02

COMBINED MANAGEMENT REPORT

Introduction to the Group

INDUS buys and develops SMEs which have a clear focus in industrial technology, and is one of the leading specialists for sustainable business investment and development in the SME sector of the German-speaking countries. INDUS acquires stakes predominantly in owner-managed companies, and assists them in the long-term orientation of their entrepreneurial development. INDUS ensures that the portfolio companies retain their SME status. In the coming years, portfolio growth is anticipated due to organic growth of existing investments and targeted acquisitions in areas around the future fields that are relevant for INDUS.

The Company

Positioning and Business Model

VALUE- AND GROWTH-ORIENTED SME HOLDING COMPANY

INDUS Holding AG (hereinafter: INDUS) was founded in 1989 and is now among the leading specialists in the acquisition and long-term development of technology-oriented industrial SME companies in German-speaking countries. The focus for acquisitions is owner-managed companies that have their own industrial added value. INDUS acquires investments solely on a majority basis, 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 43 companies (previous year: 45). The changes compared to the previous year arise from organizational optimizations within the Group. In the Materials segment, SITEK was merged with BETEK, and in the Engineering segment KÖSTER was incorporated into the PEISELER Group. On December 31, 2023, a total of 178 fully consolidated enterprises (previous year: 194) belonged to INDUS Group.

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 (40) or Switzerland (3). INDUS Group is represented by sub-subsidiaries, branches, and representative offices in 29 countries (previous year: 30 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 a Board of Management, which consists of five (previous year: four) members. The Board of Management is made up of Dr. Johannes Schmidt (Chairman of the Board), Gudrun Degenhart, Dr. Jörn Großmann, Axel Meyer and Rudolf Weichert (Deputy Chair). Gudrun Degenhart joined the INDUS Board of Management team on October 1, 2023 and is responsible for the Materials segment as COO. As at the reporting date, the company had an average of 39 employees excluding the Board of Management in the financial year (previous year: 36).

THE INDUS BUSINESS MODEL: BUY, HOLD & DEVELOP

The companies acquired and targeted for possible acquisition are in the SME sector of the German-speaking countries, and have their own technology-oriented industrial technology, their own industrial added value, and an above-average level of profitability. They should generate annual sales figures between EUR 20 million and EUR 100 million, and a sustainable return on sales (EBIT margin) of **10% or more**. The target companies operate in attractive niche markets with clear technology focal points in the future fields that are relevant for INDUS. Their business models are viable and offer potential for strategic further development.

INDUS primarily acquires owner-managed companies, exclusively on a majority basis, and specializes in the arrangements for succession in the families managing the companies. Continuity and the company's SME status are secured with the transfer of ownership. Therefore, ideally the previous owners remain as co-shareholders and managing directors of the company for a certain period.

The companies relevant for INDUS should be unencumbered by legacy economic issues and be exemplary in terms of sustainability considerations. INDUS rules out direct acquisition of companies undergoing restructuring and start-ups. 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. These portfolio additions are aimed at improving the development

prospects of the entire Group. As well as organic development of the existing portfolio companies, the company acquisitions ensure that the portfolio always continues to reflect relevant future fields as time goes on. 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 generally occupy market niches which are of interest for their industries.

INDUS focuses on sustainability. Sustainable action generates competitive advantages, increases corporate value and strengthens the company culture. That is why INDUS actively strengthens sustainability performance in its holdings by means of its own strategic initiative, "Striving for Sustainability". For INDUS, Striving for Sustainability means making economic, social, and environmental goals equal long-term priorities. This is the only way to create enduring added value, enable employees to work well, and at the same time guarantee thoughtful interaction with the environment.

As a majority shareholder and financial holding company, INDUS supports its portfolio companies by functioning as an advisor and also as a development bank. The members of the Board of Management with responsibility for the segments continuously advise the portfolio companies' managing directors by means of dialog on strategy. Within the portfolio companies, the holding company's experts share methodological knowledge, train employees, and support strategic projects. The support is provided with an emphasis on reinforcing innovativeness, increasing market excellence and operational excellence, and anchoring Striving for Sustainability in the portfolio companies. The holding company's employees encourage knowledge transfer via networking within the Group, as well as with external partners. INDUS provides capital to its portfolio companies for investments in fixed assets, development projects, acquisitions of companies at subsidiary level, and internationalization. In addition to this, the INDUS innovation development bank provides capital for innovative projects. INDUS also set up the sustainability development bank in 2022, via which it provides financial support for portfolio company projects that aim to protect resources and reduce emissions.

The INDUS business model can be summarized as buy, hold & develop. This enshrines the strategy of making a long-term commitment to the company while simultaneously developing the portfolio companies.

In this way, the portfolio companies develop over the long term in a fast-changing market environment while preserving their status as an SME, with INDUS at their side as a financially strong partner. INDUS shareholders participate in the value of a managed investment portfolio of SME assets, and benefit from regular dividend distribution.

EXTERNAL INFLUENCING FACTORS

As industrial companies, the INDUS Group portfolio companies are influenced by the **general economic situation** – in Germany, in Europe, and on global markets. At the same time, the individual companies are subject to sector-specific business cycles.

The most significant external factors in 2023 were the **subdued economic situation in Germany**, characterized by low demand both domestically and abroad, higher prices and an increased cost of financing. The construction industry in particular was severely impaired by increased costs of construction materials, higher interest, and the resulting fall in demand for construction services.

International demand is still subdued due to the **war in Ukraine**, declining demand from **China** and the **effects of restrictive monetary policy**. The war in Ukraine only had limited direct impact on INDUS companies in 2023.

Despite the difficult framework conditions, the INDUS portfolio companies were able to maintain their position thanks to the agility typical of SMEs. Overall, the broad diversification of the INDUS portfolio once again proved to be an important component for stability. Economic risks are distributed across the Group by means of its diversified positioning, so the portfolio is balanced out. 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.

Stringent cost management in the companies is also important for the success of the portfolio companies. Globalization is increasingly thrusting SMEs into direct **price competition** with foreign competing companies which, in some cases, are able to produce under economically more favorable conditions. Material, energy, and personnel costs are especially relevant cost variables. Clear differentiation through technological and innovation leadership, market excellence, and operational excellence are particularly crucial in this environment; INDUS provides important support to its portfolio companies so they can achieve this.

The labor market has been facing a growing **shortage of specialists** in Germany for several years. Against this backdrop, the importance of bringing on board personnel is markedly increasing, while wage costs are simultaneously rising significantly. INDUS is tackling global competition and rising cost pressures by helping portfolio companies achieve optimized international alignment.

In order to be successful in the long term, companies need to successfully shape the **technological change**. The **digital transformation** currently demands an additional, intense development process from manufacturing companies. Digitalization requires businesses to be flexible, and this comes with noticeably increased investment requirements. Given the high impact of these external factors, INDUS is supporting investment in innovation through the INDUS innovation development bank.

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

Portfolio

43 COMPANIES IN THREE SEGMENTS

The Group's portfolio consisted of 43 portfolio companies in continuing operations on the reporting date. These were allocated to three segments: Engineering, Infrastructure, and Materials. The current segmentation has applied since January 1, 2023, and is a key component of the PARKOUR perform strategy update.

The following information always relates to the continuing operations, unless explicitly stated otherwise.

BASIC DATA FOR THE SEGMENTS (in EUR million)

	Engineering	Infrastructure	Materials
Sales	599.6	582.2	619.9
Operating income (EBIT)	57.0	49.3	57.3
Portfolio companies	15	14	14
Employees	2,842	2,934	3,107

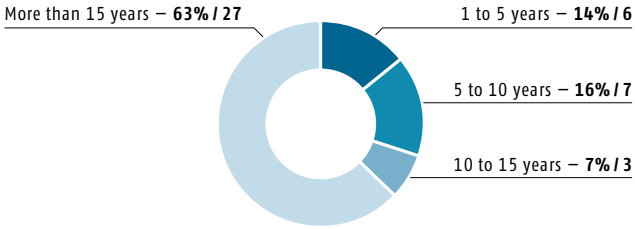
PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

27 of the 43 portfolio companies (63% of the portfolio companies) have belonged to the INDUS Group for more than 15 years. The Group has held three of the portfolio companies for ten to 15 years. Seven portfolio companies have been in the INDUS portfolio for between five and ten years, and six of the 43 portfolio companies have been acquired in the past five years.

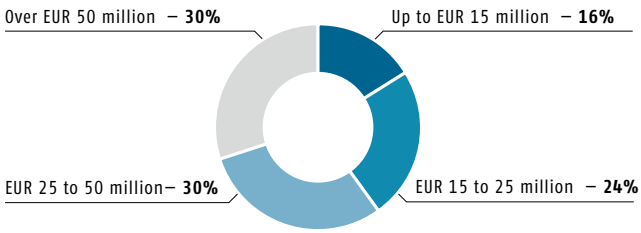
PORTFOLIO STRUCTURE BY SALES

The portfolio companies' annual sales figures range from under EUR 10 million to more than EUR 100 million. Around 30% of the portfolio companies generate annual sales figures of at least EUR 50 million and an additional 30% generate revenue of between EUR 25 and 50 million. The portion of portfolio companies with up to EUR 15 million in annual sales has reduced further, and is at 16% for 2023.

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



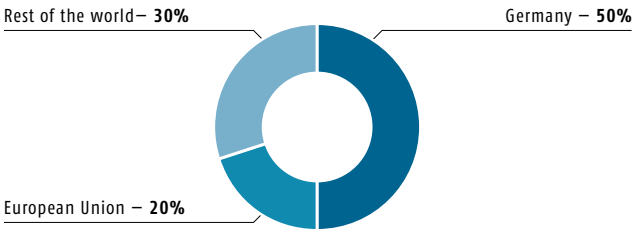
PORTFOLIO STRUCTURE BY SALES (in %)



SELLING MARKETS ON FIVE CONTINENTS

In regional terms, all of the portfolio companies are concentrated in sales territories which have a politically and economically stable basis. The portfolio companies' largest market for unit sales and therefore revenue is Germany, at 50%. The companies generate another 20% of their revenue in the EU excluding Germany, and 30% outside the EU. In the 2023 financial year, this distribution was almost unchanged compared to the previous year.

PORTFOLIO STRUCTURE BY REGION (in %)



PORTFOLIO CHANGES IN 2023

ACQUISITION OF ONE COMPLEMENTARY PORTFOLIO COMPANY

With a contract dated January 12, 2023, the INDUS Holding AG subsidiary BETOMAX systems GmbH & Co. KG acquired 100% of the shares in QUICK Bauprodukte GmbH (QUICK), Schwerte, Germany. QUICK is a specialist for formwork and reinforcement accessories, and manufactures and distributes standard and special parts for bridge building, overground and underground construction, and tunnel construction. QUICK's portfolio of products complements the BETOMAX product range and opens up new opportunities for the company in the field of bridge building. QUICK has been allocated to the Infrastructure segment. The economic transfer (closing) took place on March 31, 2023.

SALE OF SCHÄFER

On July 5, 2023, a contract was signed to sell 100% of the shares in Schäfer GmbH & Co. KG, D.M.S. Design Modell-Studien GmbH and KSG Asia Limited, and their shares in KSG Automotive (Shanghai) Co., Ltd. The buyer is a company belonging to Callista Portfolio Holding GmbH.

The SCHÄFER companies sold have been classified and reported as "discontinued operations" since the 2022 consolidated financial statements. The sale became economically effective on July 31, 2023. The deconsolidation was also completed on July 31, 2023.

SALE OF SELZER

On July 28, 2023, a contract was signed to sell 100% of the limited partner shares in SELZER Fertigungstechnik GmbH & Co. KG and its portfolio companies. The German Federal Cartel Office granted its approval on August 28, 2023. Closing of the sale took place on September 1, 2023. The buyer is a portfolio company of MUTARES SE & Co. KGaA. The SELZER companies sold have been classified and reported as "discontinued operations" since the 2022 consolidated financial statements. SELZER was deconsolidated on August 31, 2023.

LEGAL AND ORGANIZATIONAL ADJUSTMENTS IN THE SEGMENTS

SITEK-Spikes KG was merged with BETEK KG, effective January 1, 2023. This process enhances synergies within the SIMON Group, especially in the area of production, and optimizes the organization.

In the third quarter of 2023, Köster & Co. GmbH (KöCo) was economically assigned to the PEISELER Group as a legally independent unit. This results in a simplification of the organization and narrows the organizational spread of segment management.

These two measures have resulted in the INDUS Group managing two fewer portfolio companies (SITEK and KÖSTER) at the top level than in the previous year, 2022. The number of holding companies as of December 31, 2023 was 43 (previous year: 45).

Objectives, Strategies, and Dividend Policy

Overarching Objectives

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 should be ensured through the continuous acquisition of "hidden champions" in the area of technology-oriented industrial technology.

VALUE DEVELOPMENT

The dedicated further development of the individual portfolio companies is intended to sustainably increase their profitability and value. Overall, this should result in value development for 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 given targeted capital and know-how that they can use for their development.

BALANCED PORTFOLIO STRUCTURE

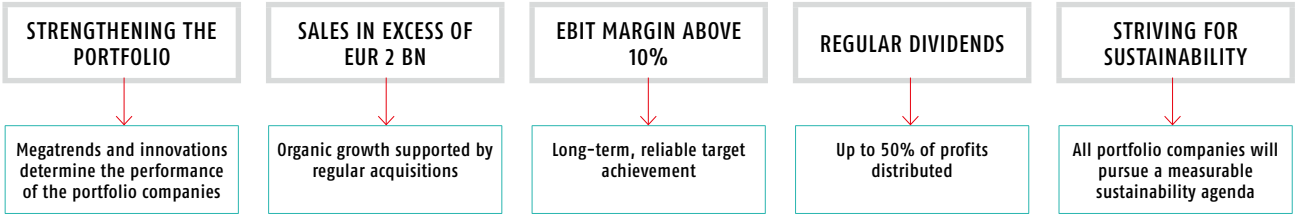
INDUS Group intends to grow inorganically by acquiring companies whose development is driven by future fields that are relevant to the Group. Candidates of interest for the portfolio are companies that are active in future-oriented industrial niche markets and which occupy leading positions in these markets. Concentrating on companies in future fields is intended to ensure that the investment portfolio continues to have a balanced – and as such stable – structure into the future.

"PARKOUR perform": Strategy Refinement since January 1, 2023

In order to achieve the overarching objectives for the years ahead in spite of various macroeconomic challenges, the Board of Management of INDUS Holding AG communicated a refinement of the strategy on December 15, 2022, under the title **PARKOUR perform**. Implementation of this program started at the beginning of 2023.

Five medium-term goals have been derived for the period up to 2025. These are set out below:

2025 MEDIUM-TERM TARGETS



With the implementation of **PARKOUR perform**, the management of portfolio companies is focused at segment level. Each of the three segments – Engineering, Infrastructure, and Materials – is managed by a member of the Board of Management who is responsible for the segment (segment management). This member supports the portfolio companies in this segment as a specialist, develops their strategic alignment, and secures their growth, revenue, and value enhancement. This member also handles external representation of the segment they manage.

SEGMENT MANAGEMENT

ENTIRE BOARD OF MANAGEMENT

DR. JOHANNES SCHMIDT (CEO), RUDOLF WEICHERT (CFO AND DEPUTY CEO), GUDRUN DEGENHART (COO), DR. JÖRN GROßMANN (COO), AXEL MEYER (COO)

SEGMENT MANAGEMENT

COO ENGINEERING Axel Meyer	COO INFRASTRUCTURE Dr. Jörn Großmann	COO MATERIALS Gudrun Degenhart
ENGINEERING segment: 15 portfolio companies	INFRASTRUCTURE segment: 14 portfolio companies	MATERIALS segment: 14 portfolio companies

In order to achieve the medium-term objectives, the Board of Management has implemented four strategic initiatives that are centrally driven from the holding company, with corresponding resources:

— Strengthening the Portfolio Structure
— Driving Innovation
— Improving Performance
— Striving for Sustainability

These are explained below.

STRENGTHENING THE PORTFOLIO STRUCTURE

When it comes to **growth acquisitions** to complement the portfolio, INDUS looks to companies in the industrial technology sector, which have clear technological focus areas. To ensure the appropriate mix of future-oriented companies, there will be active promotion of acquisitions which are clearly aligned with the **future fields** defined by INDUS. These future fields are: energy efficiency, energy technology, circular economy and waste management, infrastructure, automation, sensor systems and measurement technology, medical disposables and aids, and agricultural technology. These have been identified based on the megatrends of sustainability, digitalization, mobility and urbanization as well as demography and health.

FOCUS ON FUTURE FIELDS

SUSTAINABILITY	DIGITALIZATION	MOBILITY & URBANIZATION	DEMOGRAPHICS & HEALTH
Energy efficiency, energy technology, circular economy and waste management	Infrastructure, automation, sensor & measuring technology, logistics	Infrastructure (networks & buildings)	Medical disposables & aids, agricultural technology

As well as growth acquisitions at the first level, the emphasis is also on **complementary additions** being made by individual portfolio companies, in order to strengthen them. In the case of complementary additions, the central consideration of the decision to acquire must be the economic potential that arises from combining the acquired company with the portfolio company that already exists in the INDUS portfolio. As such the complementary addition may offer complementary products or be active in other regions, or a growth cluster occurs from the combination of multiple portfolio companies with the expertise of the complementary addition.

In all acquisitions – growth acquisitions and complementary additions – innovation-oriented business models that are aligned toward sustainability are an important feature. Possible exit strategies are of no relevance when INDUS makes its buying decisions, because the "hold" principle is a key component of the INDUS DNA. To ensure stable performance and achieve the intended growth targets defined for the individual company and the Group, in exceptional cases there is the possibility of separating from a company – for example, if there has been a substantial change in the original environment and market conditions under which a portfolio company operates, and so a new configuration would make more financial sense for the company and its employees.

INDUS continues to be a home for technology-oriented companies in the industrial SME sector. Family-owned businesses will find a custom-tailored solution here for succession. Buy, hold & develop is at the core of how INDUS creates value. We are shaping the future with SMEs.

DRIVING INNOVATION

Once a competitive position has been established it needs to be defended again and again. That is why the companies in the INDUS Group must actively embrace future trends, identify opportunities, and make use of opportunities to act. With that in mind, the "Driving Innovation" strategic initiative is a key component of the PARKOUR perform strategy program, aimed at promoting the innovative strength of INDUS portfolio companies.

INDUS supports selected innovation projects in the Group with financial subsidies. The development funds cover 50% to 80% of the respective 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 future viability of the portfolio companies and to open up new production areas and markets. INDUS has maintained the absolute volume of the available development funds in the 2023 financial year.

To increase innovativeness, INDUS offers the portfolio companies strategic support as a sparring partner, and concept-based support in the form of methodological knowledge. Along with developing company-specific innovation strategies, it is particularly important to open up individual innovation search areas and develop company-specific innovation road maps. INDUS also creates networks with other Group companies and external institutions in order to obtain external inputs, collaborate on innovation projects or jointly open up innovation search areas in the network. This is achieved, for example, in the "Hydrogen" or "Sustainable Construction" workgroups, which relate to the defined future fields. In the reporting year there was also a focus on the subject of artificial intelligence; as well as targeted support measures for flagship projects, this was evident in the pursuit of various developments as well as targeted support partners for the companies.

IMPROVING PERFORMANCE

INDUS is responding to growing global competition and increasing margin pressure with the "Improving Performance" strategic initiatives, which has two areas of focus: market excellence and operational excellence. INDUS assists its portfolio companies with optimizing value-adding core processes, from order entry to order conclusion. The market excellence objective is geared toward making optimal use of market potential. Operational excellence is all about implementing the principles of lean management; in all activities, it is necessary to avoid waste and concentrate on the actual added value.

On the **market excellence** side, INDUS advises on 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.

In relation to **operational excellence**, INDUS assists the portfolio companies in realizing productivity potentials in the operational areas of procurement, production, and logistics. The approach is to support the optimization and digitalization of order processing. Among other aspects this involves an overarching training program on the topics of lean management and shop-floor management, various implementation formats for sharing best practices in the INDUS Group, and individual workshops with the portfolio companies for imparting specific methodological knowledge. Individual optimization projects in the portfolio companies are coordinated by the companies themselves with support from INDUS, or accompanied by external partners.

STRIVING FOR SUSTAINABILITY

INDUS has been constantly building the professionalization of its sustainability commitment in recent years. For INDUS, Striving for Sustainability means making economic, social, and environmental goals equal long-term priorities: We want to create lasting value while facilitating good work and at the same time treating the world and all people with care.

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

- Economically sustainable conduct ensures future success.
- Social fairness is a fundamental SME principle and one which encourages cooperation.
- Considering environmental factors prevents subsequent costs and improves process efficiency.
- Compliance with agreements and rules strengthens trust.

To **ensure profitability**, INDUS uses traditional economic key figures. This secures long-term entrepreneurial success in the interests of the Group, the shareholders, and other stakeholders. The holding company ensures a stable balance sheet, adequate liquidity buffer, and a flexible financing basis. In terms of their social orientation, all the companies in the INDUS Group are aligned with SME values. Central to these is the principle of responsibility – for the survival of the company, but first and foremost for the people who make it happen. 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 development of employees. Social responsibility is expressed through support for non-profit initiatives, particularly in the portfolio companies' respective local regions.

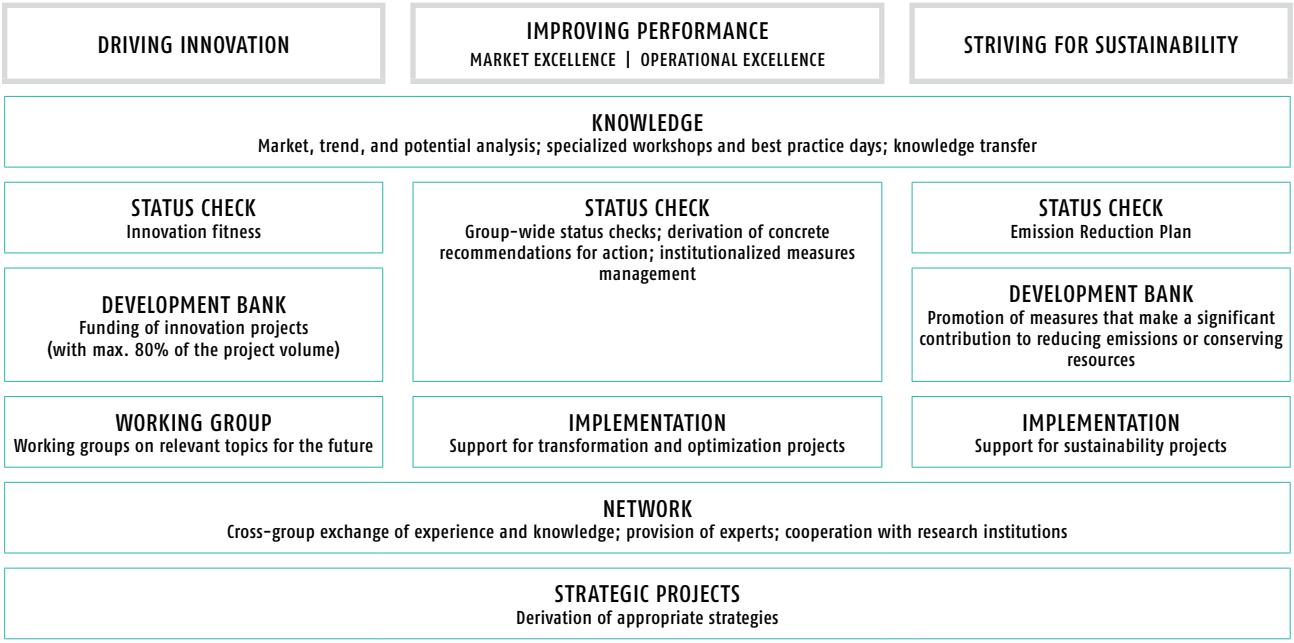
In terms of the **environment**, INDUS supports the portfolio companies in their efforts to conserve resources and avoid greenhouse gas emissions. The portfolio companies enact their environmental responsibility in particular by installing photovoltaic systems, switching to more climate-friendly heating systems and "green power", converting their fleets to vehicles with alternative drive systems and setting up employer-backed bike-leasing 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 as well as products with an improved energy-efficiency profile).

The Board of Management and the Supervisory Board have always been committed to responsible, transparent, and sustainable **corporate governance;** as such they fully comply with the recommendations of the German Corporate Governance Code, and thereby document the importance of the rules on good corporate governance and monitoring. A Group-wide whistleblowing system has also been introduced. This can be used on a decentralized basis by the portfolio companies and as such it satisfies the corresponding statutory obligations and the recommendations of the German Corporate Governance Code. A system for implementing German supply chain due diligence law Group-wide was introduced in 2023.

INDUS will again publish a non-financial report for the INDUS Group for the period to December 31, 2023. This will be published on the INDUS homepage and has been subject to a review to achieve limited certainty. The non-financial report and the audit certificate can be accessed at the following link: www.indus.de/en/nonfinancialreport/2023. SUSTA[IN] magazine, which was published for the first time in 2021, has also become established and the fourth edition will be released in summer 2024. This publication uses a reader-friendly format to report on projects and the progress of sustainability initiatives in the INDUS Group.

The key elements of the three strategic initiatives – "Driving Innovation", "Improving Performance" and "Striving for Sustainability" – are illustrated below:

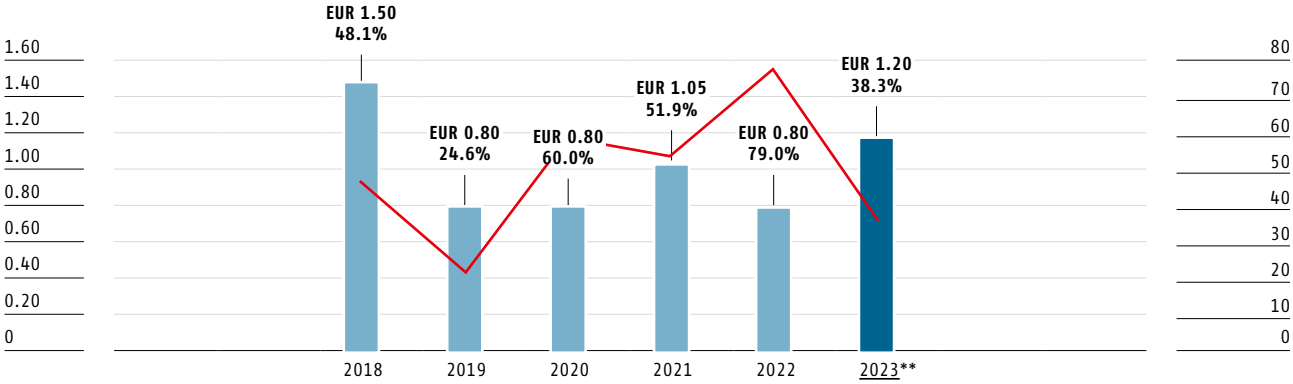
STRATEGIC INITIATIVES



Continual 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. As a long-term average, 40-50% of the balance sheet profit of INDUS Holding AG should be distributed as dividends; the remaining balance sheet profit should be retained in the company to secure further profitable growth. The Board of Management of INDUS Holding AG has decided to propose a dividend of EUR 1.20 per no-par-value share to the Annual Shareholders' Meeting. This corresponds to a dividend rate of 38.3% of the balance sheet profit of INDUS Holding AG. In the previous financial year, high impairments from the annual impairment testing of carrying amounts as well as impairments in connection with the disposal of SCHÄFER and SELZER were taken into account in the dividend policy, and a corresponding amount was withdrawn from retained earnings. In the current financial year, the positive balance from appreciation and depreciation/amortization of carrying amounts has similarly been reflected when determining the dividend.

DIVIDEND PER SHARE* AND DIVIDEND YIELD 2018 TO 2023 (in EUR million / in %)



Distribution ratio
* Dividend payment for the respective financial year
** Subject to approval at Annual Shareholders' Meeting on May 22, 2024

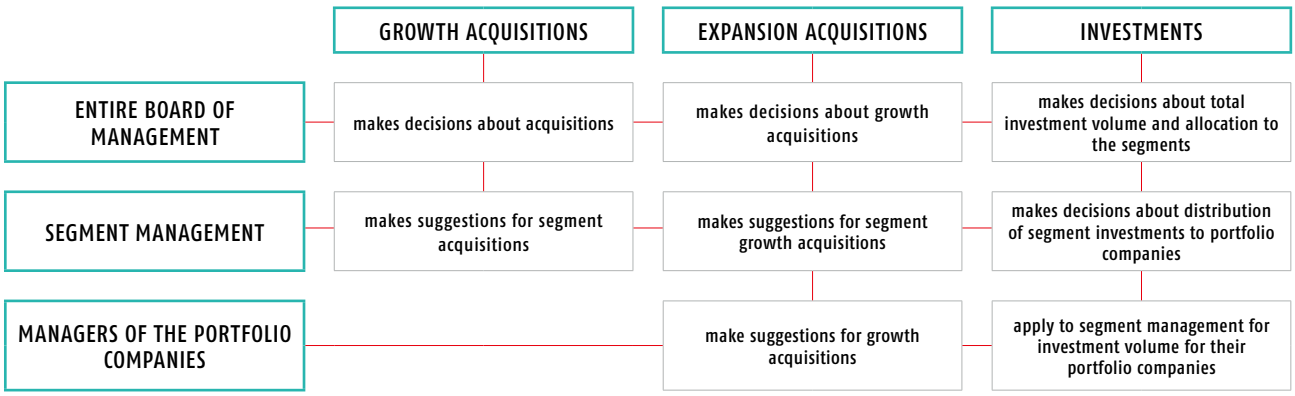
Management Control

Planning and Strategy Processes

With the strategy refinement announced January 1, 2023, under the title **PARKOUR perform,** important areas of the previous management control have been changed.

The management and planning process now has two stages. Initially, the full Board of Management sets out the objectives (for the key control variables) at holding company and segment level. The full Board of Management decides a preliminary allocation of these funds to the segments, based on a preliminary assessment of the funds expected to be available for investment in the budget year. Then, together with the portfolio company management control department, the member of the Management Board responsible for the segment (COO) applies an allocation to the portfolio companies in a segment. Segment management enters into dialog with the management of the portfolio companies concerning coordination of the strategy, the objectives and the investment budget for individual portfolio companies, within the framework of the constraints specified by the full Board of Management. From this strategic foundation, the portfolio companies then plan their business development, necessary investments, and the general development of their financial position and financial performance usually for three planning years, though in justified exceptional cases for five planning years for certain portfolio companies. Individual plans are finalized between segment management and the management teams of the portfolio companies within the framework of a structured discussion on business planning and the resulting opportunities and risks. Segment management derives segment planning from this. Segment plans are ultimately consolidated to form consolidated planning at INDUS level. The overall plan is supplemented in particular by assumptions concerning dividend payment and acquisitions, and overall financial planning and forecast of important KPIs are derived from this. The results are critically assessed and adopted by the overall Board of Management.

STRATEGIC CONTROL – ACQUISITIONS AND INVESTMENTS



The Group's budget planning (in particular investment and financing) is submitted to the Supervisory Board for approval.

The planning process also gives particular attention to sustainability projects in the portfolio companies. The portfolio companies' individual sustainability objectives, and the portfolio companies' measures derived from these, are presented. In respect of the objectives set out by INDUS in relation to carbon reduction and activities in the area of "employee concerns" and "social measures", the local measures are presented and coordinated.

Key Control Variables

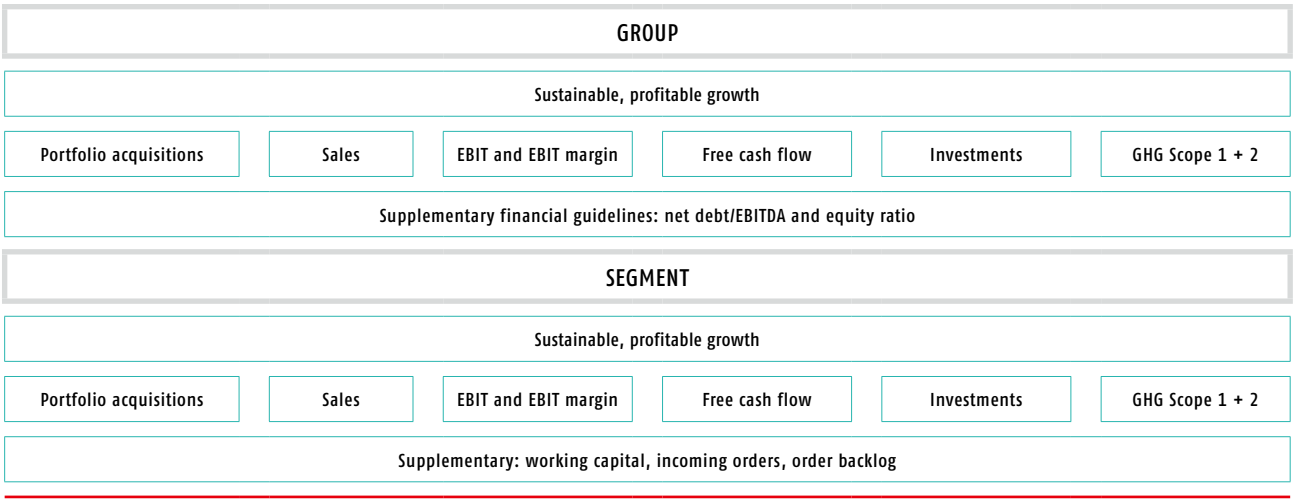
The economic parameters used in the holding company to assess the economic position of the Group overall and the portfolio companies individually correspond to **operational financial** performance indicators that are standard for manufacturing companies. In addition, **strategic financial performance** indicators are used when making decisions on direct investment. Greenhouse emissions (GHG emissions, Scope 1 + 2) are used for information and management as **non-financial performanc**e indicators.

There are no deviating key control variables for the individual financial statements of INDUS Holding AG.

PARKOUR perform has introduced free cash flow as a new key control variable, in order to also link management control to a cash-flow-oriented factor.

Free cash flow indicates the INDUS funds available for new acquisitions, dividends, and payments to creditors (interest, repayment of leasing obligations, and reduction of net debt).

MANAGEMENT VARIABLES



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

Interim Reporting

The portfolio companies keep INDUS informed about the financial performance of the companies on an ongoing basis. In addition, the companies report monthly on their financial situation to segment management in the holding company. Segment management also receives targeted information on specific topics. This gives segment management in the holding company constant oversight of the holding companies' situation and reports on this to the Board of Management. This body therefore always has an overview of the Group's overall situation.

Segment management monitors the companies' development in comparison with the relevant budget, based on the monthly figures. The portfolio companies update their forecast for the current financial year three times within the financial year. As part of segment management, the portfolio company management control department in the holding company supplies information about divergences from the plans at an early stage. The subsidiaries also employ individual control mechanisms and, due to their different natures, individual key figures. The management teams of the portfolio companies observe and analyze their respective markets and specific competitive environment, and report any material changes back to INDUS.

Regular Management Dialog

In parallel to the obligatory information flows for financial reporting, the members of the Board of Management responsible for the segments also regularly and informally exchange information about development in the portfolio companies with the management team allocated to their segment. INDUS proactively pursues its interests as owner by providing advice and supporting the portfolio companies' development.

Non-financial Performance Indicators

Sustainability

"Striving for Sustainability" is anchored in **PARKOUR perform** as a distinct strategic initiative. Including it as a standalone strategy component means that relevant content from ESG topics form part of the non-financial management of INDUS. In the reporting year, INDUS comprehensively prepared itself for implementation of the Corporate Sustainability Reporting Directive (CSRD). From January 1, 2024, the key figures set including process definitions and objectives, in particular in the social area, is being materially expanded.

ENVIRONMENTAL PROTECTION

For the coming year, there is a particular focus on the implementation of greenhouse gas reduction targets as specified in climate protection law. There are two ways of reducing greenhouse gases (GHG emissions): One is to use low-emission energy sources, while the other is to increase energy efficiency – which is also very relevant from an economic point of view.

A reduction in gross Scope 1 and 2 greenhouse gas emissions (GHG emissions) was defined as the performance indicator for management control purposes at INDUS. The gross emissions target was deliberately chosen because this figure cannot be corrected through 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 CO_2 and presented per million euros of gross value added.

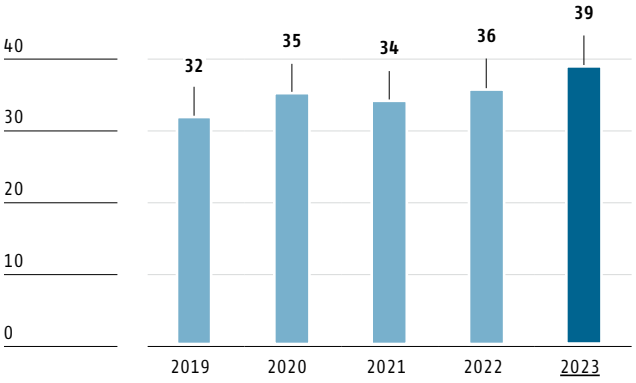
EMPLOYEES

Employees are of central importance to INDUS Group. The Group makes protecting the health of all employees a top priority.

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

In the 2023 financial year, the holding company had an average of 39 employees excluding members of the Board of Management (previous year: 36). 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 overall conditions of a modern, attractive employer in terms of healthcare, development opportunities, and income.

EMPLOYEES OF THE HOLDING COMPANY (Number)

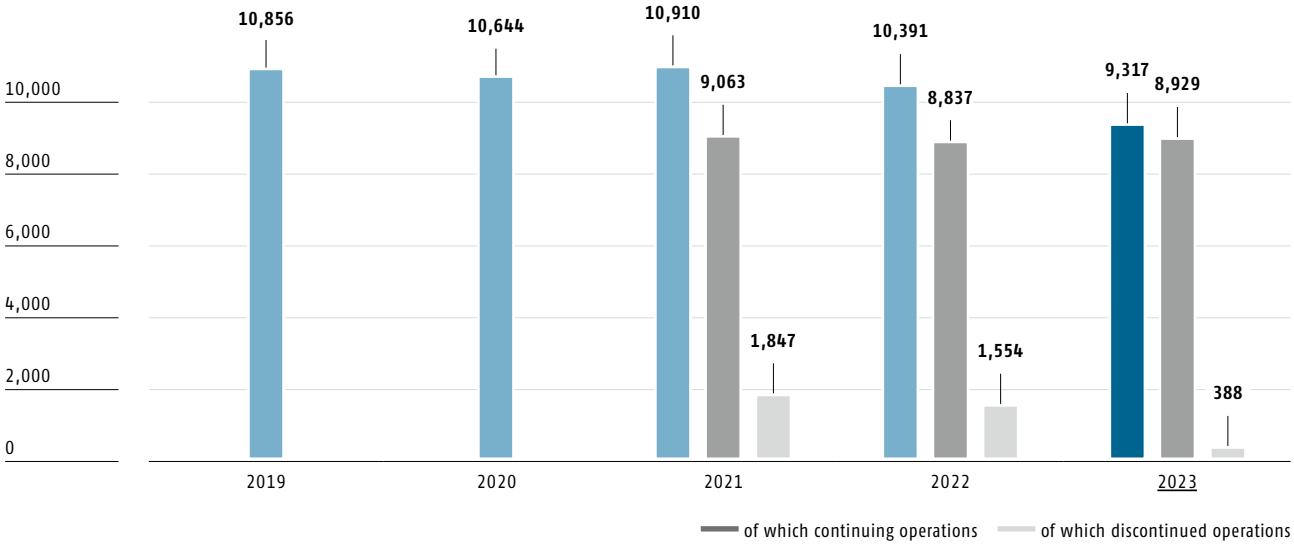


IN THE GROUP: CULTIVATING A CULTURE DEFINED BY SME QUALITIES

On average, 8,929 people were employed in INDUS Group's continuing operations during the reporting year (previous year: 8,837). There were 388 people employed in the discontinued operations (previous year: 1,554). The whole INDUS Group therefore had an annual average of 9,317 employees (previous year: 10,391). The management of people employed in the portfolio companies is the responsibility of their management teams. Accordingly, the portfolio companies direct their own human resources work, in both quantitative and qualitative terms.

Basic and advanced training is particularly important in the INDUS Group. SMEs take on a great deal of responsibility in the area of training. A total of 314 trainees were employed throughout the Group in 2023 (previous year: 353); this equates to a trainee ratio of 3.4% (previous year: 3.3%). Advanced training is undertaken on an individual basis, based on company requirements and those of the employees.

EMPLOYEES OF THE INDUS GROUP (Number)



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 full declaration is available 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 6, 2023. In it they state that INDUS Holding AG complied with all the recommendations made by the government commission and in the German Corporate Governance Code version dated April 28, 2022. The full Declaration of Conformity can be viewed on the INDUS website.
www.indus.de/en/about-indus/corporate-governance

Development and Innovation

R&D SUPPORT FOR PORTFOLIO COMPANIES

As a holding company, INDUS does not engage in research and development work in the traditional sense. All such activities are in the hands of the portfolio companies themselves, along with responsibility for ensuring that their products are technologically up-to-date and that they are strategically well positioned in their markets.

That said, INDUS also has a considerable interest 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. In recent years the Board of Management has introduced new offerings for portfolio companies with this in mind. These are:

Funds for innovations in future fields: As part of the "Driving Innovation" strategic initiative, INDUS budgets up to 3% of the Group's annual consolidated EBIT for its portfolio companies with the purpose of advancing suitable innovation projects. Decreasing order receipts during the coronavirus years of 2020 and 2021 led to declining development volume by the innovation development bank. In 2022 and 2023, new applications were made and accepted at the pre-coronavirus level, with the result that after a slight increase in 2023 a further rise in development volume is expected in the subsequent years. This enables INDUS to specifically promote activities and projects that feature a significant level of innovation and are in predefined future fields which, from the INDUS perspective, offer outstanding long-term development potential but are also associated with higher risks. It additionally supports projects that contribute to building competition-relevant knowhow or personnel in the course of their development.

Methodological support: INDUS is particularly focused 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 deriving innovation strategies, identifying innovation potential, generating and selecting ideas, and project management during the innovation process.

Networking and raising awareness: The management of the holding company monitors the trends and developments in the markets across sectors, and transfers the resulting knowledge to the portfolio companies via active dialog with their management teams. 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. Especially on the on-trend topic of artificial intelligence, advanced training courses have been created on a target basis that enable professional access and the systematic opening up of potentials offered by this technology.

INNOVATION ACTIVITIES UP AGAIN AT THE PORTFOLIO COMPANIES

Expenses for R&D activities recognized in INDUS Group's consolidated financial statements for 2023 amounted to EUR 22.9 million (previous year: EUR 21.1 million). This was an increase in research and development funding of EUR 1.8 million (8.5%).

The aim is to achieve an increasing degree of in-house individual R&D capability and innovation effectiveness at the portfolio companies. 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, in the context of 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.

Report on the Economic Situation

INDUS Group held its ground well in a challenging environment. Group sales remained stable at EUR 1.80 billion (previous year: EUR 1.80 billion). INDUS Group's operating result (EBIT) increased EUR 149.6 million, compared to EUR 133.7 million in the previous year. The EBIT margin climbed from 7.4% to 8.3%. Free cash flow of EUR 198.9 million was generated (previous year: EUR 101.5 million).

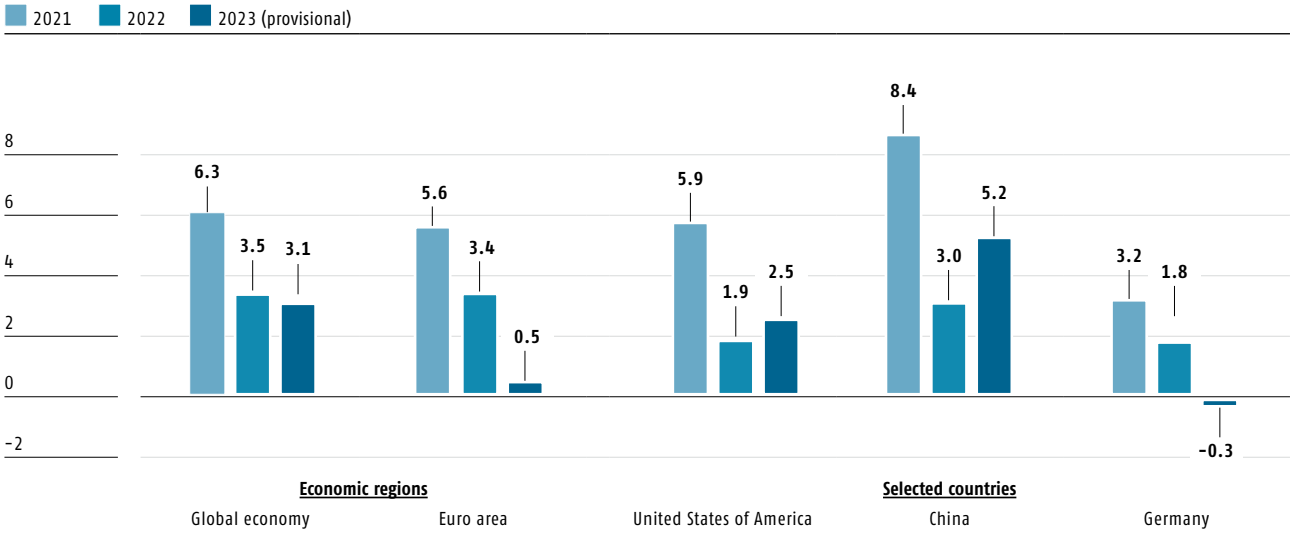
Changes in the Economic Environment

Macroeconomic Trends: Global Crises Weigh Down Economy

The German economy continued to operate in a difficult market environment in 2023: In a year-over-year comparison, gross domestic product reduced by an anticipated -0.3% adjusted for price. High prices and rising interest continued to put pressure on economic activity. Despite the tendency reducing in year-over-year comparison, the inflation rate was still at 5.9% in 2023 – and had also somewhat increased again at year-end. Demand outside Germany for industrial products remained weak in 2023 and high financing costs subdued investment. International demand continued to be impacted by the consequences of the war in Ukraine and geopolitical fragmentation, along with the cyclical effects of restrictive monetary policy. As a result, the International Monetary Fund expects global economic growth of 3.1% for 2023, which is below the historical average of 3.8% for the years 2000 to 2019.

The high order backlog for German industry only partially absorbed the shock of these declining effects: Adjusted for calendar effects, 2023 production in the manufacturing sector dropped by 1.5% compared to the previous year, with the greatest declines in energy-intensive industrial sectors and power generation. Based on preliminary data, the real order backlog in manufacturing declined in November 2023 for the fifth time in a row. Economic weakness can also be seen in orders: In 2023, calendar-adjusted incoming orders in the manufacturing sector were down 5.9% on the previous year. The recovery of the German economy after the pandemic-related slump therefore did not continue. In 2023, gross domestic product was only 0.7% above the GDP for the pre-coronavirus year of 2019. The labor market however remained robust: After seasonally-adjusted gainful employment dropped in late summer, it developed slightly positively again in the fourth quarter of 2023.

ANNUAL ECONOMIC GROWTH (in %)



Source: International Monetary Fund, World Economic Outlook (as of Jan. 2024; figures for 2021 as of Oct. 2023)

Changes in the Industrial Environment

ENGINEERING: GERMAN ENGINEERING FACES A DIFFICULT MARKET

German engineering also had to contend with difficult macroeconomic framework conditions in 2023. High levels of uncertainty arising from wars and geopolitical tensions, as well as a continued high-inflation environment meant muted business performance. Weakening international demand was reflected in export figures: From January to November 2023, German machine exports dropped by -0.2% in real terms based on preliminary calculations by the trade association Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA). Growth slowed most prominently in the EU states and eastern Asia. Further relaxing of supply chains had a positive effect, and electronics were only scarce in isolated areas. It was possible to process high order backlogs, though the disappearing order buffer also reduced production output in the course of the year. As a result, price-adjusted machine production increased slightly by 0.3% year-on-year in the first eleven months of 2023. However, in November 2023, German machine production dropped for the fourth time in a row. Looking at the whole year, the VDMA expects a real-terms decrease of 1% in year-over-year comparison. Sales for German machine-builders increased by another 1.9% in real terms from January to November. However, order behavior is still conservative: According to the VDMA, in 2023 price-adjusted orders received were 12% below the 2022 level.

INFRASTRUCTURE: HIGH CONSTRUCTION AND FINANCING COSTS SQUEEZE DEMAND

Following the previous boom years, the German construction industry had to face adverse circumstances again in 2023: High construction costs in combination with high interest massively squeezed demand in the construction sector. While prices for materials from wood and steel declined year-on-year in 2023, mineral construction materials such as cement and building sand again became much more expensive in 2023. The prices for new builds were 4.3% higher than the previous year in November 2023. Financing costs also continued to increase in 2023. Against this background, the number of building approvals for homes declined by 25.9% compared to the previous year up to the end of November 2023, while at -28.8% new construction dropped even further. In new construction, 38.6% fewer detached houses and 49.2% fewer semi-detached houses were approved. And there were corresponding consequences for sales: From January to November 2023, real sales in the main construction sector reduced by 3.1% compared with the previous year. Demand that has long been declining and unfavorable weather also put pressure on production in the main construction sector around year-end. Real incoming orders also reduced in a year-over-year comparison in the first eleven months, by 4.7%. However, within the subdivisions development varied in this respect: In November 2023, incoming orders in underground mining saw a double-digit decline in comparison with the previous month, while it slightly increased in building above ground level. Within above-ground construction, the weakness of home-building was confirmed: Orders received in home construction went down by 6.8% in comparison with October 2023.

MATERIALS: CATCH-UP EFFECTS PETER OUT

The material-producing and processing industry in Germany was increasingly affected by generally difficult framework conditions in 2023. As a result of supply chains again being stable, M+E companies were able to use catch-up effects and further increase their production on a year average by 2.6% in comparison with 2022, according to employer association Gesamtmetall. However, production fell further in the second half of the year. Wirtschaftsverband Stahl- und Metallverarbeitung (WSM) expects a decline in production of 3% for the whole 2023 year. Sector sales in 2023 increased by 4.2% in real terms according to Gesamtmetall, though there was a trend reversal here in the third quarter. The 2023 order volume was 5.1% below the previous year.

The area of medical disposables and aids is significantly influenced by the development of the German Medical Engineering / Life Science segment. Nominal sales growth of 4.5 to 4.8% is expected here in 2023 – with corresponding low real growth rates given the high price increases. The industry picture is not consistent here: 19% of the companies surveyed by the BVMed trade association expected declines in sales in 2023, and 12% even expected double-digit drops. Overall, the companies are faced with high cost increases: High personnel and logistics costs, increased raw material and energy prices as well as expenses for the implementation of the EU Medical Device Regulation (MDR) put a strain on SMEs in particular.

Performance of the INDUS Group

The Board of Management's Overall Assessment

NEW SEGMENT STRUCTURE SINCE JANUARY 2023 – SALE OF REMAINING SERIES SUPPLIERS

The **PARKOUR perform** strategy update has been in effect since January 1, 2023. The INDUS Group has realigned itself with the introduction of Engineering, Infrastructure, and Materials segments. In the 2023 financial year, the reorganization was completed with the separation of SELZER and SCHÄFER; both areas were sold to strategic investors. INDUS finalized the sale of portfolio companies previously classified as discontinued operations earlier than expected within 2023.

In a challenging macroeconomic environment, 2023 sales were unchanged at EUR 1.8 billion. Sales in the Engineering segment increased by 3.2%, while sales in the Infrastructure and Materials segments declined by 0.6% and 2.7% respectively due to the worsened economic situation. The Group was therefore not able to meet the original forecast in terms of sales in the target range of EUR 1.9 billion to EUR 2.0 billion.

The operating income (EBIT) increased to EUR 149.6 million and was therefore within the forecast range of EUR 145 million to EUR 165 million. This includes impairments of EUR 19.3 million. Operating income before impairments amounted to EUR 168.9 million (previous year: EUR 176.5 million). The EBIT margin was 8.3% and therefore above our forecast of 7.0% to 8.0%.

The operating cash flow increased significantly and at EUR 240.1 million was EUR 103.0 million higher than in the previous year (EUR 137.1 million). After a marked build-up of working capital in the previous year, the working capital as of the reporting date was reduced compared to the previous year, and made a positive cash-flow contribution. Working capital was EUR 466.9 million as of December 31, 2023, and therefore EUR 29.8 million or 6% lower than on the previous year's reporting date. This reduction is in part due to further normalization of supply chains, but also falling material prices.

For 2023, the INDUS Group has achieved a free cash flow of EUR 198.9 million based on the significantly increasing operating cash flow. Our objective of a free cash flow in excess of EUR 100 million was therefore significantly exceeded and opens up scope for dividends and acquisitions.

INDUS implemented one complementary addition in 2023. The transfer of QUICK Bauprodukte GmbH as a new subsidiary of BETOMAX systems GmbH & Co. KG was realized effective March 31. QUICK is a specialist for formwork and reinforcement accessories, and manufactures and distributes standard and special parts for bridge building, overground and underground construction, and tunnel construction. We have not achieved our objective of implementing two growth acquisitions in 2023, in particular due to our concentrating on successfully divesting of automotive series production suppliers. An acquisition that was far advanced in the fourth quarter was ultimately not executed.

The investments in property, plant, and equipment, and intangible assets by the continued operations were reinforced to secure organic growth and totaled EUR 61.9 million (previous year: EUR 54.5 million).

At 37.3% (previous year: 36.8%) the equity ratio in the Group is above the previous year's value but still below the target value of 40%. As of the reporting date, the cash and cash equivalents amounted to EUR 265.8 million (previous year: EUR 127.8 million). The causes of the high degree of liquidity include an acquisition that was not executed in the fourth quarter.

The repayment term, the ratio of net debt to EBITDA, significantly improved to 2.0 years (previous years: 2.3 years) and is therefore better than the expected repayment term of around 2.5 years.

We are using greenhouse gas emission intensity (GHG emissions Scope 1 and 2) as a key control variable at Group level. In the 2023 financial year, the emissions intensity (Scope 1 and 2) was around 49 t CO_2 / EUR million GAV Greenhouse gas emission intensity was therefore reduced by around 36% year on year (76 t CO_2 / EUR million GAV).

TARGET PERFORMANCE COMPARISON

GROUP	ACTUAL 2022	PLAN 2023	ACTUAL 2023	Level of achievement
Key control variables				
Acquisitions	2 growth acquisitions	2 growth acquisitions	1 add-on acquisition	not achieved
Sales	EUR 1.80 billion	EUR 1.9-2.0 billion	EUR 1.80 billion	not achieved
EBIT	EUR 133.7 million	EUR 145-165 million	EUR 149.6 million	achieved
EBIT margin	7.4%	7.0 to 8.0%	8.3%	better than expected
Free cash flow	EUR 101.5 million	> EUR 100 million	EUR 198.9 million	better than expected
Investments in property, plant, and equipment, and intangible assets	EUR 54.5 million	EUR 85-95 million	EUR 61.9 million	not achieved
Greenhouse emissions (GHG emissions Scope 1+2)**	75.94 t CO_2 / EUR million GAV	lower than previous year	49.21 t CO_2 / EUR million GAV	better than expected
Supplementary management variables				
Equity ratio	36.8% *	higher than previous year, around 38%	37.3%	partly achieved
Net debt/EBITDA	2.3 years	around 2.5 years	2.0 years	better than expected
Working capital	EUR 496.7 million	no change	EUR 466.9 million	better than expected
SEGMENTS				
Engineering				
Sales	EUR 580.9 million	slightly increasing	EUR 599.6 million	achieved
EBIT	EUR 47.4 million	strongly increasing	EUR 57.0 million	achieved
EBIT margin	8.2%	9 to 11%	9.5%	achieved
Infrastructure				
Sales	EUR 586.0 million	slightly increasing	EUR 582.2 million	not achieved
EBIT	EUR 51.3 million	strongly increasing	EUR 49.3 million	not achieved
EBIT margin	8.8%	10 to 12%	8.5%	not achieved
Materials				
Sales	EUR 636.8 million	increasing	EUR 619.9 million	not achieved
EBIT	EUR 49.9 million	stable	EUR 57.3 million	better than expected
EBIT margin	7.8%	6 to 8%	9.2%	better than expected

* Previous year's value adjusted
** Net emissions intensity

Group Earnings Performance

CONSOLIDATED STATEMENT OF INCOME

(in EUR million)

	2023	2022	2021	Difference 2023 to 2022 absolute	Difference 2023 to 2022 in %
Sales	**1,802.4**	**1,804.1**	**1,633.5**	**-1.7**	**-0.1**
Other operating income	20.6	25.1	23.8	-4.5	-17.9
Own work capitalized	5.4	3.5	3.9	1.9	54.3
Change in inventories	-17.1	30.0	21.7	-47.1	<-100
Overall performance	**1,811.3**	**1,862.7**	**1,682.9**	**-51.4**	**-2.8**
Cost of materials	-801.4	-872.2	-757.0	70.8	8.1
Personnel expenses	-521.5	-494.6	-467.5	-26.9	-5.4
Other operating expenses	-230.3	-233.4	-207.2	3.1	1.3
EBITDA	**258.1**	**262.5**	**251.2**	**-4.4**	**-1.7**
in % of sales	14.3	14.6	15.4	-0.3 pp	-
Depreciation/amortization	-108.5	-128.8	-85.6	20.3	15.8
of which PPA depreciation*	-19.2	-17.8	-13.8	-1.4	-7.9
of which impairment	-19.3	-42.8	-2.5	23.5	54.9
Adjusted EBITA**	188.1	194.3	181.9	-6.2	-3.2
in % of sales	10.4	10.8	11.1	-0.4 pp	-
Operating income (EBIT)	**149.6**	**133.7**	**165.6**	**15.9**	**11.9**
in % of sales	8.3	7.4	10.1	0.9 pp	-
Financial income	-9.9	-17.8	-15.9	7.9	44.4
Earnings before taxes from continuing operations (EBT)	**139.7**	**115.9**	**149.7**	**23.8**	**20.5**
Income taxes	-55.8	-33.4	-51.9	-22.4	-67.1
Earnings from discontinued operations	-27.8	-123.9	-50.2	96.1	77.6
Earnings after taxes	**56.1**	**-41.4**	**47.6**	**97.5**	**>100**
of which interests attributable to non-controlling shareholders	0.7	0.8	0.8	-0.1	-12.5
of which interests attributable to INDUS shareholders	55.4	-42.2	46.8	97.6	>100
Earnings per share from continuing operations in EUR	**3.10**	**3.04**	**3.68**	**0.06**	**2.0**
Earnings per share from discontinued operations in EUR	**-1.04**	**-4.61**	**-1.91**	**3.57**	**77.4**

* The term PPA depreciation includes depreciation on assets on purchase price allocations.
** The term EBITA (adjusted) includes the operating income (EBIT) plus PPA depreciation and impairments.

SALES ALMOST UNCHANGED FROM THE PREVIOUS YEAR

The INDUS Group held its ground in a difficult environment. INDUS Group **sales** fell marginally by 0.1% (EUR -1.7 million) to EUR 1.802,4 million in the financial year 2023. Growth from 2022's new acquisitions of HEIBER + SCHRÖDER and HELD as well as the new acquisition of QUICK in 2023 comes to 0.7%. Organic decrease in sales was 0.8%.

Sales growth of 3.2% was achieved in the Engineering segment. This was in particular due to an improved situation in measurement and control engineering. The slight decrease in sales in the Infrastructure (-0.6%) and Materials (-2.7%) segments is down to difficult economic conditions. Due to high construction costs and interest, the construction industry recorded marked reductions in demand. In the Materials segment, customer demand for agricultural engineering products significantly declined.

Due to a marked decrease in inventories (EUR -47.1 million), **overall performance** declined by EUR -51.4 million. Overall performance amounted to EUR 1,811.3 million, compared with EUR 1,862.7 million in the previous year. There was a year-on-year reduction in the **cost of materials** by 8.1% to EUR 801.4 million (previous year: EUR 872.2 million). This reduction, which was disproportionately

high compared to sales growth, is a result of cost reductions in many areas and the depletion of inventories. The **cost-of-materials ratio** therefore also reduced from 48.3% to 44.5%. If the cost of materials is viewed together with the change in inventories in proportion to sales, the rate only reduced from 46.7% in the previous year to 45.4% in the reporting year.

Personnel expenses increased by EUR 494.6 million to EUR 521.5 million. This equates to an increase of 5.4%. At 28.9%, the **personnel expenses ratio** was 1.5 percentage points above the previous year's level (27.4%).

Other operating expenses decreased by EUR 3.1 million (1.3%) to EUR 230.3 million. In particular, currency losses (EUR -6.0 million) have markedly reduced. There is a positive operating income before depreciation/amortization (EBITDA) of EUR 258.1 million compared with EUR 262.5 million the previous year. This corresponds to a reduction of EUR 4.4 million (1.7%).

Depreciation of EUR 108.5 was EUR 20.3 million (15.8%) less than the previous year. Depreciation includes scheduled depreciation, impairments, and PPA depreciation. PPA depreciation of EUR 19.2 million (previous year: EUR 17.8 million) is depreciation on intangible assets and property, plant, and equipment from the purchase price allocation for new acquisitions. Impairments of EUR 19.3 million (previous year: EUR 42.8 million) concern **goodwill** (EUR 12.8 million) and property, plant, and equipment (EUR 5.7 million) as well as immaterial assets (EUR 0.8 million).

ADJUSTED EBITA

The adjusted EBITA is calculated from the operating income (EBIT) plus the impairments and the PPA depreciation. In as far as reversals are posted, these must be deducted.

Adjusted EBITA was EUR 188.1 million in the 2023 financial year, compared with EUR 194.3 million the previous year. The EBITA margin was therefore 10.4% and 0.4 percentage points below that of the previous year. The reduced EBITA reflects the economically difficult framework conditions, in particular for portfolio companies in the construction sector.

EBIT MARGIN INCREASES BY 0.9 PERCENTAGE POINTS

Operating income or EBIT came to EUR 149.6 million in 2023. EBIT was therefore EUR 15.9 million (11.9%) higher than the previous year (EUR 133.7 million). The EBIT margin was 8.3% compared with 7.4% in the previous year.

Net financial income increased by EUR 7.9 million, from EUR -17.8 million to EUR -9.9 million. The financial income includes net interest, income from shares measured according to the equity method, and other financial income. Net interest reduced from EUR -13.1 million to EUR -19.6 million. Increased expenditure due to increased interest for financial liabilities has made its mark here. The other financial income was EUR 8.4 million, compared with EUR -5.1 million in the previous year. Measurements of minority interests in particular are reported in the other financial income item. The reason for the reduced expenses is the valuation of the call/put options for the later purchase of minority interests being reduced by EUR 8.7 million; the call/put options are measured at fair value.

Earnings before taxes from continuing operations or **EBT** rose by EUR 23.8 million to EUR 139.7 million (previous year: EUR 115.9 million). Income tax expenses increased significantly by EUR 22.4 million to EUR 55.8 million. Adjusted by impairments, which are not taken into account in the tax calculation, the tax rate is 35.1%, following 21.0% in the previous year.

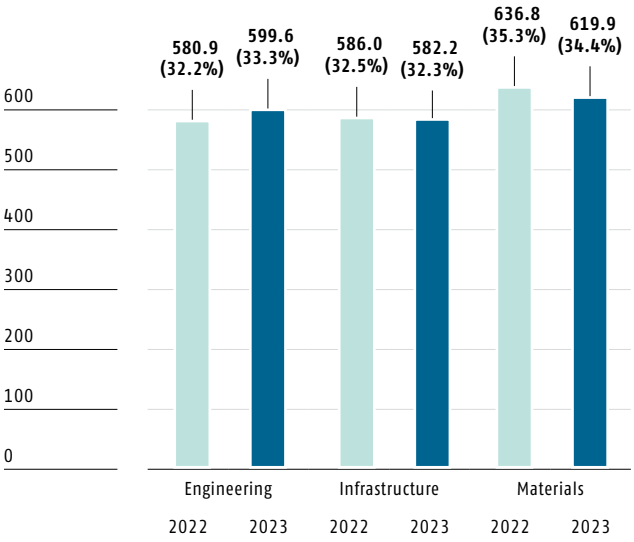
Income from discontinued operations is earnings after taxes and was EUR -27.8 million. The previous year's comparative value was EUR -123.9 million. This includes the operating income of SCHÄFER and SELZER up to deconsolidation in July and August 2023 respectively. In addition to the operating income from SELZER and SCHÄFER, this also includes the operating income of SMA in the previous year and all value adjustments as a result of the deconsolidation of SMA and the reallocation of SELZER into discontinued operations.

Earnings after taxes were EUR 56.1 million (previous year: EUR -41.4 million). This equates to an increase of EUR 97.5 million compared to the previous year. Interests attributable to non-controlling shareholders amounted to EUR 0.7 million (previous year: EUR 0.8 million). Earnings after taxes for INDUS shareholders amounted to EUR 55.4 million. This equates to earnings per share in the continuing operations of EUR 3.10 as compared to EUR 3.04 in the previous year. Earnings per share for the discontinued operations came to EUR -1.04, following EUR -4.61 in the previous year.

SALES AND INCOME ARE DISTRIBUTED RELATIVELY EVENLY ACROSS THE SEGMENTS.

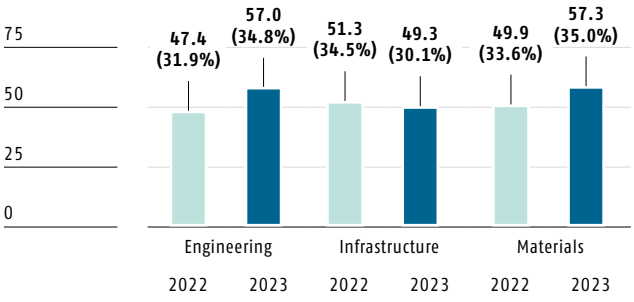
Sales for the newly arranged segments of Engineering, Infrastructure, and **Materials** are relatively evenly distributed. The Materials segment achieved the largest proportion of sales in the reporting year and in the previous year, at 34.4% and 35.3% respectively. In the reporting year, the proportion of sales for the **Engineering** segment grew slightly to 33.3% (previous year: 32.2%). The **Infrastructure** segment recorded a proportion of sales of around 32%, which is almost unchanged.

SALES BREAKDOWN BY SEGMENT (in EUR million)



In terms of distribution of the operating income (EBIT), there are also no major differences between the segments. The Engineering segment's contribution to earnings was 34.8% after 31.9% in the previous year. The Materials segment achieved the highest proportion of earnings at 35.0% (previous year: 33.6%). In the Infrastructure segment, the EBIT proportion reduced from 34.5% in the previous year to 30.1% in the reporting year. The turbid economic situation for construction in the 2023 financial year had an impact here.

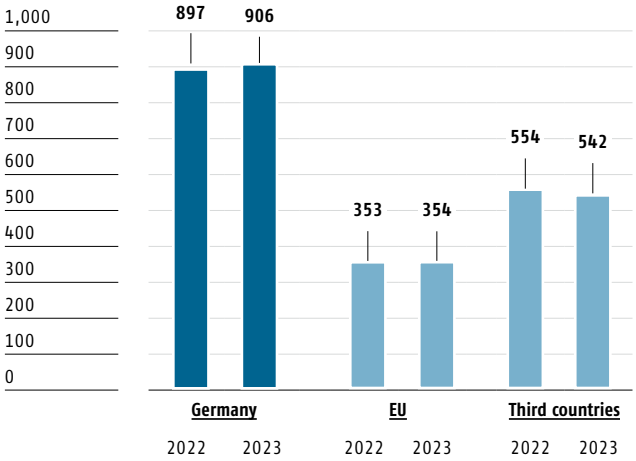
EBIT BREAKDOWN BY SEGMENT (EUR million)



CONTRIBUTION TO SALES BY REGION

The INDUS Group's sales are attributable to its domestic and international business in almost-equal measure. In relative terms, the domestic share of sales increased by 0.6 percentage points compared to the previous year, to 50.3% (previous year: 49.7%). Domestic sales increased by 1.1% to EUR 906.5 million as compared with the previous year. Sales within the EU remained almost constant (+0.3%), while sales in third countries reduced by 2.3%.

SALES 2022–2023 BY REGION (in EUR million)



Earnings Trends in the Segments

ENGINEERING

SEGMENT DESCRIPTION

Machine and plant manufacturing continues to be a backbone of the German economy with many hidden champions. Dovetailing production with the latest information and communication technology lays the foundation for new growth models. The megatrends of digitalization and sustainability are the growth drivers behind this development. The INDUS Engineering segment consists of companies that already support the manufacturing industry with a broad range of services. These companies are well established on the market for specialized mechanical engineering and equipment manufacturing, and as niche providers in specialized machine and plant construction in the fields of automation/robotics, sensor technology, measurement, and control engineering.

The INDUS Engineering segment comprises 15 portfolio companies.

SEGMENT PERFORMANCE: MARKED IMPROVEMENT IN EBIT MARGIN

The portfolio companies in the Engineering segment generated sales of EUR 599.6 million in the 2023 financial year (previous year: EUR 580.9 million). As compared to the previous year, sales increased by EUR 18.7 million (3.2%). The growth relates to inorganic growth of 1.3% through the acquisition of HEIBER + SCHRÖDER and HELD in 2022, as well as organic growth of 1.9%. The organic growth is primarily due to an uptick in business in the fields of measuring technology and control engineering, cleanroom systems, and automation.

Adjusted EBITA was EUR 73.5 million, compared with EUR 71.6 million the previous year. The increase of EUR 1.9 million (2.7%) is mainly the result of the improved earnings situation of one portfolio company active in measuring technology and control engineering. In the previous year, the sales and earnings situation in this area was still severely impacted by the semiconductor shortage. The adjusted EBITA margin was 12.3% (previous year: 12.3%).

Due to the increase in capital costs and retracted forecasts in individual cases, the annual impairment testing led to impairments in the Engineering segment of EUR 5.1 million (previous year: EUR 13.8 million). These related to goodwill in the amount of EUR 3.6 million (previous year: EUR 11.9 million), property, plant, and equipment in the amount of EUR 1.3 million (previous year: EUR 0.0 million), and intangible assets in the amount of EUR 0.2 million (previous year: EUR 1.9 million). PPA depreciation for the segment amounted to EUR 11.4 million, following EUR 10.4 million the previous year. This increase is attributable to the new acquisitions of HEIBER + SCHRÖDER and HELD in the previous year.

As a result, operating income (EBIT) totaled EUR 57.0 million, following EUR 47.4 million in the same period of the previous year. The EBIT margin was 9.5% (previous year 8.2%) and was therefore 1.3 percentage points above the previous year and within the target range of 9% to 11%.

The investments of EUR 12.1 million made during the reporting period related exclusively to investments in property, plant, and equipment and intangible assets. The previous year's investment figure contained the acquisition of HEIBER + SCHRÖDER and HELD in a total amount of EUR 58.8 million.

KEY ENGINEERING FIGURES (in EUR million)

			Difference 2023 to 2022	
	2023	2022	absolute	in %
Revenue with external third parties	599.6	580.9	18.7	3.2
EBITDA	94.5	92.6	1.9	2.1
in % of sales	15.8	15.9	-0.1 pp	–
Depreciation/amortization	-37.5	-45.2	7.7	17.0
of which PPA depreciation*	-11.4	-10.4	-1.0	-9.6
of which impairment	-5.1	-13.8	8.7	63.0
EBITA (adjusted)**	73.5	71.6	1.9	2.7
in % of sales	12.3	12.3	–	–
EBIT	57.0	47.4	9.6	20.3
in % of sales	9.5	8.2	1.3 pp	–
Investments	12.1	71.2	-59.1	-83.0
Employees	2,842	2,771	71	2.6

* The term PPA depreciation includes depreciation on assets on purchase price allocations.
** The term EBITA (adjusted) includes the operating income (EBIT) plus PPA depreciation and impairments.

INFRASTRUCTURE

SEGMENT DESCRIPTION

Growing mobility and advancing urbanization as well as increasing digitalization and sustainability are the megatrends that are providing the construction sector in Germany with lasting momentum. Public investment in infrastructure for the maintenance and expansion of transport routes, high capacity demand in residential construction, and energy-efficiency renovations are driving demand. Construction and building technology are receiving new momentum from the societal demand for sustainable construction. Advanced technologies facilitate the development of intelligent infrastructure and supply networks in telecommunications and in energy supply.

The companies in the INDUS Infrastructure segment are using their solid positioning to develop their range of offers with a clear focus on this demand – in the clusters of construction and building technology, telecommunications infrastructure, and air-conditioning technology.

The Infrastructure segment contains 14 portfolio groups.

SEGMENT PERFORMANCE: SOLID PERFORMANCE DESPITE TURBULENT ECONOMIC SITUATION FOR CONSTRUCTION

BETOMAX systems GmbH & Co. KG acquired QUICK Bauprodukte GmbH at the beginning of the 2023 financial year. The economic transfer and the initial consolidation took place on March 31, 2023. QUICK is a specialist for formwork and reinforcement accessories, and manufactures and distributes standard and special parts for bridge building, overground and underground construction, and tunnel construction. The QUICK portfolio of products perfectly complements the BETOMAX product range and opens up new opportunities for the company in the field of bridge building.

In the Infrastructure segment, sales in the 2023 financial year were EUR 582.2 million (previous year: EUR 586.0 million); the segment sales therefore reduced by EUR 3.8 million or 0.6% compared to the previous year. The acquisition of QUICK led to inorganic growth of 0.8% in the reporting period. This was offset by an organic decline in sales of 1.4%. The slowdown in the construction sector impacted the majority of portfolio companies. The area of infrastructure networks was the exception here. In particular in the area of heating and air-conditioning systems for commercial vehicles, a decline in sales from the previous year has now been significantly compensated for. In the area of infrastructure networks, a new major order to expand a glass fiber network was started in Bavaria. Completion will also extend over the two coming financial years.

At EUR 61.8 million, the adjusted EBITA was therefore down by EUR 6.8 million on the previous year's figure (EUR 68.6 million). The adjusted EBITA margin was 10.6% and was therefore 1.1 percentage points below that of the previous year (previous year: 11.7%). The reduced adjusted EBITA relates to most of the segment's portfolio companies and is the result of the declining economic situation for construction in the 2023 financial year.

During the annual impairment test, impairment losses of EUR 7.5 million (previous year: EUR 12.7 million) were recognized. These relate exclusively to goodwill. The impairments result from another marked increase in capital costs – derived from market parameters – and forecasts being retracted in individual cases. At EUR 5.0 million, depreciation on purchase price allocations (PPA depreciation) was slightly higher than in the previous year (EUR 4.6 million). The increase results from the new acquisition of the current financial year (QUICK).

Operating income (EBIT) for the financial year amounted to EUR 49.3 million (previous year: EUR 51.3 million) and was EUR 2.0 million below the previous year (3.9%). The EBIT margin came in at 8.5% (previous year: 8.8%).

Investments of EUR 35.2 million in the reporting year related primarily to the acquisition of QUICK and property, plant, and equipment. Investments in fixed assets stood at EUR 26.3 million, markedly above the value seen in the previous year (EUR 15.2 million). This increase is due to the acquisition of an operating property by a portfolio company.

KEY INFRASTRUCTURE FIGURES

(EUR million)

	2023	2022	Difference 2023 to 2022 absolute	Difference 2023 to 2022 in %
Revenue with external third parties	582.2	586.0	-3.8	-0.6
EBITDA	83.0	88.5	-5.5	-6.2
in % of sales	14.3	15.1	-0.8 pp	–
Depreciation/amortization	-33.7	-37.2	3.5	9.4
of which PPA depreciation*	-5.0	-4.6	-0.4	-8.7
of which impairment	-7.5	-12.7	5.2	40.9
EBITA (adjusted)**	61.8	68.6	-6.8	-9.9
in % of sales	10.6	11.7	-1.1 pp	–
EBIT	49.3	51.3	-2.0	-3.9
in % of sales	8.5	8.8	-0.3 pp	–
Investments	35.2	15.2	20.0	>100
Employees	2,934	2,875	59	2.1

* The term PPA depreciation includes depreciation on assets on purchase price allocations.
** The term EBITA (adjusted) includes the operating income (EBIT) plus PPA depreciation and impairments.

MATERIALS

SEGMENT DESCRIPTION

Current deglobalization with simultaneously increased requirements for cost optimization and resilience of supply chains requires a regional optimization of supplier and production networks. At the same time, development and combination of innovative materials and production procedures in the manufacturing sector are shifting the limit of what is feasible. Supported by AI applications, robotics, and new recycling procedures, they are facilitating advances in new and more sustainable dimensions of performance and application.

The companies in the INDUS Materials segment have a high level of expertise in the field of materials as well as their creation and processing. They are specialized in the areas of metals technology (carbide tools and wear technology, component and assembly production, surface and housing technology) as well as medical consumables and supplies, and are oriented on changed market requirements utilizing the new opportunities.

The INDUS Materials segment comprises 14 portfolio groups.

SEGMENT PERFORMANCE: EBIT AND EBIT MARGIN INCREASED

In the Materials segment, sales of EUR 619.9 million (previous year: EUR 636.8 million) were generated in 2023. The decline in sales amounted to EUR 16.9 million (-2.7%) and is reflected in order volume in the metals technology area weakening in the second half of the year. The customer segments of agricultural engineering, construction equipment, and the steel industry in particular report markedly reduced incoming orders and reductions in sales.

The EBITA (adjusted) amounted to EUR 66.7 million, and was therefore EUR 0.8 million or 1.2% lower than in the previous year. The adjusted EBITA margin was 10.8% after 10.6% in the previous year. Almost over the entire year, the metal processing companies in the segment were able to offset the declining quantities and further falling sales prices through corresponding measures. In the final quarter of the financial year, the drops in demand could no longer be compensated, with the result that this tangibly impacted the metals technology portfolio companies' operating income. In contrast to this, the majority of companies in the field of medical disposables and aids have improved their income.

During the annual impairment test, impairments of EUR 6.7 million (previous year: EUR 14.8 million) were recognized. This was due to higher capital costs derived from market parameters and retracted forecasts in individual cases. The impairment relates to goodwill in the amount of EUR 1.7 million (previous year: EUR : 14.7 million), intangible assets in the amount of EUR 0.6 million (previous year: EUR 0.0 million) and property, plant, and equipment in the amount of EUR 4.4 million (previous year: EUR 0.1 million). At EUR 2.7 million, the PPA depreciation in the Materials segment was slightly lower than in comparison with the previous year (EUR 2.8 million).

Operating income (EBIT) in the Materials segment amounted to EUR 57.3 million (previous year: EUR 49.9 million). The EBIT margin was 9.2%, after 7.8% in the previous year.

At EUR 22.0 million, investments were slightly below the previous year's figure of EUR 23.5 million, and exclusively related to investments in fixed assets.

KEY MATERIALS FIGURES

(in EUR million)

			Difference 2023 to 2022	
	2023	2022	absolute	in %
Revenue with external third parties	619.9	636.8	-16.9	-2.7
EBITDA	93.7	92.4	1.3	1.4
in % of sales	15.1	14.5	0.6 pp	–
Depreciation/amortization	-36.4	-42.5	6.1	14.4
of which PPA depreciation*	-2.7	-2.8	0.1	3.6
of which impairment	-6.7	-14.8	8.1	54.7
EBITA (adjusted)**	66.7	67.5	-0.8	-1.2
in % of sales	10.8	10.6	0.2 pp	–
EBIT	57.3	49.9	7.4	14.8
in % of sales	9.2	7.8	1.4 pp	–
Investments	22.0	23.5	-1.5	-6.4
Employees	3,107	3,151	-44	-1.4

* The term PPA depreciation includes depreciation on assets on purchase price allocations.
** The term EBITA (adjusted) includes the operating income (EBIT) plus PPA depreciation and impairments.

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 goals: safeguarding of sufficient liquidity reserves, risk limitation, and earnings and cost optimization. Liquidity safeguarding is of particular importance here. It not only enables INDUS 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 purposes.

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 portfolio companies, and the investing of cash and cash equivalents.

Management of the working capital is of particular importance for the Group's liquidity needs. INDUS monitors and supports companies with respect to their respective management of working capital.

FINANCING ANALYSIS FOR 2023

Cash and cash equivalents were generated from operating cash flow and long-term borrowing. This largely consisted of long-term bilateral bank loans with no collateral provided. Leasing financing of EUR 23.8 million was also concluded. Credit lines were also used on a temporary basis to cover short-term liquidity needs. Liabilities to banks amounted to EUR 340.6 million as of the reporting date (previous year: EUR 347.7 million); these are primarily (99.8%) denominated in euros. Promissory note loans amounted to EUR 354.4 million (previous year: EUR 303.5 million). INDUS also has unused credit lines totaling EUR 94.5 million (previous year: EUR 91.6 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)

	2023	2022	Difference 2023 to 2022 absolute	Difference 2023 to 2022 in %
Earnings after taxes	**84.0**	**82.5**	1.5	**1.8**
Depreciation/amortization	108.6	128.8	-20.2	-15.7
Other non-cash-effective changes	67.2	47.4	19.8	41.8
Cash-effective change in working capital	33.4	-68.9	102.3	>100
Change in other balance sheet items	-5.0	-4.1	-0.9	-22.0
Tax payments	-48.1	-48.6	0.5	1.0
Operating cash flow	**240.1**	**137.1**	**103.0**	**75.1**
Interest	-22.5	-20.8	-1.7	-8.2
Cash flow from operating activities	**217.6**	**116.3**	**101.3**	**87.1**
Cash outflow for investments and acquisitions	-71.4	-113.7	42.3	37.2
Cash inflow from the disposal of assets	21.3	19.3	2.0	10.4
Cash flow from investing activities	**-50.1**	**-94.4**	**44.3**	**46.9**
Cash inflow from minority shareholders	0.0	0.2	-0.2	-100.0
Dividend payment	-21.5	-28.2	6.7	23.8
Dividends paid to minority shareholders	-0.9	-0.8	-0.1	-12.5
Cash outflow from the repayment of contingent purchase price commitments	0.0	-2.5	2.5	100.0
Cash inflow from the raising of loans	168.7	264.1	-95.4	-36.1
Cash outflow from the repayment of loans	-126.6	-157.8	31.2	19.8
Cash outflow from the repayment of lease liabilities	-20.2	-19.1	-1.1	-5.8
Cash flow from financing activities	**-0.5**	**55.9**	**-56.4**	**<-100**
Net changes in cash and cash equivalents from continuing operations	167.0	77.8	89.2	>100
Net changes in cash and cash equivalents from discontinued operations	-24.6	-80.9	56.3	69.6
Exchange-rate-related change to cash and cash equivalents from continuing operations	-0.7	-0.2	-0.5	<-100
Exchange-rate-related change in cash and cash equivalents from discontinued operations	0.0	-0.1	0.1	100.0
Changes in cash in connection with discontinued operations	-3.7	-5.1	1.4	27.5
Cash and cash equivalents at the beginning of the period	127.8	136.3	-8.5	-6.2
Cash and cash equivalents at the end of the period	**265.8**	**127.8**	**138.0**	**>100**

STATEMENT OF CASH FLOWS: OPERATING CASH FLOW EXCEEDS THE PREVIOUS YEAR BY AROUND EUR 100 MILLION

Operating cash flow rose EUR 103.0 million to EUR 240.1 million in 2023, in comparison with the same period of the previous year. At EUR 84.0 million, earnings after taxes in the reporting period were EUR 1.5 million higher than the previous year's figure of EUR 82.5 million. Alongside the improved earnings after taxes, the increase in operating cash flow is in particular attributable to the cash from working capital financing having improved by EUR 102.3 million compared with the previous year. A working capital build-up in the previous year, with a financing requirement of EUR 68.9 million was faced in the reporting year with a depletion of working capital with a release of funds of EUR 33.4 million. In the previous year, along with the usual seasonal increase in working capital, companies purposefully engaged in stockpiling due to supply chain problems.

The balance from interest (including variable interest on purchase price commitment to non-controlling shareholders) of EUR -22.5 million was slightly above the previous year's figure of EUR -20.8 million. The cause of this increase is higher interest payments to banks.

Taking into account interest payments, cash flow from operating activities amounted to EUR 217.6 million (previous year: EUR 116.3 million) and was therefore EUR 101.3 million higher than the previous year.

At EUR -61.9 million, the cash outflow for investments in intangible assets and in property, plant, and equipment was EUR 7.4 million higher than in the previous year (previous year: EUR -54.5 million). Cash outflow for investment in shares in fully consolidated companies amounted to EUR 8.9 million in respect of the acquisition of QUICK. The two portfolio companies HEIBER + SCHRÖDER and HELD were acquired in the same period of the previous year. Cash inflow from the disposal of assets comprised the proceeds for a commercial property that is no longer required amounting to EUR 14.4 million. The second tranche of the purchase price for the sale of the WIESAUPLAST Group of EUR 9.8 million was received in the previous year. Cash flow from investing activities came to a total of EUR -50.1 million, compared with EUR -94.4 million in the previous year.

Cash flow from financing activities declined significantly and amounted to EUR -0.5 million (previous year: EUR 55.9 million). The reason for the marked decline is the sharp reduction of EUR 64.2 million in net borrowing; this stood at EUR 42.1 million (previous year: EUR 106.3 million).

Net changes in cash and cash equivalents from continuing operations amounted to EUR 167.0 million after EUR 77.8 in the previous year. Net changes in cash and cash equivalents from discontinued operations amounted to EUR -24.6 million (previous year: EUR -80.9 million). Assuming an initial inventory at the beginning of the year of EUR 127.8 million, cash and cash equivalents have sharply increased overall, and were at EUR 265.8 million as of December 31, 2023.

FREE CASH FLOW IS AROUND EUR 200 MILLION

Free cash flow was introduced as an additional management variable with the PARKOUR perform strategy update. Free cash flow is the sum of operating cash flow and cash flow from investing activities less cash outflow for investments in fully consolidated companies.

Free cash flow indicates the INDUS funds available for new acquisitions, dividends, and payments to creditors (interest, repayment of leasing obligations, and reduction of net debt).

FREE CASH FLOW (in EUR million)

	2023	2022	Difference 2023 to 2022 absolute	Difference 2023 to 2022 in %
Operating cash flow from continuing operations	240.1	137.1	103.0	75.1
Cash flow from investing activities from continuing operations	-50.1	-94.4	44.3	46.9
Cash outflow for investments for shares in fully consolidated companies	8.9	58.8	-49.9	-84.9
FREE CASH FLOW	**198.9**	**101.5**	**97.4**	**96.0**

In the 2023 financial year, the INDUS Group generated free cash flow of EUR 198.9 million. Free cash flow was thus EUR 97.4 million higher than in the same period of the previous year.

Interest payments (EUR 22.5 million), the dividend payment (EUR 21.5 million), the new acquisition (EUR 8.9 million), and lease liability repayments (EUR 20.2 million) were all financed from free cash flow from continuing operations. The free cash flow also covers the payments accrued so far for the discontinued operations (EUR 28.3 million), and leaves further scope for future new acquisitions, capital measures, or investments.

Net Assets

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

	Dec. 31, 2023	Dec. 31, 2022	Difference 2023 to 2022 absolute	Difference 2023 to 2022 in %
ASSETS				
Non-current assets	**1,029.2**	**1,023.5**	**5.7**	**0.6**
Fixed assets	1,005.3	1,001.4	3.9	0.4
Receivables and other assets	23.9	22.1	1.8	8.1
Current assets	**899.6**	**866.4**	**33.2**	**3.8**
Inventories	429.3	449.4	-20.1	-4.5
Receivables and other assets	204.5	222.9	-18.4	-8.3
Cash and cash equivalents	265.8	127.8	138.0	>100
Assets held for sale	0.0	66.3	-66.3	-
Total assets	**1,928.8**	**1,889.9**	**38.9**	**2.1**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,468.9**	**1,413.9**	**55.0**	**3.9**
Equity	719.7	694.8	24.9	3.6
Borrowings	749.2	719.1	30.1	4.2
of which provisions	27.6	24.7	2.9	11.7
of which payables and deferred taxes	721.6	694.4	27.2	3.9
Current financing instruments	**459.9**	**476.0**	**-16.1**	**-3.4**
of which provisions	41.7	42.3	-0.6	-1.4
of which liabilities	418.2	398.0	20.2	5.1
of which liabilities for assets held for sale	0.0	35.7	-35.7	-
Total equity and liabilities	**1,928.8**	**1,889.9**	**38.9**	**2.1**

ASSETS: SIGNIFICANT DEPLETION OF WORKING CAPITAL

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,928.8 million, a EUR 38.9 million increase from the previous year's reporting date. The increase in the total assets resulted from the EUR 138.0 million increase in cash and cash equivalents. Working in the opposite direction was the reduction of working capital (EUR -29.8 million) and the disposal of assets held for sale.

As compared to the previous reporting date, **non-current assets** rose by EUR 5.7 million, or 0.6%, to EUR 1,029.2 million. Goodwill reduced by EUR 7.9 million, as the addition from the new acquisition of QUICK was countered by higher impairments. Right-of-use assets from leasing/rent increased from EUR 68.9 million to EUR 73.9 million. The reason for this increase is additions in the area of land and buildings as well as vehicles. For other intangible assets, a reduction of EUR 8.3 million resulted from depreciation/amortization of the client base and technology.

Compared with the previous reporting date, **current assets** increased by EUR 33.2 million to EUR 899.6 million. This is in particular attributable to the increased stock of cash and cash equivalents (EUR +138.0 million). Working in the opposite direction here are the working capital items of inventories and receivables, which were reduced in total by EUR 38.5 million. The assets held for sale were primarily disposed of through the sale of SCHÄFER and SELZER.

EQUITY AND LIABILITIES: EQUITY RATIO INCREASED

Equity rose by EUR 24.9 million to EUR 719.7 million. This increase is due to the positive total comprehensive income (EUR 47.3 million), minus dividend payment in the reporting year in the amount of EUR 21.5 million. The equity ratio rose slightly year-over-year again, from 36.8% to 37.3% as of the reporting date. In the medium term, the equity should again be above the target of 40%.

At EUR 749.2 million, **non-current borrowings** were EUR 30.1 million higher than the previous year. This results from an increase in liabilities to banks for creation of a liquidity reserve for the financing of future company acquisitions.

Current financing instruments reduced by EUR 16.1 million to EUR 459.9 million. The decline results from the disposal of liabilities for assets held in connection with the sale, in the amount of EUR 35.7 million. This disposal primarily relates to the sale of SELZER and SCHÄFER. In contrast with this, there was a EUR 20.2 million increase in liabilities resulting from the rise in financial liabilities.

WORKING CAPITAL

(in in EUR million)

			Difference 2023 to 2022	
	Dec. 31, 2023	Dec. 31, 2022	absolute	in %
Inventories	429.3	449.4	-20.1	-4.5
Trade receivables	181.3	195.5	-14.2	-7.3
Trade payables	-63.7	-74.3	10.6	14.3
Advance payments received	-23.3	-33.0	9.7	29.4
Contract liabilities	-56.7	-40.9	-15.8	-38.6
Working capital	**466.9**	**496.7**	**-29.8**	**-6.0**

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, 2023, working capital stood at EUR 466.9 million. It therefore dropped by EUR 29.8 million or 6.0% after an increase in the previous year by 11.9%.

NET FINANCIAL LIABILITIES

(in EUR million)

			Difference 2023 to 2022	
	Dec. 31, 2023	Dec. 31, 2022	absolute	in %
Non-current financial liabilities	618.2	580.6	37.6	6.5
Current financial liabilities	153.8	140.7	13.1	9.3
Cash and cash equivalents	-265.8	-127.8	-138.0	-108.0
Net financial liabilities	**506.2**	**593.5**	**-87.3**	**-14.7**

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, 2023, it amounted to EUR 506.2 million, which equates to a decrease of 14.7% as compared to the previous year's reporting date. This is attributable to cash and cash equivalents increasing by EUR 138.0 million. In counterpoint to this there was an increase in financial liabilities from EUR 721.3 million to EUR 772.0 million.

The ratio of net debt to equity (gearing) is 70% (previous year: 85%). The ratio of net debt/EBITDA (for continuing operations) is 2.0 years (previous year: 2.3 years). The repayment term is therefore within the long-term target range of 2.0 to 2.5 years and offers scope for additional company acquisitions.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

(in EUR million)

	2023	2022	Difference 2023 to 2022 absolute	Difference 2023 to 2022 in %
Investments	**70.8**	**113.3**	**-42.5**	**-37.5**
of which in:				
Company acquisitions	**8.9**	**58.8**	**-49.9**	**-84.9**
Intangible assets	**10.8**	**8.0**	**2.8**	**35.0**
Property, plant, and equipment	**51.1**	**46.5**	**4.6**	**9.9**
of which in:				
Land and buildings	9.7	2.0	7.7	>100
Technical equipment and machinery	12.0	12.4	-0.4	-3.2
Other equipment, factory and office equipment	15.2	15.5	-0.3	-1.9
Advance payments and facilities under construction	14.2	16.6	-2.4	-14.5
Investment property	**10.0**	**2.2**	**7.8**	**>100**
Depreciation/amortization (without right-of-use assets/leases)*	**-88.9**	**-109.8**	**20.9**	**19.0**

* This table does not include amortization of right-of-use assets/leases totaling EUR 19.7 million (previous year: EUR 19.0 million)

Investments in the reporting year were EUR 42.5 million lower than in the previous year and amounted to EUR 70.8 million. EUR 8.9 million was for company acquisitions (-84.9%); EUR 51.1 million for investments in property, plant, and equipment (+9.9%); and EUR 10.8 million for investment in intangible fixed assets (+35.0%).

Investments in **intangible assets** in the amount of EUR 10.8 million relate to the capitalization of development costs, EDP systems, and advance payments.

The focus of i**nvestments in property, plant, and equipment** was technical equipment and machinery as well as operating equipment. Land and buildings includes the addition of an operating property at a portfolio company in the Infrastructure segment in the amount of EUR 7.6 million. 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 a high number of individual measures.

Advance payments increased to EUR 14.2 million. **Depreciation/amortization** amounted to EUR 88.9 million, compared with EUR 109.8 million the previous year. Depreciation/amortization also includes impairments of EUR 19.3 million (previous year: EUR 42.8 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 2023 to 2022	
	2023	2022	absolute	in %
Sales	**6.1**	**6.3**	**-0.2**	**-3.2**
Other operating income	57.7	2.8	54.9	>100
Personnel expenses	-8.0	-6.9	-1.1	-15.9
Other operating expenses	-57.6	-181.8	124.2	68.3
Income from investments	90.7	106.1	-15.4	-14.5
Income from loans of financial assets	42.3	41.6	0.7	1.7
Other interest and similar income	20.9	15.8	5.1	32.3
Depreciation/amortization on intangible assets and property, plant, and equipment	-0.6	-0.5	-0.1	-20.0
Impairment of financial investments	-32.5	-195.5	163.0	83.4
Expenses from loss absorption	-4.1	-3.0	-1.1	-36.7
Interest and similar expenses	-17.6	-12.1	-5.5	-45.5
Earnings before taxes	**97.3**	**-227.2**	**324.5**	**>100**
Taxes	-18.2	8.9	-27.1	<-100
Net income / net loss for the year	**79.1**	**-218.3**	**297.4**	**>100**
Profit carried forward	1.7	1.5	0.2	13.3
Deduction from retained earnings	0.0	244.0	-244.0	-100.0
Balance sheet profit / balance sheet loss	**80.8**	**27.2**	**53.6**	**>100**

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 6.1 million, at the same level as the previous year.

Other operating income increased by EUR 54.9 million to EUR 57.7 million. In the reporting year, appreciation of EUR 53.2 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 previous year.

Personnel expenses increased by EUR 6.9 million to EUR 8.0 million. The main reason for this is the low variable compensation paid to the Board of Management in the previous year.

The reduction in other operating expenses from EUR 181.8 million to EUR 57.6 million is attributable to the individual valuation allowances on receivables in the previous year in the amount of EUR 170.9 million. Of this, EUR 78.9 million relates to SMA and EUR 92.0 million relates to SELZER. Individual valuation allowances of EUR 40.3 million were recognized in the current year. These primarily related to SCHÄFER (EUR 10.2 million) and SELZER (EUR 30.2 million). Schäfer GmbH & Co. KG was sold in July, including subsidiaries and shares in a portfolio company. The sale of Selzer Fertigungstechnik and its portfolio company was effective August 31, 2023.

Income from investments and income from loans of financial assets concerned a total of EUR 133.0 million after EUR 147.7 million in the previous year. Interest income arises largely from interest charged on by the holding company to the portfolio companies and, at EUR 20.9 million, was EUR 5.1 million higher than the previous year.

Impairments of financial investments relate to depreciation/amortization of shares in affiliated companies

amounting to EUR 32.5 million and are based on valuation allowances resulting from impairment testing of the carrying amounts of the investments as of the reporting date. In the previous year, depreciation/amortization on shares in affiliated companies amounting to EUR 176.8 million and depreciation/amortization on loads amounting to EUR 18.7 million were recognized. Depreciation/amortization in the previous year concerned factors including the complete valuation allowance of shares in and loans to SMA (EUR 47.2 million) and SELZER (EUR 38.6 million). In addition, depreciation/amortization was due in particular to a sharp rise in the capital costs derived from market parameters. After valuation allowance, the carrying amounts of the investments plus the loans were EUR 1.16 billion, following EUR 1.14 billion in the previous year.

Interest expense increased by EUR 5.5 million to EUR 17.6 million. Overall, due to valuation allowances in the previous year, earnings before taxes of EUR 97.3 million were therefore EUR 324.5 million above the previous year's level.
Tax expenses for the financial year were EUR 18.2 million, following tax revenue of EUR 8.9 million in the previous year. This is based on a partial loss utilization option for losses from SMA. The net income is accordingly EUR 79.1 million. The balance sheet profit is EUR 80.8 million. In the previous year, there was a net shortfall of EUR -218.3 million. To compensate for the non-cash-effective valuation allowances, EUR 244.0 million was taken from the retained earnings in the previous year, and recorded under the balance sheet profit. The balance sheet profit for the previous year is therefore EUR 27.2 million.

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

	Dec. 31, 2023	Dec. 31, 2022
ASSETS		
Property, plant, and equipment	8.2	8.3
Financial investments	1,163.0	1,141.3
Fixed assets	**1,171.2**	**1,149.6**
Receivables and other assets	343.0	363.0
Cash on hand and bank balances	141.2	17.8
Current assets	**484.2**	**380.8**
Prepaid expenses	0.8	0.7
Total assets	**1,656.2**	**1,531.1**
EQUITY AND LIABILITIES		
Equity	879.3	821.7
Provisions	10.4	4.9
Liabilities	735.6	678.3
Deferred tax liabilities	30.9	26.2
Total equity and liabilities	**1,656.2**	**1,531.1**

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.

The cash and cash equivalents have significantly increased as of the reporting date. The cause of this was reserve liquidity for an acquisition that was not executed.

Primarily due to the increase in cash and cash equivalents, the total assets of INDUS Holding AG increased by EUR 123.4 million during the financial year and amounted to EUR 1,656.2 million as of December 31, 2023. The increase in total assets is in direct connection with the appreciation on financial investments.

The equity of INDUS Holding AG increased in the reporting period by EUR 57.6 million, from EUR 821.7 million to EUR 879.3 million. The equity ratio as of December 31, 2023 was 53.1%, following 53.7% in the previous year. The decrease in the equity ratio is due to the increased liquidity.
Liabilities amounted to EUR 735.6 million as of December 31, 2023, and therefore increased by EUR 57.3 million compared to December 31, 2022. The increase is in connection with the cash and cash equivalents having increased by EUR 123.4 million.
In the 2023 financial year, INDUS Holding AG employed on average 39 employees excluding the Board of Management (previous year: 36 employees).

Further Legal Information

Acquisition-related Disclosures

Disclosures in Accordance With Sections 289a (1) and 315a (1) HGB: Capital Stock, Voting Rights, and Transfer Of Shares

As of December 31, 2023, 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 16.2% 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.

The INDUS Articles of Incorporation can be viewed at: www.indus.de/en/about-indus/corporate-governance

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

AUTHORIZED CAPITAL

The Board of Management is authorized by Section 6.1 of the Articles of Incorporation, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 25, 2026, once or in several installments, by a total of up to EUR 34,964,225.52 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 13,447,779 new registered no-par-value shares (Authorized Capital 2021) and, in doing so, to set a start date for profit sharing that deviates from that set out by law, including with retroactive effect from a financial year that has already passed insofar as no resolution has yet been passed on the profit for that completed financial year. 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 have been sold or issued, or will 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 with the exclusion of subscription rights, shall be counted 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.
The Board of Management is authorized, with the Supervisory Board's approval, to decide on the additional details of the capital increase and its implementation, in particular on the content of the share rights and the terms and conditions of the share issue, including the issue amount.

CONTINGENT CAPITAL

At the Annual Shareholders' Meeting on May 17, 2023, the company's capital stock was conditionally increased by up to EUR 6,992,843.02, which serves to grant shares in the case of option and respectively conversion rights being exercised, or in the case of the fulfillment of option or conversion obligations to the owners of bonds, which are issued based on the issued authorization (Contingent Capital 2023).

The implementation of the conditional capital increase is conditional upon:

— the holders or creditors of option, convertible and/or income bonds, or profit participation rights, or a combination of these instruments, issued by the company up to May 16, 2028 (inclusive) pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on May 17, 2023, to make use of their option or conversion right, or
— the obligated parties to convertible bonds and/or option bonds issued by the company, pursuant to the authorization granted to the Board of Management by the ordinary Annual Shareholders' Meeting on May 17, 2023, until May 16, 2028 (inclusive) to fulfill their conversion or option duty or tender shares, and
— no other forms of settlement are used for servicing.

New shares are issued at the option or respectively conversion price determined in accordance with the authorization mentioned above. The new shares participate in the profit from the start of the financial year in which they are created; insofar as is legally permissible, the Board of Management may also, with the consent of the Supervisory Board, establish profit sharing for new shares in respect of an already-expired financial year by way of deviation from this and also from Section 60 (2) AktG. The Management Board is entitled, with the consent of the Supervisory Board, to establish the further particulars of the execution of the conditional capital

increase. The Supervisory Board is authorized to amend the wording of the Articles of Incorporation in accordance with the respective use of the Contingent Capital 2023 and after all option or conversion deadlines have expired, as well as to undertake all other associated adjustments to the Articles of Incorporation that only concern the wording.

SHARE BUYBACKS

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 in accordance with Sections 71a et seqq. 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 arithmetical average value of the share prices (closing auction prices in Deutsche Börse AG's XETRA trading in Frankfurt or in a comparable successor system) by more than 10% during the last ten trading days before the commitment-to-acquire transaction 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 10% of the arithmetical average share price (closing auction prices in the Deutsche Börse AG's XETRA trading in Frankfurt or in a comparable successor system) 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 arithmetical 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;
- to 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 regulation 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 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 steered 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. 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

The core task of INDUS is the goal-oriented development of a diversified SME portfolio. INDUS Holding AG's Board of Management regularly discusses market and technology trends and, as part of the **PARKOUR perform** strategy update, has defined future fields for the strategic development of the segments. The regular dialog 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 by acquiring complementary additions. Continuous exchange takes place between segment management and the managing directors of the portfolio companies on this subject, in the framework of the strategic dialog and with a view to systematically analyzing and actively pursuing 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 promotes 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. Under the "Market Excellence" heading, 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 "Operational Excellence" area 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.

Striving for Sustainability

The sustainability strategy is established as an independent strategy initiative within the **PARKOUR perform** strategy program. INDUS sees significant opportunities in promoting sustainable entrepreneurial initiatives. Future key technologies are based on innovations that make an important contribution to achieving climate and sustainability targets. The portfolio companies are given targeted support by INDUS in this respect via the 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 can include the implementation of renewable or recycled raw materials in the current product range, or even the use of new technologies that minimize the consumption of resources during production. INDUS expects that this value driver will become even more important in future, and therefore that additional sales opportunities will be generated via corresponding differentiating features.

On the personnel side, the Group's clear commitment to sustainability, in conjunction with the corresponding implementation of sustainability initiatives, addresses the personal importance of environment-related topics to many employees of INDUS Group, with the result that opportunities in the competition for skilled workers are also increased in this respect.

The clear sustainability strategy offers opportunities in the framework of business financing. INDUS has associated its sustainability rating with promissory note issues since 2020. A rating improvement results in an interest advantage, while a worsening causes an interest disadvantage. The ISS ESG rating was maintained at prime status (C+) in financial year 2023.

The Portfolio Companies' Opportunities

Alongside the opportunities from product and process innovation, the opportunities of the portfolio companies are derived from the development of the market and competitive environment. In this process, the portfolio companies can benefit from positive economic development in their respective markets and from future fields that are derived from megatrends.

Opportunities for portfolio companies in the Engineering segment arise in particular from the megatrends of digitalization and sustainability. Important future fields here are automation and robotics, sensors and measurement technology, energy technology, and logistics.

In the Infrastructure segment, there are strategic opportunities from the megatrends of mobility, urbanization, digitalization, and sustainability (e.g. sustainable construction). Particular relevant future fields are infrastructure networks, infrastructure buildings, and energy efficiency.

In the Materials segment, the opportunities are in a high level of expertise in materials. Opportunities exist in particular in the future fields of circular economy and waste management, agriculture and food industries, and in energy-efficient and sustainable production processes. Long-term growth opportunities for the portfolio companies in the area of medical disposables and aids arise from the megatrend of demography 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 is based on the portfolio companies' risk management system 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 actively managed. The INDUS Holding AG risk management system is documented in the company's risk management manual. Risk reporting encompasses INDUS Holding AG and all fully consolidated subsidiaries of the Group.

The INDUS portfolio company management control department 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 the portfolio company management control department and agreed with the Board of Management as part of planning. The portfolio companies' deviation from planned figures is analyzed each month by the portfolio company management control department, with detected risks reported to the responsible 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 discrepancies between planned and actual figures and other risks 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 the portfolio company management control department on a needs basis, and ensures overarching 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 M&A team analyzes the opportunities and risks of an acquisition company on the basis of due diligence audits and prepares the decision paper for the Board of Management. The Board of Management decides on an acquisition only after a detailed analysis of the opportunities and risks, in consideration of the risk-bearing capacity. In the case of company acquisitions that require approval, the Supervisory Board then receives a decision paper from the Board of Management including a representation of the opportunities and risks for approval of the acquisition.

The objective of the risk management system is to identify, assess, manage, and monitor risks systematically. There are thresholds in place for reporting the risks, which take account of the structure of the investment portfolio. The Board of Management regularly, and as required by events, examines and revises the Group'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 about the risk position of INDUS Holding AG and INDUS Group.

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[1)]

The internal control system (ICS) of INDUS is a systematic set of rules, procedures, and responsibilities implemented by the management team that targets the proper performance of the company's business activities and controlling risks in the business processes. To ensure this comprehensive task is performed properly, we operate the following integrated management systems.

— INDUS Corporate Governance System
— Risk Management System (RMS)
— Compliance Management System (CMS)
— Sustainability Management System
— Accounting System

The design of these systems includes uniformly specified system and process elements that ensure that the systems are correct and functional. In the framework of the system design and on the basis of a risk analysis, roles and responsibilities are defined, guidelines and rules are communicated, and internal training sessions and programs are implemented. Among other aspects, ongoing operation includes proper provision of resources (e.g. whistleblower/complaints system). The efficacy of the systems is monitored by means of controls that are integrated into the system, self-assessments, and external checks (e.g. reviews of IT security in the framework of risk management). Progress is overseen through monitoring processes. The managing directors of the portfolio companies confirm once a year that the specifications in the compliance management system are complied with, in particular the INDUS Code of Conduct and the associated policy statement on observing human rights. Independent of processes, Internal Audit reviews compliance with rules, procedures, and responsibilities and with effect from January 1, 2023 was reorganized and markedly expanded in connection with the amended management structure. For the current year, Internal Audit's audit plan comprises 72 audits, wherein one audit corresponds to the audit of an audit area at a company. The audit plan is updated on a rolling basis. Audit findings are entered into the planning for the subsequent year. This guarantees dynamic risk orientation. Progress of agreed measures is also monitored here in order to remedy vulnerabilities by means of follow-up deadlines.

All portfolio companies are part of our ICS. The scope of activities to be carried out by each unit differs, and depends on factors including the materiality of the unit for the consolidated financial statements and the specific risks that are associated with the unit. The management team of each unit is required, in their area of responsibility and based on the specifications that are mandatory Group-wide, to implement an appropriate and effective ICS and RMS.

1) Not subject of the audit

The Audit Committee is systematically included in the monitoring of the ICS and RMS. In particular it monitors accounting and the accounting process as well as the suitability and effectiveness of the ICS, the RMS, and the internal audit system. As per the recommendations of the German Corporate Governance Code 2022, the Board of Management has engaged with the suitability and efficacy of the risk management system and internal control system, and not found any material objections.

REPORT IN ACCORDANCE WITH SECTIONS 289 (4), 315 (4) HGB

The scope and form of INDUS Holding AG's accounting-related internal control system (aICS) 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 aICS. The viability and effectiveness of the aICS at the portfolio companies is also assessed by Internal Audit and 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 aICS 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 (1) of the German Commercial Code (HGB), which must additionally be observed. The annual financial statements are prepared in accordance with the German Commercial Code (HGB). Regardless of its structuring, however, the aICS 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 and the data collection maps relating to regular reporting that are uniform across the Group, 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 Group accounting is supported by procedural instructions and standardized consolidated accounting. For the assessment of pension obligations, assessment of real estate or the determination of segment-specific capital costs, external service providers are additionally commissioned in some cases.

To avoid risks in the accounting process, the aICS involves preventative and investigative 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.

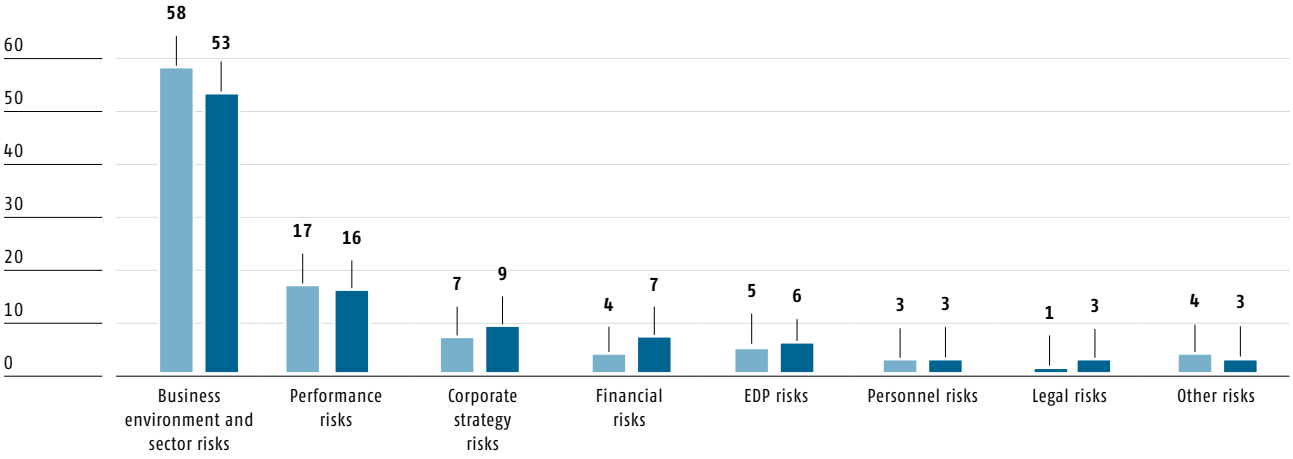
Description of Individual and Aggregate Risks

As in the previous year, the process is that portfolio companies and INDUS Holding AG initially identify and assess risks by means of a decentralized bottom-up approach. This process is performed twice a year, and is supported by the risk manager of INDUS Holding AG. 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 period of one year. The distribution of losses is shown by means of a triangular distribution. The triangular distribution describes the losses in the best, medium, and worst case. The following description of individual risks is based on the risks identified by the portfolio companies and INDUS Holding AG by 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 98%, the determined risk metric for the INDUS Group is around EUR 71.9 million (previous year: EUR 72.1 million, taking a confidence level of 97% as a basis). There is a 98% probability that the financial burden from the materialization of risks will not exceed this amount. The estimate of the probabilities of occurrence and the amount of the loss in each case is subject to a great deal of 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. Not taking opportunities into account in the Monte Carlo simulation results in an additional degree of certainty of planning certainty. 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 respective proportion of the risk metric accounted for by the individual risk categories.

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



Business Environment and Sector Risks

The business performance of the portfolio companies is closely related to developments in the economy as a whole. A further escalation of the Russia-Ukraine war and possibly resulting negative economic effects is difficult to assess by means of forecasts. Similarly, the conflict in the Middle East has escalated and represents a significant risk to the global economic situation, in particular given that the goods flowing through the Red Sea and the Suez Canal are at risk, and energy supply could be impaired if the conflict spreads. Further risks for global economic development result from increasing tensions between the USA and China with unforeseeable effects. 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 result in competitive disadvantages in international cost comparison, and the high volatility of commodities markets entails supply risks and in particular the risk that price rises cannot be passed on to customers. Continued high inflation and the resulting interest increases by the central banks to date will dampen consumption due to falling buying power, with negative consequences for economic performance.

INDUS avoids disproportionately high dependency on individual sectors by means of a well-balanced investment portfolio. The portfolio companies' high degree of specialization and strong positions within mostly attractive market niches reduce both their industry risk and general economic risk. However, by virtue of its nature, fundamental risk arising from economic and sector-specific factors cannot be avoided.

The automotive industry is also undergoing an enormous structural shift towards e-mobility, with high risks for direct and indirect sub-supplier industries. INDUS has significantly reduced these risks by discontinuing and selling series suppliers from the automotive technology area.

Corporate Strategy Risks

Corporate strategy risks arise mainly from incorrect evaluation of the future market and business development of existing portfolio companies and new additions. 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 its own analysis, for new acquisitions. These in-house analyses are subject to additional independent external opinions. The Board of Management decides on all new acquisitions following extensive review, with a unanimous vote being required, and they are then approved by the Supervisory Board.

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 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 the individual company 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 however limited with respect to effects on the Group as a whole, as has been evident in recent years in particular. There is the risk that supply with primary products or primary materials is not always ensured. A few primary products (such as semiconductors) were either impossible or difficult to procure in previous years.

There is an increasing focus on risks in the supply chain arising from a lack of transparency or non-compliance, for example with the protected legal positions anchored in the German Supply Chain Act (Law on Entrepreneurial Duties of Care to Avoid Human Rights Breaches in Supply Chains). INDUS has performed a risk analysis of its own operations and direct suppliers, and assessed the risk situation. Risk identification and assessment of measures, e.g. in the Code of Conduct for suppliers, self-assessments, existing certifications, training or supplier audits, are refined in the framework of a continual improvement process.

Performance risks may also result from climate change. For the Group's portfolio companies with activities in conformity with EU taxonomy, a climate risk and vulnerability assessment has been carried out at location level. The assessment found that the locations are only affected by very few climate risks and that, in the case of their materialization, they should be assessed as not at risk in terms of the performance of their business activities. In addition, adjustment measures have been identified that attenuate the effects of the risks.

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 in terms of their effects 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 by means of targeted basic and advanced training measures and appropriate remuneration. Employees appreciate this positive 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 the risks in respect of recruitment and human resources development are highly diverse. Qualified employees are a vital factor in the success of every portfolio company. Given the demographic development and the continued good employment situation, the risk of a shortage of experts continues to be at a high level 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.

For the Group's companies, the possible failure of information technology represents a significant operational and financial risk. 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. There is an increasing tendency towards cyber attacks. The companies in the Group employ a range of instruments to control risk, depending on their individual risk exposure. These range from emergency and data backup processes, the use of advanced anti-virus and firewall software and hardware, physical and digital access controls and other preventive protective measures such as raising employee awareness through their Group-wide training by means of e-learning programs on the subjects of IT security and data protection. Measures to prevent, discover, and deal with cyber attacks continue to be highly relevant. Risks are partly reinsured by means of cyber insurance. As a material further measure, an external service provider regularly performs pen tests and needs-related tests at the Group companies to enable the protective measures implemented in the companies to be assessed from an independent perspective.

Financial Risks

Financial risks primarily consist of liquidity risk, interest rate risk, foreign currency risk, and default risk. Individual portfolio companies fundamentally finance themselves via their own operating income. 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 to allow 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 collateralizations exist only in isolated cases and to a non-material extent at subsidiary level – primarily through the acquisition of liabilities previously backed by the previous owner, in the framework of an acquisition. There are no financial covenants at Group level. The agreed equity ratio of INDUS Holding AG of 40% does not represent an economic risk from today's perspective. 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 totaled EUR 93.4 million as of December 31, 2023 (previous year: EUR 113.2 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 in a need- and risk-oriented manner by hedging transactions through forward exchange contracts. The nominal volume of exchange rate hedges totaled EUR 6.6 million as of December 31, 2023 (previous year: EUR 0.0 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 exist primarily in the areas of competition, antitrust, foreign trade, customs, and tax law. Risks also arise from the individual portfolio companies' operating activities in respect of 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 corruption and money-laundering, foreign trade law and customs law. The companies are included in a control cycle for monitoring, that is executed with support from specialist lawyers. As flanking measures to raise awareness, these risk areas are supported by training given by specialist lawyers as well as by the implemented e-learning program.

Legal risks can arise from claims and suits against INDUS and/or portfolio companies (in particular concerning warranties and product liability) as well as official procedures. Claims asserted by third parties are carefully and independently examined on their merits by INDUS or the relevant 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

Other risks essentially includes risks of force majeure, i.e. in particular for elemental damage or a pandemic. The net risk of these exposures is low either because these losses are usually adequately insured (elemental damage) or, because of the previous COVID situation, sufficient preparation for a similar situation is guaranteed.

Sustainability Risks

In the non-financial report, INDUS reports on risks linked to the Group's operating activities, business relationships, products and services that could 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 395.8 million in goodwill (previous year: EUR 403.7 million). According to IAS 36, this must be subjected to an impairment test at least once a year. In addition, the impairment test is performed for indicators of possible impairment that occur during the year (triggering events). If the recoverable amount is less than the carrying amount then goodwill is subject to impairment. During the reporting year, impairment losses were recorded on goodwill in the amount of EUR 12.8 million (previous year: EUR 39.4 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 (previous year: 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 2023 financial year, INDUS utilized opportunities through the acquisition of a sub-subsidiary and therefore continued a key focus of its long-term strategy: Growth through acquisitions. The Board of Management continues to see good growth opportunities for 2024 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' opportunities amongst their competition. Structural change to industry in respect of climate protection and climate-neutral technologies will open up new market opportunities for the companies. The sharpened **PARKOUR perform** strategy will contribute to this.

On the risk side, high levels of macroeconomic and political uncertainty persist. The development in Europe is particularly characterized by the Russia-Ukraine war and the conflict in the Middle East. The consequences and scope of the wars, in particular in the event of further escalation, are difficult to assess. To date, the INDUS Group has not been directly affected to a significant extent by sanctions and embargoes. High energy costs, high inflation, and the effect of monetary policy countermeasures in terms of interest increases and tightening of money supply have resulted in a recession with corresponding economic risks. With the sale of SELZER and SCHÄFER, a series supplier and a niche provider from the automotive technology sector, the risks of the portfolio due to volatile development and automotive industry risks have been significantly reduced.

The Group's overall risk exposure is the aggregate total of individual risks across all risk categories. To some extent, the diversified and broad-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 1.85 to 1.95 billion and an operating income (EBIT) of EUR 145 to 165 million for 2024. The EBIT margin is expected to be within a range of 7.5 to 8.5%. A further reduction in greenhouse gas emission intensity is planned for 2024.

Forecast Economic Outlook

A slight recovery is expected in Germany in 2024. However, and particularly after the weak fourth quarter of 2023, uncertainties may continue in the first few months of 2024. The International Monetary Fund expects the German economy to grow by 0.5% in 2024. An increase of 0.9% was still being assumed in October 2023. The ifo institute had also dropped its forecast from 1.4% to 0.9% in December and, given the decision by the Federal Constitutional Court and the resulting budgetary deficit, reduced it again in January to 0.7% growth. The ifo Business Climate Index had fallen again at the start of 2024. However, companies from the processing sector assessed both their current position and the outlook to be somewhat better, while services, retail, and the main construction sector expectations dropped markedly. The inflation rate weakened in Germany in January 2024, most recently to 2.9% compared with the same month in the previous year. However, it is to be expected that price pressure in the euro area will only achieve the target of 2% in around two years. This means that, despite the weak economic situation, steps to lower interest rates are only likely in the second half of 2024. At its meeting in January 2024, the European Central Bank left the base rate at 4.5% for the third time in a row.

The International Monetary Fund most recently corrected the expectations for the development of the global economy slightly upward – especially given the more resilient US economy and supportive fiscal policy in China. However, the growth forecast of 3.1% remains below the historic average of 3.8%. The war in the Middle East adds another risk for the global economic situation, in particular given that the energy supply could be interrupted if the conflict spreads.

ECONOMIC GROWTH (in %)

	2023 (Forecast)	2024 (Forecast)	2025 (Forecast)
Economic regions			
Global economy	3.1	3.1	3.2
Euro area	0.5	0.9	1.7
Selected countries			
United States	2.5	2.1	1.7
China	5.2	4.6	4.1
Germany	-0.3	0.5	1.6

Source: International Monetary Fund, World Economic Outlook (as of: January 2024)

Engineering: A Challenging Financial Year

The framework conditions for German machine-building remained difficult in 2024. The ifo Business Climate Index slipped to a new low at the beginning of the 2024 year, after a slight upward trend in fall 2023. At 85.4%, capacity utilization was below the long-standing average. Given the restraint in terms of investments, continued weakening demand at international level, and the decreasing order buffer, the trade association Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA) expects a decrease in real production of -4% in 2024. Though at 10.3 months the order range in November 2023 was still high, after a weak year-end the incoming orders for 2023 were in total 12% lower than the previous year. According to a snap poll by the VDMA in November 2023, for two thirds of companies the current order backlog cannot or can only to a minor extent sustain production and capacity utilization in 2024. A ray of hope: In terms of orders from outside Germany, there are initial signs of a bottoming-out. With respect to sales, the VDMA forecasts a real-terms minus of 2% for 2024. Based on the association's survey results, what is most needed to strengthen Germany as a location is improvement in the administrative burden, availability of workers, and energy prices. Machine builders see opportunities in particular in the area of automation and digitalization.

Infrastructure: Weakness in Homebuilding in Particular

The outlook in the construction sector remains markedly cautious: Starting from an estimated minus of -5.5% for 2023, the Hauptverband der Deutschen Bauindustrie (HDI) association forecasts a slightly weakened decline in real-terms sales of -3.5% in 2024. Homebuilding continues to falter in particular, with a downturn of 12% expected here. For construction investment, the economic research institutions expect repeat falls of -0.6% to -2.5% in 2024 – and a turnaround in 2025. The data from the start of the year confirm this pessimistic basic mood: The ifo Business Climate Index continued its descent in January. The range of order backlog reduced to 3.6 months in January, and was therefore 0.8 months below the same month in the previous year. The construction industry association forecasts a slight relaxation for construction prices: In the current year, it anticipates a reduction of 1% in light of dropping material prices.

Materials: Downward Trend Not Broken Yet

After a brief recovery in fall 2023, the ifo Business Climate Index for companies from the areas of material production and processing as well as manufacturing of metal products has markedly dimmed since year-end 2023. The order backlog is melting – capacity utilization in both subsections was under 80% in January 2024. According to the steel and metal processing trade association, production declined by 5.4% compared to the previous quarter in the fourth quarter of 2023 alone. However, the downward trend flattened out in December 2023. Given the low level of incoming orders, the Gesamtmetall employer association also anticipates declining development in 2024. At the same time, the trade association sees the first signs of a bottoming-out by reference to the slightly stabilizing production and export plans. Prices, which have been dropping since May 2022, imply further relaxation on the cost side: Producer prices for metals were 9.4% below the previous year in December 2023.

The economic situation for companies from the area of medical disposables and aids remains subdued in 2024. An indication: According to the ifo economic review from January 2024, approximately 40% of wholesalers of pharmaceutical, medical, and orthopedic products assess the business development opportunities with pessimism. However, a continuation of growth in the med-tech market is nominally anticipated: The LBBW forecasts for 2024 that, based above all on price increases, there will be a nominal plus in sales of 5%. The effects of the planned hospital reform cannot yet be sufficiently assessed here. The growth forecast for global medical technology up to 2027 is around 5% annually.

Expected Group Performance

Strategy Update: PARKOUR perform

Since the start of the **PARKOUR perform** strategy update in the 2023 financial year, key milestones have been achieved in the meantime. Alongside the sales of SELZER and SCHÄFER, these most significantly included the introduction of segment management as well as the amended management system with free cash flow as an additional key control variable.

For 2024, planning was implemented with a changed budgeting process for the first time, with a stronger top-down approach in the allocation of resources.

STRENGTHENING THE PORTFOLIO STRUCTURE

In the past financial year 2023, INDUS also achieved a complementary addition with QUICK Bauprodukte GmbH. With the sale of SCHÄFER and SELZER, the discontinued operations were completely concluded: The sale of SCHÄFER Group to a company within Callista Portfolio Holding GmbH became economically effective on July 31. The sale of SELZER Group to a portfolio company of MUTARES SE & Co. KGaA became effective on September 1, 2023.

For 2024, inorganic growth is to be significantly strengthened with the acquisition of new companies. This relates both to the portfolio level and possibly complementary additions for the portfolio companies.

In the case of corresponding development in the 2024 financial year and appropriate targets, two acquisitions at portfolio company level and additional complementary additions are intended. Resources of EUR 70 million have been budgeted for this purpose.

DRIVING INNOVATION

The "Driving Innovation" strategic initiative is essential to the consistent implementation of the INDUS buy, hold & develop investment approach. The core task of innovation management is to increase portfolio companies' innovation capability and activity, with the goal of generating marketable or process-improving, future-securing innovations.

In 2023, the INDUS innovation development bank supported 15 innovation projects. For 2024 there are currently six projects in the preparatory phase at the portfolio companies. The collective project **INDUS AI Sprint**, which was started in 2023, supports smaller-scale flagship and exploration projects from the areas of artificial intelligence and data science, and will also be continued in 2024.

Overall, the project volume for the innovation development bank grew in 2023 and a further increase is expected for 2024.

The **workgroups** are well-established as an instrument. The Hydrogen Workgroup has continued its work; the subject of hydrogen infrastructure will be more closely examined in 2024. Alongside ideas for business models, the Sustainable Construction Workgroup also engages with future trends in construction. The first joint projects in the portfolio companies are being started. Alongside methodological knowledge on innovation, the focus here is also intended to be on developing new business ideas geared toward sustainability.

The subject of **artificial intelligence** has dynamically increased in importance in 2023. Here, an offering was quickly created to give the portfolio companies a professional initiation in the subject. Foundation workshops in collaboration with the Technical University of Munich and Fraunhofer IAIS as well as a themed day on language processing were offered for the portfolio companies in the second half of the year. As a support program for small flagship and exploration projects, INDUS AI Sprint, mentioned in the previous section, supports further steps in implementation and the collection of initial experience with tools and methods. The subject of AI will also be intensively addressed in 2024 with basic and advanced training as well as networking offerings.

IMPROVING PERFORMANCE

INDUS will concentrate on improving performance at the portfolio companies by encouraging their **market excellence** and **operational excellence**. Both focal points offer the portfolio companies support that can be allocated to 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

In terms of the **market excellence** focal point, the offerings directly target the optimization of the portfolio companies' individual market positioning and servicing, and therefore result in sustainable improvements in income.

In 2023, the department provided active support in smaller sparring deployments and for six major strategic development and implementation projects. Employees from the relevant portfolio companies were always materially included in project implementation. This guaranteed sustainable knowledge transfer, among other outcomes.

In addition, various seminars were again offered in order to convey practically relevant knowledge on selected specialist topics. In addition to two already established seminars on the subjects of "sales abroad" and "digital selling", the subject of "market and customer segmentation" was also offered for the first time. In the 2024 financial year, the seminar offering will again be supplemented with current and need-based content. In addition to face-to-face seminars, the use of virtual keynote presentations on selection topics is planned.

OPERATIONAL EXCELLENCE

With the **operational excellence** focus area, 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 support includes the offering of knowledge transfer by means of an extensive basic and advanced training offering focused on lean management. INDUS also initiates and assists the portfolio companies on-site with corresponding optimization projects. By way of supplement to this, a program for recording and optimizing IT system landscapes was continued. Based on this, significant need for action in the area of digitalization and software has already been identified.

For 2024, the need for action will be approached in the framework of projects with the portfolio companies and networking. For the 2024 financial year, the status checks will be updated on a rolling basis and the portfolio companies will be further supported in their continual improvement process. For 2024, INDUS plans to continue its lean management training offerings. In addition, the "Lean-Erfa" and "Best Practice Day – Digitalization in Product" networking offerings will be offered. Moreover, a collective area of expertise on the subject of ERP projects will be introduced.

The operational excellence department plays a key role in the delivery of external expertise. This takes place through the maintenance of networks within and outside the INDUS holding company, participation in trade fairs and events, and the assessment of potential new collaborative partners.

STRIVING FOR SUSTAINABILITY

In the area of sustainability, work in 2023 was shaped by constantly increasing reporting requirements. In the 2022 Annual Report, reporting on EU taxonomy-compliant economic activities was required for the first time, and this demanded comprehensive documentation with respect to technical criteria as well as minimum standards (including in the supply chain). In 2023, the EU taxonomy environmental objectives that had to be taken into account were expanded from two to six objectives: "Climate change mitigation" and "climate change adaptation" had already been assessed and quantified for the 2022 financial year, while the subjects of "sustainable use and protection of water and marine resources", "transition to a circular economy" and "pollution prevention and control" as well as "protection and restoration of biodiversity and ecosystems" were reported on and reviewed for the first time for 2023.

From 2025 (2024 Annual Report), the reporting of INDUS Holding AG will be subject to the new directive for sustainability reporting, the Corporate Sustainability Reporting Directive (CSRD). The CSRD would like to achieve greater standardization and quantification of report contents and therefore measurability and comparability of disclosures with the specified indicators. In addition to key

figures on emissions, there is a focus on social topics. Here, a marked expansion of data queries for the portfolio companies is vital.

One particular prioritized objective continues to be the constant and sustainable reduction of greenhouse gas emissions. The previous metric for this was the emissions intensity, that sets out the CO_2equivalent emissions proportionally to the gross value added.

The CSRD standardizes absolute and intensity objectives for the emissions, divided by scope 1, 2, and 3. The CSRD specifies sales as the ratio. We will adjust our key figures accordingly and switch from GVA to sales in the denominator.

The necessity of decarbonization and protection of resources requires significant investment, whereby the investment for these sustainability projects exceeds the usual amortization duration for investments projects, in some cases by a wide margin. The portfolio companies realize these projects with the aid of the sustainability development bank: It supports the portfolio companies' sustainability-related efforts with an investment subsidy of up to 80%. In 2023, the Board of Management approved and launched five projects with an investment volume of EUR 1.7 million and an average support rate of 53%. In addition to photovoltaic plants for regenerative power production, support was provided for heated spiral conveyors that use waste heat and therefore save significant quantities of gas, and a system for increasing energy efficiency.

With respect to sustainability ratings there is a continued trend for rating agencies to base their assessments on publicly assessable information. Due to the lack of standardization in the ratings and sometimes non-transparent approach by the agencies, as well as imprecise processing of data by the agencies, these assessments are somewhat prone to error. An analysis is currently being performed as to how the assessments of INDUS by various agencies can be improved (in particular Sustainalytics, MSCI ESG and S&P Global). With the ISS ESG rating, INDUS achieved a top position for the eighth time in a row, including in the international comparison group "Financials / Multi-Sector Holdings". INDUS received a C+ rating in the "Corporate ESG Performance" area and therefore also "prime" status, which was and is the requirement for ESG-linked (re-)financing. For the three implemented ESG-linked loans, there is a direct link between the interest amount and this rating.

In addition to legal requirements and more detailed reporting obligations, the further development of the subject of ESG within the Group continues to be a key focus, i.e. the constant improvement of all key ESG figures. The sharing of best practice between the portfolio companies continues to be invested in, so that companies that have already implemented many sustainable projects can learn from one another, and other companies that have not yet engaged in detail with the subject are inspired to do so. In the meantime, there are named points of contact for sustainability management in all portfolio companies; this also takes corresponding account of the topic in the entire Group in organizational terms. Interest in ESG topics has also grown significantly on the investor side. INDUS is meeting this interest through participation in various event formats (e.g. sustainability roadshows or the cooperative bank investment forum), at which we present our sustainability strategy.

Expectations for the Financial Year 2024

The following forecast report is based on the business plan adopted by the Management Board and Supervisory Board. The statements on the forecast development of the economy are currently cautious and continue to be shaped by major uncertainties. The conflict in the Middle East adds a new risk for the global economic situation, in particular given that the energy supply could be restricted if the conflict spreads. In addition, there is the risk of increased geopolitical and therefore economic fragmentation. The scope and extent of the effects of the indirect consequences of these risks on INDUS Group are currently neither foreseeable nor quantifiable.

For the coming year, the companies in the **Engineering** segment expect sideways movement for sales and operating income (EBIT), with slightly increasing sales and falling operating income (EBIT). The companies in the **Infrastructure** segment are planning for a slight increase in sales and a significant increase in EBIT; after the economic slow-down in 2023, a rally in business is expected for 2024. In the **Materials** segment, INDUS expects increasing pressure on selling prices and the collection of an EU anti-dumping duty on imports of important raw materials. In the forecast for 2024, this results in a slight reduction in sales and falling operating income (EBIT).

Overall, the forecasts for 2024 predict that sales will rise to between EUR 1.85 billion and EUR 1.95 billion. Operating income (EBIT) is expected to be in a range of EUR 145 million to EUR 165 million. The EBIT margin is expected to be between 7.5% and 8.5%. These forecasts have been created against the background of the uncertain framework conditions described above. 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 75 million to EUR 85 million (excluding acquisitions). The investments are distributed relatively evenly across the three segments. The plan budgets an amount of EUR 70 million for acquisitions of companies for 2024.

The INDUS Group equity ratio of 37.3% was below the target of 40% in 2023. A figure of around 39% is forecast for year-end 2024. 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 2024. 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 a slight decrease in net financial liabilities. The repayment term for continuing operations on an EBITDA basis was 2.0 years for 2023. For 2024, we assume a repayment term of around 2.3 years. It is important that in the long term we remain in the target range of 2.0 to 2.5 years.

FINANCIAL POSITION: INCREASING SALES AND EBIT IN THE AMOUNT OF EUR 145 TO 165 MILLION PLANNED

TARGET PERFORMANCE COMPARISON

GROUP	ACTUAL 2023	PLAN 2024
Key performance variables		
Acquisitions	1 add-on acquisition	2 growth acquisitions further add-on acquisitions
Sales	EUR 1.80 billion	EUR 1.85 billion to 1.95 billion
EBIT	EUR 149.6 million	EUR 145 to 165 million
EBIT margin	8.3%	7.5 to 8.5%
Free cash flow	EUR 198.9 million	> EUR 110 million
Investments in property, plant, and equipment, and intangible assets	EUR 61.9 million	EUR 75 to 85 million
Greenhouse emissions (GHG emissions Scope 1+2)*	20.9 t CO_2 / EUR million in sales	reduction by at least 6%
Supplementary management variables		
Equity ratio	37.3%	higher than previous year, around 39%
Net debt/EBITDA	2.0 years	around 2.3 years
Working capital	EUR 466.9 million	slightly increasing
SEGMENTS		
Engineering		
Sales	EUR 599.6 million	slightly increasing
EBIT	EUR 57.0 million	decreasing
EBIT margin	9.5%	8 to 10%
Infrastructure		
Sales	EUR 582.2 million	slightly increasing
EBIT	EUR 49.3 million	strongly increasing
EBIT margin	8.5%	10 to 12%
Materials		
Sales	EUR 619.9 million	slightly decreasing
EBIT	EUR 57.3 million	decreasing
EBIT margin	9.2%	7 to 9%

* Net emissions intensity related to Group sales

The companies in the **Engineering** segment have recorded good performance in 2023. Sales were at almost EUR 600 million. The operating income (EBIT) was significantly improved despite the impairments from the annual impairment test. Based on our estimation, the incoming orders for the portfolio companies in the Engineering segment will at best slightly recover overall in the next six to nine months, and the price quality of new orders will remain at the current level. On the basis of these assumptions, the plan foresees a slight increase in sales for the segment in 2024 after adjustment in prices. For earnings projection for 2024, there are a few encumbering factors on the cost side. The companies in the Engineering segment expect a slight increase in sales and a decreasing EBIT for 2024. The EBIT margin should be in the range of 8% to 10%.

The **Infrastructure** segment was in particular encumbered by increasing economic clouding in the construction industry in 2023. Nevertheless, it largely maintained selling prices. Very much following PARKOUR perform, the complementary addition of QUICK Bauprodukte GmbH in Schwerte at the start of 2023 focused on the resulting medium- and long-term opportunities in engineering and bridge building. Given the economic development, a slight increase in sales is expected in the Infrastructure segment for 2024, though this will effectively be a sideways movement. There will be a marked improvement in operating income (EBIT) for the coming year. The main reason for this is optimization processes at a major portfolio company. Overall, the INDUS Board of Management is expecting slightly increasing sales for the Infrastructure segment, as well as a strongly increasing operating result (EBIT) and an EBIT margin of 10% to 12%.

In the **Materials** segment, 2023 sales were at the level of the previous year, while operating income (EBIT) slightly reduced. Segment sales will reduce by around 1.3% in 2024. The anti-dumping duty previously expected for 2023 is

now set to arrive in 2024, and will put a significant strain on the operating income (EBIT). A further reduction in the operating income is primarily caused by expected price reductions for some of the segment's portfolio companies, as well as the discontinuation of significant positive one-off effects. We expect a positive trend for medical disposables and aids. However, overall this trend cannot make up for the negative effects from the metal processing companies. Overall, in the Materials segment we expect slightly decreasing sales and decreasing EBIT with an EBIT margin in the range of 7% to 9%.

Post-balance-sheet Events

At the end of January 2024, the Board of Management of INDUS Holding AG resolved to cease and phase out the operation of imeco GmbH & Co. KG Goldbach. Around 120 employees are affected by this measure. No material effects on the financial position and financial performance are expected from the ceasing of operational business.

On February 21, 2024 INDUS Holding AG submitted a public share buyback offer for up to 1,100,000.00 registered no-par-value shares to its shareholders at a price of EUR 23.00 per share. The volume of the buyback offer was accordingly up to EUR 25,300,000.00. The buyback offer applied from February 22, 2024 to March 1, 2024. As a result of the offer, 1,100,000 shares were acquired by INDUS Holding AG with a value of EUR 25,300,000.00. The bought-back shares do not qualify for dividends.

As of March 11, 2024 Hauff-Technik GmbH & Co. KG, Hermaringen has taken on the remaining 50% in Hauff-Technik Gridcom GmbH (Gridcom). Gridcom is a specialist in the development and production of passive components for glass-fiber infrastructure. Hauff-Technik acquired the first 50% of Gridcom in October 2016.