02

COMBINED MANAGEMENT REPORT

Introduction to the Group

INDUS is a value-oriented holding company with a portfolio of 45 SMEs based in Germany and Switzerland. INDUS acquires predominantly owner-managed technology-oriented industrial companies and assists them in their entrepreneurial development on a long-term basis. INDUS ensures that the portfolio companies retain their SME status. The portfolio will grow in the coming years through organic growth in the existing portfolio companies and targeted acquisitions in the areas relevant to INDUS in terms of future fields.

The Company

Positioning and Business Model

VALUE- AND GROWTH-ORIENTED SME HOLDING COMPANY

INDUS Holding AG (hereinafter: INDUS) was founded in 1989 and today is among the leading specialists in the acquisition and long-term development of small- and medium-sized industrial companies in German-speaking countries. The focus of the investments is on owner-managed companies with their own industrial added value. INDUS exclusively acquires majority stakes in companies, preserves the SME status of its portfolio companies and supports them in their long-term entrepreneurial development. In the regions where the portfolio companies operate, INDUS positions itself as a long-term-oriented investor without an exit strategy but with the clear aim of strategically developing the portfolio companies.

As of the reporting date, its portfolio comprised 45 companies (previous year: 44). In the financial year, two more portfolio companies were acquired. One company in the Automotive Technology segment was deconsolidated following the start of insolvency proceedings. In addition to the 45 portfolio companies, two portfolio companies held for sale in the 2023 financial year are presented as discontinued operations. On December 31, 2022, a total of 194 fully consolidated enterprises (previous year: 193) belonged to the INDUS Group.

The INDUS Group consists of the holding company INDUS Holding AG with registered office in Bergisch Gladbach, Germany, and the individual portfolio companies. All direct INDUS portfolio companies have their registered offices in Germany (42) or Switzerland (3). The two companies classified as discontinued operations also have their registered offices in Germany. The INDUS Group is represented by sub-subsidiaries, branches, and representative offices in 30 countries (previous year: 31 countries) on five continents.

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

The holding company with its registered office in Bergisch Gladbach, Germany, is managed by the Board of Management, which consists of four members. The Board of Management consists of Dr. Johannes Schmidt (Chairman), Dr. Jörn Großmann, Axel Meyer, and Rudolf Weichert. The holding company averaged 36 employees in the financial year, not including the Board of Management (previous year: 35).

THE INDUS BUSINESS MODEL: BUY, HOLD & DEVELOP

The companies acquired and targeted for possible acquisition are exclusively SMEs with their own industrial added value in German-speaking countries and have an above-average level of profitability at the date of acquisition. They should generate annual sales figures amounting to between EUR 20 million and EUR 100 million and a sustained return on sales (EBIT margin) of 10% or more. The target companies are active in attractive niche markets with a clear technological focus on the future-oriented industrial fields relevant to INDUS. They should be unencumbered by economic legacy issues and be in an exemplary position in terms of sustainability considerations.

INDUS primarily acquires owner-managed companies and particularly keeps an eye on arrangements for succession in the families managing the companies. Continuity and the company's SME status are secured with the transfer of ownership. Therefore, the former owners ideally remain as co-shareholders and managing directors of the company for a certain period. INDUS avoids the direct acquisition of companies undergoing restructuring. INDUS does not acquire companies in the defense, alcohol or gambling sectors. Neither is INDUS planning any acquisitions in connection with the extraction of fossil fuels.

INDUS continuously acquires new companies. This portfolio addition aims to improve the development prospects of the entire Group. In addition to the organic development of the existing portfolio companies, acquisitions ensure that over time the portfolio always represents an up-to-date cross section of growth industries. The Group's companies operate in diverse business and technological fields, selling markets, and business cycles – the Group is broadly diversified. With their respective core capabilities, the companies as a rule occupy niches of the market of great interest for their sectors.

INDUS focuses on sustainability. Sustainable business practices generate competitive advantage, increase corporate value and strengthen the corporate culture. INDUS is therefore actively boosting the sustainability performance of the portfolio companies. Striving for sustainability means treating economic, social and ecological targets equally in the long term at INDUS. This is the only way to create permanent values that enable employees to work well and simultaneously ensure a careful approach to the environment.

As a majority shareholder and financial holding company, INDUS supports its portfolio companies as an "advisor" and as a "development bank." The Board of Management continuously provides advice to the managing directors in the portfolio companies through strategic dialogue. In the portfolio companies, the holding company's experts share methodological knowledge, train employees, and support strategic projects. Support focuses on strengthening innovativeness, and boosting Market Excellence and Operational Excellence. The holding company's employees encourage the transfer of knowledge by networking within the Group as well as with external partners. INDUS provides capital to its portfolio companies for investments in fixed assets and for development plans, internationalization, and acquisitions of companies at sub-subsidiary level. The INDUS innovation development bank also provides capital for innovative projects. With the new sustainability development bank, created in 2022, INDUS provides financial support for projects in the portfolio companies that aim to preserve resource and reduce emissions.

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

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

EXTERNAL INFLUENCING FACTORS

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

The most significant external influence in 2022 was the **war in Ukraine** and the resulting economic impacts. Specifically, these are direct impacts, such as price increases, especially for primary materials, energy, and freight costs, rising personnel costs and the general rise in inflation. The direct consequences of the Ukraine war had an insignificant impact on INDUS companies.

Despite the challenging overall conditions, the INDUS portfolio companies performed well with typical SME agility. Overall, the INDUS portfolio's broad diversification once again proved to be an important pillar for stability. Economic risks are spread across the Group owing to its diversified positioning, thereby balancing out the portfolio. Compared with non-diversified holding companies, this gives INDUS a competitive advantage in the long term and also in the event of new exogenous shocks in individual sectors.

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

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

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

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

Portfolio

45 COMPANIES IN FIVE SEGMENTS

The portfolio consisted of 45 portfolio companies in continuing operations on the reporting date. They were allocated to one of five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology. Two further portfolio companies are managed and presented as discontinued operations. These two portfolio companies were assigned to the Automotive Technology segment.

The following information relates only to continuing operations unless explicitly indicated otherwise.

BASIC DATA FOR THE SEGMENTS (in EUR million)

	Construction/ Infrastructure	Automotive Technology	Engineering	Medical Engineering/ Life Science	Metals Technology
Sales	515.2	142.7	531.7	153.6	460.4
Operating income (EBIT)	59.6	-7.9	50.9	-4.6	50.7
Companies	12	4	15	5	9
Employees	2,343	952	2,418	1,588	1,496

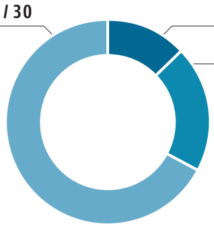
PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

A total of 67% of the portfolio companies have belonged to the INDUS Group for more than ten years. Nine portfolio companies have been in the INDUS portfolio for between five and ten years, and six of the 45 portfolio companies have been acquired in the past five years.

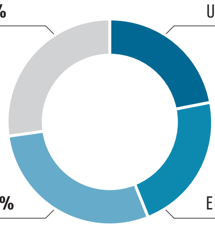
PORTFOLIO STRUCTURE BY SALES

The portfolio companies' annual sales figures range from under EUR 10 million to more than EUR 100 million. Around 27% of the portfolio companies generate annual sales figures of at least EUR 50 million. Slightly more (29%) portfolio companies generate annual sales figures of between EUR 25 million and EUR 50 million. The amount of portfolio companies that generate annual sales figures of up to EUR 15 million is declining and amounted to approximately 22% in 2022.

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



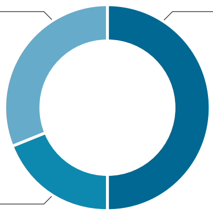
PORTFOLIO STRUCTURE BY SALES (in %)



SELLING MARKETS ON FIVE CONTINENTS

In regional terms, all of the portfolio companies are concentrated in sales territories with a politically and economically stable background. The portfolio companies' largest market for unit sales and thus revenue is Germany at 50%. The companies generate another 19% of their revenue in other EU countries. A further 31% is generated outside the EU. In the 2022 financial year, this distribution was unchanged from the previous year.

PORTFOLIO STRUCTURE BY REGION (in %)



PORTFOLIO CHANGES IN 2022

GROWTH ACQUISITIONS

In December 2021, INDUS signed a contract to purchase all 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 was assigned to the Engineering segment. The economic transfer and initial consolidation was completed in April 2022.

In May 2022, INDUS acquired 70% of the shares in HELD Industries GmbH (HELD), Heusenstamm. HELD is a medium-sized provider of customized machinery and equipment for laser cutting and welding technology. Two of the application areas of HELD Group's systems are in the technical textiles industry, especially in the production of woven airbag covers, and the metals processing industry. The economic transfer and the initial consolidation of HELD took place in May 2022.

ACQUISITION OF REMAINING SHARES

As scheduled, INDUS acquired the shares of an existing shareholder in MESUTRONIC Gerätebau GmbH, Kirchberg im Wald, in June 2022. By acquiring shares amounting to 5%, INDUS was able to increase the amount of shares it holds in the company to 94.9%. MESUTRONIC produces equipment for metal and foreign body detection and has been part of the INDUS Group since 2019.

With the contract dated June 1, 2022, INDUS acquired the remaining 6.6% of shares in M+P International Mess- und Rechnertechnik GmbH, Hanover, and now holds 100% of the shares in the company. The M+P Group has been part of the INDUS Group since 2017 and supplies measurement and test systems for vibration testing.

Effective January 1, 2022, M.BRAUN Inertgas-Systeme GmbH & Co. KG, Garching, acquired 25% of CREAPHYS GmbH, Dresden. With this acquisition, M.BRAUN now holds all of the shares in CREAPHYS. CREAPHYS has been part of the INDUS Group since 2016 and designs high-vacuum systems and components for thin-layer application, vacuum sublimation systems and thermal evaporators.

SMA INSOLVENCY

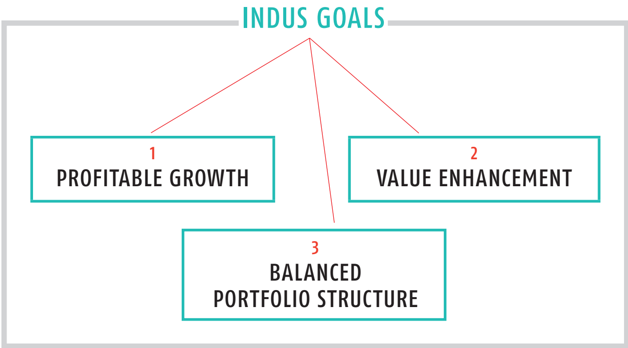
With the approval of the Supervisory Board, the Board of Management decided on September 23, 2022, to drastically reduce INDUS' financial engagement in the portfolio company S.M.A Metalltechnik GmbH & Co. KG, Backnang (SMA) and to limit engagement until the end of October 2022. Prior to this decision, SMA was in intense negotiations with its major customers regarding the adjustment of existing contracts due to changes in the basis of these contracts as a result of macroeconomic developments. SMA was not able to achieve the necessary adjustments in the existing supply agreements. On October 24, 2022, therefore, the management of SMA went into preliminary administration with the aim of restructuring the company. On November 15, 2022, the court granted the preliminary insolvency with the standard procedure, and the insolvency proceedings began on December 30, 2022.

INDUS Holding AG deconsolidated SMA and its subsidiaries from October 24, 2022, due to the loss of control resulting from the insolvency proceedings.

Goals and Strategy

Goals

INDUS GOALS



PROFITABLE GROWTH

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

VALUE ENHANCEMENT

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

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

BALANCED PORTFOLIO STRUCTURE

The INDUS Group is particularly intending to grow by means of acquisitions in the six defined growth industries "automation/measuring technology/control engineering," "construction technology," "safety technology," "medical engineering/life science," "technology for infrastructure and logistics," and "energy and environmental technology." Candidates of interest for the portfolio are companies that are active in future-oriented industrial niche markets and occupy leading positions in these markets. INDUS focuses on companies in growth industries to ensure that the investment portfolio will continue to maintain a balanced, and hence stable, structure in the future. For the period until 2025, the aim is to grow further and generate Group sales of significantly more than EUR 2 billion. The strategy update **PARKOUR perform** 2025 was published in December 2022. With this update, management structures and segment composition were changed as of January 1, 2023, in order to achieve the targets set until 2025. The focus of the acquisition policy is on future fields, derived from the megatrends relevant to each segment.

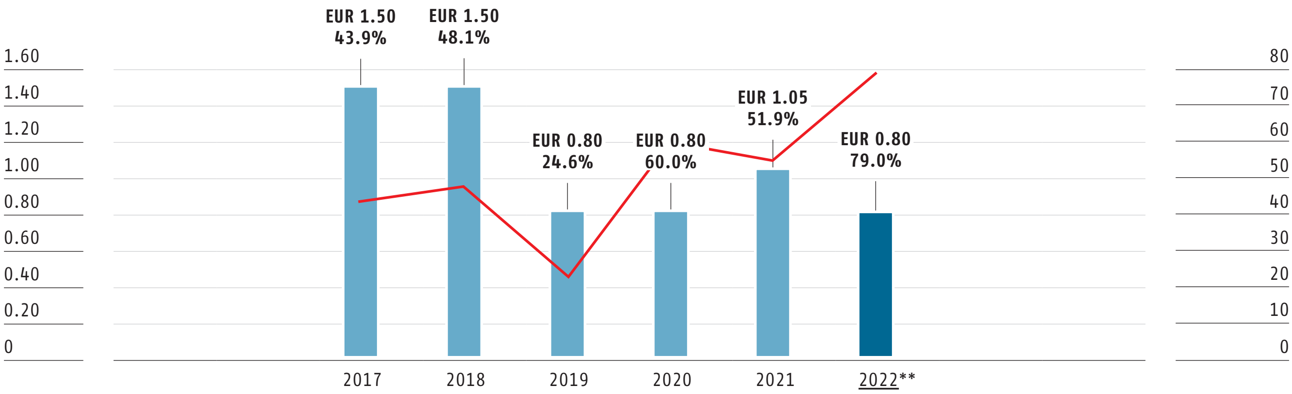
The investment portfolio's balanced structure and strong diversification are of particularly key significance when individual companies face structural or economic challenges. The portfolio companies are currently facing challenges from the tense situation on the markets caused by price increases, material shortages, labor shortages, and supply bottlenecks. Overall, the portfolio companies of the INDUS Group coped well with the challenges in the 2022 financial year. From the Board of Management's perspective, the INDUS Group's entire portfolio benefits from the agility of SMEs and their resilience.

CONSISTENT GROWTH – CONTINUOUS VALUE ENHANCEMENT – CONSTANT DIVIDEND POLICY

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

The Board of Management of INDUS Holding AG has decided to propose a dividend of EUR 0.80 per no-par-value share to the Annual Shareholders' Meeting. The Board of Management considers it appropriate to take into account non-cash impairments resulting from annual impairment testing of carrying amounts and non-cash impairments in connection with the discontinuation of certain operations when determining dividend policy for the 2022 financial year. A corresponding amount was taken from the retained earnings and added to the balance sheet profit.

DIVIDEND PER SHARE* AND DIVIDEND YIELD 2017 TO 2022 (in EUR/in %)



—— Distribution ratio
* Dividend payment for the respective financial year
** Subject to approval at Annual Shareholders' Meeting on May 17, 2023

Strategy

"PARKOUR": TACKLING NEW OBSTACLES SUCCESSFULLY

The **PARKOUR** strategy program tackles the future challenges for the INDUS Group with sporting ambitions and focuses on development until 2025. With the strategy update **PARKOUR perform**, developed in 2022 and implemented from January 2023, INDUS has refined its strategy further and set everything on achieving its strategic targets.

INDUS' core task will continue to be the goal-oriented development of a diverse SME portfolio. In light of increasingly complex global conditions, competition growing globally and the challenge of the digital transformation, INDUS is giving its portfolio companies its full support to ensure their competitiveness. This is more important than ever in times of crises. To get the INDUS portfolio companies fit for the current and future tasks of PARKOUR, INDUS will sharpen its focus on supporting innovation, Market Excellence and Operational Excellence. INDUS will set ambitious targets, encourage cooperation, and share the right methods.

Assisting the companies in their internationalization measures is a central pillar of the INDUS strategy. The further improvement of the portfolio companies' performance in terms of sustainability is also actively supported and encouraged and embedded in the PARKOUR strategy with the strategic initiative "Striving for Sustainability."

Four central strategic initiatives are vital when it comes to the successful implementation of the PARKOUR strategy:

1. Strengthening the Portfolio Structure
2. Driving Innovation
3. Improving Performance
4. Striving for Sustainability

1. STRENGTHENING THE PORTFOLIO STRUCTURE

INDUS plans to acquire two to three companies as direct subsidiaries each year. INDUS has defined six **growth industries** that will be favored in acquisitions of companies to support the forward-looking future development of the portfolio:

THE SIX FAVORED GROWTH INDUSTRIES FOR ACQUISITION

1 AUTOMATION AND MEASURING TECHNOLOGY AND CONTROL ENGINEERING

2 CONSTRUCTION TECHNOLOGY

3 SAFETY TECHNOLOGY

4 MEDICAL ENGINEERING/LIFE SCIENCE

5 TECHNOLOGY FOR INFRASTRUCTURE AND LOGISTICS

6 ENERGY AND ENVIRONMENTAL TECHNOLOGY

The INDUS portfolio is intended to represent a cross-section of the relevant growth industries. The Board of Management is aiming for an **appropriate mix of future-oriented companies** for the portfolio structure so INDUS can continue to reach its profitability targets.

With the strategy update **PARKOUR perform**, the focus of acquisition activities from the beginning of 2023 is on future fields derived from the megatrends relevant to each of the newly formed segments.

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

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

In light of the structural upheaval in the automotive industry and the high pressure on margins for series suppliers in the Automotive Technology segment, INDUS restructured these companies in recent years and examined a variety of options for their future viability. A strategic investor was found for WIESAUPLAST in the 2021 financial year who acquired the shares in WIESAUPLAST. SMA was not able to achieve the necessary adjustments to existing contracts with key customers in the current financial year and filed for insolvency in October 2022. As part of the **PARKOUR perform** strategy update, INDUS made the decision to sell the remaining series supplier SELZER and the company SCHÄFER from the Automotive Technology segment by the end of 2023 and to assign them to non-core from January 2023.

2. DRIVING INNOVATION

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

INDUS supports selected innovation projects in the Group with financial subsidies. The development funds cover 40% to 80% of the project volume. The holding company has set aside an annual budget up to 3% of consolidated EBIT for this purpose. The aim is to ensure the portfolio companies' future viability and open up new production areas and markets. INDUS made the same absolute volume of development funds available in the 2022 financial year.

To increase innovativeness, INDUS supports the portfolio companies strategically as a sparring partner and conceptually with methodological knowledge. In addition to developing company-specific innovation strategies, opening up individual innovation search areas and developing company-specific innovation road maps are particularly important. INDUS also creates networks with other Group companies and external institutions in order to obtain ideas from outside, collaborate on innovation projects or jointly open up innovation search areas in the network. This takes place in the "Hydrogen" and "Sustainable construction" working groups, for instance. Artificial intelligence in internal processes and products was added as an innovation focal point in the reporting year.

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

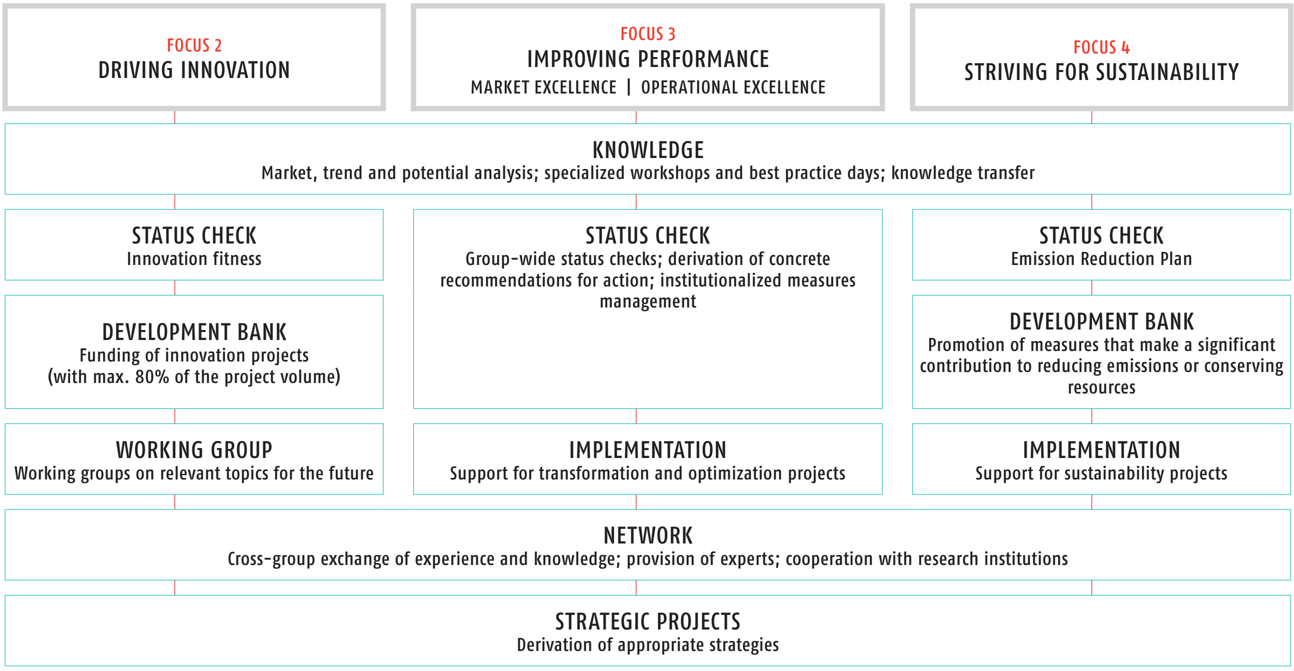
3. IMPROVING PERFORMANCE

INDUS addresses increasing global competition and rising margin pressure by promoting **Market Excellence** and **Operational Excellence** in the portfolio companies. INDUS assists its portfolio companies with the optimization of value-adding core processes from securing contracts to order processing. The focus of Market Excellence activities is on making optimal use of market potential. Lean management approaches are at the heart of our Operational Excellence activities. These approaches avoid waste and focus on added value in all tasks.

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

As part of the **Operational Excellence** focal point, INDUS assists the portfolio companies in realizing productivity potential in the operational field, such as procurement, production, and logistics. The optimization and digitalization of order processing is included in the support offered. This includes an overarching training program on lean management and shop floor management, various networking formats for sharing best practices in the INDUS Group, and individual workshops with the portfolio companies to impart specific methodological knowledge. Specific optimization projects in the portfolio companies are coordinated by the companies themselves with the support of INDUS or external consultants.

STRATEGIC INITIATIVES



4. STRIVING FOR SUSTAINABILITY

Sustainable business practices generate competitive advantage, increase corporate value and strengthen the corporate culture. Working from this conviction, INDUS has made its approach to sustainability increasingly professional in recent years. Sustainable practices for INDUS means treating economic, social and ecological objectives equally over the long term: We want to create lasting values, enable quality work by doing so, and protect the environment at the same time. The sustainability strategy has therefore now become an independent strategic initiative, "Striving for Sustainability," within the PARKOUR strategy program.

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

- **Economically sustainable conduct ensures future success.**
- **Fairness is a fundamental SME principle and encourages cooperation.**
- **Taking environmental factors into account prevents subsequent costs and improves process efficiency.**
- **Compliance with agreements and rules strengthens trust.**

To **ensure profitability**, INDUS uses traditional economic key figures, thus aligning itself with stability-oriented aspects. This safeguards entrepreneurial success in the interests of the Group, the shareholders, and other stakeholders in the long term. The holding company ensures a stable balance sheet, adequate liquidity, and a flexible financing basis. In terms of their social orientation, all the companies in the INDUS Group are guided by traditional SME values. Central to these is the principle of responsibility – for the survival of the company, but first and foremost for the people who ensure it. This is expressed in company-specific codes of conduct that cover the continuous development of occupational health and safety and support for trainees, as well as training courses for the employees. Social responsibility is expressed by support for non-profit initiatives, particularly in the portfolio companies' local region. With respect to the **environment**, INDUS supports the portfolio companies with their efforts to conserve resources and avoid greenhouse gas emissions. The portfolio companies express their environmental responsibility in particular by installing photovoltaic systems, by switching to more climate-friendly heating systems, buying green power, converting their fleet to vehicles with alternative drives and setting up Bike to Work initiatives for employees. The innovation development bank provides development funds for sustainable product innovations in the future field of green tech (energy and environmental technology and products with an improved energy-efficiency profile). Introduced for the first time in 2022, the sustainability development bank supported six projects that aim to conserve resources and significantly reduce the emissions of the portfolio companies involved in the project. The Board of Management and the Supervisory Board have always felt committed to responsible, transparent and sustainable **corporate governance**. They have fully followed the recommendations of the German Corporate Governance Code since its introduction, thus documenting the importance of the rules of good corporate governance and supervision. A whistleblowing system has also been introduced across the Group that can be used on a decentralized basis by the portfolio companies and so satisfies the corresponding statutory obligations and the recommendations of the German Corporate Governance Code. In 2022, the foundation was laid for the implementation of the Supply Chain Duty of Care Act from January 1, 2023.

INDUS will again publish a non-financial report for the INDUS Group for the period to December 31, 2022. The report will be published on the INDUS homepage and has undergone a limited assurance audit. The non-financial report and the audit opinion can be found under the following link: www.indus.de/en/nonfinancialreport/2022 In addition, the SUSTA[IN] magazine, published for the first time in 2021, is now well established and the third edition will be published in summer 2023. The magazine reports on projects and the progress of sustainability initiatives within the INDUS Group in a reader-friendly format.

Management Control

Planning and Strategy Processes

The INDUS portfolio companies develop individual strategies based on the INDUS strategy PARKOUR, which then form the strategic base for planning their business performance, the necessary investments and the development of their financial position and financial performance, usually in three- to five-year plans.

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

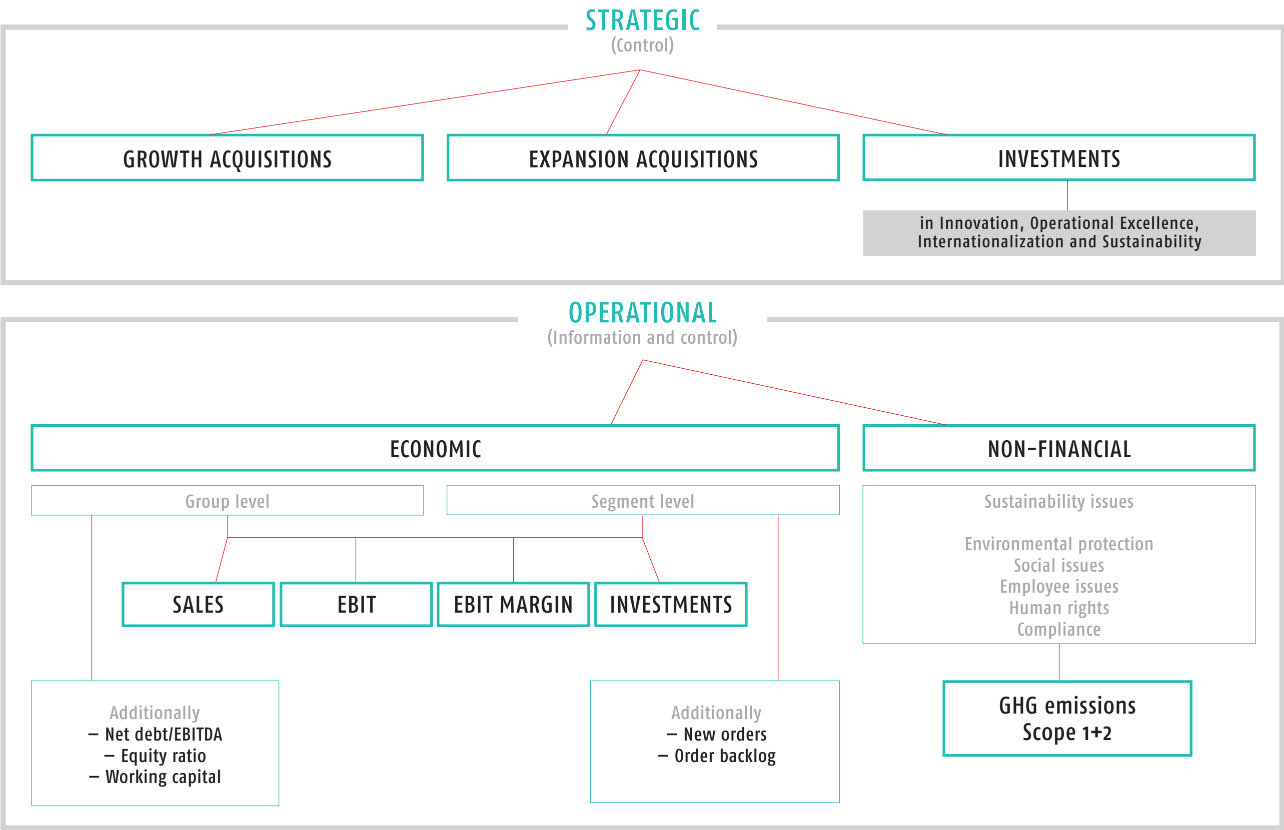
The planning process also pays particular attention to sustainability projects at the portfolio companies. Steps to reduce carbon emissions and activities related to employee and social issues are particularly recorded.

Management Variables

The economic indicators used by the holding company to assess the situation of the Group as a whole and the portfolio companies individually correspond to the operational **financial performance** indicators commonly used for manufacturing companies. In addition, **strategic financial performance** indicators are used for direct investment decision-making. For two years now, the greenhouse gas emissions (GHG emissions Scope 1+2) have also been used as a **non-financial** performance indicator for information and control. There are no other key control variables for the individual financial statements of INDUS Holding AG.

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

BASIS FOR INFORMATION AND CONTROL



Interim Reporting

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

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

Regular Management Dialogue

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

Management Adjustments Under PARKOUR perform

The updated and adjusted **PARKOUR perform** strategy came into effect as of January 1, 2023. Important aspects of management control have changed under **PARKOUR perform**.

The control and planning process is now a two-step process. Firstly, the entire Board of Management determines the targets (for key control variables) at holding company and segment level and distributes the Group's investment budget among the segments. The Board members responsible for segment management then discuss and determine the strategy, aims and investment budget for the individual portfolio companies in conjunction with the framework conditions laid out by the entire Board of Management with the managing directors of the portfolio companies. This then forms the strategic base for planning the portfolio companies' business performance, the necessary investments and the development of their financial position and financial performance, usually in three- to five-year plans. The individual plans are finalized following a structured discussion between the member of the Board of Management responsible for the segment and the managing directors of the portfolio companies regarding the business planning and the resulting opportunities and risks. Segment management derives the segment plans from this initial planning. The segment plans are then consolidated in Group plans by the entire Board of Management and the Group plans are adopted by the entire Board of Management.

Free cash flow has been added as a new key control variable in order to link management control to a cash-flow factor. Free cash flow indicates how much flexibility INDUS has to pay dividends to shareholders, for the acquisition of high-margin companies, and to reduce net debt.

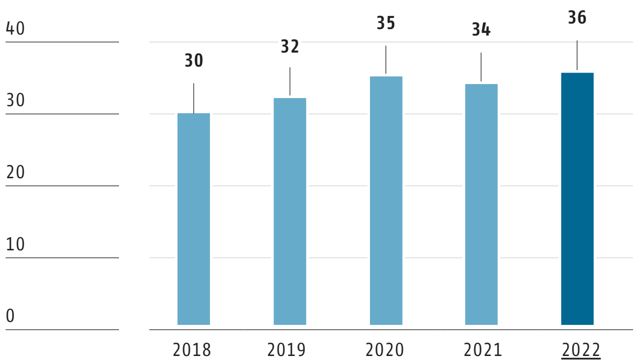
Non-financial Performance Indicators

Employees

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

On average in the 2022 financial year, the holding company had 36 employees excluding members of the Board of Management (previous year: 34). It is in the interest of INDUS to boost the productivity of its employees and to encourage their long-term loyalty to the company. To that end, INDUS offers its employees the basic conditions of a modern, attractive employer in terms of healthcare, educational advancement, and income.

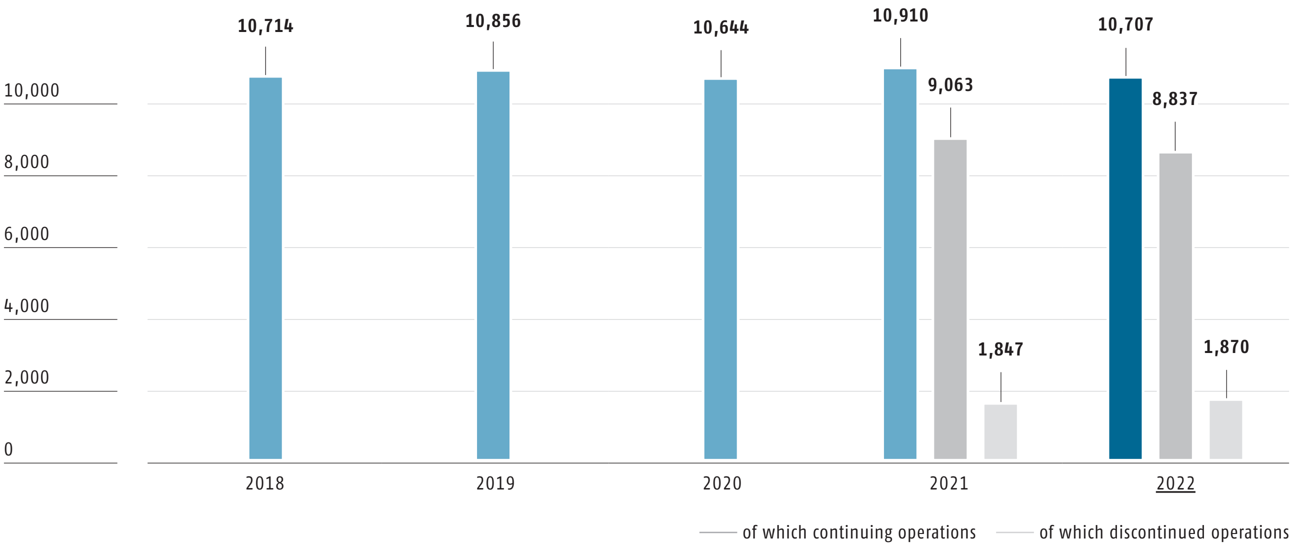
EMPLOYEES OF THE HOLDING COMPANY (Number)



IN THE GROUP: CULTIVATING AN SME-APPROPRIATE CULTURE

On average, 8,837 people were employed in the INDUS Group's continuing operations during the reporting year (previous year: 9,063). 1,870 people are employed in discontinued operations (previous year: 1,847). On average, 10,707 people were employed in the whole INDUS Group during the reporting year (previous year: 10,910). Management of those employed by the portfolio companies is the responsibility solely of their managements. Accordingly, the portfolio companies direct their human resources work, in both quantitative and qualitative terms, on their own. SMEs assume a high level of responsibility when it comes to training; this is also true in particular of the companies within the INDUS Group. A total of 353 trainees were employed throughout the Group in 2022 (previous year: 380); this equates to a trainee ratio of 3.3% (previous year: 3.5%).

EMPLOYEES OF THE INDUS GROUP (Number)



Development and Innovation

R&D SUPPORT FOR PORTFOLIO COMPANIES

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

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

Funds for innovations in future fields: INDUS budgets up to 3% of annual consolidated EBIT for its portfolio companies as part of the “driving innovation” strategic initiative to advance suitable innovation projects. A drop off in incoming orders during the coronavirus years of 2020 and 2021 and the end of a number of existing projects led to a decline in the innovation development bank’s funding budget in 2022. New applications and approvals were at pre-coronavirus level in 2022, so an increase in the funding budget is expected in the coming years. This enables INDUS to specifically promote activities and projects with a significant level of innovation and in predefined future fields that, in INDUS’ view, offer outstanding long-term development potential but are also associated with higher risks. Additionally, ideas that contribute to competition-relevant knowledge or personnel expansion in development are supported. These innovations enable the companies to tap into new business fields and technologies and thus strengthen their competitive position.

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

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

INNOVATION ACTIVITIES UP AGAIN AT THE PORTFOLIO COMPANIES

The expenses for R&D activities recognized in the INDUS Group’s consolidated financial statements for 2022 amounted to EUR 21.1 million (previous year: EUR 17.2 million). This was an increase in research and development funding of EUR 3.9 million.

The aim is to achieve an increasing degree of in-house individual R&D capability and innovation effectiveness at the portfolio companies. The relevance to customers is a top priority in development work: Successful development partnerships are in place with both customers and suppliers.

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

Sustainability

The sustainability strategy is the fourth independent strategic initiative in PARKOUR. In terms of the sustainability strategy the years ahead will focus particularly on implementing the greenhouse gas reduction targets defined in the Climate Protection Act. There are two ways of reducing greenhouse gases (GHG emissions): One is to use low-emission sources of energy and the other is to increase energy efficiency, which is also vital from an economic perspective.

The reduction in gross greenhouse gas emissions (GHG emissions) in Scope 1 and Scope 2 was defined as the performance indicator for management control purposes at INDUS. The gross emissions were chosen deliberately, because this figure cannot be corrected by the purchase of certificates. Scope 1 comprises stationary combustion, mobile combustion and fluid emissions. Greenhouse gas emissions in Scope 2 currently comprise power and district heating. Emissions are measured in tons of carbon and presented per million euros of gross value added.

Corporate Governance

Declaration on Corporate Governance

The Board of Management and Supervisory Board of INDUS have committed themselves to thorough observance of the principles of good corporate governance. The management body and supervisory body therefore issue the appropriate "Declaration on Corporate Governance" on an annual basis. The current declaration in its complete wording can be found on the INDUS website. www.indus.de/en/about-indus/corporate-governance

The annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) constitutes a part of the Declaration on Corporate Governance. This was issued by the Board of Management and the Supervisory Board on December 8, 2022. In it, they state that INDUS Holding AG was in compliance with all of the recommendations made by the government commission and the German Corporate Governance Code in the version dated April 28, 2022. The Declaration of Conformity in its complete wording can be found on the INDUS website. www.indus.de/en/about-indus/corporate-governance

Report on the Economic Situation

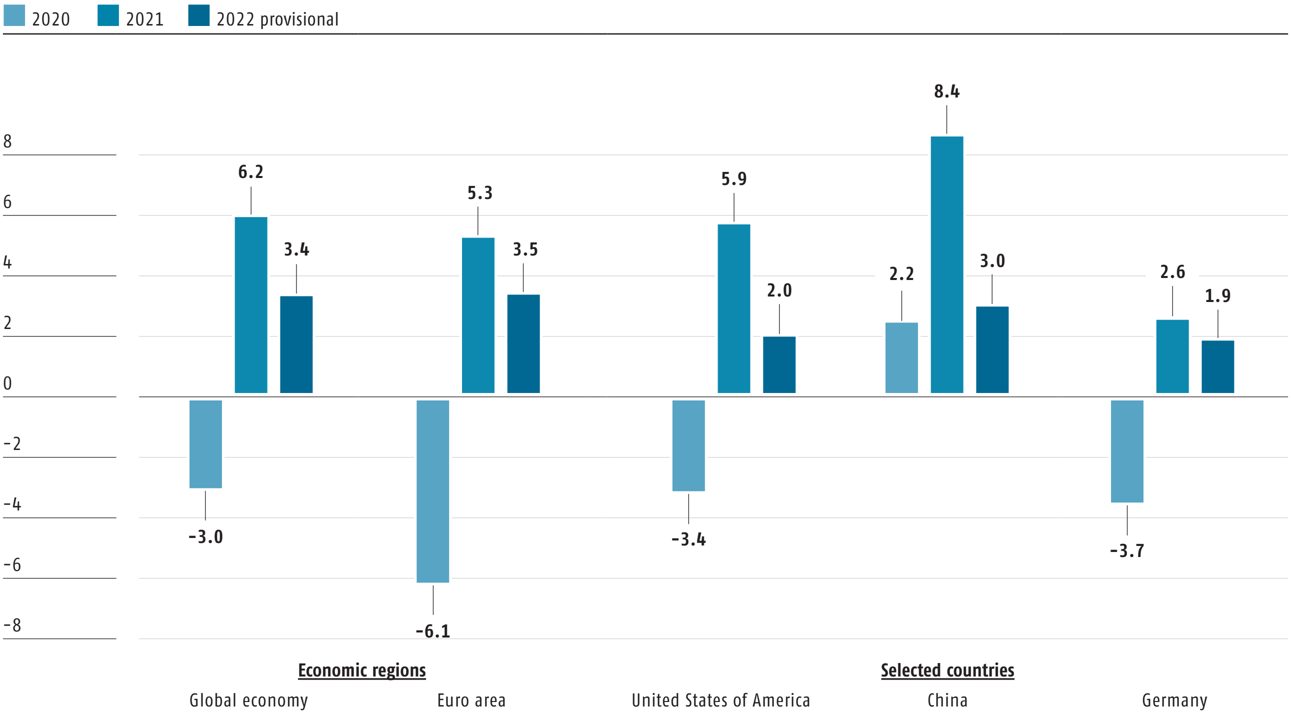
Sales for the INDUS Group rose from the previous year's figure of EUR 1.63 billion to EUR 1.80 billion in the 2022 financial year. The INDUS Group's operating result (EBIT) was EUR 133.7 million, compared to EUR 165.6 million in the previous year. Adjusted for impairment, operating income amounted to EUR 176.4 million (previous year: EUR 168.1 million). Earnings from discontinued operations included earnings after taxes from SMA, SELZER and SCHÄFER and amounted to EUR –123.9 million (previous year: EUR –50.2 million).

Changes in the Economic Environment

Macroeconomic Trends: Consequences of the War Weigh On

German industry once again faced difficult conditions and a high level of uncertainty in 2022. With the Russian attack on Ukraine, global businesses had to readjust for the second time in a row following the coronavirus pandemic. The financial performance in Germany was correspondingly dominated by the consequences of this war. The ongoing, albeit ebbing, pandemic also had a negative impact on companies throughout the year. China's zero-COVID policy in particular had a negative impact on global supply chains as well as China's business activities. Overall, these problems continue to be felt along the value chain, resulting in corresponding supply bottlenecks, although these have been easing over the course of the year. In total, German manufacturing was 0.6% lower in 2022 than in 2021 adjusted for calendar effects – putting it 5% below the figure of the pre-crisis year of 2019. Sharp rises in energy and food prices drove inflation up. In the first half of 2022, gas prices for non-household customers, i.e., primarily companies and public authorities, rose by 38.9% and electricity prices by 19.3% against the second half of 2021. Despite inflation slowing slightly toward the end of the year, the rate of infla-

ANNUAL ECONOMIC GROWTH (in %)



Source: International Monetary Fund, World Economic Outlook (as of Jan. 2023; figures for 2020 as of Oct. 2022) tion in Germany averaged 7.9% over the year in comparison with 2021. Annual inflation in 2021 amounted to 3.1%. As a result of the inflation and more restrictive monetary policy, interest and financing costs also rose.

Despite these difficult conditions and increasingly gloomy growth prospects, the German economy proved robust overall: In 2022, the gross domestic product (GDP) rose 1.8% when adjusted for price effects, and 1.9% when adjusted for price and calendar effects in comparison with the previous year. The number of people in employment reached a record high in the fourth quarter. Private consumption recovered with the lifting of coronavirus restrictions. This recovery effect compensated for the negative impact of massive price hikes – overall, private consumption increased slightly. The service sector in particular saw a sharp rise in growth with the lifting of the coronavirus restrictions. The economic performance of the manufacturing sector was hindered more by the lack of primary products and high energy prices, growing just 0.2% in 2022. Adjusted for calendar and seasonal effects, exports increased by 14.3% in 2022 in a year-over-year comparison. Due to the steep increase in the cost of energy imports, however, imports rose by 24.3%. The German export surplus thus fell for the fifth consecutive year.

Changes in the Industrial Environment

CONSTRUCTION/INFRASTRUCTURE: HIGH CONSTRUCTION COSTS AND RISING INTEREST RATES HINDER DEVELOPMENT

The German construction industry, which weathered the coronavirus pandemic relatively well, faced obstructions in 2022 despite its previously good performance. Shortages of materials and labor combined with high construction costs and rising interest rates led to gross value added declining by 2.3%. The prices of construction materials in 2022 exceeded the already-high prices seen in the previous year: Steel products increased by up to 40.4% while plate glass increased by 49.3%, for example. Simultaneously, investment in construction declined by 1.6% in 2022 when adjusted for price effects. Building and private housing construction were especially held back by materials and labor shortages. Over the course of the year, order cancellations in the private and commercial fields increased in light of rising construction interest rates. According to calculations by the Bundesbank, the interest rate for new mortgages with a term of more than ten years rose from 1.4% in January 2022 to 3.8% in November 2022.

AUTOMOTIVE TECHNOLOGY: SIGNIFICANTLY BELOW PRE-CRISIS LEVELS

The German passenger car market remained clearly below pre-crisis levels in 2022. Sales were still 26% down against the 2019 annual sales figures. Shortages of primary and intermediate products, high rises in energy prices and raw materials prices, and the uncertain conditions as a result of the war all had a negative impact on the market. At 1% growth and 2.7 million vehicles, registrations in Germany remained virtually on a par with the previous year. Almost every third registration was for an electric vehicle. Incoming orders in the domestic market were disproportionately down: Domestic orders declined by 15% in a year-over-year comparison, while foreign orders fell by 6% in 2022. Production volumes recovered significantly over the course of 2022, but remained a good 26% under the 2019 level in 2022 as a whole. The picture was similar when it came to exports: 10% more vehicles from German manufacturers were exported in 2022 than in 2021. That represents a decrease of 25% against the pre-coronavirus year of 2019.

ENGINEERING: ROBUST DESPITE CHALLENGING OVERALL CONDITIONS

German engineering firms were not able to avoid the difficult macroeconomic conditions in 2022, but performed well overall, nevertheless. Disruptions in supply chains, clearly noticeable labor shortages and energy supply issues all hindered production, which was up 0.2% in real terms in comparison with the previous year according to preliminary estimates from the VDMA. Sales simultaneously saw a nominal increase of 10.5% – primarily due to higher sales prices. The material situation remained difficult, however: According to the VDMA, 74% of companies indicated that disruptions in upstream supply chains were having a negative impact in December 2022. As a result of production obstacles with stable demand, the order backlog reached a record level. The timeframe for orders in engineering averaged over one year in some cases.

MEDICAL ENGINEERING/LIFE SCIENCE: MASSIVE COST INCREASES

Following the slump caused by the pandemic, the situation deteriorated further for German medical technology companies in 2022: According to estimates by BVMed, annual sales were able to recover slightly in comparison with 2021 (+3.3%), but company profits tumbled due to massive cost increases. Higher transport, raw materials, and energy prices, along with increased regulatory red tape resulting from the Medical Device Regulation (MDR), all put pressure on margins. In the BVMed fall survey, only 11% of companies anticipated increased profits in 2022, while 62% expected decreased profits.

METALS TECHNOLOGY: RECOVERY DESPITE INCREASE IN COST PRESSURE

The metalworking industry in Germany was affected in 2022 by the overall challenging conditions. Massive price increases for energy and materials led to lower income and cancellations in the M+E industry. New orders also gradually declined over the course of the year: In the period January through December 2022, incoming orders fell 4.2% in real terms. Domestic orders in particular were down. Despite these challenging conditions, production (1.8% increase in real terms) and sales (5.0% increase in real terms) stabilized as supply chain issues eased in 2022. International sales even increased by 6.3% in real terms and the number of employees rose slightly (nominal increase of 1.7%).

Performance of the INDUS Group

The Board of Management's Overall Assessment

INDUS GROUP'S STRATEGIC REALIGNMENT – DISCONTINUATION OF AUTOMOTIVE TECHNOLOGY SEGMENT CREATES FOUNDATION FOR NEW GROWTH

With the **PARKOUR perform** strategy update presented in December 2022, the INDUS Group has realigned itself with the Engineering, Infrastructure, and Materials segments from January 1, 2023. The Board of Management made decisions regarding which businesses have a good outlook with INDUS and will be continued. A specific decision to discontinue the Automotive Technology segment was also made. In light of this new arrangement, continued operations and discontinued operations will be presented separately in the following. The discontinued operations include SMA, which went into administration in October 2022, and the series suppliers SELZER and SCHÄFER, who manufacture design models for the automotive industry.

The continuing operations increased their sales in 2022 from EUR 1.63 billion to EUR 1.80 billion. Sales rose by 10.4%; the increase was attributable to four of five segments. The Engineering segment recorded the highest growth in sales at 21.2%. HEIBER + SCHRÖDER and HELD, acquired in the financial year, and JST, FLACO, and TECALEMIT Inc., acquired in the previous financial year, especially contributed to the high increase in this segment. The sales from continuing operations in the Automotive Technology segment decreased by 17.9%, as the WIESAUPLAST Group, which was sold at the end of the 2021 financial year, was included in the previous year. Adjusted for this effect, the remaining portfolio companies in the segment also reported a slight increase in sales. Adding the sales of continuing operations to discontinued operations, the total comes to EUR 1.91 billion, which comes in at the lower end of the forecast range of EUR 1.90 billion to EUR 2.00 billion, which was raised with the 2022 half-yearly report.

Operating income (EBIT) for continuing operations amounted to EUR 133.7 million. Contributions from the segments Construction/Infrastructure (EUR 59.6 million), Engineering (EUR 50.9 million), and Metals Technology (EUR 50.7 million) were positive, despite impairment on goodwill. EBIT in the Medical Engineering/Life Science segment amounted to EUR -4.6 million, due to impairments. The contributions to income from continuing operations were impacted by impairment in the amount of EUR 42.8 million. EBIT in the Automotive Technology segment came in below expectations at EUR -7.9 million; this segment was negatively impacted by the limited amount of semiconductors available, the cessation of Russian business, and a delayed start to series production. EBIT from continuing operations before impairments amounted to EUR 176.5 million, higher than the previous year's figure of EUR 168.1 million.

The EBIT margin for continuing operations was 7.4%, while the EBIT margin before impairment came to 9.8%. This shows the solid foundation we have to adjust the Automotive Technology segment from in the coming years. The earnings potential of continuing operations is good, and together with organic and inorganic growth we will be able to achieve our targets for the year 2025.

Operating cash flow of EUR 137.1 million was EUR 40.6 million lower than the previous year's figure (EUR 177.7 million), due to the additional working capital. Working capital was EUR 496.7 million as of December 31, 2022, and was thus EUR 52.8 million higher than as of the previous year's reporting date. The rise is due to higher material prices and increases in inventories. Some companies also increased inventories to hedge against price hikes and raw materials shortages.

INDUS acquired two portfolio companies in 2022. The first acquisition, HEIBER + SCHRÖDER, was closed in April. 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. In May 2022, INDUS acquired 70% of the shares in HELD Industries GmbH (HELD), Heusenstamm. HELD is a medium-sized provider of customized machinery and equipment for laser cutting and welding technology. INDUS also acquired further shares in MESUTRONIC and the remaining shares in M+P. The portfolio company M. BRAUN acquired the remaining shares in CREAPHYS.

Investments in property, plant and equipment and intangible assets of continuing operations amounted to EUR 54.5 million (previous year: EUR 52.6 million). This represents a slight increase in investments in comparison with the previous year.

At 36.3%, the Group's equity ratio is significantly down on the previous year (42.4%) and below the target ratio of 40%. As of the reporting date, the level of liquidity was lower than in the previous year at EUR 127.8 million (previous year: EUR 136.3 million). The repayment term, that is the ratio of net debt to EBITDA (of continuing operations) was 2.3 years (previous year: 2.0 years) and is therefore within the target range of 2 to 2.5 years.

INDUS focuses increasingly on non-financial performance indicators. We are now using greenhouse gas emissions intensity (GHG emissions Scope 1+2) as a management variable at Group level. Emissions intensity (Scope 1+2) came to 76 t CO_2/EUR million GAV in financial year 2022. This was a reduction of around 19% in greenhouse gas emissions (94 t CO_2/EUR million GAV).

With the **PARKOUR perform** strategy update and the associated discontinuation of the Automotive Technology segment, the INDUS Group has realigned itself. The decision to separate from the long-term loss-makers in the Automotive Technology segment will free the Group from the steep losses in the automotive sector. The businesses remaining with INDUS all have positive outlooks. The activities in the continuing operations were allocated to the three segments Engineering, Infrastructure, and Metals at the beginning of 2023. These financial statements, which differentiate between continuing and discontinued operations, show the strength of the continuing operations and confirm that the decision to dispose of the former Automotive Technology segment is the right step for the INDUS Group's future.

TARGET PERFORMANCE COMPARISON

	ACTUAL 2021*	TARGET 2022	ACTUAL 2022	Degree of achievement***
GROUP				
Management variables				
Acquisitions	2 growth acquisitions, 2 purchase of sub-subsidiaries	2 growth acquisitions	2 growth acquisitions	achieved
Sales	EUR 1.74 billion (EUR 1.68 billion without growth acquisitions)	EUR 1.80–1.95 billion	EUR 1.80 billion (including discontinued operations EUR 1.91 billion)	achieved
EBIT	EUR 115.4 million	EUR 115 to 130 million	EUR 133.7 million (including discontinued operations EUR 13.4 million)	not achieved
EBIT margin	6.6%	6.0% to 7.0%	7.4% (incl. discontinued operations 0.7%)	not achieved
Investments in property, plant and equipment, and intangible assets	EUR 75.6 million	EUR 90 to 100 million	EUR 54.5 million (including discontinued operations EUR 76.5 million)	not achieved
Greenhouse emissions (GHG emissions Scope 1+2)**	93.91 t CO_2/EUR million GAV	lower than previous year	75.94 t CO_2/EUR million GAV	better than expected
Supplementary management variables				
Equity ratio	42.4%	>40%	36.3%	not achieved
Net debt/EBITDA	2.3 years	2 to 2.5 years	2.3 years (incl. discontinued operations 2.8 years)	not achieved (achieved for continuing operations)
Working capital	EUR 457.5 million	lower than previous year	EUR 496.7 million	not achieved
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 451.6 million	Slight rise in sales	EUR 515.2 million	better than expected
EBIT	EUR 70.5 million	Slight fall in income	EUR 59.6 million (EBIT before impairment EUR 72.3 million)	not achieved (achieved before impairment)
EBIT margin	15.6%	13% to 15%	11.6% (EBIT margin before impairments 14.0%)	not achieved (achieved before impairment)
Automotive Technology				
Sales	EUR 281.9 million	Slight rise in sales	EUR 142.7 million continuing operations (incl. discontinued operations EUR 252.4 million)	not achieved
EBIT	EUR -57.3 million (incl. impairment of EUR 8.2 million)	Strong rise in income	EUR -7.9 million continuing operations (incl. discontinued operations EUR -128.1 million)	not achieved
EBIT margin	-20.3% (without impairment -17.4%)	Negative	-5.5% for continuing operations (-50.8% incl. discontinued operations)	forecast achieved
Engineering				
Sales	EUR 438.9 million	Strong rise in sales	EUR 531.7 million	better than expected
EBIT	EUR 56.9 million	Slight rise in income	EUR 50.9 million (before impairment EUR 64.7 million)	not achieved (achieved before impairment)
EBIT margin	13.0%	10% to 12%	9.6% (before impairment 12.2%)	not achieved (achieved before impairment)
Medical Engineering/Life Science				
Sales	EUR 148.7 million	Rising sales	EUR 153.6 million	achieved
EBIT	EUR 12.1 million	Slight rise in income	EUR -4.6 million (before impairment EUR 8.6 million)	not achieved
EBIT margin	8.1%	7% to 9%	-3.0% (before impairment 5.6%)	not achieved
Metals Technology				
Sales	EUR 420.4 million	Slight fall in sales	EUR 460.3 million	better than expected
EBIT	EUR 42.3 million	Strong fall in income	EUR 50.7 million (before impairment EUR 52.3 million)	better than expected
EBIT margin	10.1%	7% to 9%	10.1% (before impairment 11.4%)	better than expected

* Actual figures for 2021 comprise continuing and discontinued operations
** Net emissions intensity
*** The figures for continuing and discontinued operations are assessed together to determine target achievement for the Automotive Technology segment and the Group.

Group Earnings Performance

CONSOLIDATED STATEMENT OF INCOME

(in EUR million)

	2022	2021	Difference 2022 to 2021 absolute	Difference 2022 to 2021 in %
Sales	**1,804.1**	**1,633.5**	**170.6**	**10.4**
Other operating income	25.1	23.8	1.3	5.5
Own work capitalized	3.5	3.9	-0.4	-10.3
Change in inventories	30.0	21.7	8.3	38.2
Overall performance	**1,862.7**	**1,682.9**	**179.8**	**10.7**
Cost of materials	-872.2	-757.0	-115.2	-15.2
Personnel expenses	-494.6	-467.5	-27.1	-5.8
Other operating expenses	-233.4	-207.2	-26.2	-12.6
EBITDA	**262.5**	**251.2**	**11.3**	**4.5**
Depreciation/amortization	-86.0	-83.1	-2.9	-3.5
Impairment	-42.8	-2.5	-40.3	<-100
Operating income (EBIT)	**133.7**	**165.6**	**-31.9**	**-19.3**
Financial income	-17.8	-15.9	-1.9	-11.9
Earnings before taxes from continuing operations (EBT)	**115.9**	**149.7**	**-33.8**	**-22.6**
Income taxes	-43.0	-51.9	8.9	17.1
Income (expense) from discontinued operations	-123.9	-50.2	-73.7	<-100
Earnings after taxes	**-51.0**	**47.6**	**-98.6**	**<-100**
of which attributable to non-controlling shareholders	0.8	0.8	0.0	0.0
of which attributable to INDUS shareholders	-51.8	46.8	-98.6	<-100
Earnings per share, continuing operations, in EUR	**2.68**	**3.68**	**-1.00**	**-27.2**
Earnings per share, discontinued operations, in EUR	**-4.61**	**-1.91**	**-2.70**	**<-100**

At the end of 2022, the Board of Management decided to give up the former Automotive Technology segment as part of the **PARKOUR perform** strategy update. The portfolio companies SELZER and SCHÄFER will not continue as part of INDUS and will be sold. They are reported as discontinued operations. SMA went into administration in October 2022, was deconsolidated, and is also reported under “discontinued operations.” The previous year’s figures have been adjusted accordingly.

GROWTH IN SALES IN CONTINUING OPERATIONS

INDUS Group **sales** rose by 10.4% (EUR +170.6 million) to EUR 1,804.1 million in the financial year 2022. Organic growth came to 8.3%. The growth of the acquisitions made in 2022, HEIBER + SCHRÖDER and HELD, and 2021, WIRUS, FLACO, and TECALEMIT Inc., amounted to 5.0%. The sale of WIESAUPLAST as of December 31, 2022, led to a EUR 47.3 million (-2.9%) decrease in sales. This resulted in inorganic net growth in sales of 2.1%.

With the exception of the Automotive Technology segment, all segments contributed to the growth in sales. The sale of WIESAUPLAST at the end of 2022 had the effect of decreasing segment sales. Taking the inorganic sales loss through WIESAUPLAST into consideration results in organic growth in sales of 9.3% in the Automotive Technology segment. The highest sales increases came from the Engineering segment (+21.2%) and the Construction/Infrastructure segment (+14.1%). At 13.4%, the increase in the Engineering segment primarily resulted from the acquisitions mentioned above, which are all allocated to this segment, with the exception of WIRUS. Organic growth in sales amounted to a satisfying 7.8%. Revenue in the Medical Engineering/Life Science and Metals Technology segments also rose by 3.3% and 9.5% respectively.

At EUR 1,862.7 million, the **overall performance** exceeded the previous year's figure of EUR 1,682.9 million by EUR 179.8 million (10.7%).

The **cost of materials** rose year-over-year by 15.2% to EUR 872.2 million (previous year: EUR 757.0 million). The increase was greater than the growth in sales because of generally higher materials prices in all areas. The **cost-of-materials ratio** therefore rose from 46.3% to 48.3%.

Personnel expenses increased by EUR 467.5 million to EUR 494.6 million. This represents an increase of 5.8%. At 27.4%, the **personnel expense ratio** was 1.2 percentage points below the previous year's figure (28.6%).

Other operating expenses increased by 12.6% to EUR 233.4 million. Energy costs (EUR +4.1 million), freight costs (EUR +5.3 million), and exchange rate losses (EUR +5.6 million) in particular rose sharply. As a result, operating income before depreciation/amortization **(EBITDA)** amounts to EUR 262.5 million compared with EUR 251.2 million the previous year. This represents an increase of EUR 11.3 million (4.5%).

Depreciation and amortization of EUR 86.0 was EUR 2.9 million (3.5%) up on the previous year. Impairments of EUR 42.8 million (previous year: EUR 2.5 million) related to **goodwill** (EUR 39.4 million), property, plant and equipment (EUR 1.5 million), and intangible assets (EUR 1.9 million). These figures are attributable to the Construction/Infrastructure segment (EUR 12.7 million), the Engineering segment (EUR 13.8 million), the Medical Engineering/Life Science segment (EUR 13.2 million), and the Metals Technology segment (EUR 3.1 million). Impairment in the previous year related exclusively to the Automotive Technology segment (EUR 2.5 million).

EBIT BEFORE IMPAIRMENT INCREASED

Operating income or EBIT came to EUR 133.7 million in 2022. EBIT was therefore EUR 31.9 million lower than the previous year (EUR 165.6 million). The EBIT margin was 7.4% compared with 10.1% in the previous year. Without taking impairments into account, the INDUS Group generated operating income of EUR 176.5 million (previous year: EUR 168.1 million). Operating income before impairment therefore was EUR 8.4 million higher than in the previous year. The EBIT margin before impairment was 9.8%, as against 10.3% in the previous year.

Net financial income fell by EUR 1.9 million, from EUR -15.9 million to EUR -17.8 million. The financial income includes net interest, income from shares accounted for using the equity method, and other financial income. Net interest improved from EUR -14.0 million to EUR -13.1 million. Measurements of minority interests in particular are reported in the other financial income item. The reason for the higher expense is the higher valuation of the call/put options for the later purchase of minority interests; the call/put options are measured at fair value.

Earnings before taxes from continuing operations or **EBT** fell by EUR 33.8 million to EUR 115.9 million (previous year: EUR 149.7 million). Tax expenses decreased significantly by EUR 8.9 million to EUR 43.0 million. Adjusted for impairment not taken into account for tax assessment purposes, the tax ratio amounted to 27.1%, following 34.1% in the previous year.

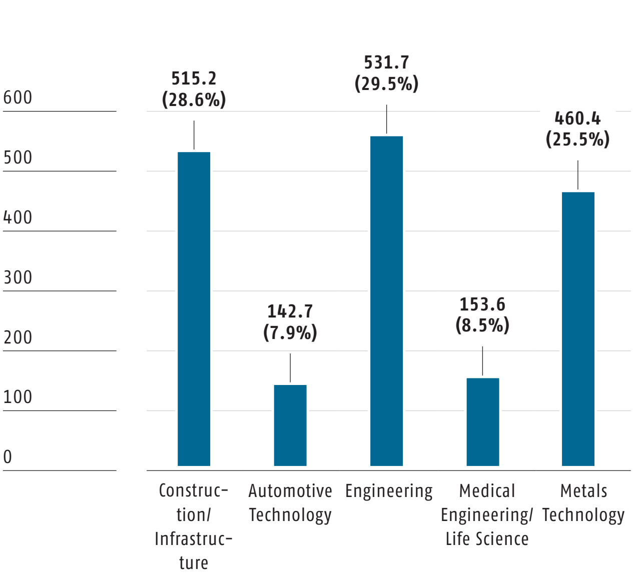
Income from discontinued operations are earnings after taxes and amounted to EUR -123.9 million. The previous year's figure amounted to EUR -50.2 million. This includes the operating income from SCHÄFER, SELZER, and SMA as well as all value adjustments resulting from the deconsolidation of SMA and the reclassification of SELZER to discontinued operations.

Earnings after taxes totaled EUR -51.0 million (previous year: EUR 47.6 million). This equates to a decrease of EUR 98.6 million compared with the previous year. Interests attributable to non-controlling shareholders amounted to EUR 0.8 million (previous year: EUR 0.8 million). Earnings after taxes for INDUS shareholders amounted to EUR -51.8 million. This equates to earnings per share from continuing operations of EUR 2.68 as compared to EUR 3.68 in the previous year. Earnings per share from discontinued operations came to EUR -4.61, following EUR -1.91 in the previous year.

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

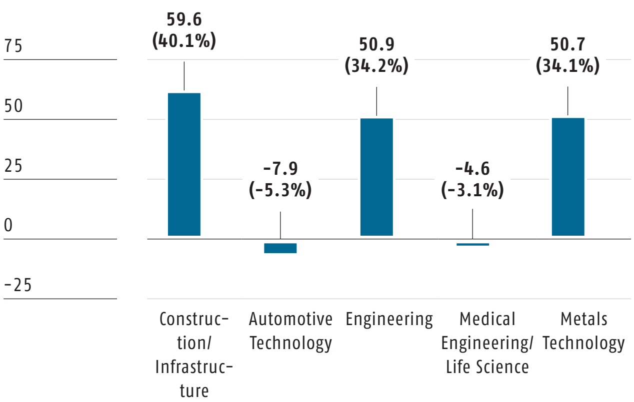
The individual segments' shares of sales and earnings have changed slightly further in relation to one another. The Automotive Technology segment's share of sales decreased especially due to the sale of WIESAUPLAST at the end of the previous year. The **Construction/Infrastructure** segment's contribution to sales increased to 28.6% (previous year: 27.7%) and that of **Engineering** to 29.5% (previous year: 26.9%). The companies HEIBER + SCHRÖDER and HELD, newly acquired in the reporting year, and the sub-subsidiaries FLACO and TECALEMIT Inc., acquired in the previous year, have made the Engineering segment the largest segment in terms of sales. At 25.5%, the **Metals Technology** segment has the third largest share of sales in the INDUS Group, and this share remains virtually unchanged from the previous year (25.7%). With the deconsolidation of WIESAUPLAST at the end of 2021, the **Automotive Technology** segment's share of sales declined, making it the smallest INDUS segment. Automotive Technology still accounts for 7.9% of sales (previous year: 10.6%). The Medical Engineering/Life Science segment has a share of sales of 8.5% (previous year: 9.1%).

SALES BREAKDOWN BY SEGMENT (in EUR million)



The distribution of operating income (EBIT) exhibits large differences between the segments. The Construction/Infrastructure segment generated a 40.1% share of income (previous year: 40.4%). The Engineering segment accounted for 34.2% of income (previous year: 32.4%). The Metals Technology segment earnings contributed 34.1% (previous year: 24.3%), around one third of Group EBIT. The Medical Engineering/Life Science and Automotive Technology segments generated negative contributions to income in the financial year of -3.1% (previous year: 6.9%) and -5.3% (previous year: -4.0%). The negative contribution to income from the Medical Engineering/Life Science segment is solely due to the non-cash impairment of goodwill in the current financial year.

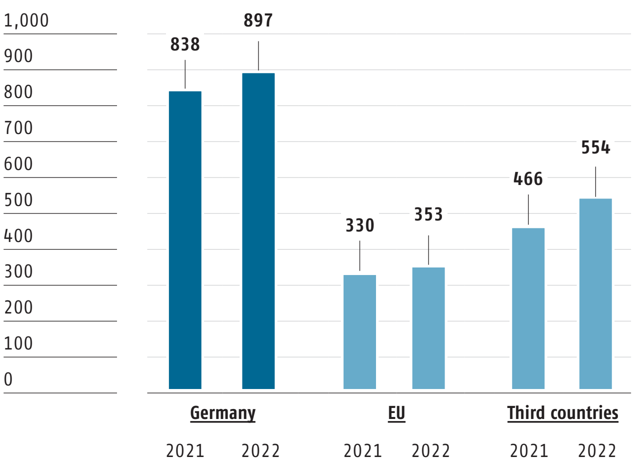
EBIT BREAKDOWN BY SEGMENT (in EUR million)



CONTRIBUTION TO SALES BY REGION

The INDUS Group's sales are attributable in almost equal measure to its domestic and international business. In relative terms, the foreign share of sales increased by 1.6 percentage points to 50.3% (previous year: 48.7%). Foreign sales increased by 14.0% to EUR 907.2 million as compared with the previous year. Domestic sales rose by 7.1% to EUR 896.9 million.

SALES 2021–2022 BY REGION (in EUR million)



Earnings Trends in the Segments

CONSTRUCTION/INFRASTRUCTURE

SEGMENT DESCRIPTION

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

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

A large portfolio company with high levels of growth and an above-average degree of digitalization was acquired in the previous year with WIRUS Fenster GmbH & Co. KG, Rietberg-Mastholte. WIRUS manufactures windows, sliding, front, and side doors, and privacy and sun-protection systems.

SEGMENT PERFORMANCE: SALES UP CONSIDERABLY – EBIT MARGIN BEFORE IMPAIRMENT WITHIN TARGET RANGE

Segment sales in the Construction/Infrastructure segment amounted to EUR 515.2 million and were therefore EUR 63.6 million (14.1%) higher in a year-over-year comparison. Growth in sales is attributable to inorganic growth of 9.1% through the acquisition of WIRUS and to organic growth of 5.0%. The majority of the segment's portfolio companies contributed to the organic growth in sales. The largest growth in sales was achieved with reinforcement technology and wood veneers.

The portfolio companies generated operating income (EBIT) before impairment of EUR 72.3 million in the financial year, which was 2.4% (EUR 1.7 million) up on the previous year's figure of EUR 70.6 million. At 14.0% (previous year: 15.6%), the EBIT margin before impairment once again reached an outstanding level and remains in the middle of the target range of 13% to 15%.

The annual impairment testing led to the recognition of goodwill impairments of EUR 12.7 million. This was due in particular to a sharp rise in the cost of capital as a result of market parameters. As a result of impairments, operating income (EBIT) fell in comparison with the previous year by EUR 11.0 million (15.6%) to EUR 59.6 million (previous year: EUR 70.6 million). The EBIT margin was 11.6%, as against 15.6% in the previous year. There was no impairment in the previous year.

Higher material prices and supply chain issues had a negative impact on the Construction/Infrastructure segment. In the previous year, however, companies in the segment were able to largely cushion material bottlenecks with targeted stockpiling of raw materials. Nevertheless, the higher price of materials was only partially passed on to customers and has had a negative impact on the EBIT margin. The increase in inventories led to markedly higher working capital. Demand has stabilized at a high level for the portfolio companies.

Investments of EUR 12.3 million in the reporting year related exclusively to investments in fixed assets. In the previous year, this figure included the acquisition of WIRUS.

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

			Difference 2022 to 2021	
	2022	2021	absolute	in %
Revenue with external third parties	515.2	451.6	63.6	14.1
EBITDA	93.1	89.7	3.4	3.8
Depreciation/amortization	-20.8	-19.1	-1.7	-8.9
EBIT before impairment	72.3	70.6	1.7	2.4
EBIT margin before impairment in %	14.0	15.6	-1.6 pp	–
Impairment	-12.7	0.0	-12.7	–
EBIT	59.6	70.6	-11.0	-15.6
EBIT margin in %	11.6	15.6	-4.0 pp	–
Investments	12.3	48.6	-36.3	-74.7
Employees	2,343	2,173	170	7.8

AUTOMOTIVE TECHNOLOGY

SEGMENT DESCRIPTION

The Automotive Technology segment consists of four continuing operations (previous year: four continuing operations). Following the Board of Management's decision to give up the former Automotive Technology segment, three portfolio companies have been presented in the consolidated financial statements as discontinued operations: SMA Metalltechnik GmbH & Co. KG had already been deconsolidated following a filing for insolvency at the end of October 2022. SELZER Fertigungstechnik KG and SCHÄFER Holding GmbH are intended for sale in the course of the 2023 financial year, including subsidiaries. SMA and SELZER are series suppliers for air-conditioning pipes and precision engineering respectively, SCHÄFER manufactures design models for the automotive industry. SMA, SELZER, and SCHÄFER are presented as discontinued operations in accordance with IFRS accounting principles (IFRS 5). The previous year's figures have been adjusted accordingly.

The remaining companies offer heating and air-conditioning systems for commercial vehicles, innovative cold extrusion parts, tire studs, and testing and measurement solutions. Effective January 1, 2023, the Automotive Technology segment will be dissolved and the remaining portfolio companies will be allocated to the new segments with clear technological focal points and aligned with future fields.

SEGMENT PERFORMANCE: SALES AND EBIT FROM CONTINUING OPERATIONS DECLINES

At EUR 142.7 million, sales in the Automotive Technology segment decreased year-over-year by EUR 31.1 million, or 17.9%. This decrease in sales is solely the result of the sale of WIESAUPLAST at the end of 2021 (EUR -47.3 million). The total revenue of EUR 16.2 million, or 9.3%, from the remaining companies in the segment has increased against the previous year.

At EUR -7.9 million, operating income (EBIT) in the 2022 financial year was EUR 1.0 million lower than the previous year's figure (EUR -6.9 million). The segment's EBIT margin came to -5.5% compared with -4.0% in the previous year.

The previous year's EBIT contains impairment of EUR 2.4 million. The Automotive Technology segment's operating result (EBIT) before impairment was EUR -7.9 million, compared to EUR -4.5 million in the previous year.

The semiconductor shortage held back sales and income in the measuring technology field. The complete breakaway of Russian business and the serious delay to the start of series production by a customer in the field of electric buses have led to missing sales and income in the field of climate technology for buses.

Investments in the amount of EUR 10.5 million in the Automotive Technology segment (previous year: EUR 5.2 million) relate exclusively to investments in fixed assets.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY

(in EUR million)

			Difference 2022 to 2021	
	2022	2021	absolute	in %
Revenue with external third parties	142.7	173.8	-31.1	-17.9
EBITDA	2.5	9.3	-6.8	-73.1
Depreciation/amortization	-10.4	-13.8	3.4	24.6
EBIT before impairment	-7.9	-4.5	-3.4	-75.6
EBIT margin before impairment in %	-5.5	-2.6	+2.7 pp	–
Impairment	0.0	-2.4	2.4	100.0
EBIT	-7.9	-6.9	-1.0	-14.5
EBIT margin in %	-5.5	-4.0	+12.3 pp	–
Investments	10.5	5.2	5.3	>100
Employees	2,822	3,277	-455	-13.9

ENGINEERING

SEGMENT DESCRIPTION

The Engineering segment comprises 15 units (previous year: 13). The segment's companies produce complete automation systems, package distribution systems, robotic gripping systems, valve technology, inert gas systems, electric heat tracing systems, vibration measurement technology, metal detectors and control room technology.

Heiber + Schröder Maschinenbau GmbH (HEIBER + SCHRÖDER), Erkrath, joined the INDUS portfolio in April 2022. In May 2022, INDUS acquired 70% of the shares in HELD Industries GmbH (HELD), Heusenstamm.

INDUS acquired JST Jungmann Systemtechnik GmbH & Co. KG in the 2021 financial year. HORNGROUP Holding GmbH & Co. KG acquired 80% of the shares in FLACO Geräte GmbH, Gütersloh in 2021, and another 35% of the shares in the American company TECALEMIT Inc. in December 2021.

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

SEGMENT PERFORMANCE: EBIT MARGIN BEFORE IMPAIRMENT ON PAR WITH PREVIOUS YEAR

Segment sales in Engineering rose by EUR 93.0 million (+21.2%) to EUR 531.7 million (previous year: EUR 438.7 million). This increase includes inorganic growth from the 2021 acquisition of TECALEMIT Inc. and FLACO, and the 2022 acquisition of HEIBER + SCHROEDER and HELD in the amount of EUR 60.1 million (13.7%), as well as organic growth across the segment of 7.5%.

Most of the portfolio companies in the Engineering segment were able to improve on the previous year's results. The new acquisitions completed in this financial year – HEIBER + SCHRÖDER and HELD – made positive contributions to income, despite expenses in connection with the initial consolidation. The contribution to income made by JST, acquired in 2021, increased significantly as a result of expenses not being incurred due to the discovery of current assets during the initial consolidation.

Operating income (EBIT) before impairment amounted to a very encouraging EUR 64.7 million (previous year: EUR 56.5 million). At 12.2% (previous year: 12.9%), the EBIT margin before impairment also reached a good level, remaining above the target range of 10% to 12%, as in the previous year.

The annual impairment testing led to the recognition of goodwill impairments of EUR 13.8 million. This is due firstly to the significant rise in the cost of capital as a result of the market parameters, but also the lower future earnings prospects of one portfolio company. Operating income (EBIT) was down to EUR 50.9 million due to impairments. At 9.6%, the EBIT margin is lower than in the previous year (12.9%).

Investments in the reporting period included EUR 67.9 million for the acquisition of HEIBER + SCHRÖDER, EUR 58.8 million for the acquisition of HELD, and EUR 9.1 million in fixed assets. Investments in the previous year consisted of EUR 34.6 million for the acquisition of JST, FLACO, and TECALEMIT Inc., and EUR 6.3 million for investments in fixed assets.

KEY FIGURES FOR ENGINEERING

(in EUR million)

			Difference 2022 to 2021	
	2022	2021	absolute	in %
Revenue with external third parties	531.7	438.7	93.0	21.2
EBITDA	90.8	79.2	11.6	14.6
Depreciation/amortization	-26.1	-22.7	-3.4	-15.0
EBIT before impairment	64.7	56.5	8.2	14.5
EBIT margin before impairment in %	12.2	12.9	-0.7 pp	–
Impairment	-13.8	0.0	-13.8	–
EBIT	50.9	56.5	-5.6	-9.9
EBIT margin in %	9.6	12.9	-3.3 pp	–
Investments	67.9	40.9	27.0	66.0
Employees	2,418	2,289	129	5.6

MEDICAL ENGINEERING/LIFE SCIENCE

SEGMENT DESCRIPTION

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

The segment represents one of the industries in which the Board of Management sees potential for future growth. In spite of greater cost pressure in the healthcare sector and higher regulatory requirements – particularly in the MDR – the Board of Management believes the Medical Engineering/Life Science segment continues to offer good prospects and attractive margins, and will therefore be integrated into the new segment structure and allocated to the new Materials segment from the beginning of 2023.

SEGMENT PERFORMANCE: COST INCREASES AND IMPAIRMENT WEIGH DOWN EBIT

The portfolio companies in the Medical Engineering/Life Science segment reported sales of EUR 153.6 million, which corresponds to an increase of EUR 4.9 million (+3.3%). The increase in sales was generated primarily in the field of optical lenses and rehabilitation technology.

At EUR 8.6 million, operating income (EBIT) before impairment was lower than the EUR 12.0 million of the previous year. The EBIT margin before impairment was 5.6% (previous year: 8.1%).

The higher material prices and supply chain problems had a negative impact on the Medical Engineering/Life Science segment and will continue to pose challenges for the portfolio companies in the coming months. It was not possible to pass higher procurement costs on fully to customers in the healthcare sector. In addition, this financial year also saw higher expenses in connection with the implementation of the EU Medical Device Regulation (MDR) as well as expenses from production relocation to boost the portfolio companies' earnings power in the future.

Goodwill impairment of EUR 13.2 million was recognized as a result of the annual impairment test as of September 30, 2022, and the event-linked impairment test as of December 31, 2022. This was due in particular to a sharp rise in the cost of capital as a result of market parameters. Operating income (EBIT) fell in comparison with the previous year by EUR 16.6 million to EUR -4.6 million (previous year: EUR 12.0 million) due to impairment. The EBIT margin came to -3.0%, as against 8.1% in the previous year.

At EUR 9.7 million, investments were lower than in the same period of the previous year (EUR 11.6 million) as the acquisition of a new production location was included in the figures in the previous year.

KEY FIGURES FOR MEDICAL ENGINEERING/LIFE SCIENCE

(in EUR million)

			Difference 2022 to 2021	
	2022	2021	absolute	in %
Revenue with external third parties	153.6	148.7	4.9	3.3
EBITDA	19.0	22.9	-3.9	-17.0
Depreciation/amortization	-10.4	-10.9	0.5	4.6
EBIT before impairment	8.6	12.0	-3.4	-28.3
EBIT margin before impairment in %	5.6	8.1	-2.5 pp	–
Impairment	-13.2	0.0	-13.2	–
EBIT	-4.6	12.0	-16.6	<-100
EBIT margin in %	-3.0	8.1	-11.1 pp	–
Investments	9.7	11.6	-1.9	-16.4
Employees	1,588	1,613	-25	-1.5

METALS TECHNOLOGY

SEGMENT DESCRIPTION

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

SEGMENT PERFORMANCE: HIGHER SALES AND INCOME

Sales amounted to EUR 460.3 million in the Metals Technology segment and were therefore EUR 39.9 million (9.5%) higher than in the same period of the previous year. This increase was achieved despite the deconsolidation of BACHER (approx. EUR 10 million in sales in the previous year) and with no acquisitions. Virtually all of the portfolio companies contributed to this result. Clear increases in sales were achieved in the carbide business and the fields of metal processing and forming technology.

Operating income (EBIT) before impairment also increased considerably by EUR 9.9 million, or 23.3%. The discontinuation of BACHER in the previous year had the largest positive impact on this item; the sale of real estate also resulted in one-time income. Due to these one-time effects in particular, the EBIT margin before impairment surpassed the previous year's figure by 1.3 percentage points at 11.4% and is above the target margin of 8% to 10%.

The annual impairment testing led to the recognition of goodwill impairments of EUR 1.6 million. This was due in particular to a rise in the cost of capital as a result of market parameters. At EUR 50.7 million, operating income (EBIT) was up EUR 8.3 million on the previous year (EUR 42.4 million). The EBIT margin came to 11.0%, exceeding the target margin and the previous year's figure (10.1%), despite impairment.

The companies in the Metals Technology segment faced higher material prices and, in particular, higher energy costs. The ability to pass on costs varies greatly among the portfolio companies and is dependent on the term of supply agreements.

At EUR 12.6 million, investments were EUR 1.4 million lower than in the previous year and relate exclusively to investments in fixed assets.

KEY FIGURES FOR METALS TECHNOLOGY (in EUR million)

			Difference 2022 to 2021	
	2022	2021	absolute	in %
Revenue with external third parties	460.3	420.4	39.9	9.5
EBITDA	68.1	58.0	10.1	17.4
Depreciation/amortization	-15.8	-15.6	-0.2	-1.3
EBIT before impairment	52.3	42.4	9.9	23.3
EBIT margin before impairment in %	11.4	10.1	1.3 pp	–
Impairment	-1.6	0.0	-1.6	–
EBIT	50.7	42.4	8.3	19.6
EBIT margin in %	11.0	10.1	0.9 pp	–
Investments	12.6	14.0	-1.4	-10.0
Employees	1,496	1,520	-24	-1.6

Financial Position

Financial and Liquidity Management

PRINCIPLES AND OBJECTIVES

Financial management at INDUS Holding AG consists of managing equity and borrowings and managing interest rate and currency risks. Financial and liquidity management pursues three objectives: securing sufficient liquidity reserves, risk limitation, and earnings and cost optimization. Securing liquidity assumes special importance since it enables INDUS not only to meet its payment obligations at all times but also to exploit acquisition opportunities at any time with no dependence on banks.

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

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

The management of net current assets (working capital) is of particular significance to the Group's liquidity needs. INDUS monitors and supports companies in the management of working capital.

FINANCING ANALYSIS FOR 2022

Further funds were raised from operating cash flow and long-term borrowing. This largely consisted of long-term bilateral bank loans with no collateral provided. Lease financing was also used to a lesser extent. Credit lines were also used on a temporary basis to cover short-term liquidity needs. These short-term borrowings play a subordinate role for the portfolio as a whole and were virtually fully repaid on the reporting date (EUR 0.2 million). Liabilities to banks amounted to EUR 347.7 million as of the reporting date (previous year: EUR 281.3 million); these are primarily (99.8%) denominated in euros. Promissory note loans amounted to EUR 303.5 million (previous year: EUR 264.0 million). INDUS also has unused credit lines totaling EUR 90.8 million (previous year: EUR 85.1 million).

Pursuant to loan agreements, INDUS entered into obligations to maintain a minimum equity ratio for the holding company. The required ratio was considerably exceeded again in the last financial year. The lenders have extraordinary termination rights in the event of a change of control.

Financial Position

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

	2022	2021
Earnings after taxes	**72.9**	**97.8**
Depreciation/amortization	128.8	85.5
Other non-cash changes	57	68.1
Cash-effective change in working capital	-68.9	-45.9
Change in other balance sheet items	-4.1	16.7
Tax payments	-48.6	-44.5
Operating cash flow	**137.1**	**177.7**
Interest	-20.8	-19.4
Cash flow from operating activities	**116.3**	**158.3**
Cash outflow for investments and acquisitions	-113.7	-120.6
Cash inflow from the disposal of assets	19.3	14.6
Cash flow from investing activities	**-94.4**	**-106.0**
Contributions to capital (capital increase)	0	84.7
Cash inflow from minority shareholders	0.2	0.0
Dividend payment	-28.2	-21.5
Dividends paid to minority shareholders	-0.7	-0.3
Cash outflow from the repayment of contingent purchase price commitments	-2.5	0
Payments related to transactions involving interests attributable to non-controlling shareholders	0	-0.7
Cash inflow from the raising of loans	264.1	57.5
Cash outflow from the repayment of loans	-157.8	-142.6
Cash outflow from the repayment of lease liabilities	-18.9	-17.9
Cash flow from financing activities	**56.2**	**-40.8**
Net changes in cash and cash equivalents from continuing operations	78.1	11.5
Net changes in cash and cash equivalents from discontinued operations	-81.2	-69.8
Changes in cash and cash equivalents caused by currency exchange rates from continuing operations	-0.2	-0.1
Changes in cash and cash equivalents caused by currency exchange rates from discontinued operations	-0.1	0.0
Changes in cash and cash equivalents in connection with discontinued operations	-5.1	0.0
Cash and cash equivalents at the beginning of the period	136.3	194.7
Cash and cash equivalents at the end of the period	**127.8**	**136.3**

HIGHER WORKING CAPITAL REDUCES CASH FLOW FROM OPERATIONS

Based on earnings after taxes from continuing operations of EUR 72.9 million (previous year: EUR 97.8 million), operating cash flow of EUR 137.1 million was generated. At EUR 40.6 million, this was below the operating cash flow reported in the previous year (EUR 177.7 million). The main reason for the change was the higher cash outflow from changes in working capital of EUR -68.9 million in comparison with EUR 45.9 million in the previous year. The increase in working capital resulted from the increase in inventories due to the higher prices in comparison with the previous year, more stockpiling, and an uptick in business activities. Receivables also rose year-over-year due to the clear increase in sales.

Interest paid (including variable interest on purchase price commitments to non-controlling shareholders) of EUR -20.8 million was slightly above the previous year's figure of EUR -19.4 million. The reason for this increase was the higher payments to non-controlling shareholders.

Cash flow from operating activities thus amounted to EUR 116.3 million (previous year: EUR 158.3 million).

Cash flow from investing activities was EUR -94.4 million (previous year: EUR -106.0 million). The cash outflow for investments in intangible assets and in property, plant and equipment was somewhat higher than in the same period of the previous year at EUR 54.5 million (previous year: EUR 52.6 million). Cash outflow of EUR 58.8 million was reported in the 2022 financial year for the acquisition of HEIBER + SCHRÖDER and HELD; in the previous year there was cash outflow for the acquisition of JST, WIRUS and other companies, amounting to EUR 67.3 million. Proceeds on the disposal of shares in fully consolidated companies related to the second tranche of the purchase price from the sale of WIESAUPLAST. Cash inflow from the disposal of other assets came to EUR 9.4 million (previous year: EUR 6.7 million). Overall, cash flow from investing activities decreased by EUR 11.6 million to EUR 94.4 million.

Cash flow from financing activities amounted to EUR 56.2 million and was offset by cash outflow of EUR -40.8 million in the previous year. This is primarily due to an increase in new debt. New debt increased in the current financial year by EUR 106.3 million – particularly in connection with the increase in working capital (EUR +68.9 million) – in the previous financial year it had declined by EUR -85.1 million. In addition, equity from a capital increase in the amount of EUR 84.7 million was available for financing in the previous year.

Cash and cash equivalents as of the reporting date of EUR 127.8 million (previous year: EUR 136.3 million) were therefore again very comfortable.

Net Assets

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

			Difference 2022 to 2021	
	Dec. 31, 2022	Dec. 31, 2021	absolute	in %
ASSETS				
Non-current assets	**1,023.5**	**1,099.0**	**-75.5**	**-6.9**
Fixed assets	1,001.4	1,081.8	-80.4	-7.4
Receivables and other assets	22.1	17.2	4.9	28.5
Current assets	**866.4**	**758.4**	**108.0**	**14.2**
Inventories	449.4	403.9	45.5	11.3
Receivables and other assets	222.9	218.2	4.7	2.2
Cash and cash equivalents	127.8	136.3	-8.5	-6.2
Assets held for sale	66.3	0.0	66.3	–
Total assets	**1,889.9**	**1,857.4**	**32.5**	**1.7**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,413.9**	**1,403.1**	**10.8**	**0.8**
Equity	685.2	787.5	-102.3	-13.0
Borrowings	728.7	615.6	113.1	18.4
of which provisions	24.7	42.7	-18.0	-42.2
of which payables and deferred taxes	704.0	572.9	131.1	22.9
Current financing instruments	**476.0**	**454.3**	**21.7**	**4.8**
of which provisions	42.3	45.7	-3.4	-7.4
of which liabilities	398.0	408.6	-10.6	-2.6
of which liabilities for assets held for sale	35.7	0.0	35.7	–
Total equity and liabilities	**1,889.9**	**1,857.4**	**32.5**	**1.7**

HIGHER ASSETS DUE TO NEW ACQUISITIONS AND AN INCREASE IN WORKING CAPITAL – OFFSET BY IMPAIRMENT AND DECONSOLIDATION

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,889.9 million, a EUR 32.5 million increase from the previous year's reporting date. The increase in total assets is due to the initial consolidation of HEIBER + SCHRÖDER and HELD, which in total added EUR 116.0 million to assets and led to an increase in working capital. This was offset by the deconsolidation of SMA, impairment of assets held for sale, and goodwill impairment.

As compared to the previous reporting date, **non-current assets** fell by EUR 75.5 million, or 6.9%, to EUR 1,023.5 million. Goodwill declined slightly by EUR 6.0 million, primarily because the increase due to new acquisitions of EUR 32.5 million was offset by impairment in the amount of EUR -39.4 million. Right-of-use assets from leasing/rent decreased by EUR 93.4 million to EUR 68.9 million. The reason for the EUR 24.5 million decline was lease rights ceasing due to agreements ending and the deconsolidation of SMA. A EUR 29.6 million increase in other intangible assets was the result of addition of customer bases from the initial consolidation of HEIBER + SCHRÖDER and HELD. The EUR 72.3 million decrease in tangible fixed assets was primarily due to the write-down and reclassification as assets held for sale, and the deconsolidation of SMA. Tangible fixed assets comprised EUR 53.9 million from discontinued operations in the previous year.

Compared with the previous reporting date, **current assets** increased by EUR 108.0 million to EUR 866.4 million. This is particularly due to the recognition of assets held for sale of EUR 66.3 million. Inventories also climbed by EUR 45.5 million due to price increases, increased stockpiling at some portfolio companies, an uptick in business activities, and the new acquisitions. Cash and cash equivalents increased just slightly by EUR 8.5 million to EUR 127.8 million.

EQUITY AND LIABILITIES: EQUITY RATIO FALLS SIGNIFICANTLY BELOW 40%

Equity fell by EUR 102.3 million to EUR 685.2 million. The decrease was due to negative total comprehensive income (EUR 27.4 million), an adjustment due to IAS 37 (EUR -46.6 million), and a dividend payment of EUR 28.2 million. The equity ratio declined year-over-year from 42.4% to 36.3% as of the reporting date.

At EUR 728.7 million, **non-current borrowings** were EUR 113.1 million higher than the previous year. This is due to the financing of working capital and company acquisitions. The EUR 18.0 million decrease in non-current provisions had an offsetting effect.

Current liabilities went up by EUR 21.7 million to EUR 476.0 million. The increase was due to the reclassification of liabilities in connection with assets held for sale of EUR 35.7 million. This was offset by decreases in current liabilities and current provisions.

WORKING CAPITAL

(in EUR million)

			Difference 2022 to 2021	
	Dec. 31, 2022	Dec. 31, 2021	absolute	in %
Inventories	449.4	403.9	45.5	11.3
Trade receivables	195.5	168.9	26.6	15.7
Trade payables	-74.3	-75.8	1.5	2.0
Advance payments received	-33.0	-25.7	-7.3	-28.4
Contract liabilities	-40.9	-27.4	-13.5	-49.3
Working capital	**496.7**	**443.9**	**52.8**	**11.9**

INDUS calculates **working capital** by adding trade receivables to inventories and deducting trade payables along with advance payments received and contract liabilities. As of December 31, 2022, working capital stood at EUR 496.7 million. This equates to an increase of EUR 52.8 million. Due to the deconsolidation of SMA and the reclassification of SELZER's and SCHÄFER's assets to "assets held for sale," the figures are not comparable. The previous year's figure included approximately EUR 58.6 million for SMA, SELZER, and SCHÄFER.

NET FINANCIAL LIABILITIES

(in EUR million)

	Dec. 31, 2022	Dec. 31, 2021	Difference 2022 to 2021 absolute	Difference 2022 to 2021 in %
Non-current financial liabilities	580.6	477.3	103.3	21.6
Current financial liabilities	140.7	163.2	-22.5	-13.8
Cash and cash equivalents	-127.8	-136.3	8.5	6.2
Net financial liabilities	**593.5**	**504.2**	**89.3**	**17.7**

INDUS calculates **net debt** (net financial liabilities) as the sum of current and non-current financial liabilities less cash and cash equivalents. As of December 31, 2022, it amounted to EUR 593.5 million, which represents an increase of 17.7% as compared with the previous year's reporting date. This is due to a rise in financial liabilities of EUR 80.8 million and a reduction of EUR 8.5 million in cash and cash equivalents. The ratio of net debt to equity (gearing) is 87% (previous year: 64%). The net debt/EBITDA ratio (from continuing operations) is 2.3 (previous year: 2.0). This means the repayment term is within the target range of 2.0 to 2.5 years.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

(in EUR million)

	2022	2021	Difference 2022 to 2021 absolute	Difference 2022 to 2021 in %
Investments	**113.3**	**119.9**	**-6.6**	**-5.5**
of which in:				
Company acquisitions	**58.8**	**67.3**	**-8.5**	**-12.6**
Intangible assets	**8.0**	**7.0**	**1.0**	**14.3**
Property, plant and equipment	**46.5**	**45.6**	**0.9**	**2.0**
of which in:				
Land and buildings	2.0	4.7	-2.7	-57.4
Technical equipment and machinery	12.4	11.5	0.9	7.8
Other equipment, factory and office equipment	15.5	11.0	4.5	40.9
Advance payments and facilities under construction	16.6	18.4	-1.8	-9.8
Depreciation/amortization (without right-of-use assets/leases)*	**-109.8**	**-67.2**	**-42.6**	**-63.4**

* This table does not include amortization of right-of-use assets/leases totaling EUR 19.0 million (previous year: EUR 18.3 million)

Investments in the reporting year were EUR 6.6 million lower than in the previous year and amounted to EUR 113.3 million. EUR 58.8 million was invested in company acquisitions (-12.6%); EUR 46.5 million in property, plant and equipment (+2.0%); and EUR 8.0 million in intangible fixed assets (+14.3%).

Investments in intangible assets of EUR 8.0 million related to the capitalization of development costs and EDP systems.

The investments in property, plant and equipment focused on technical equipment and machinery and operating equipment. The funds used by the portfolio companies are intended to improve the portfolio companies' value-added processes and thus strengthen the companies' competitive position. The investment projects include numerous individual measures.

Advance payments increased slightly to EUR 16.6 million. Depreciation/amortization amounted to EUR 109.8 million, compared with EUR 67.2 million the previous year. The depreciation/amortization also includes impairment of EUR 42.8 million (previous year: EUR 2.5 million).

Financial Performance of INDUS Holding AG

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

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

			Difference 2022 to 2021	
	2022	2021	absolute	in %
Sales	**6.3**	**6.1**	**0.2**	**3.3**
Other operating income	2.8	35.5	-32.7	-92.1
Personnel expenses	-6.9	-7.6	0.7	9.2
Other operating expenses	-181.8	-14.9	-166.9	<-100
Income from investments	106.1	97.3	8.8	9.0
Income from loans of financial assets	41.6	47.7	-6.1	-12.8
Other interest and similar income	15.8	13.1	2.7	20.6
Depreciation/amortization on intangible assets and property, plant and equipment	-0.5	-0.6	0.1	16.7
Impairment of financial investments	-195.5	-99.1	-96.4	-97.3
Expenses from loss absorption	-3.0	-7.0	4.0	57.1
Interest and similar expenses	-12.1	-11.3	-0.8	-7.1
Earnings before taxes	**-227.2**	**59.2**	**-286.4**	**<-100**
Taxes	8.9	-4.8	13.7	>100
Net income/loss for the year	**-218.3**	**54.4**	**-272.7**	**<-100**
Profit carried forward	1.5	0.3	1.2	>100
Deductions from retained earnings	244.0	0.0	244.0	–
Balance sheet profit/loss	**27.2**	**54.7**	**-27.5**	**-50.3**

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

Revenues comprise the services provided by the company for portfolio companies. These came to EUR 6.3 million, on a par with the previous year.

Other operating income decreased by EUR 32.7 million to EUR 2.8 million. In the previous year, appreciation of EUR 33.9 million was recognized on financial investments. The appreciation related to reversals of depreciation of financial assets in previous years. These are permitted up to the level of the original acquisition cost but not beyond this. No appreciation took place in the reporting year.

Personnel expenses fell from EUR 7.6 million in 2021 to EUR 6.9 million in the reporting year. This was caused mainly by the lower expenses for variable compensation paid to the Board of Management.

The increase in other operating expenses to EUR 181.8 million is due to individual valuation allowances on receivables in the amount of EUR 170.9 million. Of this amount, EUR 78.9 million relates to SMA and EUR 92.0 million to SELZER. S.M.A. Metalltechnik GmbH & Co. KG filed for insolvency at the end of October 2022. Valuation allowances were recognized for all receivables, loans, and residual carrying amounts at SMA. SELZER Fertigungstechnik KG and SCHÄFER Holding GmbH are intended for sale in the course of the 2023 financial year, including subsidiaries. Valuation allowances were made for all receivables, loans, and residual carrying values in SELZER in light of the expected sales value.

Income from investments and income from loans of financial assets increased slightly by EUR 2.7 million from EUR 145.0 million to EUR 147.7 million.

Interest income arises largely from interest expenses charged on by the holding company to the portfolio companies and, at EUR 15.8 million, was higher than the previous year, rising by EUR 2.7 million.

Impairments of financial investments relate to write-downs of shares in affiliated companies amounting to EUR 176.8 million (previous year: EUR 63.6 million) and write-downs on loans of EUR 18.7 million (previous year: EUR 35.5 million). The write-downs relate to the full impairment of the shares in and loans to SMA (EUR 47.2 million) and SELZER (EUR 38.6 million) as well as valuation allowances following impairment testing of the other carrying amounts of the investment as of the reporting date. EUR 109.7 million was written down as a result of the review. This was due in particular to a sharp rise in the cost of capital as a result of market parameters. The carrying amount of the investments and loans amounted to EUR 1.14 billion after impairment, following EUR 1.18 billion in the previous year.

Interest expense increased slightly by EUR 0.8 million to EUR 12.1 million. In total, earnings before taxes were thus EUR -227.2 million due to impairment, which was EUR 286.4 million below the previous year's level.

Tax expenses were positive in the financial year due to SMA's partial loss utilization options, amounting to EUR 8.9 million, following EUR -4.8 million in the previous year. Net loss for the year thus amounted to EUR -218.3 million. To compensate for non-cash impairment, EUR 244.0 million was deducted from retained earnings and added to the balance sheet profit. The balance sheet profit was thus EUR 27.2 million as against EUR 54.7 million in the previous year.

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

	Dec. 31, 2022	Dec. 31, 2021
ASSETS		
Intangible assets	0.0	0.1
Property, plant and equipment	8.3	8.6
Financial investments	1,141.3	1,174.6
Fixed assets	**1,149.6**	**1,183.3**
Receivables and other assets	363.0	505.0
Cash on hand and bank balances	17.8	0.2
Current assets	**380.8**	**505.2**
Prepaid expenses	0.7	0.6
Total assets	**1,531.1**	**1,689.1**
EQUITY AND LIABILITIES		
Equity	821.7	1,068.2
Provisions	4.9	4.5
Liabilities	678.3	567.9
Deferred tax liabilities	26.2	48.5
Total equity and liabilities	**1,531.1**	**1,689.1**

The holding company's statement of financial position reflects on the asset side the carrying amounts of the portfolio companies along with long- and short-term loans to the portfolio companies.

Total assets of INDUS Holding AG decreased by EUR 158.0 million during the financial year and amounted to EUR 1,531.1 million as of December 31, 2022. The decrease in total assets is directly connected to the impairment of shares, loans, and receivables in relation to SMA and SELZER, and the review of other carrying amounts as of December 31, 2022. The addition of HEIBER + SCHRÖDER and HELD to the portfolio and financing the increase in working capital at the portfolio companies increased total assets.

The equity of INDUS Holding AG decreased in the reporting period due to impairment by EUR 246.5 million from EUR 1,068.2 million to EUR 821.7 million. As of December 31, 2022, the equity ratio stood at 53.7%, following 63.2% in the previous year.

Liabilities amounted to EUR 678.3 million as of December 31, 2022, and thus rose by EUR 110.4 million compared to December 31, 2021. This increase is directly related to the financing of the increased working capital in the Group. The portfolio companies receive financing almost exclusively from the holding company.

INDUS Holding AG employed a total of 36 employees, not including the Board of Management, in the 2022 financial year (previous year: 34 employees).

Further Legal Information

Acquisition-related Disclosures

Disclosures in Accordance With Sections 289a (1) And 315a (1) German Commercial Code HGB: Capital Stock, Voting Rights, and Transfer of Shares

As of December 31, 2022, the capital stock of INDUS Holding AG amounted in total to EUR 69,928,453.64. This is divided into 26,895,559 no-par-value shares. Each individual no-par-value share entitles its holder to one vote. There are no different share classes. All shares carry the same rights and obligations. The rights and obligations are derived from provisions of law.

Interests of More Than 10%

According to the information INDUS currently has, the insurer Versicherungskammer Bayern, Versicherungskammer des öffentlichen Rechts, Munich, held 17.7% of INDUS shares as of the reporting date.

Privileges and Voting Rights Control

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

Appointment and Dismissal of Members of the Board of Management

Members of the Board of Management are appointed and dismissed in accordance with the provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG). The Articles of Incorporation do not contain any special rules in this regard. The Supervisory Board appoints members of the Board of Management for a maximum term of five years; repeat appointments by the Supervisory Board are permitted. In accordance with Section 8.1 of the Articles of Incorporation, the Board of Management consists of at least two individuals. Pursuant to Section 8.3 of the Articles of Incorporation, the Supervisory Board may appoint one member of the Board of Management as chair or spokesperson, and another as deputy chair.

Material Agreements in the Event of a Change of Control

In the event of a material change in the composition of the Supervisory Board (change of control), implying a serious change to the current long-term focus of the corporate strategy, 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 the 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 member of the Board of Management is also entitled to terminate their employment contract without notice. If a member of the Board of Management exercises their termination right, the company pays the member a severance payment amounting to their fixed salary for two years, but not more than the fixed salary that the member of the Board of Management would have received from the effective date of their own termination until the regular end of their contract. The severance payment is based on the fixed salary for the year in which the special right to terminate is exercised or the member is dismissed.

Amendments to the Articles of Incorporation

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

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

CONTINGENT CAPITAL

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

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

The implementation of the 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 contingent capital being required in accordance with the terms of the convertible bonds – or option bonds.

AUTHORIZED CAPITAL

The Board of Management is authorized by Section 6.1, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 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 starting date for profit sharing that deviates from that set out by law, also with retroactive effect from a financial year that has already passed insofar as no resolution has been passed as yet on the profit for this financial year that has already passed. Shareholders will generally be given subscription rights. The new shares may 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.

SHARE BUY-BACKS

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

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

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

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

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

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

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

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

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

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

Opportunities and Risks

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

Opportunity Management

Strengthening the Portfolio Structure

GROWTH ACQUISITIONS

INDUS' core task is the goal-oriented development of a diverse SME portfolio. INDUS Holding AG's Board of Management regularly discusses market and technology trends and has, as part of the **PARKOUR perform** strategy update, defined growth industries for the strategic development of the segments. The regular dialogue with the portfolio companies' managing directors yields further insights about market and technology opportunities. Opportunities to strengthen the portfolio structure are continuously analyzed and can be quickly implemented by the in-house M&A team on the basis of secured funding and the Group's stable financial position.

COMPLEMENTARY ADDITIONS

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

Driving Innovation

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

Improving Performance

The aim of the "Improving Performance" strategic initiative as part of the **PARKOUR perform** strategy program is the increased use of opportunities in operating activities. In the "Market Excellence" domain, INDUS specifically promotes activities in the areas of business development, strategic marketing, sales, and pricing and provides help and support for the portfolio companies' processes. The field of Operational Excellence focuses primarily on opportunities to realize productivity gains in the value-added processes (production, supply chain). There is a wide range of support services for the portfolio companies, particularly for the implementation of lean management plans.

Sustainability

The sustainability strategy is an independent strategic initiative of the **PARKOUR perform** strategy program. INDUS believes there are considerable opportunities in the promotion of sustainable corporate initiatives. Future key technologies originate with innovations that make a significant contribution to achieving climate and sustainability targets. The portfolio companies receive specific support through INDUS' innovation and sustainability development bank.

More sustainable products and processes may bring about an increase in sales or offset an impending loss of sales. Differentiating features could be the use of renewable or recycled raw materials in the current product range, or the use of new technologies that minimize the consumption of resources during production. INDUS anticipates that these value drivers will gain in significance in the future and that additional sales opportunities can be generated through such differentiating features.

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

The Portfolio Companies' Opportunities

In addition to the opportunities offered by product and process innovations, developments in the market and competitive environment also result in opportunities. Portfolio companies can benefit from positive economic developments in their markets and future fields, which originate from megatrends.

The megatrends digitalization and sustainability in particular offer opportunities for portfolio companies in the Engineering segment. Important future fields for this segment are automation and robotics, sensor and measuring technology, and energy technology and logistics.

There are strategic opportunities for the Infrastructure segment in the mobility and urbanization, and digitalization and sustainability (e.g. sustainable construction) megatrends. Relevant future fields include infrastructure networks, infrastructure construction, and energy efficiency.

The Material segment's opportunities lie in high levels of material expertise. The biggest opportunities are within the future fields of circular economies and waste management, agriculture and food industries, and energy-efficient and sustainable production processes. Long-term growth opportunities for companies active in the field of medical consumables and aids come from the megatrends of demographics and health; increasing regulatory requirements, particularly from the new European Medical Devices Regulation, offer opportunities for companies that are able to meet these requirements consistently.

Risk Management

Structure and Instruments

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

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

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

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

The core process of "acquisition of companies" is closely interconnected with risk management. The holding company's dedicated M&A team analyzes the opportunities and risks of an acquisition company in a balanced way on the basis of due diligence audits and prepares the decision paper for the Board of Management. The Board of Management makes a decision regarding acquisition following a detailed analysis of the opportunities and risks and the ability to bear risk.

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

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

Internal Control and Risk Management System

REPORT IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

INDUS' internal control system (ICS) is a systematic set of rules, procedures, and responsibilities, implemented by the management, that aims to ensure the companies' business activities are conducted properly and risks are managed in the business processes. The following integrated management systems are in place to ensure this comprehensive task is completed:

— INDUS corporate governance system
— Risk management system (RMS)
— Compliance management system (CMS)
— Sustainability management system
— Accounting system

These systems include system and process elements that are uniform throughout the Group to safeguard the regularity and functionality of the systems. Roles and responsibilities are defined based on risk analyses, guidelines and rules are communicated, and internal training and education programs are implemented during the system design. The ongoing operation includes making resources regularly available (e.g. whistleblowing system). The efficacy of the systems is monitored through checks integrated into the systems, self-assessments, and external audits (e.g. IT security reviews during risk management). The managing directors of the portfolio companies confirm compliance with the provisions of the compliance management system on a yearly basis. The internal audit system reviews compliance with rules, procedures, and responsibilities, independent of processes, and was redefined and significantly expanded effective January 1, 2023, in connection with the changes in the management structure.

All portfolio companies are included in the ICS. The scope of the activities to be performed by each unit varies and depends on the unit's significance for the consolidated financial statements and the specific risks associated with the unit. The management of each unit is obliged to implement an appropriate and effective ICS and RMS in their sphere of responsibility based on mandatory Group-wide requirements.

The Audit Committee is systematically included in the monitoring of the ICS and RMS. The Committee particularly monitors accounting and accounting processes, as well as the suitability and efficacy of the ICS, RMS, and internal audit system. In accordance with the recommendations of the GCGC 2022, the Board of Management has inspected the suitability and efficacy of the risk management system and the internal control system and has no significant objections.

REPORTING PURSUANT TO SECTIONS 289 (4) AND 315 (4) HGB

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

The accounting-related ICS is a set of principles, procedures, and measures aimed at ensuring proper accounting, which undergoes continuous optimization. The ARICS is structured in such a way that the consolidated financial statements of INDUS Holding AG are prepared in lawful accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and with the commercial code provisions as per Section 315e

* not a subject of the audit

(1) of the German Commercial Code (HGB), which must additionally be observed. The annual financial statements are prepared in accordance with the commercial provisions of the German Commercial Code (HGB). Regardless of its structuring, however, the ARICS cannot provide absolute assurance of the avoidance or identification of accounting errors.

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

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

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

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

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

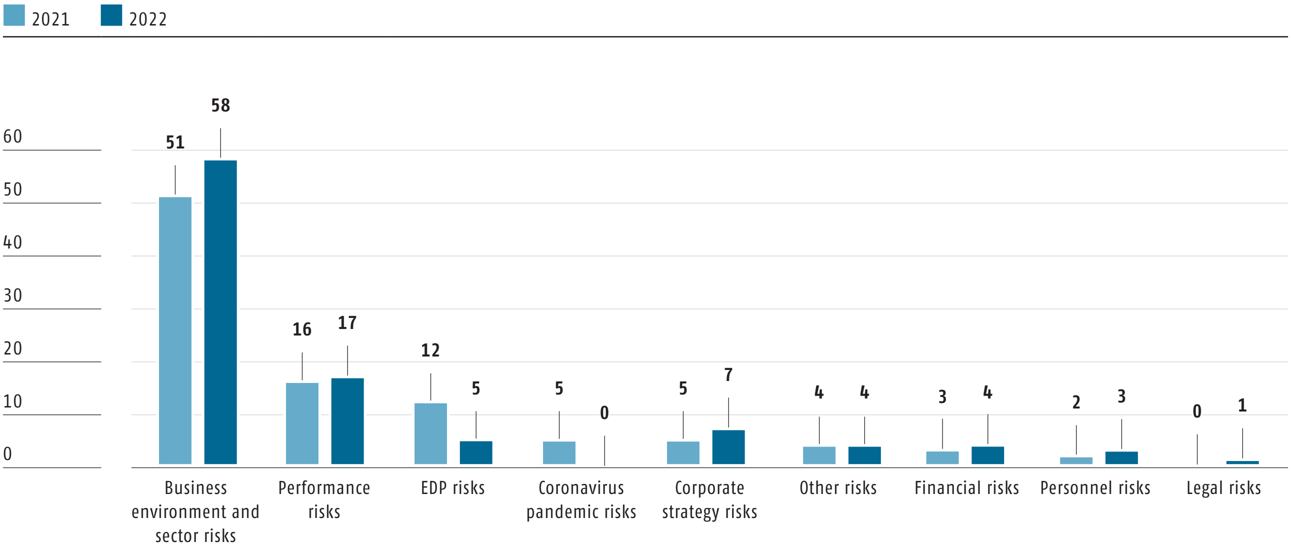
Description of Individual and Aggregate Risks

As in the previous year, the portfolio companies and INDUS Holding AG initially identify and assess risks by means of a decentralized bottom-up approach. The risk manager of INDUS Holding AG assists in this process. The risks are assessed on the basis of their potential effects and the probability of their occurrence. The probability of their occurrence relates to the horizon of one year. The distribution of losses is shown by means of a triangular distribution. A triangular distribution describes the losses in the best, base and worst case. The following description of the individual risks is based on the risks identified by the portfolio companies and INDUS Holding AG as of the reporting date.

The Group's overall risk exposure is assessed by means of a risk metric calculated using a Monte Carlo simulation of all the risks identified and measured. The Monte Carlo simulation simulates and aggregates the losses. Opportunities are not taken into account in this process. With a confidence level of 97%, the risk metric for the INDUS Group is approx. EUR 72.1 million (previous year: EUR 72.3 million). In other words, there is a probability of 97% that if the risks materialize, the financial burden will not exceed this amount. The estimate of the probabilities of occurrence and the amount of the loss in each case is subject to great discretionary judgment and may differ from the actual amount of the loss. The risk metric determined on the basis of the risk management system is nevertheless a guide to the risk-bearing capacity and financial stability of the Group. The Group is deemed to be capable of bearing its risk exposure when the risk metric is covered by liquidity and equity. The Board of Management considers that the Group can bear the risk of the exposure as calculated and that its continued existence is not threatened.

The graph below shows the proportion of the risk metric accounted for by the individual risk categories:

PROPORTION OF THE RISK METRIC ACCOUNTED FOR BY RISK CATEGORY (in %)



Coronavirus Pandemic Risks

The impacts of the coronavirus pandemic lessened significantly in the 2022 financial year. In cases where the pandemic-related risks remain significant, they have been integrated into the existing risk categories.

Business Environment and Sector Risks

The business performance of the portfolio companies is closely related to developments in the economy as a whole. Further escalation of the Russia-Ukraine war and the potential negative impacts on the economy cannot be reliably assessed through forecasts. It is also not possible to foresee the consequences of the current wave of COVID in China and the impact this may have on supply chain disruptions. The increasing tension between the USA and China poses further risks for the global economy, the effects of which are unforeseeable. Along with the risks inherent in the business cycle, increases in energy and raw material prices pose risks to the performance of the individual companies and of the Group as a whole. High energy costs are leading to disadvantages in international competition, and the high volatility of commodities markets entails supply risks and in particular the risk that price rises cannot be passed on to customers. The high rate of inflation and the subsequent increase in interest rates by central banks will lower consumption due to lower purchasing power – with negative effects for economic development.

INDUS avoids disproportional dependency on individual sectors through a well-balanced investment portfolio. The portfolio companies' high degree of specialization and strong positions within their respective niche markets reduce their industry risk and the general economic risk. However, fundamental risks arising from economic and sector-specific factors cannot be avoided.

The automotive industry is also undergoing an enormous structural shift towards e-mobility, a shift that presents high risks for the direct and indirect supplier industries. With the decision to dissolve the Automotive Technology segment and the planned sale of the last remaining series supplier SELZER, the risk from negative developments in the automotive industry is significantly reduced for the INDUS Group.

Corporate Strategy Risks

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

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

Performance Risks

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

The portfolio companies need raw materials and supplies sourced from various suppliers to manufacture products. Given the wide diversification of the INDUS Group's overall portfolio, procurement risks are limited regarding their potential impact on the Group as a whole, as the last three years have shown. There is a risk that the supply of primary products or materials is not always guaranteed. Certain products (e.g. semiconductors) were unavailable or difficult to obtain in the financial year. There is also the risk that energy supply may partially fail or be limited as a result of the Russia-Ukraine war and the impact of the war on energy supplies.

Purchase prices of raw materials and energy sources can vary considerably. Depending on the prevailing market situation, it may not always be possible for portfolio companies to pass the resulting costs on to customers quickly and in full. Operations managers stay in constant contact with suppliers and customers. This enables them to react promptly to any price or volume risks which may arise. Where necessary, the portfolio companies also employ raw material hedges to limit risks. Given the wide diversification of the INDUS Group's overall portfolio, production and sales risks are limited considering their potential impact on the Group. INDUS regularly analyzes the customer structure in the Group; there are no individual product or service groups and no individual customers that account for more than 10% of sales.

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

Personnel Risks

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

The companies of the INDUS Group conduct their human resources work independently. They are located in many different industries and regions, so that the risks of recruitment and human resources development are highly diverse. Qualified employees are a vital factor in the success of every portfolio company. In light of demographic developments and the ongoing positive situation on the labor market, the risk of labor shortages remains high internationally.

EDP Risks

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

The potential failure of IT represents a significant operational and financial risk for Group companies. The companies in the Group are increasingly dependent on the functionality and stability of the various individual EDP systems. The loss of data or know-how and data manipulation pose further risks. A tendency toward an increase in cyberattacks can be observed. The companies in the Group employ, depending on their individual risk exposure, various instruments to control risk. They range from emergency and data back-up processes to the use of modern anti-virus programs and firewall software and hardware, access and entry control measures, and up to other preventative protection measures such as raising employee awareness and training. Measures to prevent, discover, and handle cyberattacks remain absolutely relevant. The risks are partially covered by cyber insurance.

Financial Risks

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

A widely diversified financing structure, which is spread over eight (previous year: eight) core banks, keeps the company from being dependent on individual lenders, so the risk of losing banks as lenders is currently considered to be low. The portfolio of companies, which is intended to be long term in nature, is financed by the holding company via a revolving long-term loan. Credit protection is in place at individual subsidiary level. The agreed covenants do not appear to pose a business risk at this time. A deterioration in key financial ratios could lead to higher financing terms as a result of changed rating assessments. INDUS relies on a mix of fixed-rate and variable loans for its funding requirements, the latter of which are hedged with interest rate swaps. Due to the interest rate hedges, a change in interest rates would not impact financial position during the term of any particular loan. The nominal volume of interest rate hedges amounted to EUR 113.2 million in total as of December 31, 2022 (previous year: EUR 155.3 million).

Customer default risk is substantially limited by the widely diversified portfolio and the autonomy of the portfolio companies, which focus their activities on selling a variety of products in diverse markets. The portfolio companies also maintain their own effective systems for monitoring customer-related risks, take out trade credit insurance at their own discretion, and report any such risks to the holding company on a monthly basis.

There are foreign currency risks as a result of the individual portfolio companies' international activities. INDUS counters these risks as needed and in a risk-oriented manner by hedging business transactions with forward exchange contracts. The nominal volume of exchange rate hedges totaled EUR 0.0 million as of December 31, 2022 (previous year: EUR 5.2 million). Further explanation of financing matters may be found in the Notes under "Information on the Significance of Financial Instruments."

Legal Risks

INDUS Holding AG and its portfolio companies are exposed to numerous legal risks. These lie primarily in the areas of competition, antitrust, foreign-trade, customs, and tax law. Risks also arise from the individual portfolio companies' operating activities through warranty and product liability claims. Effective contract and quality management reduces this risk, but it cannot be eliminated completely. By means of guidelines, training courses and information on compliance, the holding company provides the portfolio companies with support on competition and antitrust law, preventing money-laundering, foreign trade law and customs law.

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

Other Risks

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

Sustainability Risks

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

Risks Arising From Reported Goodwill

Based on its corporate strategy of pressing ahead with diversification by continuously enlarging its investment portfolio, the Group recognized EUR 403.7 million in goodwill (previous year: EUR 409.8 million). According to IAS 36, this must be subjected to an impairment test at least once a year. If the recoverable amount is less than the carrying amount then goodwill is subject to impairment. In the reporting year, impairment losses of EUR 39.4 million were recognized on goodwill (previous year: EUR 2.5 million). INDUS has accounted for the goodwill risk by reporting in the statement of financial position any impairments identified through impairment testing.

The goodwill recognized is spread across 44 cash generating units (CGUs) from all segments. No individual component of goodwill is larger than 10% of total goodwill. Any impairment does not have any immediate negative impact on liquidity. Indirect effects – for example, as a result of rising interest rates due to a deterioration in company key figures (rating) – are possible and are looked at as part of risk management.

The Board of Management's Overall Assessment

In the 2022 financial year, INDUS exploited the opportunity to add two new portfolio companies to its portfolio and thus continue a key focus of its long-term strategy – growth through acquisitions. The Board of Management still sees great growth opportunities for 2023 in possible acquisitions at both the portfolio level and the level of the portfolio companies (sub-subsidiaries).

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

In terms of risks, the level of macroeconomic and political uncertainty remains high. Developments in Europe are especially characterized by the war between Russia and Ukraine. The consequences and implications of the war, especially if it should escalate, are not predictable. The INDUS Group has so far not been directly affected to a significant extent by sanctions and embargoes. High energy costs, high rates of inflation, and the impact of the monetary countermeasures of interest rate hikes and the tightening of money supplies, may lead to a recession with the corresponding economic risks. With the decision to dissolve the Automotive Technology segment and with the completion of the sale of the last remaining series supplier, the risk from the volatile developments in the automotive industry will be significantly reduced for the INDUS portfolio.

The Group's overall risk exposure is the aggregate total of individual risks across all risk categories. To some extent, the diversified and broadly-based portfolio balances out risks within the Group. The Board of Management has examined the risk-bearing capacity on the basis of aggregate risks and taken mitigating measures into account. In the financial year ended, and from a current perspective for the ongoing financial year, the Board of Management has identified no risks that could jeopardize the continued existence of the Group as a going concern.

Forecast Report

The INDUS Group expects sales totaling EUR 1.9 to 2.0 billion and an operating income (EBIT) of EUR 145 to 165 million for 2023. The EBIT margin is expected to range between 7.0% and 8.0%. Further reductions in greenhouse gas emissions are planned for 2023.

Forecast Economic Outlook

The high levels of market uncertainty are likely to have an impact on the German economy in the coming months, too. After growth forecasts became increasingly gloomy over the course of 2022, the general downward turn was replaced by a slight correction upwards at the beginning of 2023. As of January, the Federal Government forecasts slight growth in GDP of 0.2% in 2023 ; the International Monetary Fund forecasts growth of 0.1% for the German economy. The rate of inflation in January 2023 came to 8.7% year-over-year. Although inflation is expected to ease of the course of the year, it will likely remain high. The Federal Government anticipates an average annual rate of 6.0%. The general cost pressures are set to remain noticeable in the coming months. This applies in particular to the negative impact of the steady high energy prices. The trend has already turned, but producer prices for energy were still up 32.9% in January 2023 against January 2022. The relatively high prices will be passed on to companies with a delay in some cases due to individual agreement provisions. The countering effects of government measures are not yet fully tangible. The expansion and transition to a strong green economy in particular offer growth opportunities.

The outlook for the global economy is dominated by high levels of market risks: A deterioration in the coronavirus situation or a real estate crisis in China, an escalation of the Russia-Ukraine war, a debt crisis in emerging and developing economies – all could hinder global development. As of January 2023, the International Monetary Fund anticipates growth of 2.9% for the global economy in 2023. The end of the zero-covid policy in China in particular has boosted the outlook slightly in comparison with the IMF's October forecast (+2.7%). As a result of the central banks' interest rate hikes, a slightly reduced, but still high global rate of inflation of 6.6% is forecast.

ECONOMIC GROWTH (in %)

	2022 (preliminary)	2023 (forecast)	2024 (forecast)
Economic regions			
Global economy	3.4	2.9	3.1
Euro area	3.5	0.7	1.6
Selected countries			
United States	2.0	1.4	1.0
China	3.0	5.2	4.5
Germany	1.9	0.1	1.4

Source: International Monetary Fund, World Economic Outlook (as of January 2023)

Engineering: Challenging Basic Conditions

In light of the high level of market risks, the sentiment and outlook in the German engineering sector remain cautious: the trade association Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA) anticipates a downturn of 2% in real production in 2023. Oxford Economics forecasts real growth of 1% for the current 2023 financial year in global engineering ; whereby the EU and USA markets are expected to shrink (-1% and -5% respectively). Despite the high level of risks, almost 50% of the companies surveyed by VDMA are optimistic about their outlook in 2023, only 14% are pessimistic. A solid order backlog is the foundation for this optimism. The ifo business climate index for engineering has also shown a positive trend since November 2022.

Infrastructure: Clouds Forming for the High-Flying Sector

Following the boom of recent years, the economy is set to continue cooling in the construction and infrastructure sector in 2023. At the end of 2022, the number of construction permits granted began indicating a downturn: In November 2022, the number of construction permits granted for housing decreased 16.3% in comparison with November 2021. Between January and November 2022, the number of housing construction permits granted was 5.7% lower than in the same period of the previous year. While stable development is anticipated for energy renovations, real sales in new housing construction (-9%), commercial construction (-4%), and public construction (-5%) are expected to decline. The main trade association for the main construction sector forecast a real decrease in production of 6% in 2023. The share of companies experiencing production obstacles through lack of orders or cancellations is also increasing. The trade association simultaneously expects the supply of construction materials to improve, lowering the price of materials. Although incoming orders flattened out as the war started, the order backlog stood at 4.4 months in December 2022 when adjusted for seasonal effects. The ifo business climate for the main construction sector also improved slightly as recently as in January 2023.

Materials: Challenging Market Situation

The outlook for 2023 remains varied for companies in this sector. The ongoing high order backlog provides a solid outlook despite the downward trend for Germany's metalworking industry. The timeframe for the order backlog was an above-average six months at the beginning of the year. The book-to-bill rate, which dipped under 100% for the first time since 2020 in February 2022 indicated, however, that this backlog is now gradually being processed. This corresponds to M+E incoming orders, which have been declining constantly for a year now. The global crises are putting pressure on demand. The high energy prices in international comparison, ongoing materials shortages, and the general skills and labor shortages are also impacting companies negatively. Nevertheless, the ifo business climate index has been indicating an upturn in the field of material production and processing since November 2022. Exports expectations and production planning took a downward turn in January 2023, however. German companies with materials expertise in the field of healthcare can expect to encounter ongoing cost pressures and restrained growth in 2023. The regulatory red tape resulting from the implementation of the EU medical device regulation (MDR) along with its negative impact on innovativeness and product diversity will continue to influence the market strongly. Labor shortages and supply issues will also hinder growth opportunities in this sector. On the other hand, sustainable product development and recycling will offer potential for development.

Expected Group Performance

PARKOUR perform: Strategy Update From January 1, 2023

The aims of ensuring a balanced portfolio structure and value enhancement are at the heart of the PARKOUR strategy program. PARKOUR at the Group's development through 2025 and strives to boost the entrepreneurial fitness of the portfolio companies in order to overcome the ongoing challenges of their markets.

In order to achieve the targets set by 2025, despite the various economic uncertainties, in the coming years, the INDUS Holding AG Board of Management presented its refined strategy on December 15, 2022, under the name **PARKOUR perform**. The Group began implementing the strategy at the beginning of 2023. Following a phase of consolidation, particularly in the Automotive Technology segment, INDUS is now making a fresh start.

The portfolio will be gradually aligned with technological focal points in industrial technology. The portfolio companies classed as continuing operations will be allocated to the three new segments Engineering, Infrastructure, and Materials. Following the decision of the Board of Management to dissolve the former Automotive Technology segment, the portfolio companies SCHÄFER, SELZER, and SMA have been classed as discontinued operations. SMA was deconsolidated as soon as it filed for insolvency. The Board of Management believes the portfolio companies SCHÄFER and SELZER do not have a positive outlook as part of the INDUS Group and intends to sell them within the year.

Under **PARKOUR perform**, the segments will be managed in a focused manner at segment level. Each of the new segments will have a member of the Board of Management assigned to it (segment management). This member

MEDIUM-TERM GOALS FOR 2025

PORTFOLIO STRENGTHENING	SALES SIGNIFICANTLY >EUR 2 BILLION	EBIT MARGIN ABOVE 10%
Megatrends and innovations determine the performance of the portfolio companies	Organic and supported by regular acquisitions	Long-term, reliable target achievement
VALUE-BASED MANAGEMENT	**REGULAR DIVIDENDS**	**STRIVING FOR SUSTAINABILITY**
Free cash flow as a key performance indicator will be made transparent in the future	Up to 50% of profits distributed	All portfolio companies will pursue a measurable sustainability agenda

will be the specialist responsible for the portfolio companies in the segment, will refine the general strategic orientation and safeguard growth, revenue, and value enhancement. The member will also represent the segment outside of the Group.

The Engineering, Infrastructure, and Materials segments, derived from the new management structure, will be managed with a clear focus on future fields. The current megatrends of sustainability, digitalization, mobility, and urbanization as well as demographics and healthcare are the future fields for the new segments.

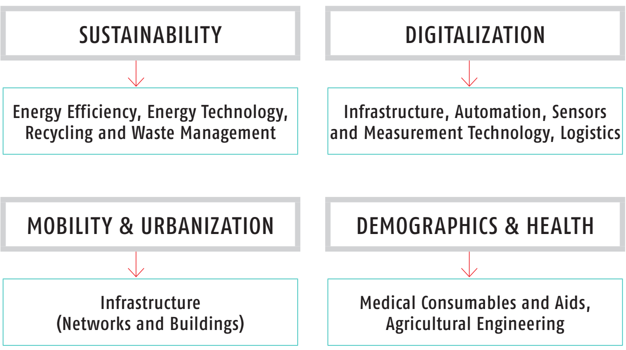
INDUS remains the home of technology-oriented companies in the industrial SME industry. Family-run businesses can find customized solutions for their succession planning. “Buy, hold & develop” is at the core of how INDUS creates value. We are shaping the future with SMEs.

PARKOUR perform will continue to focus on specifically strengthening the portfolio structure, driving innovation, improving portfolio companies’ performance through market excellence and operational excellence, and implementing sustainability in all processes. The segments’ development will be advanced with expert knowledge and targeted acquisitions.

STRENGTHENING THE PORTFOLIO STRUCTURE

When it comes to growth acquisitions to complement the portfolio, INDUS particularly looks to industrial technology companies with clear technological focal points. To safeguard the appropriate mix of future-oriented companies, acquisitions will be made with a clear focus on the future fields defined by INDUS. The future fields are: energy efficiency, energy technology, circular economy and waste management, infrastructure, automation, sensor and measuring technology, medical consumables and aids, and agricultural technology.

FOCUS ON FUTURE FIELDS



Two acquisitions at portfolio level were realized in financial year 2022, with HEIBER + SCHRÖDER and HELD. HEIBER + SCHRÖDER was acquired in December 2021. The economic transfer and inclusion in the INDUS Group took place in April 2022. HELD, the second portfolio acquisition in 2022, has been strengthening the INDUS portfolio since May. Both HEIBER + SCHRÖDER and HELD were able to make positive contributions to consolidated income in 2022, despite the surplus value depreciation from the initial consolidation.

Following years of attempted restructuring, INDUS limited its financing of SMA in September 2022. This led the company to file for insolvency in October, reducing the weight of series suppliers in the portfolio further. The portfolio companies SELZER and SCHÄFER will be sold in 2023.

Depending on developments in the 2023 financial year and finding the right targets, the acquisition of one to two companies at portfolio level is planned along with complementary additions.

DRIVING INNOVATION

The strategic initiative “Driving innovation” is essential for the consistent implementation of the INDUS investment strategy “buy, hold & develop.” The core task of innovation management is improving innovativeness and innovation activities at portfolio companies with the aim of generating marketable or process-improving, future-proof innovations. INDUS provides support for strategic alignment, process organization, and for specific innovation projects at the portfolio companies.

When it comes to knowledge transfer, process expertise, new trends and new topics are brought into the portfolio companies. Over the last several years, the INDUS innovation development bank has proven itself a successful method for supporting innovative projects within the portfolio companies. This method reliably improves portfolio companies’ development and research activities. Networking is vital in connecting driving forces within the INDUS Group in working groups but also with experts, universities and research institutes outside of the organization. Strategic projects promote digitalization as a driving force for innovation and the companies’ long-term positioning on the markets.

At the innovation development bank, the addition of new projects is almost back to pre-coronavirus levels. A total of eleven projects were funded by the INDUS development bank in 2022. The focus of the innovation projects includes the future fields of sustainability, automation, artificial intelligence, and digitalization. Due to the large number of newly approved projects and the project applications announced for 2023, we assume there will be a further increase in the innovation development bank’s project volume.

In addition to the strategic positioning of the portfolio companies, innovation ability will be investigated with an innovation fitness test. The content will be created during "Innovation and Technology" experts' visits to portfolio companies, and will deliver insight into strategy, process landscapes, and the resources available in the field of innovation. This will enable the discovery of weaknesses, scope for improvement, and measures. A roll-out across the INDUS Group is planned for the financial years from 2023.

In order to structure the portfolio companies' digitalization activities, a digital potential map (DPM) will be created for six portfolio companies as part of a pilot project. The DPM will provide an overview of the companies' digitalization projects and allow the projects to be prioritized. If the DPM proves to offer added value for the portfolio companies, it will be performed at other companies in the future.

IMPROVING PERFORMANCE

INDUS will concentrate on improving performance at the portfolio companies by encouraging their **Market Excellence** and **Operational Excellence**. Both topics offers portfolio companies support in various areas, which form part of one of the following four pillars: status check, implementation, knowledge and cooperation. These offerings are actively requested by the portfolio companies and are also deployed by the holding company as needed.

Market Excellence directly targets the optimization of market positioning and market cultivation and so results in sustainable earnings improvements.

With **Operational Excellence**, the holding company supports portfolio companies in improving their value-adding core processes, ranging from production strategy and production planning and control to process effectiveness and efficiency. The program to boost Operational Excellence includes comprehensive education and training offers in Lean management for knowledge transfer. INDUS also initiates and assists the portfolio companies on site with corresponding optimization projects.

Both lean management and shop floor management training courses will be continued in 2023. In order to recognize the increasing importance of digitalization topics, the first RWTH certificate course coordinated by INDUS named "Project Manager Business Software" is scheduled for 2023. The course aims to prepare project managers from the portfolio companies to face the challenges of software selection and implementation projects.

The approaches employed to improve the financial performance of the portfolio companies and the Group include Group-wide liquidity management, working capital optimization in the companies, portfolio company controlling as part of segment management and at holding company level, and increased information and communication regarding financing and accounting topics between the holding company and the portfolio companies.

HOLD – SUSTAINABLY: ADDITIONAL ACTIVITIES TO PROMOTE SUSTAINABILITY IN THE 2023 FINANCIAL YEAR

The main focal point of the "Striving for Sustainability" initiative was the comprehensive new materiality analysis performed in 2022. Another was deepening the communication with the portfolio companies regarding the consistent and steady reduction of carbon emissions. Reporting over the course of the year was introduced for this purpose.

The materiality analysis forms the foundation of structured sustainability management. Now that the material activities of relevance for the business have been identified, they will be processed from 2023 onwards, and improvements will be initiated. INDUS' internal and external stakeholders have prioritized the activities and the INDUS Holding AG Board of Management has used this as a basis for identifying the decisive topics for INDUS. This is reflected in the sustainability strategy's fields of action, described in the separately published non-financial report. One particularly prioritized target remains the constant and long-term reduction of greenhouse gas emissions (GHG).

The necessity of decarbonization and conserving resources requires significant investment, whereby the cost of these sustainability projects exceeds, and in some cases significantly, the amortization term of 36 months. The portfolio companies carry out these projects with the help of the sustainability development bank: the bank supports the portfolio companies' sustainability efforts with an investment subsidy of up to 80%. The Board of Management approved and launched six projects with an investment volume of EUR 5.4 million and a subsidy rate of 39% in 2022. In addition to PV plants for renewable energy generation, an adiabatic cooling system, which saves a significant amount of cooling water, and a wood pellet-fired steam boiler for coloring was funded.

Along with decarbonization, social aspects are also gaining in importance in society and on the capital markets. The budget talks for 2023 therefore also included the collection of figures on employees in addition to market and customer requirements. Measures to recruit and retain employees were also discussed. This is another preparatory measure to fulfill the rising requirements related to the Corporate Sustainability Reporting Directive (CSRD), which will come into force in 2025. In the social field in particular, the obligation to publish more meaningful figures will increase.

Expectations for the Financial Year 2023

The following forecast is based on the corporate planning adopted by the Board of Management and the Supervisory Board. The statements about the predicted development in the economic situation and particularly about the political development of the effects of the Russia-Ukraine war and the associated economic developments are based on statements made by leading organizations, such as economic research institutes and banks. Plans for 2023 remain subject to uncertainty in view of the Russia-Ukraine war and its economic consequences. The scope and extent of the impacts of the indirect consequences for the INDUS Group are currently not foreseeable or quantifiable.

Companies in the **Engineering** segment are expecting a slight rise in sales and a sharp increase in operating income (EBIT) in the year ahead. Companies in the **Infrastructure** segment are also expecting a slight rise in sales and a sharp increase in EBIT; a marked calming of the construction business will be felt in some portfolio companies. Due to a sharp rise in energy costs, potential impacts on income from the intense discussion surrounding an EU anti-dumping toll on imports of vital raw materials, and the cessation of one-time effects from 2022, we anticipate that the **Materials** segment will see stable EBIT with rising sales.

Overall, the forecasts for 2023 predict that sales will rise from EUR 1.9 to 2.0 billion. Operating income (EBIT) is likely to be in a range of EUR 145 million to EUR 165 million and thus above the level of 2022. This includes add-on acquisitions with total sales of around EUR 25 million. The range for the EBIT margin will probably be between 7.0% and 8.0%. These forecast are made with the conditions described above resulting from the Ukraine war and its economic impacts in mind. The forecast for operating income (EBIT) does not include any impairment of goodwill or property, plant, and equipment.

The INDUS Group investment budget for this year was set in the course of the planning process and totals around EUR 85 to 95 million (excluding acquisitions). Major investment projects include new production plants to realize new projects and the establishment of a production location. The plan budgets an amount of EUR 40 million for acquisitions of companies for 2023. This includes cash outflow for a growth acquisition and an acquisition at sub-subsidiary level.

The INDUS Group's equity ratio of 36.3% was below the target of 40% in 2022. A figure of around 38% is forecast for year-end 2023. In the medium term, the target is still to maintain a stable equity ratio of more than 40%. Under its revolving financing program, INDUS also expects to borrow in the form of loans and promissory note loans in 2023. In such financing matters, INDUS can rely on its tried and tested bank partners of many years, with whom the holding company is in constant contact. On the basis of the current financial planning the Board of Management assumes net financial liabilities will fall slightly. The repayment term for continuing operations, based on EBITDA, was 2.3 years in 2022. A repayment term of approximately 2.5 years is expected for 2023. The most important point is that we remain in the target range of 2.0 to 2.5 years over the long term.

FINANCIAL POSITION: SHARPLY RISING SALES AND EBIT PLANNED FOR 2023

TARGET PERFORMANCE COMPARISON

	ACTUAL 2022	TARGET 2023
GROUP		
Management variables		
Acquisitions	2 growth acquisitions	2 growth acquisitions
Sales	EUR 1.80 billion	EUR 1.9–2.0 billion
EBIT	EUR 133.7 million	EUR 145–165 million
EBIT margin	7.4%	7.0% to 8.0%
Free cash flow	EUR 101.5 million	> EUR 100 million
Investments in property, plant, and equipment, and intangible assets	EUR 66.8 million	EUR 85–95 million
Greenhouse emissions (GHG emissions Scope 1+2)*	75.94 t CO_2 eq/EUR million GAV	lower than previous year
Supplementary management variables		
Equity ratio	36.3%	higher than in previous year, approx. 38%
Net debt/EBITDA	2.3 years	Approx. 2.5 years
Working capital	EUR 496.7 million	no change
SEGMENTS		
Engineering		
Sales	EUR 580.9 million	Slight rise in sales
EBIT	EUR 47.4 million	Strong rise in income
EBIT margin	8.2%	9% to 11%
Infrastructure		
Sales	EUR 586.0 million	Slight rise in sales
EBIT	EUR 51.3 million	Strong rise in income
EBIT margin	8.8%	10% to 12%
Materials		
Sales	EUR 636.8 million	Rising sales
EBIT	EUR 49.9 million	No change
EBIT margin	7.8%	6% to 8%

* Net emissions intensity

For the companies in the **Engineering** segment, the year 2022 was very positive, with significant sales and EBIT increases before impairment. Overall, the companies in this segment are positive about the outlook in 2023. A clear increase in sales is anticipated for a portfolio company active in measuring and control engineering, if the availability of electronic components improves. A clear increase in income is therefore also expected. Again, HEIBER + SCHRÖDER and HELD are contributing to the inorganic growth. This is offset by lower sales at a portfolio company in the field of logistics. Some segment companies are more cautious in their earnings projection in comparison with 2022. The companies in the Engineering segment anticipate a slight increase in sales in 2023. The segment's EBIT is forecast to rise sharply. The EBIT margin will be within a range of 9% and 11%.

Most of the companies in the **Infrastructure** segment worked to their capacity limit again in 2022. EBIT before impairment was slightly below the previous year's figure; the EBIT margin before impairment decreased slightly. Sales increased, with both organic growth from the existing portfolio companies and inorganic growth from the acquisition of WIRUS. A slight increase in sales is forecast for the portfolio companies in the coming year, due to the calming of the construction economy. The Infrastructure segment will remain a dependable pillar of the INDUS portfolio in 2023. Overall, the INDUS Board of Management is expecting a slight rise in sales, a significantly higher operating result (EBIT) and an EBIT margin of 10% to 12% for the segment.

Sales increased in the **Materials** segment in the 2022 financial year. The companies were able to pass the, in some cases significantly higher, material prices on to customers. The closure of BACHER in 2021 caused a loss of EUR 10.0 million in sales compared with the previous year. The improved performance of many companies in the segment and the portfolio changes mentioned above enabled a significant increase in EBIT before impairment in 2022. Looking to 2023, operating income will be significantly impacted by sharp rises in energy costs and discussions regarding potential anti-dumping tolls on imports of vital raw materials in the EU; in addition, a positive one-time effect from the sale of real estate will also fall away. Positive developments are anticipated in the field of non-wovens, where the positive effects of the merging locations will bear fruit. Overall, we anticipate sales increases, stable EBIT, and an EBIT margin between 6% and 8% in the Materials segment.