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Combined Management Report

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Introduction to the Group

INDUS is a listed holding company with a managed portfolio of 46 SMEs based in German-speaking countries as of the reporting date. As a specialist in the field of sustainable investment in and development of companies, INDUS acquires majority stakes in predominantly owner-managed companies and assists them in their entrepreneurial development on a long-term basis. INDUS ensures that the portfolio companies retain their SME status. We intend to further expand the portfolio in the years to come through targeted acquisitions of new hidden champions in defined growth industries.

The Company

Positioning and Business Model

VALUE- AND GROWTH-ORIENTED SME HOLDING COMPANY

INDUS Holding AG (hereinafter: INDUS) is among the leading specialists in the acquisition and long-term development of small- and medium-sized industrial companies in German-speaking countries. The focus of the investments is on owner-managed companies from the manufacturing sector. INDUS preserves the SME status of its portfolio companies and supports them in their long-term entrepreneurial development.

The number of the company's portfolio companies has increased since its founding in 1989. As of the reporting date, its PORTFOLIO COMPRISED 46 COMPANIES (previous year: 47). The purchase agreement for the most recent portfolio company was signed in November 2020. The economic transfer and initial consolidation of this newly acquired portfolio company took place in January 2021. On December 31, 2020, a total of 195 fully consolidated enterprises (previous year: 200) belonged to the INDUS Group.

Further information on portfolio companies can be found in the overview of portfolio companies starting on p. 200 and on our website www.indus.de/en/about-indus/investment

The INDUS Group consists of the holding company INDUS Holding AG with registered office in Bergisch Gladbach, Germany, and the individual portfolio companies. All direct INDUS portfolio companies have their registered offices in Germany (42) or Switzerland (4). The INDUS Group is represented by sub-subsidiaries, branches, and representative offices in 32 countries on five continents.

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

Detailed information on the share can be found on p. 15 et seqq.

Further information on the business model can be found at www.indus.de/en/about-indus/business-model

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. This sets the company apart from the buy-and-sell and turn-around investors in particular, who as a rule limit their financial involvement to brief periods. Among both listed and unlisted German holding companies, INDUS sees itself as one of the leading companies.

Further information on the INDUS Board of Management can be found on p. 8, and at www.indus.de/en/about-indus/board-of-management

The holding company with its registered office in Bergisch Gladbach, Germany, is managed by the BOARD OF MANAGEMENT, which consists of four members. The Board of Management consists of Dr. Johannes Schmidt (Chairman), Dr. Jörn Großmann, Axel Meyer, and Rudolf Weichert. As of the reporting date, the holding company had 34 employees, not including the Board of Management (previous year: 33). The employees are all employed in Bergisch Gladbach, Germany, and report directly to the Board of Management.

Further information can be found at www.indus.de/en/mergers-acquisitions/investment-criteria

THE INDUS BUSINESS MODEL: BUY, HOLD & DEVELOP

INDUS exclusively takes majority shareholdings at the level of its direct subsidiaries. The companies acquired and targeted for possible acquisition are exclusively SMEs from the manufacturing sector in German-speaking countries and have an above-average level of profitability at the date of acquisition. They should typically generate annual sales figures amounting to between EUR 20 million and EUR 100 million and a sustained return on sales (EBIT margin) of **10% or more**. The target companies operate in attractive domestic and international niche markets with growth potential. They should be unencumbered by economic legacy issues and are in an exemplary position in terms of sustainability considerations.

INDUS primarily acquires owner-managed companies and particularly keeps an eye on arrangements for succession in the families managing the companies. Continuity and the company's SME status are secured with the transfer of ownership. Therefore, the former owners ideally remain as co-shareholders and managing directors of the company for a certain period. INDUS avoids the direct acquisition of companies undergoing restructuring. Also excluded are involvements in subsidized industries and investments in the war technology and armaments sectors.

INDUS continuously acquires new companies. The continuous expansion of the portfolio aims to improve the development prospects of the entire Group to ensure by means of acquisitions that the portfolio reflects an up-to-date cross-section of industries with promising futures over time. The Group's companies operate in diverse business and technological fields, selling markets, and business cycles – the Group is broadly diversified. With their respective core capabilities, the companies as a rule occupy niches of the market of great interest for their sectors, in which they assume a leading position. Ideally, INDUS portfolio companies fulfill all of the criteria of a "hidden champion."

As a majority shareholder and financial holding company, INDUS supports its portfolio companies as an "advisor" and as a "development bank." The Board of Management continuously provides advice to the managing directors in the portfolio companies through strategic sparring. In the portfolio companies, the holding company's experts share methodological knowledge, train employees, and support strategic projects. The support focuses on innovation projects and projects to increase operational excellence. The holding company's employees encourage the transfer of knowledge by networking within the Group as well as with external partners. INDUS provides capital to its portfolio companies for investments in fixed assets and for development plans, internationalization, and acquisitions of companies at sub-subsidiary level. In addition, INDUS provides capital for innovation projects through its development bank.

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

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

EXTERNAL INFLUENCING FACTORS

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

Further information on the general economic conditions can be found on p. 66 et seqq.

The most significant external factor since the beginning of 2020 has been the **coronavirus pandemic**. The consequences of the global spread of the coronavirus and the resulting containment measures are having a massive impact on the global economy. Numerous restrictions have adversely affected the provision of services. INDUS and its portfolio companies were required to protect employees from infections and, despite all the restrictions, continue to meet customers' expectations and needs. The companies constantly found new, practical solutions to this with creativity and flexibility. Overall, the INDUS Group's companies quickly adapted to the new challenges of the coronavirus crisis and proved their resilience and SME agility.

Under the difficult circumstances of the past year, the INDUS portfolio's broad diversification was reconfirmed as an important pillar for stability. Economic risks are spread across the Group owing to its diversified positioning, thereby balancing out the portfolio. Compared with non-diversified holding companies, this gives INDUS a competitive advantage in the long term and also in the event of new exogenous shocks in individual sectors.

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

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

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

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

Portfolio

Further information can be found at www.indus.de/en/about-indus/investment

46 COMPANIES IN FIVE SEGMENTS

The portfolio consisted of 46 portfolio companies on the reporting date. These are assigned to five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology. In the 2020 financial year, these company areas were the reportable segments per IFRS, with no change from the previous year.

BASIC DATA FOR THE SEGMENTS (in EUR million)

	Construction/Infrastructure	Automotive Technology	Engineering	Medical Engineering/Life Science	Metals Technology
Sales	384.0	269.2	370.0	142.1	393.6
Operating result (EBIT)	64.5	-87.8	31.4	10.2	14.4
Companies	11	8	12	5	10
Employees	1,898	3,202	2,243	1,646	1,616

PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

Approximately three quarters of the portfolio companies have belonged to the INDUS Group for more than ten years. Seven portfolio companies have been in the INDUS portfolio for between five and ten years, and five of the 46 portfolio companies have been acquired in the past five years.

PORTFOLIO STRUCTURE BY SALES

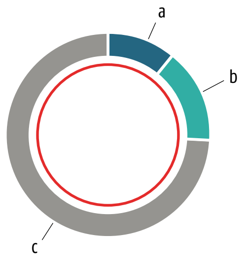
The portfolio companies' annual sales figures range from just under EUR 10 million to more than EUR 100 million. Roughly 46% of the portfolio companies generate annual sales figures of at least EUR 25 million. Slightly more than one in five generate annual sales figures below EUR 15 million.

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

a
1 to 5 years – **11 / 5**

b
5 to 10 years – **15 / 7**

c
More than 10 years – **74 / 34**

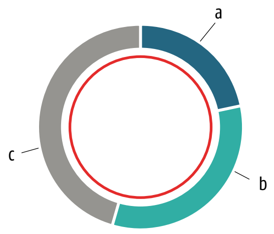


PORTFOLIO STRUCTURE BY SALES (in %)

a
Up to EUR 15 million – **22**

b
EUR 15 million to EUR 25 million – **32**

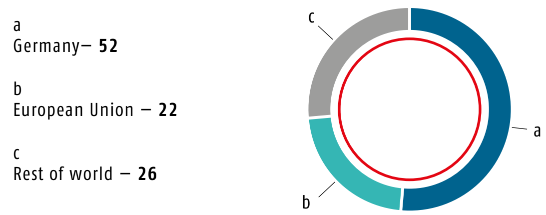
c
Over EUR 25 million – **46**



SELLING MARKETS ON FIVE CONTINENTS

In regional terms, all of the portfolio companies are concentrated in sales territories with a politically and economically stable background. The portfolio companies' largest market for unit sales and thus revenue is Germany at 52%. The companies generate another 22% of their revenue in other EU countries. A further 26% is generated outside the EU. In the 2020 financial year, this distribution was unchanged from the previous year. The INDUS strategy also calls for an increase in the international share of sales in the years to come.

SALES BY REGION (in %)



PORTFOLIO CHANGES IN 2020

INDUS made one acquisition at portfolio company level during the financial year. The economic transfer of this portfolio company did not take place until January 2021. In line with its tiered transaction model, INDUS acquired remaining shares in four directly held portfolio companies. As part of the INTERIM SPRINT package of measures to optimize the portfolio, one company was acquired at portfolio company level, one company was acquired at sub-subsidiary level and one division of a subsidiary was sold. In addition, the decision was made to close a portfolio company, and this closure was initiated. In addition, the closure of a division of a portfolio company was also completed.

GROWTH ACQUISITIONS

In November, INDUS acquired all the shares in JST Jungmann Systemtechnik GmbH & Co. KG in Buxtehude, Germany. JST is an SME that provides integrated control room solutions and extensive know-how in the conceptual design, construction, and maintenance of control rooms. Its traditional areas of activity are production control centers for industry, control rooms for energy and water management, IT control rooms for data centers, and safety and traffic control centers – all applications that have to satisfy the highest safety standards. The acquisition of JST is an addition to the INDUS portfolio in the defined growth industries of measuring technology, automation, and control engineering. The economic transfer and the initial consolidation of JST took place in January 2021.

Further information can be found at www.jungmann.de/en

ACQUISITION OF REMAINING SHARES

INDUS acquired the shares of an existing shareholder and former managing director of M+P International Mess- und Rechnertechnik GmbH, Hanover, as planned in January 2020. By acquiring shares amounting to 14.5%, INDUS was able to increase the amount of shares it holds in M+P to 91.06%. M+P supplies measurement and test systems for vibration testing and has been part of the INDUS Group since January 2017.

In April 2020 and again in September 2020, INDUS acquired 10% of the shares in PEISELER Holding GmbH, Remscheid, from the existing shareholders and previous managing directors as planned. The acquisition of the stake increases INDUS' interest in PEISELER to 100%.

PEISELER manufactures high-precision indexing devices and rotary tilt tables for machine tools and has been part of the INDUS portfolio since May 2017.

In April 2020, all remaining shares in MBN Maschinenbaubetriebe Neugersdorf GmbH, Neugersdorf, were acquired from the existing shareholders. Following the scheduled acquisition of the remaining 25% of the shares, INDUS now holds 100% of the shares in MBN. The MBN Group develops and manufactures automated systems and machinery for final vehicle assembly and has been part of the INDUS Group since November 2014.

In June 2020, INDUS acquired the remaining 15% of the shares in SELZER Fertigungstechnik GmbH & Co. KG. Driedorf, from the existing shareholders. The acquisition means that INDUS now holds 100% of the shares in SELZER Fertigungstechnik GmbH & Co. KG. SELZER has been part of the INDUS Group since 2005 and manufactures ready-to-install metal components and assemblies for automotive transmissions, brakes, and engines.

SALE OF KIEBACK, FICHTHORN AND SIMON KINETICS

KIEBACK GmbH & Co. KG, Osnabrück, formerly part of the Automotive Technology segment was sold on July 24, 2020. The deconsolidation took place on July 31, 2020. KIEBACK had been part of INDUS since 1998 and specializes in prototype parts and small series for the automotive industry.

One positive development in the Automotive Technology segment was that we were also able to avert the agreed closure of the sub-subsidiary FICHTHORN GmbH & Co. KG, a subsidiary of SELZER Holding GmbH. Instead, the company was sold to a strategic investor that wants to maintain the site and keep a significant share of the existing jobs. The sale was completed with effect from October 16, 2020.

Back in February 2020, SIMON was able to sell the SIMON Kinetics division to the British Titus Group. The SIMON Kinetics division manufactures furniture fittings and damping systems.

CLOSURE OF BACHER AND THE PLASTICS PLATING BUSINESS

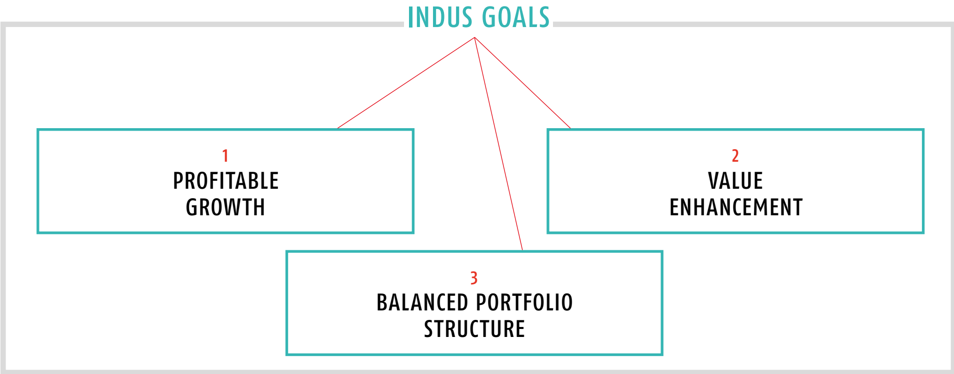
For BACHER AG from the Metals Technology segment, following the conclusion of the consultation procedure that is required by law in Switzerland, the decision was made to discontinue operations in 2021, and this is currently being implemented.

Furthermore, operating activities in the plastics plating division of SIMON, which is part of the Metals Technology segment, were also discontinued in 2020. Continuing operations would have become unprofitable due to the considerable investment required as a result of the imminent EU-wide ban on chromium(VI) oxide.

Targets and Strategy

Goals

INDUS GOALS



PROFITABLE GROWTH

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

VALUE ENHANCEMENT

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

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

BALANCED PORTFOLIO STRUCTURE

The INDUS Group plans to grow inorganically particularly through acquisitions of companies from the six defined growth industries. Candidates of interest for the portfolio are companies that are active in future-oriented industrial niche markets and occupy leading positions in these markets. INDUS focuses on companies in growth industries to ensure that the investment portfolio will continue to maintain a balanced, and hence stable, structure in the future. For the period until 2025, the aim is to grow from the current 46 portfolio

Please read the article on portfolio development in our 2021 magazine starting on p. 22

companies to 55 to 60 portfolio companies and generate Group sales of significantly more than EUR 2 billion.

The investment portfolio's balanced structure and strong diversification are of particularly key significance when individual companies face structural or economic challenges. The portfolio companies are currently facing the coronavirus crisis and its impact. From the Board of Management's perspective, the INDUS Group's entire portfolio benefits from the agility of SMEs and their resilience.

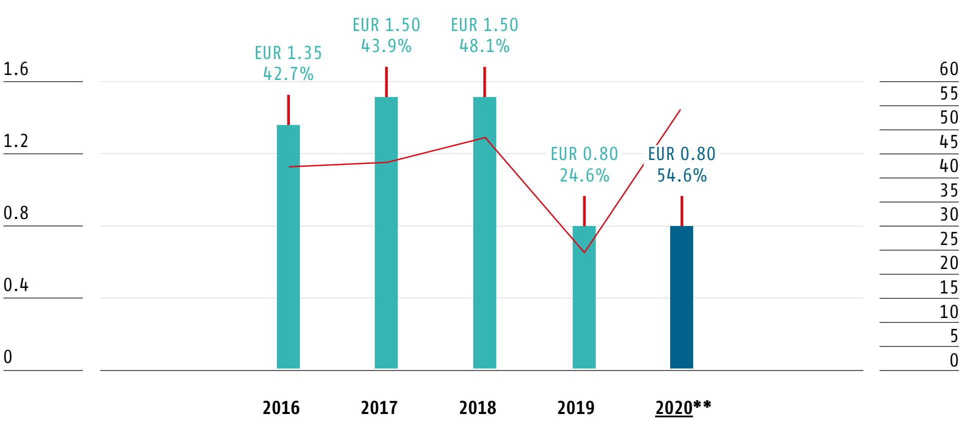
CONSISTENT GROWTH – CONTINUOUS VALUE ENHANCEMENT – CONSTANT DIVIDEND POLICY

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

Further information on the share and the dividend can be found on p. 17 et seq.

The Board of Management of INDUS Holding AG has decided to propose a **DIVIDEND** of EUR 0.80 per share to the Annual General Meeting. This corresponds to approximately 55% of the balance sheet profit of INDUS Holding AG. The proposed dividend takes into account the forecast for 2021, which includes a significant improvement in results of operations compared to the previous year.

DIVIDENDS PER SHARE* WITH PAYOUT RATIO FROM 2016 TO 2020 (in EUR/in %)



* Dividend payment for the respective financial year
** Subject to the approval of the Annual Shareholders' Meeting on May 26, 2021

Strategy

"PARKOUR": TACKLING NEW OBSTACLES SUCCESSFULLY

The PARKOUR strategy program established in 2019 tackles the future challenges for the INDUS Group with sporting ambitions and focuses on development until 2025. INDUS' core task will continue to be the goal-oriented development of a diverse SME portfolio. In light of increasingly complex global conditions, competition growing globally, the challenge of the digital transformation and the structural change in automotive technology, INDUS is giving its portfolio companies more support to ensure their competitiveness. This is more important than ever, particularly in times of crisis such as the current coronavirus pandemic. To get the INDUS portfolio companies fit for the current and future tasks of PARKOUR, INDUS will sharpen its focus on supporting innovation and operational excellence. INDUS will set ambitious targets, encourage cooperation, and share the right methods.

Further information on our PARKOUR strategy program can be found in the status report on p. 19 et seq., and at www.indus.de/en/philosophy/strategy

Assisting the companies in their internationalization measures will also remain a central pillar of the INDUS strategy. The focus is on Asia and North America in particular, in addition to Europe. The further improvement of the portfolio companies' performance in terms of sustainability also continues to be actively supported and encouraged.

The PARKOUR strategy has set out three key strategic initiatives:

1. Strengthening portfolio structure
2. Driving innovation
3. Improving performance

1. STRENGTHENING PORTFOLIO STRUCTURE

INDUS plans to acquire two to three companies as direct subsidiaries each year. The holding company is increasingly setting its sights on larger companies with annual sales figures of between EUR 50 million and EUR 80 million. INDUS has defined six **growth industries** that will be favored in acquisitions of companies to support the forward-looking future development of the portfolio:

THE SIX PREFERRED GROWTH INDUSTRIES FOR COMPANY ACQUISITIONS

1
AUTOMATION AND MEASURING TECHNOLOGY, AND CONTROL ENGINEERING

2
CONSTRUCTION TECHNOLOGY

3
SAFETY TECHNOLOGY

4
MEDICAL ENGINEERING/LIFE SCIENCE

5
TECHNOLOGY FOR INFRASTRUCTURE/LOGISTICS

6
ENERGY AND ENVIRONMENTAL TECHNOLOGY

All six industries have above-average to very good prospects for development according to the relevant expert assessments. The INDUS portfolio is intended to represent a cross-section of the relevant growth industries. The Board of Management is aiming for an appropriate mix of future-oriented companies for the portfolio structure so INDUS can continue to reach its profitability targets.

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

In the 2020 financial year, the **INTERIM SPRINT** package of measures to optimize the portfolio was adopted and implemented by the INDUS Board of Management. Part of this package of measures to implement the goals defined in the PARKOUR strategy programme was the disposal of KIEBACK at the investment level of FICHTHORN at the level of the sub-subsidiaries and the disposal of the SIMON Kinetics business area of SIMON. In addition, it was decided to shut down BACHER and to discontinue the operations of SIMON's Plastics Electroplating business unit. Overall, the INTERIM SPRINT package of measures was a necessary and important interim step to achieve the objectives set with the PARKOUR strategy.

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

In light of the structural upheaval in the automotive industry, which has resulted in high pressure on margins, series suppliers in the Automotive Technology segment will not be able to achieve INDUS' margin targets for the foreseeable future. The environment for suppliers has further deteriorated with the coronavirus crisis. Extensive repositioning projects are currently underway to make series suppliers fit for the demands of future technologies. The Automotive Technology segment is intended to remain an INDUS segment in the future following repositioning. However, in some cases it may be necessary to further examine whether another owner could offer individual companies and their employees better long-term development opportunities.

Read more in the article "Reimagined" in our 2021 magazine starting on p. 8

2. DRIVING INNOVATION

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

INDUS supports selected innovation projects in the Group with financial subsidies. The development funds cover 50 to 80% of the project volume. The holding company has set aside an annual budget up to 3% of consolidated EBIT for this purpose. The aim is to ensure the portfolio companies' future viability and open up new production areas and markets. Despite the coronavirus pandemic, INDUS therefore did not reduce the absolute volume of development funds available in the 2020 financial year compared to the 2019 financial year.

To increase innovativeness, INDUS supports the portfolio companies strategically as a sparring partner and conceptually with methodological knowledge. In addition to developing company-specific innovation strategies, opening up individual innovation search areas and developing company-specific innovation road maps are particularly important. INDUS also creates networks with other Group companies and external institutions in order to obtain ideas from outside, collaborate on innovation projects or jointly open up innovation search areas in the network.

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

3. IMPROVING PERFORMANCE

INDUS counters growing global competition and increasing pressure on margins by improving **operational excellence** in the portfolio companies, i.e., the continual improvement of all business processes. INDUS assists its portfolio companies with the optimization of value-adding core processes from order entry to order processing. Lean management approaches are at the heart of our activities. These approaches avoid waste and they focus on added value in all tasks.

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

INDUS assists the portfolio companies in realizing productivity potential in procurement, production, and logistics. One significant element here is providing support for the portfolio companies to introduce Lean management to achieve waste-free, Lean corporate processes. The support consists of an overarching training program on Lean management, various networking formats for sharing best practices in the INDUS Group, and individual workshops with the portfolio companies to impart specific methodological knowledge. Specific optimization projects are accompanied directly by INDUS or by external partners.

Management Control

Planning and Strategy Processes

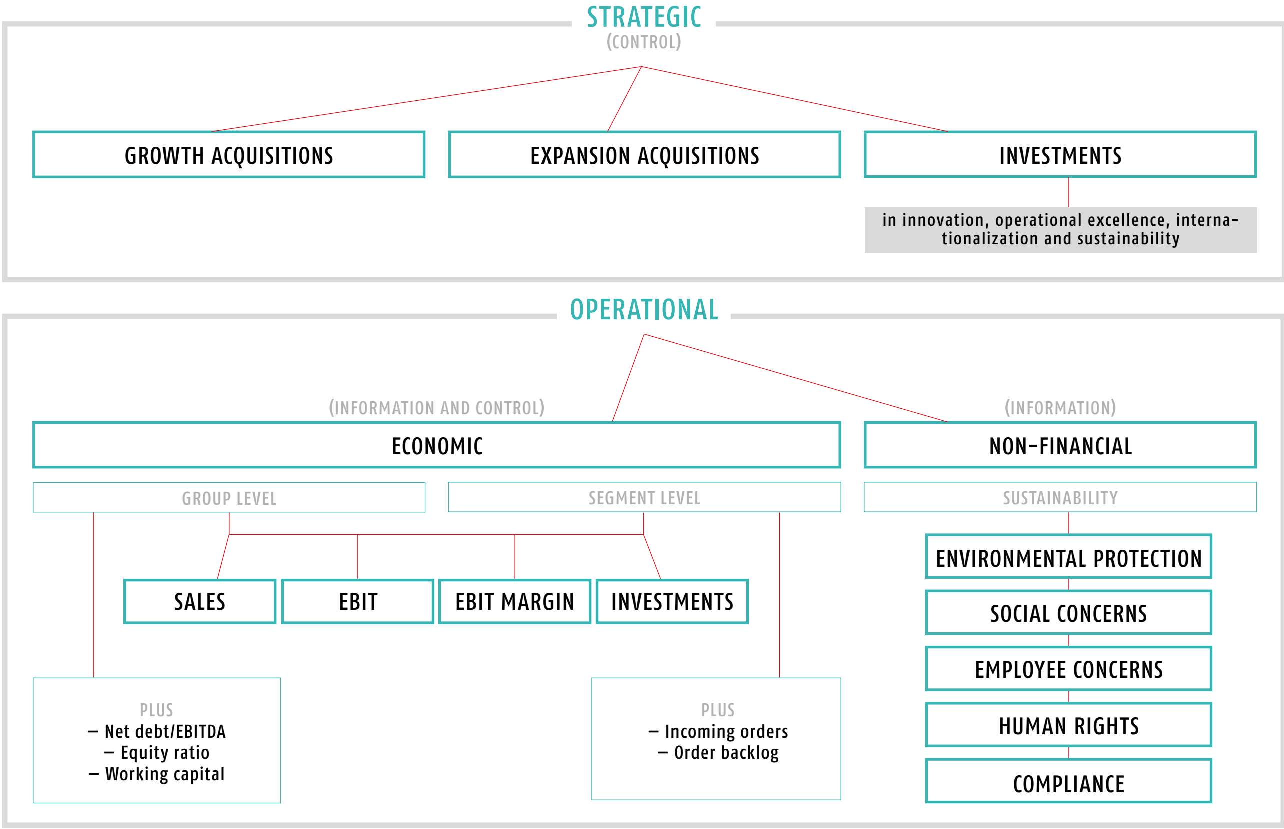
Based on the INDUS strategy PARKOUR, the portfolio companies develop their own individual business strategies for the coming financial years. This then forms the strategic base for planning their business development, the necessary investments and the development of their financial position and results of operations, usually in three- to five-year plans.

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

Management Variables

The economic indicators used by the holding company to assess the situation correspond to the **operational financial** performance indicators commonly used for manufacturing companies. In addition, **strategic financial** performance indicators are used for direct investment decision-making.

INFORMATION AND CONTROL PARAMETERS



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

Interim Reporting

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

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

Regular Management Dialogue

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

Non-financial Performance Indicators

Employees

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

On average in the 2020 financial year, the holding company had 35 employees excluding members of the Board of Management (previous year: 32). It is in the interest of INDUS to boost the productivity of its employees and to encourage their long-term loyalty to the company. To that end, INDUS offers its employees the basic conditions of a modern, attractive employer in terms of healthcare, educational advancement, and income.

IN THE GROUP: CULTIVATING AN SME-APPROPRIATE CULTURE

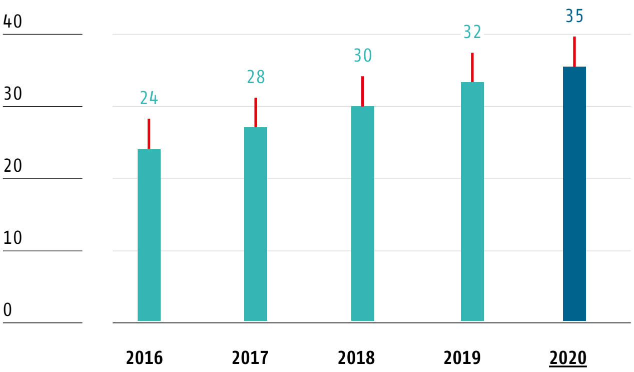
On average, 10,644 people were employed in the INDUS Group during the reporting year (previous year: 10,856). Management of those employed by the portfolio companies is the responsibility solely of their managements. Accordingly, the portfolio companies direct their human resources work, in both quantitative and qualitative terms, on their own. SMEs assume a high level of responsibility when it comes to training; this is also true in particular of the companies within the INDUS Group. A total of 415 trainees were employed throughout the Group in 2020 (previous year: 448); this equates to a trainee ratio of 3.9% (previous year: 4.1%). Thus, even during the coronavirus pandemic, INDUS employs a high number of trainees in the portfolio companies.

Development and Innovation

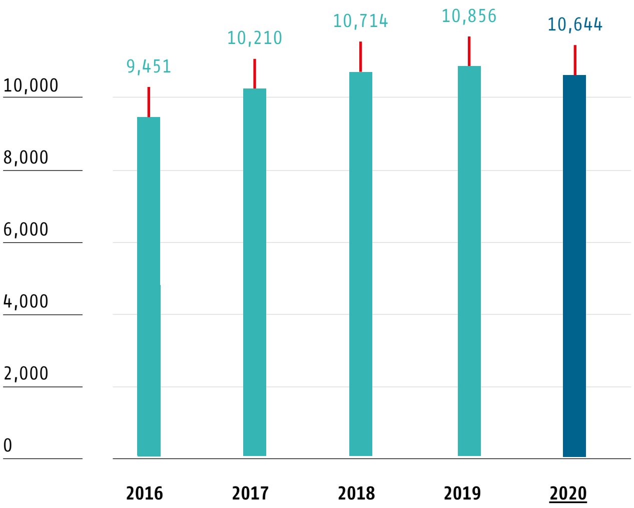
R&D SUPPORT FOR PORTFOLIO COMPANIES

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

EMPLOYEES IN THE HOLDING COMPANY (Number)



EMPLOYEES IN THE INDUS GROUP'S INDIVIDUAL COMPANIES (Number)



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

Funds for innovations in future fields: INDUS budgets 3% of annual consolidated EBIT for its portfolio companies as part of the "driving innovation" strategic initiative in order to advance suitable innovation projects. Due to the great importance of innovation projects, the absolute amount remained at the 2019 level in 2020. A similar level is budgeted for this financial support for the portfolio companies in the 2021 financial year. This enables INDUS to specifically promote activities and projects with a significant level of innovation and in predefined future fields that, in INDUS' view, offer outstanding long-term development potential but are also associated with higher risks. These innovations enable the companies to tap into new business fields and technologies and thus strengthen their competitive position.

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

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

INNOVATION ACTIVITIES UP AGAIN AT THE PORTFOLIO COMPANIES

The expenses for R&D ACTIVITIES recognized in the INDUS Group's consolidated financial statements for 2020 amounted to EUR 18.9 million (previous year: EUR 20.3 million). The allocation of funds for this field was therefore at a high level again, and this is expected to continue in the years to come.

Further information can be found in Note [9] on p. 145

Not only is a higher real net output ratio required of the portfolio companies but also an increasing degree of in-house, individual R&D capability and innovation effectiveness. The relevance to customers is a top priority in development work: Successful development partnerships are in place with both customers and suppliers.

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

Sustainability

More information on the topic of sustainability can be found in our Non-financial Report starting on p. 21, and at www.indus.de/en/investor-relations/sustainability

A separate INDUS sustainability magazine will also be published in the summer of 2021.

CORPORATE SUCCESS THROUGH SUSTAINABLE MANAGEMENT

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 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, thus aligning itself with stability-oriented benchmarks. This strengthens entrepreneurial success in the interests of the Group, the shareholders, and other stakeholders in the long term. The holding company ensures a stable balance sheet, adequate liquidity, and a flexible financing basis. **Socially**, all members of the INDUS Group align themselves with traditional SME industry benchmarks. Central to these is the principle of responsibility – for the survival of the company, but first and foremost for the people who ensure it. This is reflected in the company-specific codes of conduct, in the promotion of employee training, and in the attitude towards social responsibility, particularly in the local regions where the portfolio companies operate. With respect to the **environment**, INDUS supports the portfolio companies with their efforts to conserve resources and avoid greenhouse gas emissions. For instance, INDUS provides investment funds for efficiency measures and promotes sustainable product innovation in the future field of green tech (energy and environmental technology and technologies and products with an improved energy-efficient use profile). As far as **governance and compliance** are concerned, the Board of Management and Supervisory Board have always considered themselves bound to create added value in a responsible, transparent, and sustainable manner. For example, they have followed the majority of the recommendations and suggestions of the German Corporate Governance Code since its introduction, thus documenting the importance of the rules of good corporate governance and supervision. In the 2020 financial year, the Board of Management of INDUS Holding AG resolved to implement a Group-wide whistleblower system. Its introduction in the first quarter of the 2021 financial year also implements the applicable recommendations of the German Corporate Governance Code.

INDUS will again publish a non-financial report for the INDUS Group for the period to December 31, 2020. This will be published as part of the Annual Report. In addition, a separate sustainability magazine will report on the progress of sustainability initiatives in the INDUS Group for the first time in 2021.

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 in the section "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 9, 2020. In it they state that, with two exceptions, in 2020 INDUS Holding AG was in compliance with all of the recommendations made by the government commission and the German Corporate Governance Code. The two exceptions relate to confidential whistle-blowing possibilities and certain sections of the Board of Management's compensation. The full Declaration of Conformity can be viewed on the INDUS website in the section "About INDUS/Corporate Governance."

The Declaration on Corporate Governance and the full annual Declaration of Conformity can be viewed on our website at www.indus.de/en/about-indus/corporate-governance

Report on the Economic Situation

Sales for the INDUS Group fell from the previous year's figure of EUR 1.74 billion to EUR 1.56 billion in the 2020 financial year. Despite the coronavirus pandemic, the Construction/Infrastructure and Metals Technology segments nearly maintained their level of sales. In the other segments, sales fell significantly compared to the previous year. The INDUS Group's operating result (EBIT) was EUR 25.1 million, compared to EUR 117.9 million in the previous year. This includes impairments of EUR 40.6 million. The EBIT margin was 1.6%. Operating cash flow rose from EUR 167.7 million in the previous year to EUR 174.4 million in the reporting period. This was largely due to decreased working capital.

Changes in the Economic Environment

Macroeconomic Trends

GLOBAL ECONOMY: GLOBAL SLUMP DUE TO THE CORONAVIRUS CRISIS

The global economy fell into a severe recession in 2020 due to the coronavirus crisis. Because of the nearly parallel course of the pandemic and comparable containment measures around the world, this downturn took an almost synchronous course internationally. Europe, the United States, and emerging markets were hit simultaneously by a drastic slump in the second quarter. The exception was China, where the outbreak of the pandemic occurred three months earlier and a strong recovery started as early as the second quarter.

In the summer months, economic activity resumed in large parts of the world – despite the continuing threat of COVID-19. Fiscal and monetary policy measures supported this recovery in many economies (the United States, Europe, China, Brazil, and India). It was thus possible to partially offset losses in the pronounced recovery in the third quarter. Although this upturn was significantly curbed in the fourth quarter as a result of the second wave of infection and associated containment measures, it remained intact overall. In 2020, the global economy's gross domestic product shrank by an estimated 3.5% according to the International Monetary Fund. The Kiel Institute for the World Economy (IfW) expects a decrease of 3.8%. Economic output decreased by 3.6% in the United States and 7.2% in the euro area in 2020 according to IfW estimates. Following the coronavirus shock at the start of 2020, the Chinese economy recovered more rapidly than expected, even in view of the consistent containment of the pandemic: It grew by an estimated 1.8% in 2020.

GERMAN ECONOMY: RECOVERY CURBED BY SECOND WAVE

The coronavirus crisis also led to a recession in Germany. Following a massive slump in economic output by more than 10% in the second quarter, the economy recovered across the board at the start of the summer and particularly in the third quarter of 2020. Private consumption and exports rose, and the labor market also showed a positive trend again. The second wave of infection and associated pandemic restrictions severely inhibited this catch-up effect and particularly impacted consumer-related sectors. By contrast, industry largely continued its recovery but had to absorb considerable losses in the year as a whole. Overall, although the German economy shrank less in 2020 than was forecast at the start of the pandemic, the decrease in economic output was still around 5%. By comparison, GDP fell by 5.7% during the 2009 financial crisis.

Changes in the Industrial Environment

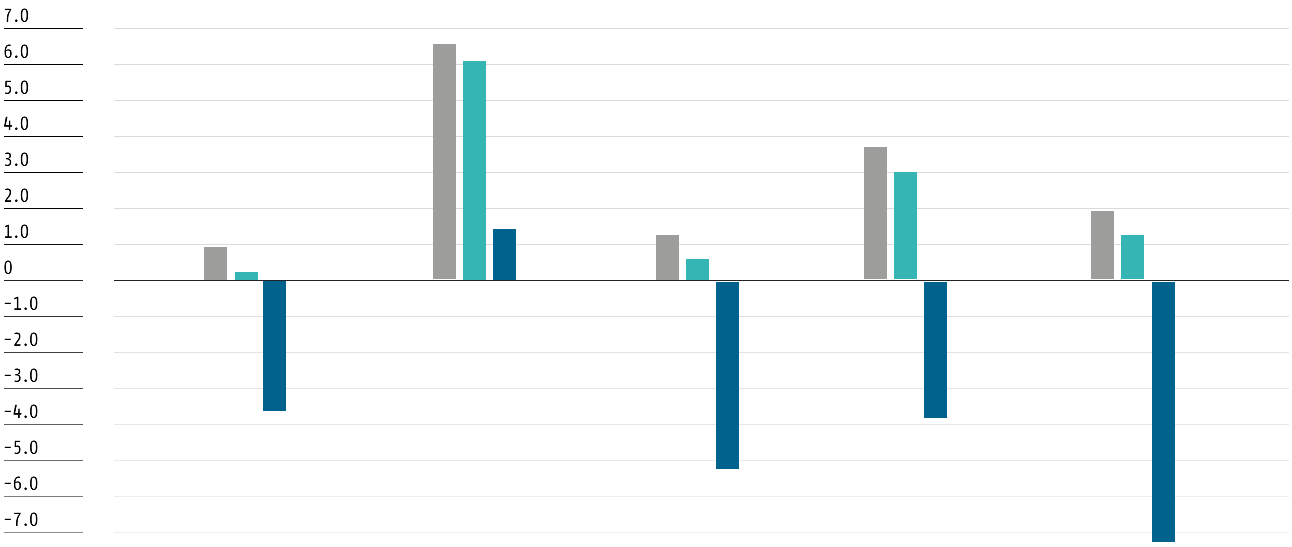
GERMAN INDUSTRIAL PRODUCTION: CRISIS NOT YET OVER DESPITE RECOVERY

The starting point for German industry in 2020 was already difficult after a previous year of recession. Although a strong recovery in the third quarter in particular partially made up for the massive slump in the spring caused by the coronavirus, industrial production overall recorded another year of decline. For example, sales in the manufacturing sector fell by 10.1% adjusted for calendar effects in 2020 according to the German Federal Statistical Office. Incoming orders in the manufacturing sector were down 7.2% on the previous year. The number of people employed in the manufacturing sector fell by 2.2%.

CONSTRUCTION/INFRASTRUCTURE: DEMAND REMAINS INTACT EVEN DURING THE CORONAVIRUS CRISIS

The German construction industry proved to be extremely stable in the coronavirus crisis and thus proved to be an economic support. The construction industry had already been experiencing extraordinary economic conditions for some time and was clearly focused on growth at the start of 2020 with a record order backlog. Construction industry companies came through the coronavirus crisis without a slump similar to other sectors. For example, the added value in the construction industry even increased in a year-over-year comparison during the lockdown months; contrary to the macroeconomic trend, it grew by 1.4% in real terms on an annual basis according to the Hauptverband der Deutschen Bauindustrie (HDI). The total number of people in work in the construction sector grew by 0.7%; machine capacity utilization remains high. Looking at the detail, however, the picture is mixed: While

ECONOMIC TENDENCIES: CHANGE IN GROSS DOMESTIC PRODUCT (GDP), ANNUAL GROWTH (2018–2020) (in %)



			Selected countries		Economic regions
	USA	China	Germany	Global economy	Euro area
2020 (preliminary)	-3.6	1.8	-5.2	-3.8	-7.2

Source: IfW, figures for Germany adjusted for calendar and seasonal effects (As of: Dec 2020) incoming orders are decreasing in the commercial construction sector, demand in housing construction continues to rise. Overall, demand remains intact, even if growing competition and higher costs, including as a result of hygiene measures due to the coronavirus, are at the same time squeezing construction companies' profit margins.

AUTOMOTIVE TECHNOLOGY: GERMAN AUTOMOTIVE MARKET IN UPHEAVAL

Automotive manufacturers and suppliers, who are already greatly challenged by the technological change to e-mobility and the associated structural change, were additionally impacted by the enormous effects of the coronavirus crisis in 2020. In the first half of the year in particular, production, incoming orders, and exports decreased drastically. According to the German trade association Verband der Automobilindustrie (VDA), this simultaneous supply and demand shock led to a 15% slump in the global passenger car market overall in 2020. In particular, unit sales of light vehicles in the United States (-28%), Brazil (-27%), and Europe (-24%) dropped massively. New vehicle registrations in Germany decreased by 19%. Even the Chinese automotive market, which recovered relatively quickly after the first slump, was unable to reach the previous year's level (-6%). German passenger car exports decreased by 24%.

The transformation process toward alternative drives was given a boost in Germany in 2020: The number of new registrations of vehicles with electric drives increased steadily – partly driven by environmental bonus funding. In December 2020, almost 27% of new car registrations were electric vehicles. However, the charging infrastructure remains a stumbling block to further development – at the start of the year, there were 17 vehicles to each publicly accessible charging point.

MECHANICAL ENGINEERING: WORST PERFORMANCE SINCE THE FINANCIAL CRISIS – SHARP DIFFERENCES DEPENDING ON THE BRANCH

The coronavirus crisis in 2020 hit the German mechanical engineering sector hard. Even though export figures recovered from the second half of the year and the decreases in November and December were below expectations, overall production fell by around 12% in real terms in Germany in 2020. Both German exports and total revenue decreased by around 13% in real terms from January to November as compared to the previous year. Because of the support from short-time work, these decreases have not yet been reflected in staff cuts: The number of people employed in the German mechanical engineering sector decreased by around 4% in 2020.

The impact of the pandemic hit different areas of specialization in Germany with varying severity. For example, exports from January to November fell sharply in a year-over-year comparison in the machine tools area (-30%) and the precision tools area (-20%). Other areas, such as agricultural technology, were unscathed by the crisis (+0.1%). This mixed picture can also be seen in incoming orders: Whereas plastics and rubber machines and agricultural, fluid, and conveyor technology saw a significant increase in incoming orders in the fourth quarter of 2020, measurement and testing technology, processing technology, and machine tools, for example, struggled with drops of 15 to 30%.

MEDICAL TECHNOLOGY: SELECTIVE INCREASE IN DEMAND CANNOT COMPENSATE FOR GENERAL DECREASES IN SALES

The coronavirus pandemic also hurt economic development opportunities in the medical technology sector. Postponed operations, fewer visits to the doctor, and a decrease in prescriptions meant the sector saw significant decreases in sales in 2020. Increased demand for medical protective equipment and hygiene products could not compensate for this impact. Exports, which are also key for medical technology companies, also saw clear decreases. Although the German Industry Association for Optics, Photonics, Analytical and Medical Technologies SPECTARIS only anticipated a decrease in sales of a good 3% in its 2020

November survey, it is striking that smaller companies with fewer than 200 employees have been hit harder by the crisis. As of September, incoming orders were down -12% here and there were double-digit decreases in revenues compared to the previous year in some cases.

METALS TECHNOLOGY: PRONOUNCED RECESSION IN 2020

The metals industry in Germany was already under enormous pressure at the start of 2020 as a result of significant decreases in production and incoming orders. The impact of the COVID-19 pandemic worsened this difficult starting position dramatically. For example, in April 2020 production was around 39% and sales around 41% down on the previous year in the metals and electronics industry. Approximately 38% of employees in the sector were on short-time work in May 2020. Around 140,000 jobs had already been cut by September 2020. Although the metals industry somewhat recovered from the deep slump in the second quarter over the course of the year – partly supported by foreign orders rising again – the decrease in sales in metal production and processing remained around 13% after nine months. In October, the companies in the metals industry expected annual sales figures to be down by an average of 23%. M+E production was around 15% below the previous year according to estimates by the Federation of German Employers' Associations in the Metal and Electrical Engineering Industries Gesamtmetall.

Performance of the INDUS Group

The Board of Management's Overall Assessment

COVID-19 IMPACT AND GENERAL WEAKNESS IN THE AUTOMOTIVE SECTOR HURT INDUS' 2020 PERFORMANCE – CONSTRUCTION/INFRASTRUCTURE ACHIEVES EXCELLENT INCOME

In the 2020 financial year, the INDUS Group generated sales of EUR 1.56 billion. Sales fell by 10.6% and were thus well within the forecast range of EUR 1.50–1.65 billion. All the segments were affected by the decrease in sales – albeit to varying degrees. Sales in the Construction/Infrastructure and Metals Technology segments decreased only slightly, by -1.3% and -3.8%, respectively. The decreases in sales in the other segments amounted to -11 to -23% and are primarily due to the economic impact of the coronavirus pandemic. In the Automotive Technology segment, the structural crisis in the automotive industry additionally impacted the portfolio companies.

At EUR 25.1 million, operating income (EBIT) was up on the August forecast (as part of the 2020 half-yearly report) but significantly below the previous year's figure of EUR 117.9 million. This was due to the economic consequences of the coronavirus pandemic, the structural weakness in the automotive industry, and resulting non-cash impairments. The impairments of EUR 40.6 million largely affect goodwill and also property, plant, and equipment, and intangible assets, and are the result of worsened expectations of the future. In June 2020, the Board of Management of INDUS Holding AG adopted the INTERIM SPRINT package of measures to optimize the portfolio, and has been implementing them since. As part of the package of measures, KIEBACK was sold at the shareholding level, the granddaughter FICHTHORN and the SIMON Kinetics business unit. Furthermore, the decision was made to close the Swiss company BACHER AG following the conclusion of the Swiss consultation procedure. The discontinuation is currently being implemented and will be completed in the course of the 2021 financial year. In addition, SIMON's plastics electroplating business was discontinued due to the pending ban on chromium trioxide.

Overall, these various effects have had a detrimental effect on income and are responsible for its decline. With 1.6% (previous year: 6.8%), the EBIT margin for the INDUS Group is well short of the "10% + X" target. Operating cash flow developed positively in 2020, rising by EUR 6.7 million from EUR 167.7 million in the previous year to EUR 174.4 million in the reporting year. This is particularly due to a welcome reduction in working capital. Working capital was EUR 410.5 million as of December 31, 2020, and was thus EUR 67.8 million lower than as of the previous year's reporting date. This reduction is to a considerable extent a success from the program for reducing the working capital as part of the strategic initiative to promote operational excellence. In addition, the decrease in operating activities due to the pandemic also contributed to this reduction.

In terms of segments, the Construction/Infrastructure segment was able to further increase its high operating income (EBIT) and generate an EBIT margin of 16.8%. The Engineering, Medical Engineering/Life Science and Metals Technology segments saw drops in income and were not able to achieve their target margins. In the Automotive Technology segment, the difficult structural situation in the automotive industry, the impact of the coronavirus as well as impairments and other measures from the INTERIM SPRINT program resulted in an operating loss of EUR -87.8 million.

At the end of 2020, INDUS signed the purchase agreement for a new portfolio company. JST Systemtechnik GmbH & Co. KG is an SME that provides integrated control room solutions and extensive know-how in conceptual design, construction, and maintenance of control rooms. The economic transfer of the transaction and the initial consolidation of JST took place in January 2021. In addition, remaining shares in the MBN, M+P, PEISELER, and SELZER portfolio companies were acquired.

Investments in property, plant, and equipment, and intangible assets amounted to EUR 52.5 million, Due to the coronavirus crisis, INDUS had already reduced the investments in the Group starting in the second quarter. The Group's financial position remained very stable in 2020. At 39.1%, the Group's equity ratio is slightly below the target ratio of 40% (previous year: 40.2%). The level of liquidity was deliberately increased as a precautionary measure because of the possible impact of the coronavirus pandemic. As of the reporting date, cash and cash equivalents amounted to EUR 194.7 million. Its traditionally favorable liquidity position gave INDUS enough economic strength for the capital investment it made or intended to make. This is why the company maintains liquidity buffers and credit lines. The repayment term (net debt/EBITDA) was 3.3 years (previous year: 2.4 years) and was thus above the stipulated target range of 2 to 2.5 years.

Overall, the portfolio companies reacted to the coronavirus crisis in an extremely agile way and quickly rose to the challenges of the pandemic. This continues to happen to this day through flexibilization of working from home, adaptations to heavily fluctuating customer inquiries, and systematic, cost-conscious behavior in compliance with strict occupational health and safety rules to protect employees.

In the past year with the coronavirus crisis, the broad diversification of the portfolio has particularly proved its worth. Furthermore, the crisis has shown that our PARKOUR strategy program equips the companies with the fitness and flexibility necessary to cope with difficult economic times. The Board of Management will also continue to focus on increasing operational excellence and promoting innovations in the portfolio companies in the future. In order to develop the portfolio, INDUS continues to look for interesting acquisitions in the future fields defined in the PARKOUR strategy.

PARKOUR puts the non-financial key performance indicators under the spotlight and will keep a close eye on their development to use them as management variables over coming years.

TARGET PERFORMANCE COMPARISON

	ACTUAL 2019	TARGET 2020	ACTUAL 2020	Level of achievement
GROUP				
Management variables				
Acquisitions	2 growth acquisitions	dependent on overall performance	1 growth acquisition that was signed in 2020 and is economically effective starting in 2021	achieved
Sales	EUR 1.74 billion	EUR 1.50 to 1.65 billion	EUR 1.56 billion	achieved
EBIT	EUR 117.9 million	EUR 85 to 95 million	EUR 25.1 million	not achieved
EBIT margin	6.8%	5 to 6.5%	1.6%	not achieved
Investments in property, plant, and equipment, and intangible assets	EUR 78.3 million	less than previous year	EUR 52.5 million	achieved
Supplementary management variables				
Equity ratio	40.2%	>40%	39.1%	not achieved
Net debt/EBITDA	2.4 years	≤3.0 years	3.3 years	not achieved
Working capital	EUR 478.3 million	less than previous year	EUR 410.5 million	achieved
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 388.9 million	falling sales	EUR 384.0 million	forecast achieved
EBIT	EUR 63.0 million	falling income	EUR 64.5 million	better than expected
EBIT margin	16.2%	13 to 15%	16.8%	better than expected
Automotive Technology				
Sales	EUR 350.3 million	falling sales	EUR 269.2 million	forecast achieved
EBIT	EUR -35.8 million (incl. EUR 17.3 million impairment)	rising income	EUR -87.8 million (incl. EUR 33.8 million impairment)	not achieved
EBIT margin	-10.2% (before impairment -5.3%)	-9 to -7%	-32.6% (without impairment -20.1%)	not achieved
Engineering				
Sales	EUR 434.6 million	falling sales	EUR 370.0 million	forecast achieved
EBIT	EUR 54.6 million	falling income	EUR 31.4 million (incl. EUR 2.3 million impairment)	forecast achieved
EBIT margin	12.6%	9 to 11%	8.5% (before impairment 9.1%)	not achieved (achieved without impairment)
Medical Engineering/Life Science				
Sales	EUR 159.7 million	slight fall in sales	EUR 142.1 million	forecast achieved
EBIT	EUR 18.6 million	falling income	EUR 10.2 million	forecast achieved
EBIT margin	11.6%	9 to 11%	7.2%	not achieved
Metals Technology				
Sales	EUR 409.2 million	falling sales	EUR 393.6 million	forecast achieved
EBIT	EUR 25.8 million	rising income	EUR 14.4 million (incl. EUR 4.5 million impairment)	not achieved
EBIT margin	6.3%	5 to 7%	3.7% (before impairment 4.8%)	not achieved

Group Earnings Performance

CONSOLIDATED STATEMENT OF INCOME

(in EUR million)

	2020	2019	2018	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
Sales	**1,558.6**	**1,742.8**	**1,710.8**	**-184.2**	**-10.6**
Other operating income	22.1	34.4	20.6	-12.3	-35.8
Own work capitalized	6.4	7.6	7.8	-1.2	-15.8
Change in inventories	-27.6	-22.9	35.1	-4.7	20.5
Overall performance	**1,559.5**	**1,761.9**	**1,774.3**	**-202.4**	**-11.5**
Cost of materials	-690.1	-782.4	-811.9	92.3	11.8
Personnel expenses	-501.0	-527.5	-506.6	26.5	5.0
Other operating expenses	-210.7	-226.3	-237.7	15.6	6.9
EBITDA	**157.7**	**225.7**	**218.1**	**-68.0**	**-30.1**
Depreciation/amortization	-132.6	-107.8	-83.7	-24.8	-23.0
Operating income (EBIT)	**25.1**	**117.9**	**134.4**	**-92.8**	**-78.7**
Financial income	-15.5	-18.9	-19.7	3.4	18.0
Earnings before taxes (EBT)	**9.6**	**99.0**	**114.7**	**-89.4**	**-90.3**
Taxes	-36.5	-38.9	-43.5	2.4	6.2
Earnings after taxes	**-26.9**	**60.1**	**71.2**	**-87.0**	**-144.8**
of which attributable to non-controlling shareholders	0.1	0.6	0.3	-0.5	-83.3
of which attributable to INDUS shareholders	-27.0	59.5	70.9	-86.5	-145.4

SALES DOWN IN ALL SEGMENTS

INDUS Group **sales** fell by 10.6% to EUR 1,558.6 million in the financial year. All the segments are affected by the decrease in sales – but to varying degrees. The Construction/Infrastructure segment only saw a very slight decrease in sales compared to the very high sales of the previous year. In the Automotive Technology and Engineering segments, revenue dropped sharply. This was caused firstly by the consequences of the coronavirus crisis and secondly by this segment's structural and economic problems. The Medical Engineering/Life Science segment was significantly affected by the coronavirus pandemic at the start of the financial year during the first lockdown. In the course of the business year, business increasingly normalized, but was again slowed down towards the end of the year by the second lockdown. Overall, the losses of the first lockdown could not be recouped. Fortunately, there were only small decreases in sales in the Metals Technology segment of -3.8%. The decrease in sales for the INDUS Group as a whole amounted to 11.6% organically. Inorganic growth in sales of 1.0% was generated by the acquisitions of MESUTRONIC and DSG in the previous year.

Other operating income amounted to EUR 22.1 million, compared with EUR 34.4 million in the same period of the previous year. The previous year's figure included in particular the proceeds from the sale of the minority interest in TKI Automotive GmbH, which totaled EUR 16.8 million.

Change in inventories decreased from EUR -22.9 million to EUR -27.6 million. Compared to the previous year, **cost of materials** fell disproportionately to the decrease in sales by -11.8% to EUR 690.1 million (previous year: EUR 782.4 million). The reason for this is in particular the declining business in 2020. The **cost-of-materials ratio** thus also fell slightly from 44.9% to 44.3%.

Personnel expenses decreased. In the previous year, the expense was EUR 527.5 million. In the past financial year, personnel expenses were EUR 501.0 million. The decline is mainly due to short-time work in connection with the coronavirus pandemic and a reduction in the number of employees in the INDUS Group. In personnel expenses, the subsidies for social security contributions in connection with the short-time working allowance from the state COVID-19 support measure in the amount of EUR 2.6 million were offset with an effect on income. Furthermore, income from the settlement of Swiss pension plans in the amount of EUR 4.5 million was charged to personnel expenses. Because the decrease in personnel expenses was disproportionately low compared to sales, the **personnel expense ratio** of 32.1% in the past fiscal year was 1.8 percentage points higher than in the previous year (30.3%).

Other operating expenses decreased by 6.9% to EUR 210.7 million. In particular, travel expenses and expenses for marketing and trade fairs fell due to the coronavirus restrictions. As a result, operating income before depreciation/amortization (EBITDA) amounts to EUR 157.7 million (-30.1%).

Depreciation was EUR 132.6 million, EUR 24.8 million (23.0%) higher than in the previous year. This included depreciation/amortization of EUR 92.1 million (previous year: EUR 90.5 million) and impairments of EUR 40.6 million (previous year: EUR 17.3 million). The impairments relate to goodwill and property, plant and equipment as well as intangible assets. Of this amount, EUR 33.8 million is attributable to the Automotive Technology segment, EUR 2.3 million is attributable to the Engineering segment and EUR 4.5 million is attributable to the Metals Technology segment (previous year: all impairments in the Automotive Technology segment). The impairments are the result of a less promising outlook.

SHARP DECREASE IN EBIT – IMPACTED BY THE CORONAVIRUS, IMPAIRMENTS AND STRUCTURAL CHANGE IN AUTOMOTIVE TECHNOLOGY

This resulted in an operating income or **EBIT** of EUR 25.1 million for 2020, a reduction of EUR 92.8 million below the previous year (EUR 117.9 million). The EBIT margin was 1.6% compared to 6.8% in the previous year. Without taking impairments into account, the INDUS Group generated operating income of EUR 65.7 million (previous year: EUR 135.2 million). The EBIT margin before impairment was 4.2%, as against 7.8% in the previous year. Net financial income improved by EUR 3.4 million, from EUR -18.9 million to EUR -15.5 million. The financial income includes net interest, income from shares measured according to the equity method, and other financial income. Net interest went down from EUR -15.5 million to EUR -16.2 million. Measurements of minority interests in particular are reported in the other financial income item. A EUR 3.6 million reduction in expenses was achieved here due to scheduled acquisitions of minority interests and lower earnings in the portfolio companies.

Earnings before taxes (**EBT**) fell to EUR 9.6 million (previous year: EUR 99.0 million). Tax expenses decreased by EUR 2.4 million to EUR 36.5 million. The decrease in tax expenses is significantly smaller than the decrease in earnings before taxes. This is largely due to the lack of tax relief resulting from goodwill impairments and absence of loss carryforwards within the Group. Due to its business model, INDUS does not form tax groups.

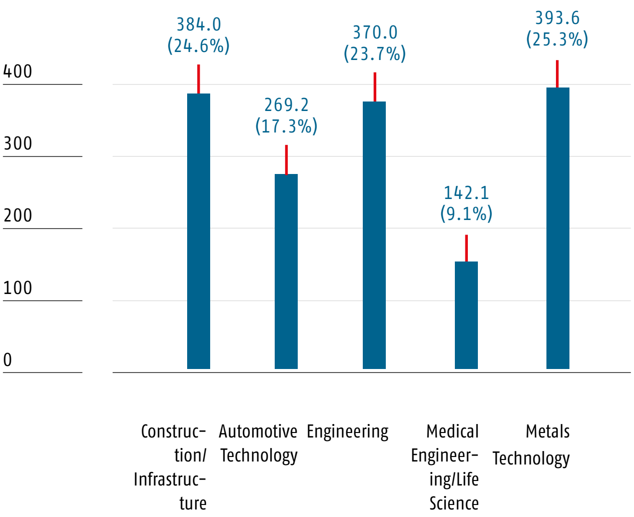
Earnings after taxes totaled EUR -26.9 million (previous year: EUR 60.1 million). This equates to a decrease of EUR 87.0 million compared to the previous year. Interests attributable to non-controlling shareholders amounted to EUR 0.1 million (previous year: EUR 0.6 million). Earnings after taxes for INDUS shareholders amounted to EUR -27.0 million. This equates to earnings per share of EUR -1.10 as compared to EUR 2.43 in the previous year.

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

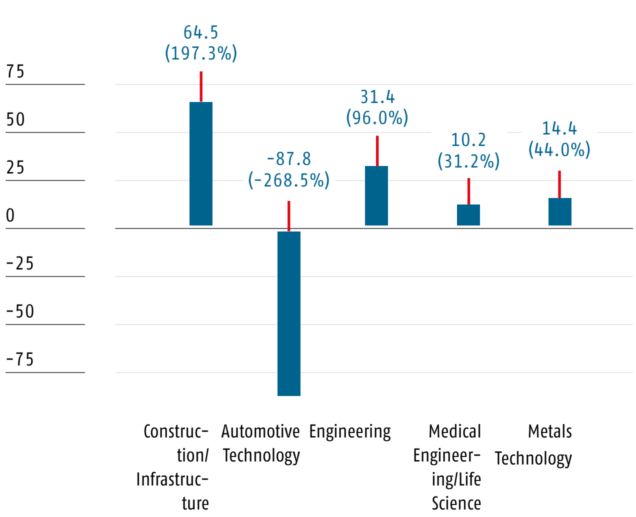
The individual segments' shares of sales and earnings have changed further in their ratios to one another. The **Construction/Infrastructure** segment's contribution to sales increased to 24.6% (previous year: 22.3%) and that of **Metals Technology** to 25.2% (previous year: 23.5%). The Metals Technology segment was thus the strongest segment in the INDUS Group in terms of sales in 2020, overtaking the **Engineering** segment as the segment with the strongest sales. The Engineering segment is now the third strongest segment at 23.7% (previous year: 24.9%) ahead of the **Automotive Technology** segment with a share of 17.3% (previous year: 20.1%). This has been on a steady slide over recent years, in line with the economic conditions. The **Medical Engineering/Life Science** segment remains the smallest segment in the Group with a relatively constant revenue share of 9.1% (previous year: 9.2%).

The distribution of operating income (EBIT) exhibits very large differences between the segments. The Construction/Infrastructure segment generated a 197.3% share of income (previous year: 49.9%). The Engineering segment's contribution to income was 96.0% (previous year: 43.3%), while the Medical Engineering/Life Science segment's contribution to income went up to 31.2% (previous year: 14.7%). The Metals Technology segment's contribution to income decreased year-over-year to 44.0% (previous year: 20.4%). The still difficult situation in the Automotive Technology segment and the extreme impact of the coronavirus in the segment led to a contribution to income of -268.5% compared to -28.4% in the previous year.

SALES BREAKDOWN BY SEGMENT (in EUR million)



EBIT BREAKDOWN BY SEGMENT (in EUR million)

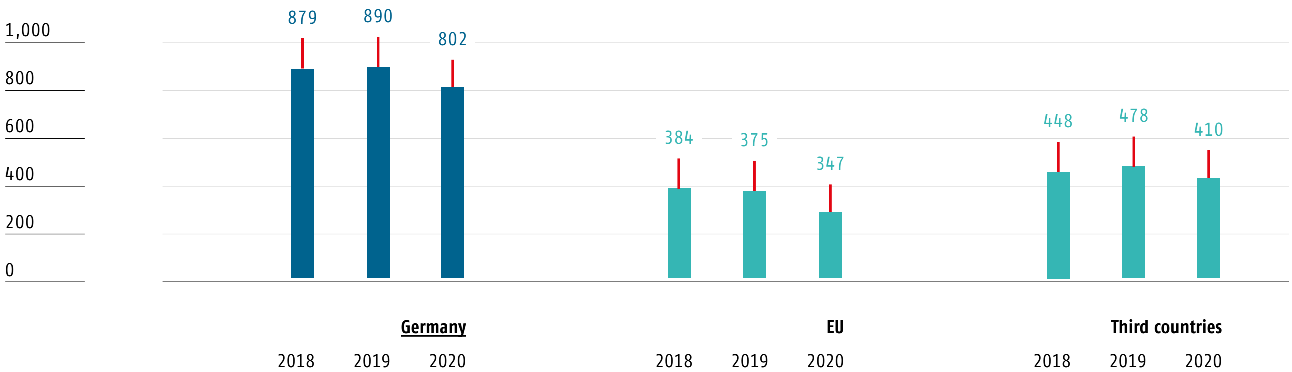


CONTRIBUTION TO SALES BY THE REGIONS

The INDUS Group's sales decrease is attributable in almost equal measure to its domestic and international business. In relative terms, the domestic share of sales increased slightly by 0.3 percentage points to 51.4% (previous year: 51.1%). Foreign sales decreased by 11.3% to EUR 756.7 million as compared to the previous year. Domestic sales decreased by 9.9% to EUR 801.8 million.

SALES TRENDS BY REGION 2018–2020

(in EUR million)



Earnings Trends in the Segments

CONSTRUCTION/INFRASTRUCTURE

SEGMENT DESCRIPTION

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

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

SEGMENT PERFORMANCE: EBIT MARGIN REACHES NEW HIGH AT 16.8%

The Construction/Infrastructure segment slightly improved compared to the previous year despite the COVID-19 pandemic. In the 2020 financial year, the INDUS portfolio companies again increased their operating income (EBIT), which rose to EUR 64.5 million. The EBIT margin of 16.8% far exceeded the target of 13–15%.

At EUR 384.0 million, the sales of the companies in the segment were slightly below the previous year's figure of EUR 388.9 million. Segment sales thus decreased slightly by 1.3% or EUR 4.9 million compared to 2019. With still good order volumes in the construction sector, the segment's portfolio companies managed to maintain the previous year's extremely high level of sales despite the coronavirus crisis and the completed major contract in the area of digital infrastructure. The portfolio companies from the infrastructure and air-conditioning devices sectors contributed the highest shares of sales.

Operating income (EBIT) increased by 2.4% or EUR 1.5 million from EUR 63.0 million to EUR 64.5 million. All portfolio companies in the segment made a positive contribution to income. Overall, the performance in the Construction/Infrastructure segment in 2020 is very encouraging and is positive without qualification. Despite the coronavirus crisis and the major digital infrastructure project completed at the start of the year, operating income again increased.

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	384.0	388.9	358.7	-4.9	-1.3
EBITDA	79.9	77.0	60.1	2.9	3.8
Depreciation/amortization	-15.4	-14.0	-10.1	-1.4	-10.0
EBIT	64.5	63.0	50.0	1.5	2.4
EBIT margin in %	16.8	16.2	13.9	0.6 pp	–
Investments	18.1	18.8	25.5	-0.7	-3.7
Employees	1,898	1,874	1,839	24	1.3

The segment's 16.8% EBIT margin exceeds both the good figure of the previous year of 16.2% and the INDUS target range of 13 to 15%. The materials usage ratio, which improved in many areas due to stable or slightly decreasing materials prices and the high capacity utilization in the segment, contributed to the excellent margin.

Investments totaling EUR 18.1 million in the reporting year were EUR 0.7 million less than the previous year's figure (previous year: EUR 18.8 million). The resources were partly used for a plant expansion at a portfolio company in the infrastructure sector.

AUTOMOTIVE TECHNOLOGY

SEGMENT DESCRIPTION

The Automotive Technology segment consists of eight units (previous year: nine). The portfolio companies and their solutions cover the entire value chain in the automotive industry. The range of products and services covers everything from design and model or prototype construction to test and measurement solutions to series production of components for major manufacturers of cars and commercial or special-use vehicles.

The segment companies operate in a highly competitive environment shaped by automotive manufacturers' technological change toward e-mobility and the associated structural change.

In the past financial year, INDUS adopted and implemented the INTERIM SPRINT package of measures to optimize the portfolio. During the implementation, it was possible to sell KIEBACK at portfolio company level and FICHTHORN at sub-subsidiary level. For the series suppliers in the segment, INDUS regularly checks whether better development prospects for the company and employees would present themselves for individual portfolio companies under a different owner. It is encouraging that the repositioning projects in important areas have progressed well.

SEGMENT PERFORMANCE: EXTREME CORONAVIRUS IMPACT AND STRUCTURAL DIFFICULTIES NEGATIVELY IMPACT SALES AND INCOME

The structural crisis in the automotive industry, which started in mid-2019, has already had a lasting adverse impact on the segment companies. In the 2020 financial year, the Automotive Technology segment was additionally hit hard by the consequences of the coronavirus crisis. Since the start of the first lockdown, the segment companies have used the tool of short-time work on a large scale. At times, up to 53% of employees were on short-time work. On December 31, 2021, approximately 4% of the employees at German locations were still on short-time work.

Sales in the Automotive Technology segment decreased by EUR 81.1 million, or 23.2%, to EUR 269.2 million during the reporting period. This reduction affects all the segment companies and reflects the extreme slump in unit sales during the second quarter and the slow pace of restarting between June and August. Since September, revenues have increased again slightly but are still below the already low level of the previous year. Strict OEM savings measures mean pronounced weakness is not only affecting the series production business but also the development-related areas.

Measures to cut costs and the use of short-time work were only able to partially make up for the sharp decrease in sales. The restructuring and repositioning projects in the segment's two largest series suppliers continue to impact the income situation. Significant new orders with the two companies for important new model series, which will generate significant sales increases in subsequent years – including in e-mobility – are encouraging. The portfolio company KIEBACK GmbH & Co. KG in Osnabrück was sold in the summer as part of the INTERIM SPRINT package of measures. In the fall, this was followed by the sale of FICHTHORN GmbH & Co. KG, a subsidiary of SELZER Holding. The divestitures gave both companies new development prospects. The respective buyers plan to retain a large proportion of the jobs and to continue the companies.

Impairments of goodwill and property, plant, and equipment, and intangible assets of EUR 33.8 million (previous year: EUR 17.3 million) had already been recognized in the second quarter in the Automotive Technology segment.

The upheaval in the automotive industry, the consequences of the coronavirus pandemic, the measures for portfolio optimization described above, and the impairments recognized resulted in operating income (EBIT) of EUR -87.8 million (previous year: EUR -35.8 million). This equates to an EBIT margin of -32.6% compared to -10.2% in the previous year. At EUR -54.0 million, operating income (EBIT) before impairment was also significantly below the previous year's figure of EUR -18.5 million. This resulted in an EBIT margin before impairment of -20.1% (previous year: -5.3%).

Investments amounted to EUR 18.0 million (previous year: EUR 22.8 million) and were thus EUR 4.8 million lower than in the previous year. The decreased investments are connected with the restrictive investment policy due to the coronavirus crisis.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	269.2	350.3	391.0	-81.1	-23.2
EBITDA	-26.7	9.0	28.4	-35.7	<-100
Depreciation/amortization	-27.3	-27.5	-23.4	0.2	0.7
EBIT before impairment	-54.0	-18.5	5.0	-35.5	<-100
EBIT margin before impairment in %	-20.1	-5.3	1.3	-14.8 pp	–
Impairment	-33.8	-17.3	0.0	-16.5	-95.4
EBIT	-87.8	-35.8	-4.5	-52.0	<-100
EBIT margin in %	-32.6	-10.2	-1.2	-22.4 pp	–
Investments	18.0	22.8	29.5	-4.8	-21.1
Employees	3,202	3,360	3,524	-158	-4.7

ENGINEERING

SEGMENT DESCRIPTION

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

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

SEGMENT PERFORMANCE: CONSIDERABLE FALL IN SALES AND EARNINGS

The German mechanical engineering industry was severely affected by the coronavirus crisis. In total, the mechanical engineering segment was hit by a decrease in sales in the double-digit range. This industry trend was also reflected in the portfolio companies in INDUS' Engineering segment in 2020.

Segment sales in Engineering fell by EUR 64.6 million (-14.9%) to EUR 370.0 million (previous year: EUR 434.6 million). This includes an inorganic sales increase of EUR 9.6 million as a result of the acquisition of MESUTRONIC in 2019. All the segment's portfolio companies, with the exception of MESUTRONIC, reported decreases in sales. In particular, companies that supply the machine tool industry and portfolio companies in the automation technology sector are still being hit hard by the effects of the coronavirus pandemic and saw high double-digit decreases in sales. After a low in the second quarter, sales increased significantly again in both the third and the fourth quarters of the financial year but remained noticeably behind the previous year's sales.

KEY FIGURES FOR ENGINEERING

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	370.0	434.6	387.0	-64.6	-14.9
EBITDA	53.9	73.0	64.2	-19.1	-26.2
Depreciation/amortization	-20.2	-18.4	-12.2	-1.8	-9.8
EBIT before impairment	33.7	54.6	52.0	-20.9	-38.3
EBIT margin before impairment in %	9.1	12.6	13.4	-3.5 pp	–
Impairment	-2.3	0.0	0.0	-2.3	<-100
EBIT	31.4	54.6	52.0	-23.2	-42.5
EBIT margin in %	8.5	12.6	13.4	-4.1 pp	–
Investments	4.1	30.9	12.0	-26.8	-86.7
Employees	2,243	2,180	2,027	63	2.9

Operating income (EBIT) was down by EUR 23.2 million to EUR 31.4 million and was thus down disproportionately to sales. The adjustment measures in personnel expenses, particularly through short-time work and cost cuts in selling, operating and administrative expenses could not make up for the decrease in sales or slump in gross profit. The EBIT margin for the reporting period at 8.5% was thus down considerably on the previous year's figure of 12.6%. Like sales performance, operating incomes rose significantly again in both the third and the fourth quarter of the financial year.

The reduced forecast for a portfolio company in the machine tool industry led to recognition of impairment losses on goodwill of EUR 2.3 million in the third quarter. Before impairments, the operating income was EUR 33.7 million (previous year: EUR 54.6 million). This meant a margin of 9.1% before impairments (previous year: 12.6%).

The order backlog as of year-end was around EUR 30 million lower than the previous year's figure and remains unsatisfactory. In particular, companies in the segment operating in the project business have processed a significant number of their existing orders and are continuing to witness considerable reluctance on the part of their customers to place new orders. However, increases in incoming orders with a low in the second quarter can also be seen here.

At EUR 4.1 million, segment investments were substantially lower than in the previous year and exclusively comprised investments in fixed assets. In the previous year, this figure included the acquisition of MESUTRONIC. Investments in fixed assets fell slightly in comparison to the previous year.

MEDICAL ENGINEERING/LIFE SCIENCE

SEGMENT DESCRIPTION

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

The segment represents one of the industries in which the Board of Management sees potential for future growth. Despite high cost pressures in the medical industry and stringent regulatory requirements, the Medical Engineering/Life Science segment continues to offer a promising outlook and attractive margins for companies that meet the regulatory requirements.

SEGMENT PERFORMANCE: DECREASE IN SALES AND INCOME DUE TO THE CORONAVIRUS

The medical technology industry was severely affected by the coronavirus pandemic, particularly by delayed operations and fewer prescriptions for medical aids as a consequence of the decrease in visits to the doctor. Only companies that were able to service the demand for hygiene and protective equipment from the coronavirus pandemic profited from the pandemic.

The Medical Engineering/Life Science segment generated sales of EUR 142.1 million in the 2020 financial year (previous year: EUR 159.7 million) and was thus EUR 17.6 million (11.0%) below the previous year's sales figure. The segment's companies were hit unexpectedly hard by the effects of the coronavirus pandemic during the first lockdown between March and May because elective surgeries were put on hold and sales opportunities in the rehabilitation technology sector were limited. Restrictions on popular sports meant unit sales of orthotic devices and bandages decreased, as did unit sales of compression stockings due to the restrictions on air travel and tourism. Four of the five portfolio companies in the segment were affected by this decrease. One portfolio company from the field of non-wovens was able to maintain its level of sales from the previous year. In the second half of the year, the affected portfolio companies' sales rose again but were still below the previous year's level.

At EUR 10.2 million, operating income (EBIT) was down by EUR 8.4 million on the previous year's figure of EUR 18.6 million. The segment's EBIT margin decreased from 11.6% in the same period of the previous year to 7.2% in the reporting year. Fortunately, the field of non-wovens was able to increase its income compared to the previous year. The segment's other portfolio companies saw considerable slumps in income. The opportunities to offset this through short-time work and cost savings in the area of selling, operating, and administrative expenses were not able to offset the slump in sales.

Investments were made exclusively in fixed assets and, at EUR 6.2 million, were EUR 1.3 million higher in 2020 than the previous year's figure of EUR 4.9 million.

KEY FIGURES FOR MEDICAL ENGINEERING/LIFE SCIENCE

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	142.1	159.7	154.3	-17.6	-11.0
EBITDA	20.4	27.9	24.7	-7.5	-26.9
Depreciation/amortization	-10.2	-9.3	-7.4	-0.9	-9.7
EBIT	10.2	18.6	17.3	-8.4	-45.2
EBIT margin in %	7.2	11.6	11.2	-4.4 pp	–
Investments	6.2	4.9	8.4	1.3	26.5
Employees	1,646	1,718	1,687	-72	-4.2

METALS TECHNOLOGY

SEGMENT DESCRIPTION

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

In 2020, the decision was made to close the Swiss company BACHER AG as part of the INTERIM SPRINT package of measures following the conclusion of the consultation procedure required by law in Switzerland. The discontinuation of business operations is scheduled to take place in 2021. Furthermore, SIMON was able to sell the SIMON Kinetics business to the British Titus Group in 2020 and cease the plastics plating business's operating activities at the end of the third quarter. Continuing the plastics plating business's operating activities would have become unprofitable due to the considerable investment required as a result of the imminent EU-wide ban on chromium(VI) oxide.

SEGMENT PERFORMANCE: CLOSURE OF BACHER AG WAS INITIATED

The Metals Technology segment reported only a slight decline in sales compared to the previous year. Sales fell from EUR 409.2 million to EUR 393.6 million in the reporting year. This equates to a decrease of 3.8%. Taking into account the decreases in sales from contracts already expiring at BACHER AG and the discontinuation of the plastics plating business at SIMON, a slight increase in sales was achieved in the segment despite the lockdown months. This is particularly due to the significant contributions to sales by the international business with carbide products.

At EUR 18.9 million, operating income (EBIT) before impairment was EUR 6.9 million lower than the previous year's figure of EUR 25.8 million. The EBIT margin before impairment was 4.8%, as against 6.3% in the previous year. The decrease is primarily influenced by the business performance of Swiss company BACHER AG. The operating result (EBIT) before impairment includes income from the settlement of Swiss pension plans in the amount of EUR 4.5 million. Outside of the international business with carbide products, the

KEY FIGURES FOR METALS TECHNOLOGY

(in EUR million)

				Difference 2020 to 2019	
	2020	2019	2018	absolute	in %
Revenue with external third parties	393.6	409.2	420.0	-15.6	-3.8
EBITDA	36.9	46.1	48.5	-9.2	-20.0
Depreciation/amortization	-18.0	-20.3	-13.6	2.3	11.3
EBIT before impairment	18.9	25.8	34.9	-6.9	-26.7
EBIT margin before impairment in %	4.8	6.3	8.3	-1.5 pp	–
Impairment	-4.5	0.0	-6.6	-4.5	–
EBIT	14.4	25.8	28.3	-11.4	-44.2
EBIT margin in %	3.7	6.3	6.7	-2.6 pp	–
Investments	6.9	25.1	26.3	-18.2	-72.5
Employees	1,616	1,687	1,602	-71	-4.2

segment companies were affected by the coronavirus crisis to differing degrees. The countermeasures here included short-time work and cost savings.

At BACHER AG, impairments totaling EUR 4.5 million were recognized on goodwill, property, plant, and equipment, and intangible assets in the course of the closure. As a result, the segment's operating income (EBIT) was EUR 14.4 million (previous year: EUR 25.8 million). The EBIT margin for the 2020 financial year was 3.7% (previous year: 6.3%).

Investments of EUR 6.9 million in the reporting year related to investments in fixed assets. The previous year's investments include the acquisition of DSG. Investments in fixed assets decreased by EUR 11.3 million in the Metals Technology segment due to the restrictive investment policy in connection with the coronavirus pandemic.

Financial Position

Financial and Liquidity Management

PRINCIPLES AND OBJECTIVES

Financial management at INDUS Holding AG includes managing equity and borrowings and managing interest rate and currency risks. As a financial holding company, INDUS engages in liquidity management without central cash pooling. For financial management purposes, INDUS relies mainly on long-term bank loans and promissory note loans.

Every single portfolio company has an individual financial and liquidity management system of its own, with INDUS available to them for advice.

INDUS can invest flexibly at any time owing to its comfortable liquidity base in combination with financing commitments from banks. For its financing purposes, 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, a balanced redemption structure, and simultaneous use of alternative financing instruments. To manage financing risks, the Group employs interest rate and currency derivatives where needed. These are used exclusively for risk hedging.

Financial and liquidity management pursues three objectives: securing sufficient liquidity reserves, risk limitation, and earnings and cost optimization. Securing liquidity assumes special importance since liquidity enables INDUS not only always to meet its payment obligations but also to exploit acquisition opportunities at any time with no dependence on banks.

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

Earnings and cost optimization specifically means managing net current assets (working capital). This frees up cash and cash equivalents, keeps debt levels low, and optimizes key figures for the balance sheet structure (e.g., equity ratio) and return on capital. INDUS supports companies in the management of working capital. However, the companies themselves are wholly responsible for their working capital.

INDUS does not have rating agencies assess their creditworthiness since lenders have so far not regarded such ratings as relevant. This also saves INDUS a considerable amount of time and money. The ratings undertaken by INDUS' principal banks are "investment grade."

Further information can be found in the article "Stable and Sustainable" starting on p. 18 of the 2021 magazine

FINANCING ANALYSIS FOR 2020

INDUS continued in 2020 to use operating cash flow and long-term financing to cover its capital requirements. The main components continued to be long-term unsecured loan agreements, promissory note loans and, to a lesser extent, leases. A promissory note loan with a sustainability component (ESG linked) was placed for the first time, meaning that INDUS now also uses the field of sustainable financing instruments to cover its capital requirements. Funds from firmly committed credit lines were also temporarily used so as to be able to cover any unexpected liquidity requirements in connection with the coronavirus crisis. These funds were not needed during the year and were repaid in full as of the reporting date. Liabilities to banks amounted to EUR 340.4 million as of the reporting date (previous year: EUR 361.7 million); these are primarily (99%) denominated in euros. The volume of credit held in foreign currencies is low and consists of South African rands amounting to EUR 1.5 million (previous year: EUR 1.3 million). In the previous year, the volume of credit held in foreign currencies included Swiss francs amounting to EUR 0.3 million. Promissory note loans amounted to EUR 287.1 million (previous year: EUR 245.2 million). INDUS also has unused credit lines totaling EUR 83.6 million (previous year: EUR 79.4 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. Certain key figures must be complied with for two promissory note loans. These were achieved.

Financial Position

CONSOLIDATED STATEMENT OF CASH FLOWS, CONDENSED

(in EUR million)

	2020	2019	2018
Earnings after taxes	**-26.9**	**60.1**	**71.2**
Depreciation/amortization	131.5	107.8	83.7
Other non-cash changes	51.9	40.9	63.0
Cash-effective change in working capital	63.9	4.3	-65.5
Change in other balance sheet items	0.4	6.2	-9
Tax payments	-46.4	-51.6	-47.4
Operating cash flow	**174.4**	**167.7**	**96.0**
Interest	-19.2	-20.4	-21.3
Cash flow from operating activities	**155.2**	**147.3**	**74.7**
Cash outflow for investments and acquisitions	-54.5	-108.3	-103.8
Cash inflow from the disposal of assets	2.1	32.1	5.5
Cash flow from investing activities	**-52.4**	**-76.2**	**-98.3**
Cash inflow from minority shareholders	0.2	0.0	0.0
Dividend payment	-19.6	-36.7	-36.7
Dividends paid to minority shareholders	-1.0	-1.4	-0.5
Cash outflow from the repayment of contingent purchase price commitments	-22.3	-2.4	-23.0
Cash inflow from raising of loans	140.6	141.5	155.8
Cash outflow from the repayment of loans	-120.3	-125.4	-97.0
Cash outflow from the repayment of lease liabilities	-19.6	-21.7	-1.4
Cash flow from financing activities	**-42.0**	**-46.1**	**-2.8**
Net changes in cash and cash equivalents	60.8	25.0	-26.4
Changes in cash and cash equivalents caused by currency exchange rates	-1.2	0.5	0.1
Cash and cash equivalents at the beginning of the period	135.1	109.6	135.9
Cash and cash equivalents at the end of the period	**194.7**	**135.1**	**109.6**

HIGHER OPERATING CASH FLOW IN THE YEAR OF THE CORONAVIRUS

Despite the significant decrease in earnings after taxes by EUR 87.0 million, it was again possible to improve operating cash flow, which is now EUR 174.4 million and thus EUR 6.7 million higher than the previous year's figure (previous year EUR 167.7 million). The improvement was largely achieved through a significant reduction of EUR 63.9 million in working capital. Cash inflows were reported in current operating assets particularly as a result of reductions in inventories (EUR -48.9 million) and trade receivables (EUR -40.6 million). The tax payments have decreased as a result of the deterioration of the financial performance compared to the previous year.

Interest paid (including variable interest on purchase price commitment to minority shareholders) was slightly down with EUR -19.2 million against the previous year figure of EUR 20.4 million. This reflects the reduced variable interest from purchase price commitments following the acquisition of minority interests as planned.

This resulted in a cash flow from operating activities of EUR 155.2 million and increased by EUR 7.9 million mainly due to the significantly lower rise in working capital.

Cash flow from investing activities was EUR -52.4 million as of the end of the year (previous year: EUR -76.2 million). The cash outflow for investments in intangible assets and in property, plant, and equipment are significantly lower than in the same period of the previous year at EUR 52.5 million (previous year: EUR 78.3 million). The drop is related to the restrictive investment policy adopted in light of the coronavirus crisis. Cash outflow for investment in the previous year also included cash outflow for investment in the new acquisitions MESUTRONIC and DSG of EUR 29.2 million. The cash inflow from the disposal of assets in the current financial year comprised cash outflows in connection with the sale of KIEBACK and FICHTHORN of EUR -4.3 million and cash inflow from the disposal of other assets of EUR 6.4 million. In the previous year, cash inflow from the disposal of fixed assets largely comprised the sale of the minority interest in TKI Automotive GmbH. Overall, cash flow from investing activities decreased by EUR 23.8 million to EUR 52.4 million.

At EUR -42.0 million, cash flow from financing activities was only slightly below the previous year's figure of EUR -46.1 million. Dividends paid to shareholders fell by EUR 17.1 million from the previous year to EUR 19.6 million. By contrast, cash outflow from the repayment of contingent purchase price commitments increased significantly to EUR -22.3 million (previous year: EUR -2.4 million). The payment dates of the contingent purchase price commitments depend on exercising the respective contractually agreed terms of the call/put options. Changes in cash and cash equivalents from borrowing and repayment of loans are at the previous year's level. The draw down of credit lines during the year as a precaution against liquidity risks was repaid in full by the reporting date. The cash outflow from the repayment of lease liabilities fell by EUR 2.1 million. The decrease is due to the more restrictive investment policy and the end of a building lease in 2019 as scheduled.

Amidst all of its financing activity, as of the end of 2020 INDUS possessed a high degree of liquidity. As of the reporting date, cash and cash equivalents amounted to EUR 194.7 million (previous year: EUR 135.1 million). This relatively high level of cash and cash equivalents is due to the holding company purposefully creating a liquidity buffer. This serves as a precautionary measure against possible effects of the coronavirus pandemic as well as the provision of funds to finance the new acquisition of JST at the beginning of January 2021. A detailed statement of cash flows is part of the consolidated financial statements.

Net Assets

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

	Dec. 31, 2020	Dec. 31, 2019	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
ASSETS				
Non-current assets	**1,001.7**	**1,058.2**	**-56.5**	**-5.3**
Fixed assets	985.8	1,039.2	-53.4	-5.1
Receivables and other assets	15.9	19.0	-3.1	-16.3
Current assets	**727.1**	**750.0**	**-22.9**	**-3.1**
Inventories	332.5	381.4	-48.9	-12.8
Receivables and other assets	199.9	233.5	-33.6	-14.4
Cash and cash equivalents	194.7	135.1	59.6	44.1
Total assets	**1,728.8**	**1,808.2**	**-79.4**	**-4.4**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,333.5**	**1,389.4**	**-55.9**	**-4.0**
Equity	676.4	727.7	-51.3	-7.0
Borrowings	657.1	661.7	-4.6	-0.7
of which provisions	51.1	54.4	-3.3	-6.1
of which payables and deferred taxes	606.0	607.3	-1.3	-0.2
Current financing instruments	**395.3**	**418.8**	**-23.5**	**-5.6**
of which provisions	77.3	74.6	2.7	3.6
of which liabilities	318.0	344.2	-26.2	-7.6
Total equity and liabilities	**1,728.8**	**1,808.2**	**-79.4**	**-4.4**

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,728.8 million, a EUR 79.4 million decrease from the previous year's reporting date. The reduction in total assets is due first and foremost to the EUR 53.4 million reduction in fixed assets. In addition, working capital as of December 31, 2020, decreased by EUR 67.8 million to EUR 410.5 million.

ASSETS: REDUCTION DUE TO THE PANDEMIC – RESTRICTIVE INVESTMENTS AND WORKING CAPITAL MANAGEMENT

As compared to the previous reporting date, **non-current assets** decreased by EUR 56.5 million, or 5.3%, to EUR 1,001.7 million. Goodwill decreased by EUR 33.9 million due to the impairments in the second and third quarters. In addition, there was a EUR 25.2 million decrease in tangible fixed assets. This was caused by the restrictive investment policy for securing liquidity in the COVID-19 pandemic and also by impairments.

Compared to the previous reporting date, **current assets** decreased by EUR 22.9 million to EUR 727.1 million. Inventories fell by EUR 48.9 million (12.8%) because of pandemic-related financial performance in the 2020 financial year and because of restrictive working capital management. The EUR 40.6 million (20.0%) reduction in trade receivables should also be seen in this context. The EUR 59.6 million increase in cash and cash equivalents to EUR 194.7 million had the opposite effect. The level of liquidity was deliberately increased as a precautionary measure because of the possible impact of the coronavirus pandemic. In addition, the purchase price payment for the portfolio company JST acquired in January 2021 was held as liquidity as of December 31, 2020.

EQUITY AND LIABILITIES: EQUITY RATIO JUST UNDER 40%

Equity decreased to EUR 676.4 million partly because of the dividend paid of EUR 19.6 million and the net loss. The equity ratio fell slightly year-over-year from 40.2% to 39.1% as of the reporting date. The equity ratio is thus marginally below the level of 40.0%, which was defined as the target.

At EUR 657.1 million, **non-current liabilities** were EUR 4.6 million lower than the previous year. Both non-current provisions (EUR -3.3 million) and non-current financial liabilities (EUR +7.4 million) remained relatively constant with regard to the previous year's figures. Deferred taxes decreased by EUR 7.5 million.

Current liabilities reduced by EUR 23.5 million to EUR 395.3 million. This decrease consists of a fall in other current liabilities (EUR -45.9 million) and a slight decrease in trade payables (EUR -7.0 million). The EUR 24.8 million increase in current financial liabilities had an offsetting effect. The reduction in other liabilities is related to the purchase price commitments from the acquisition of remaining shares that were paid in the amount of EUR 22.3 million. The increased current financial liabilities result from new borrowing in connection with financing the acquisitions of remaining shares and with a maturing promissory note loan, which was previously included in non-current financial liabilities.

WORKING CAPITAL (in EUR million)

			Difference 2020 to 2019	
	Dec. 31, 2020	Dec. 31, 2019	absolute	in %
Inventories	332.5	381.4	-48.9	-12.8
Trade receivables	161.9	202.5	-40.6	-20.0
Trade payables	-48.9	-55.9	7.0	-12.5
Advance payments received	-9.7	-18.9	9.2	-48.7
Contract liabilities	-25.3	-30.8	5.5	-17.9
Working capital	**410.5**	**478.3**	**-67.8**	**-14.2**

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, 2020, working capital stood at EUR 410.5 million. It thus fell by 14.2% in relation to the previous year's reporting date. This development is largely due to the decrease in sales as a result of the coronavirus pandemic but also to the success of continuous working capital management in the Group.

NET FINANCIAL LIABILITIES

(in EUR million)

	Dec. 31, 2020	Dec. 31, 2019	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
Non-current financial liabilities	553.8	546.3	7.5	1.4
Current financial liabilities	159.8	135.0	24.8	18.4
Cash and cash equivalents	-194.7	-135.1	-59.6	44.1
Net financial liabilities	**518.9**	**546.2**	**-27.3**	**-5.0**

INDUS calculates **net debt** as the sum of current and non-current financial liabilities less cash and cash equivalents. As of December 31, 2020, it amounted to EUR 518.9 million, which equates to a decrease of 5.0% as compared to the previous year's reporting date. The reduction is due to the EUR 59.6 million increase in cash and cash equivalents while financial liabilities only rose by EUR 32.3 million. The ratio of net debt to equity (gearing) is 77% (previous year: 75%). The net debt/EBITDA ratio is 3.3 (previous year: 2.4). This means that the debt relief period is above the target corridor of 2.0 to 2.5 years, but due to the strong cash flow it is more effective than initially expected on the basis of the earnings situation.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

(in EUR million)

	2020	2019	2018	Difference 2020 to 2019 absolute	Difference 2020 to 2019 in %
Investments	**53.5**	**107.5**	**102.4**	**-54.0**	**-50.2**
of which in:					
Company acquisitions	**0.0**	**29.2**	**11.5**	**-29.2**	**<-100**
At-equity investments	**1.0**	**0.0**	**0.0**	**1.0**	**-**
Intangible assets	**8.4**	**11.0**	**12.0**	**-2.6**	**-23.6**
Property, plant, and equipment	**44.1**	**67.3**	**78.9**	**-23.2**	**-34.5**
of which in:					
Land and buildings	2.9	7.1	4.3	-4.2	-59.2
Technical equipment and machinery	13.7	27.5	26.6	-13.8	-50.2
Other equipment, factory and office equipment	10.9	16.6	19.9	-5.7	-34.3
Advance payments and facilities under construction	16.6	16.1	28.1	0.5	3.1
Depreciation/amortization (without right-of-use assets/leases)*	**-110.7**	**-91.5**	**-83.7**	**-19.2**	**-21.0**

* This table does not include amortization of right-of-use assets/leases totaling EUR 21.9 million (previous year: EUR 16.3 million)

Investments in the reporting year were -50.2% lower than in the previous year and amounted to EUR 53.5 million. Of this, EUR 44.1 million was invested in property, plant, and equipment (-34.5%), EUR 8.4 million in intangible assets (-23.6%) and EUR 1.0 million in at-equity investments.

Investments in intangible assets registered a reduction of EUR 2.6 million to EUR 8.4 million. This is mainly due to the introduction of ERP systems and capitalization of development costs.

Investments in property, plant, and equipment continued to be the focal point of investments. These remain at a high level despite a deliberate reduction of EUR 23.2 million due to the coronavirus. 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 diverse range of individual measures.

In 2020, there were some major specific investments in technical equipment, in particular at the series suppliers in the Automotive Technology segment in preparation for new series ramp-ups.

Advance payments increased slightly by EUR 0.5 million to EUR 16.6 million.

Depreciation/amortization was EUR 110.7 million compared to EUR 91.5 million in the previous year and thus increased by EUR 19.2 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 2020 to 2019	
	2020	2019	2018	absolute	in %
Sales	**6.1**	**5.9**	**5.8**	**0.2**	**3.4**
Other operating income	1.6	19.4	4.8	-17.8	-91.8
Personnel expenses	-6.0	-6.6	-6.7	0.6	9.1
Other operating expenses	-11.7	-8.0	-9.1	-3.7	-46.3
Income from investments	69.2	85.6	77.5	-16.4	-19.2
Income from loans of financial assets	42.8	58.7	51.5	-15.9	-27.1
Other interest and similar income	11.4	9.8	8.5	1.6	16.3
Depreciation and amortization of property plant, and equipment and intangible assets	-0.6	-0.6	-0.6	0.0	0.0
Impairments of financial investments	-51.3	-55.2	-27.7	3.9	7.1
Expenses from loss absorption	-5.1	-11.7	-6.7	6.6	56.4
Interest and similar expenses	-11.8	-10.7	-10.7	-1.1	-10.3
Earnings before taxes	**44.6**	**86.6**	**86.6**	**-42.0**	**-48.5**
Taxes	-9.8	-8.7	-12.1	-1.1	-12.6
Net income	**34.8**	**77.9**	**74.5**	**-43.1**	**-55.3**
Profit carried forward	1.0	1.7	1.8	-0.7	-41.2
Balance sheet profit	**35.8**	**79.6**	**76.3**	**-43.8**	**-55.0**

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 and impairments of financial investments.

Revenues comprise the services provided by the company for portfolio companies. At EUR 6.1 million, they were EUR 0.2 million higher than the previous year's figure.

Other operating income decreased by EUR 17.8 million to EUR 1.6 million. In the previous year, appreciation of financial investments of EUR 17.4 million was recognized. No appreciation took place in the reporting year. The appreciation related to reversals of impairments of financial assets in previous years. These are possible up to the level of the original acquisition cost but not beyond this.

Personnel expenses fell from EUR 6.6 million in 2019 to EUR 6.0 million in the reporting year. This was caused by the lower expenses for variable compensation paid to the Board of Management.

The EUR 3.7 million increase in other operating expenses to EUR 11.7 million is almost exclusively due to the disposal loss from the disposal of KIEBACK GmbH & Co. KG.

The income from investments fell from EUR 85.6 million to EUR 69.2 million due to the financial performance in the financial year. At the same time, income from loans of financial assets fell by EUR 15.9 million to EUR 42.8 million. Interest income arises largely from interest expenses charged on by the holding company to the portfolio companies and, at EUR 11.4 million, was slightly higher than the previous year, rising by EUR 1.6 million.

Impairments of financial investments relate to write-downs of shares in affiliated companies amounting to EUR 51.3 million (previous year: EUR 55.2 million). These arose as a result of impairment testing carrying amounts of the portfolio companies and largely concerned the Metals Technology segment (previous year: Automotive Technology). Expenses from loss absorption came to EUR 5.1 million (previous year: EUR 11.7 million) and primarily related to losses in the Metals Technology segment (previous year: Basic Automotive Technology and Metals Technology).

Interest expense increased by EUR 1.1 million to EUR 11.8 million. This is partly because of the holding company's higher liquidity provisioning as part of risk management due to the pandemic.

In total, earnings before taxes were thus EUR 44.6 million, which was EUR 42.0 million below the previous year's level.

Tax expenses for the financial year amounted to EUR 9.8 million, EUR 1.1 million more than in the previous year. Current taxes decreased by EUR 3.3 million compared to the previous year. The increase results exclusively from the rise in deferred taxes (+4.4 million EUR). This increase was mainly due to differences between book values under commercial law and capital accounts for tax purposes, including supplementary tax balance sheets for partnerships.

Net income amounted to EUR 34.8 million, EUR 43.1 million lower than in the previous year.

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

	Dec. 31, 2020	Dec. 31, 2019
ASSETS		
Intangible assets	0.2	0.3
Property, plant and equipment	8.9	9.4
Financial investments	1,163.1	1,153.3
Fixed assets	**1,172.2**	**1,163.0**
Receivables and other assets	423.8	415.4
Cash on hand and bank balances	53.4	14.0
Current assets	**477.2**	**429.4**
Prepaid expenses	0.7	0.6
Total assets	**1,650.1**	**1,593.0**
EQUITY AND LIABILITIES		
Equity	950.0	934.7
Provisions	2.9	2.9
Liabilities	645.2	608.7
Deferred tax liabilities	52.0	46.7
Total equity and liabilities	**1,650.1**	**1,593.0**

The holding company’s statement of financial position reflects on the asset side the carrying amounts of the portfolio companies along with long- and short-term loans to the portfolio companies. Total assets of INDUS Holding AG increased by EUR 57.1 million during the financial year and amounted to EUR 1,650.1 million as of December 31, 2020. The increase in fixed assets of EUR 9.2 million is due not only to the acquisition of shares in M+P and PEISELER but also to impairments of financial assets and additions in the area of loans to the portfolio companies.

Current assets increased by EUR 47.8 million to EUR 477.2 million. This is largely due to the EUR 39.4 million increase in cash and cash equivalents to EUR 53.4 million.

The equity of INDUS Holding AG increased in the reporting period by EUR 15.3 million to EUR 950.0 million. The equity ratio as of December 31, 2020, amounted to 57.6% and was thus slightly below the equity ratio as of December 31, 2019 (58.7%). Liabilities amounted to EUR 645.2 million as of December 31, 2020, and thus increased by EUR 36.5 million compared to December 31, 2019. The increase in liabilities is connected with the significantly higher level of cash and cash equivalents as of the reporting date.

INDUS Holding AG employed a total of 34 employees, not including the Board of Management, as of December 31, 2020 (previous year: 33 employees).

Post-balance Sheet Events

With effect as of January 4, 2021, INDUS Holding AG acquired all the shares in JST Jungmann Systemtechnik GmbH & Co. KG, Buxtehude.

There are no other events after the reporting date that have particular significance for the INDUS Group.

Further Legal Information

Compensation Report

Preliminary Remarks

The Compensation Report describes the principles underlying the system by which the members of the Board of Management of INDUS Holding AG are compensated, and it explains the structure and amount of the individual members' income. The report also contains the particulars of the principles and the amount of compensation paid to members of the Supervisory Board.

The Compensation Report covers the applicable provisions of the German Commercial Code (HGB), the German Accounting Standards (DRS 17), the laws governing disclosure and appropriateness of the compensation paid to Board of Management members (VorstAG, VorstOG) and the principles of the German Corporate Governance Code (GCGC), as amended on December 16, 2019. The tables reporting the individualized compensation paid to the Board of Management were formed on the basis of the tables recommended by the German Corporate Governance Code, as amended on February 7, 2017. The new regulations of the German Stock Corporation Act (AktG) on the Compensation Report pursuant to Section 162 AktG will not be applied early. The INDUS Supervisory Board decided on a new compensation system for the members of the Board of Management in December 2020. The new system came into force on January 1, 2021. The goal is to implement the changed statutory regulations regarding the remuneration of the Board of Management in accordance with the German Act Implementing the Second Shareholder Rights Directive (ARUG II). Implementation of the Second EU Shareholder Rights Directive (ARUG II). The system also takes into account the recommendations of the government commission for the German Corporate Governance Code in the version dated December 16, 2019 – announced in the German Federal Gazette on March 20, 2020. This new Board of Management compensation system will be presented to the Annual Shareholders' Meeting for approval on May 26, 2021.

Board of Management Compensation

The compensation system for 2020 is presented in this report; it was last reviewed by the Supervisory Board in 2009 and last presented at the 2010 Annual Shareholders' Meeting. In accordance with legal requirements, the compensation system consists of three elements: fixed salary, short-term incentives and long-term incentives. When targets have been met in their entirety, variable components always account for more than 40% of compensation; components with a multi-year measurement base and short-term variable components are weighted accordingly. A sustainability component was introduced for the first time in the 2016 financial year.

The short-term incentive is based on earnings before taxes and interest (consolidated EBIT before impairment of goodwill). The target is set annually as part of the corporate planning process with the Supervisory Board. If the target is attained in full (100%), the bonus factor is likewise 100%. If the target attainment is less than 50%, the resulting value for the bonus factor is 0. If it is between 50% and 125%, the bonus factor is twice the degree in excess of 50% to which the target is attained. A cap (maximum upper limit) applies at target attainments from 125%.

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

BOARD OF MANAGEMENT COMPENSATION – GRANTED BENEFITS

	Dr. Johannes Schmidt Chairman of the Board (since July 1, 2018, Board of Management member since 2006)				Dr. Jörn Großmann Board of Management (since 2019)			
	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Fixed salary	540	540	540	540	340	340	340	340
Ancillary benefits	25	18	18	18	20	30	30	30
Total	**565**	**558**	**558**	**558**	**360**	**370**	**370**	**370**
One-year variable component of the compensation	230	230	0	345	170	170	0	255
Multi-year variable component of the compensation								
2019 tranche*	140	0	0	0	70	0	0	0
2020 tranche**	0	140	0	280	0	70	0	140
Total	**370**	**370**	**0**	**625**	**240**	**240**	**0**	**395**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**935**	**928**	**558**	**1,183**	**600**	**610**	**370**	**765**

* 2019 tranche: stock appreciation rights (Jan. 1, 2019–Dec. 31, 2024)
** 2020 tranche: stock appreciation rights (Jan. 1, 2020–Dec. 31, 2025)

increase of 12% during the vesting period). There is an upper limit (cap) on payment of 200% of the contractually agreed target.

In financial year 2020, 55,031 SARs were granted (previous year: 69,060). On the date on which they were granted, the total fair value of the SARs was EUR 350 thousand (previous year: EUR 350 thousand). The fair value of previously granted SARs was calculated at a total of EUR 976 thousand on the reporting date (previous year: EUR 636 thousand). A provision in this amount was formed in the annual financial statements. This addition for the financial

BOARD OF MANAGEMENT COMPENSATION – AMOUNTS RECEIVED IN REPORTING YEAR (in EUR '000)

	Dr. Johannes Schmidt Chairman of the Board (since July 1, 2018, Board of Management member since 2006)		Dr. Jörn Großmann Board of Management (since 2019)		Axel Meyer Board of Management (since 2017)		Rudolf Weichert Board of Management (since 2012)	
	2019	2020	2019	2020	2019	2020	2019	2020
Fixed salary	540	540	340	340	340	353	390	390
Ancillary benefits	25	18	20	30	18	18	32	31
Total	**565**	**558**	**360**	**370**	**358**	**371**	**422**	**421**
One-year variable component of the compensation	155	134	68	98	120	98	120	98
Multi-year variable component of the compensation	0	0	0	0	0	0	0	0
Tranche 2015*	118	0	0	0	0	0	107	0
Tranche 2016**	0	0	0	0	0	0	0	0
Total	**273**	**134**	**68**	**98**	**120**	**98**	**227**	**98**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**838**	**692**	**428**	**468**	**478**	**469**	**649**	**519**

* 2015 tranche: stock appreciation rights (Jan. 1, 2015–Dec. 31, 2020)
** 2016 tranche: stock appreciation rights (Jan. 1, 2016–Dec. 31, 2021)

(in EUR '000)

Axel Meyer Board of Management (since 2017)				Rudolf Weichert Board of Management (since 2012)			
2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
340	353	353	353	390	390	390	390
18	18	18	18	32	31	31	31
358	**371**	**371**	**371**	**422**	**421**	**421**	**421**
170	170	0	255	170	170	0	255
70	0	0	0	70	0	0	0
0	70	0	140	0	70	0	140
240	**240**	**0**	**395**	**240**	**240**	**0**	**395**
0	0	0	0	0	0	0	0
598	**611**	**371**	**766**	**662**	**661**	**421**	**816**

year, before discount, is recognized with an amount of EUR 386 thousand in the personnel expenses item. A reversal of EUR 46 thousand is included in other operating income (previous year: EUR 17 thousand in other operating income and EUR 676 thousand in personnel expenses). Payments on stock options amounting to EUR 0 thousand were made during the financial year (previous year: EUR 494 thousand).

Fair value calculation is based on an option-price model of Black/Scholes and reasonable volatility on the part of INDUS, along with a risk-free interest rate that takes the capping of payment claims into account. For the 2019 and 2020 financial years, Board of Management compensation was reported in individualized form on the basis of the standard tables recommended by the German Corporate Governance Code, as amended on February 7, 2017.

Ancillary benefits include taxable non-cash benefits, primarily the provision of a company car. Pension rights were acquired by a former member of the Board of Management through a deferred salary plan; the rights are covered by reinsurance policies of corresponding value.

In accordance with the recommendation in item G.1 of the German Corporate Governance Code, as amended on December 16, 2019, the Board of Management's compensation is to include upper limits overall and in regard to variable remuneration. The maximum compensation for the Board of Management can be found in the table "Granted Benefits."

Supervisory Board Compensation

Further information on the meetings of the Supervisory Board can be found in the "Report of the Supervisory Board" starting on p. 10

Supervisory Board compensation is governed by Section 16 (1) and (2) of the Articles of Incorporation. Under the Articles of Incorporation, every member of the Supervisory Board receives a basic payment of EUR 30 thousand for serving on the SUPERVISORY BOARD, an attendance fee of EUR 3 thousand per meeting, fixed compensation of EUR 5 thousand for serving on Supervisory Board committees (except mediation committee), plus reimbursement of out-of-pocket expenses. The same applies to telephone and video conferences. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. The chairman of the committee receives twice the basic committee amount. Supervisory Board members who do not serve for the entire financial year receive pro rata compensation. This also applies to pro rata membership in committees. As in previous years, no loans or advances were granted to Supervisory Board members, nor any liabilities assumed on their behalf.

There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. Total compensation paid to Supervisory Board members in the 2020 financial year was EUR 751 thousand (previous year: EUR 667 thousand). No Supervisory Board member received any compensation in the financial year or the previous year for consultancy services personally provided to Group companies. Offices that members of the Board of Management and Supervisory Board held in legally stipulated Supervisory Boards or comparable supervisory bodies in domestic and foreign commercial enterprises are disclosed in the Notes to the Consolidated Financial Statements under item [37]. See the Notes for related party disclosures.

Supervisory Board members received compensation as follows in the year under review:

SUPERVISORY BOARD COMPENSATION (in EUR '000)

	Fixed component of the compensation		Attendance fee		Total	
	2019	2020	2019	2020	2019	2020
Jürgen Abromeit	80	80	30	42	110	122
Dr. Jürgen Allerkamp	35	35	12	21	47	56
Dr. Dorothee Becker	35	35	15	18	50	53
Dorothee Diehm	35	35	15	21	50	56
Pia Fischinger	30	30	16	21	46	51
Cornelia Holzberger	28	30	14	21	42	51
Gerold Klausmann	35	35	15	21	50	56
Wolfgang Lemb	50	50	20	32	70	82
Isabella Pfaller	45	45	16	21	61	66
Sergej Schönhals	2	0	0	0	2	0
Helmut Späth	30	30	16	21	46	51
Uwe Trinogga	30	30	16	21	46	51
Carl Martin Welcker	35	35	12	21	47	56
Total	**470**	**470**	**197**	**281**	**667**	**751**

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, 2020, the capital stock of INDUS Holding AG amounted in total to EUR 63,571,323.62. This is divided into 24,450,509 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 19.4% 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 8.2 of the Articles of Incorporation, the Supervisory Board may appoint one member of the Board of Management as chairman or spokesman, and another as deputy chairman.

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), the members of the INDUS Holding AG Board of Management have a special right to terminate their employment contracts within one year. In the event of a dismissal for cause, or if the Board of Management is dismissed within one year after a change of control without good cause within the meaning of Section 626 BGB, the company will pay out severance to the members of the Board of Management. The severance payment will be based on the total compensation, including all fixed and variable components and non-cash benefits. Severance payments will be made for the period up to the scheduled end date – in the case of termination for a maximum of two years and in the case of dismissal for a minimum of two years, but only to a maximum of 150% of their compensation package for two years.

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

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.

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

CONTINGENT CAPITAL

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

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

The implementation of the contingent capital increase is conditional upon:

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

AUTHORIZED CAPITAL

The Board of Management is authorized by Section 6.1, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 28, 2024, once or in several installments, by a total of up to EUR 31,785,660.51 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 12,225,254 new registered no-par-value shares (Authorized Capital 2019) and, in doing so, to set a start date for profit sharing that deviates from that set out by law, also with retroactive effect from a financial year that has already passed insofar as no resolution has been passed as yet on the profit for this financial year that has already passed. Shareholders will generally be given subscription rights. The new shares may be assumed also by one or more financial institutions chosen by the Board of Management with the obligation to offer them to the shareholders (indirect subscription rights). 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 10% of the capital stock, either at the time at which this authorization takes effect or at the time at which this authorization is exercised. Shares that were sold or issued, or are to be issued, on the basis of other authorizations during the term of this authorization, in direct application or in application mutatis mutandis of Section 186 (3) sentence 4 AktG excluding subscription rights, shall count towards this limit;
- in cases involving a capital increase through non-cash contributions, in particular for the purposes of acquiring a company, company divisions, investing in a company, or other material operating resources;
- and to grant the holders of conversion or option rights relating to shares in the company/corresponding conversion or option obligations subscription rights 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 includes shares issued or to be issued with exclusion of subscription rights owing to a different authorization during the term of this authorization.

SHARE BUY-BACKS

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

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

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

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

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

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

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

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

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

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

Opportunities and Risks

INDUS employs a professional opportunity and risk management system. It helps the management of INDUS achieve its corporate goals, especially the PARKOUR strategy program established in 2019. 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 at an early stage so that the company is able to respond appropriately and confidently. Risks sometimes need to be deliberately taken in order to be able to take advantage of opportunities at all. Risks may also arise from missed opportunities. The opportunity and risk management is a systematic process that accompanies entrepreneurial decisions to achieve targets.

Opportunity Management

Strengthening Portfolio Structure

GROWTH ACQUISITIONS

INDUS' core task will continue to be the goal-oriented development of a diverse SME portfolio. INDUS Holding AG's Board of Management regularly discusses market and technology trends and has defined growth industries for strategic development. The regular dialogue with the portfolio companies' managing directors yields further insights about market and technology opportunities. Opportunities to strengthen the portfolio structure are continuously analyzed and can be quickly implemented on the basis of secured funding and the Group's stable financial position.

COMPLEMENTARY ADDITIONS

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

Driving Innovation

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

Improving Performance

The aim of the "improving performance" initiative as part of the PARKOUR strategy program is the increased use of opportunities in operating activities. INDUS specifically promotes initiatives in the areas of business development, strategic marketing, sales, and pricing and provides help and support for the portfolio companies' processes. In production, opportunities are seen primarily in increasing production potential. There is a wide range of support services for the portfolio companies, particularly for the implementation of lean management plans.

Sustainability

The 2020 financial year was an important year for continuing INDUS' sustainability strategy. The sustainability strategy was established and revised as an independent component of the PARKOUR strategy program in order to bring new knowledge and approaches to the Group and accommodate new legal and regulatory requirements. INDUS sees considerable opportunities from the value drivers of the ESG initiatives significant to INDUS:

An increase in sales can be achieved through new "green" products. A differentiating feature could, for example, be the use of renewable raw materials in the current product range or also the use of a new technology that minimizes resource consumption during the product's service life. INDUS expects this value driver to further increase in importance in the future in connection with a progressive increase in public awareness and thus that additional sales opportunities will be generated via relevant differentiating features.

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

The Portfolio Companies' Opportunities

INDUS portfolio companies are benefiting primarily from positive macroeconomic developments in the manufacturing sector. As a result of the coronavirus crisis, the economy saw a massive downturn in Germany in the current year. Nevertheless, the circumstances also offer new opportunities for the portfolio companies. These can be found especially in the following sectors: parcel logistics, construction infrastructure in the area of expansion of fiber optic networks, increasing digitalization, and factory automation. By capitalizing on and, where necessary, further strengthening the global profiles of INDUS' portfolio companies, we can succeed in better exploiting these opportunities in the relevant markets.

Environmental protection and energy efficiency are relevant in all manufacturing industries, and will remain important issues in the future. Energy prices and environmental standards will continue to rise over the long term. For this reason, INDUS expects investment in sustainable and energy-efficient production processes to increase. INDUS believes this will result in promising opportunities, particularly for companies in the Automotive Technology, Engineering, and Metals Technology segments in the medium term.

The Construction/Infrastructure segment will continue to benefit from strong domestic demand for construction stimulated by inflation worries, a growing inclination toward investment in real estate, and continuing low interest rates.

Over the medium to long term, INDUS believes there will be consistently good growth opportunities for the Medical Engineering/Life Science segment, due to demographic changes and consistent demand for medical technologies and their ensuing life science applications. Increasing regulatory requirements, particularly as a result of the new European Medical Device Regulation, which will come into force one year later on May 26, 2021, due to the COVID-19 pandemic, provide opportunities for companies that are able to consistently satisfy these requirements.

Risk Management

Structure and Instruments

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

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

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

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

The core process of "acquisition of companies" is closely interconnected with risk management. The holding company's dedicated M&A team analyzes the opportunities and risks of an acquisition company in a balanced way on the basis of due diligence audits and prepares the decision paper for the Board of Management. The Board of Management only makes a decision after detailed analysis of the opportunities and risks presented by an acquisition, taking account of risk-bearing capacity.

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

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

Internal Control and Risk Management System (Report in Accordance With Sections 289 (4) and 315 (4) HGB)

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

The ICS is a set of principles, procedures, and measures aimed at ensuring proper accounting, which undergoes continuous optimization. The ICS is structured in such a way that the consolidated financial statements of INDUS Holding AG are prepared in 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). The ICS is structured for maximum security. Regardless of its structuring, however, the ICS cannot provide absolute assurance of the avoidance or identification of accounting errors.

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

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

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

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

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

Description of Individual Risks

The portfolio companies and INDUS Holding AG identify and assess risks locally and initially by means of a bottom-up approach. The risk manager of INDUS Holding AG assists in this process. The risks are assessed on the basis of their potential effects and the probability of their occurrence. The probability of their occurrence relates to the forecast horizon of one year. The overall assessment of the Group's risk exposure is based on an aggregation of the individual risks in each risk category. To illustrate the potential effects from the Group's perspective, the following table is based on the sum of the gross risks' expected values, i.e., initially leaving out of consideration measures that had been implemented to minimize risk.

COVID-19 Pandemic

The current coronavirus pandemic was included as a new standalone risk category in March 2020. Although there have been other epidemics in recent years, for example, SARS, MERS, EBOLA, and A/H1N1, their impact has been limited and they did not have the same global consequences. Until now, the probability of such a risk had been regarded as low and now needs to be revised. A systematic analysis of extreme risks will now regularly be part of the risk assessment. The risks resulting from the coronavirus pandemic are discussed below using the standard risk classification.

BUSINESS ENVIRONMENT AND SECTOR RISKS

The drastic measures taken to reduce the speed with which coronavirus infections are spreading have led global economic processes to become increasingly disrupted. This is compounded by the high degree of anxiety among consumers and investors and the effects it is having on consumption and investing activity. The diversity of the INDUS Group portfolio companies, both in terms of industry and geographic location, is a clear risk-minimizing advantage. INDUS assumed that significant parts of value-creating production would remain operational.

This risk materialized as a result of a drastic slump in sales in the Automotive Technology segment in particular, but also in parts of the Engineering segment and in Medical Engineering/Life Science.

Business risks (as assessed by the Board of Management)	Possible financial impact (expected value of gross risks)	Risk situation in 2021 compared with previous year
COVID-19 pandemic	significant	lower
Business environment and sector risks	significant	unchanged
Corporate strategy risks	significant	unchanged
Performance risks	significant	unchanged
Personnel risks	low	unchanged
EDP risks	low	unchanged
Financial risks	significant	slightly increased
Legal risks	significant	unchanged
Other risks	low	unchanged

Extent of the potential financial impact on consolidated income or consolidated EBIT: low (<EUR 5 million), significant (between EUR 5 and 20 million), critical (>EUR 20 million).

In the Automotive Technology segment, sales also fell drastically due to the plant closures of key customers, mainly in April and May. There was a noticeable recovery in the third quarter. At present, however, there is considerable uncertainty regarding the impact of the second lockdown starting in November.

In the Engineering segment, it is particularly those portfolio companies that participate indirectly in the performance of the automotive industry via the supply chain that are confronted with a slump in sales. As customers are proving very reluctant to invest, not only in the automotive industry, order backlogs are dwindling rapidly. As a result, there will be a delayed negative impact in 2021 until customers start showing more of a willingness to invest again.

The Medical Engineering/Life Science segment experienced a sharp drop in sales due to the immediate impact of the coronavirus pandemic. This is due, in particular, to the lower number of "standard" operations (surgery sets and endoscopes), coronavirus-related restrictions on popular sports (bandages and orthotic devices) and restrictions on travel (compression stockings). The trend in the second half of 2020 in particular suggested that things would return to normal fairly quickly in this area; however, the current second lockdown is resulting in renewed disruption, albeit to a lesser extent.

The risk-minimizing effect of INDUS' diversified portfolio has been confirmed. The Construction/Infrastructure segment, key portfolio companies in the Engineering segment and also the Metals Technology segment have only marginally been affected by the pandemic. Some companies in the Construction/Infrastructure segment have even been able to take advantage of opportunities.

PERFORMANCE RISKS

The global travel restrictions have made operations abroad (e.g., for assembly) impossible. Services cannot be performed in full and invoiced. This affects the Engineering segment in particular.

The restrictions on travel options are having an impact on the provision of services, particularly in the engineering sector. Facilities cannot be installed at customer sites and, conversely, cannot be assembled by suppliers at their own plants. Service work cannot be carried out in certain countries. This situation has more or less dragged on through the year due to the numerous lockdowns in Europe and has worsened significantly again, especially since November.

The portfolio companies managed to maintain supplies of primary materials and either replace critical suppliers or qualify replacements. In some cases, emergency stocks had to be set up, with a negative effect on working capital. Nevertheless, no major production losses due to disruptions in the pre-supply chain have been reported to date – in part thanks to the measures taken – and we do not expect any to occur, despite the ongoing lockdown.

PERSONNEL RISKS

The risks in the personnel area arise from the absence of key personnel, or even of whole departments and divisions. Infections may occur both within and outside of employees' operational areas, meaning that key internal processes can no longer function.

Protecting staff from infection is the foremost objective of all portfolio companies. This can be achieved by following the advice of the German Federal Centre for Health Education (BZgA) and the Robert Koch Institute on how to prevent infection. All portfolio companies have taken steps to maintain normal operations as far as possible. This includes physically separating individual employees and groups of employees across all departments, facilitating a high degree of home working where possible, having groups of employees work in staggered shifts, holding online meetings, avoiding visits at either customers' or company premises, etc. Many authorities have already imposed sweeping measures to protect the public from infection, e.g., by confining people to their homes, banning public gatherings and more. INDUS is convinced that these stringent measures will be effective in reducing the spread of the disease. The measures taken by the management teams of the portfolio companies have proved effective to date. The same applies to the measures taken by INDUS Holding itself. There have been no major downtimes to date. The INDUS Group did not experience any major downtimes during the summer months, which saw increased travel activity, either. Protection measures have been stepped up further due to the increased infection figures since September/October and the new lockdown since November. More use is being made of online meetings and remote working again, with external visits being avoided. Individual portfolio companies have organized rapid coronavirus tests for employees in-house. Working at a distance has now become standard practice and serves to protect employees. Despite the declining growth in infections, however, we still believe that there is a high risk of at least repeated minor outbreaks of infection at individual portfolio companies.

EDP RISKS

Maintaining operational functions is contingent on the corresponding digitalization of vital processes. Unrestricted means of communication and appropriate IT equipment are essential for this. According to information available at this moment in time, the INDUS Group companies are in good shape. No portfolio company has reported any significant disruptions to their IT or communication systems. As far as we know at present, INDUS Holding AG is able to maintain full operations for the foreseeable future, thanks to an IT environment that includes completely virtual desktops, sufficient bandwidth for its internet connections, and digital financial processes.

Current developments to date match our assessment. Based on the Group's experience to date, we believe that the risk for the 2021 financial year is also rather low, despite the second lockdown, as companies are now even better prepared than they were at the start of the coronavirus pandemic.

FINANCIAL RISKS

A number of different financial risks arise from the economic collapse. The risk of inadequate service performance leads to loss in cash receipts. Possible insolvencies of customers may mean that expected cash inflows will not be received at all. Customers unilaterally extend payment terms or demand a price reduction but yet expect capacities to be maintained. Some cash outflows are fixed and cannot be stopped without risking liability or damages. This kind of situation always carries a liquidity risk. Thanks to its solid equity base and a number of long-standing and reliable partners in the banking sector, INDUS considers itself to be in a good position. Another advantage is the broad positioning of the Group, which balances out risks. As a precaution, INDUS has increased its free liquidity to prevent any possible cash shortages. At the same time, monitoring of cash and cash equivalents has been substantially intensified in the Group. Moreover, there are additional unused credit lines available. Investments have been cut back and potential company acquisitions deferred. We have reacted quickly by putting these measures in place. Furthermore, the German Federal Government has announced an aid package for companies including liability waivers for the lending financing partners, short-time work payments and tax deferrals. The Federal Government continues to offer export credit guarantees (Hermes cover) for exports to China and other coronavirus risk areas.

INDUS has not experienced any major defaults on payments on the part of its customers to date. No liquidity risk has materialized so far. Given what is, in some cases, the significant impact of the business environment and sector risks on the INDUS Group's customers, the default risk on the customer side would still, however, appear to be higher.

As things stand at present, INDUS itself has no plans, and no need, to make use of state-subsidized financing. We are still keeping a close eye on liquidity within the Group and, as a precaution, an increased level of liquidity will be maintained over the coming months. There are no restrictions on INDUS' ability to continue to raise debt capital on favorable terms. The revolving borrowing structure and the placement of an ESG-linked promissory note loan were completed in May and September 2020, respectively, as planned.

LEGAL RISKS

Significant legal issues and risks have arisen from the COVID-19 pandemic and subsequent disruptions to performance relationships. These relate for instance to force majeure clauses, provisions on non-delivery, obligations to give notice of defects in accordance with the relevant contracts and applicable legislation in order to protect the Group companies' rights in any disputes, and in relation to the documentation of relevant events in order to assert claims for damages.

The INDUS Group's guiding principle in any COVID-19 related disruptions to the performance chain is good and direct communication with the relevant contracting partners so that any disputes can be avoided and issues arising from the global crisis can be resolved fairly. INDUS supports its portfolio companies with competent legal advice in cases where this is not possible. No legal disputes have arisen from the coronavirus pandemic for any portfolio company at the time of writing.

For the 2021 financial year, we estimate the legal risk to be rather low based on the experience within the Group to date.

VALUATION RISKS ARISING FROM RECOGNIZED GOODWILL

Due to the sometimes drastic slump in sales and revenue, an impairment test was carried out as of June 30, 2020. The future value of a portfolio company or other assets is not determined to any considerable degree by a temporary slump in sales or earnings, but rather by the ability to generate sustainable cash flows. Nevertheless, the coronavirus pandemic means that there is a higher degree of uncertainty in forecasting. Despite base interest rates that are at an all-time low, this is reflected in higher capital costs as an objective valuation yardstick. In this respect, we refer to the explanatory information in the chapter of this Annual Report entitled "Goodwill".

The resulting impairments were recognized through profit and loss in the financial statements in the second quarter.

The annual impairment test for all goodwill was performed as of September 30. Current plans were drawn up for this purpose as part of the annual budgeting and planning process. The resulting impairment loss was recognized through profit and loss. The economic consequences of the pandemic (e.g., government and corporate debt, inflation, interest rates) may impact the cost of capital rates, meaning that valuation risks may result from rising costs of capital. The sensitivity to cost of capital is presented in the notes to the consolidated financial statements in the "[18] Goodwill" chapter. The Board of Management of INDUS Holding AG is monitoring the potential impact of the coronavirus crisis on goodwill on an ongoing basis.

Irrespective of the risks relating to the COVID-19 pandemic described separately above, INDUS' business activities continue to be subject to the following risks:

Business Environment and Sector Risks

The portfolio companies' business activities are subject to the close correlation between business results and developments in the overall economic environment. 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. INDUS avoids disproportional dependency on individual sectors through a well-balanced investment portfolio diversified into five segments. The portfolio companies' high degree of specialization and strong positions within their respective niche markets reduce their industry risk and the general economic risk. However, fundamental risks arising from economic and/or sector-specific factors cannot be avoided. The automotive industry is also undergoing an enormous structural shift towards e-mobility, a shift that presents both opportunities and risks for the supplier industries.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. Currently 51.4% of total sales are generated domestically (previous year: 51.1%). The Group's business is thus still strongly affected by the state of the German economy. This regional diversification of operating activities disperses business risk for INDUS. Further internationalization will gradually de-prioritize the domestic market.

Corporate Strategy Risks

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

INDUS counters potential risks associated with inaccurate assessment of the portfolio companies' strategic positioning through its own close monitoring of markets and competitors, and by holding regular informative reviews 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, as a shareholder, has a comprehensive overview at all times of the risk situation of both individual companies and of the Group.

Performance Risks

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

The portfolio companies need raw materials and supplies sourced from various suppliers to manufacture products. Given the wide diversification of the INDUS Group's overall portfolio, procurement risks are of subordinate importance regarding their potential impact on the Group as a whole. A key strategy employed by all companies is securing the supply of important raw materials through long-term contracts. 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 of subordinate importance considering their potential impact on the Group. INDUS regularly analyzes the customer structure in the Group; there are no individual product or service groups and no individual customers that account for more than 10% of sales.

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

Personnel Risks

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

The companies of the INDUS Group conduct their human resources work independently. They are located in many different industries and regions, so that the risks of recruitment and human resources development are highly diverse. In their reports to INDUS, they record on a monthly basis their human resources capacities and plan reserves so that they may take advantage of flexibility in production and personnel costs. Qualified employees are a vital factor in the success of every portfolio company. In light of demographic developments and the currently very positive employment situation, the risk presented by a shortage of skilled employees has increased. The portfolio companies are attempting to mitigate this risk by focusing their efforts on human resources training and development, and employer branding.

EDP Risks

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

The companies in the Group are increasingly dependent on the functionality and stability of the various individual EDP systems. Malfunctions or failures would have an immediate adverse financial impact. The loss of data or know-how and data manipulation pose further risks. The companies in the Group employ, depending on their individual risk exposure, various instruments to control risk. They range from emergency and data back-up processes to the use of modern anti-virus programs and firewall software and hardware, access and entry control measures, and other preventative protection measures such as raising employee awareness and training. Measures to prevent, discover, and handle cyberattacks remain absolutely relevant.

Financial Risks

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

A widely diversified financing structure, which is spread over eight (previous year: eight) core banks, keeps the company from being dependent on individual lenders, so that at this time the bank-related default risk the company is exposed to is limited. The largest single liability represents roughly 8% of the total liability (previous year: approx. 8%). The portfolio of companies, which is intended to be long term in nature, is financed by the holding company via a revolving long-term loan. Credit protection is in place at individual subsidiary level. The agreed covenants do not appear to pose a business risk at this time. A deterioration in key financial ratios could lead to higher financing terms as a result of changed rating assessments. INDUS relies on a mix of fixed-rate and variable loans for its funding requirements, the latter of which are hedged with interest rate swaps. Due to the interest rate hedges, a change in interest rates would not impact financial position during the term of any particular loan. The nominal volume of interest rate hedges totaled EUR 198.8 million as of December 31, 2020 (previous year: EUR 236.4 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 mitigates these risks by hedging transactions using forward exchange contracts and suitable option transactions. The nominal volume of exchange rate hedges totaled EUR 10.1 million as of December 31, 2020 (previous year: EUR 2.3 million); the majority was held by the portfolio companies. Further explanation of financing matters may be found in the Notes under "Information on the Significance of Financial Instruments."

The financial risks are expected to be higher than the previous year as a result of an increased risk of bad debt losses.

Legal Risks

INDUS Holding AG and its portfolio companies are exposed to numerous legal risks. These lie primarily in the areas of competition, antitrust, foreign-trade, customs, and tax law. Risks also arise from the individual portfolio companies' operating activities, through warranty and product liability claims triggered by customer complaints. Effective contract and quality management minimizes this risk, but it cannot be eliminated completely. The holding company provides the companies in the Automotive Technology segment with consulting services to support their contract management.

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

Other Risks

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

Sustainability Risk

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

Risks Arising From Reported Goodwill

Based on its corporate strategy of pressing ahead with diversification by continuously enlarging its investment portfolio, the Group recognized EUR 380.9 million in GOODWILL (previous year: EUR 415.2 million). According to IAS 36, this must be subjected to an impairment test at least once a year. If the recoverable amount is less than the carrying amount then goodwill is subject to impairment. During the reporting year, impairment losses were recorded, primarily on goodwill, in the amount of EUR 40.6 million (previous year: EUR 16.1 million). INDUS has accounted for the goodwill risk by reporting in the statement of financial position any impairments identified through impairment testing.

Further information on goodwill can be found in Note [18] on p. 149

The goodwill recognized is spread across 45 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.

04 – CONSOLIDATED FINANCIAL STATEMENTS

For further information please refer to the Interview with the Board of Management starting on p. 5

The Board of Management's Overall Assessment

In the 2020 financial year, INDUS was able to add a new portfolio company to its portfolio and thus continue a key focus of its long-term strategy – growth through acquisitions – in the difficult year of the coronavirus pandemic. For 2021, INDUS aims to grow further through acquisitions. The emphasis will be on construction technology, measuring technology and control engineering, automation, energy and environmental technology, health, and safety technology. The Board of Management sees great growth opportunities for 2021 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 for operational excellence increase the portfolio companies' prospects in competition. Industry's structural change regarding climate protection and climate-neutral technologies will open up new market opportunities for the companies.

Opportunities arising can be taken on the basis of secured funding. Even during the pandemic year of 2020, INDUS was able to draw on sufficient, freely available funds and place its financing needs on the market without any problems. In September 2020, an ESG-linked promissory note was placed on the market for the first time.

Risks to performance in 2021 are posed in particular by economic trends. This is closely connected with the future development of the global coronavirus pandemic. We believe that the current coronavirus situation has improved slightly compared to 2020. The availability of vaccines and better testing systems and strategies create hope that the pandemic is becoming increasingly manageable and the negative influence on financial performance will diminish further in 2021.

In addition, there are still major unresolved geopolitical conflicts and situations of instability in many countries. Development in Europe is also characterized by numerous uncertainties, particularly the impact of Brexit in practice. It is the opinion of the Board of Management that these risks for INDUS have not changed substantially in the 2020 financial year.

The Group's overall risk exposure is the aggregate total of individual risks across all risk categories. To some extent, the diversified and broadly-based portfolio balances out risks within the Group.

The Board of Management has evaluated the company's overall risk exposure and explained it in the comments on the individual risks. In the financial year ended, the Board of Management identified no risks that could materially affect the Group as a going concern.

Forecast Report

Germany, Europe and the world are currently in the grip of the coronavirus crisis. Future macroeconomic development depends on the course of the pandemic and the time it takes for the situation to normalize. This forecast report takes full account of the conditions prevailing at the time of writing this report at the end of March 2021. The INDUS Group expects sales totaling EUR 1.55–1.70 billion and an operating income (EBIT) of EUR 95–110 million for 2021.

Forecast Economic Outlook

The following paragraphs on the global and German economy and the forecast for the segments are based on our knowledge at the time of writing of this report.

Global Economy: Slow Recovery Expected – High Level of Uncertainty in Forecasts

The global economy has been slowly recovering since the massive slump in spring 2020. At the same time, the ongoing COVID-19 pandemic and its impact continue to curb the global economy's potential for recovery. In view of high numbers of infections in the second wave, faltering vaccination progress, and the high risk of mutations spreading, the future course of the pandemic remains hard to predict. The resulting general uncertainty reduces the willingness of companies around the world to invest and reduces private consumption. As a result of unemployment rising sharply in some countries, global purchasing power has also been curbed. As a result, it is likely that even after the economy returns to normal, it will not be possible to return to the growth trend seen before the pandemic. For example, despite the fundamentally positive forecast for 2021, it can be assumed that reluctance to invest will continue for a prolonged period, insolvencies will increase, and new jobs in other areas will only be created slowly. In 2021, the economic institutes expect an increase in global economic output by about 6%. The EU is expected to grow by around 5%, the United States by 3–4% and China by around 9%.

There are risks associated with the long-term consequences of the pandemic: The sharp increase in government debt and simultaneous decrease in government revenues or the possibility of a wave of insolvencies with correspondingly high job losses could curb global financial performance. Particularly in emerging markets, there is also a danger of a financial crisis as a result of loan defaults. The course of the trade dispute between the United States and China or (in a weakened form) the United States and the EU remains open – even following the US election. The impact of Brexit remains equally uncertain in practice. At the same time, the availability of new vaccines could, however, also influence events more positively then currently assumed. For example, the positive purchasing managers' indices in many countries – except China – at the start of the year send a positive signal for the growth that can be expected. With a gradual end to the various pandemic-related restrictions, a clear improvement in consumer sentiment could create new stimuli for growth. In view of the varying and volatile overall situation, the uncertainty of forecasts thus remains high overall.

CHANGE IN GROSS DOMESTIC PRODUCT (GDP) (in %)

	2020 (previous year's forecast)	2020 (provisional calculation)	2021 (forecast)
Economic regions			
Global economy	2.0	-3.8	6.1
Euro area	-1.0	-7.2	4.9
Selected countries			
United States	1.5	-3.6	3.7
China	3.8	1.8	9.2
Germany	-4.5 to -8.7	-5.2	3.1

Source: Kiel Institute for the World Economy, Werte für Deutschland kalender- und saisonbereinigt (as of: Dec. 2020)

German Economy: Long-term Recovery Depends on Global Course of the Pandemic

After the second wave of infection significantly slowed the recovery of the German economy, only slow growth is expected in 2021. For example, the ifo Business Climate Index fell again slightly in January 2021. Industrial companies in particular were more pessimistic about their business expectations. However, another dramatic slump like in spring 2020 is not expected. The prospects for industry are cautiously positive overall – in view of stable foreign business overall and a slightly increasing order backlog. Nevertheless, a recovery up to the level of 2019 is not achievable in the short term. IfW Kiel forecasts economic growth of 3.1% overall. The Federation of German Industries (BDI) also thinks that the pre-crisis level cannot yet be reached again in 2021 – assuming growth of 3.5%.

As soon as the restrictions are lifted and demand normalizes, individual industries that are currently massively impacted by measures to contain the infection are likely to recover relatively quickly. At the same time, the crisis is acting as a catalyst, increasing the need for structural change in German industry. The globally low level of investment activity is also likely to continue to affect the German economy for some time to come. The general restrained approach to investments due to lost sales and profits as a result of the pandemic, the underutilization of capacity, and a high level of uncertainty are expected to continue into 2022. With respect to the forecasts, it should also be noted that unlike before the 2009 financial crisis, an economic downturn was already discernible two years prior to the pandemic. In an international context, the increase in protectionist tendencies in the last few years is also still a decisive factor for the export-oriented German economy's growth prospects.

The extensive monetary and fiscal policy support measures in Germany are helping the economy recover rapidly. However, for the long-term economic forecast, the key questions are how the pandemic can be contained internationally and how the selling markets outside of Germany will develop. A long-term upturn can only occur in an open, export-oriented economy such as Germany if infection numbers can be reduced globally and the global economy recovers. Dependence on the global pandemic situation thus remains high.

Construction Industry: Slight Weakening Expected Overall

Expectations for 2021 are cautiously positive. Although the Zentralverband des Deutschen Baugewerbes (ZDB) reported at the end of January that it still expects sales at the same level as the previous year, according to the ifo Business Climate Index of January 2021, construction companies are bracing themselves for a harder 2021. With a stable order backlog, the assessment of the current situation and the expectations for the next few months both worsened at the end of January. In housing construction, the strong upward trend is likely to weaken. The commercial construction sector was the hardest hit by the coronavirus crisis. This weakness is expected to continue in 2021 due to the reluctance to invest within the industry but also – unlike in the 2009 crisis – the impact on the service sector.

A certain reluctance by construction companies to invest also fits into this cautious assessment: Investments are primarily aimed at procuring replacements according to the ZDB survey, the focus is only occasionally also on rationalization investments. Investment intentions for the next few months generally remain at a low level in construction according to a January 2021 survey by the Association of German Chambers of Industry and Commerce (DIHK).

The coronavirus pandemic is likely to present opportunities for certain companies in the construction industry as a result of the general digitalization boost and thus the accelerated expansion of infrastructure. The moderate wage increases negotiated in the 2020 wage negotiation round will also have a positive impact in 2021. Even in the main construction sector, which has been less affected by the crisis, the focus has been on job security rather than a significant rise in pay.

Vehicle Market: Forecasts Still Uncertain

The uncertainties as a result of the COVID-19 pandemic and the structural change in the industry still remain high in the automotive market. Even though precise forecasts of unit sales are difficult, the Zentralverband Deutsches Kraftfahrzeuggewerbe (ZDK) expects a slow return to normality on the German market. Following the collapse in new car registrations in 2020 (2.9 million vehicles), 3-3.1 million new cars are expected to hit German roads in 2021.

Although automotive manufacturers and suppliers had been steadily more optimistic about their current economic situation since April 2020, their assessment of it in the ifo Business Climate Index has been more pessimistic again since December. The order backlog has been falling since the second lockdown. Production plans are slipping into negative territory. At the same time, the expectations for the next few months have improved again significantly since the end of the year. Export expectations, although continuing to be negative, are brightening. The German trade association Verband der Automobilindustrie (VDA) expects a broad-based recovery of the international markets in 2021 – even though the pre-coronavirus level will likely not yet be achieved again and a sustainable improvement of the market situation is expected to be slow in coming. Potential higher growth rates in 2021 must the assessed in light of a catch-up effect following the slump in unit sales in 2020. A 12% increase in sales is expected in Europe and a 9% increase in the United States, but the pre-crisis level will not be achieved in these markets. Only on the Chinese market are more cars expected to be sold than before the coronavirus with an increase of +8%. A recovery of 9% is forecast for the global market. Positive stimuli are expected as a result of the increasing demand for e-vehicles and hybrid vehicles but also as a result of a global trend for having your own vehicle as a protected space, in which there is no risk of infection. However, the annual figures again make the high pressure and high level of uncertainty in the sector clear: The new registrations in Germany nosedived by around 31% year-over-year. German incoming orders fell by 39% and exports by 19%. Production fell by 23%, partly due to semiconductor supply bottlenecks.

Mechanical Engineering Sector: Despite Positive Year-end Result, Uncertainty Remains High

Mechanical engineering companies are cautiously optimistic about their situation: For example, the ifo Business Climate Index has shown a positive trend in the mechanical engineering sector since July 2020. The assessment of the current business situation is steadily improving, albeit still slightly negative. Mechanical engineering companies have also been more positive about the prospects for the next few months again since December 2020 despite the second lockdown. The latest figures from the mechanical engineering industry confirm this recovery, because incoming orders in the mechanical engineering sector returned to the previous year's level for orders from both Germany and abroad in December 2020. For 2021, the trade association Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA) forecast an increase of 4% for the German market. However, a high level of uncertainty remains – mechanical engineering companies in particular have been directly affected by stricter travel and border regulations, meaning that setbacks cannot be ruled out.

The majority of mechanical engineering companies consequently do not expect to be able to achieve the pre-crisis level in the short term. According to a January survey by trade association Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA), 39% of companies surveyed expect the level of sales in 2019 not to be reached again until 2022; 18% think it will not be reached again until 2023. Only 15% expect to reach the pre-crisis level as early as 2021.

Medical Technology Sector: Changed Market and Competitive Conditions as a Result of the Coronavirus

According to a trend report by the SPECTARIS trade association, the coronavirus crisis is not only resulting in lost sales but also medium- and long-term changes in market and competitive structures. The gap between large and small enterprises is threatening to increase. Market consolidation is expected. Digital excellence is seen as a key criterion for success in opening up new markets and customer contacts. Digital sales channels, service channels and processes in particular are likely to increase in importance and the acceptance of telemedicine is likely to rise. More than one in five companies expects a fundamental change to its business model.

The German medical technology sector has a strong international focus with an export ratio of around 65%. When assessing the international selling markets, according to the German Medical Technology Association (BVMed), a shift toward the Chinese, US, and German markets is evident. The British market will be given less importance in the future in view of Brexit. Risks for exports are seen in view of global protectionist tendencies.

The existing high administrative burden and increasing regulatory requirements increase cost pressure in the industry – and at the same time undermine companies' innovativeness. 81% of the companies surveyed by BVMed see the EU Medical Device Regulation (MDR) as a great obstacle to the future development of the sector. 76% of the SPECTARIS companies surveyed in fall 2020 also expect an increase in price pressure as a result of statutory health insurance funds' falling income from contributions.

Metals Technology Sector: Pre-crisis Level Unlikely to be Reached in 2021

With uncertain prospects, it will likely be hard for companies in the metals industry to return to the pre-crisis level in the short term. In the fourth flash survey by employers' association Gesamtmetall on the effects of the coronavirus pandemic, one in two companies said that it was not possible for them to estimate when the old production level could be reached again. Only 16% of companies expected to reach the pre-crisis level again as early as 2021. 18% expected to have reached the 2019 level by as early as mid-2021. In addition to the coronavirus pandemic, a structural change is affecting the industry, which was triggered by the massive changes in the automotive industry. This uncertainty is also reflected in the ifo Business Climate Index. Following a continuous recovery since April 2020, at the start of the year the business climate worsened again for manufacturers of metal products. Business expectations for the next few months in particular have worsened again.

Expected Group Performance

PARKOUR: The INDUS Group's Strategy Program Until 2025

The aims of ensuring a balanced portfolio structure and value enhancement are at the heart of the PARKOUR strategy program.

Further information on our PARKOUR strategy program can be found in the status report on p. 19 et seq.

PARKOUR focuses on the development of the Group until 2025 and endeavors to increase the entrepreneurial fitness of the portfolio companies taking account of all the challenges of the markets. The agility and resilience of the SME portfolio companies in the INDUS Group was already demonstrated in 2020 by how they dealt with the coronavirus crisis. The PARKOUR strategy will continue in the future to focus on the targeted strengthening of the portfolio structure, driving innovations, and improving performance through operational excellence at the portfolio companies:

STRENGTHENING PORTFOLIO STRUCTURE

When it comes to growth acquisitions to complement the portfolio, INDUS particularly looks to companies in technology-driven growth industries. To ensure the right mix in the future, the Group intends to focus acquisition activities on six sectors it has identified as growth industries: automation, measuring technology and control engineering, construction and safety technology, medical engineering and life science, technology for infrastructure and logistics, and energy and environmental technology.

In the 2020 financial year, the INTERIM SPRINT package of measures to optimize the portfolio was adopted and implemented by the INDUS Board of Management. In the process, the INDUS Group's major weaknesses were successfully addressed and eliminated. The disposals of a portfolio company, a sub-subsidiary, and a division were realized, the closure of a division was completed, and the decision was made to close a portfolio company. The closure process will complete 2021. Overall, the INTERIM SPRINT package of measures was a necessary and important interim step to achieve the objectives set with the PARKOUR strategy.

INDUS continues to face up to the changes in the vehicle industry. Wide-ranging repositioning is underway to get the series suppliers ready for the emerging and promising automotive technologies. There were significant setbacks here as a result of the decrease in orders in connection with the coronavirus pandemic in the 2020 financial year. These will continue to affect INDUS in 2021 as well. Furthermore, INDUS will continue to investigate whether a different owner would be able to offer certain series suppliers and their employees better long-term development opportunities.

However, there will be no change in the fundamental corporate strategy of "buy, hold & develop."

DRIVING INNOVATION

INDUS will push ahead with the already successfully established strategy for supporting innovation ability in the portfolio companies and expand it further. In addition to product innovations, INDUS will provide portfolio companies with support for new services, business processes and business models. Up to 3% of the consolidated EBIT is made available each year to drive promising innovation projects forward. The same level of help will thus also be budgeted for 2021.

INDUS believes that innovations often come about as a result of exchange with others, and thus the existing network will be promoted internally and externally through cooperation with external partners and within the Group. Another goal is to purposefully pass know-how to the existing portfolio through the acquisition of innovative new companies.

To support the groundwork on the portfolio companies' innovation strategies, there will be an increased focus on "strategic projects" in 2021. In addition to financial incentivization by the development bank, this also requires the provision of strategic sparring for the innovation strategy in order to derive suitable innovation projects. Any strategic project is therefore based on the individual corporate strategy from which the innovation strategy is to be derived.

IMPROVING PERFORMANCE

INDUS will concentrate on improving performance at the portfolio companies by expanding operational excellence. Three strategic projects aim to improve performance: "Operational Excellence in Business Development/Strategic Marketing/Sales" and "Operational Excellence in Production" and "Financial Excellence."

The Business Development/Strategic Marketing/Sales project offers sales side support services to the portfolio companies, for instance in the areas of market development, competition analysis, sales optimization, and pricing. These measures directly target the optimization of market positioning and market cultivation and are expected to result in a sustainable improvement in income.

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

Starting points for improving performance in the portfolio companies include Group-wide liquidity management, working capital optimization in the companies, and portfolio management by INDUS. Also included is increased information and communication in relation to financial and accounting-related topics between the holding company and the portfolio companies.

Additional Activities to Promote Sustainability in the 2021 Financial Year

INDUS will further intensify its ACTIVITIES TO PROMOTE SUSTAINABLE BUSINESS PRACTICES within the holding company and its portfolio companies in the 2021 financial year. Special attention will be paid to continuing with measures to achieve the sector-wide target for a 35% reduction in CO_2 emissions by 2030 (compared to the base year 2018) set by the German federal government in its Climate Action Program 2030.

Further information can be found in our non-financial report starting on p. 23

Expectations for the Financial Year 2021

The following forecast report takes account of all known facts at the time of writing that could affect the performance of the INDUS Group. The statements about the predicted development in the economic situation and particularly about the economic development of the effects of the coronavirus pandemic are based on statements made by leading organizations, such as economic research institutes and banks.

The continuing coronavirus pandemic means the plans for 2021 are characterized by considerable uncertainty with regards to future macroeconomic development. Slight reductions in sales and decreasing EBIT are predicted for the Construction/Infrastructure segment. In the Automotive Technology segment, although sharply rising sales and EBIT are planned, this is not enough to give the segments a positive EBIT. Neither major repositioning project in the segment will generate significant growth in sales until 2022, and at present, considerable additional preliminary work still remains to be done to achieve this. The companies in the Engineering segment expect EBIT to rise and sales to rise sharply. The Medical Engineering/Life Science segment expects a rise in sales and sharply rising EBIT. Decreasing sales but a sharp increase in EBIT are predicted for the Metals Technology segment.

Overall, the forecasts for 2021 predict that sales will rise again from EUR 1.55 to 1.70 billion. Operating income (EBIT) is likely to be in a range of EUR 95 million to EUR 110 million and thus significantly above the level of 2020. These target figures do not take into account the new acquisitions that are sought at the first and second levels. The range for the EBIT margin will probably be between 5.5% and 6.5%. These forecasts were made on the basis of the assumptions described above and involve considerable uncertainty due to the ongoing coronavirus pandemic. The forecast for operating income does not include any impairment of goodwill or property, plant, and equipment.

The INDUS Group investment budget for this year was set in December 2020 and totals around EUR 81 million (excluding acquisitions). This represents a "normal" investment volume without the coronavirus pandemic. New production equipment and the establishment of new production sites are planned as large investment projects. The plan as of year-end 2020 budgets an amount of EUR 65 million for acquisitions of companies for 2021. This includes the cash outflows for JST Jungmann Systemtechnik GmbH & Co. KG, which was acquired through signature on November 17, 2020. The economic transfer, initial consolidation, and purchase price payment took place at the start of 2021. The acquisition budget for 2021 includes another acquisition at portfolio company level.

The INDUS Group's equity ratio will remain below 40% 2021 as a result of the coronavirus pandemic. In the medium term, the target is still to achieve an equity ratio of 40%. Under its revolving financing program, INDUS also expects to borrow in the form of loans and promissory note loans in 2021. In such financing matters the Group can rely on its tried and tested bank partners of many years, with whom we are in constant contact. The debt repayment term based on EBITDA is expected to improve in 2021 and again be below 3.0. The repayment term in 2021 will thus not yet return to the target range of 2.0 to 2.5 years. The 2020 figure of 3.32 years, which was shaped by the coronavirus, could lead to a rating downgrade in 2021.

FINANCIAL POSITION: SHARPLY RISING SALES AND EBIT PLANNED FOR 2021

TARGET PERFORMANCE COMPARISON

	ACTUAL 2020	TARGET 2021
GROUP		
Management variables		
Acquisitions	1 growth acquisition that was signed in 2020 and is economically effective starting in 2021.	2 growth acquisitions
Sales	EUR 1.56 billion	EUR 1.55 to 1.70 billion
EBIT	EUR 25.1 million	EUR 95 million to EUR 110 million
EBIT margin	1.6%	5.5 to 6.5%
Investments in property, plant, and equipment, and intangible assets	EUR 52.5 million	EUR 85 to 90 million
Supplementary management variables		
Equity ratio	39.1%	<40%
Net debt/EBITDA	3.3 years	<3 years
Working capital	EUR 410.5 million	above previous year
SEGMENTS		
Construction/Infrastructure		
Sales	EUR 384.0 million	slight fall in sales
EBIT	EUR 64.5 million	falling income
EBIT margin	16.8%	13 to 15%
Automotive Technology		
Sales	EUR 269.2 million	sharp rise in sales
EBIT	EUR -87.8 million	sharp rise in income
EBIT margin	-32.6%	negative
Engineering		
Sales	EUR 370.0 million	sharp rise in sales
EBIT	EUR 31.4 million	rising income
EBIT margin	8.5%	7 to 9%
Medical Engineering/Life Science		
Sales	EUR 142.1 million	sharp rise in sales
EBIT	EUR 10.2 million	sharp rise in income
EBIT margin	7.2%	7 to 9%
Metals Technology		
Sales	EUR 393.6 million	falling sales
EBIT	EUR 14.4 million	sharp rise in income
EBIT margin	3.7%	7 to 9%

The German construction industry proved to be robust in the coronavirus crisis and thus proved to be an economic support. The companies expect stable business activities overall for the next few months, albeit with a slight decreasing trend. The coronavirus pandemic is likely to present opportunities for certain companies in the construction industry as a result of the general digitalization boost and thus the accelerated expansion of infrastructure. The companies in the **Construction/Infrastructure** segment worked to their capacity limit again in 2020. The record year of 2019 was exceeded again in the past financial year. For the next year, most companies in the segment expect to move sideways at a continuing high level. However, sales and income will not be able to match the record highs of 2019 and 2020. Stable and profitable business is still expected in digital infrastructure. In this area, companies are benefiting from the expansion of the fiberglass infrastructure now underway all over the country. INDUS expects an EBIT margin in a range from 13% to 15%.

Companies in the **Automotive Technology** segment have seen very negative development since 2019. All the portfolio companies have reported significant losses due to lack of orders. As part of the INTERIM SPRINT package measures, KIEBACK was sold in 2020 to its managing director and FICHTHORN was sold to a strategic investor. The segment companies currently expect a recovery in unit sales in 2021, which began to emerge in the third and particularly in the fourth quarter of 2020. This makes up for part of the drastic slump in sales in 2020, but a recovery to the level before the coronavirus pandemic will not occur in the short term. For series suppliers, 2021 will be very challenging again because existing capacity is still not being utilized and because of the ongoing repositioning projects and the opening of new international production sites. Overall, a sharp rise in sales and operating income (EBIT) is expected in the Automotive Technology segment. However, the INDUS Board of Management also expects negative segment EBIT for another year.

The expectations of the companies in the **Engineering** segment for 2021 vary. The portfolio companies in the area of projects in traditional automation technology and machine-tool construction saw decreases in incoming orders. The coronavirus pandemic further dramatically reduced the willingness of customers to invest. In 2020, this reluctance to invest was very noticeable. A turnaround in the trend in incoming orders is not yet currently foreseeable there. The stable business performance and positive prospects for planned engineering manufacturers from the fields of logistics and metal detection is encouraging. The Board of Management expects a sharp rise in sales and a rise in operating income (EBIT) year-over-year in the segment. The EBIT margin will be between 7% and 9%.

For the **Medical Engineering/Life Science** segment – according to a trend report by the SPECTARIS trade association – the coronavirus crisis not only involves lost sales but also medium- and long-term changes in market and competitive structures. According to the report, the gap between large and small enterprises is threatening to increase and market consolidation is expected. Digital excellence is seen as a key criterion for success in opening up new markets and customer contacts. Overall, the INDUS companies in the segment again expect slight growth for the coming year. Following the initially unexpected slump in sales during the coronavirus pandemic, an increase in sales and income is expected for next year. Operating income (EBIT) is expected to rise sharply and achieve a margin in a range of 8–10%.

In the **Metals Technology** segment, most portfolio companies saw a significant slowdown of business in the first half of 2020. In some cases, business then, however, stabilized in the second half of 2020. Most segment companies expect a further normalization of business for the following year. A one-off negative impact on segment earnings in 2021 will result from the closure of BACHER, which was decided in summer 2020. Overall, the benefits from the closures will outweigh the costs in 2021. The INDUS Board of Management expects a decrease in sales and a sharp rise in operating income (EBIT) for the Metals Technology segment. The EBIT margin is expected to be in a range of 7–9%.