

Letter to the Shareholders

Dear shareholders, dear readers,

looking back, 2023 demonstrated the strength of our portfolio in a challenging market. Our portfolio companies did well. As well as income which has outperformed our last outlook, the high level of free cash flow is particularly notable.

With almost EUR 200 million in free cash flow, we have generated additional leeway to further expand our portfolio in 2024 – by means of growth acquisitions at the first level and also with complementary additions for our portfolio companies. In 2023 we added QUICK Bauprodukte to strengthen our Infrastructure segment. For 2024 we are expecting to undertake further promising acquisitions with a strong future focus. There is a healthy supply in our M&A pipeline.

Let us briefly look at the details of our sales and income development: The Engineering and Materials segments did especially well. The companies in the Engineering segment slightly raised their year-on-year sales in 2023 and significantly increased their operating income (EBIT). Sales fell slightly in the Materials segment; however, EBIT increased a great deal. The Infrastructure segment was impacted by the slowdown in the construction industry, with both sales and EBIT coming in slightly lower than the previous year. After a few booming years in this area, demand has flattened out – in homebuilding in particular. Considering these difficult framework conditions, we can be very satisfied with the performance of the companies.

The INDUS Group maintained sales at the previous year's level in an overall adverse economic environment. Impairments were significantly below the previous year. The EBIT increased to almost EUR 150 million. This puts the EBIT margin at 8.3%, and as such slightly above our target of 7 – 8%.

We announced our **PARKOUR perform** strategy update at the start of 2023, and in the months following we successfully drove forward the implementation of this future-oriented program. This led us to terminate business in the previous automotive technology segment as planned: Back in summer 2023 we sold the last two companies that were being managed under discontinued operations. Following deconsolidation of these companies in the third quarter of 2023, there are no further encumbrances from discontinued operations. INDUS is therefore now focused exclusively on highly specialized industrial technology.

As part of **PARKOUR perform**, we have started using free cash flow as an additional management key performance indicator; at EUR 199 million at year-end 2023,

it was significantly above the minimum value of EUR 100 million. This is also because our portfolio companies significantly reduced the working capital at year-end compared with the previous year, as a result of our active working capital management. The resulting high level of free cash flow also reduced net debt. The outcome is that we have an EBITDA/net debt key figure of 2.0. This is below our defined upper limit of 2.5, and secures the investment grade for us on the financing side.

“Striving for Sustainability” is a central component of our business strategy, so we are delighted about the reported development of our corporate group's sustainability performance: In 2023, we successfully reduced emissions intensity, i.e. CO₂ emissions from Scope 1 and Scope 2 related to the gross value-added by 36%.

As shareholders, we want you to appropriately participate in the Group's positive 2023 development. We therefore propose to the Annual Shareholders' Meeting a dividend payment of EUR 1.20 per share. This is 40 cents more than in the previous year and corresponds to a dividend yield of 5.4% related to the 2023 year-end price. Taking into account the share buyback program successfully completed in mid-March 2024, shareholders will receive over EUR 56 million in 2024.

At this point you may be asking if it wouldn't be better to invest those funds in purchasing companies. To that we respond that we are well able to do both. We had hoped to be able to announce a larger-scale acquisition to you at year-end, however, we ultimately decided against implementation because it was not possible to meet all of our criteria.

There are still major challenges ahead in 2024, and we foresee very little momentum from the macroeconomic environment. Even though inflation is coming down, costs are expected to continue rising. Nonetheless, we expect stable development for the INDUS Group. Our view is confirmed by the development of our portfolio companies at the start of 2024 – this was made possible by our companies working consistently on their efficiency, with the support of the holding company. We are well-positioned in this respect in light of our strategic initiatives to increase operational excellence and market excellence. What's more, our new segment management means we can steer these measures



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

even more successfully. We are particularly attentive to the further internationalization of our businesses. Our portfolio companies are working on establishing additional locations outside Germany – with a particular focus on North America. We also have an eye to the acquisition of sub-subsidiaries abroad. It is clear that technical progress and the innovativeness of our SME portfolio companies are of central importance, particularly in the context of a fast-moving market. The rapid development of AI methods, in particular, offers various opportunities here. We are addressing these with our “Driving Innovation” strategic initiative.

So you can see: We take action with the qualities of an SME, in the best possible sense. Because it does us no good to simply bemoan the current framework conditions and concentrate on complaining about how things are – that certainly will not move us forward. For us and for all of our portfolio companies, the priority is to rapidly find good solutions. Our Annual Report illustrates that we are doing this successfully.

We have adjusted our internal structures and eliminated losses. We are expanding business in growth industries, improving our profitability and doing business sustainably. And with strong free cash flow we have generated what we need to acquire additional attractive hidden champions, invest in the existing portfolio, and pay you an increased dividend as well.

By investing in the INDUS share, you are participating in a successful German SME sector. This business model continues to have excellent prospects into the future. We stand by our commitment: We are shaping the future with SMEs.

Thank you very much for your confidence in us.

Yours sincerely,


Dr. Johannes Schmidt


Rudolf Weichert


Gudrun Degenhart


Dr. Jörn Großmann


Axel Meyer

Bergisch Gladbach, March 2024