

We are firmly focused on our 2025 targets

From labor shortages to interest rate hikes – 2022 was another demanding year for the INDUS Group. The Group has repositioned itself strategically with PARKOUR perform and set out the path for the coming years. INDUS Board of Management Interview.

2022 was a challenging year. How would you describe it looking back?

DR. JOHANNES SCHMIDT – We didn't let ourselves get distracted by the difficult conditions resulting from the coronavirus and the war, supply chain problems, price increases, and labor shortages. All in all, our portfolio companies performed well. They faced the challenges, had the foresight to ensure they had sufficient materials, and passed on the majority of the cost increases. At the holding company, we used these times of crises to identify opportunities and reposition the Group. We refined our strategy and focused our portfolio on future fields in industrial technology. We decided to part ways with the loss-making series suppliers in the Automotive Technology segment. It took great effort from all involved, but it has been worth it. We're grateful to all employees in the portfolio companies and the holding company for their dedication.

RUDOLF WEICHERT – This overall picture is reflected in the figures for the financial year. Sales from continuing operations increased by 10 percent to EUR 1.8 billion. The EBIT margin before impairment almost came to 10 percent. That's one side of the coin; the other side shows sales from discontinued operations of around EUR 110 million, and

earnings after taxes of EUR -123.9 million in this instance. We are seeing the consequences of our decision to divest from the series suppliers – a difficult step, but one that will pay off in the coming years.

Cost pressure on the portfolio companies was considerable. How did they manage?

AXEL MEYER – 2022 clearly showed that the portfolio companies who worked on the optimization of their own cost items with determination while also passing on price increases made it through the year



with ease. The support offers that have been available for a number of years as part of our “Improving Performance” strategic initiative to attain operational excellence in all business processes play a decisive role in safeguarding the profitability of our portfolio companies, even under difficult economic conditions. In times when it is necessary to increase prices, it is vitally important that customer relationships are maintained so that long-term partnerships remain healthy, despite difficult price negotiations. We supported our managing and sales directors actively over the last year with targeted seminars and training courses aimed at helping them formulate their arguments in a comprehensible manner and to succeed in negotiations with customers.

DR. JÖRN GROßMANN – Driven by the sharp increase in the cost of energy in the 2022 financial year, one focal point was naturally on initiatives to reduce energy consumption. This also contributed to achieving one of the most important targets of our “Striving for Sustainability” strategic initiative – a reduction in our Group’s greenhouse gas emissions. Our portfolio companies also identified potential energy substitutes in added value processes, such as replacing gas with electricity. We supported technical improvements that significantly reduced portfolio companies’ energy consumption through our sustainability development bank.

Let’s come back to the strategy update: why was it necessary?

DR. JOHANNES SCHMIDT – We’re currently experiencing a number of great upheavals. And they’re happening in the economy, too. We therefore asked ourselves what our strengths are, what we’re good at, and also what we want to improve. In the past, INDUS was a broad-base, long-term financial investor. Now INDUS is an investment company focused on the



technology-oriented industrial SME sector. With **PARKOUR perform**, we’re building on our strength, diversification, where we already have a solid footing – in highly specialized industrial technology in innovative niches of the market. We are repositioning ourselves with the Engineering, Infrastructure, and Materials segments. We have defined the future fields that will drive our development and we will be speeding up development of our portfolio companies and the acquisition of new companies.

You’re parting ways with the series suppliers in the Automotive Technology segment. What specific impacts will this restructuring have?

DR. JOHANNES SCHMIDT – As part of the strategy update, we have decided to sell SELZER and SCHÄFER by the end of 2023. Productive talks are already underway. This

will free us of the heavy losses in the automotive sector. As a result, the items on the statement of income from SMA, SCHÄFER and SELZER were assigned to discontinued operations from the end of the 2022 financial year. We have recognized the necessary impairment and can now make a fresh start following the 2022 annual financial statements.

Rising cost of capital, value adjustments. What does this mean for INDUS in terms of its financial strength?

RUDOLF WEICHERT – The steep interest rate hikes by central banks around the world have led to a considerable increase in interest rates in recent months. It remains to be seen whether, as currently expected, the highest rates will be seen by mid-2023. Higher interest rates impact us in the form of a significantly higher cost of capital and as a result in impairment losses following impairment testing. Higher interest rates also make it more expensive to take on new credit. In light of this, it is important that we return to our former earning power and follow free cash flow developments closely. Free cash flow also allows us to reduce our net debt, and this is one of the reasons why we have defined free cash flow as an additional management variable.

Do you have to change how the portfolio companies are managed?

DR. JOHANNES SCHMIDT – We introduced segment management with the strategy update. In short, this means one member of the Board of Management is now responsible for one segment. This member will focus the portfolio companies' activities on



the future fields, drive organic and inorganic growth, and ensure that the segment's management is focused on earnings and value. This means supporting the portfolio companies more closely. The focus is on exploiting growth opportunities.

Will INDUS continue to grow through acquisitions?

DR. JÖRN GROßMANN – The acquisition of companies with a promising future remains an important source of growth for the INDUS portfolio. In addition to growth acquisitions at portfolio level, complementary additions for existing portfolio companies remain a focal point. One good example of this is the complementary acquisition of QUICK Bauprodukte GmbH at the beginning of January 2023 for our portfolio company BETOMAX. In my segment, Infrastructure, infrastructure buildings are an important future field. Quick complements BETOMAX's range of products, particularly in the area of bridge construction. This opens up new growth opportunities for both companies in a segment of the market with a promising future.

AXEL MEYER – With HEIBER + SCHRÖDER and HELD, we were able to complete two very fitting growth acquisitions for the Engineering segment in 2022. Machinery

from HEIBER + SCHRÖDER is used in automated processes in the cardboard industry. Global trends such as automation and sustainability promise great growth potential. As a supplier of specialized laser cutting and welding equipment, the HELD Group is a broadly positioned company in terms of application areas. With its innovativeness, it is continually tapping into new market segments – such as innovative laser welding systems for the manufacture of electrodes in the future field of hydrogen electrolysis. I'm particularly pleased that both of the newly acquired companies made positive contributions to income in 2022, despite the high level of depreciation/amortization resulting from initial consolidation.

How reliable is the INDUS dividend?

DR. JOHANNES SCHMIDT – INDUS continues to pay dividends. We pay out around 50 percent of our balance sheet profit. This is something our shareholders can depend on.

RUDOLF WEICHERT – Our repositioning in 2022 resulted in considerable non-cash value allowances and impairment. Nevertheless, we want our shareholders to share in the good operating performance of our continuing operations and the cash flow generated there, despite the difficult conditions throughout the year. Together with the Supervisory Board, we will therefore propose a dividend of EUR 0.80 per share at the Annual Shareholders' Meeting.

What are your expectations for 2023? What are the biggest building sites?

DR. JOHANNES SCHMIDT – Our strategic repositioning means we are focusing firmly on our medium-term goals until 2025 – sales significantly above EUR 2 billion, despite sell offs, and an EBIT margin back over 10 percent. 2025 is not far away. We're hitting the ground running in 2023; the strength of the INDUS portfolio will become clear to see again. We're focused on successfully completing the sale of the series suppliers. We will push the three new segments forward at speed with the segment management. We will make first- and second-level acquisitions with a clear focus on the predefined future fields. We hope we will receive some tailwind from the macro-economic conditions. <<

