IN %
Operating cash flow	**98.2**	**106.5**	**-8.3**	**-7.8**
Interest	-13.6	-15.0	1.4	9.3
Cash flow from operating activities	**84.6**	**91.5**	**-6.9**	**-7.5**
Cash outflow for investment	-28.1	-65.5	37.4	57.1
Cash inflow/outflow from the disposal of assets	-0.9	1.4	-2.3	<-100
Cash flow from investing activities	**-29.0**	**-64.1**	**35.1**	**54.8**
Dividend payment	-19.6	-36.7	17.1	46.6
Dividends paid to minority shareholders	-0.5	-0.3	-0.2	-66.7
Cash inflow from raising of loans	140.0	111.4	28.6	25.7
Cash outflow from the repayment of loans	-76.3	-64.5	-11.8	-18.3
Cash outflow from the repayment of lease liabilities	-14.4	-17.5	3.1	17.7
Cash outflow from the repayment of contingent purchase price commitments	-22.3	-2.4	-19.9	<-100
Cash flow from financing activities	**6.9**	**-10.0**	**16.9**	**>100**
Net changes in cash and cash equivalents	62.5	17.4	45.1	>100
Changes in cash and cash equivalents caused by currency exchange rates	-1.3	0.6	-1.9	<-100
Changes in cash and cash equivalents in connection with assets held for sale	-0.2	0.0	-0.2	–
Cash and cash equivalents at the beginning of the period	135.1	109.6	25.5	23.3
Cash and cash equivalents at the end of the period	**196.1**	**127.6**	**68.5**	**53.7**

STATEMENT OF CASH FLOWS: OPERATING CASH FLOW AT A HIGH LEVEL DESPITE THE CORONAVIRUS PANDEMIC

Despite the marked drop in earnings after taxes of EUR 80.8 million, operating cash flow in the first nine months of 2020 amounted to a good EUR 98.2 million, a figure that is only EUR 8.3 million lower than the operating cash flow reported in the same period of the previous year. Working capital was reduced by a total of EUR 14.3 million, whereas it rose by EUR 46.0 million in the same period of the previous year. All in all, cash flow from operating activities fell by EUR -6.9 million to EUR 84.6 million.

The cash flow from investing activities came to EUR -29.0 million, compared with EUR -64.1 million in the previous year. In the reporting period, investments in property, plant and equipment and intangible assets came to EUR 26.7 million, down considerably on the level seen in the same period of the previous year (EUR 43.3 million). The drop is related to the restrictive investment policy adopted in light of the coronavirus crisis. The investments made in the previous year also include the acquisition of the MESUTRONIC Group in June 2019. The (negative) cash inflow from the disposal of assets includes EUR -4.3 million relating to the disposal of cash and cash equivalents resulting from the sale of KIEBACK GmbH & Co. KG.

Cash flow from financing activities amounted to EUR -29.0 million as against EUR -64.1 million in the previous year, up by a total of EUR 16.9 million. Net borrowing of EUR 63.7 million is offset by the payment of a reduced dividend, the repayment of lease liabilities and the payments for the acquisition of minority interests.

Dividends paid to shareholders fell by EUR 17.1 million year-over-year to EUR 19.6 million due to the lower dividend per share. Due and in some cases contingent purchase price liabilities of EUR 22.3 million were also repaid in the first nine months (previous year: EUR 2.4 million). Cash outflow from the repayment of lease liabilities amounted to EUR 14.4 million, down on the previous year's figure. At EUR 196.1 million, cash and cash equivalents were above the high level of EUR 135.1 million seen at the end of 2019, and above the value seen in the same period of the previous year. This relatively high level of cash and cash equivalents is due to the holding company purposefully creating a liquidity buffer as a precaution against potential effects of the coronavirus pandemic, and also takes scheduled repayments in the fourth quarter of 2020 into account.

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

			DIFFERENCE	
	SEP. 30, 2020	DEC. 31, 2019	ABSOLUTE	IN %
ASSETS				
Non-current assets	**985.2**	**1,058.2**	**-73.0**	**-6.9**
Fixed assets	970.7	1,039.2	-68.5	-6.6
Receivables and other assets	14.5	19.0	-4.5	-23.7
Current assets	**787.9**	**750.0**	**37.9**	**5.1**
Inventories	371.9	381.4	-9.5	-2.5
Receivables and other assets	213.8	233.5	-19.7	-8.4
Cash and cash equivalents	196.1	135.1	61.0	45.2
Assets held for sale	6.1	0.0	6.1	–
Total assets	**1,773.1**	**1,808.2**	**-35.1**	**-1.9**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,385.7**	**1,389.4**	**-3.7**	**-0.3**
Equity	668.2	727.7	-59.5	-8.2
Borrowings	717.5	661.7	55.8	8.4
of which provisions	54.5	54.4	0.1	0.2
of which payables and deferred taxes	663.0	607.3	55.7	9.2
Current financing instruments	**387.4**	**418.8**	**-31.4**	**-7.5**
of which provisions	93.5	74.6	18.9	25.3
of which liabilities	293.9	344.2	-50.3	-14.6
Total equity and liabilities	**1,773.1**	**1,808.2**	**-35.1**	**-1.9**

STATEMENT OF FINANCIAL POSITION: REDUCTION IN TOTAL ASSETS DUE TO IMPAIRMENT OF GOODWILL

At EUR 1,773.1 million, the INDUS Group's consolidated total assets were EUR 35.1 million lower than they were as of December 31, 2019. The reduction in total assets is due first and foremost to the EUR 68.5 million reduction in fixed assets. Goodwill, in particular, was reduced by EUR 33.9 million due to impairment losses. In addition, there were further impairments recognized on property, plant and equipment and on intangible assets in the amount of EUR 6.9 million. The assets of KIEBACK GmbH & Co. KG, which was sold in July 2020, were also derecognized.

Working capital is down by EUR 14.3 million (3.0%) on the beginning of the year due to a combination of the pandemic-related economic developments in the 2020 financial year and restrictive working capital management. This reduction is particularly striking given that INDUS has, in recent years, always seen an increase in its working capital during the year. Compared with September 30, 2019, working capital as of September 30, 2020, was down by EUR 54.1 million. Total working capital as of September 30, 2020, amounted to EUR 464.0 million (December 31, 2019: 478.3 million).

The equity ratio as of September 30, 2020, amounted to 37.7%, 2.5 percentage points below the equity ratio as of December 31, 2019 (40.2%). This decline can be attributed primarily to negative earnings after taxes for the first three quarters and to the dividend that was paid in the third quarter.

WORKING CAPITAL (in EUR million)

			DIFFERENCE	
	SEP. 30, 2020	DEC. 31, 2019	ABSOLUTE	IN %
Inventories	371.9	381.4	-9.5	-2.5
Trade receivables	189.1	202.5	-13.4	-6.6
Trade payables	-56.2	-55.9	-0.3	-0.5
Advance payments received	-16.4	-18.9	2.5	13.2
Contract liabilities	-24.4	-30.8	6.4	20.8
Working capital	**464.0**	**478.3**	**-14.3**	**-3.0**

Net financial liabilities came to EUR 550.4 million as of September 30, 2020, up by EUR 4.2 million on December 31, 2019. The increase comprises higher financial liabilities (EUR +65.2 million) and the counteracting increase in cash and cash equivalents (EUR +61.0 million). Taking into account the marked drop in other liabilities – due in part to the acquisition of remaining shares – this is an encouraging development and can be explained by the fact that the Group still has a good operating cash flow.

NET FINANCIAL LIABILITIES (in EUR million)

			DIFFERENCE	
	SEP. 30, 2020	DEC. 31, 2019	ABSOLUTE	IN %
Non-current financial liabilities	607.2	546.3	60.9	11.1
Current financial liabilities	139.3	135.0	4.3	3.2
Cash and cash equivalents	-196.1	-135.1	-61.0	-45.2
Net financial liabilities	**550.4**	**546.2**	**4.2**	**0.8**

OPPORTUNITIES AND RISKS

In its 2019 Annual Report, INDUS explained the risks arising from the COVID-19 pandemic that could have a material impact on the Group's financial position and financial performance. The actual impact of the risks to the Group relating to the pandemic in the first three quarters of the year is presented below, together with an updated assessment of how the risks will develop further in the 2020 financial year.

COVID-19: BUSINESS ENVIRONMENT AND SECTOR RISKS

FROM THE 2019 ANNUAL REPORT:

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

SITUATION AS OF SEPTEMBER 30, 2020:

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.

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 current trend suggests that things will return to normal fairly quickly in this area, provided that the second lockdown does not result in any renewed disruption.

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.

COVID-19: PERFORMANCE RISKS

FROM THE 2019 ANNUAL REPORT:

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

SITUATION AS OF SEPTEMBER 30, 2020:

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 now been exacerbated considerably again due to the numerous lockdowns imposed in Europe in 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.

COVID-19: PERSONNEL RISKS

FROM THE 2019 ANNUAL REPORT:

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.

SITUATION AS OF SEPTEMBER 30, 2020:

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. 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 in September/October and the planned lockdown in 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. Due to the exponential 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.

COVID-19: IT RISKS

FROM THE 2019 ANNUAL REPORT:

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

SITUATION AS OF SEPTEMBER 30, 2020:

Current developments to date match our assessment. Based on the Group's experience, we believe that the risk for the remainder of the 2020 financial year is lower in general, despite the second lockdown, as companies are now even better prepared than they were at the beginning of the year.

COVID-19: FINANCIAL RISKS

FROM THE 2019 ANNUAL REPORT:

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

SITUATION AS OF SEPTEMBER 30, 2020

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 a promissory note loan were completed in May and September 2020 respectively as planned.

COVID-19: LEGAL RISKS

FROM THE 2019 ANNUAL REPORT:

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.

SITUATION AS OF SEPTEMBER 30, 2020:

No legal disputes have arisen from the coronavirus pandemic for any portfolio company at the time of writing. Looking ahead to the rest of the 2020 financial year, we still estimate the risk to be lower based on the experience within the Group to date.

COVID-19: VALUATION RISKS ARISING FROM RECOGNIZED GOODWILL

FROM THE 2019 ANNUAL REPORT:

The coronavirus pandemic is a non-adjusting event after the balance sheet date relating to the current financial year. At the moment it is unclear if and to what extent future income figures will be affected. This will depend on the duration of the crisis, the recovery after the crisis, the catch-up effects of lost production and the long-term impact that the pandemic will have on medium-term financial performance.

SITUATION AS OF SEPTEMBER 30, 2020:

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 entitled “Goodwill” of this interim report.

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

The scheduled 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 Board of Management of INDUS Holding AG is monitoring the potential impact of the coronavirus crisis on goodwill on an ongoing basis.

We have not identified any major changes with regard to the other risks and refer to the Opportunities and Risk Report of INDUS Holding AG within the 2019 Annual Report. We also refer to the forward-looking statements in the forecast.

OUTLOOK

The measures to contain the coronavirus crisis led the global economy into recession in the first half of 2020. The Kiel Institute for the World Economy (IfW) expects the global economy to contract by around 4% in 2020. The Chinese economy has bounced back and is expected to buck the trend with growth of 1.4%. The United States, on the other hand, is being hit hard by the pandemic with a drop in GDP of 3.6%. Unemployment increased dramatically when the tighter coronavirus restrictions were implemented, but recovered as the restrictions were eased and in September 2020 was at 7.9% (March 2020: 3.5%). It is not yet clear what effect the election of the democratic candidate Joe Biden will have on the ongoing trade conflicts, in particular in China. Measures that are essentially tantamount to a second lockdown were imposed throughout Europe at the beginning of November and will put a damper on economic activity just as it is starting to recover. Even before the second lockdown was imposed, the ifo Institute was already predicting a drop in euro area GDP of -8% in 2020.

For 2020 as a whole, GDP in Germany is expected to shrink by between 5% and 6%, with even more marked slumps expected in some neighboring European countries. The easing of the coronavirus protection measures had improved the business climate for the manufacturing industry in Germany for the first time this year after the summer. Following strong growth of 8% in the first half of 2020, in spite of the coronavirus pandemic, sales in the construction sector are expected to be on a par with the previous year's level in the second half of the year due to stagnating incoming orders. In the automotive industry, the first signs of a recovery started to emerge in September following the dramatic market slump in Europe – with new car sales plummeting by 29% in the first three quarters. In the mechanical engineering sector, the coronavirus pandemic triggered a marked drop in incoming orders and capacity utilization, which slowed down in the third quarter. The impact of the Germany-wide lockdown in November 2020 remains impossible to predict.

Developments at our portfolio companies were encouraging overall in the third quarter of the year. The Construction/Infrastructure segment remains unscathed by the coronavirus pandemic. In the Automotive Technology segment, customer call-offs increased significantly from September onwards, a trend that appears to be continuing in the fourth quarter. Incoming orders in the Engineering segment remain unsatisfactory overall, a development that looks set to continue into 2021. The Medical Engineering/Life Science segment made a marked recovery in the third quarter, but could still be hit by the effects of the second lockdown in the fourth quarter. The Metals Technology segment also showed positive development in the third quarter and is expected to remain stable in the fourth quarter.

We are sticking to our August 2020 forecast and are leaving the broad forecast range unchanged due to the ongoing considerable uncertainty regarding the macroeconomic environment.

SEGMENT TABLES

	ACTUAL 2019	SEGMENT FORECAST FOR 2020
Construction/Infrastructure		
Sales	EUR 388.9 million	Slight fall in sales
EBIT	EUR 63.0 million	EBIT on a par with the previous year
EBIT margin	16.2%	>15%
Automotive Technology		
Sales	EUR 350.3 million	Strong fall in sales
EBIT	EUR -35.8 million	Negative EBIT
EBIT margin	-10.2%	n.a.
Engineering		
Sales	EUR 434.6 million	Strong fall in sales
EBIT	EUR 54.6 million	Strong fall in EBIT
EBIT margin	12.6%	6–8%
Medical Engineering/Life Science		
Sales	EUR 159.7 million	Falling sales
EBIT	EUR 18.6 million	Strong fall in EBIT
EBIT margin	11.6%	7–9%
Metals Technology		
Sales	EUR 409.2 million	Falling sales
EBIT	EUR 25.8 million	Strong fall in EBIT
EBIT margin	6.3%	2–4%

For 2020 as a whole, we are anticipating total sales of between EUR 1.45 billion and EUR 1.6 billion. Operating income (EBIT) will be in a range of EUR 0 million to EUR 20 million. This includes the impairment of goodwill of EUR 31.6 million, property, plant and equipment and intangible assets of EUR 6.3 million and value adjustments on deferred tax assets as well as other expenses of EUR 5.3 million already booked in the second quarter of 2020. The figure also includes additional impairment losses on goodwill of EUR 2.3 million and impairment losses on property, plant and equipment of EUR 0.6 million that have now been recognized in the third quarter.

This forecast rests on the assumption that the economic consequences of the second lockdown adopted in Europe from November onwards will no longer lead to large-scale financial losses for INDUS companies in the short term. We also predict that, thanks to their effective preparatory work, our portfolio companies will be able to continue their business operations largely unhindered, even if they are expected to be hit by infections to a certain degree.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

FOR THE FIRST NINE MONTHS OF 2020 AND THE THIRD QUARTER OF 2020

in EUR '000	NOTES	Q1–Q3 2020	Q1–Q3 2019	Q3 2020	Q3 2019
REVENUE		**1,164,137**	**1,312,784**	**389,938**	**436,259**
Other operating income		12,691	25,998	3,074	20,591
Own work capitalized		3,240	3,359	409	542
Change in inventories		-6,443	-5,791	-9,348	-5,198
Cost of materials	[3]	-529,866	-610,067	-166,098	-203,791
Personnel expenses	[4]	-377,437	-396,859	-117,752	-133,737
Depreciation/amortization	[5]	-110,124	-77,450	-25,327	-34,394
Other operating expenses	[6]	-151,935	-161,344	-52,294	-56,106
OPERATING INCOME (EBIT)		**4,263**	**90,630**	**22,602**	**24,166**
Interest income		189	166	55	58
Interest expense		-12,784	-11,560	-4,672	-3,925
NET INTEREST		**-12,595**	**-11,394**	**-4,617**	**-3,867**
Income from shares accounted for using the equity method		558	614	54	260
Other financial income		1,480	-2,743	-1,014	-1,510
FINANCIAL INCOME	[7]	**-10,557**	**-13,523**	**-5,577**	**-5,117**
EARNINGS BEFORE TAXES (EBT)		**-6,294**	**77,107**	**17,025**	**19,049**
Taxes	[8]	-27,223	-27,019	-11,254	-6,686
EARNINGS AFTER TAXES		**-33,517**	**50,088**	**5,771**	**12,363**
of which attributable to non-controlling shareholders		836	726	202	276
of which attributable to INDUS shareholders		-34,353	49,362	5,569	12,087
Earnings per share (basic and diluted) in EUR	[9]	-1.40	2.02	0.23	0.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIRST NINE MONTHS OF 2020 AND THE THIRD QUARTER OF 2020

in EUR '000	Q1–Q3 2020	Q1–Q3 2019	Q3 2020	Q3 2019
EARNINGS AFTER TAXES	**-33,517**	**50,088**	**5,771**	**12,363**
Actuarial gains/losses	591	-5,535	-1,697	-2,069
Deferred taxes	-223	1,824	454	615
Items not to be reclassified to profit or loss	**368**	**-3,711**	**-1,243**	**-1,454**
Currency conversion adjustment	-6,870	3,974	-2,361	3,622
Change in the market values of hedging instruments (cash flow hedge)	609	-2,243	230	-431
Deferred taxes	-105	354	-21	67
Items to be reclassified to profit or loss	**-6,366**	**2,085**	**-2,152**	**3,258**
OTHER COMPREHENSIVE INCOME	**-5,998**	**-1,626**	**-3,395**	**1,804**
TOTAL COMPREHENSIVE INCOME	**-39,515**	**48,462**	**2,376**	**14,167**
of which attributable to non-controlling shareholders	836	726	202	276
of which attributable to INDUS shareholders	-40,351	47,736	2,174	13,891

Income and expenses recorded under other comprehensive income include actuarial gains from pensions and similar obligations amounting to EUR 591 thousand (previous year: EUR -5,535 thousand). These are mainly due to a 0.2 percentage point increase in the interest rate for domestic pension obligations.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020

in EUR '000	NOTES	SEP. 30, 2020	DEC. 31, 2019
ASSETS			
Goodwill	[10]	380,890	415,169
Right-of-use assets from leasing/rent		75,393	75,738
Other intangible assets		93,104	101,409
Property, plant and equipment		401,231	430,679
Investment property		5,978	2,843
Financial investments		6,538	6,366
Shares accounted for using the equity method		7,517	6,951
Other non-current assets		2,999	3,309
Deferred taxes		11,507	15,720
Non-current assets		**985,157**	**1,058,184**
Inventories	[11]	371,861	381,364
Receivables	[12]	189,059	202,527
Other current assets		18,656	21,107
Current income taxes		6,108	9,889
Cash and cash equivalents		196,115	135,120
Assets held for sale	[13]	6,179	0
Current assets		**787,978**	**750,007**
TOTAL ASSETS		**1,773,135**	**1,808,191**
EQUITY AND LIABILITIES			
Subscribed capital		63,571	63,571
Capital reserve		239,833	239,833
Other reserves		362,599	422,510
Equity held by INDUS shareholders		**666,003**	**725,914**
Non-controlling interests in the equity		2,173	1,807
Equity		**668,176**	**727,721**
Pension provisions		53,157	52,942
Other non-current provisions		1,385	1,482
Non-current financial liabilities	[14]	607,152	546,341
Other non-current liabilities	[15]	20,597	21,370
Deferred taxes		35,267	39,602
Non-current liabilities		**717,558**	**661,737**
Other current provisions		93,532	74,608
Current financial liabilities	[14]	139,310	135,045
Trade payables		56,185	55,931
Other current liabilities	[15]	82,899	140,096
Current income taxes		10,657	13,053
Liabilities in connection with assets held for sale	[13]	4,818	0
Current liabilities		**387,401**	**418,733**
TOTAL EQUITY AND LIABILITIES		**1,773,135**	**1,808,191**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1 TO SEPTEMBER 30, 2020

in EUR '000	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES	EQUITY HELD BY INDUS SHAREHOLDERS	INTERESTS HELD BY NON-CONTROLLING SHAREHOLDERS	GROUP EQUITY
AS OF DEC. 31, 2018	**63,571**	**239,833**	**424,785**	**-21,066**	**707,123**	**2,702**	**709,825**
Earnings after taxes			49,362		49,362	726	50,088
Other comprehensive income				-1,626	-1,626		-1,626
Total comprehensive income			**49,362**	**-1,626**	**47,736**	**726**	**48,462**
Dividend payment			-36,675		-36,675	-295	-36,970
Change in scope of consolidation						-134	-134
AS OF SEP. 30, 2019	**63,571**	**239,833**	**437,472**	**-22,692**	**718,184**	**2,999**	**721,183**
AS OF DEC. 31, 2019	**63,571**	**239,833**	**447,566**	**-25,056**	**725,914**	**1,807**	**727,721**
Earnings after taxes			-34,353		-34,353	836	-33,517
Other comprehensive income				-5,998	-5,998		-5,998
Total comprehensive income			**-34,353**	**-5,998**	**-40,351**	**836**	**-39,515**
Dividend payment			-19,560		-19,560	-470	-20,030
AS OF SEP. 30, 2020	**63,571**	**239,833**	**393,653**	**-31,054**	**666,003**	**2,173**	**668,176**

Interests held by non-controlling shareholders mainly consist of minority interests in WEIGAND Bau GmbH and subsidiaries of the ROLKO Group. 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIRST NINE MONTHS OF 2020

in EUR '000	Q1–Q3 2020	Q1–Q3 2019
Earnings after taxes	-33,517	50,088
Depreciation/appreciation of non-current assets	109,025	77,450
Taxes	27,223	27,019
Financial income	10,557	13,523
Other non-cash transactions	438	-198
Changes in provisions	23,619	35,581
Increase (-)/decrease (+) in inventories, receivables, and other assets	21,779	-33,271
Increase (+)/decrease (-) in trade payables and other equity and liabilities	-33,632	-29,088
Income taxes received/paid	-27,249	-34,601
Operating cash flow	**98,243**	**106,503**
Interest paid	-13,850	-15,174
Interest received	189	166
Cash flow from operating activities	**84,582**	**91,495**
Cash outflow from investments in		
Property, plant and equipment and intangible assets	-26,712	-43,282
Financial investments and shares accounted for using the equity method	-1,315	-202
Shares in fully consolidated companies	0	-22,038
Cash inflow/outflow from the disposal of		
Shares in fully consolidated companies	-4,305	0
Other assets	3,378	1,462
Cash flow from investing activities	**-28,954**	**-64,060**
Dividend payment	-19,560	-36,675
Dividends paid to minority shareholders	-470	-295
Cash outflow from the repayment of contingent purchase price commitments	-22,336	-2,431
Cash inflow from raising of loans	140,000	111,396
Cash outflow from the repayment of loans	-76,344	-64,530
Cash outflow from the repayment of lease liabilities	-14,435	-17,506
Cash flow from financing activities	**6,855**	**-10,041**
Net changes in cash and cash equivalents	62,483	17,394
Changes in cash and cash equivalents caused by currency exchange rates	-1,267	600
Changes in cash and cash equivalents in connection with assets held for sale	-221	0
Cash and cash equivalents at the beginning of the period	135,120	109,647
Cash and cash equivalents at the end of the period	**196,115**	**127,641**

NOTES

BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

[1] GENERAL INFORMATION

INDUS Holding AG, with registered office in Bergisch Gladbach, Germany, has prepared its condensed consolidated interim financial statements for the period from January 1, 2020, to September 30, 2020, in accordance with the International Financial Reporting Standards (IFRS), and their interpretation by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable in the European Union (EU). The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are stated in thousands of euros (EUR ’000).

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

New obligatory standards are reported on separately in the section “Changes in Accounting Standards.” Otherwise, the same accounting methods have been applied as in the consolidated financial statements for the 2019 financial year, where they are described in detail. Since these interim financial statements do not provide the full scope of information found in the annual financial statements, these financial statements should be considered within the context of the last annual financial statements.

In the Board of Management’s view, this quarterly report includes all usual current adjustments necessary for the proper presentation of the Group’s financial position and financial performance. The results achieved in the first three quarters of 2020 do not necessarily allow predictions to be made regarding future business performance.

Preparation of consolidated financial statements is influenced by accounting and valuation principles and requires assumptions and estimates that have an impact on the recognized value of assets, liabilities, and contingent liabilities, and on income and expenses. When estimates are made regarding the future, actual values may differ from the estimates. If the original basis for the estimates changes, the statement of the items in question is adjusted through profit and loss.

[2] CHANGES IN ACCOUNTING STANDARDS

All obligatory accounting standards in effect as of the 2020 financial year have been implemented in the interim financial statements at hand.

The application of new standards has had no material effect on the presentation of the financial position and financial performance of INDUS Holding AG.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

[3] COST OF MATERIALS

in EUR ’000	Q1–Q3 2020	Q1–Q3 2019
Raw materials, consumables and supplies, and purchased merchandise	-457,363	-521,181
Purchased services	-72,503	-88,886
Total	**-529,866**	**-610,067**

[4] PERSONNEL EXPENSES

in EUR ’000	Q1–Q3 2020	Q1–Q3 2019
Wages and salaries	-317,120	-335,312
Social security	-56,595	-57,933
Pensions	-3,722	-3,614
Total	**-377,437**	**-396,859**

[5] DEPRECIATION/AMORTIZATION

in EUR '000	Q1–Q3 2020	Q1–Q3 2019
Depreciation/amortization	-69,324	-64,950
Impairment	-40,800	-12,500
Total	**-110,124**	**-77,450**

This item includes both depreciation/amortization and impairments. In the third quarter of 2020, impairment losses of EUR 2,925 thousand resulted from the scheduled annual impairment test as of September 30, 2020. In the second quarter, impairment losses had already resulted from the impairment test performed due to triggering factors as of June 30, 2020, in the amount of EUR 36,883 thousand and to a write-down due to reclassification to "assets held for sale" in the amount of EUR 992 thousand. The impairment losses relate to goodwill in the amount of EUR 33,924 thousand (Automotive Technology segment: EUR 29,231 thousand, Engineering segment: EUR 2,300 thousand, Metals Technology segment: EUR 2,393 thousand), property, plant and equipment in the amount of EUR 5,378 thousand (Automotive Technology: EUR 3,078 thousand, Metals Technology: EUR 2,300 thousand) and intangible assets in the amount of EUR 1,498 thousand (Automotive Technology: EUR 1,468 thousand, Metals Technology: EUR 30 thousand).

[6] OTHER OPERATING EXPENSES

in EUR '000	Q1–Q3 2020	Q1–Q3 2019
Selling expenses	-56,245	-67,417
Operating expenses	-46,203	-50,554
Administrative expenses	-36,552	-38,543
Other expenses	-12,935	-4,830
Total	**-151,935**	**-161,344**

[7] FINANCIAL INCOME

in EUR '000	Q1–Q3 2020	Q1–Q3 2019
Interest and similar income	189	166
Interest and similar expenses	-12,784	-11,560
Net interest	**-12,595**	**-11,394**
Income from shares accounted for using the equity method	**558**	**614**
Market value of interest rate swaps	0	2
Minority interests	1,058	-2,755
Income from financial investments	422	10
Other financial income	**1,480**	**-2,743**
Total	**-10,557**	**-13,523**

The "minority interests" item includes an effect on income from the subsequent valuation of the contingent purchase price liabilities (call/put options) of EUR 2,224 thousand (previous year: EUR 881 thousand) and earnings after taxes that external entities are entitled to from shares in limited partnerships and stock corporations with call/put options.

[8] TAXES

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

[9] EARNINGS PER SHARE

in EUR '000	Q1–Q3 2020	Q1–Q3 2019
Income attributable to INDUS shareholders	-34,353	49,362
Weighted average shares outstanding (in thousands)	24,451	24,451
Earnings per share (in EUR)	**-1.40**	**2.02**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[10] GOODWILL

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. Goodwill, for which the sensitivity analysis indicated a need for impairment in the event of rising capital costs as of December 31, 2019, was also tested for impairment.

A total of 11 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 was performed at the level of the assets, at the level of the identified operating CGUs and at the level of the CGUs carrying goodwill.

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 31,624 thousand. The impairment losses relate to the Automotive Technology segment in the amount of EUR 29,231 thousand and to the Metals Technology segment in the amount of EUR 2,393 thousand.

SCHEDULED 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%), 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 scheduled test resulted in impairment losses on goodwill of EUR 2,300 thousand. The impairment losses relate to the Engineering segment. In the same period of the previous year, goodwill impairments were recognized in the amount of EUR 9,652 thousand and related to the Automotive Technology segment.

[11] INVENTORIES

in EUR '000	SEP. 30, 2020	DEC. 31, 2019
Raw materials, consumables, and supplies	128,041	132,655
Unfinished goods	93,396	96,908
Finished goods and goods for resale	120,382	124,951
Advance payments	30,042	26,850
Total	**371,861**	**381,364**

[12] RECEIVABLES

in EUR '000	SEP. 30, 2020	DEC. 31, 2019
Receivables from customers	168,734	180,579
Contract receivables	18,394	19,470
Receivables from associated companies	1,931	2,478
Total	**189,059**	**202,527**

[13] ASSETS HELD FOR SALE

A sub-subsidiary is to be sold in the Automotive Technology segment. The search for a suitable buyer is already under way and we consider it highly likely that we will be able to complete the transaction within the next twelve months. Assets and liabilities belonging to the disposal group had already been reclassified to the separate balance sheet items “assets held for sale” and “liabilities in connection with assets held for sale” as of June 30, 2020.

We were also able to avert the agreed closure of the sub-subsidiary FICHTHORN GmbH & Co. KG in the Automotive Technology segment. The company was sold to a strategic investor with effect from October 16. The investor will maintain the site and keep a significant share of the existing jobs. The allocated assets and liabilities were therefore also reclassified to the balance sheet items in question as of September 30. FICHTHORN had been part of INDUS since 1996 and specializes in the manufacture of individual components, small series and assemblies for the automotive industry.

[14] FINANCIAL LIABILITIES

in EUR '000	SEP. 30, 2020	CURRENT	NON-CURRENT	SEP. 30, 2019	CURRENT	NON-CURRENT
Liabilities to banks	381,503	106,008	275,495	361,694	100,992	260,702
Liabilities from leasing	75,941	15,220	60,721	74,520	15,971	58,549
Promissory note loans	289,018	18,082	270,936	245,172	18,082	227,090
Total	**746,462**	**139,310**	**607,152**	**681,386**	**135,045**	**546,341**

[15] LIABILITIES

Other liabilities of EUR 19,187 thousand (December 31, 2019: EUR 40,266 thousand) include contingent purchase price liabilities, carried at fair value, insofar as the minority shareholders can tender shares to INDUS by terminating the Articles of Incorporation or on the basis of option agreements.

OTHER DISCLOSURES

[16] SEGMENT REPORTING

SEGMENT INFORMATION BY OPERATION FOR THE FIRST NINE MONTHS OF 2020

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

	CON-STRUCTION/ INFRA-STRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECON-CILIATION	CON-SOLIDATED FINANCIAL STATEMENTS
Q1–Q3 2020								
Revenue with external third parties	295,629	198,247	260,492	106,698	303,302	1,164,368	-231	1,164,137
Revenue with Group companies	25,999	51,536	44,102	11,816	40,087	173,540	-173,540	0
Revenue	**321,628**	**249,783**	**304,594**	**118,514**	**343,389**	**1,337,908**	**-173,771**	**1,164,137**
Segment earnings (EBIT)	**53,112**	**-74,938**	**14,328**	**7,774**	**10,195**	**10,471**	**-6,208**	**4,263**
Income from measurement according to the equity method	-345	-96	999	0	0	558	0	558
Depreciation/amortization	**-11,581**	**-54,726**	**-17,535**	**-7,509**	**-18,094**	**-109,445**	**-679**	**-110,124**
of which amortization	-11,581	-20,949	-15,235	-7,509	-13,371	-68,645	-679	-69,324
of which impairment	0	-33,777	-2,300	0	-4,723	-40,800	0	-40,800
Segment EBITDA	**64,693**	**-20,212**	**31,863**	**15,283**	**28,289**	**119,916**	**-5,529**	**114,387**
Investments	**11,401**	**7,343**	**2,490**	**3,026**	**3,701**	**27,961**	**66**	**28,027**
of which company acquisitions	0	0	0	0	0	0	0	0
Q1–Q3 2019								
Revenue with external third parties	294,894	267,751	318,044	120,979	311,271	1,312,939	-155	1,312,784
Revenue with Group companies	26,387	60,329	51,604	13,872	47,409	199,601	-199,601	0
Revenue	**321,281**	**328,080**	**369,648**	**134,851**	**358,680**	**1,512,540**	**-199,756**	**1,312,784**
Segment earnings (EBIT)	**46,980**	**-22,576**	**36,044**	**13,992**	**23,428**	**97,868**	**-7,238**	**90,630**
Income from measurement according to the equity method	241	14	358	0	0	613	0	614
Depreciation/amortization	**-10,229**	**-33,082**	**-13,808**	**-6,956**	**-12,709**	**-76,784**	**-666**	**-77,450**
of which amortization	-10,229	-20,582	-13,808	-6,956	-12,709	-64,284	0	-64,950
of which impairment	0	-12,500	0	0	0	-12,500	0	-12,500
Segment EBITDA	**57,209**	**10,506**	**49,852**	**20,948**	**36,137**	**174,652**	**-6,572**	**168,080**
Investments	**11,009**	**14,285**	**28,275**	**2,778**	**8,235**	**64,582**	**940**	**65,522**
of which company acquisitions	0	0	22,287	0	-249	22,038	0	22,038

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
Q3 2020								
Revenue with external third parties	96,658	65,622	94,724	36,049	96,938	389,991	-53	389,938
Revenue with Group companies	9,268	19,126	13,389	3,891	12,376	58,051	-58,051	0
Revenue	**105,926**	**84,748**	**108,113**	**39,940**	**109,314**	**448,042**	**-58,104**	**389,938**
Segment earnings (EBIT)	**16,952**	**-12,023**	**10,207**	**3,674**	**5,436**	**24,246**	**-1,644**	**22,602**
Income from measurement according to the equity method	54	-96	96	0	0	54	0	54
Depreciation/amortization	**-3,873**	**-6,504**	**-7,409**	**-2,500**	**-4,807**	**-25,093**	**-234**	**-25,327**
of which amortization	-3,873	-6,504	-5,109	-2,500	-4,181	-22,167	-234	-22,401
of which impairment	0	0	-2,300	0	-626	-2,926	0	-2,926
Segment EBITDA	**20,825**	**-5,519**	**17,616**	**6,174**	**10,243**	**49,339**	**-1,411**	**47,928**
Investments	**2,925**	**3,385**	**1,317**	**1,244**	**1,716**	**10,587**	**141**	**10,720**
of which company acquisitions	0	0	0	0	0	0	0	0
Q3 2019								
Revenue with external third parties	103,978	84,327	110,551	39,442	97,702	436,000	259	436,259
Revenue with Group companies	9,372	19,341	16,577	4,506	13,104	62,901	-62,901	0
Revenue	**113,350**	**103,668**	**127,128**	**43,948**	**110,806**	**498,901**	**-62,642**	**436,259**
Segment earnings (EBIT)	**19,135**	**-17,501**	**13,239**	**4,870**	**7,096**	**26,839**	**-2,673**	**24,166**
Income from measurement according to the equity method	61	32	167	0	0	260	0	260
Depreciation/amortization	**-3,448**	**-19,284**	**-4,776**	**-2,381**	**-4,273**	**-34,162**	**-232**	**-34,394**
of which amortization	-3,448	-6,784	-4,776	-2,381	-4,273	-21,662	-232	-21,894
of which impairment	0	-12,500	0	0	0	-12,500	0	-12,500
Segment EBITDA	**22,583**	**1,783**	**18,015**	**7,251**	**11,369**	**61,001**	**-2,441**	**58,560**
Investments	**3,009**	**6,413**	**29,962**	**961**	**9,850**	**50,195**	**808**	**51,003**
of which company acquisitions	0	0	27,797	0	-249	27,548	0	27,548

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

RECONCILIATION (in EUR '000)

	Q1–Q3 2020	Q1–Q3 2019	Q3 2020	Q3 2019
Segment earnings (EBIT)	**10,471**	**97,868**	**24,246**	**26,839**
Areas not allocated incl. holding company	-5,810	-7,245	-1,568	-2,644
Consolidations	-398	7	-76	-29
Financial income	-10,557	-13,523	-5,577	-5,117
Earnings before taxes	**-6,294**	**77,107**	**17,025**	**19,049**

The classification of segments corresponds without change to the current state of internal reporting. The segment information relates to continued operations. The companies are assigned to the segments based on their selling markets if the large majority of their range is sold in a particular market environment (Automotive Technology, Medical Engineering/Life Science). Otherwise they are classified by common features in their production structure (Construction/Infrastructure, Engineering, Metals Technology).

The reconciliations contain the figures of the holding company, non-operating units not allocated to any segment, and consolidations. See the explanation provided in the management report regarding the products and services that generate segment sales.

The key control variable for the segments is operating income (EBIT) as defined in the consolidated financial statements. The information pertaining to the segments has been ascertained in compliance with the reporting and valuation methods that were applied in the preparation of the consolidated financial statements. Transfer prices between segments are based on arm's-length prices to the extent that they can be established in a reliable manner and are otherwise determined on the basis of the cost-plus pricing method.

SEGMENT INFORMATION BY REGION

The breakdown of sales by region relates to our selling markets. Owing to the diversity of our foreign activities, a further breakdown by country would not be meaningful since no country other than Germany accounts for 10% of Group sales.

Non-current assets, less deferred taxes and financial instruments, are based on the registered offices of the companies concerned. Further differentiation would not be useful since the majority of companies are based in Germany.

Owing to 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
Revenue with external third parties				
Q1–Q3 2020	1,164,137	601,824	251,107	311,206
Q3 2020	389,938	194,602	88,475	106,861
Non-current assets, less deferred taxes and financial instruments				
Sep. 30, 2020	964,113	818,642	54,740	90,731
Revenue with external third parties				
Q1 –Q3 2019	1,312,784	675,605	286,165	351,014
Q3 2019	436,259	222,863	97,626	1,115,770
Non-current assets, less deferred taxes and financial instruments				
Dec. 31, 2019	1,032,789	873,328	56,787	102,674

[17] INFORMATION ON THE SIGNIFICANCE OF FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS (in EUR '000)

	BALANCE SHEET VALUE	NOT WITHIN THE SCOPE OF IFRS 9	IFRS 9 FINANCIAL INSTRUMENTS	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
AS OF SEP. 30, 2020					
Financial investments	6,538	0	6,538	2,507	4,031
Cash and cash equivalents	196,115	0	196,115	0	196,115
Receivables	189,059	18,394	170,665	0	170,665
Other assets	21,655	10,548	11,107	59	11,048
Financial instruments: ASSETS	**413,367**	**28,942**	**384,425**	**2,566**	**381,859**
Financial liabilities	746,462	0	746,462	0	746,462
Trade payables	56,185	0	56,185	0	56,185
Other liabilities	103,496	54,628	48,868	24,834	24,034
Financial instruments: EQUITY AND LIABILITIES	**906,143**	**54,628**	**851,515**	**24,834**	**826,681**
AS OF 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**

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

	SEP. 30, 2020	DEC. 31, 2019
Financial assets measured at fair value through profit and loss	59	34
Financial assets measured at cost	381,859	333,365
Financial assets recognized at fair value directly in equity	2,507	2,482
Financial instruments: Assets	**384,425**	**335,881**
Financial liabilities measured at fair value through profit and loss	19,262	40,273
Financial liabilities measured at cost	826,681	783,545
Derivatives with hedging relationship, hedge accounting	5,572	6,248
Financial instruments: Equity and liabilities	**851,515**	**830,066**

[18] APPROVAL FOR PUBLICATION

The Board of Management of INDUS Holding AG approved these IFRS interim financial statements for publication on November 11, 2020.

Bergisch Gladbach, November 11, 2020

The Board of Management

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FINANCIAL CALENDAR

DATE	EVENT
February 23, 2021	Publication of the preliminary figures for the 2020 fiscal year
March 23, 2021	Publication of the Annual Report for the 2020 fiscal year
March 24, 2021	Analysts' conference on the 2020 fiscal year
May 12, 2021	Publication of the interim report for Q1 2021
May 26, 2021	Annual Shareholders' Meeting 2021
August 11, 2021	Publication of the interim report for Q2/H1 2021
November 11, 2021	Publication of the interim report for Q3/9M 2021

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

IMPRINT

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

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