

Letter to the Shareholders

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Dear shareholders, dear readers,

We did not believe that another war in the center of Europe was a possibility. We are all deeply concerned. We thought that things were getting back to normal in terms of the coronavirus pandemic, but for now we have to accept that there will be no return to normality for the foreseeable future.

At times like these, it is hard to get on with day-to-day business. But that is what has to be done so our portfolio companies can continue to respond flexibly and reliably to the everyday challenges. And our day-to-day business includes this report on last year.

We said that 2021 was a year of transition, and we made great progress getting back to where we were before the crisis. Sales and EBIT are back to 2019 levels. However, the macroeconomic consequences of the Russia-Ukraine war, including its potential effects on our portfolio, are currently unknowable.

The INDUS portfolio displayed its strengths last year in a difficult environment, boosting sales by some 12% to EUR 1.74 billion and increasing EBIT more than fourfold to EUR 115 million. That is a strong performance. And we still see plenty of potential, both in our long-standing portfolio companies and in our new acquisitions.

In a spirit of self-criticism, we should say that we had to adjust our forecast for the year 2021 several times. It has become fundamentally difficult to make accurate forecasts over longer periods, partly due to the coronavirus pandemic and the restrictions on our companies and their customers, but also because of materials shortages and supply bottlenecks. So after experiencing an economic upswing in the first half of 2021, we experienced a downturn in the third quarter. Companies in the Automotive Technology segment in particular suffered from a fall in call-offs due to the lack of computer chips. The second half of the fourth quarter then finished on an unexpectedly strong note, despite a decline in indicators of business confidence. We closed the year with a remarkable surge.

The Construction/Infrastructure, Engineering and Metals Technology segments all put in a highly dynamic performance. The portfolio companies in these three segments significantly increased their sales and operating income (EBIT), despite the considerable difficulties caused by supply shortages and steep increases in materials prices. Particularly gratifying was the speed at which the Engineering segment returned to an EBIT margin of 13%. Sales and operating income (EBIT) in the Medical Engineering/Life Science segment went up moderately.

The automotive industry is going through a root-and-branch transformation. The portfolio companies in this segment are rising to the challenge, but they need time to get there. One of the Board of Management's core tasks is to reduce the weight of the Automotive Technology segment in the INDUS portfolio. We took the next step in this direction with the sale of the WIESAUPLAST Group at year-end 2021.

We intend to grow further by acquiring hidden champions. In 2022 we successfully completed the acquisition of JST and WIRUS at the portfolio level and of FLACO as a complementary addition. Along with the purchases of additional shares in smaller portfolio companies, this required a total investment of some EUR 67 million. In December, contracts were also signed for the acquisition of HEIBER + SCHRÖDER with the closing expected in the second quarter of 2022. All the new acquisitions are in the growth industries we have defined, and our portfolio benefits from their dynamism and profitability. The funds from



From the left: Dr. Jörn Großmann (Board Member), Rudolf Weichert (Board Member), Dr.-Ing. Johannes Schmidt (Chairman of the Board), Axel Meyer (Board Member)

March 2021 of some EUR 85 million raised by the capital increase enabled us to make these acquisitions.

We also significantly increased our capital expenditure on our existing portfolio again after a year of the coronavirus, investing around EUR 76 million to strengthen organic growth. An increase in the volume of business, combined with massive rises in material prices over the course of the year, resulted in higher working capital. Cash flow from operating activities of around EUR 136 million was therefore lower than the previous year's high figure. We reduced our net debt despite high capital expenditure of EUR 143 million in total. The equity ratio came to 42.4% at year-end and the repayment term was reduced to 2.3 years.

In line with our long-term dividend policy, our intention is that you, our shareholders, should again participate in our success in the last financial year. We and the Supervisory Board will therefore be proposing to pay a dividend of EUR 1.05 per share at the Annual Shareholders' Meeting. This represents a dividend yield of 3.2% on the basis of the closing price of our share at year-end.

Our portfolio companies made a good start to the year 2022. Even though the war in Ukraine is causing increasing uncertainty on the markets and further shortages and price rises are expected for energy and raw materials, the pace of economic growth is currently still intact and the majority of portfolio companies can point to a good volume of back orders. The development of sales in the Automotive Technology segment remains unclear due to the ongoing shortage of computer chips and the Russia-Ukraine war. For the managers and employees of our portfolio companies, it is still an operational challenge to satisfy the high demand in the face of staff absences due to the pandemic and numerous supply shortages. Agility and decisive action are called for. And this is precisely the strength of our business model, of course, which stays true to the best traditions of SMEs and lets the entrepreneurs "on the ground" make the operational decisions. We greatly appreciate the dedication of everyone involved and send them our heartfelt thanks.

In 2022, the focus of our work will again be on supporting the further development of our portfolio companies. Our businesses are involved in the big topics of the future, whether that is sustainable construction, e-mobility or intelligent logistics systems. This is how they generate significant organic growth. Our focus for acquisitions will be on growth industries such as construction technology, automation components, medical devices and healthcare. They form the basis of our strategy going forward. We are pleased that our Supervisory Board supports this strategy and are grateful for the good working relationship in the past year.

We hope that you will continue to accompany us on this exciting journey as our shareholders. Thank you for your confidence.

Yours sincerely,



Dr. Johannes Schmidt



Dr. Jörn Großmann



Axel Meyer



Rudolf Weichert

Bergisch Gladbach, March 2022