

03

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statement of Income

in EUR '000	Notes	2022	2021
REVENUE	[8]	1,804,109	1,633,469
Other operating income	[9]	25,095	23,810
Own work capitalized	[10]	3,539	3,870
Change in inventories	[11]	30,003	21,731
Cost of materials	[12]	-872,208	-757,033
Personnel expenses	[13]	-494,642	-467,485
Depreciation/amortization		-85,991	-83,051
Impairment	[14]	-42,772	-2,479
Other operating expenses	[15]	-233,468	-207,206
OPERATING INCOME (EBIT)		133,665	165,626
Interest income		1,378	171
Interest expense		-14,490	-14,124
NET INTEREST	[16]	-13,112	-13,953
Income from shares accounted for using the equity method		511	998
Other financial income		-5,133	-3,002
FINANCIAL INCOME	[16]	-17,734	-15,957
EARNINGS BEFORE TAXES FROM CONTINUING OPERATIONS		115,931	149,669
Income taxes	[17]	-43,041	-51,907
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS		72,890	97,762
Earnings from discontinued operations	[7]	-123,907	-50,198
EARNINGS AFTER TAXES		-51,017	47,564
of which attributable to non-controlling shareholders		805	755
of which attributable to INDUS shareholders		-51,822	46,809
Earnings per share – basic and diluted in EUR	[18]		
from continuing operations	[18]	2.68	3.68
from discontinued operations	[18]	-4.61	-1.90
from continuing and discontinued operations	[18]	-1.93	1.78

Consolidated Statement of Comprehensive Income

in EUR '000	Notes	2022	2021
EARNINGS AFTER TAXES		-51,017	47,564
Actuarial gains/losses	[28] [29]	15,160	3,834
Deferred taxes	[28] [25]	-3,696	-899
Items not to be reclassified to profit or loss		11,464	2,935
Currency conversion adjustment	[28]	6,412	7,101
Change in the market values of hedging instruments (cash flow hedge)	[28] [35]	6,772	1,678
Deferred taxes	[25] [35]	-1,072	-264
Items to be reclassified to profit or loss		12,112	8,515
OTHER COMPREHENSIVE INCOME		23,576	11,450
TOTAL COMPREHENSIVE INCOME		-27,441	59,014
of which interests attributable to non-controlling shareholders		789	755
of which attributable to INDUS shareholders		-28,230	58,259

Consolidated Statement of Financial Position

in EUR '000	Notes	Dec. 31, 2022	Dec. 31, 2021
ASSETS			
Goodwill	[19] [21]	403,725	409,798
Right-of-use assets from leasing/rent	[20]	68,904	93,402
Other intangible assets	[21]	172,436	142,817
Property, plant and equipment	[21]	344,283	416,610
Investment property	[21]	2,215	5,782
Financial investments	[22]	5,571	8,794
Shares accounted for using the equity method	[23]	4,276	4,578
Other non-current assets	[24]	1,967	3,476
Deferred taxes	[25]	20,172	13,771
Non-current assets		1,023,549	1,099,028
Inventories	[26]	449,387	403,894
Receivables	[27]	195,468	168,890
Other current assets	[24]	22,048	35,538
Current income taxes	[25]	5,342	13,739
Cash and cash equivalents		127,816	136,320
Assets held for sale	[33]	66,273	0
Current assets		866,334	758,381
TOTAL ASSETS		1,889,883	1,857,409
EQUITY AND LIABILITIES			
Subscribed capital		69,928	69,928
Capital reserve		318,143	318,143
Other reserves		295,090	397,560
Equity held by INDUS shareholders		683,161	785,631
Non-controlling interests in the equity		2,060	1,843
Equity	[28]	685,221	787,474
Pension provisions	[29]	23,568	41,321
Other non-current provisions	[30]	1,093	1,435
Non-current financial liabilities	[31]	580,638	477,286
Other non-current liabilities	[32]	59,737	47,023
Deferred taxes	[25]	63,627	48,569
Non-current liabilities		728,663	615,634
Other current provisions	[30]	42,336	45,727*
Current financial liabilities	[31]	140,734	163,168
Trade payables		74,283	75,811*
Other current liabilities	[32]	165,710	154,807*
Current income taxes	[25]	17,245	14,788
Liabilities in connection with assets held for sale	[33]	35,691	0
Current liabilities		475,999	454,301
TOTAL EQUITY AND LIABILITIES		1,889,883	1,857,409

* Previous year's figures adjusted

Consolidated Statement of Changes in Equity

in EUR '000	Subscribed capital	Capital reserve	Retained earnings	Other reserves	Equity held by INDUS shareholders	Interests attributable to non-controlling shareholders	Group equity
AS OF JAN. 1, 2021	63,571	239,833	398,426	-26,522	675,308	1,046	676,354
Earnings after taxes			46,809		46,809	755	47,564
Other comprehensive income				11,450	11,450		11,450
Reclassification			-1,638	1,638			
Total comprehensive income			45,171	13,088	58,259	755	59,014
Capital increase	6,357	78,310			84,667	42	84,709
Dividend payment			-21,517		-21,517	-261	-21,778
Transactions involving interests attributable to non-controlling shareholders			-11,086		-11,086	261	-10,825
AS OF DEC. 31, 2021	69,928	318,143	410,994	-13,434	785,631	1,843	787,474
Balance as of Jan. 1, 2022, before IAS 37 adjustments	69,928	318,143	410,994	-13,434	785,631	1,843	787,474
IAS 37 adjustments (2020 revision)			-46,000		-46,000		-46,000
AS OF JAN. 1, 2022	69,928	318,143	364,994	-13,434	739,631	1,843	741,474
Earnings after taxes			-51,822		-51,822	805	-51,017
Other comprehensive income				23,592	23,592	-16	23,576
Reclassification							
Total comprehensive income			-51,822	23,592	-28,230	789	-27,441
Capital increase						177	177
Dividend payment			-28,240		-28,240	-749	-28,989
AS OF DEC. 31, 2022	69,928	318,143	284,932	10,158	683,161	2,060	685,221

Consolidated Statement of Cash Flows

in EUR '000	2022	2021
Earnings after taxes from continuing operations	72,890	97,762
Depreciation/appreciation of non-current assets (excluding deferred taxes)	128,763	85,529
Gains (-) and losses (+) on the disposal of fixed assets	-3,902	-1,991
Income taxes	43,041	51,907
Financial income	17,734	15,957
Other non-cash transactions	16	1,077
Changes in provisions	11,373	5,707
Increase (-)/decrease (+) in inventories, receivables and other assets	-94,341	-73,040
Increase (+)/decrease (-) in trade payables and other equity and liabilities	9,932	38,087
Income taxes received/paid	-48,454	-44,496
Dividends received	71	1,244
Operating cash flow from continuing operations	137,123	177,743
Interest paid	-22,162	-19,575
Interest received	1,378	187
Cash flow from operating activities from continuing operations	116,339	158,355
Cash outflow for investment in		
Intangible assets	-8,047	-6,965
Property, plant and equipment	-46,493	-45,588
Financial investments	-417	-722
Shares in fully consolidated companies	-58,769	-67,328
Cash inflow from the disposal of		
Shares in fully consolidated companies	9,843	7,849
Other assets	9,445	6,764
Cash flow from investing activities from continuing operations	-94,438	-105,990
Contributions to capital (capital increase)	0	84,667
Cash inflow from minority shareholders	177	42
Dividend payment	-28,240	-21,517
Dividends paid to minority shareholders	-749	-261
Cash outflow from the repayment of contingent purchase price commitments	-2,474	0
Payments related to transactions involving interests attributable to non-controlling shareholders	0	-713
Cash inflow from the raising of loans	264,061	57,500
Cash outflow from the repayment of loans	-157,789	-142,599
Cash outflow from the repayment of lease liabilities	-19,081	-17,959
Cash flow from financing activities from continuing operations	55,905	-40,840
Net changes in cash and cash equivalents from continuing operations	77,806	11,525
Net changes in cash and cash equivalents from discontinued operations	-80,920	-69,784
Changes in cash and cash equivalents caused by currency exchange rates from continuing operations	-194	-114
Changes in cash and cash equivalents caused by currency exchange rates from discontinued operations	-68	-8
Changes in cash and cash equivalents in connection with assets held for sale	-5,128	0
Cash and cash equivalents at the beginning of the period	136,320	194,701
Cash and cash equivalents at the end of the period	127,816	136,320

Further information on the consolidated statement of cash flows can be found in the notes to the consolidated financial statements under note [34]. Refer to Note [5] for informa-

tion regarding cash outflow from investments in shares in fully consolidated companies.

Notes

Basic Principles of the Consolidated Financial Statements

[1] General Information

INDUS Holding Aktiengesellschaft with registered office in Kölner Strasse 32, 51429 Bergisch Gladbach, Germany, is listed in the Cologne Commercial Register under record no. HRB 46360. INDUS is an established long-term oriented financial investor specializing in the acquisition of SMEs in the manufacturing sector in German-speaking Europe. The operating companies are allocated to one of five company areas (segments): Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology.

INDUS Holding AG prepared its consolidated financial statements for the financial year from January 1, 2022, to December 31, 2022, in accordance with the International Financial Reporting Standards (IFRS) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU).

The statement of income was prepared using the total cost method. The consolidated statement of income for the previous year was adjusted in accordance with IFRS 5.32 et seqq. due to the application of provisions for discontinued operations. The statement of financial position is structured according to current/non-current status of assets and liabilities.

The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are stated in thousands of euros (EUR '000). Each figure has been rounded according to normal commercial practice; this may lead to slight discrepancies when figures are added together.

The consolidated financial statements are prepared using historical cost accounting, with the exception of balance sheet items which must be carried at fair value. The annual financial statements of the companies included in the scope of consolidation were prepared as of the reporting date of INDUS Holding AG and are based on uniform accounting and valuation methods. Pursuant to Section 315e of the German Commercial Code (HGB), INDUS Holding AG is obligated to prepare its consolidated financial statements in compliance with the IFRS. The basis for this is Directive No. 1606/2002 of the European Parliament and Council

on the application of international accounting standards in the European Union. Information that must be included in the Notes in accordance with the German Commercial Code (HGB) and goes beyond what is mandatory under IFRS is presented in the Notes as well. The financial statements were drawn up by the Board of Management on March 15, 2023. The Supervisory Board approved the consolidated financial statements at its meeting on March 16, 2023.

[2] Application and Impact of New and Revised Standards

All standards whose application was mandatory as of December 31, 2022, were observed. No use was made of the discretionary right to apply standards before they become mandatory.

MANDATORY STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME IN THE 2022 FINANCIAL YEAR

The following standard resulted in changes for these financial statements

— Amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”

The amendment to IAS 37 relates to the costs of fulfilling onerous contracts. The recently published amendment defines that all costs of fulfilling a contract that are directly related to the contract are to be included when assessing whether a contract is onerous within the meaning of IAS 37.

The amendment is to be applied for the first time retrospectively from January 1, 2022. Agreements where INDUS did not yet fulfill all obligations as of January 1, 2022, have been adjusted accordingly. The cumulative effect of the first-time application of the adjustment amounted to EUR -46,000 thousand and was recognized as an adjustment of the opening balance of retained earnings in the table of equity from January 1, 2022, to December 31, 2022. Other provisions rose by the same amount as of January 1, 2022.

STANDARDS PUBLISHED AS OF DECEMBER 31, 2022, WHICH WERE NOT APPLIED EARLY IN THESE FINANCIAL STATEMENTS

No material effect on the financial position and financial performance of INDUS will arise from new standards that have already been published but were not applied early.

[3] Accounting Principles

CONSOLIDATION PRINCIPLES

Capital consolidation is carried out in accordance with the purchase method. Assets, liabilities, and contingent liabilities are measured at their fair value as of the time of purchase for business combinations. Goodwill is determined as the difference between the acquisition costs of the business combination and the purchaser's share of the fair values of the acquired assets, liabilities, and contingent liabilities.

When acquired companies are included in the scope of consolidation for the first time, the carrying amount of the investments in the holding company's accounts is offset against assets and liabilities. In the subsequent periods, the carrying amount of the holding company's investment is offset against the carrying amount of the subsidiaries' net equity. Contingent purchase price components are measured at fair value at the time of purchase. Changes in their amounts are recorded through profit and loss in the subsequent periods. Incidental acquisition costs incurred in acquiring the investment are not included in the purchase price allocation. Instead, they are recognized as expenses in the period of acquisition.

If non-controlling shareholders have a right to tender as of the time of the initial consolidation and INDUS is unable to revoke this right, the purchase price commitment for interests attributable to non-controlling shareholders that are eligible are calculated at fair value.

Receivables and liabilities as well as expenses and income between consolidated companies are offset against each other. Interim results are eliminated from inventories and fixed assets. Deferred taxes are recognized for consolidation adjustments.

CURRENCY CONVERSION

Foreign currency transactions in the individual financial statements are translated into the functional currency of the individual company at the exchange rates prevailing at the time of the transaction. Monetary items are measured through profit and loss as of the reporting date using the average spot exchange rate.

In accordance with the concept of functional currency, companies located outside of the euro area prepare their financial statements in the currency of the country in which they are domiciled. For assets and liabilities, these financial statements are translated into euros using the exchange rate prevailing on the reporting date. Except for items recognized directly in equity, equity is carried at historical rates. Items in the statement of income are translated at average exchange rates and any resultant currency adjustments up until disposal of the subsidiary are recognized with no effect on the statement of income.

The exchange rates used are shown in the following table:

	EUR 1 =	Exchange rate as of the reporting date		Average exchange rate	
		Dec. 31, 2022	Dec. 31, 2021	2022	2021
United Arab Emirates	AED	3.939	4.178	3.872	4.346
Bosnia and Herzegovina	BAM	1.968	1.966	1.956	1.956
Brazil	BRL	5.639	6.310	5.443	6.381
Canada	CAD	1.444	1.439	1.370	1.483
Switzerland	CHF	0.985	1.033	1.005	1.081
China	CNY	7.358	7.195	7.080	7.634
Czech Republic	CZK	24.116	24.858	24.560	25.647
Denmark	DKK	7.437	7.436	7.440	7.437
United Kingdom	GBP	0.887	0.840	0.853	0.860
Hungary	HUF	400.870	369.190	390.944	358.464
South Korea	KRW	1.344.090	1.346.380	1.358.071	1.353.946
Morocco	MAD	11.197	10.555	10.682	10.634
Mexico	MXN	20.856	23.144	21.205	23.990
Poland	PLN	4.681	4.597	4.684	4.564
Romania	RON	4.950	4.949	4.932	4.921
Serbia	RSD	117.393	117.590	117.451	117.586
Singapore	SGD	1.430	1.528	1.452	1.590
Turkey	TRY	19.965	15.234	17.385	10.467
Taiwan	TWD	32.890	31.525	31.330	33.028
United States	USD	1.067	1.133	1.054	1.184
South Africa	ZAR	18.099	18.063	17.210	17.479

In the presentation of the development of non-current assets, provisions, and equity, the opening and closing balances are translated using the exchange rates prevailing on the reporting date, while changes during the year are translated using the average exchange rate. Any resultant exchange rate differences are reported separately with no effect on the statement of income.

FINANCIAL STATEMENT ACCOUNTING AND MEASUREMENT

Goodwill does not undergo amortization due to its indefinite useful life. It is tested for impairment at least once a year. This testing involves comparing the recoverable value, which is the higher of value in use or fair value less costs to sell, with the carrying amount of the cash generating unit.

Goodwill is tested for impairment at the level at which this is reasonable from an economic point of view, and possible. In most cases, goodwill is attributed to the portfolio companies and their subsidiaries (cash generating units). These are the operating units listed in the Notes. In the few cases in which there is a close trading relationship between

these companies, they are combined to form operating units and goodwill is tested for impairment on this basis.

The goodwill recognized in the purchase price allocation is distributed across 44 (previous year: 46) cash generating units. No individual goodwill amount is significant within the meaning of IAS 36.134.

Other intangible assets purchased for a fee are measured at cost and – where applicable – amortized on a straight line basis over their economic life of two to fifteen years. Internally generated intangible assets which fulfill the criteria of IAS 38 are capitalized at cost. Otherwise the expenses are recognized through profit and loss in the year in which they come into being. The assets are amortized upon commencement of their use, and this is done using the straight-line method over five to fifteen years.

Leases are recognized in the statement of financial position as right-of-use assets from leases and as (financial) liabilities from leasing. The right-of-use assets are recognized at cost and subsequently amortized over the lease term using the straight-line method. On the liability side, a liability is recognized in the amount of the present value

of the payment obligations. In addition to fixed payments, the liabilities also include expected residual value payments and exercise prices for purchase options if these are reasonably certain to be exercised. Lease payments are discounted at the interest rate underlying the lease, or at the incremental borrowing rate. The Group applies exemptions under which IFRS 16 is applied to the contracts that were previously classified as leases under IAS 17 and IFRIC 4, and the contracts that were previously not classified as leases are not reassessed. Furthermore, the exemptions of IFRS 16 are applied to low-value lease assets and leases with a term of up to one year, i.e. instead of assets or lease liabilities being recognized, the lease installments continue to be recognized as other operating expenses.

Property, plant and equipment is measured at cost including depreciation and, when necessary, impairment. In accordance with the actual structure of their useful lives, the straight line depreciation method is applied. Depreciation periods are based primarily on the following useful lives.

	Years
Buildings	20 to 50
Land improvements	8 to 20
Technical equipment, plant and machinery	5 to 15
Factory and office equipment	3 to 15

Property, plant and equipment is impaired in accordance with IAS 36 if the recoverable amount of the asset concerned has fallen below carrying amount. If the reason for an impairment recorded in previous years no longer applies, a reversal of impairment is performed, up to the maximum of the carrying amount after depreciation.

Inventories are recognized at cost or lower net realizable value. Cost encompasses direct costs and proportional overheads. Overheads are generally allocated on the basis of actual capacity, if this basically corresponds to normal capacity. Raw materials and goods for resale are measured using the average cost method.

Financial instruments are contracts that are financial assets at one company and simultaneously financial liabilities or an equity instrument at another. In accordance with the business model, the subsequent valuation of financial assets takes place in the categories “Financial assets measured at fair value through profit and loss,” “Financial assets at amortized cost” and “Financial assets recognized at fair value directly in equity.” Financial liabilities are accounted for in two categories, “Financial liabilities measured at fair value through profit and loss” and “Financial liabilities measured at cost.”

A financial asset is measured at amortized cost if it is held in a business model that involves the collection of contractual cash flows, the contractual terms provide for cash flows on specified dates in the form of interest and principal repayment, and the asset was not designated as “measured at fair value through profit and loss.” This particularly includes all trade receivables, loans and other assets (excluding derivatives).

All financial assets that are not measured at amortized costs or recognized at fair value directly in equity are measured at fair value through profit and loss. Financial liabilities are classified and measured at amortized costs or “at fair value through profit and loss.” A financial liability is measured at fair value through profit and loss if it is held for trading purposes, is a derivative, or is designated as such on initial recognition.

The fair values recognized in the statement of financial position generally correspond to the arm's-length prices of the financial assets or financial liabilities. The market values of financial liabilities are determined on the basis of market information available on the reporting date or by using accepted valuation methods, such as the discounted cash flow method, and through confirmations from the banks carrying out the transactions. The interest rates employed are adjusted to the term and risk of the underlying financial instrument.

Associated companies listed under **financial assets** on which the INDUS Group exercises significant influence (usually by holding between 20% and 50% of the voting rights) are accounted for using the equity method. When measured for the first time, they are stated at cost. In the subsequent valuation, the carrying amount is adjusted by the proportional changes in the associated company's equity.

Receivables and other assets are recognized at amortized costs; for current receivables, this is generally the nominal value. Amortized costs are taken into account with appropriate valuation allowances. Total profits and losses in the amount of EUR -2,275 thousand (previous year: EUR 309 thousand) were recognized under consolidated income when the loans and receivables are impaired or derecognized.

Impairments are recognized for anticipated credit losses on financial assets measured at amortized cost. The simplified method for calculating impairments is used to determine impairments on trade receivables. The full term of the financial instrument is used to determine the anticipated credit losses. As the historical basis is applied to defaults, it is assumed that the default risk of a financial asset has not risen significantly once it is more than 30 days overdue.

In the case of short-term receivables and liabilities, amortized costs generally correspond to par or the settlement amount.

Derivative financial instruments are used by INDUS to hedge underlying transactions based on future cash flows. At the time the hedging transaction is concluded, the corresponding underlying transactions may or may not be completed.

Derivatives employed as hedging instruments are primarily interest-rate swaps or currency forward contracts. The prerequisite for hedge accounting is that the hedge between the underlying transaction and the hedging instrument is effective, documented and continuously monitored. The existence of an economic relationship between the hedging instrument and hedged item is based on reference interest rates, terms, interest adjustment and due dates, and nominal and actual amounts. In assessing effectiveness, the critical terms match method is used. The hedging relationships mostly exist in a 1:1 ratio to the hedged item and are 100% effective.

The statement of documented hedges depends on the type of relationship in question. In the case of cash flow hedges, the change in the fair value is recorded in equity with no effect on income, taking all deferred taxes into account. For the valuation of the hedging instruments described above, only market-related valuation methods were used in the last two financial years. This corresponds to the procedure for level 2 of the fair value hierarchy. The market interest rates derived from publicly available swap rates on the reporting date are used as the input for measuring interest-rate swaps.

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

Market-related observable input factors (level 2) and internal data (level 3) were used to measure call/put options **at fair value**. The market interest rates derived from INDUS' financing structure as of the reporting date, contractually agreed EBIT multiples, and individual plans of the acquired companies are used as the input for measuring the fair value of contingent purchase price liabilities. Generally, call/put options measurements are allocated to level 3.

Pension obligations are based on defined contribution and defined benefit plans in various forms.

The defined contribution plan costs relate to payments by INDUS to external institutions, without any additional obligations for the beneficiary being entered into.

With defined benefit obligations, pensions and other post-employment benefits are calculated using the projected unit credit method. The interest rate used for discounting future claims is the market rate for risk-adjusted long-term investments with similar maturities. For every pension plan, the projected benefit obligation is reduced by the fair value of the qualified plan assets. Differences between actuarial assumptions and actual change in the underlying parameters used to calculate projected unit credits and the fair value of plan assets give rise to actuarial gains and losses. These actuarial gains or losses are recognized directly in equity, taking into consideration any deferred taxes, through the change in consolidated equity and recorded on the statement of income and in pension provisions.

Other provisions are calculated for current legal or actual obligations toward third parties resulting from an event in the past that will likely lead to an outflow of resources and the amount of which can be reliably estimated. The settlement amount is calculated on the basis of the best possible estimation. Provisions are discounted when the outflow of resources is classified as long-term and the effect of this is significant. Provisions for product warranties are calculated for the sales that are subject to warranty and the relevant warranty period on the basis of ensured experience values. Individual provisions are formed for known damages. Provisions for pending losses from orders, and other obligations from the transactions, are calculated on the basis of the services to be performed.

Contingent liabilities are potential obligations toward third parties or existing obligations that are not likely to lead to an outflow of resources or the amount of which cannot be reliably estimated. Disclosures must be made in the Notes regarding existing contingent liabilities.

Deferred taxes are determined for all temporary differences between the amount according to the IFRS balance sheet and the corresponding fiscal value according to the balance sheet approach. Temporary differences arise when the realization of the asset or settlement of the liability leads to income or expenses that diverge from a fiscal point of view. Deferred taxes on goodwill are formed only to the extent that they are tax-deductible. This is generally the case for German limited partnerships.

Deferred taxes must be calculated even if the realization of this goodwill – e.g., via the disposal of the respective limited partnership – is not planned. This leads to a permanent accrual of deferred tax liabilities at INDUS.

Deferred tax assets are recognized as soon as it is probable that sufficient taxable income against which the deductible temporary difference can be offset will be available. With tax loss carryforwards, this is the case either when it is probable that sufficient taxable income will be available or when nettable deferred tax liabilities of a corresponding amount can be offset against sufficient taxable income in the future.

Deferred taxes are measured using the tax rate valid for the periods in which the differences are expected to be reversed. Regardless of maturities, deferred taxes are not to be discounted. Deferred taxes are recognized on the basis of the tax rates prevailing or approved in the various countries in accordance with the current legal position. In Germany, a corporate income tax rate of 15% (previous year: 15%) applies. Taking into consideration the trade tax assessment multiplier ranging from 295% to 515% and a solidarity surcharge of 5.5%, the income tax rate for domestic companies comes to between 26.15% and 33.85% (previous year: 26.15% to 33.85%). Foreign tax rates range between 9% and 32.02% (previous year: between 16% and 34%).

As regards **income realization** from customer contracts, revenue is recognized in accordance with the 5-step model described in IFRS 15 either over a period of time or at a certain point in time. The INDUS product portfolio is highly diversified. Revenue is generated from the sale of goods, order production, and, to a lesser extent, from services provided. Revenue is allocable to the following areas: reinforcement of reinforced concrete, construction materials, network and cable laying, air-conditioning and heating technology, accessories for private housing construction, window construction (Construction segment), model or prototype construction for the automotive industry, pre-series and small series production, series production of components for large automotive manufacturers, testing and measurement solutions, solutions for specialized vehicles (Automotive Technology segment), complete conveyor systems, robotic gripping systems, valve technology, automation components for vehicle assembly, inert gas system equipment, metal search technology equipment, integrated control rooms and electric heat tracing systems (Engineering

segment), orthotic devices, surgical stockings, optical lenses and full optical devices, surgical accessories, rehabilitation technology and hygienic products for medical applications and household use (Medical Engineering/Life Science segment), supplying rail technology, carbide tools for road construction and mining, manufacture of housings, blasting agents for the steel industry, and bolt welding technology for structural connecting elements used in bridge construction (Metals Technology segment). For numerous contracts from the Construction/Infrastructure and Engineering segments, and for individual contracts in the Automotive Technology segment, income is realized over a period of time.

If the prerequisites for sales recognition over time are met, the percentage of completion must be ascertained. Due to the reliability of the calculations, the cost to cost method is applied. Sales recognition is thus based on the percentage of completion until the goods are transferred to the customer or until the service has been performed. Anticipated losses are recognized directly as expenses. If the prerequisites for recognition over time are not met, income realization takes place at a point in time. This is typically the point in time at which goods are transferred or the point in time when the customer accepts the contract liabilities.

The revenue recognized is the equivalent value that is expected for the transfer of goods or the performance of services. However, it must be probable that the revenue will not be subject to material correction. The general prerequisite is that the amount of revenue can be reliably determined and there is sufficient probability that INDUS will receive an economic benefit. Contracts with customers generally contain payment terms that are standard for the industry. Advance payments are in some cases agreed for contracts that lead to point-in-time sales recognition. Warranty agreements that are standard for the industry were recognized as provisions for product warranties in the amount of EUR 13,617 thousand (previous year: EUR 14,672 thousand).

Government grants are recognized and reduce the corresponding expenses. If the grants are granted for a prolonged period, deferred income is recognized and released to income over the term of the grant.

The **virtual stock options** (“stock appreciation rights” until 2020, “virtual performance shares” from 2021) granted as part of the previous (until 2020) and new (from 2021) long-term incentive program are classified as “share-based payment with cash settlement.” Provisions are formed for these and measured at the fair value of the commitments.

In compliance with the provisions of IAS 7, the **statement of cash flows** is divided into cash flow from operating activities, investment activities and financing activities. Interest and dividends received are assigned to cash flows from operating activities. The figure for funds corresponds to the balance sheet item cash and cash equivalents and includes bank balances and cash on hand. Cash flow from operating activities is determined using the indirect method. Operating expenses and income with no effect on net cash are eliminated from cash flows from operating activities.

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

Uncertainty increased in 2022 with the start of the Ukraine war. This particularly includes the indirect effects, such as price increases and raw materials shortages. The estimated balance sheet items are also dependent on the further development of the Ukraine war and the resulting economic impacts.

The coronavirus pandemic in 2022 continued to adversely affect the economic activities of the portfolio companies, albeit to a lesser extent than in 2021.

The measurement of certain balance sheet items dated December 31, 2022 is therefore subject to increased uncertainty. In particular, goodwill, inventories, trade receivables, contract assets, deferred taxes on tax loss carryforwards, and provisions were affected.

The companies not directly affected by the Ukraine war, but who are, in some cases substantially, affected by the indirect impacts of the war in the form of price increases, materials shortages, and supply bottlenecks, have integrated this in their individual plans during the corporate planning process. The estimate-related forward-looking parameters may be interest rates, foreign currency rates, market risk premiums, payment defaults, good credit standing, revenue, new orders, and payment receipts. These planning assumptions are burdened with heightened uncertainty.

The effects of **climate change** were analyzed in the reporting year. INDUS identifies, monitors and reviews potential risks from climate change as part of its Group-wide risk management system. The risk management system is based on the individual, independent risk management systems in the portfolio companies.

INDUS has committed to achieving climate neutrality by 2045. An interim target for 2025 is to reduce greenhouse gas emissions by 35% compared with 2018. INDUS supports the portfolio companies in their efforts to conserve resources and avoid greenhouse gas emissions. The individual company plans were discussed in the context of the budget meetings and decisions were made. INDUS will provide the portfolio companies with financial support in the future from its sustainability development bank

Environmental protection and energy efficiency are relevant in all manufacturing industries, and will remain important issues in the future. Energy prices and environmental standards will continue to rise over the long term. Increases in energy and commodity prices represent a risk for the performance of the individual companies and the Group. Depending on the market situation of the portfolio company, these increases cannot always be passed on to customers promptly and fully. For this reason, INDUS expects investment in sustainable and energy-efficient production processes to increase. INDUS believes this will result in promising opportunities, particularly for companies in the Automotive Technology, Engineering, and Metals Technology segments in the medium term.

With regard to an impact on production conditions, the product portfolio, and the Group's performance as a result of global warming, INDUS does not expect the current situation to get worse in the forecast period. This is also due to the INDUS Group's high level of diversification in terms of locations, selling markets, and fields of business. The portfolio companies' products will nevertheless adapt to new requirements and leverage innovation to gain or maintain the best market positions. In financial year 2022, there was no indication that goodwill was impaired as a result of climate change.

Items on the statement of financial position are influenced by uncontrollable future events. This can result in bad debt losses, affect the useful lives of intangible assets or property, plant and equipment, or similar; these are all risks inherent in commercial activity. The financial statement accounting of such items in the accounts is based on many years' experience and the assessment of current conditions.

Systemic uncertainties result from balance sheet items where expected future payments are discounted. These payments are dependent on future events about which assumptions must be made. Future interest rate levels can also affect the calculation of cash flow considerably. This is particularly the case in testing assets and cash generating units for impairment, and calculating pension provisions using the projected unit credit method. Future tax-effective income is also applied to determine at what amount to value deferred tax assets.

Relevant uncertainties result from items that must be measured on the basis of a range of possible future circumstances. This applies in particular to other provisions and comparable obligations. Extensive financial statement accounting experience is very important in this regard, but it still regularly occurs that provision amounts in the financial statements have to be adjusted upward or downward.

In many cases there are no active markets with observable pricing to use in determining fair value. For financial statement accounting of business combinations, the fair value of balance sheet items acquired must be determined using standard valuation models which require assumptions regarding directly observable as well as potentially non-observable valuation mechanisms.

These financial statements are based on estimates and assumptions which reflect the latest information available to management. The necessity of having to make substantial valuation adjustments in the future cannot be ruled out, as many relevant valuation parameters are beyond management's control.

For the 2023 financial year, INDUS does not on the whole anticipate events requiring material adjustment to balance sheet items in these financial statements. The assumptions made regarding conditions in the general economy and relevant markets in particular have been discussed in detail in the forecast report in the combined management report.

[4] Scope of Consolidation

In the consolidated financial statements, all subsidiary companies are fully consolidated if INDUS Holding AG has the direct or indirect possibility of controlling the companies' financial and business policy for the benefit of the INDUS Group. Control is in evidence if a company can exercise power of disposition on its subsidiaries and is subject to variable return flows and has the possibility of using its power of disposition to influence the amount of return flows. Associated companies whose financial and business policies can be significantly influenced are consolidated using the equity method. Companies purchased during the course of the financial year are consolidated as of the date on which control over their financial and business policy is transferred. Companies which are sold are no longer included in the scope of consolidation as of the date on which the business is transferred.

FULLY CONSOLIDATED SUBSIDIARIES

	Germany	International	Total	Of which equity interest of less than 100%
Dec. 31, 2022				
Construction/Infrastructure	29	12	41	5
Automotive Technology	19	15	34	2
Engineering	36	30	66	16
Medical Engineering/Life Science	6	10	16	4
Metals Technology	20	8	28	1
Other	8	1	9	0
Total	118	76	194	28
Dec. 31, 2021				
Construction/Infrastructure	29	9	38	5
Automotive Technology	23	18	41	2
Engineering	32	28	60	20
Medical Engineering/Life Science	6	10	16	4
Metals Technology	20	10	30	1
Other	8	0	8	0
Total	118	75	193	32

The complete list of equity interests in accordance with Section 313 HGB (Handelsgesetzbuch: German Commercial Code), which forms part of the Notes, is published with the consolidated financial statements in the electronic German Federal Gazette.

The carrying amount of interests attributable to non-controlling shareholders is EUR 2,060 thousand (previous year: EUR 1,843 thousand). None of the non-controlling interests are significant individually.

Insofar as non-controlling shareholders have a right to tender at the time of the initial consolidation that INDUS cannot withdraw from, and combination with a call/put option exists for INDUS, economic or anticipated ownership resides with INDUS, and the affected shares are fully consolidated and recognized at fair value as a contingent purchase price commitment. As of the reporting date, purchase price commitments toward non-controlling shareholders with a right to tender of EUR 64,050 thousand (previous year: EUR 53,563 thousand) were recognized. Purchase price models exist for all material cases that allow an objective measurement of the shares taking into consideration the company-specific risk structure, which guarantees an exchange of non-controlling interests at fair value. INDUS may generally exercise its rights at contractually agreed exercising periods.

As of December 31, 2022, the scope of consolidation includes 36 limited liability companies (GmbH) as general partners that form a single company with the corresponding LLCs (December 31, 2021: 35 limited liability companies (GmbH) as general partners).

[5] Business Combinations

DISCLOSURES ON INITIAL CONSOLIDATION FOR THE CURRENT FINANCIAL YEAR

HEIBER + SCHRÖDER

By contract dated December 15, 2021, INDUS Holding AG acquired 100% of the shares in Heiber + Schröder Maschinenbau GmbH (HEIBER + SCHRÖDER) in Erkrath. HEIBER + SCHRÖDER is an SME provider of special machinery for the cardboard industry, supplying its products to packaging manufacturers worldwide, especially suppliers to the food, cosmetics, household goods and toy sectors. Heiber + Schröder Maschinenbau GmbH has a subsidiary, Heiber Schroeder USA Inc., based in Cary, Illinois. HEIBER + SCHRÖDER is assigned to the Engineering segment. The economic transfer (closing) took place on April 8, 2022.

The fair value of the total consideration amounted to EUR 38,000 thousand as of the acquisition date and consisted entirely of cash. The payment was made on April 8, 2022.

Goodwill of EUR 17,900 thousand, determined in the course of the purchase price allocation, is not tax-deductible. Goodwill is the residual amount of the total consideration less the value of the re-assessed acquired assets and assumed liabilities and does not represent the accountable potential earnings of the acquired company for the future or the expertise of the personnel.

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

NEW ACQUISITION: HEIBER + SCHRÖDER

(in EUR '000)

	Carrying amounts at the time of acquisition	Assets added due to initial consolidation	Addition to consolidated statement of financial position
Goodwill	0	17,900	17,900
Other intangible assets	60	17,875	17,935
Property, plant and equipment	336	0	336
Inventories	10,519	2,701	13,220
Receivables	926	0	926
Other assets*	1,872	0	1,872
Cash and cash equivalents	970	0	970
Total assets	14,683	38,476	53,159
Other provisions	775	0	775
Trade payables	578	0	578
Other equity and liabilities**	7,524	6,282	13,806
Total liabilities	8,877	6,282	15,159

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes

** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

The re-assessed intangible assets essentially comprise client relations and the client base.

HEIBER + SCHRÖDER was consolidated for the first time in April 2022. HEIBER + SCHRÖDER contributed sales amounting to EUR 24,060 thousand and operating income (EBIT) of EUR 824 thousand to income. If HEIBER + SCHRÖDER had been consolidated from January 1, 2022, revenue would have amounted to EUR 31,059 thousand and EBIT to EUR 1,637 thousand in 2022.

The expenses affecting net income from initial consolidation of HEIBER + SCHRÖDER, i.e. subsequent valuation of the additional value and incidental acquisition costs identified in the purchase price allocation (PPA), reduced operating income by EUR 3,329 thousand. The incidental acquisition costs were recorded in the statement of income.

HELD

By way of an agreement concluded on and effective from May 18, 2022, INDUS Holding AG acquired 70% of the shares in HELD Industries GmbH, Heusenstamm. The HELD Group manufactures customized machines and equipment for high-precision laser cutting and welding technology. HELD is assigned to the Engineering segment.

The fair value of the total consideration amounted to EUR 41,661 thousand on the acquisition date. This consists of a cash component in the amount of EUR 25,039 thousand and contingent purchase price payments in the amount of EUR 16,622 thousand, which were recognized and measured at fair value and result from an earn-out clause and call/put options on the non-controlling interests. The cash component was paid on May 18, 2022. The amount of the contingent purchase price commitment is determined on the basis of EBIT multiples and a forecast of the future-relevant EBIT.

Goodwill of EUR 14,628 thousand, determined in the course of the purchase price allocation, is not tax-deductible. Goodwill is the residual amount of the total consideration less the value of the re-assessed acquired assets and assumed liabilities and does not represent the accountable potential earnings of the acquired company for the future or the expertise of the personnel.

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

NEW ACQUISITION: HELD

(in EUR '000)

	Carrying amounts at the time of acquisition	Assets added due to initial consolidation	Addition to consolidated statement of financial position
Goodwill	0	14,628	14,628
Other intangible assets	8	34,525	34,533
Property, plant and equipment	89	0	89
Inventories	7,013	2,539	9,552
Receivables	77	0	77
Other assets*	638	0	638
Cash and cash equivalents	3,300	0	3,300
Total assets	11,125	51,692	62,817
Other provisions	162	0	162
Financial liabilities	41	0	41
Trade payables	535	0	535
Other equity and liabilities**	9,623	10,795	20,418
Total liabilities	10,361	10,795	21,156

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes

** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

The re-assessed intangible assets essentially comprise client relations and software.

The initial consolidation of HELD took place in May 2022. HELD contributed sales amounting to EUR 12,400 thousand and operating income (EBIT) of EUR 753 thousand to income in 2022. If HELD had been consolidated from January 1, 2022, revenue would have amounted to EUR 12,520 thousand and EBIT to EUR -2,138 thousand in 2022.

The expenses affecting net income from initial consolidation of HELD, i.e. subsequent valuation of the additional value and incidental acquisition costs identified in the purchase price allocation (PPA), reduced operating income by EUR 4,626 thousand. The incidental acquisition costs were recorded in the statement of income.

[6] Termination of Business

DISCLOSURES ON DECONSOLIDATION FOR THE CURRENT FINANCIAL YEAR

INDUS subsidiary S.M.A. Metalltechnik GmbH & Co. KG, Backnang (SMA) filed for insolvency on October 24, 2022. Preliminary insolvency was granted by the court on November 15, 2022, and insolvency proceedings started on December 30, 2022. INDUS Holding AG lost control of SMA and its subsidiaries on October 24, 2022, and thus deconsolidated the companies.

The following assets and liabilities were deducted as a result of SMA's insolvency:

DIVESTMENTS: SMA	(in EUR '000)
	Deductions consolidated statement of financial position
Other intangible assets	5,928
Property, plant and equipment	14,901
Financial investments	3,544
Inventories	13,017
Receivables	25,877
Other assets*	1,433
Cash and cash equivalents	6,513
Total assets	71,213
Pension provisions	0
Other provisions	51,078
Financial liabilities	11,772
Trade payables	11,935
Other equity and liabilities**	17,813
Total liabilities	92,598

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes

** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

Financial liabilities primarily relate to lease liabilities pursuant to IFRS 16 in connection with a capitalized right of use for a building.

[7] Discontinued Operations

SMA

INDUS Holding AG lost control of SMA and its subsidiaries on October 24, 2022, and thus deconsolidated the companies. SMA was allocated to the Automotive Technology segment and is a discontinued operation pursuant to IFRS 5.32.

SELZER/SCHÄFER

In the fourth quarter of 2022, the Board of Management of INDUS Holding AG decided to sell SELZER Fertigungstechnik and its subsidiaries as well as SCHÄFER Holding GmbH and its subsidiaries. The company is actively looking for

buyers. Exploratory talks are being held with interested parties. A sale within the next financial year is considered highly probable.

Until their reclassification, SELZER and SCHÄFER were allocated to the Automotive Technology segment and are both discontinued operations pursuant to IFRS 5.32. The assets and liabilities are classified as “held for sale” and reported under the corresponding item in the statement of financial position and explained in the notes to the consolidated financial statements under [33].

The following overview shows the income and expenses from discontinued operations in 2022 and 2021:

	SMA	SELZER	SCHÄFER	2022	SMA	SELZER	SCHÄFER	2021
Revenue	41,263	54,306	14,089	109,658	48,570	47,669	11,789	108,028
Other income	1,503	2,609	317	4,429	2,223	1,851	489	4,563
Expenses	-113,295	-124,888	-17,159	-255,342	-74,824	-66,236	-22,485	-163,545
Operating income (EBIT)	-70,529	-67,973	-2,753	-141,255	-24,031	-16,716	-10,207	-50,954
Income taxes	930	-2,450	-233	-1,753	9	271	118	398
Income (expense) from discontinued operations	-50,156	-70,573	-3,178	-123,907	-23,943	-16,324	-9,931	-50,198

Income from deconsolidation of EUR 18,792 was collected as a result of the disposal of SMA.

The following cash flows are attributable to the discontinued operations:

	SMA	SELZER	SCHÄFER	2022	SMA	SELZER	SCHÄFER	2021
Cash flow from operating activities	-25,972	-21,852	-881	-48,705	-21,536	-17,769	-2,476	-41,781
Cash flow from investing activities	-15,881	-11,648	-772	-28,301	-12,588	-11,755	-30	-24,373
Cash flow from financing activities	-1,040	-2,165	-709	-3,914	-2,321	-655	-654	-3,630
Net changes in cash and cash equivalents from discontinued operations	-42,893	-35,665	-2,362	-80,920	-36,445	-30,179	-3,160	-69,784

Notes to the Statement of Income

[8] Revenue

Revenues include EUR 205,275 thousand in revenues using measurement over time (previous year: EUR 187,829 thousand). Also included is EUR 18,104 thousand in revenue from services (previous year: EUR 16,924 thousand). A breakdown of revenue by reportable segments can be found under segment reporting [35].

[9] Other Operating Income

in EUR '000	2022	2021
Income from the reversal of provisions	4,996	5,874
Income from currency conversion	7,192	4,315
Income from asset disposals	4,197	3,594
Reversal of valuation allowances	1,581	2,023
Transfer to earnings/release of deferrals carried as liabilities	381	329
Insurance compensation	2,236	1,716
Income from rental and lease agreements	121	359
Appreciation/reversal of impairment on property, plant and equipment	31	0
Other operating income	4,360	5,600
Total	25,095	23,810

Income from currency conversion of EUR 7,192 thousand (previous year: EUR 4,315 thousand) is offset by expenses of EUR -9,092 thousand (previous year: EUR -3,462 thousand). The figure from exchange rate differences recognized in income therefore amounts to EUR -1,900 thousand (previous year: EUR 853 thousand).

[10] Own Work Capitalized

In addition to own work capitalized, expenses for research and development not eligible for capitalization of EUR 21,146 thousand (previous year: EUR 17,226 thousand) were recognized for the period.

[11] Change in Inventories

in EUR '000	2022	2021
Work in process	23,746	33,665
Finished goods	6,257	-11,934
Total	30,003	21,731

[12] Cost of Materials

in EUR '000	2022	2021
Raw materials, consumables and supplies, and purchased merchandise	-765,254	-659,198
Purchased services	-106,954	-97,835
Total	-872,208	-757,033

[13] Personnel Expenses

in EUR '000	2022	2021
Wages and salaries	-415,996	-393,714
Social security	-74,755	-70,593
Pensions	-3,891	-3,178
Total	-494,642	-467,485

Personnel expenses do not include the interest component from the transfer to pension provisions. This is recognized in net interest at EUR 469 thousand (previous year: EUR 367 thousand).

[14] Impairment

The impairment relates to goodwill in the amount of EUR 39,366 thousand (previous year: EUR 187 thousand), intangible assets in the amount of EUR 1,874 thousand (previous year: EUR 217 thousand) and tangible fixed assets in the amount of EUR 1,532 thousand (previous year: EUR 2,074 thousand).

Impairment of EUR 12,700 thousand was recognized in the Construction/Infrastructure segment, EUR 13,800 thousand in the Engineering segment, EUR 13,219 thousand in the Medical Engineering/Life Science segment, and EUR 3,053 thousand in the Metals Technology segment. Impairment of EUR 2,479 thousand in the previous year related to the Automotive Technology segment.

See Note [19] for more information regarding goodwill impairment.

[15] Other Operating Expenses

in EUR '000	2022	2021
Selling expenses	-102,125	-86,287
Operating expenses	-58,407	-59,771
Administrative expenses	-57,939	-48,613
Other expenses	-14,997	-12,535
Total	-233,468	-207,206

SELLING EXPENSES

in EUR '000	2022	2021
Shipping, packaging and commissions	-57,859	-51,556
Vehicle, travel and entertainment expenses	-20,542	-14,767
Marketing and trade fairs	-12,897	-9,664
Receivables and guarantees	-7,839	-7,985
Other selling expenses	-2,988	-2,315
Total	-102,125	-86,287

OPERATING EXPENSES

in EUR '000	2022	2021
Machinery and equipment: maintenance, repair, and running costs	-20,646	-21,516
Land and buildings: maintenance and ancillary costs	-14,975	-13,834
Energy, supplies, tools	-10,948	-14,815
Other operating expenses	-11,838	-9,606
Total	-58,407	-59,771

ADMINISTRATIVE EXPENSES

in EUR '000	2022	2021
EDP, office, and communication services	-18,088	-15,410
Consulting and fees	-19,676	-16,493
Insurance	-5,223	-4,721
Human resources administration and continuing education	-7,738	-5,556
Other administrative costs	-7,214	-6,433
Total	-57,939	-48,613

OTHER EXPENSES

in EUR '000	2022	2021
Cost of currency conversion	-9,092	-3,462
Losses due to deconsolidation of companies	0	-837
Disposal of fixed assets	-295	-1,603
Other	-5,610	-6,633
Total	-14,997	-12,535

Expenses for short-term leases of EUR 471 thousand (previous year: EUR 216 thousand) and for low-value leased assets of EUR 302 thousand (previous year: EUR 434 thousand) are included in various items of other operating expenses.

[16] Financial Income

in EUR '000	2022	2021
Interest and similar income	1,378	171
Interest and similar expenses	-14,490	-14,124
Net interest	-13,112	-13,953
Income from shares accounted for using the equity method	511	998
Interests attributable to non-controlling shareholders	-5,203	-3,378
Expense from/amortization of financial assets	0	-9
Income from financial investments	70	385
Other financial income	-5,133	-3,002
Total	-17,734	-15,957

Interest expenses include interest expenses for lease liabilities pursuant to IFRS 16 of EUR 1,444 thousand (previous year: EUR 1,475 thousand). The “shares attributable to non-controlling interests” item includes an effect on income from the subsequent valuation of the contingent purchase price liabilities (call/put options) of EUR 3,008 thousand (previous year: EUR 4,226 thousand) and earnings after taxes that external entities are entitled to from shares in limited partnerships and stock corporations with call/put options.

[17] Income Taxes

in EUR '000	2022	2021
Non-recurring taxes	-689	-917
Current taxes	-58,957	-46,859
Deferred taxes	16,605	-4,131
Total	-43,041	-51,907

Non-recurring taxes were primarily due to changes resulting from diverging tax assessments.

SPECIAL TAX ASPECTS

INDUS Holding AG’s business model is based on the idea of building up a portfolio of small and medium-sized niche enterprises, which hold leading positions on their respective markets. Synergies play a subordinate role when INDUS Holding AG acquires subsidiaries. Each company is responsible for its own results, supported if necessary by the holding company’s resources.

In the past, INDUS focused its acquisitions above all on German limited partnerships. The acquisition of a limited partnership has tax consequences as follows:

The value added from the purchase price allocation for tax purposes is deductible as depreciation/amortization from supplementary tax statements, distributed over the respective useful life. This means that the tax assessment base is reduced by the depreciation/amortization. Even for companies with buoyant earnings, this can result in a tax loss with corresponding tax savings, in trade tax at limited partnerships and in corporate income tax at INDUS Holding AG.

Deferred taxes on tax loss carryforwards are only capitalized by the Group if sufficient taxable income can be assumed.

Trade tax is due at the level of the limited partnerships. Offsetting tax gains and losses between limited partnerships is not permitted for trade tax. The taxable income of partnerships is ascribed to INDUS Holding AG and then subjected to corporate income tax. No tax group contracts have been concluded with limited liability companies. Various companies (foreign and domestic stock corporations as well as limited partnerships with respect to their income taxes) did not generate sufficient taxable income to utilize tax losses. This situation is reflected in the item “No offsetting of income for autonomous subsidiaries.”

**RECONCILIATION FROM EXPECTED TO
ACTUAL TAX EXPENSES**

(in EUR '000)

	2022	2021
Earnings before income taxes	115,931	149,669
Expected tax expenses 29.6% (previous year: 29.6%)	34,316	29,326
Reconciliation		
Non-recurring taxes	689	917
Measurement of associated companies according to the equity method	-151	-320
Amortization of goodwill corporations	5,804	354
Structural effects of		
divergent local tax rates	633	743
divergent national tax rates	-1,445	-2,116
Corporate acquisition transaction costs	70	306
Capitalization or valuation allowance of deferred tax loss carryforwards	110	3,012
Use of actual tax loss carryforward	-763	-2,536
No offsetting of income for autonomous subsidiaries	10,222	18,977
Income attributable to other shareholders	1,540	1,000
Effects of the interest barrier on INDUS Holding AG	680	652
Other non-deductible expenses and tax-free income	-8,664	1,205
Actual tax expenses	43,041	51,520
as a percentage of income	37.1	34.4

[18] Earnings per Share

Earnings from continuing operations came to EUR 2.68 per share (previous year: EUR 3.68 per share). Earnings from discontinued operations came to EUR -4.61 per share (previous year: EUR -1.91 per share). The weighted average number of shares in circulation remained unchanged in the current year at 26,895,559 (previous year: 26,332,863). The increase in the weighted average number of shares in circulation stems from the capital increase of 2,445,050 shares to 26,895,559 shares on March 26, 2021.

in EUR '000	2022	2021
Income attributable to INDUS shareholders	-51,822	46,809
Income (expense) from discontinued operations	-123,907	-50,198
Income attributable to INDUS shareholders from continuing operations	72,085	97,007
Weighted average shares outstanding (in thousands)	26,896	26,333
Earnings per share from continuing operations (in EUR)	2.68	3.68
Earnings per share from discontinued operations (in EUR)	-4.61	-1.90
Earnings per share from continuing and discontinued operations (in EUR)	-1.93	1.78

At a corporate income tax rate of 15% (previous year: 15%), and after taking into consideration the average trade tax assessment multiplier of 395% (previous year: 395%) and an unchanged solidarity surcharge of 5.5%, the income tax rate for domestic companies comes to 29.6% (previous year: 29.6%).

Notes on the Consolidated Statement of Financial Position

[19] Goodwill

Individual goodwill, summarized at segment level, is as follows:

FIXED ASSET SCHEDULE – GOODWILL

(in EUR '000)

	Carrying amount as of Jan. 1, 2022	Changes in scope of consolidation	Addition	Disposal	Impairment	Exchange rate difference	Carrying amount as of Dec. 31, 2022
Construction/Infrastructure	134,190	0	0	0	-12,700	399	121,889
Automotive Technology	19,375	0	0	0	0	19	19,394
Engineering	163,554	32,528	0	0	-11,925	36	184,193
Medical Engineering/Life Science	69,639	0	0	0	-13,219	311	56,731
Metals Technology	23,040	0	0	0	-1,522	0	21,518
Total goodwill	409,798	32,528	0	0	-39,366	765	403,725

	Carrying amount as of Jan. 1, 2021	Changes in scope of consolidation	Addition	Disposal	Impairment	Exchange rate difference	Carrying amount as of Dec. 31, 2021
Construction/Infrastructure	115,759	18,077	0	0	0	354	134,190
Automotive Technology	21,913	0	0	0	-2,529	-9	19,375
Engineering	150,581	12,542	0	0	0	431	163,554
Medical Engineering/Life Science	69,639	0	0	0	0	0	69,639
Metals Technology	23,040	0	0	0	0	0	23,040
Total goodwill	380,932	30,619	0	0	-2,529	776	409,798

IMPAIRMENT TESTS

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.

ANNUAL IMPAIRMENT TEST AS OF SEPTEMBER 30, 2022

The annual impairment test for all goodwill was performed as of September 30, 2022. The latest projections were available from all portfolio companies for the purposes of this test. The planning assumptions 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: 0.7%). The payments determined in this manner are discounted using capital cost rates. These are based on risk-free interest rates of 1.50% (previous year: 0.093%), a market risk premium of 7.25% (previous year: 7.50%) and segment-specific beta coefficients derived by a peer group and borrowing rates.

The following pre-tax cost of capital rates were applied: Construction/Infrastructure 11.5% (previous year: 8.7%); Automotive Technology 10.8% (previous year: 8.7%); Engineering 12.2% (previous year: 9.1%); Medical Engineering/Life Science 10.7% (previous year: 6.1%) and Metals Technology 11.4% (previous year: 8.7%).

The annual impairment test resulted in impairment losses of EUR 39,815 thousand. EUR 37,848 thousand of this amount related to goodwill (previous year: EUR 2,342 thousand), EUR 93 thousand to property, plant and equipment, and EUR 1,874 thousand to intangible assets.

TRIGGERING-EVENT IMPAIRMENT TEST AS OF DECEMBER 31, 2022

Due to the sharp increase in the cost of capital in the fourth quarter of 2022, the INDUS Holding AG Board of Management determined the pre-tax cost of capital rate for the segments as of December 31, 2022, and derived a sufficiently raised pre-tax cost of capital rate for the Medical Engineering/Life Science segment used for an event-linked impairment test as of December 31, 2022.

An updated pre-tax cost of capital rate of 11.5% was applied. It is based on risk-free interest rates of 2.0%, a market risk premium of 7.25% and segment-specific beta coefficients, derived by a peer group, and borrowing rates.

The event-linked impairment test resulted in impairment losses on goodwill of EUR 1,518 thousand.

An increase in the pre-tax cost of capital rate of 0.5 percentage points as of September 30, 2022, would lead to additional goodwill impairments of EUR 8,200 thousand (previous year: EUR 0 thousand). A decrease in the growth rate of 1.0 percentage point would lead to additional goodwill impairments of EUR 4,400 thousand (previous year: EUR 252 thousand).

[20] Right-of-use Assets From Leasing/Rent

The carrying amounts of the right-of-use assets from leasing/rent have changed as follows:

FIXED ASSET SCHEDULE – RIGHT-OF-USE ASSETS FROM LEASING/RENT

(in EUR '000)

	Carrying amount as of Jan. 1, 2022	Addition	Disposal	Addition depreciation	Disposal depreciation	IFRS 5 Reclassification/disposal from the scope of consolidation	Reclassifications/Exchange rate differences	Carrying amount as of Dec. 31, 2022
Right-of-use assets – land and buildings	76,441	10,750	4,487	27,277	4,456	7,412	207	52,678
Right-of-use assets – technical equipment and machinery	9,223	2,023	1,382	3,115	1,158	368	-6	7,533
Right-of-use assets – vehicles	6,595	4,487	3,597	4,506	3,562	9	-2	6,530
Right-of-use assets – other leasing/rent	1,143	2,169	722	1,154	722	0	5	2,163
Total right-of-use assets from leasing/rent	93,402	19,429	10,188	36,052	9,898	7,789	204	68,904

	Carrying amount as of Jan. 1, 2021	Addition	Disposal	Addition depreciation	Disposal depreciation	IFRS 5 Reclassification/disposal from the scope of consolidation	Reclassifications/Exchange rate differences	Carrying amount as of Dec. 31, 2021
Right-of-use assets – land and buildings	70,609	19,260	3,143	13,563	2,756	0	522	76,441
Right-of-use assets – technical equipment and machinery	8,271	3,930	1,464	3,055	1,414	0	127	9,223
Right-of-use assets – vehicles	5,484	5,613	3,123	4,425	3,053	0	-7	6,595
Right-of-use assets – other leasing/rent	1,416	442	543	727	562	0	-7	1,143
Total right-of-use assets from leasing/rent	85,780	29,245	8,273	21,770	7,785	0	635	93,402

The INDUS Group primarily recognizes right-of-use assets for land and buildings. These relate both to administration buildings and to production facilities and warehouses. The leased technical equipment generally concerns machinery necessary for production processes. The leases are agreed

individually. The right-of-use assets from these have estimated total economic lives of up to 50 years. The corresponding financial liabilities are explained in more detail under [31].

[21] Development of Goodwill, Right-of-use Assets From Leasing/Rent, Other Intangible Assets, Tangible Fixed Assets, and Investment Property

PURCHASE/MANUFACTURING COSTS IN 2022

(in EUR '000)

	<u>Opening balance</u> <u>Jan. 1, 2022</u>	<u>Change in scope of consolidation</u>	<u>Addition</u>	<u>Disposal</u>	<u>Reclassification</u>	<u>IFRS 5 Reclassification</u>	<u>Exchange rate difference</u>	<u>Closing balance Dec. 31, 2022</u>
Goodwill	504,816	7,253	0	-372	0	-38,449	485	473,733
Right-of-use assets from leasing/rent	140,993	-14,808	19,429	-10,188	-1,777	-14,407	230	119,472
Capitalized development costs	40,042	-1,775	5,507	0	19	-14,507	111	29,397
Customer base	105,458	43,484	0	0	0	-290	248	148,900
IP rights, concessions, other intangible assets	184,931	-8,989	6,279	-528	627	-6,878	24	175,466
Total other intangible assets	330,431	32,720	11,786	-528	646	-21,675	383	353,763
Land and buildings	315,910	-1,869	2,167	-4,655	9,077	-41,965	2,021	280,686
Technical equipment and machinery	439,179	-63,337	14,623	-18,695	13,871	-74,067	233	311,807
Other equipment, factory and office equipment	204,763	-8,024	17,596	-8,449	3,128	-19,425	376	189,965
Advance payments and facilities under construction	28,972	-8,090	28,595	-129	-24,945	-7,458	-79	16,866
Total property, plant and equipment	988,824	-81,320	62,981	-31,928	1,131	-142,915	2,551	799,324
Investment property	12,232	0	0	0	0	-3,669	0	8,563

AMORTIZATION 2022

(in EUR '000)

	<u>Opening balance</u> <u>Jan. 1, 2022</u>	<u>Change in scope of consolidation</u>	<u>Addition</u>	<u>Disposal</u>	<u>Reclassification</u>	<u>IFRS 5 Reclassification</u>	<u>Exchange rate difference</u>	<u>Closing balance Dec. 31, 2022</u>
Goodwill	95,018	-25,275	39,366	-372	0	-38,449	-280	70,008
Right-of-use assets from leasing/rent	47,591	-8,880	36,052	-9,898	-1,777	-12,546	26	50,568
Capitalized development costs	23,952	-1,775	9,941	0	-238	-14,507	103	17,476
Customer base	33,798	0	10,268	0	0	-326	-102	43,638
IP rights, concessions, other intangible assets	129,864	-17,973	15,118	-473	474	-6,799	2	120,213
Total other intangible assets	187,614	-19,748	35,327	-473	236	-21,632	3	181,327
Land and buildings	91,898	-1,747	15,726	-658	1,383	-20,250	675	87,027
Technical equipment and machinery	336,302	-49,315	40,331	-17,711	957	-73,104	246	237,706
Other equipment, factory and office equipment	144,014	-7,721	21,272	-8,061	-799	-18,699	302	130,308
Advance payments and facilities under construction	0	-8,061	15,630	0	0	-7,423	-146	0
Total property, plant and equipment	572,214	-66,844	92,959	-26,430	1,541	-119,476	1,077	455,041
Investment property	6,450	0	1,367	0	0	-1,469	0	6,348

PURCHASE/MANUFACTURING COSTS IN 2021

(in EUR '000)

	Opening balance Jan. 1, 2021	Change in scope of consolidation	Addition	Disposal	Reclassification	IFRS 5 Reclassification	Exchange rate difference	Closing balance Dec. 31, 2021
Goodwill	478,848	25,183	0	0	0	0	785	504,816
Right-of-use assets from leasing/rent	118,790	-347	29,231	-7,912	-25	0	1,256	140,993
Capitalized development costs	36,726	0	3,217	-227	217	0	109	40,042
Customer base	69,631	35,621	0	0	0	0	206	105,458
IP rights, concessions, other intangible assets	158,505	21,633	5,688	-1,829	671	0	263	184,931
Total other intangible assets	264,862	57,254	8,905	-2,056	888	0	578	330,431
Land and buildings	326,828	-34,417	5,154	-5,215	20,866	0	2,694	315,910
Technical equipment and machinery	464,726	-35,811	21,772	-19,495	5,821	0	2,166	439,179
Other equipment, factory and office equipment	210,294	-7,238	12,426	-13,001	1,437	0	845	204,763
Advance payments and facilities under construction	26,685	484	31,990	-1,224	-28,987	0	24	28,972
Total property, plant and equipment	1,028,533	-76,982	71,342	-38,935	-863	0	5,729	988,824
Investment property	12,232	0	0	0	0	0	0	12,232

AMORTIZATION 2021

(in EUR '000)

	Opening balance Jan. 1, 2021	Change in scope of consolidation	Addition	Disposal	Reclassification	IFRS 5 Reclassification	Exchange rate difference	Closing balance Dec. 31, 2021
Goodwill	97,916	-5,436	2,529	0	0	0	9	95,018
Right-of-use assets from leasing/rent	33,011	-242	21,770	-7,543	-24	0	619	47,591
Capitalized development costs	20,645	0	3,201	-1	0	0	107	23,952
Customer base	27,011	-713	7,348	0	0	0	152	33,798
IP rights, concessions, other intangible assets	124,140	-3,299	10,532	-1,698	7	0	182	129,864
Total other intangible assets	171,796	-4,012	21,081	-1,699	7	0	441	187,614
Land and buildings	115,527	-36,784	14,437	-2,176	-18	0	912	91,898
Technical equipment and machinery	361,720	-35,686	26,980	-18,523	392	0	1,419	336,302
Other equipment, factory and office equipment	145,818	-8,022	18,029	-12,145	-357	0	691	144,014
Advance payments and facilities under construction	0	0	0	0	0	0	0	0
Total property, plant and equipment	623,065	-80,492	59,446	-32,844	17	0	3,022	572,214
Investment property	6,294	0	156	0	0	0	0	6,450

Intangible assets have definable useful lives. Change in scope of consolidation impacts additions in accordance with IFRS 3 and deconsolidation. As of the reporting date, the residual carrying amounts of other intangible assets, property, plant and equipment, and investment properties are:

RESIDUAL CARRYING AMOUNTS OF FIXED ASSETS		
	(in EUR '000)	
	Dec. 31, 2022	Dec. 31, 2021
Goodwill	403,725	409,798
Right-of-use assets from leasing/rent	68,904	93,402
Capitalized development costs	11,921	16,090
Customer base	105,262	71,659
IP rights, concessions, other intangible assets	55,253	55,068
Total other intangible assets	172,436	142,817
Land and buildings	193,659	224,012
Technical equipment and machinery	74,101	102,877
Other equipment, factory and office equipment	59,657	60,749
Advance payments and facilities under construction	16,866	28,972
Property, plant and equipment	344,283	416,610
Investment property	2,215	5,782

[22] Financial Investments

in EUR '000	Dec. 31, 2022	Dec. 31, 2021
Other investments	2,441	2,517
Other loans	3,130	6,277
Total	5,571	8,794

[23] Shares Accounted for Using the Equity Method

As of December 31, 2022, the carrying amounts of shares accounted for using the equity method totaled EUR 4,276 thousand (previous year: EUR 4,578 thousand).

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

in EUR '000	2022	2021
Purchase price of associated companies	4,033	5,044
Appropriated income in the period	511	1,082
Key figures of the associated companies:		
Assets	7,695	8,910
Liabilities	3,532	4,017
Capital	4,163	4,892
Revenue	12,731	23,475
Earnings	1,022	2,163

[24] Other Assets

in EUR '000	Dec. 31, 2022	Dec. 31, 2021
Other financial assets		
Reinsurance premiums	465	977
Long-term receivables	4	659
Loans and other receivables	755	553
Positive market value of derivatives	4,171	0
Other assets	11,075	24,208
Total other financial assets	16,470	26,397
Other non-financial assets		
Accrual of payments not relating to the reporting period	5,949	6,111
Other tax refund claims	1,596	3,788
Contract initiation costs	0	2,627
Total other non-financial assets	7,545	12,526
Total	24,015	38,923
of which current	22,048	35,538
of which non-current	1,967	3,476

In the previous year, contract initiation costs, measured at the nominal value of the payments made, were capitalized in other assets in the amount of EUR 2,627 thousand. Valuation allowances were formed for the contract initiation costs in the 2022 financial year.

[25] Deferred Taxes and Current Income Taxes

The origin of the deferred tax assets and liabilities is broken down by statement of financial position item as follows:

2022 (in EUR '000)	Assets	Liabilities	Balance
Goodwill of limited partnerships	5,125	-21,466	-16,341
Intangible assets*	9,002	-72,498	-63,496
Property, plant and equipment	11,539	-7,010	4,529
Receivables and inventories	24,111	-937	23,174
Other current assets	8,718	-1,240	7,478
Non-current provisions	9,898	-1,832	8,066
Other equity and liabilities	18,723	-30,286	-11,563
Capitalization of loss carryforwards	4,698	0	4,698
Netting	-71,642	71,642	0
Deferred taxes	20,172	-63,627	-43,455

2021 (in EUR '000)	Assets	Liabilities	Balance
Goodwill of limited partnerships	672	-25,105	-24,433
Intangible assets*	781	-47,605	-46,824
Property, plant and equipment	7,905	-7,621	284
Receivables and inventories	27,520	-353	27,167
Other current assets	3,754	-1,176	2,578
Non-current provisions	8,334	-20	8,314
Other equity and liabilities	27,018	-33,909	-6,891
Capitalization of loss carryforwards	5,007	0	5,007
Netting	-67,220	67,220	0
Deferred taxes	13,771	-48,569	-34,798

* Including right-of-use assets from leases/rent

Netting is undertaken for income tax which is due to the same tax authority. This relates mainly to the corporate income tax of INDUS Holding AG and those of its German subsidiaries, which are incorporated companies by law.

Deferred tax liabilities result mainly from the calculation of deferred taxes on the tax-deductible goodwill of limited partnerships. For tax purposes, rules governing the purchase price allocation are similar to those under IFRS for limited partnerships, and the resulting assets – and goodwill of a fiscal nature – are tax-deductible. As goodwill is no longer amortized in accordance with IFRS, deferred taxes will henceforth be accrued in line with the amortization of fiscal goodwill as per the conditions set forth in IAS 12.21B. Deferred taxes must be recognized before the company is sold.

Changes in the balance of deferred taxes are explained in the following tables:

CHANGE IN DEFERRED TAXES

(in EUR '000)

	<u>Jan. 1, 2022</u>	<u>Income statement</u>	<u>Other</u>	<u>Dec. 31, 2022</u>
Trade tax	4,348	-297	0	4,051
Corporation tax	659	-12	0	647
Foreign tax	0	0	0	0
Capitalization of loss carryforwards	5,007	-309	0	4,698
Other deferred taxes	-39,805	16,914	-25,262	-48,153
Deferred taxes	-34,798	16,605	-25,262	-43,455

	<u>Jan. 1, 2022</u>	<u>Income statement</u>	<u>Other</u>	<u>Dec. 31, 2021</u>
Trade tax	4,825	-477	0	4,348
Corporation tax	1,465	-806	0	659
Foreign tax	1,178	-1,178	0	0
Capitalization of loss carryforwards	7,468	-2,461	0	5,007
Other deferred taxes	-27,585	-2,594	-9,626	-39,805
Deferred taxes	-20,117	-5,055	-9,626	-34,798

Other changes in deferred taxes break down as follows:

in EUR '000	<u>2022</u>	<u>2021</u>
Reserves for mark-to-market valuation of hedging instruments (cash flow hedge)	-1,072	-264
Currency conversion reserve	-4,865	-1,072
Pension provisions (actuarial gains/losses)	-3,696	-899
Transfer to retained earnings	0	-689
Change in scope of consolidation	-15,629	-6,702
Total	-25,262	-9,626

Recognized deferred taxes are based on tax loss carryforwards of EUR 35,004 thousand (previous year: EUR 34,823 thousand).

Other tax loss carryforwards amounting to a total of EUR 208,504 thousand (previous year: EUR 395,328 thousand), where the probability of realization in the next years is unlikely, were not capitalized. These are largely trade tax loss carryforwards, resulting from the special tax aspects of the INDUS Group, as described under [17]. Future potential realization possibilities are therefore determined by the trade tax rate that is applicable at the time. The largest indi-

vidual item is the holding company's trade tax loss carryforward. Utilization of the tax loss carryforwards is not subject to any time restrictions.

Deferred tax assets of EUR 1,478 thousand (previous year: EUR 4,636 thousand) were recognized in addition to deferred tax liabilities at companies that recently incurred tax losses, since on the basis of the earnings projections it is more probable, than not that there will be taxable profits to offset against them.

For temporary differences associated with shares in subsidiaries, no deferred tax liabilities have been recognized because INDUS Holding AG is able to control the timing of the reversal of the temporary differences and no liquidation of the differences (through disposal or distribution) is planned. The differences in the net assets of the subsidiaries structured as a limited company and the tax base, which is generally the acquisition cost, came to EUR 133,100 thousand (previous year: EUR 50,944 thousand). The total of the unrecognized temporary differences associated with investments in subsidiaries is EUR 6,655 thousand (previous year: EUR 5,587 thousand).

[26] Inventories

in EUR '000	Dec. 31, 2022	Dec. 31, 2021
Raw materials, consumables, and supplies	173,902	160,589
Unfinished goods	118,898	102,205
Finished goods and goods for resale	137,645	118,854
Advance payments	18,942	22,246
Total	449,387	403,894

The carrying amounts for inventories include depreciation of EUR 23,483 thousand (previous year: EUR 26,781 thousand).

[27] Receivables

in EUR '000	Dec. 31, 2022	Dec. 31, 2021
Receivables from customers	182,087	153,646
Contract receivables	12,553	13,402
Receivables from associated companies	828	1,842
Total	195,468	168,890

In the current reporting year, EUR 4 thousand of receivables from customers with a payment term of over one year have been recognized (previous year: EUR 659 thousand).

Receivables include contract receivables with revenue recognized according to the measurement-over-time method. The following table contains further information about contract receivables:

in EUR '000	2022	2021
Costs incurred including prorated income	105,574	111,173
Advance payments received	133,958	125,148
Contract receivables	12,553	13,402
Contract liabilities	40,937	27,377

Contract liabilities relate to contracts with revenue recognition over time exhibiting an offset surplus of received prepayments. These are shown under other liabilities in the statement of financial position. Of the contract liabilities recognized in the amount of EUR 27,377 thousand in the previous year, EUR 22,517 thousand were recognized as revenue in the reporting year. As of December 31, 2022, there are contract liabilities, with allocated transaction prices of EUR 275,060 thousand (previous year: EUR 154,479 thousand). These are scheduled to be realized as revenue within the next 1 to 47 months.

The receivables include valuation allowances of EUR 5,944 thousand (previous year: EUR 4,756 thousand). The development is depicted below:

in EUR '000	2022	2021
Valuation allowances as of January 1	4,756	5,946
Currency difference	27	37
Change in scope of consolidation	-947	286
Additions	3,975	1,740
Utilization	-167	-1,204
Reversals	-1,700	-2,049
Valuation allowances as of December 31	5,944	4,756

Receivables in the amount of EUR 840 thousand (previous year: EUR 338 thousand) were derecognized through profit and loss in the financial year.

[28] Equity

SUBSCRIBED CAPITAL

The capital stock came to EUR 69,928,453.64 on the reporting date (previous year: EUR 69,928,453.64). Capital stock consists of 26,895,559 (previous year: 26,895,559) no-par-value shares. All shares are fully paid in.

The shares are bearer shares, each conferring one vote at the Annual Shareholders' Meeting. The shares are admitted to the Regulated Market of the Düsseldorf and Frankfurt Stock Exchanges, and for over-the-counter trading in Berlin, Hamburg, and Stuttgart.

AUTHORIZED CAPITAL

The Board of Management is authorized by Section 6.1, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 25, 2026, once or in several installments, by a total of up to EUR 34,964,225.52 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 13,447,779 new registered no-par-value shares (Authorized Capital 2021) and, in doing so, to set a start date for profit sharing that deviates from that set out by law, also with retroactive effect from a financial year that has already passed insofar as no resolution has been passed as yet on the profit for this financial year that has already passed. The new shares may also be issued to one or more financial institutions or other entities mentioned in Section 186 (5) Sentence 1 AktG with the obligation to offer them to the shareholders (indirect subscription right), or partly by way of a direct subscription right (e.g. to shareholders who have previously signed a fixed subscription agreement), or otherwise by way of an indirect subscription right in accordance with Section 186 (5) AktG.

However, the Board of Management is authorized, with the Supervisory Board's approval, to exclude shareholders' statutory subscription rights in the following cases:

- to avoid fractional amounts;
- in the event of a capital increase through cash contributions; if the issue price of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) is not significantly below the stock market price and the aggregate number of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 AktG does not exceed the lower of 10% of the capital stock at the time at which the authorized capital 2021 is entered in the Commercial Register or 10% of the capital stock at the time the new shares are issued. Shares that were sold or issued, or are to be issued, on the basis of other authorizations during the term of this authorization, in direct application or in application mutatis mutandis of Section 186 (3) Sentence 4 AktG excluding subscription rights, shall count towards this limit;
- in a capital increase through non-cash contributions, particularly to acquire companies, company divisions, equity interests in a company or other assets, including receivables owed by the Company; and
- to grant the holders of conversion or option rights relating to shares in the company/corresponding conversion or option obligations a subscription right, to offset dilutions, to the extent that would be available to them as shareholders following their exercise of these rights/fulfillment of these obligations.

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

CONTINGENT CAPITAL

At the Annual Shareholders' Meeting on May 24, 2018, the company's capital stock was conditionally increased by up to EUR 11,700,000.04, divided into 4,500,000 no-par-value shares (contingent capital 2018).

The implementation of the conditional capital increase is conditional upon:

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

New shares are issued at the strike or conversion price determined in accordance with the authorization mentioned above. The new shares participate in profits from the beginning of the financial year in which option or conversion rights are exercised or option or conversion obligations are fulfilled. The Supervisory Board is authorized to amend the wording of the Articles of Incorporation in accordance with such use of the contingent capital and to change all option or conversion deadlines after they expire.

RESERVES AND CONSOLIDATED NET INCOME AVAILABLE FOR DISTRIBUTION

The development of reserves is presented in the statement of changes in equity and includes INDUS Holding AG's capital reserves. As of the reporting date, the equity ratio was 36.3% (previous year: 42.4%).

INTERESTS ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Interests attributable to non-controlling shareholders essentially consist of the shares in the subsidiary of Rolko Kohlgrüber GmbH. Interests attributable to non-controlling shareholders in limited partnerships and limited liability companies, for which the economic ownership of the corresponding non-controlling interests had already been transferred under reciprocal option agreements at the acquisition date, are shown under other liabilities [30].

A reciprocal option agreement (symmetrical call/put option) was signed in 2021 for the acquisition of a 20% minority interest in Weigand Bau GmbH. The option can be exercised by either of the parties at any time after January 1, 2022. Another 23.2% minority interest was acquired in a sub-subsidiary in 2021. Both transactions are reported in the table of equity as “Transactions involving interests attributable to non-controlling shareholders.”

APPROPRIATION OF DISTRIBUTABLE PROFIT

The Board of Management will propose to the Annual Shareholders’ Meeting that the following dividend payments be made from INDUS Holding AG’s balance sheet profit:

Payment of a dividend of EUR 0.80 per no-par-value share (previous year: EUR 1.05 per no-par-value share). At 26,895,559 shares (previous year: 26,895,559 shares), this equates to a payment of EUR 21,516,447.20 (previous year: EUR 28,240,336.95). The text of the proposed appropriation of distributable profit is published separately. The proposed dividend was not recognized in the balance sheet, and there are no tax consequences.

OTHER RESERVES

CHANGE IN OTHER RESERVES

(in EUR '000)

	Jan. 1, 2021	Other comprehensive income 2021	Transfer to retained earnings	Dec. 31, 2021	Other comprehensive income 2022	Transfer to retained earnings	Dec. 31, 2022
Currency conversion reserve	-830	7,101	0	6,271	6,428	0	12,699
Pension provisions (actuarial gains/losses)	-30,555	3,834	2,327	-24,394	15,160	0	-9,234
Deferred taxes for pensions	8,462	-899	-689	6,874	-3,696	0	3,178
Reserve for cash flow hedges	-4,271	1,678	0	-2,593	6,772	0	4,179
Deferred taxes for cash flow hedges	672	-264	0	408	-1,072	0	-664
Total other reserves	-26,522	11,450	1,638	-13,434	23,592	0	10,158

Reserves for currency conversion and for cash flow hedges include unrealized gains and losses. The change in reserves for cash flow hedges instruments is based exclusively on ongoing changes in mark-to-market valuation. There were no effects resulting from reclassification.

CAPITAL MANAGEMENT

INDUS Holding AG manages capital so as to increase the return on equity and ensure the INDUS Group has adequate liquidity and good credit standing. The ratio of equity to interest-bearing total capital, consisting of interest-bearing debt capital and equity, is constantly optimized to the same end. Interest-bearing debt capital comprises pension provisions and financial liabilities, less cash and cash equivalents, and amounts to EUR 617,125 thousand (previous year: EUR 545,454 thousand). Taking equity in the statement of financial position into account, total capital comes to EUR 1,302,346 thousand (previous year: EUR 1,332,928 thousand). Relative to total interest-bearing capital employed, the equity ratio is 52.6% (previous year: 59.1%).

The EUR 30,582 thousand decrease in total capital (previous year: increase of EUR 88,778 thousand) was due to a EUR 102,252 thousand decrease in equity (previous year: increase of EUR 111,120 thousand) and a EUR 71,670 thousand increase in interest-bearing debt capital (previous year: decline of EUR 23,141 thousand).

INDUS Holding AG is not subject to any other legally mandatory capital requirements, with the exception of the minimum capital rules stipulated in stock corporation law. Furthermore, INDUS Holding AG has entered into obligations to maintain a minimum equity ratio at the stock corporation in connection with loan agreements. This enables it to keep receiving funds on reasonable terms. INDUS Holding AG’s required minimum equity ratio was exceeded in the past financial year. The lenders have extraordinary termination rights in case of a change of control. Certain key figures have been defined for promissory note loans.

[29] Pensions

The defined benefit plans exist in portfolio companies in Germany and Switzerland. The German pension plans are based on lifetime pension payments for the beneficiaries and their surviving dependents and are subject to the regulations for pension provisions, pension funds, life insurance, and relief funds, which are mainly regulated through the company pension. The pension plans are only financed via guarantee fund assets in individual cases. Pension obligations in Switzerland are subject to the legal regulations for company pensions and are financed in accordance with these regulations so that they are funded via pension funds. The average weighted term of the obligations for German plans amounts to 12.5 years (previous year: 14.5 years) and for Swiss plans 15.8 years (previous year: 16.9 years).

STATEMENT OF INCOME

(in EUR '000)

	2022	2021	Change
Current service cost	1,921	1,881	40
Interest expense	469	367	102
Income from plan assets	-162	-67	-95
Past service cost	-186	-1,301	1,115
Administrative costs of the trust	127	115	12
Cost of defined benefit obligation	2,169	995	1,174
+ Defined contribution plan cost	3,419	3,332	87
= Expenses for pension commitments in the reporting period	5,588	4,327	1,261

BALANCE SHEET VALUE

(in EUR '000)

	2022	2021	Change
Present value of provisioned benefit entitlements	23,568	41,321	-17,753
Present value of funded benefit entitlements	42,446	40,655	1,791
DBO: Projected benefit obligation of pension commitments	66,014	81,976	-15,962
Market value of plan assets	-42,446	-40,655	-1,791
Net obligation = provision	23,568	41,321	-17,753
Actuarial gains/losses	-9,234	-24,394	15,160
Opening balance: amount carried on the statement of financial position as of January 1	41,321	49,682	-8,361
Pension obligation expenses	2,247	995	1,252
Pension payments	-2,526	-2,777	251
Actuarial gains/losses recognized in equity	-15,160	-3,834	-11,326
Exchange rate changes	336	520	-184
IFRS 5 reclassification	-2,650	0	-2,650
Change in scope of consolidation/netting	0	-3,265	3,265
Closing balance: amount carried on the statement of financial position as of December 31	23,568	41,321	-17,753
Underlying assumptions in percent:			
Discount factor			
Germany	3.80	1.00	
Switzerland	2.25	0.35	
Salary trend			
Germany	2.50	2.50	
Switzerland	1.90	0.90	
Pension trend			
Germany	2.00	1.75	
Switzerland	0.00	0.00	
Expected income from plan assets			
Germany	1.00	1.00	
Switzerland	0.00	0.00	

Interest expense is included in the net interest item. The expected income from plan assets largely corresponds to the actual income.

The defined benefit plans are impacted by actuarial risks, such as longevity risk and interest rate risk. An increase or decrease in the discount factor of 0.5 percentage points would reduce the net obligation by EUR 3,455 thousand (previous year: EUR 5,442 thousand) or increase net obligation by EUR 3,885 thousand (previous year: EUR 6,050 thousand). An increase or decrease in the pension factor of 0.5 percentage points would increase the net obligation by EUR 1,477 thousand (previous year: EUR 1,975 thousand) or reduce the net obligation by EUR 1,379 thousand (previous year: EUR 1,649 thousand).

In connection with retirement benefits, payments amounting to EUR 3,376 thousand are expected in 2023 (in 2021 for 2022: EUR 3,450 thousand).

Plan assets primarily consist of reinsurance policies. Changes in plan assets are as follows:

in EUR '000	2022	2021
Assets as of January 1	40,655	34,411
Expected income from plan assets	162	67
Ongoing contributions by the companies	2,704	2,452
Pensions paid	-2,494	1,324
Netting/other	-457	768
Exchange rate changes	1,876	1,633
Assets as of December 31	42,446	40,655

The statement of financial position also contains reimbursement claims of EUR 465 thousand (previous year: EUR 975 thousand).

[30] Other Provisions

Other provisions include interest in the amount of EUR -3 thousand (previous year: EUR 17 thousand).

PROVISIONS 2022

(in EUR '000)

	Opening balance Jan. 1, 2022	Change in scope of consolidation	IFRS 5 Reclassification	Utilization	Reversals	Addition/ newly created	Exchange rate difference	Closing balance Dec. 31, 2022
Liabilities from warranties	14,672	-997	-478	3,820	1,798	6,029	14	13,622
Liabilities from provisions, bonuses, discounts	14,467	170	-1,293	12,254	1,404	14,758	69	14,513
Personnel expenses	4,072	-778	-247	2,627	301	3,016	5	3,140
Other provisions	59,950	-48,536	-8,347	7,047	794	16,970	-42	12,154
Total	93,161	-50,141	-10,365	25,748	4,297	40,773	46	43,429

Warranty liabilities were formed based on estimated figures due to legal or de facto obligations, provisions, bonus, and discount obligations, and personnel expenses. Personnel expenses mainly consist of contributions to trade associations and potential severance payments. Other provisions relate to potential loss provisions and a range of possible individual risks, which are measured in terms of their probability of occurrence. There were no significant expected reimbursements in relation to obligations recognized as per IAS 37. The opening balance as of January 1, 2022, includes the adjustment to potential loss provisions in the amount of EUR 46,000 thousand resulting from the amendment to IAS 37.

[31] Financial Liabilities

FINANCIAL LIABILITIES/DEVELOPMENT

(in EUR '000)

	Carrying amount as of Jan. 1, 2022		Changes				Carrying amount as of Dec. 31, 2022
	Cash-effective	Not cash-effective	Initial recognition	Changes in scope of consolidation	IFRS 5 Reclassification	Exchange rate change and further non-cash-effective changes	
Liabilities to banks	281,322	67,052	0	-1,124	0	477	347,727
Lease liabilities	95,125	-23,268	19,429	-10,607	-10,389	-145	70,145
Promissory note loans	264,007	39,493	0	0	0	0	303,500
Total financial liabilities	640,454	83,277	19,429	-11,731	-10,389	332	721,372

	Carrying amount as of Jan. 1, 2021		Changes				Carrying amount as of Dec. 31, 2021
	Cash-effective	Not cash-effective	Initial recognition	Changes in scope of consolidation	IFRS 5 Reclassification	Exchange rate change and further non-cash-effective changes	
Liabilities to banks	340,405	-62,642	0	3,651	0	-92	281,322
Lease liabilities	86,120	-20,964	29,245	-123	0	847	95,125
Promissory note loans	287,089	-23,082	0	0	0	0	264,007
Total financial liabilities	713,614	-106,688	29,245	3,528	0	755	640,454

Cash-effective changes in financial liabilities include cash flow from discontinued operations of EUR -3,914 thousand (previous year: EUR -3,630 thousand). These are attributable to changes in liabilities to banks of EUR +273 thousand (previous year: EUR -625 thousand) as well as changes in lease liabilities of EUR -4,187 thousand (previous year: EUR -3,005 thousand).

Exchange rate changes and other non-cash changes include accrued interest of EUR 446 thousand (previous year: EUR -90 thousand).

FINANCIAL LIABILITIES/DERIVATIVES

(in EUR '000)

	Carrying amount as of Dec. 31, 2022	Repayment obligation		
		Up to 1 year	From 1 to 5 years	More than 5 years
Liabilities to banks				
in EUR, the Group's currency	347,123	93,753	214,143	39,227
in other currencies	604	604	0	0
Lease liabilities	70,145	17,306	38,836	14,003
Promissory note loans	303,500	29,071	144,929	129,500
Total financial liabilities	721,372	140,734	397,908	182,730
Notional value of derivatives	113,225	38,780	74,445	0

	Carrying amount as of Dec. 31, 2021	Repayment obligation		
		Up to 1 year	From 1 to 5 years	More than 5 years
Liabilities to banks				
in EUR, the Group's currency	280,434	93,099	176,638	10,697
in South African rand	888	888	0	0
Lease liabilities	95,125	26,099	50,408	18,618
Promissory note loans	264,007	43,082	119,925	101,000
Total financial liabilities	640,454	163,168	346,971	130,315
Notional value of derivatives	160,554	47,329	108,816	4,409

[32] Other Liabilities

in EUR '000	Dec. 31, 2022	Current	Non-current	Dec. 31, 2021	Current	Non-current
Other financial liabilities						
Liabilities to outside shareholders	76,459	17,606	58,853	64,187	19,594	44,593
Liabilities for employees	43,068	43,068	0	43,893	43,893	0
Derivative financial instruments	0	0	0	2,601	2,601	0
Customer credit notes	7,187	7,187	0	11,786	11,786	0
Sundry other liabilities	2,766	2,340	426	4,370	3,664	706
Total other financial liabilities	129,480	70,201	59,279	126,837	81,538	45,299
Other non-financial liabilities						
Liabilities for employees	2,452	2,452	0	2,356	2,356	0
Liabilities for the cost of annual financial statements	3,266	3,266	0	3,238	3,238	0
Advance payments received	33,030	33,018	12	25,683	25,683	0
Contract liabilities	40,937	40,937	0	27,377	27,377	0
Other tax liabilities	11,879	11,879	0	10,143	10,143	0
Accrual of payments not relating to the reporting period	3,959	3,957	2	4,640	4,472	168
Investment subsidies	444	0	444	1,556	0	1,556
Total other non-financial liabilities	95,967	95,509	458	74,993	73,269	1,724
Total	225,447	165,710	59,737	201,830	154,807	47,023

Liabilities to outside shareholders of EUR 64,050 thousand (previous year: EUR 53,563 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. During the financial year, there were new purchase price commitments of EUR 16,622 thousand, EUR 3,855 thousand was recognized in expenses, and EUR 2,280 thousand was deducted mainly due to payouts to outside shareholders. Purchase price commitments fluctuated in line with the percentage change in the operating income (EBIT), partially kept in check by upper and lower limits.

[33] Assets Held For Sale and Liabilities in Connection With Assets Held For Sale

In the fourth quarter of 2022, the Board of Management of INDUS Holding AG decided to sell SELZER Fertigungstechnik and its subsidiaries as well as SCHÄFER Holding GmbH and its subsidiaries. The company is actively looking for buyers. Exploratory talks are being held with interested parties. A sale within the next financial year is considered highly probable.

The associated assets were therefore reported as “assets held for sale.” Liabilities of the group of entities held for sale were simultaneously recognized in the balance sheet item “Liabilities in connection with assets held for sale.” Write-downs of EUR 63,038 thousand (previous year: EUR 5,710 thousand) in connection with the planned sale of SELZER are recognized as expenses under income from discontinued operations.

HELD FOR SALE				(in EUR '000)
	SELZER	SCHÄFER	Others***	Dec. 31, 2022
Intangible assets	0	1,904	0	1,904
Property, plant and equipment	0	7,306	18,333	25,639
Interests in associated companies	0	757	0	757
Inventories	15,525	1,591	0	17,116
Receivables	6,858	1,128	0	7,986
Other assets*	6,008	1,735	0	7,743
Cash and cash equivalents	3,208	1,920	0	5,128
Total "Assets held for sale"	31,599	16,341	18,333	66,273
Pension provisions	2,650	0	0	2,650
Other provisions	10,241	124	0	10,365
Financial liabilities	8,160	2,229	0	10,389
Trade payables	5,402	821	0	6,223
Other equity and liabilities**	4,961	1,103	0	6,064
Total "Liabilities in connection with assets held for sale"	31,414	4,277	0	35,691

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes

** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

*** Other "assets held for sale" relate to land and buildings.

Other Disclosures

[34] Information on the Statement of Cash Flows

The purchase prices paid for the new acquisition of investments were as follows:

in EUR '000	2022	2021
Cash-effective attributable to the acquisition of portfolio companies	63,039	71,115
Less purchased cash	-4,270	-3,787
Net purchase price	58,769	67,328

Cash and cash equivalents include limited-authorization accounts amounting to EUR 577 thousand (previous year: EUR 663 thousand). Investing and financing transactions of EUR 3,439 thousand (previous year: EUR 5,143 thousand) that did not lead to changes in cash and cash equivalents are not included in the statement of cash flows.

Cash inflow from the disposal of shares in fully consolidated companies related to the second tranche of the purchase price for the sale of the Wiesauplast Group. In the previous year, cash inflow comprised the sales price of EUR 10,000 thousand received in financial year 2021, less cash and cash equivalents sold of EUR 2,151 thousand.

The development of financial liabilities is presented in Note [31]. EUR 20,525 thousand (previous year: EUR 19,408 thousand) was paid for leases (interest and principal repayment) in the financial year.

Cash flows from continuing operations is reported in the statement of cash flows. Cash flows for the entire INDUS Group are presented in the following table, divided into continuing and discontinued operations:

in EUR '000	2022	2021
Cash flow from operating activities from continuing operations	116,339	158,355
Cash flow from operating activities from discontinued operations	-48,705	-41,781
Total cash flow from operating activities	67,634	116,574
Cash flow from investing activities from continuing operations	-94,438	-105,990
Cash flow from investing activities from discontinued operations	-28,301	-24,373
Total cash flow from investing activities	-122,739	-130,363
Cash flow from financing activities from continuing operations	55,905	-40,840
Cash flow from financing activities from discontinued operations	-3,914	-3,630
Total cash flow from financing activities	51,991	-44,470
Net changes in cash and cash equivalents from continuing operations	77,806	11,525
Net changes in cash and cash equivalents from discontinued operations	-80,920	-69,784
Total net changes in cash and cash equivalents	-3,114	-58,259

For information regarding the composition of cash flows from discontinued operations, see note [7].

[35] Segment Reporting

SEGMENT INFORMATION

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8

(in EUR '000)

	<u>Construction/ Infrastructure</u>	<u>Automotive Technology</u>	<u>Engineering</u>	<u>Medical Engineering/ Life Science</u>	<u>Metals Technology</u>	<u>Total segments</u>	<u>Reconciliation</u>	<u>Consolidated financial statements</u>
2022								
Revenue with external third parties								
from customer contracts	458,194	128,175	385,951	147,564	460,343	1,580,227	503	1,580,730
in accordance with the over time method	56,813	4,229	144,233	0	0	205,275	0	205,275
from service contracts	195	10,341	1,551	6,011	6	18,104	0	18,104
Revenue with external third parties	515,202	142,745	531,735	153,575	460,349	1,803,606	503	1,804,109
Revenue with Group companies	103	13,606	5	75	5,980	19,769	-19,769	0
Revenue	515,305	156,351	531,740	153,650	466,329	1,823,375	-19,266	1,804,109
Segment earnings (EBIT)	59,616	-7,865	50,858	-4,649	50,689	148,649	-14,984	133,665
Depreciation/amortization	-33,511	-10,382	-39,906	-23,667	-17,444	-124,910	-3,853	-128,763
of which amortization	-20,811	-10,382	-26,106	-10,448	-15,828	-83,575	-2,416	-85,991
of which impairment	-12,700	0	-13,800	-13,219	-1,616	-41,335	-1,437	-42,772
Segment EBITDA	93,127	2,517	90,764	19,018	68,133	273,559	-11,131	262,428
Income from measurement according to the equity method	511	0	0	0	0	511	0	511
Investments	12,326	10,512	67,931	9,715	12,611	113,095	214	113,309
of which company acquisitions	0	0	58,769	0	0	58,769	0	58,769
Dec. 31, 2022								
Shares accounted for using the equity method	4,276	0	0	0	0	4,276	0	4,276
Goodwill	121,889	19,394	184,193	56,731	21,518	403,725	0	403,725

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
2021								
Revenue with external third parties								
from customer contracts	416,192	162,513	286,037	142,798	420,407	1,427,947	288	1,428,235
in accordance with the over time method	35,181	1,410	151,719	0	0	188,310	0	188,310
from service contracts	188	9,879	979	5,878	0	16,924	0	16,924
Revenue with external third parties	451,561	173,802	438,735	148,676	420,407	1,633,181	288	1,633,469
Revenue with Group companies	137	11,278	97	76	7,006	18,594	-18,594	0
Revenue	451,698	185,080	438,832	148,752	427,413	1,651,775	-18,306	1,633,469
Segment earnings (EBIT)	70,619	-6,927	56,527	11,968	42,396	174,583	-8,957	165,626
Depreciation/amortization	-19,107	-16,253	-22,696	-10,900	-15,642	-84,598	-932	-85,530
of which amortization	-19,107	-13,774	-22,696	-10,900	-15,642	-82,119	-932	-83,051
of which impairment	0	-2,479	0	0	0	-2,479	0	-2,479
Segment EBITDA	89,726	9,326	79,223	22,868	58,038	259,181	-8,025	251,156
Income from measurement according to the equity method	-310	0	1,309	0	0	999	0	1,082
Investments	48,577	4,620	40,881	11,607	14,005	119,690	191	119,881
of which company acquisitions	32,700	0	34,628	0	0	67,328	0	67,328
Dec. 31, 2021								
Shares accounted for using the equity method	3,770	808	0	0	0	4,578	0	4,578
Goodwill	134,190	19,375	163,554	69,639	23,040	409,798	0	409,798

RECONCILIATION

(in EUR '000)

	2022	2021
Segment earnings (EBIT)	148,649	174,583
Areas not allocated incl. holding company	-14,984	-8,957
Financial income	-17,734	-15,957
Earnings before taxes	115,931	149,669

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

idated financial statements. The transfer prices between the segments are based on arm's-length prices.

SEGMENT INFORMATION BY REGION

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

Non-current assets, less deferred taxes and financial instruments, are based on the registered offices of the companies concerned. Further differentiation would not be useful since the majority of companies 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	<u>Group</u>	<u>Germany</u>	<u>EU</u>	<u>Third countries</u>
2022				
Revenue with external third parties	1,804,109	896,887	352,829	554,393
Dec. 31, 2022				
Non-current assets, less deferred taxes and financial instruments	995,839	876,160	39,438	80,241
2021				
Revenue with external third parties	1,633,469	837,621	330,032	465,816
Dec. 31, 2021				
Non-current assets, less deferred taxes and financial instruments	1,072,987	893,656	50,022	129,309

[36] Information on the Significance of Financial Instruments

FINANCIAL INSTRUMENTS

(in EUR '000)

	<u>Balance sheet value</u>	<u>IFRS 9 not applicable</u>	<u>IFRS 9 Financial instruments</u>	<u>of which measured at fair value</u>	<u>of which measured at amortized cost</u>
Dec. 31, 2022					
Financial investments	5,571	0	5,571	2,441	3,130
Cash and cash equivalents	127,816	0	127,816	0	127,816
Receivables	195,468	12,553	182,915	0	182,915
Other assets	24,015	7,545	16,470	4,171	12,299
Financial instruments: Assets	352,870	20,098	332,772	6,612	326,160
Financial liabilities	721,372	0	721,372	0	721,372
Trade payables	74,283	0	74,283	0	74,283
Other liabilities	225,447	95,967	129,480	64,050	65,430
Financial instruments: Equity and liabilities	1,021,102	95,967	925,135	64,050	861,085
Dec. 31, 2021					
Financial investments	8,794	0	8,794	2,517	6,277
Cash and cash equivalents	136,320	0	136,320	0	136,320
Receivables	168,890	13,402	155,488	0	155,488
Other assets	39,014	12,617	26,397	0	26,397
Financial instruments: Assets	353,018	26,019	326,999	2,517	324,482
Financial liabilities	640,454	0	640,454	0	640,454
Trade payables	75,811	0	75,811	0	75,811
Other liabilities	201,830	74,993	126,837	56,164	70,673
Financial instruments: Equity and liabilities	918,095	74,993	843,102	56,164	786,938

The fair value of financial liabilities that are measured at amortized costs is EUR 663,413 thousand (previous year: EUR 648,256 thousand). The fair value of all other financial instruments measured at amortized costs corresponds to the amortized cost, or deviates immaterially.

FINANCIAL INSTRUMENTS BY BUSINESS MODEL IN ACC. WITH IFRS 9

(in EUR '000)

	Carrying amounts		Net gains/losses	
	Dec. 31, 2022	Dec. 31, 2021	2022	2021
Financial assets measured at fair value through profit and loss	0	0	0	-145
Financial assets measured at cost	326,160	324,482	-4,690	484
Financial assets recognized at fair value directly in equity – of which equity instruments	2,441	2,517	-6	0
Derivatives with hedging relationships, hedge accounting	4,171	0	4,171	0
Financial instruments: Assets	332,772	326,999	-525	339
Financial liabilities measured at fair value through profit and loss	64,050	53,563	-3,855	0
Financial liabilities measured at cost	861,085	786,938	-681	84
Derivatives with hedging relationships, hedge accounting	0	2,601	2,601	0
Financial instruments: Equity and liabilities	925,135	843,102	-4,536	84

The gains and losses from changes to the fair value of forward exchange contracts are included in the category “Financial assets measured at fair value through profit and loss.” The net result of “Financial assets measured at cost” results largely from valuation allowances on receivables and exchange rate gains and losses from the translation of foreign currency transactions. The gains and losses in the “Financial assets recognized at fair value directly in equity” category include income/expenses from equity instruments that are recognized in this valuation category.

Losses from forward exchange contracts and any losses due to the ineffectiveness of derivatives are recognized in the “Financial liabilities measured at fair value through profit and loss” category. The expenses in the “Financial liabilities measured at cost” category include exchange rate gains and losses from the translation of liabilities in foreign currency.

Total interest income for financial instruments not measured at fair value through profit and loss amounts to EUR 1,365 thousand (previous year: EUR 133 thousand). The corresponding total interest expenses are EUR 12,835 thousand (previous year: EUR 13,665 thousand).

TYPE AND SCOPE OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

In keeping with the philosophy of INDUS Holding AG, the assessment and management of operating risks is the responsibility of the portfolio companies and their managing directors. The holding company calculates and monitors the overall financing need on the basis of the local risk assessment and the investment and financing plans of the respective portfolio companies. Interest rate and exchange rate risks are hedged using non-derivative and derivative financial instruments, with the latter being transacted solely for hedging purposes.

RISK MANAGEMENT AND FINANCIAL DERIVATIVES

The INDUS Group operates an effective risk management system to detect business risks at an early stage, focusing on the key types of problems facing a diversified portfolio of investments. This system integrates the specific aspects of financial risk management in accordance with the definition in IFRS 7. The basic principles of the financial policies are established each year by the Board of Management and monitored by the Supervisory Board. For further details, see the discussion provided in the management report.

LIQUIDITY RISK

Liquidity risk is the risk that future payment obligations cannot be met due to lack of cash. The INDUS Group’s liquidity is monitored by INDUS Holding AG’s Treasury department using liquidity reports.

Basically, the individual portfolio companies finance themselves from their operating results. Transfers are made between INDUS Holding AG and the portfolio companies depending on the liquidity situation. The INDUS Group holds sufficient cash and cash equivalents to enable the firm to take action at any time (2022: EUR 127,816 thousand, previous year: EUR 136,320 thousand). It also has unused credit lines totaling EUR 91,575 thousand (previous year: EUR 82,736 thousand).

Loans are widely diversified, thereby preventing the company from becoming dependent on individual lenders. The level of available liquidity and firm financing commitments enable the company to take advantage of acquisition opportunities at any time. Long-term financing is structured in tranches with revolving new lines of financing, limiting financing risk.

An ESG-linked promissory note loan with a volume of EUR 56,000 thousand was issued on December 1, 2021. Funds were credited on January 12, 2022. Another ESG-linked promissory note loan with a volume of EUR 37,000

thousand was issued on November 7, 2022. Funds were credited on November 9, 2022.

The following cash outflows, which are incorporated into the INDUS Group's long-term financial planning, were determined in consideration of the conditions for financial instruments determined as of the reporting date:

CASH OUTFLOW

(in EUR '000)

	Dec. 31, 2022			Dec. 31, 2021		
	Up to 1 year	From 1 to 5 years	More than 5 years	Up to 1 year	From 1 to 5 years	More than 5 years
Interest rate derivatives	520	385	0	1,373	2,157	25
Total derivative financial instruments	520	385	0	1,373	2,157	25
Financial liabilities	143,093	413,411	244,282	173,305	367,514	141,278
of which lease liabilities	17,225	38,836	14,003	27,125	52,227	19,641
Trade payables	74,283	0	0	75,811	0	0
Other financial liabilities	70,201	59,279	0	81,538	45,299	0
Total financial instruments	287,577	472,690	244,282	330,654	412,813	141,278

Cash flows consist of principal repayments and their respective interest. The accumulated payment flows from financial liabilities and interest rate derivatives result in the payment flow from corresponding fixed-term loans.

DEFAULT RISK

Default risk means the risk of financial losses due to non-settlement or partial settlement of existing receivables.

In the financing area of INDUS, contracts are concluded only with counterparties of first-class credit standing. In the operational area, the portfolio companies are responsible for ongoing decentralized risk monitoring. Default risks are taken into account by means of adequate valuation allowances. The maximum default risk corresponds to the balance sheet value of loans and receivables originated by the company, while for derivatives it is equal to the sum total of their positive market values.

Corporate risk is widely diversified, as INDUS Group companies are autonomous and they all develop and offer a variety of products on different markets.

A concentration of default risks arising from business relationships exists in the Automotive Technology segment and results from the segment's oligopolistic customer structure. Based on the total stock of trade receivables, there are seven customers (previous year: eleven) with a share of more than 1% each. This equates to a share of about 21% of open items as recognized in the consolidated financial statements (previous year: 22%). The ten largest customers accounted for approximately 19% of Group sales (previous year: approximately 20%).

Furthermore, there are receivables from customers and associated companies which are overdue but have had no valuation allowances carried out for them. There are generally no major payment defaults with due dates of up to three

months, since overdue payments largely result from timing differences in their booking. Since trade receivables were not subjected to valuation allowances and were not overdue, there were no indications as of the reporting date that the debtors may not be able to meet their payment obligations. Trade receivables are regarded as in default if it is very unlikely that the debtor will meet its payment obligation. This is particularly the case in insolvency proceedings or in legal disputes with no prospect of success. The expected defaults are calculated using past experience, taking account of the expectations for future financial performance. For all other financial assets, the default risk is seen as very low.

RECEIVABLES FROM CUSTOMERS AND ASSOCIATED COMPANIES AND CONTRACT ASSETS

(in EUR '000)

	2022	2021
Carrying amount	195,468	168,890
of which valuation allowance	5,944	4,756
Gross amount of receivables before valuation allowance	201,412	173,646
of which as per reporting date		
neither impaired nor past due	164,599	137,663
not impaired and past due by the following		
less than 3 months	26,340	25,510
between 3 and 6 months	2,442	2,533
between 6 and 9 months	1,065	1,263
between 9 and 12 months	848	898
more than 12 months	2,367	1,732

The following table contains information on the estimated default risk and expected losses on trade receivables:

DEFAULT RISK FOR RECEIVABLES

(in EUR '000)

	Loss rate (weighted average)	Gross carrying amount	Expected loss	Impaired credit rating
Not past due and 1 to <3 months past due	0.97%	190,939	1,860	No
3 to <6 months past due	6.92%	2,442	169	No
6 to <9 months past due	10.99%	1,065	117	No
9 to <12 months past due	2.95%	848	25	No
>12 months past due	3.80%	2,367	90	Yes

The anticipated default risk is determined on the basis of historical data, particularly historical default rates. If an increase or reduction in bad debt losses can be expected in the future, this is taken into account accordingly when measuring anticipated defaults.

The business models, customers and the economic, political and geographical environment are considered in the detection of default risk. The individual Group companies therefore apply specific default rates.

INTEREST RATE RISK

INDUS Holding AG ensures and coordinates the financing and liquidity of the Group. The main focus is on financing the long-term development of its investment portfolio. This means employing fixed-rate and variable-rate financing instruments, which are converted to fixed rate instruments by way of interest-rate swaps.

Changes in interest rates might affect the market value of financial instruments and their cash flows. These effects are calculated by performing a sensitivity analysis, which involves shifting each of the relevant interest-rate structure curves by 100 basis points in parallel. The effects are calculated for the fixed conditions of the financial instruments in the portfolio as of the reporting date.

Changes in market value can impact the depiction of the financial position and financial performance, depending on the valuation category of the underlying financial instruments. The following table shows interest rate sensitivity with a parallel shift in the yield curve of 100 base points (BP):

	SENSITIVITY ANALYSIS FOR MARKET PRICE RISK (in EUR '000)			
	Dec. 31, 2022		Dec. 31, 2021	
	+100 BP	-100 BP	+100 BP	-100 BP
Market value of derivatives	1,410	-1,464	2,853	-2,982
of which equity/hedges	1,410	-1,464	2,853	-2,982
of which interest expense per statement of income	0	0	0	0
Market value of loans	11,163	-11,893	11,165	-11,895
Total market value	12,573	-13,357	14,018	-14,877

Since interest rate risks are virtually completely hedged against, economically speaking, changes in interest rates would be offset in variable interest-bearing debt and derivative financial instruments. There would therefore be no material impact on future cash flows.

CURRENCY RISK

Currency risks basically result from the operating activities of the Group companies and financing transactions between the foreign portfolio companies and the respective holding company. Risk analyses are carried out on a net basis, while hedges are concluded by the portfolio companies on a case-by-case basis in accordance with the philosophy of commercial autonomy. Forward exchange contracts and option transactions were employed in the previous year.

Currency risks have an effect on the presentation of the financial position and financial performance when financial instruments are denominated in currencies other than the functional currency of the Group company in question. Risks arising from the currency translation of financial statements to the Group's currency are not taken into consideration. Since currency hedges are not formally accounted for as hedges, this does not have an impact on provisions for the mark-to-market valuation of financial instruments.

Assuming that the exchange rates of all foreign currencies were to rise by 10% against the euro as of the reporting date, net income from currency conversion would change by EUR 8,436 thousand (previous year: EUR 6,989 thousand). As in the previous year, net receivables in US dollars and Swiss francs are the main influence.

HEDGE ACCOUNTING

HEDGING INSTRUMENTS

As of the reporting date, currency hedges with a nominal volume of EUR 0 thousand (previous year: EUR 5,180 thousand) were in place. Exchange rate hedges in the previous year related to transactions in US dollars. The hedging contracts had a market value of EUR -5 thousand.

Interest rate hedges account for a nominal volume of EUR 113,225 thousand (previous year: EUR 155,261 thousand). The market values amounted to EUR 4,171 thousand (previous year: EUR -2,601 thousand). As in the previous year, interest rate hedges relate to already recognized loan transactions. Further details on terms and maturities are included in the report on financial liabilities.

FINANCIAL STATEMENT ACCOUNTING OF HEDGING TRANSACTIONS AS HEDGE ACCOUNTING

Of the hedging instruments presented previously, the following hedging instruments are part of hedge accounting:

HEDGE ACCOUNTING PURSUANT TO IFRS 9

(in EUR '000)

	Nominal amounts	Carrying amount of hedging instrument	Balance sheet item	Changes in hedging instrument values recognized in other income
Dec. 31, 2022				
Cash flow hedges				
Interest rate hedges	113,225	4,171	Other current assets	6,772
Exchange rate hedges	0	0	Other current liabilities	0
Total		4,171		6,772
Dec. 31, 2021				
Cash flow hedges				
Interest rate hedges	155,260	-2,601	Other current liabilities	1,678
Exchange rate hedges	0	0	Other current liabilities	0
Total		-2,601		1,678

The average interest rate for interest rate hedges is 0.95% (previous year: 0.82%). As in the previous year, there was no hedge accounting for exchange rate hedges as of the reporting date.

[37] Collateral Furnished

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

RECONCILIATION OF RESERVES FOR CASH FLOW HEDGES (in EUR '000)

	Reserve for cash flow hedges	Deferred taxes for cash flow hedges
As of January 1, 2021	-4,271	672
Change in fair value		
Interest rate hedges	1,678	-264
Exchange rate hedges	0	0
As of December 31, 2021	-2,593	408
As of January 1, 2022	-2,593	408
Change in fair value		
Interest rate hedges	6,772	-1,072
Exchange rate hedges	0	0
As of December 31, 2022	4,179	-664

PLEGGED ASSETS (in EUR '000)

	2022	2021
Land charges	18,805	18,714
Pledged assets	0	162
Other collateral	575	81
Total collateral	19,380	18,957

[38] Contingent Liabilities

Liabilities from guarantees exist in the amount of EUR 3,008 thousand (previous year: EUR 6,637 thousand). These include external obligations which INDUS Holding AG assumed in connection with the business activities of the portfolio companies. Currently, it is extremely unlikely that the beneficiaries would utilize the guarantees.

[39] Other Financial Obligations

Obligations from purchase commitments for fixed assets came to EUR 7,761 thousand (previous year: EUR 11,551 thousand), of which EUR 6,988 thousand (previous year: EUR 11,416 thousand) was for property, plant and equipment, and EUR 773 thousand (previous year: EUR 135 thousand) was intangible assets. The previous year's figures included a payment obligation from a multi-year customer contract in the amount of EUR 1,000 thousand.

[40] Related Party Transactions

MEMBERS OF MANAGEMENT IN KEY POSITIONS AND AFFILIATED PERSONS

In line with the structure of the INDUS Group, key management personnel include twelve members of the Supervisory Board (previous year: twelve members), four people on the Board of Management of INDUS Holding AG (previous year: four people), and, in line with the management structures until December 31, 2022, the managing directors of the operating units (2022: 118 people, previous year: 115 people).

There are no pension commitments by INDUS Holding AG for members of the Board of Management which must be disclosed in the financial statements.

COMPENSATION OVERVIEW

(in EUR '000)

	<u>Expense in the period</u>	<u>of which short-term compensation</u>	<u>of which share-based payment</u>	<u>of which severance payments</u>	<u>of which pensions</u>
2022					
INDUS Holding AG					
Supervisory Board	776	776	0	0	0
Board of Management	1,831	2,064	-233	0	0
Subsidiaries					
Managing directors	23,890	23,222	0	120	548
Family members	189	189	0	0	0
Total	26,686	26,251	-233	120	548
2021					
INDUS Holding AG					
Supervisory Board	706	706	0	0	0
Board of Management	2,979	2,692*	287*	0	0
Subsidiaries					
Managing directors	21,372	20,962	0	0	411
Family members	186	186	0	0	0
Total	25,243	24,546	287	0	411

* Previous year's figures adjusted

The employee representatives on the Supervisory Board also have employment contracts with the respective INDUS portfolio companies.

SUPERVISORY BOARD COMPENSATION

The Supervisory Board's compensation was determined by the extraordinary Annual Shareholders' Meeting of INDUS Holding AG in November 2018. This is stipulated in Section 16 (1) and (2) of the Articles of Incorporation. In addition to reimbursement of out-of-pocket expenses incurred in performing their duties in the financial year ended, all Supervisory Board members receive fixed compensation of EUR 30 thousand along with an attendance fee of EUR 3 thousand per meeting. The Chair receives double the two aforementioned sums, and the deputy receives one-and-a-half times these amounts. Each member of a Supervisory Board committee receives compensation in the amount of EUR 5 thousand in addition to reimbursement of out-of-pocket expenses for his or her activities in the past financial year. The chair of the committee receives twice the amount mentioned above. There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. The Supervisory Board met eight times in 2022 (previous year: six times).

For further information about Supervisory Board compensation, we refer to our separate Compensation Report.

BOARD OF MANAGEMENT COMPENSATION

For the 2022 financial year, the compensation for the members of the Board of Management of INDUS Holding AG comprised basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program), and a share-based component of the compensation (long-term incentive program). A new compensation system for the members of the Board of Management was adopted at the Annual Shareholders' Meeting 2021. The variable components STI and LTI were redefined. With the STI, the member of the Board of Management's annual contribution to achieving the predefined operating targets and sustainable corporate development is compensated. The STI consists of a part that rewards the achievement of financial targets and a part that rewards the achievement of non-financial targets relating to sustainability and strategy. The share of non-financial targets in the overall STI targets is at least 20%.

LONG-TERM INCENTIVE PROGRAM UNTIL 2020 (OLD COMPENSATION SYSTEM)

The old long-term incentive program (LTI program) consisted of awarding virtual stock options (SAR, stock appreciation rights). An SAR comprises a commitment to pay an amount determined by the difference between the exercise price of the SAR and the current market price of company shares on exercise of the SAR. The SAR exercise price corresponds to the average closing price of company shares in XETRA trading over the last 20 trading days prior to option issuance. The Board of Management was granted a tranche of SARs each year until 2020. The option price of the SAR is calculated when it is granted. The contractually agreed target determines the number of SARs allocated to the tranche. The SARs are non-forfeitable from the date they are granted. There is a vesting period for the exercise of options for each tranche granted (four years). The exercise period immediately following the statutory waiting period amounts to two years. A tranche can only be paid out if the share price is higher than the exercise price of the tranche's SAR on exercise and a defined payout threshold is cleared (minimum price increase of 12% during the vesting period). There is an upper limit (cap) on payment of 200% of the contractually agreed target.

The number of SARs granted to Board of Management members in annual tranches was determined based on the option price at the grant date and the contractually specified target price. The last SARs were granted in the 2020 financial year. Until December 31, 2022, there were 185,376 granted and not yet exercised SAR (previous year: 228,264). 42,887 options lapsed in the 2022 financial year. The fair value of previously granted, not yet exercised SARs totaled EUR 50 thousand as of the reporting date (previous year: EUR 505 thousand). A provision for this amount was recognized in the annual financial statements. A reversal for EUR 455 thousand (previous year: EUR 471 thousand) was recognized in personnel expenses. No payments were made from the stock options in the financial year or the previous year.

Fair value calculation is based on an option-price model of Black/Scholes and reasonable volatility on the part of INDUS, along with a risk-free interest rate that takes the cap on payment claims into account. The options have a vesting period of four years and an exercise period of two years.

LONG-TERM INCENTIVE PROGRAM FROM 2021 (NEW COMPENSATION SYSTEM)

The new LTI program is structured as a virtual performance share plan (VPSP). The VPSP is based on a four-year performance period that starts at the beginning of each financial year. Virtual shares (performance share units, or PSUs) are awarded to the members of the Board of Management at the beginning of each performance period. The number of PSUs at the beginning of the performance period is determined by dividing the individual LTI target by the share price at the time of the award. The share price at the time of the award is the average closing price in the XETRA trading system of Frankfurt Stock Exchange (or a comparable successor system) on the previous 40 trading days.

The number of PSU can change over the performance period depending on a bonus factor for achieving the external and internal targets defined by the Supervisory Board for the performance period. If the targets are not met, the bonus factor is less than 100%; the number of PSUs is reduced accordingly and may also be zero if the target is not met by a large margin. Overachievement against the targets results in a bonus factor of more than 100%, and the number of PSUs increases accordingly. The final number of PSUs at the end of the performance period is capped at 150% of the number of PSUs at the beginning of the performance period.

The Supervisory Board defines the external and internal target for the respective performance period at the beginning of the performance period after preparation by the Personnel Committee. These targets are not changed during the performance period.

24,429 (previous year: 25,380) virtual performance shares (VPS) from the new LTI program were awarded in financial year 2022. This performance period for this plan (LTI Plan 2022) runs until December 31, 2025. Any payments under the LTI Plan 2022 will be made in 2026. On the date on which they were granted, the total fair value of the VPS was EUR 706 thousand (previous year: EUR 719 thousand). Until December 31, 2022, there were 49,809 granted and not yet exercised VPSs (previous year: 25,380). The fair value of previously granted, not yet exercised VPS totaled EUR 887 thousand as of the reporting date (previous year: EUR 676 thousand). A provision for this amount was recognized in the annual financial statements. EUR 211 thousand (previous year: EUR 676 thousand) was added to personnel expenses.

Fair value was measured using a Monte Carlo simulation model. Assumptions were made for reasonable volatility for INDUS and the risk-free interest rate, taking the payment cap into account. A reasonable correlation between the INDUS share and SDAX based on historic data from the past three years was used to calculate the TSR.

CHANGE OF CONTROL

In the event of a material change in the composition of the Supervisory Board (change of control), the members of the INDUS Holding AG Board of Management have a special right to terminate their employment contracts within one year. In the event of a dismissal for cause, or dismissal of the Board of Management within one year after a change of control without good cause within the meaning of Section 626 BGB, the company will pay out severance to the members of the Board of Management. This will be based on the member's full compensation, including all fixed and variable components of the compensation and non-cash benefits. Severance payments will be paid for a maximum of the period through the end of their employment contracts, or a total term of two financial years if the regular end of the contract differs from this period.

COMPENSATION

For the 2022 and the previous financial year, the compensation for the members of the Board of Management of INDUS Holding AG comprised basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program), and a share-based component of the compensation (long-term incentive program). The long-term incentive program, structured as a virtual performance share plan (VPSP), was in effect in 2022 and the previous year.

Overall expenses in the amount of EUR 1,831 thousand (previous year: EUR 2,979 thousand) were reported for compensation paid to the Board of Management. A total of EUR 1,856 thousand is attributable to fixed compensation (previous year: EUR 1,747 thousand), EUR 208 thousand to short-term variable compensation (previous year: EUR 945 thousand) and EUR -233 thousand to the virtual stock options (previous year: EUR 287 thousand).

Disclosures pursuant to Sec. 314 (1) (6) a of the German Commercial Code (HGB): The total compensation paid to members of the Board of Management in the financial year amounted to EUR 2,767 thousand (previous year: EUR 3,411 thousand). The total compensation paid to the Supervisory Board amounted to EUR 776 thousand (previous year: EUR 706 thousand). A former member of the Board of Management has pension rights with a defined benefit obligation of EUR 77 thousand (previous year: EUR 80 thousand). The pension rights are covered by a reinsurance policy with a corresponding value. EUR 6 thousand was paid out in the financial year in relation to these pension rights (previous year: EUR 6 thousand).

See the separate compensation report for individual Board of Management compensation.

OTHER RELATIONS

INDUS Group transactions with persons or companies which control or are controlled by the INDUS Group must be disclosed insofar as they have not already been included in the consolidated financial statements as a consolidated company. Affiliated companies are the companies in the consolidated financial statements accounted for using the equity method. The other categories relate to key management personnel, their family members and their attributable companies.

RELATED PARTY DISCLOSURES

(in EUR '000)

	<u>Sales and other operating income</u>	<u>Purchase of goods</u>	<u>Other purchases</u>	<u>Outstanding amounts</u>	<u>Loans made</u>
2022					
Related companies	1,721	62	0	36	776
Family members of managing directors and shareholders	1	252	1	0	0
Non-controlling shareholders	20,192	0	0	0	0
Managing directors of portfolio companies	0	0	60	20	0
Total related parties	21,914	314	61	56	776
2021					
Related companies	1,357	41	252	905	858
Family members of managing directors and shareholders	1	153	5	0	0
Non-controlling shareholders	14,220	0	0	0	0
Managing directors of portfolio companies	0	0	71	4	1,000
Total related parties	15,578	194	328	909	1,858

Revenue of EUR 20,192 thousand (previous year: EUR 14,220 thousand) was recognized in 2022 from a business relationship with a related company of a non-controlling shareholder.

[41] Employees

AVERAGE NUMBER OF EMPLOYEES IN THE FINANCIAL YEAR

	2022	2021
Employees by region		
Germany	7,549	7,571
Europe (EU & Switzerland)	1,548	1,609
Rest of world	1,610	1,730
Employees in continuing and discontinued operations	10,707	10,910
Employees by segment		
Construction/Infrastructure	2,343	2,173
Automotive Technology	952	1,430
Engineering	2,418	2,289
Medical Engineering/Life Science	1,588	1,613
Metals Technology	1,496	1,520
Other	40	38
Employees in continuing operations	8,837	9,063
Employees in discontinued operations	1,870	1,847
Employees in continuing and discontinued operations	10,707	10,910

[42] Cost of the Annual Financial Statements and Audit of the Consolidated Financial Statements

External auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft's (previous year: Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft) fee for auditing the consolidated financial statements amounted to EUR 919 thousand (previous year: EUR 611 thousand), of which EUR 0 thousand (previous year: EUR 32 thousand) was for previous years, EUR 3 thousand (previous year: EUR 40 thousand) for other confirmation and valuation services, of which EUR 0 thousand was for previous years (previous year: EUR 5 thousand), EUR 0 thousand (previous year: EUR 38 thousand) for accountancy services and EUR 0 thousand (previous year: EUR 30) for other services. "Confirmation services" refers to the review of the non-financial statement of INDUS Group and the substantive audit of the compensation report.

[43] German Corporate Governance Code

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Board of Management and the Supervisory Board submitted a German Corporate Governance Code declaration December 8, 2022, and made it available to shareholders on the INDUS Holding Aktiengesellschaft website. www.indus.de/en/about-indus/corporate-governance

[44] Application of Simplifications in Accordance With Section 264 (3) and Section 264b (HGB)

In the complete list of shareholdings recorded in the electronic commercial register in accordance with Section 313 of the German Commercial Code (HGB), which constitutes part of the Notes, the subsidiaries are listed to which exemption from disclosure duties has been applied in accordance with Section 264 (3) and Section 264b of the German Commercial Code (HGB) as of December 31, 2022.

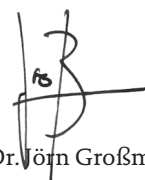
Bergisch Gladbach, March 15, 2023

INDUS Holding AG

Der Vorstand



Dr. Johannes Schmidt



Dr. Vörn Großmann



Axel Meyer



Rudolf Weichert