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NEW PATHS TO TOMORROW

Annual Report 2016
INDUS Holding AG

[INDUS]

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NEW PATHS TO TOMORROW

Some use it to expand their development opportunities. For others it is a matter of everyday business. And then there are those who need it to perpetuate their businesses when the underlying conditions have fundamentally changed. For all three groups,

INNOVATION

opens the door to the future.

Innovation is a demanding task. But the difficulties can be resolved if one remains aware of what matters: letting go, being open, make meaningful new associations. INDUS supports its portfolio companies in their efforts to set out on new paths – as a critical sparring partner, with systematic advice, and with capital.

KEY FIGURES 2016

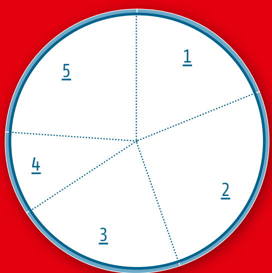
KEY FIGURES (in EUR millions)	2016	2015	2014
Sales	1,444.3	1,388.9	1,255.7
of which domestic	735.5	709.0	655.2
of which abroad	708.8	679.9	600.5
EBITDA	200.9	186.4	175.2
EBIT	144.9	136.3	127.2
EBT	123.4	109.3	100.7
Group net income for the year (earnings after tax)	80.4	68.3	63.3
Operating cash flow	137.9	157.3	104.4
Cash flow from operating activities	114.6	130.9	87.0
Cash flow from investing activities	-104.5	-112.8	-95.3
Cash flow from financing activities	-14.9	-3.1	8.2
Earnings per share (in EUR)	3.27	2.78	2.74
Cash flow per share (in EUR)	4.69	5.36	4.34
Dividend per share (in EUR)	1.35*	1.20	1.20
	DEC. 31, 2016	DEC. 31, 2015	DEC. 31, 2014
Total assets	1,521.6	1,419.8	1,308.4
Group equity	644.6	595.4	549.9
Net debt	376.6	356.3	345.8
Cash and cash equivalents	127.2	132.2	116.5
Equity ratio in %	42.4	41.9	42.0
Equity of INDUS Holding AG	806.9	761.2	722.2
Equity ratio INDUS Holding AG (in %)	59.3	59.7	60.3
Investments (number as per Dec. 31)	44	44	42

* Subject to approval at ASM on May 24, 2017

FURTHER INFORMATION:

SALES
EBIT
EBIT MARGIN
EQUITY RATIO

2016 SALES BY SEGMENTS (in EUR millions)



1 CONSTRUCTION/INFRASTRUCTURE
274.5 (19.0 %)

2 AUTOMOTIVE TECHNOLOGY
372.2 (25.8 %)

3 ENGINEERING
305.9 (21.2 %)

4 MEDICAL ENGINEERING/ LIFE SCIENCE
147.0 (10.2 %)

5 METALS TECHNOLOGY
344.4 (23.8 %)

PROFILE

INDUS is the leading specialist in sustainable corporate investment and development in the medium-sized company sector of the German-speaking countries. We acquire mainly owner-managed companies and support them with long-term guidance regarding their entrepreneurial development. Our subsidiaries are characterized in particular by their strong showing in specialized niche markets. As a growth-oriented financial investor, we ensure that our companies retain the identity and special strengths that are inherent in their medium-sized status.

OUR GOALS

A BALANCED PORTFOLIO OF FUTURE-ORIENTED BUSINESSES

VALUE DEVELOPMENT

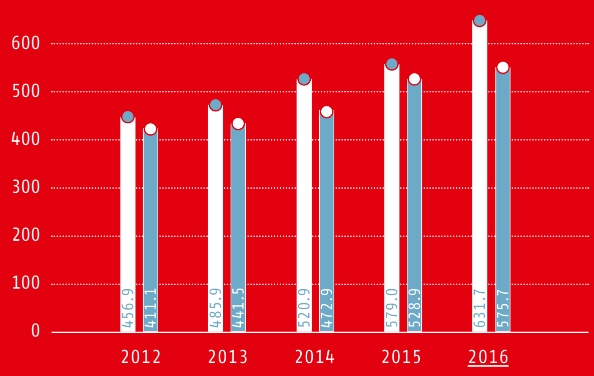
GROWTH

AUDIO: SUSTAINABILITY AT INDUS

VALUE CREATION

CORPORATE PERFORMANCE (in EUR million)	2016	2015
Sales revenue	1,444.3	1,388.9
Other operating income	20.2	19.9
Own work capitalized	6.2	5.7
Changes in inventory	11.1	7.0
Results based on shares valued at equity	1.0	0.7
Financial results	0.5	0.2
Interest income	0.5	0.6
Business performance	1,483.8	1,423.0

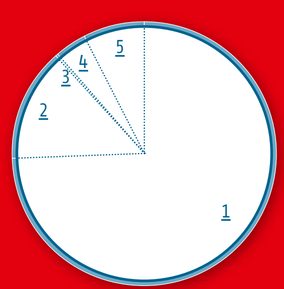
DEVELOPMENT VALUE CREATION (in EUR million)



Gross added value   Net added value

ADDED VALUE (in EUR million)	2016	2015
Business performance	1,483.8	1,423.0
Material expenditure	-648.7	-651.6
Other operating expenditure	-203.5	-192.5
Gross added value	**631.7**	**579.0**
Depreciation	-56.0	-50.1
Net added value	**575.7**	**528.9**

UTILIZATION OF NET ADDED VALUE IN 2016 (in % / EUR million)



1 EMPLOYEES
74.7 / 430.2

2 SHAREHOLDERS*
13.9 / 80.0

3 OTHER SHAREHOLDERS
0.1 / 0.4

4 LENDERS
3.8 / 22.1

5 THE STATE
7.5 / 43.0

* Distribution of profits and retained earnings

CONTENTS

NEW PATHS TO TOMORROW

NEW QUESTIONS

CAN YOUR STOCKING TALK?

DR. HARTWIG FRINKE
CEO of OFA Bamberg Group

–

RAINER KLIEWE
Business Unit Manager Pharmacy, Bamberg

–

ROB MÜLLER
CEO of NEA International, Maastricht

VIDEO:
THE OFA GROUP'S
INNOVATION TEAM
IS LOOKING FOR NEW
PRODUCT SOLUTIONS.

The digital transformation is creating numerous opportunities for INDUS's portfolio companies. The companies can, for example, combine "information" with their products as an additional service, thereby delivering added value to their customers. For some, the transformation is even opening the door to entirely new market segments. OFA, a specialist in compression garments, is considering, for example, how new categories of benefits might be accessed in the future through a connection to the digital world. And the Munich-based glove box system provider M. BRAUN has already entered the next stage of development with its product app.

DIGITAL NETWORKING – THE KEY TO A NEW MEANS OF VALUE CREATION

"The industrial core of Germany and Europe is on the threshold of a fundamental change." With this sentence Charles-Edouard Bouée, CEO of Roland Berger Strategy Consultants, summed up the results of the study his advisors had compiled in early 2015 on the topic of the "digital transformation of industry".

Two years have elapsed since then, and it is easy to see that these words, for all their drama, were not an exaggeration. Digital acceleration is sweeping through the economy. Not in all sectors yet, nor equally within each sector. But the experts also predicted that the transformation would come to the industries in waves. Swept up in the first wave are the automotive industry and logistics. Engineering and medical engineering will follow gradually later on (see chart on the right page below).

Whether this transformation poses a danger or affords an opportunity for the industries and the companies operating in them depends on how determined they are to adapt to the new conditions. The economic implications of the possible scenarios have been captured in figures by Roland Berger Strategy Consultants. In the negative scenario, the EU-17 countries are faced with a potential loss of EUR 605 billion by 2025. In the positive scenario, Germany alone could realize EUR 425 billion in additional value creation in this period. In 2025 alone, European industry could generate an additional EUR 250 billion. It would, however, have to invest EUR 35 billion in the digital transformation of the "industrial heartland". In plain language this means that those who want to have the opportunity to take part in the future value creation must be willing to invest in innovation.

DECEPTIVE SENSE OF RELAXATION

Given all this economic potential, it should be an easy choice for companies to venture into the networked world. Things are often different in practice for a simple reason: digital networking often forces companies to question their business models and ultimately to fundamentally change them. That is costly. Added to that is the fact that many companies do not recognize how urgent the need for action is. Especially when everyday business operations are still functioning.

The rapid upheavals in other sectors, such as in the banking sector for example, show that this sense of relaxation would be illusory. For this reason many of the INDUS companies have in the meantime put the opportunities arising from digital transformation on their agendas.

OFA: WE HAVE OPENED THE DOOR TO THE MODERN AGE

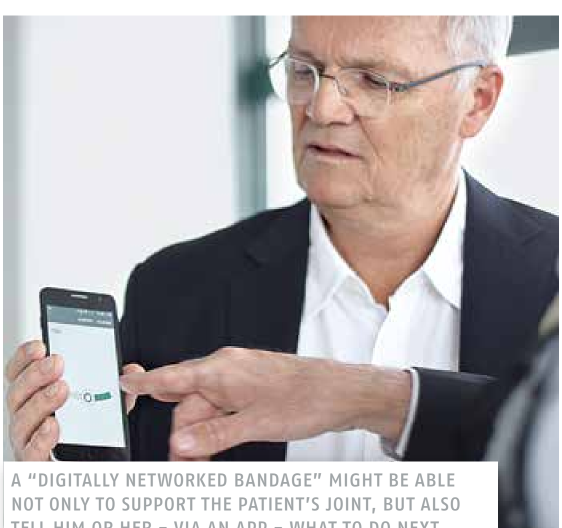
One INDUS portfolio company that regularly addresses the topic of "new paths to growth" is OFA in the Upper Franconian town of Bamberg. A producer of medical compression garments, bandages and orthotics, it has successfully used the past several years to pull its products out of the seniors' aisle and stylishly revitalize them. It is no longer the case that compression garments are worn only by old people or out of pure medical necessity. Ever younger people are using them, for pain prevention (aboard aircraft or on long trips, for example) or for support during sports activities (such as running or team sports). Nowadays OFA offers its customers, through retail shops and pharmacies, a wide-ranging palette of modern products many of which no longer even look like compression garments or bandages.

OFA produces made-to-measure products as well. A 3-D scan delivers the individual measurements for the order

* EU-15 COUNTRIES ALONG WITH TURKEY AND NORWAY

AN IN-HOUSE INNOVATION TEAM IS CONSIDERING HOW THE OFA GROUP IS MOST LIKELY TO SUCCEED IN ITS FURTHER DEVELOPMENT, WITH THE HELP OF DIGITALIZED PROCESSES.

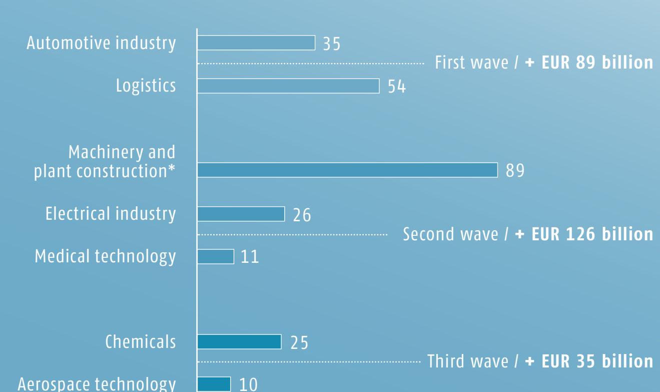
TOP ATHLETES MAKE IT HAPPEN. WE SEE INCREASINGLY ATHLETES, LIKE THESE TRIATHLETES PER BITTNER AND YVONNE VAN VLERKEN, IN COMPRESSION STOCKINGS.



A “DIGITALLY NETWORKED BANDAGE” MIGHT BE ABLE NOT ONLY TO SUPPORT THE PATIENT’S JOINT, BUT ALSO TELL HIM OR HER – VIA AN APP – WHAT TO DO NEXT.

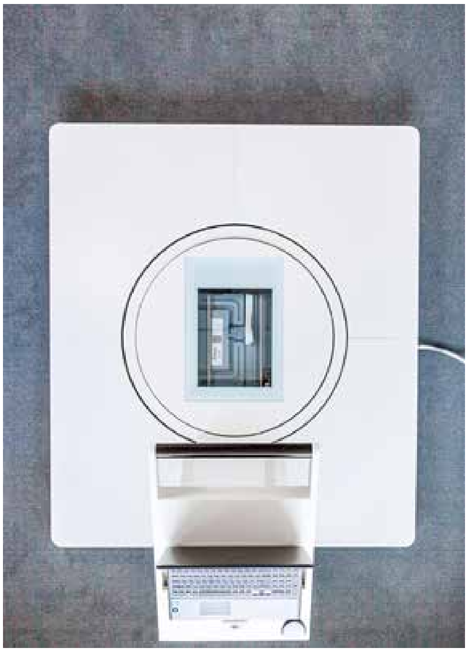
DIGITAL TRANSFORMATION PROMISES TO OPEN UP EUR 250 BILLION OF EXTRA ADDED VALUE POTENTIAL FOR EUROPEAN INDUSTRY EVERY YEAR.

EXTRA ADDED VALUE POTENTIAL IN THE YEAR 2025 – SECTOR OVERVIEW (IN EUR BILLION)



* Including Energy technology

Source: Roland Berger



THE OFA 3D SCAN PERMITS CUSTOMIZED PRODUCT MANUFACTURE

"I AM CONVINCED THAT, WITH ITS TECHNOLOGICAL ADVANCEMENT, NEA WILL REALLY BE ABLE TO SUPPORT OFA."

Rob Müller

to a knitting computer that creates the product precisely to measure. And it does so competitively and "Made in Germany". OFA has already taken huge strides in the digitalization of its business processes. When the company took over a production facility in Glachau, Saxony in 2015 with the aid of funds from INDUS, it immediately developed that facility for future viability.

THAT'S TODAY, BUT WHAT WILL TOMORROW BRING?

Everyone is talking about "wearables", and competition in the market for medical products is stiff. OFA is therefore already giving thought to how the company can secure its edge tomorrow and beyond with added value – not only by further developing its existing range of products, but also with forms of products that do not yet exist.

In this regard it is to the benefit of the Bamberg-based company that it acquired, likewise with assistance from INDUS, the Dutch company NEA International b. v. in 2015. With its premium orthopedic bandages and orthotics, this former sales partner not only rounds out OFA's product range but also brings to the OFA group extensive capabilities for technical innovation.

For NEA managing director Rob Müller, realizing the potential of new developments on a regular and continual basis is a matter of everyday business. "That innovation is our program, so to speak, is expressed by the very name of our company, NEA. And I am convinced that the forward thrust of our operations will enable us to support the OFA group very well." Not surprisingly, the Dutchman has become an avid and passionate member of the working group formed by OFA managing director Dr. Hartwig Frinke for the purpose of realizing the potential of innovations.

Not all ideas are going to become a reality overnight. But many of them have the right stuff – in some cases because they are already being used in comparable application areas. A case in point is the idea of a "talking stocking". "If it's already a part of everyday life to have a chip in a running shoe that tells the runner how fast and far he has run, or a wristband that tells him how high his pulse was, then it should be possible to prepare a stocking that can send its wearer important health or usage information through an app."

Messages such as "Please order a new bandage through your physician; functionality is decreasing" or "Your muscles' contraction values are in the critical range; please reduce your exertions" may still be the stuff of dreams for users of OFA products. But the competition never sleeps. And often it is the customers personally who are pushing companies to quicken the pace of their development efforts. For OFA it is all the more important that it stay abreast of the new opportunities and deal with them early on – regardless of how remote they may sometimes seem.

M. BRAUN: EN ROUTE TO THE "NEXT-LEVEL MY MBRAUN APP"

M. BRAUN, a company based in the Bavarian town of Garching, has already succeeded in networking its product with an app. The company produces and sells glove box systems all over the world. These devices create controlled atmospheres for experiments and production processes in university laboratories, research laboratories and high-tech production facilities. Hence they are an important tool for researchers who need to know the condition of their experimental systems and the current state of their experiments at all times and wherever they may happen to be.

M. BRAUN has therefore endowed its glove boxes with the gift of speech by means of the myMBRAUN app. This app keeps the user informed at all times, through his smart phone or tablet, of the key system parameters and any problems that may arise.

While the app has been successfully introduced, M. BRAUN is already thinking about tomorrow. What additional customer benefits could be generated through the myMBRAUN app? How might customer retention be increased with the aid of the app? According to managing director Dr. Thomas Bultmann, "With broad use of the app, users get a stable database of the system's typical operating states. We are working on enabling our customers to use the myMBRAUN app in the future to keep better track of the economic aspects when maintaining their systems."

THE PRESSURE TO DEVELOP EMANATES FROM VARIOUS MARKETS SIMULTANEOUSLY FOR GLOBAL PLAYER M. BRAUN.

No matter what the companies in the INDUS Group may be planning to achieve the next level of development, INDUS expressly supports their ambitions.

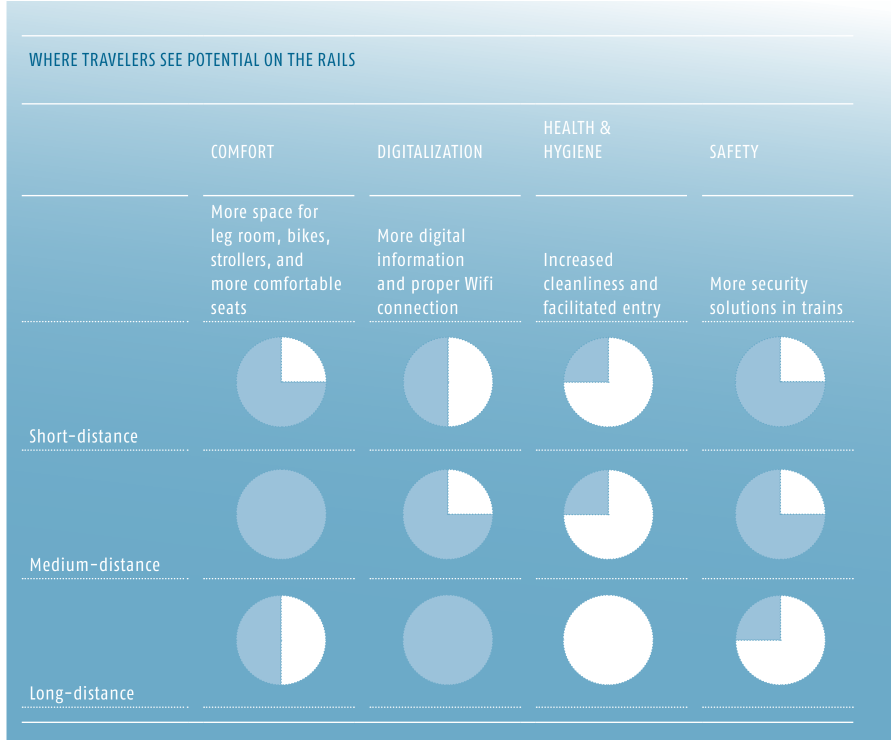
NEA IS CURRENTLY DEVELOPING A SMART KNEE BANDAGE UNDER ITS "SMART BRACE" BRAND. THIS ALLOWS FOR A CUSTOMIZED PROGRAM FOR POST-OPERATIVE TRAINING OF THE KNEE JOINT, WHILE THE PATIENT RECEIVES ADDITIONAL TRAINING INSTRUCTIONS VIA THE APP.

A NEW ANGLE

WHAT WILL RAIL TRAVEL BE LIKE TOMORROW?

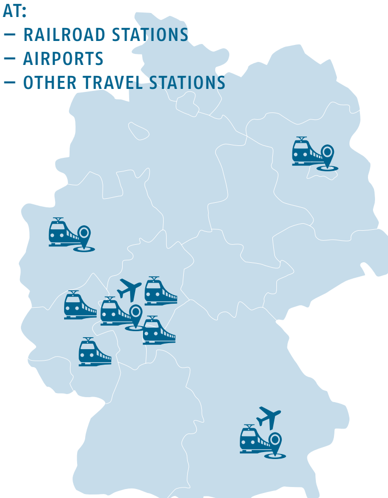
ERIKA DORDEVIC
Student at EBS, Bogotá (Colombia)
–
MARTIN HEUSCHKEL
CEO of BACHER AG, Reinach (Switzerland)

VIDEO:
STUDENTS OF
THE EBS BUSINESS
SCHOOL DISCUSS
THEIR PROJECT
EXPERIENCES.



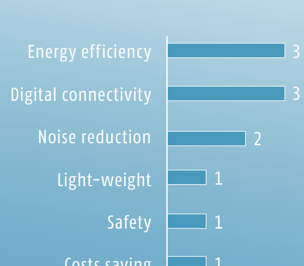
Interviews in 5 German States

AT:
- RAILROAD STATIONS
- AIRPORTS
- OTHER TRAVEL STATIONS



Fields of Innovation from the Manufacturers' Perspective

N=8; MULTIPLE ANSWERS PERMITTED



BACHER OFFERS TAILORED AIR-CONDITIONING SOLUTIONS DESIGNED TO DELIVER THE ULTIMATE IN TRAVEL COMFORT

In their efforts to improve their products and services, the INDUS companies are also taking advantage of cooperative relationships with institutions of higher learning. One example of this is BACHER. A manufacturer of components for rail vehicles, it completed, in cooperation with the EBS Business School in Oestrich-Winkel, a field study in which students researched in depth the expectations people have of the future of travel. The results have provided BACHER with valuable findings that can be applied to the development of new solutions.

BACHER is located in the town of Reinach in the canton of Basel, Switzerland. With its 140 employees, the company develops and manufactures elements for train interiors. It specializes in particular in entire ceiling systems that include air ventilation ducts and lighting. But the Swiss equipment specialist regularly includes other matters on its agenda, such as, for example, the tables that are installed in passenger compartments. The central questions is always, how can rail travel be made more comfortable?

With increasing mobility, the subject of travel comfort is becoming ever more important. Being in transit somewhere has long since become a fixed aspect of daily life. We commute daily between home and the workplace, set out regularly on business trips to customers, and drop in on our friends on the weekend. The increasing speed of our means of transportation will further extend our mobility radius in the future. And it will reduce the time distance to our destinations as it does so, making the decision to travel a considerably easier one to make.

THE APPROACH: THE CUSTOMERS KNOW BEST WHAT THEY WANT

The market for railroad suppliers is competitive, and new developments cost money. For this reason BACHER is all the more eager to apply its innovations in the right places. The results of the two projects that BACHER carried out in cooperation with the EBS Business School – a cooperative arrangement enabled by the INDUS network – is helping it do just that.

In two interconnected field studies, EBS masters students conducted numerous interviews with the objective of becoming acquainted with current customer needs and identifying future trends. In conversations with travelers, railroad personnel and industry experts, the students were able to analyze in a first field study the central mechanisms of the industry and work out the topics that will be of especial importance to the rail vehicle manufacturers of the future.

In the second project the students went on to develop ideas and approaches through which BACHER will be able to create competitive advantages for itself in the future. This was facilitated by the selection of a younger age group for the second round of random interviews; i.e., a "mobile generation" that has accordingly high expectations for the travel environment of the future. The project also included a visit of several days' duration to the leading trade fair InnoTrans, where discussions were held with a large number of significant market participants

RAIL TRAVELERS WANT SPACE AND A DIGITAL CONNECTION

The survey of travelers revealed that there are four topics that are especially important to them: comfort, digital services, health & hygiene, and safety. In today's means of transport, the quality of these criteria varies widely by travel distance. The coach sometimes comes out ahead even as compared to rail travel. Another point of concern among travelers is protection of their privacy, as for example when they open their notebooks to work while en route.

For all four topics there are starting points from which supplier companies can participate with new solutions. As can BACHER.

RAILROAD OPERATORS WANT QUALITY, MANUFACTURERS AN INNOVATIVE PARTNER

Railroad operators have been keeping an eye on the growing needs of their customers, and have passed on to manufacturers the task of fulfilling these requirements. In regard to digitalization, it is important to them that rail customers be reliably guided through information systems. This improves service and provides a reliable means of orientation. When it comes to concrete realization of new ideas, rail operators are most concerned with quality. But price and maintenance expense are also relevant concerns for them since railroads are facing intense competition as a mode of transportation.

The manufacturers (OEMs) are currently reacting to the increasingly demanding requirements of operators with a radical reconsideration of their business models. Operators expect from them integrated solutions that are affordable and promise to remain up to date. They are better able to provide such solutions if, instead of selling the trains to the operators, they lease them out for a specific period of time.

> **"THANKS TO THE COLLABORATION WITH EBS, INDUS HAS HELPED US TO CONTINUE ON THIS PATH OF ENHANCED INNOVATION. WE HAVE ACHIEVED EXTREMELY GOOD RESULTS IN A VERY SHORT TIME."**
>
> Martin Heuschkel

When it comes to new and integrated solutions, the input of suppliers plays an important role. It is in any case already quite common for supplier companies to initiate product innovations or to take part in developing new solutions in joint projects with the operators.

CONSEQUENCE FOR BACHER: FURTHER DEVELOPMENT OF ITS SYSTEMS EXPERTISE

The survey results have made it clear that manufacturers are increasingly expecting systems expertise from their suppliers. What they value most is complete solutions complemented as needed with the appropriate service or maintenance programs.

BACHER is a company that is already pursuing this systems approach. The study results prove that the company is applying its efforts in exactly the right area. They show at the same time that there is still great potential for suppliers to realize there. As the demands of railroad operators continue to grow, the pressure on manufacturers to innovate will increase further in the next several years. As a competent systems partner, BACHER can become ever more valuable to manufacturers, not only when it comes to contributions to new solutions but also when existing vehicles are retrofitted with up-dated system modules.

THE NEW GENERATION OF EXPERTS AS SUCCESSFUL BUSINESS CONSULTANTS

Building on their analyses, this new generation of experts has developed numerous ideas for BACHER to take up in its efforts to further expand its systems expertise. The outside perspective and systematic inclusion of customer needs have contributed ideas that are bound to turn up again in everyday applications. It is an open secret that the possibilities the digital world offers have been playing a key role in the development of the new solutions.

BUSINESS IDEAS

Business ideas classification:

Seating package	Ceiling package	Smart package

Rating process:

Customer relevance	Industry relevance
1. Comfort	1. Feasibility
2. Digitalization	2. Disruption
3. Health	3. Efficiency
4. Safety	4. Revenue

Top 3 star ideas:

Smart ceiling system	Smart Tables	Digital trash cans

AFTER THE PROJECT IS BEFORE THE PROJECT

When the 16 EBS Masters students presented their results to BACHER last December before university and company representatives, another EBS group made up of 14 students had already set out on another project: a study for the INDUS portfolio company SELZER.

For SELZER there are similar and yet different questions that arise. This specialist in components for the automotive technology sector manufactures parts for automotive transmissions, among other things. These are components that are no longer needed in electricity-powered cars. Where will the opportunities be for SELZER in the future? How can its know-how, the optimal transmission of power in an internal combustion engine, be applied to new fields? SELZER has already diversified its position with products for power saws. But has it already exhausted all of the possibilities? SELZER seeks to find answers to these questions with the aid of the EBS consulting field study.

EBS STUDENTS USE BACHER'S STAND AT THE INNOTRANS TRADE FAIR IN BERLIN, GERMANY TO CARRY OUT FURTHER RESEARCH

BACHER WORKS METICULOUSLY AT THE COMPLEX TASK OF SUPPLYING TABLES WITH APPLICATION-SPECIFIC CHARACTERISTICS, INNOVATIVE CEILING SYSTEMS AND SAFELY ILLUMINATED STEPS.

A NEW CULTURE

CAN LETTING GO BE GOOD?

PROF. CLAUDIA PEUS
Professor of Research and Science Management at Technical University of Munich

–

BERNHARD KRAUS
Managing Director of the Executive Education Center at Technical University of Munich

VIDEO:
PROF. CLAUDIA PEUS
COULD NOT PUT IT
MORE CLEARLY:
INNOVATION CAN
ONLY PROGRESS
WITH MANAGEMENT
THAT ALLOWS FOR
OPENNESS.

Pressure from the markets to develop is also changing what is required of a corporate culture. If closed structures and proven patterns were still having a mostly stabilizing effect a few years ago, today they are increasingly proving to be barriers that cause companies to miss out on the necessary changes. As Claudia Peus of the Technical University of Munich sees it, what innovative companies need most of all is openness – in their structures and in the minds of their personnel.

As INDUS sees it, there is a close connection between the strength of a company's ability to innovate and its corporate culture. There are cultures in which ideas thrive, and there are environments in which they are nipped in the bud. Many companies in the SME sector stand out as exemplars of a culture that is sustainable and yet dynamic, a combination that often puts them among the front-runners in their industries.

THE THREE PILLARS OF A CULTURE OF INNOVATION

But why is this so? What exactly constitutes an innovation-friendly corporate culture? Claudia Peus is a professor of research and science management at the Technical University of Munich and has made a thorough study of the conditions under which innovation has the best chances of flourishing in a corporate environment.

In her view, there are three crucial factors: What a company needs first of all is a clear vision that all members can orient themselves to. As Claudia Peus points out, "Employees who know where things are supposed to go will not lose their way in their day-to-day work. They will contribute to the achievement of corporate goals even when their bosses are not present and they alone must find the solution."

The second factor, as the scientist has stated, are ambitious goals: "Innovation, of course, always concerns something that does not yet exist, something for which there is no solution yet. Ambitious performance goals provoke innovation. Minor goals can usually be achieved with familiar solutions."

And the third success factor for innovation is a mentor who encourages creativity. In a corporate environment the "mentor" is usually one's boss. He marks out the boundaries within which employees have the leeway to act. Claudia Peus observes in this regard that "An SME that is managed by the right people motivates people to perform to the best of their abilities and even to exceed themselves. And to do so without the boss having to invest a single euro."

HIDDEN CHAMPIONS ARE REPRESENTATIVES OF A CULTURE OF INNOVATION

If one examines successful SMEs in terms of these three success factors, one can see that they are very distinctly present in those companies. A clear vision on the part of the owners, ambitious goals, a constant dissatisfaction, "ordered from above", with the status quo – that is what puts them among the famous "hidden champions" that competitors fear.

It is precisely companies such as these that INDUS seeks for its portfolio.

> "A MEDIUM-SIZED COMPANY MANAGED BY THE RIGHT PEOPLE MOTIVATES EMPLOYEES TO DELIVER MAXIMUM PERFORMANCE."
>
> Prof. Claudia Peus

And because the Board of Management regards the "mentor" as the linchpin of a company's urge to develop, it gives very close attention to who is managing any company it considers acquiring. It is happiest when the owner and visionary remains on board for at least a transitional period after the sale. Later it is the managing director who receives from INDUS the standing order for a

PROF. CLAUDIA PEUS WAS EMPLOYED AT HARVARD UNIVERSITY BEFORE RETURNING TO WORK AT HER ALMA MATER IN 2011.

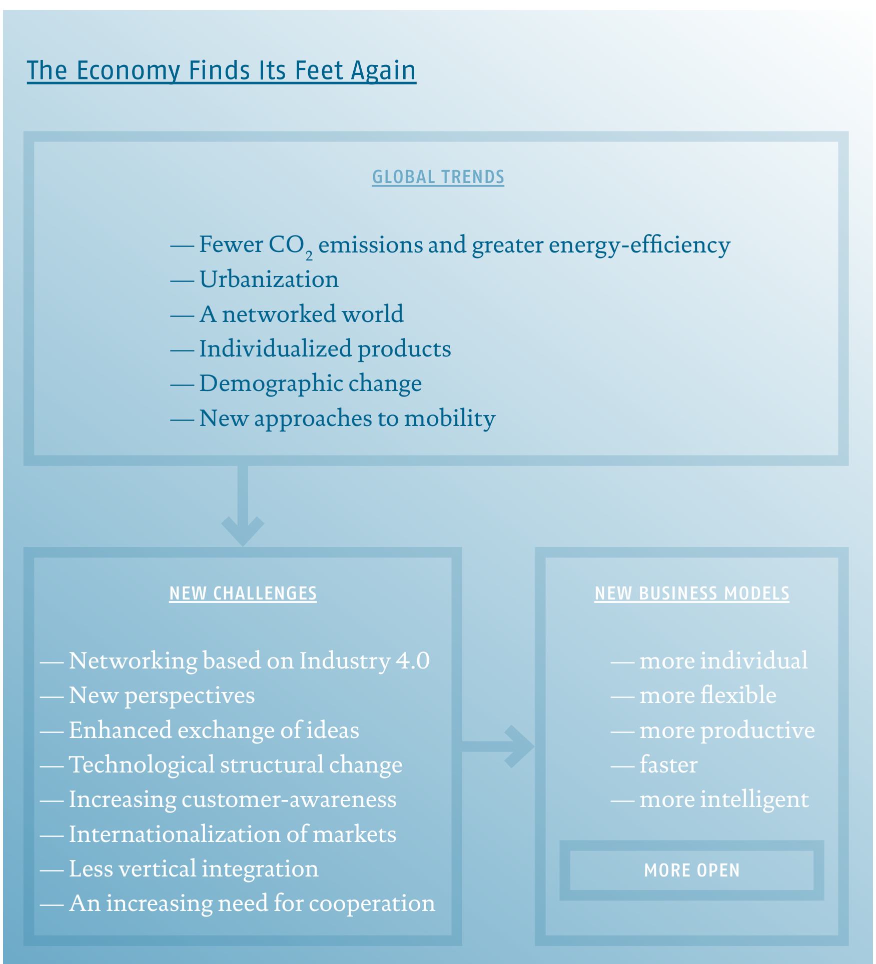
THE VARIOUS INSTITUTES OF THE TECHNICAL UNIVERSITY OF MUNICH IN GERMANY MAINTAIN STRONG LINKS WITH ACTUAL PRACTICE IN THEIR FIELDS. THIS BENEFITS BOTH SCIENCE AND BUSINESS.

forward-looking approach to managing the company.

OPENNESS, LEVEL 1: ALLOWING MISTAKES

According to Prof. Claudia Peus, what most distinguishes a successful culture of innovation can be reduced to a single term: openness. "The freedom to make mistakes, or knowing that one is allowed to make them, gives employees the courage to actively contribute to the development of a company." This is not a self-evident matter in organizations; rather, it needs an environment that Harvard professor Amy Edmondson describes, in organizational psychological terms, as "psychological safety". This signifies a climate in which group members can be certain that even unusual ideas can be proposed without immediately being dismissed by others as absurd. Or that one can make mistakes without being portrayed within the team as incompetent. Psychological safety engenders a greater willingness to take risks, and it increases creativity.

INDUS expressly welcomes this working atmosphere at the member companies of the Group. This is reflected, along with other things, by the fact that the holding company, when in doubt, grants far more resources to member organizations' innovation projects than any bank would do in the same circumstances. In other words, INDUS is willing to share much more of the risk through its commitment of funds. Apart from that, the holding company offers a broad range of advisory services for its portfolio companies on the topic of innovation, services that those companies can call upon at any time (cf. p. 24 ff.).



OPENNESS, LEVEL 2: MAINTAINING AND PROTECTING LEEWAY

Prof. Claudia Peus regards INDUS as an excellent example of how one can manage to let many highly diverse companies thrive successfully, side-by-side, with their individual approaches. She can say this with a certain degree of certainty since she, together with various professorial colleagues, has already worked with INDUS in a number of places and is therefore well acquainted with the fundamental concept that animates the Group.

Central to this concept is the sovereignty of the individual companies in their business operations. She makes sure that the companies are able to go their own ways even under the common umbrella of the financial holding company.

And that is the way it should be. INDUS Board of Management member Dr. Johannes Schmidt, to whom the topic of innovation has been assigned, considers this aspect very important. "We, as INDUS, neither wish nor can produce innovation ourselves. But we can tell the enterprises what type of companies we want for our Group. And we give our companies, wherever we can, the assurance that they have in us a close partner that will do everything within its power to render constructive assistance in the exploration and development of new fields."

OPENNESS, LEVEL 3: NETWORKING AND IMPORTING STIMULI

The cooperative relationship between INDUS and the Technical University of Munich is an expression of the fact that INDUS Holding takes its offer of assistance very seriously. The cooperation with the professors at that and other universities serves the purpose of acquiring knowledge and expertise that the teams within the holding company can use to help along the portfolio companies. To keep the added value as high as possible, INDUS makes a point of networking with the best universities. These not only have a good reputation but also conduct research right where theory meets practice.

A current cooperative project with the Technical University of Munich, for example, seeks to develop "design guidelines" for digital business models in an Industry 4.0 environment. For all that everyone is talking about the topic of Industry 4.0, knowledge of how to make the transition to Industry 4.0 in affordable and profitable steps is still lacking in practice. As a response to this state of affairs, the Technical University of Munich established the "Competence Center for Digitalization and Industry 4.0" last fall.

Participating in this project besides INDUS are other industrial companies such as Audi, Osram, Kuka and Knorr-Bremse. From their joint work in response to the practice-oriented questions that were posed, the participants expect to come away with important findings and concrete help. Says Dr. Johannes Schmidt, "We regard it as a great opportunity to benefit from the experiences of other companies through direct exchange with them. This requires mutual openness. But that is something we are glad to provide."

"WE CONSIDER IT A GREAT OPPORTUNITY THROUGH THE DIRECT CONTACT WITH OTHER COMPANIES TO BENEFIT FROM THEIR EXPERIENCE."

Dr. Johannes Schmidt

LETTING GO IS GOOD!

An open exchange of information between companies and with universities may at first glance seem to carry some risks. Success in business is always in part a matter of maintaining a knowledge edge, after all. But those who want the new must seek the new. And in our networked world that means engaging in exchange: it is more effective and faster to formulate and test hypotheses and derive the necessary conclusions in dialog with others.

It is therefore already a longstanding practice among large industrial enterprises to engage in a regular exchange with one another in regard to technological questions. The special capabilities of the hidden champions nevertheless remain within the company, but they are more effectively and quickly developed as a result of such networking. And that is how it is with innovation.

NEW FORMATS

WHERE DO WE WANT TO GET ON?

DR. FABIAN BOHNEN
Technology and Innovation INDUS Holding AG, Bergisch Gladbach
–
DR. MICHAEL SEIBOLD
CEO HAUFF-TECHNIK, Hermaringen

VIDEO:
DR. FABIAN BOHNEN TRAVELS WITHIN THE GROUP ON BEHALF OF INDUS.

INDUS Toolbox: The Modular Principle Makes This Highly Practicable

STRATEGY

PROCESSES

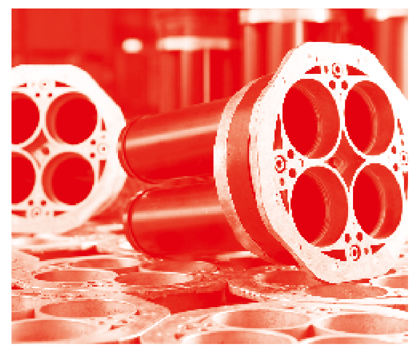
PORTFOLIO

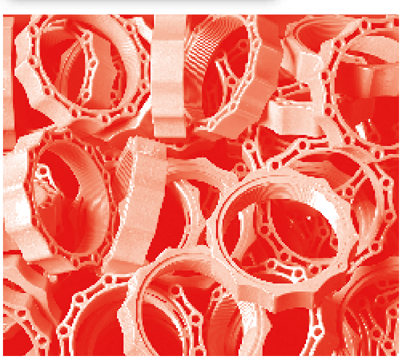
CULTURE

RESEARCH

INVESTMENTS CALL FOR A LOT OF SUPPORT ON INDUS' PART. REGULAR EXCHANGES OF EXPERIENCE WITHIN THE HOLDING COMPANY ARE THEREFORE VERY IMPORTANT.

CUSTOMERS VISITING THE HAUFF WEBSITE ARE JUST A FEW CLICKS AWAY FROM FINDING JUST THE RIGHT PRODUCT FOR THEIR PROJECT.





House of Innovation

With the House of Innovation, The INDUS Holding Company Offers Its Investments Assistance That Covers Virtually All Aspects Of An Innovation Project.

INDUS DEVELOPMENT-BANK MODEL

INNOVATION STRATEGY – DIALOG WITH PORTFOLIO COMPANIES

INNOVATION TOOLBOX

INITIATING PROGRAMS OF COOPERATION WITH UNIVERSITIES AND RESEARCH INSTITUTIONS

ANALYSIS OF INNOVATION-RELATED ACTIVITIES

THE HOLDING COMPANY'S INNOVATION STRATEGY

INDUS recognizes that innovation is one of the key value drivers in a business. To foster it in the portfolio companies, the holding company has developed advisory and support services that the companies can avail themselves of as needed. These services are offered in formats ranging from workshops devoted to the basics of innovation strategy and innovation management to access to innovation instruments and coaching for concrete innovation projects. INDUS underlays these with the "development bank model", through which the portfolio companies can receive financial resources for their concrete innovation projects.

AN ADVISORY SERVICE FOR CHANGE

Innovation is naturally important for all of the now 45 companies of INDUS. At the same time, innovation signifies something different for each portfolio company. How can INDUS nevertheless effectively support its portfolio companies in this field as a supporting financial holding company? The management has studied this question over the last several years, and it found an answer that has since held up very well in practice within the Group.

Fabian Bohnen is a doctor of engineering who came to INDUS in 2013. One of his assignments was to assist the Board of Management in the development of its internal advisory services. The 34-year-old now spends more than 26 weeks per year to some extent the support of external experts traveling within the INDUS Group to help the portfolio companies with words and deeds in matters of sustainable business development. The topic of innovation management plays a central role in these activities.

His work constitutes an important contribution to the implementation of a concept that INDUS has given the name "House of Innovation". This comprises six components through which INDUS in various ways supports its portfolio companies as needed in their development efforts.

FROM "ENABLING" TO "DRIVING"

The first and fundamental component is the holding company's own innovation strategy, which defines goals, tasks, instruments, and measures at the holding company level. A core element of this innovation strategy is the definition of the holding company's five strategic fields of the future: GreenTech, Industry 4.0/digitalization, medical technology for an aging society, innovative structural engineering and public and private safety. These fields of the future were selected by the Board of Management as key to the company's further business development and will determine the holding company's future actions in regard to, for example, company acquisitions at the holding company level. Also defined in this strategy are the key elements of the advisory services offered to the portfolio companies.

The portfolio companies can see in the holding company's innovation strategy the Board of Management's understanding of innovation, which informs the services the holding company offers the portfolio companies. To put it in a single word, INDUS sees itself as an enabler, i. e., an entity that seeks to enable the portfolio companies to develop new areas of production and, ultimately, of growth.

The Board of Management recognizes that the Group companies differ widely in where they are starting from. Some companies do not really have the topic of innovation on their agendas yet. INDUS sees an opportunity to support these portfolio companies by providing them with the impetus for new "initiatives and innovation". The Board of Management refers to this as "innovation enabling". For other companies, innovation is an integral part of everyday life, something that they are already using intensively to develop new production and sales areas. Here INDUS sees an opportunity to bolster the activities of these companies, to "drive change".

At the same time, the portfolio companies are able to discern in our innovation strategy – and here things become very concrete – the ways in which the holding company supports the companies in their innovation activities. There are basically three approaches:

1. by conveying knowledge and methods
2. by assisting in the building of networks (internally and externally)
3. by financing innovation projects

> „THE CORE PURPOSE OF INNOVATION IS TO GENERATE ADDITIONAL GROWTH."
>
> Dr. Johannes Schmidt

PRACTICE-BASED AND USERFRIENDLY: THE INNOVATION TOOLBOX

Intuition is conducive to successful innovation. But it is not the most important thing. Nothing is more often underestimated in SMEs than the importance of tools. The Innovation Toolbox is a practical building kit in which INDUS has compiled methodological knowledge and instruments that the portfolio companies can use according to their needs. How does one develop an innovation strategy? How does one build the structures necessary for innovation and organize the necessary processes? What means are available for entrenching the topic of innovation in a corporate culture? Answers to these questions can be found in the Innovation Toolbox.

The Innovation Toolbox is for the portfolio companies to use free of charge. And if they so choose, they may also book a "trainer" who will help them learn how to use the various aids. And here Dr. Fabian Bohnen comes into play again. His highly peripatetic schedule during the year shows that the portfolio companies are eagerly taking INDUS up on its offer.

Whenever strategic or management-related matters are involved, it is usually Dr. Johannes Schmidt who emerges from the boardroom to make a local appearance. He examines the company's innovation efforts primarily from an entrepreneurial perspective. INDUS promotes innovation not simply for newness's sake, but primarily because it helps the portfolio companies tap into new markets and generate growth.

AN INTERNAL DEVELOPMENT BANK THAT EXAMINES OBJECTIVELY

To support the portfolio companies as effectively as possible, the INDUS management regularly takes a look at each of the 45 companies to assess where their potential lies. It is a process in which the talents of the three Board of Management members complement one another very nicely. Jürgen Abromeit prefers to take the role of the visionary who systematically questions the status quo and is satisfied in his quest for new opportunities only by things that have not been thought of before.

Once an idea for innovation has been proposed, Dr. Johannes Schmidt is able, as a doctor of engineering, to apply his technical expertise and methodological knowledge to accurately assess whether its realization is realistic and what hurdles the company would likely have to clear. This is important for a concrete assessment of the risks inherent in the innovation project.

Just as it is for an assessment of the economic risks. This has great importance for INDUS for the reason also that the holding company may possibly be providing the financial resources for the innovation project's implementation as well. The framework for this is what Rudolf Weichert has his eye on. His assessment of the portfolio company's financial position provides the basis for deciding whether and in what amount funds may be requested.

The "development bank model" is more than a traditional financing option

MIGUA WITH ITS JOINT PROFILES CAN BE FOUND WHEREVER THERE IS A NEED FOR CONNECTIONS AND TRANSITIONS.

AS ENGINEERS, DR. JOHANNES SCHMIDT AND DR. FABIAN BOHNEN QUICKLY FIND THEMSELVES AT HOME IN ANY TECHNICAL CONTEXT.

"INNOVATION ALWAYS GOES HAND IN HAND WITH GOOD COMMUNICATION."

Dr. Michael Seibold

for the portfolio companies. It offers them the opportunity to pull off major investments as well, those that enable developments that may even be disruptive, i.e., entirely new and fraught with risk. The structured and comprehensive examination by INDUS also gives them added assurance that they are on the right path.

IN THE BACKGROUND

Among the numerous portfolio companies that have taken advantage of INDUS's offer is HAUFF-TECHNIK. Based in Hermaringen in Baden-Wuerttemberg, this company is one of the largest European manufacturers of cable and pipe ducts. These products come from a technology kit and are adapted to customer needs for an increasing number of applications in ever faster cycles. How that is accomplished is up to the customers. HAUFF managing director Dr. Michael Seibold concluded from this that it is important to improve the quality of communication, and the quality of the company's processes, with the aid of the capabilities afforded by digital technology.

The company has since developed its website into a digital sales tool. Customers with requests are directed through a "Solutions World" directly to a standard bidding form, or even to a product solution. Digital order processing makes things more convenient for the customer, speeds up processes, and gives HAUFF competitive advantages on both the cost and sales sides.

Another example is MIGUA. A provider for the design, manufacture and installation of joint profile systems, this company will be putting the potential of information technology to greater use in the future. The new instrument in this case bears the name "BIM", or "building information modeling". This is an intelligent, model-based process by which existing properties and new construction can be planned, built and operated more efficiently, more cost-effectively, and in a more environmentally friendly manner. The innovation driver in this case is the German Federal Ministry of Construction and Infrastructure, which, with the enactment of a digital agenda, has imposed new requirements to which MIGUA also is subject. MIGUA is going beyond its legal duty with a voluntary project of its own, whereby it will in future be linking the new system to other IT platforms in the company.

Like HAUFF and MIGUA, numerous other INDUS portfolio companies have embarked for new shores. And many of them are availing themselves of the holding company's "House of Innovation". Making decisions and seeing their projects to fruition are things the companies must always do on their own. But if they so wish, they always have someone in the background who can give them security along the way – and, when needed, the necessary financial power.

SUSTAIN-ABILITY AT INDUS

FUNDAMENTAL PRINCIPLES

Sustainable operations create competitive advantages, increase enterprise value and make for a stronger corporate culture. Last year INDUS further professionalized its commitment to sustainability on the basis of this conviction.

SUSTAINABILITY: FOR INDUS, NOTHING NEW

For INDUS, the pursuit of sustainability is a matter of treating economic, social and ecological goals as equal in importance. We seek to create lasting value while facilitating good work and treating the environment with care. It is our conviction that our development is sustainable only if we are satisfying the needs of the present while at the same time ensuring that we are not doing so at the expense of the future.

At INDUS, sustainability occupies the highest level of priority. This means that the Board of Management plays a key role in developing and improving the sustainability strategy pursued by INDUS Holding AG.

To date we are still in the beginning stages of our approach to structured sustainability reporting. But thanks to a successful development phase in recent years, we have since been able to create the fundamentals for comprehensive reporting capabilities. In the future we will be issuing annual reports of our performance in sustainability terms and describe the progress we have achieved in regard to relevant economic, ecological and social factors within the Group.

Our work in the field of sustainability has met with a positive response both in the business world and in the capital market environment. Improvements in important sustainability ratings have shown that INDUS is on the right path. INDUS Holding AG was awarded a top "A" grade in the CDP Climate Scoring in October 2016. And it enjoys "Prime" status in the sustainability ratings of oekom research AG.

REPORTING FUNDAMENTALS

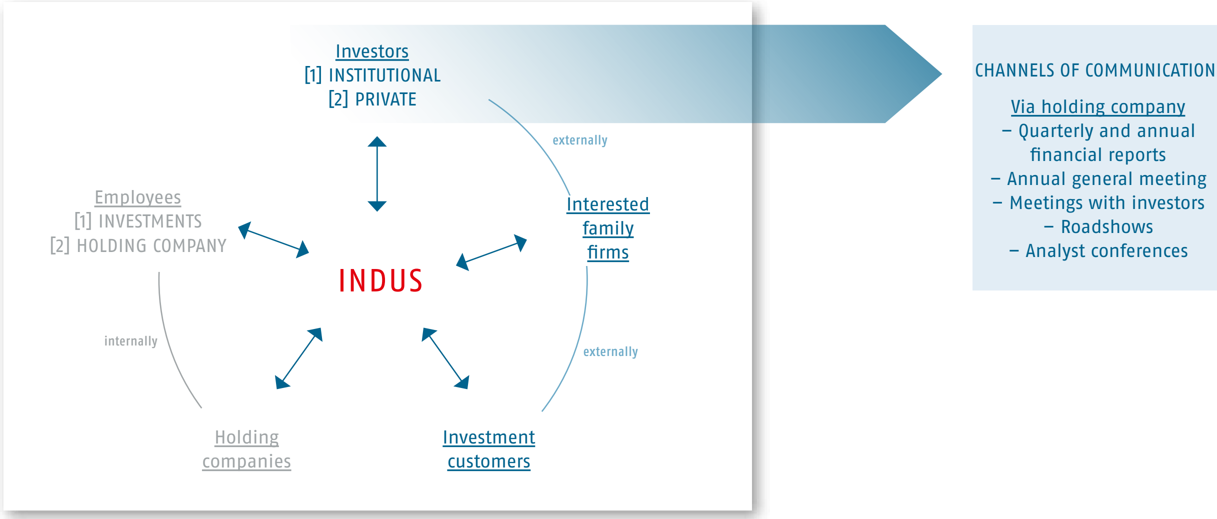
Our sustainability reporting follows the G4 guidelines of the Global Reporting Initiative (GRI) along with the criteria of the German Sustainability Code (Deutscher Nachhaltigkeitskodex, "DNK"). We report greenhouse gas emissions in accordance with the guidelines of the Greenhouse Gas Protocol (GHG Protocol). The data that are reported contain both financial figures and non-financial performance indicators of crucial importance for our business. They are to be found on the report cover and in the following section, "Key Figures". The key figures that have been gathered pertain to fiscal year 2016 and are compared to those for the previous year. To collect the data for the non-financial performance indicators, the existing internal financial data reporting system in use at INDUS Holding AG was used and supplemented with the appropriate surveys. The collection of companies from which sustainability-related data were collected differs from those within the Group's scope of consolidation. It does, however, contain all direct INDUS portfolio companies along with important investments at the sub-subsidiary level (exclusive of acquisitions in the year under review).

STAKEHOLDERS: RECOGNIZING INTERESTS, MAINTAINING A DIALOG

The basis for successful work on sustainability issues, and ultimately for long-term business success, is knowledge of our stakeholders and their interests. Only with such knowledge can we be assured of making the right decisions and aligning our actions accordingly. A structured examination of our stakeholders' needs brought five relevant groups into focus:

- **Investors:** They provide us with equity and borrowed capital and expect from us a clear strategic direction, realization of our earnings forecasts, a stable balance sheet and transparent reporting.
- **Interested family entrepreneurs:** They are interested in having a financially strong partner that understands the SME sector, enjoys a good reputation, and can provide a solid foundation for the perpetuation of their own life's work.
- **Portfolio companies:** They seek to have, and expand as needed, the leeway to develop their businesses. They therefore look for support in the form of capital, market access and know-how.
- **Customers of the portfolio companies:** They seek the security of having the right partner at their side who can be depended upon to assist them on a lasting basis with innovations and highly valuable services.
- **Employees:** They seek an attractive and secure position in which they can apply their abilities meaningfully and an employer who both challenges and promotes them.

PROPER STAKEHOLDER GROUPS AND DIALOG TO MATCH



We and, to the extent applicable, the portfolio companies are in regular dialog with all five stakeholder groups. Various forms and channels of communication are used. For private and institutional investors, for example, these range from direct dialog to regular financial reporting to conferences. Other important means of dialog with these stakeholder groups are the Annual Shareholders' Meeting, investor meetings and road shows.

KEY TOPICS: THREE PLUS FOUR

To identify those aspects of sustainability that are relevant to INDUS, we performed a materiality analysis in May 2016 with the Board of Management's participation. It identified seven topics of key importance for INDUS:

1. **Investments:** the use of economic resources to successfully develop the portfolio companies or the Group
2. **Innovation:** the further development of the products and services offered by the portfolio companies along with the development of new, or even disruptive, solutions.
3. **Internationalization:** expansion of the portfolio companies (products, sales markets) into the relevant international regions so that they can provide customer support locally on a long-term basis
4. **INDUS's role as shareholder:** financial and advisory assistance from INDUS Holding AG for the portfolio companies in their efforts to develop their businesses within the existing range of possibilities.
5. **Personnel:** securing and maintaining that key business resource – employees – as a key driver of corporate development in INDUS Holding AG and the portfolio companies.
6. **Social engagement:** assuming the portfolio companies' responsibility for social tasks.
7. **Resource efficiency:** taking account of ecological consequences in business decisions and minimizing the ecological effects of the portfolio companies' business operations

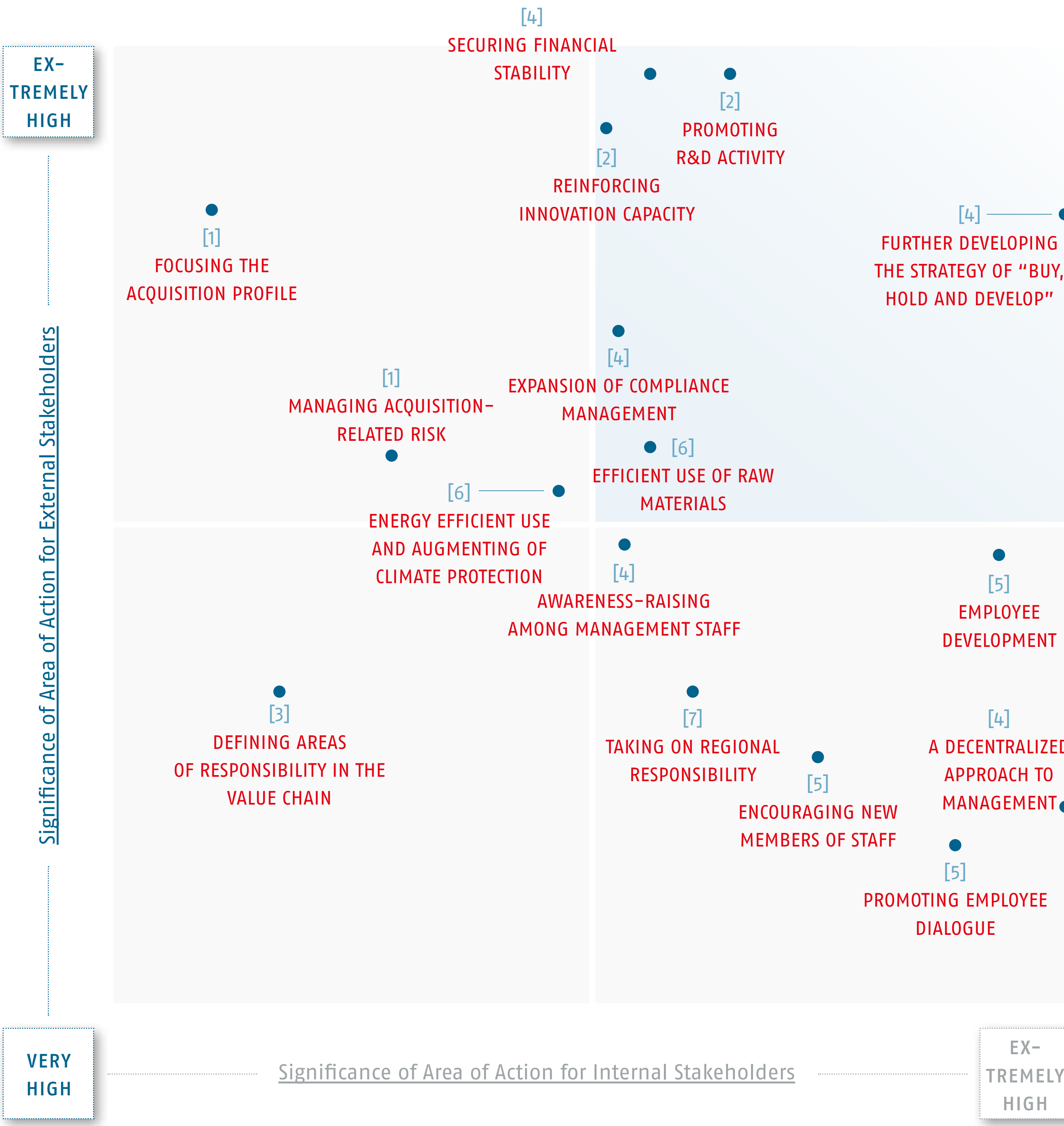
The three key topics of investments, innovation and internationalization are currently points of strategic focus by the holding company and may exert a major leveraging effect on the success of the individual company and of the Group as a whole. The four other topics relate to equally important policy areas that are directly associated with the tasks and values that a healthy SME-oriented or -managed company identifies with.

MATERIALITY MATRIX WITH CONCRETE FIELDS OF ACTION

Underlying the key topics identified above are fields of action from which concrete measures can be derived. We have placed these fields of action in a materiality matrix. This matrix reflects the importance that the various fields of action, considered on a consolidated basis, have for the internal and external stakeholders in INDUS Holding AG and the portfolio companies. The fields of action were classified within the matrix through assessments by the sustainability team and the Board of Management and had already been compared with the assessments of the first internal and external stakeholders.

NON-FINANCIAL EXPLANATION

Beginning with fiscal year 2017, INDUS is required to report on the sustainability aspects of its operations pursuant to legislative changes. Of relevance in this context, aside from general data concerning the company's business model (cf. the section "Introduction to the Group" in the Management Report), are data on the following aspects the content



[1] Investments
[2] Innovation
[3] Internationalization
[4] The role of shareholders
[5] Human resources
[6] Resource efficiency
[7] Social commitment

INFORMATION GRAPHICS: MATERIALITY MATRIX WITH INTERACTIVE FILTER FUNCTION BASED ON CORE TOPICS of which coincides with the key topics and fields of action. Important performance indicators are to be found in the next section, “Key figures”.

RISK AND OPPORTUNITY MANAGEMENT

As a part of the annual strategic planning process, risks and opportunities are assessed according to the likelihood of their occurrence and amount of ensuing damage, documented, and reported down to the plant or site level by the managements of the portfolio companies with the aid of a risk management reporting tool. Measures to counter the risks are then derived. Details of this process may be found in the Opportunity and Risk Report (cf. “Opportunity and Risk Report” section in the Management Report).

ENVIRONMENTAL PROTECTION

Responsible use of natural resources ranks high in importance within the INDUS Group. The managing directors of the portfolio companies independently develop rules and measures – as appropriate for the specific environment and in harmony with their corporate philosophy – for conserving resources (cf. the following section, “Resource efficiency”). Environmental aspects are considered also in relation to new acquisitions.

The effects that the portfolio companies have on the environment directly and their consumption of energy are minimal by industry standards. The portfolio companies operate for the most part in the manufacturing sector using mechanical work processes. The risks to the Group in this instance are accordingly limited. That notwithstanding, the portfolio companies invest regularly in energy efficiency measures. Direct effects on the environment emanating from INDUS Holding AG as an organizational unit are negligible.

During the year under review, the Group paid no fines or non-monetary penalties of any significance for failure to comply with laws or regulations.

SOCIAL CONCERNS

The companies of the INDUS Group independently act in accordance with their responsibilities as members of society and as befits the regional contexts in which they operate. Their social engagement includes supporting cultural and social projects in the neighborhood (cf. the section “Social engagement”). This receives frequent media coverage with appropriately positive reporting.

The portfolio companies keep airborne and noise emissions of any significance within tight limits so that the subsequent risk of potential complaints is low.

EMPLOYEE CONCERNS AND RESPECT FOR HUMAN RIGHTS

Our portfolio companies respect the human rights of their employees, suppliers, business partners and other stakeholders in their everyday business activities. They work for the most part with qualified professionals in the German-speaking market and in other countries in Europe and beyond. The risks of sub-market pay rates, unreasonable work hours, and limitations on freedom of association or equality of rights are excluded within the INDUS Group. Nor does INDUS Holding AG have any information about such risks on the part of its direct suppliers.

At the holding company we examine, as part of our due diligence processes, whether basic social and ethical principles are observed by the companies we seek to acquire (cf. the section “Investments”). Our requirements, including those relating to, inter alia, employee concerns in the holding company, are documented in our Code of Conduct (see below). All of the portfolio companies have drafted their own company-specific codes in which they set minimum standards for employee rights and by which to secure rights to humane work (both internally and externally).

COMBATING CORRUPTION AND BRIBERY

We at INDUS Holding AG and the managements of our portfolio companies regard proper conduct in business transactions as part of our basic corporate duties. The basic principles underlying such conduct are described for INDUS Holding AG in its Code of Conduct and for the portfolio companies in their individual codes, and they apply both to action within the organization concerned and to dealings with external stakeholders. They provide also that monetary gifts from third parties can be neither accepted nor given. Political donations are absolutely forbidden. The holding company also offers regular compliance training for executives of the portfolio companies (cf. the section “Shareholder’s role”).

In its acquisition processes, the holding company makes certain through its due diligence processes that the compliance requirements codified in its Code of Conduct are complied with.

For the year under review and for the previous year, no relevant payments of fines and no non-monetary penalties for non-compliance with laws or regulations have been observed, nor were there any instances of corruption. Moreover, the donations that were made at the local level were devoted without exception to social and societal concerns (cf. section “Social engagement”).

PROGRESS IN 2016
INVESTMENTS

STRENGTHENING THE GROUP AND THE PORTFOLIO COMPANIES THROUGH ACQUISITIONS

To further expand the Group, INDUS Holding AG and the portfolio companies are constantly looking for financially healthy SMEs that have the ability to successfully develop in their markets on a long-term basis. At the holding company level, the Board of Management and the acquisition team follow a structured acquisition process.

STATUS QUO AND GOALS

Our portfolio is meant to represent a cross-section of successful production industries in the SME sector. For this reason we look in particular for companies in economic fields that we have identified as the sectors of the future, such as, for example, Medical Engineering/Life Science (see also p. 74). Within the target sectors, we watch market developments closely and continually refine our concrete acquisition profile, basing it in part on sustainability considerations. Pursuant to its COMPASS 2020 strategy, for example, the Board of Management is focusing more intensely on the field of energy and environmental technology as an additional sunrise industry. Explicitly excluded, on the other hand, is the acquisition of energy-intensive companies and companies whose focus is within the armaments industry.

We engage in an active risk management process even before we acquire a company, studying not only the usual economic, technological and market-related risks but also the risk situation in such fundamental areas as the environment, employee concerns and compliance issues. All acquisitions, moreover, are closely supervised by the Board of Management.

Another important factor we consider for an acquisition is reputation. The new company's image, core business and culture should add lasting value to the INDUS Group and have a positive effect on the attractiveness of INDUS for investors and potential sellers of companies.

In 2016 we gained a growth company with our acquisition of H. HEITZ, and with CAETEC, COMPUTEC, CREAPHYS, IN-SITU, MBH SOLUTIONS, WIESAUPLAST-PMC de MÉXICO and ZWEICOM we acquired seven strategic additions at the sub-subsidiary level. We invested in total EUR 29.9 million in company acquisitions. Another EUR 70.0 million were invested in property, plant and equipment. The acquisitions contributed 3.9 % to our growth in sales.

OUTLOOK

In the current 2017 fiscal year we wish to successfully continue the acquisition strategy of the last several years. This means making one or two growth acquisitions at the first level and three or four indirect company acquisitions through subsidiaries. For this we have allocated an investment budget of not less than EUR 50 million. As in the past, the new Group companies are expected to be viably positioned for the long term in terms also of sustainability considerations. With regard to our acquisition model, we wish to further sharpen the exclusion criteria for new investments in 2017 and communicate the criteria in a transparent manner.

PROJECT HIGHLIGHTS

MIKROP
finds a perfect general partner in IN-SITU.

IN-SITU GmbH in the Upper Bavarian town of Sauerlach has belonged to the INDUS portfolio company since July 2016. With IN-SITU, the specialist in micro-optics located in Wittenbach, Switzerland has enhanced its development capabilities in the field of digital image processing and improved its access to markets for industrial applications. This acquisition gives IN-SITU access to customers in medical engineering, a market with high barriers to entry but one in which MIKROP occupies a strong niche position. And together the two companies can meet the growing demand for (comprehensive) solutions that go beyond pure optics. The demand for micro-optics in combination with digital image processing will be increasing in the years to come. Excellent R&E capabilities and joint marketing activities will now enable MIKROP and IN-SITU to realize this potential even more effectively.

„THE NEW ORGANIZATIONAL INTEGRATION ENABLES US TO FURTHER DEVELOP OUR STRENGTHS.“

Prof. Hartmut Ernst,
Founder of IN-SITU

PROJECT HIGHLIGHTS

H. HEITZ
finds an investor that supports doing things the sustainable way.

With its acquisition of the HEITZ Group in Melle, Germany in June 2016, INDUS acquired one of the world's largest producers of veneer edging and wrapping veneers made of genuine wood for the furniture and construction industries. The origin of the raw materials used was a topic of consideration even in the early phases of the acquisition process. For H.HEITZ, the responsible handling and procurement of wood as a material used in production is a matter of central importance. The company is committed to using only wood produced through responsible forestry. In concrete terms, this means ensuring that no illegally felled timber is used, and that the suppliers neither infringe against human rights nor violate core ILO labor standards. The protection of naturally grown forests and avoidance of the use of genetically modified organisms are further matters of focus. H.HEITZ has been FSC® certified since 2008.

„WE ARE CONVINCED THAT THE SUSTAINABLE PATH WILL BE THE MORE SUCCESSFUL ONE FOR US IN THE LONG RUN.“

Guido Heitz,
Managing Director of H. HEITZ

INNOVATION

ENHANCING THE PORTFOLIO COMPANIES' ABILITY TO INNOVATE

INDUS assists its portfolio companies in their management of innovation, so that they may successfully take advantage of the opportunities presented by industrial change. To that end, INDUS makes additional capital available to these companies and advises them in regard to the direction and operationalization of their innovation strategies.

STATUS QUO AND GOALS

A key condition for the portfolio companies' organic growth is their ability to innovate. This enables the portfolio companies to continually develop and improve their products and services. Beyond such incrementally organized innovation activities, INDUS advises its portfolio companies on how to develop new technologies and tap into new markets and application fields. Accordingly, the holding company supports R&D projects of portfolio companies that demonstrate a greater degree of innovation (greater risk, but also greater potential) with additional financial resources, assuming the function of a development bank. For projects such as these, INDUS makes up to 1.5% of its annual consolidated EBIT available to its portfolio companies in addition to its existing R&D budget. INDUS keeps the process of applying for financial resources streamlined and entrepreneurially flexible. INDUS approved EUR 0.9 million in internal development funds for innovation projects in 2016.

The intention is to enable the portfolio companies to develop their innovation capabilities in a structured and effective manner. To that end INDUS provides them with methodological support, sharing knowledge, building networks and proposing ideas as a source of stimulus.

In 2016 the holding company provided such methodical support by working in an advisory capacity with several portfolio companies. In addition, it increased its own personnel resources in the field of technology and innovation.

Activities designed to build or strengthen networks, especially at the R&D level, also were initiated. In addition to an initial "innovation day" on the focal topic of "additive manufacturing processes" (3-D printing) with representatives from the scientific and practical fields, there was a working group meeting that focused on trends in the automotive industry.

In 2016 the topic "challenges of the digital transformation" was presented at the INDUS industrialists' conference from different perspectives. The first cooperative projects conceived to answer the questions it and other mega-trends raised were launched with the EBS Universität für Wirtschaft und Recht and the Technical University of Munich (cf. p. 10 ff.).

OUTLOOK

While the focus of the methodical support the portfolio companies received in 2016 was their approach to innovation strategy, advice on matters of operationalization will be emphasized in 2017. Along with a continuation of existing measures, INDUS plans to further expand in fiscal year 2017 the already initiated networking and cooperative activities in topic-specific ways. In the context of additive manufacturing, for example, several groups of topics have crystallized that relate to the questions that have been raised. The working group that focuses on the automotive industry also has adopted a working program.

PROJECT HIGHLIGHTS

AURORA
is working on groundbreaking heat pump technology for commercial vehicles.

Under the slogan "efficiency for comfort", AURORA is developing innovative components and systems for efficient ventilation and climate control comfort in premium commercial vehicles (buses, agricultural and construction machinery). The current focus of several projects is thermal management for city buses with alternative drives. AURORA's approach is based on heat pump technology that encompasses heat recovery and a regulation and control system that integrates all heat sources and heat sinks. This technology offers significant energy efficiency advantages without compromising comfort. A first prototype was developed for an electrical bus in cooperation with VDL and introduced to the public in 2016. Building upon this achievement, AURORA is currently working with partners within and outside of the INDUS Group on the next generation. For this work AURORA has relied also on financial resources provided by INDUS. In addition to the technology used to for heat generation and refrigeration, climate-friendly refrigerants such as CO_2 or propane are also subjects of consideration.

„DUE TO A PERFECT ENVIRONMENT FOR DEVELOPMENT, OUR SOLUTIONS REACH MARKET MATURITY QUICKLY."

Hannes Wolf,
Managing Director of AURORA

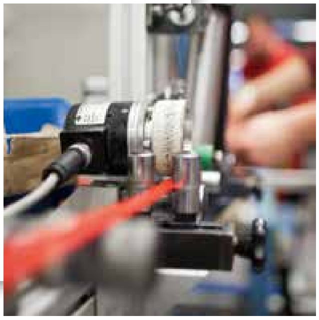
PROJECT HIGHLIGHTS

ELTHERM
opens new fields of application with innovation.

ELTHERM, a company located in Burbach, Germany and one of the world's leading manufacturers of electrical trace heaters, has been successfully diversifying its range of services through innovation. Among its new products are trace heaters used in solar power plants, which ELTHERM delivers as turnkey systems. Its innovation is embodied not only in engineering specifically for power plants but also in its self-developed TRACE VISION® control and monitoring system. Following the successful installation of the heating unit for the thermal energy storage system in the NOOR 1 solar power plant in the Moroccan desert, the largest power plant of its type in the world, ELTHERM has now equipped another power plant in Morocco, NOOR 3. Other projects are underway at solar power plants in South Africa and Chile. A worldwide presence through sales offices and agencies has been a mainstay of ELTHERM's diversification strategy.

„BACKED BY A FINANCIALLY STRONG INDUS, WE RELY ON TWO APPROACHES: ON FURTHER DEVELOPMENT OF OUR EXISTING PRODUCTS AND SERVICES AND ON NEW SOLUTIONS."

Alexander Neff,
Spokesman for the management of ELTHERM



INTERNATIONALIZATION

PAVING THE WAY TO FURTHER GROWTH

INDUS provides its portfolio companies with the funds to expand their international market presence so thatthey can successfully accompany their existing customers into the global markets and tap into new growth markets.

STATUS QUO AND GOALS

The increasing saturation of domestic markets is putting limits on the potential of numerous portfolio companies to achieve further growth in those markets. Moreover, larger customers expect their suppliers to be within close reach in their foreign markets as well. This makes tapping into international markets an all the more attractive option for the companies in the Group.

In 2016 the share of sales generated outside Germany and Europe amounted to 26.1 %, an increase from the previous year. The share of sales generated in other European countries also increased (23.0 % in 2016 as compared to 22.0 % in 2015). Customer relationships of many years' standing can be stabilized, new customer relationships developed, and additional potential for added value realized by means of a stronger international presence local for local. Outside Europe, INDUS is lending support to the development of distribution capabilities in the BRIC countries Brazil, Russia, India and China, at the same time creating greater value in Germany and Europe.

To avoid malinvestment in foreign expansionary activities on the part of the portfolio companies, for example through mistaken market assessments, INDUS Holding AG will advise the management of portfolio companies on request. When the situation warrants, the holding company will also put them in touch with local lawyers, insurers, and banks or refer them to contacts within the Group.

OUTLOOK

As a part of what the holding company offers its portfolio companies, it is further developing its advisory and support services for company acquisitions at the sub-subsidiary level. In support of this process, networks are being formed between the portfolio companies and external networks are being made available.

„AS AN INTERNATIONAL COMPANY, WE DEVELOP FROM WITHIN THE LOCAL MARKETS AND ENCOURAGE A HIGH DEGREE OF INDIVIDUAL RESPONSIBILITY AT THE LOCAL LEVEL THROUGH NATIVE MANAGERS."

Dr. Martin Reinelt,
Managing Director of M. BRAUN

PROJECT HIGHLIGHTS

M. BRAUN
offers fair employment terms and is achieving low turnover rates abroad as well.

This provider of inert gas glove box systems and gas cleaning units generates a mere 15% of its sales in Germany. Based in the Bavarian town of Garching, M. BRAUN is therefore one of the most international companies within the INDUS Group. The high-tech company is now represented with sales offices in South Korea and France in addition to its operations in Great Britain, the USA and Shanghai. The other members of the INDUS Group have been able to profit greatly in recent years from the experiences of M. BRAUN. Even abroad, especially in China and the USA, M. BRAUN has a history of employee retention for periods that are unusually long by local standards. The reasons for this are outstandingly favorable working conditions and development opportunities along with fair treatment of employees.

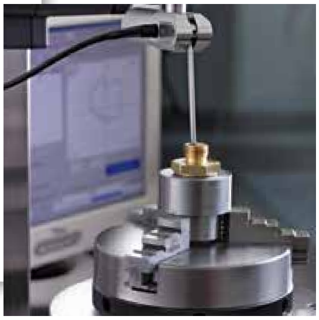
„FOR US, THERE IS A DIRECT CONNECTION BETWEEN GOOD WORKING CONDITIONS AND GOOD QUALITY."

Bruno Hirtz,
Managing Director of BILSTEIN & SIEKERMANN

PROJECT HIGHLIGHTS

BILSTEIN & SIEKERMANN
sets high working and environmental standards even in China.

BILSTEIN & SIEKERMANN, the Hillesheim-based producer of cold extrusion and turned parts for the automotive industry, the engineering sector and other high-tech industries, has been represented with a subsidiary in Taicang, China since 2015. It has been producing there since the middle of 2016, and exclusively for the local market. In 2016 the company was a finalist for the "Grosser Preis des Mittelstands", a prize awarded by the Oskar Patzelt Foundation in recognition of entrepreneurial success and social engagement. In China as well, BILSTEIN & SIEKERMANN maintains high standards for working conditions, occupational safety and environmental protection. In 2017 an integrated management system is being established that covers quality, occupational safety and environmental matters and meets the requirements that are in effect in Germany (ISO 9001, DIN EN ISO 14001, OHSAS 18001). Work is being done at the same time on transferring the company's training concept.



SHAREHOLDER'S ROLE

ACTIVELY REPRESENTING THE INTERESTS OF THE OWNERS

Corporate Responsibility Prime
rated by oekom research

In its capacity as a financial holding company, INDUS takes care of financial consolidation and supports the portfolio companies with capital and advice within the existing range of possibilities. INDUS regularly compares the success of the portfolio companies with its own expectations.

STATUS QUO AND GOALS

As a proponent of SME sector principles, INDUS values its reputation very highly. A good reputation makes INDUS more attractive to sellers of companies and lowers financing costs. And conversely, compliance violations, fines, unrealistic goals and unfair market practices result in a loss of trust among investors, employees and business partners. The holding company makes strenuous efforts to protect the reputation of INDUS with special measures to monitor governance, risk and compliance matters (GRC). Apart from that, INDUS has formulated the following goals in its role as a shareholder:

14.3 YEARS
2016

average length of time portfolio companies have been affiliated with the INDUS Group

13.7 YEARS
2015

- INDUS offers its portfolio companies prospects for long-term development and invests without an exit orientation ("buy, hold & develop").
- The portfolio companies control their business operations independently. They are also mindful of sustainability considerations in their self-management.
- The shareholders receive up to 50 % of the net retained profits through dividends.

To make funds available to the portfolio companies on attractive terms, the holding company maintains broad access to financing sources, for which it cooperates with a selection of solid commercial banks. It also obtains long-term repayment schedules with the aid of, among other things, capital market-based financing instruments. The Board of Management fosters an awareness of sustainability issues through regular dialog with the managements. It should be emphasized in this connection that workshops on this topic were held for the first time in 2016 on the occasion of the annual conference of managing directors and the Board of Management of INDUS. Regarding compliance matters, the holding company has guidelines for matters relating to antitrust and competition law, among others. In addition, it conducted GRC training for the managing directors in fiscal year 2016. Annual and event-related compliance reporting reviews business activities for correctness and documents the results.

OUTLOOK

INDUS adheres to its decentralized management structure and it fundamental "buy, hold & development" strategy. For 2017 INDUS has planned a continuation of its training program for the companies in governance, risk and compliance matters. The focus will be on combating corruption.

PERSONNEL

SECURING A CENTRALLY IMPORTANT BUSINESS RESOURCE

In accordance with INDUS Holding's business model, responsibility for personnel matters is decentralized and rests exclusively with the portfolio companies.

248.0
FTE
2016

Trainees

231.5
FTE
2015

STATUS QUO AND GOALS

With competition for managers and skilled workers becoming ever more intense, the topic of employer attractiveness is gaining greatly in importance even in SMEs. Good employees bring ideas, motivation, and entrepreneurial thinking to the company and are elemental to its business success. Careful cultivation of this resource and securing it for the long term are among the most important tasks of a company.

The portfolio companies set themselves individual goals to fulfill this task. These include, among others:

- Maintaining or increasing their attractiveness as employers in their regions
- (Skilled worker) training beyond what is required to satisfy their own needs
- Ensuring employee satisfaction and boosting employee motivation
- Increasing employees' sense of identification with the company
- Orientation to high employment standards (especially occupational safety, employee health)

The portfolio companies pursue a large number of different measures aligned with their individual priorities. They train according to their own needs and, if possible, beyond them. BILSTEIN & SIEKERMANN, for example, recently established, together with partners from the region, a newly conceived training course for punching and forming mechanics. The portfolio companies also offer their employees a needs-oriented range of further training opportunities, and in some cases the option of completing a dual (academic and practical) study program or dispatch to company locations abroad. At the same time, the portfolio companies maintain a general exchange with schools (e.g. girls' days), universities and universities of applied sciences (e.g. through internships and theses).

Within the companies, employees are involved in the improvement of operating processes through continuous improvement processes or employee suggestion systems.

OUTLOOK

For 2017 INDUS has set itself the goal of expanding the information base for the companies' personnel activities and feeding the results back into the Group in the spirit of "learning from the best".

SOCIAL ENGAGEMENT

PROVIDING A REASONABLE SOCIAL BENEFIT

The individual companies within the Group take on social tasks in addition to their business tasks. INDUS expressly supports voluntary engagement. This is in keeping with INDUS's conception of itself, and it enhances the reputation of the Group.

214.9 EUR '000
2016

Local donations and sponsoring (culture, education, sports, social affairs)

154.0 EUR '000
2015

STATUS QUO AND GOALS

INDUS's portfolio companies are firmly rooted in their regional contexts. The people working in these companies come from the region. They create the value generated by the companies using the regional infrastructure. It is only natural, therefore, that the INDUS portfolio companies would then do their part for an intact community. Important goals of the portfolio companies include:

- **Promotion and maintenance of local engagement:** The portfolio companies prefer to become engaged where they are at home.
- **Identification of existing and potential employees with the company:** Employees are to be proud to be working for their company.
- **Increase in the level of recognition:** The portfolio companies shall be recognized as an integral part of the region and be supported by the stakeholders.

INDUS's portfolio companies regularly become involved in their regional environments through donations and sponsoring commitments. Among everyday commitments are, inter alia, neighborhood dialogs (for example through open house days) and guided plant tours for school classes. Cooperative relationships with workshops for people with disabilities also play an important role. A large number of portfolio companies (39% in 2016) have been establishing partnerships of this type for years. An outstanding example of local social engagement is MBN. This company creates living space for its employees on a considerable scale and supports kindergartens and the local soccer club.

Social engagement may also include action abroad. SMA, for example, runs an AIDS prevention program in its South African subsidiary. MIGUA supports a school project in Africa under the international development project Oxfam.

OUTLOOK

In the future, responsibility for social engagement will continue to be decentralized and rest with the portfolio companies. We expressly do not seek a Group-wide framework for the direction and scale of social engagement. The holding company would like, rather, to promote the exchange of effective approaches within the Group.

RESOURCE EFFICIENCY

USING RESOURCES SPARINGLY AND WITH AWARENESS

CDP A LIST 2016 CLIMATE

INDUS strives to make its portfolio companies sensitive to the ecological consequences of their operational decisions. The holding company makes funds available for investment in efficiency measures and is ready to assist the portfolio companies in an advisory capacity on the cross-sectional topic of energy efficiency.

STATUS QUO AND GOALS

For the INDUS portfolio companies, the use of resources is a factor with an appreciable effect on their economic success. This is true first and foremost of the use of raw and other materials and, in a different form, of the use of energy and disposal services. The portfolio companies' interest in sparing use of natural resources is accordingly great.

The companies are at the same time subject to the ever more stringent requirements of the environments in which they operate; legislators are making the regulatory framework ever tighter. Customers also wish for production methods that conserve resources and products produced by them. Even though the Group's consumption of energy is relatively low by industrial standards, energy efficiency and associated reductions in emissions are a cross-sectional topic. The necessity of measures to counter climate change is something that INDUS has clearly recognized. INDUS Holding AG has therefore set itself the goal of reducing its direct and indirect emissions (scope 1 & 2) in absolute terms by 12 % by 2020 and by 42.5 % by 2040 (as compared in each case to the base year 2014).

122.9
T OF CO_2E/MILLION EUR VALUE-ADDED
2016

Portfolio companies' emissions intensity (scope 1 & 2)

127.5
T OF CO_2E/MILLION EUR VALUE-ADDED
2015

The Group's specific emissions have been reduced by 3.6 % (scope 1 & 2 on the part of the portfolio companies, as compared to the previous year). The holding company's emissions were reduced by as much as 15.8 % (155 tons of CO_2s in 2016 as compared to 184 tons of CO_2s in 2014) when it began obtaining "green" electricity for the first time. In 2016 the holding company also compensated for its remaining emissions for the first time with investments in projects to lower emissions. Energy efficiency measures are implemented in multifarious forms under the decentralized responsibility of the portfolio companies and to some extent also in the context of certified management systems. BETEK, for example, was able to realize potential energy savings on a substantial scale through the installation of a new noble gas supply system. INDUS supports the portfolio companies as needed with, inter alia, free energy advice and by assisting with the conduct of energy audits. INDUS has been answering the CDP climate change questionnaire since 2011 and maintains transparency in its reporting on its climate management practices. For this the Group was awarded a top rating in 2016.

In addition, the portfolio companies are working in various ways to increase their use of secondary (recycled) raw materials. They use environmentally friendly substitution raw materials when possible and avoid the use of toxic materials.

OUTLOOK

The Group will continue to work intensively in 2017 on increasing its efficiency in the use of resources. In 2017 the holding company is for the first time offering to assist the portfolio companies in their efforts to compensate for their CO_2 emissions. In subsequent years the Group will also come to grips with the requirements arising from national and international climate protection plans.

KEY FIGURES

KEY TOPICS	KEY FIGURES	UNIT	2016	2015
Investment	Direct acquisitions[1]	Number	1	2
	Add-on aquisition (on sub-subsidiary level)[1]	Number	7	3
	Investments in company acquisitions[1]	in EUR millions	29.9	34.3
	Investments in property, plant and equipment[1]	in EUR millions	70.0	73.1
	Inorganic growth in sales[1]	in %	3.9	6.0
Innovation	Expenses for research and development[1]	in EUR millions	14.6	11.8
	Approved internal subsidies for innovation projects[1]	in EUR millions	0.9	0.0
	Current cooperative relationships with universities and research institutions[3]	Number	44	49
	Received public subsidies for research projects[3]	in EUR '000	283.1	603.9
	Industrial property rights applied for in the year under review[3]	Number	239	289
Internatio-nalization	External sales in Europe (exclusive of Germany)[1]	in %	23.0	22.0
	External sales outside Europe[1]	in %	26.1	26.9
	Employees in Europe (exclusive of Germany)[1]	in % of FTE	13.5	13.9
	Employees outside Europe[1]	in % of FTE	12.1	12.2
Share-holder's role	Equity ratio[1]	in %	42.4	41.9
	EBIT margin[1]	in %	10.0	9.8
	Organic growth in sales[1]	in %	0.1	4.6
	Direct participations[1]	Number	44	44
	Average length of time portfolio companies have been affiliated with the INDUS Group[1]	in years	14.3	13.7
	Total monetary value of significant fines (> EUR 10,000)[3]	in EUR	0.0	0.0
	Non-monetary penalties for non-compliance with laws and regulations[3]	Number	0	2
Personnel	Female executives (first and second management levels)[3]	in % of FTE[4]	16.2	13.6
	Female employees as a share of the total workforce[3]	in % of own FTE[4]	30.3	30.4
	Temporary workers as a share of the total workforce[3]	in % of FTE[4]	3.2	4.1
	Trainees[3]	in FTE[4]	248.0	231.5
	Participants in dual study programs[3]	Number	55	65
	Reportable accidents at work (exclusive of commuting accidents)[3]	Number	277	281
	Fatal accidents at work (exclusive of commuting accidents)[3]	Number	0	0
	Percentage of employees of INDUS Holding AG who have received its Code of Conduct[2]	in %	100.0	100.0

KEY TOPICS	KEY FIGURES	UNIT	2016	2015
Social engagement	Legitimate complaints from the local area[3]	Number	1	1
	Percentage of companies that cooperate with social institutions (workshops for disabled persons, etc.)[3]	in %	38.8	42.6
	Local donations and sponsoring (culture, education, sports, social affairs)[3]	in EUR '000	214.9	154.0
	Non-local donations and sponsoring (culture, education, sports, social affairs)[3]	in EUR '000	172.8	210.3
Resource Efficiency	Holding company's scope 1 emissions[2]	in t of CO_2e[5]	147.4	143.1
	Holding company's scope 2 emissions (market-based, GHG protocol scope 2)[2]	in t of CO_2e[5]	7.8	44.4
	Holding company's scope 2 emissions (location-based, GHG protocol scope 2)[2]	in t of CO_2e[5]	52.5	51.0
	Holding company's scope 3 emissions[2]	in t of CO_2e[5]	324.5	105.4
	Portfolio companies' scope 1-3 emissions[3]	in thousands t of CO_2e[5]	2,607.5	2,563.6
	Portfolio companies' emissions intensity (scope 1 & 2)[3]	in t of CO_2e[5]/million EUR value-added[6]	122.9	127.5
	Waste intensity[3]	in t/million EUR value-added[6]	23.5	22.9
	Total water withdrawal intensity[3]	in m³/million EUR value-added[6]	693.5	721.3

Reporting limits/scope of consolidation:
1 Scope of consolidation IFRS consolidated financial statements
2 INDUS Holding AG (exclusive of portfolio companies)
3 Scope of consolidation sustainability excl. of INDUS Holding AG
4 The number of employees is expressed in full-time equivalents; part-time employees are accounted for proportionately according to the contractual work hours.
5 Included in the calculation besides CO_2 were nitrous oxide (N_2O), methane (CH_4) and partly fluorinated hydrocarbons (F gases).
6 The value-added is not equivalent to consolidated gross profit (sales plus other income less material expense).

COMPANY AND SHAREHOLDERS

THE MEMBERS OF THE BOARD OF MANAGEMENT, FROM LEFT TO RIGHT: RUDOLF WEICHERT, JÜRGEN ABROMEIT AND DR. JOHANNES SCHMIDT

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

Once again we at INDUS have a highly successful fiscal year to look back upon. In 2016 the vast majority of our portfolio companies were able to continue along the productive paths they had charted for themselves. At the same time, one first-level acquisition and seven second-level acquisitions brought into the INDUS fold important players in the SME sector that are further strengthening both our portfolio companies and INDUS as a whole. The end result of this is that we are able to report a record year for the fourth time in a row.

Thanks to the successful realization of our "Develop" concept, the past several years have gone off very well on the whole. The stock market value of our Group doubled to EUR 1.4 billion between November 2013 and the beginning of this year. Sales have increased by a quarter since 2011, to EUR 1.4 billion, and on the earnings side we have regularly approached or even exceeded our "10 % plus x" EBIT margin benchmark.

DOES THAT MEAN THAT EVERYTHING IS FINE?

The answer is, "No"! At the Annual Shareholders' Meeting last June we made it clear to you, our shareholders, that we believe the economy is headed for turbulent times. Developments in the last several months have done much to confirm this assessment. And things are taking a more critical turn where we did not expect them to. If in recent times it was primarily certain important emerging economies that gave cause for worry, now it is the course that certain established economies are taking that is doing the same.

How successfully our portfolio companies will be able to transact business tomorrow depends not only on the health of the financial and commercial markets but also on the level of stability in the international community. As an exporting nation, Germany in particular lives by the political reliability of other countries and their commitment to free trade. But it is precisely here that we are seeing a multitude of question marks.

We do not know what the consequences of the Brexit decision or nascent U.S. policy will be. It is difficult for us to tell what the many trouble spots in Europe will mean for the European Union in the long run. The only thing we can say is that our portfolio companies are well advised to continue working intensively on their competitiveness.

But working on a company's competitiveness means more than just striving for efficiency and securing market shares. For our portfolio companies it is a matter of pro-actively taking measures to exploit new market opportunities. As an attentive companion to our companies, we are watching numerous industries on a daily basis. And the core message reads the same everywhere: The key that opens the gate to a successful future for the companies is called innovation.

The key driver of innovation is digital transformation. The ability to completely rethink industrial processes through innovative digital connections has the potential to disrupt tried and tested business models within a brief span of time. The digital transformation of industry has long since begun, and it will overtake those companies that have missed the boat.

"WE HAVE BROUGHT OUR STRATEGIC ROADMAP INTO EVEN SHARPER FOCUS."

Jürgen Abromeit

To ensure that the INDUS portfolio companies are not among them, we impress upon our portfolio companies an awareness of the importance of this topic in our regular briefings, and we offer them support in their development efforts, be it through innovation-related advice or by making financial resources available.

We in the holding company have drawn strategic conclusions also from general developments in our operating environment. COMPASS 2020, the strategy we have been following for the last four years, has proved highly effective. The mid-term review is positive, so that we can continue along our charted course in the knowledge that it is fundamentally sound. We will assist our companies in their development to the best of our capabilities, and we will advance the growth of the Group through acquisitions. At the same time, we will be promoting the topics of innovation and internationalization even more vigorously in the future than we have in the past, and realizing even greater acquisition projects as they arise.

And to the four industries of the future that are of particular interest to us in our acquisition efforts we have added a fifth: In addition to the fields of infrastructure and logistics technology, energy and environmental technology, measuring technology and control engineering, and medical engineering/life science, we have now included construction and safety engineering as a field of focus for future acquisitions. We regard the prospects for this sector – in which it is exclusively the privately organized and economically-oriented areas that interest us – as extremely promising given the increasing importance of safety concerns.

Before we consider the current fiscal year, let us take another quick look at the last one. As we reported in our introductory remarks, fiscal year 2016 was a very successful one for INDUS. With sales of roughly EUR 1.44 billion and an operating result of roughly EUR 145 million, we achieved both the growth we sought and our margin target of "10% plus x". With the exception of the automotive technology segment, all of the operating segments improved their operating results.

We should not, however, allow this to blind us to the fact that some of our Group companies are currently struggling with certain challenges. In the automotive technology and metals technology segments, for instance, some companies have been preoccupied with their strategic reorientation in parallel with their business operations. While some of them were able to complete the reorganization process successfully, others had setbacks to overcome. Even if the situation had improved for them, too, in economic terms by the end of the year, there

"WE WILL EMPHASIZE INNOVATION AND INTERNATIONALIZATION MORE THAN EVER."

Dr.-Ing. Johannes Schmidt

were some formidable tasks that carried over into the new year for these companies.

We took a major stride forward in our efforts to strengthen our Group through acquisitions. With our acquisition of the HEITZ Group in the middle of the year we gained an internationally well-positioned niche market leader in the field of veneer edging and cladding veneers made of genuine wood. H. HEITZ has been augmenting the construction/Infrastructure segment since June 2016.

In addition, we were able to advance negotiations with a second company so far that, effective January 1, 2017, it, too, became a part of our Group. M+P INTERNATIONAL Mess- und Rechnertechnik is a provider of measurement and test systems for vibration testing and analysis and amplifies the engineering segment. Both companies are highly international in orientation and promise to perform well in the years to come.

At the portfolio company level, our Group accomplished in total seven acquisitions at the (sub-) subsidiary level in 2016. These strategic additions have expanded the capabilities of the acquiring companies and are creating opportunities for them to develop new business segments. And consistently with the COMPASS 2020 program, they have amplified market presence in Asia (for BILSTEIN & SIEKERMANN, SELZER), Latin America (for WIESAUPLAST) and Europe (for OBUK and others).

This year you, as our shareholders, will once again be sharing commensurably in the results of our strong performance. After paying out a dividend of EUR 1.20 per share in each of the last two years, we have decided, along with the Supervisory Board, to propose to the General Shareholders' Meeting an increase this year to EUR 1.35 per share. The dividend per share has increased gradually since 2012, and with this increase it will be 35 % more than it was four years ago. At the same time, we remain with the proposal within the dividend range, which provides for a distribution ratio of between 40 and 50 % of net income.

The balanced dividend policy does its part to preserve our company's rock-solid financial position. The equity ratio has increased again slightly, to 42.4 %, as compared to the previous year. This and our traditionally strong liquidity position give us at INDUS the strength needed to press on with the Group's growth – along with a long-term positive trend in dividends.

> **"THE ECONOMIC BASIS FOR FURTHER ACQUISITIONS IS VERY GOOD."**
>
> Rudolf Weichert

WHERE DO WE GO FROM HERE IN 2017?

There are now some 45 portfolio companies and roughly 75 sub-subsidiaries under the INDUS umbrella. Together they represent the modern German SME industry, which will continue to shape our economy in the future. From our streamlined holding company we will continue in the current year to support them to the best of our ability.

In many German-speaking family-run companies there is a lack of successors. We are confident that we will have more attractive acquisitions to report this year, both through direct growth acquisitions and through indirect acquisitions.

The underlying conditions are becoming ever more complex, and the economic environment is currently fraught with great risks. This does not deter us from setting our sales target for 2017 in excess of the EUR 1.5 billion threshold and predicting an increase in earnings. And this does not even take acquisitions into account yet. Our confidence is based in the generally strong performance of the Group companies and their successful innovation, internationalization and investment efforts.

Before you delve into an in-depth reading about our corporate performance, we on the Board of Management wish to thank you for your continued confidence in us. As shareholders, you have created with your equity the foundation on which we are able to successfully realize and further develop our SME model year after year. And as employees of our portfolio companies, you breathe life into our SME model day after day. For that we thank you, too, the executives and employees at all levels of the companies, and in the holding company as well, expressly for your great dedication.

BERGISCH GLADBACH, MARCH 2017

JÜRGEN ABROMEIT   DR. JOHANNES SCHMIDT   RUDOLF WEICHERT

MANAGEMENT BODIES

THE INDUS BOARD OF MANAGEMENT*

JÜRGEN ABROMEIT

Board of Management Chairman (CEO)

Jürgen Abromeit (born 1960) has been a member of the Board of Management of INDUS Holding AG since 2008. He assumed the position of Chairman of the Board of Management in July 2012. After completing his professional training, the bank manager held a number of positions at Dresdner Bank and Commerzbank in corporate and investment banking before moving over to steel manufacturer Georgsmarienhütte Holding (GMH) as chief financial officer in 1998. During his eleven years with GMH, he assisted in a large number of corporate acquisitions, assuming operational management at various companies in the mechanical engineering sector during the integration phase. In his last position he was responsible for the steel and engineering segments at GMH as divisional manager.

DR.-ING. JOHANNES SCHMIDT

Board of Management Member (CTO)

Dr. Johannes Schmidt (born 1961) has been a member of the Board of Management of INDUS Holding AG since 2006. After graduating with a degree in applied mathematics and completing his doctorate in the field of mechanical science, Dr. Schmidt initially assumed development tasks at Richard Bergner GmbH, a Schwabach-based manufacturer of electrical instruments, before ascending to become managing director in the course of his twelve years at the company. In 2000, he moved to ebm-papst Landshut GmbH, a manufacturer of ventilation motors and fans, to become its sole managing director. During his tenure there, his main achievements included advancing the development of new product platforms and internationalization of production sites.

RUDOLF WEICHERT

Board of Management Member (CFO)

Rudolf Weichert (born 1963) has been a member of the INDUS Holding AG Board of Management since June 2012. Before joining the INDUS Board of Management, he was a partner at accounting firm KPMG for nine years. He spent three of these years in Detroit, Michigan, where he worked mainly with companies in the automotive, engineering and materials trading industries. Mr. Weichert, who holds a business degree, worked for KPMG for about 20 years, primarily in the firm's Düsseldorf offices, where he worked mainly with multi-national manufacturing corporations. He also worked extensively with clients in the biotechnology/life sciences and renewable energy sectors.

* DETAILED INFORMATION CONCERNING THE PROFESSIONAL QUALIFICATIONS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT MEMBERS' MAY BE FOUND ON OUR INTERNET PAGE. FOR INFORMATION CONCERNING OTHER MEMBERSHIPS ON OTHER SUPERVISORY BOARDS, SEE PAGE 185.

THE INDUS SUPERVISORY BOARD*

HELMUT SPÄTH

Chairman of the Supervisory Board

Helmut Späth (born 1952) is a businessman (former auditor and tax advisor) and, as deputy chairman of the board at Versicherungskammer Bayern, is responsible for the finances and accounting departments. He has been a member of the INDUS Holding AG Supervisory Board since July 2012.

DR. JÜRGEN ALLERKAMP

Deputy Chairman of the Supervisory Board

Dr. Jürgen Allerkamp (born 1956) is a fully qualified lawyer. In January 2015 he was appointed Chairman of the Management Board of the Investitionsbank Berlin. Previously he held the position of Chairman of the Management Board at Deutsche Hypothekenbank (Actien-Gesellschaft) in Hanover and was a member of the Management Board of Nord/LB from 1997 through 2010. He was appointed to the INDUS Holding AG Supervisory Board for the first time in 2007.

Members of the Supervisory Board are appointed for a period of five years; re-elections are permissible. Candidates must not be above the age of 70 at the time of their election or re-election. The terms of members Helmut Späth, Dr. Jürgen Allerkamp, Dr. Ralf Bartsch, and Hans Joachim Selzer will come to an end at the end of the 2017 Annual Shareholders' Meeting; Dr. Dorothee Becker's term will end at the end of the 2019 Annual Shareholders' Meeting and Carl Martin Welcker's at the end of the 2020 Annual Shareholders' Meeting. Another candidacy will not be possible for Mr. Selzer in 2017 because of the age limit.

* DETAILED INFORMATION CONCERNING THE PROFESSIONAL QUALIFICATIONS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT MEMBERS' MAY BE FOUND ON OUR INTERNET PAGE. FOR INFORMATION CONCERNING OTHER MEMBERSHIPS ON OTHER SUPERVISORY BOARDS, SEE PAGE 185.

DR. RALF BARTSCH

Dr. Ralf Bartsch (born 1959) is a fully qualified lawyer and business manager. Since 2003 he has been Management Board Spokesman for the SCHLAU/HAMMER Group, Porta Westfalica. Previously, Dr. Bartsch worked for NORD Holding, Hanover, and for an international law firm specializing in capital markets and corporate law. He has been a member of the Supervisory Board of INDUS Holding AG since 2007.

DR. DOROTHEE BECKER

Dr. Dorothee Becker (born 1966) is an economist. She is the Managing Director of the SME Gebr. Becker GmbH in Wuppertal. She has been a member of the Supervisory Board of INDUS Holding AG since June 2014.

HANS JOACHIM SELZER

Hans Joachim Selzer (born 1943) holds a degree in industrial engineering, is an entrepreneur and former owner of Selzer Fertigungstechnik GmbH in Driedorf, an equity holding of INDUS Holding AG. He has been a member of the INDUS Holding AG Supervisory Board since July 2012.

CARL MARTIN WELCKER

Carl Martin Welcker (born 1960) is managing partner at the medium-sized mechanical engineering company Alfred H. Schütte GmbH & Co. KG in Cologne. He has been a member of the Supervisory Board since February 2010.

PERSONNEL AND NOMINATION COMMITTEES

Helmut Späth (Vorsitz) / Dr. Jürgen Allerkamp / Hans-Joachim Selzer

AUDIT COMMITTEE

Dr. Jürgen Allerkamp (Chairman, Financial Expert) / Dr. Ralf Bartsch

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

I would like to take this opportunity to inform you of the Supervisory Board's work over the past fiscal year.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

In the year under review the Supervisory Board diligently fulfilled its duties under applicable law and the company's articles of association. The Supervisory Board continually advised the Board of Management, supervised its management of the company, and ensured that all actions taken were legal and proper and served their intended purpose. The Board of Management fulfilled its informational duties at all times and regularly, promptly and comprehensively informed the Supervisory Board, both in writing and orally, of all issues relating to strategy, planning, business performance, risk exposure, risk development, and compliance that were of material importance to the company and the Group. This included also information concerning the straying of actual developments from previously reported goals and of actual business developments from their planned course.

The members of the Supervisory Board always had sufficient opportunity to critically review, in their committees and plenary sessions, the reports and proposed resolutions presented by the Board of Management and to introduce suggestions of their own. This kept them continually informed of current business performance and asset development. Matters to which the Supervisory Board devoted its attention included, in addition to financial, investment, and personnel planning, the company's risk exposure and risk management. In particular cases the Supervisory Board gave its consent to certain business transactions when the law, the articles of association or rules of procedure so required. Between board meetings, the chairman of the Supervisory Board and the chairman of the Audit Committee engaged in an intensive exchange of information and ideas with the Board of Management and kept themselves informed of significant company developments.

MEETING FREQUENCY AND ATTENDANCE

In fiscal year 2016, four ordinary meetings were held in the presence of the Board of Management. In addition, a special meeting was held in the form of a telephone conference. The Supervisory Board regards its individualized disclosure of participation in meetings of the full Supervisory Board and of its committees as an exercise of good corporate governance. All meetings held by the Supervisory Board or its committees had the full participation of all Supervisory Board and Board of Management members.

Transactions of importance for the Company were discussed with the Supervisory Board also outside of its regular meetings to ensure that it was always involved in decisions of fundamental importance. There were no indications that Supervisory Board or Board of Management members had conflicts of interest, which must be promptly disclosed to the Supervisory Board and of which the Annual Shareholders' Meeting is to be informed.

MAIN TOPICS OF THE MEETINGS

The focus of the **first meeting, which was held on April 8, 2016**, was the presentation and discussion of the 2015 annual financial statements of the company and the Group and passage of the associated resolution. The Audit Committee devoted its attention to the effects of a) acquisitions in terms of purchase price allocation, b) the investments on the individual and consolidated financial statements, c) the height of the tax rate, and d) risk analysis in the automotive technology segment. At the Audit Committee's recommendation and after intensive discussions with the auditor, the Supervisory Board approved the consolidated financial statements and adopted the annual accounts for fiscal year 2015. The Board of Management also provided information on the main investment targets over the last fiscal year and explained in detail the annual risk management and compliance reports. The Board of Management then presented INDUS Group's economic position as of February 2016.

The Supervisory Board submitted the Board of Management's proposal for a 100 % acquisition of CAETEC GmbH to a vote. The specialist in data loggers and measuring modules for automotive development applications was acquired by INDUS portfolio company IPETRONIK of Baden-Baden. The deal was signed on May 2, 2016, the closing taking place on May 30, 2016. The Board of Management also provided information concerning the planned expansion acquisitions of CREAPHYS by M. BRAUN and of IN-SITU by MIKROP, two expansion acquisitions at the sub-subsidiary level intended to strategically expand the capabilities of the two aforementioned subsidiaries.

Up for a vote once again were the Board of Management's dividend proposal and the agenda for the 2016 Annual Shareholders' Meeting.

In the **special session on May 23, 2016**, which was held as a telephone conference, the Board of Management explained in detail the planned acquisition of H. HEITZ Furnierkantenwerk GmbH & Co. KG, which the Supervisory Board approved. The HEITZ Group produces veneer edging and wrapping veneers made of genuine wood and is the largest provider in the world in this segment. The purchase agreement was signed on June 7, 2016. The closing took place on June 30, 2016.

One day before the Annual Shareholders' Meeting **on June 8, 2016**, the Supervisory Board convened for its s**econd ordinary meeting**, in which the members prepared themselves in regard to the status of current proposals. Since no counterproposals had been submitted, the Supervisory Board dealt in depth with the report concerning business developments in the months from January to April, 2016. The Board of Management reported also on budget overruns in the metals technology and automotive technology segments, but pointed out that the earnings projections as communicated remained fully achievable in absolute terms. This was underlaid with Forecast, which was drawn up for the portfolio companies based on the results of operations as of April 2016.

The Supervisory Board also voted on the Board of Management's proposal to acquire 50 % of shares in ZweiCom GmbH, a specialist in the development and production of passive components for the fiber optics infrastructure by HAUFF-TECHNIK. After taking information on and discussing the changes in capital market law that had gone into effect on July 1, 2016 in response to the EU regulation on market abuse, the Supervisory Board adopted the new insider trading policy of INDUS Holding AG, which supersedes the one previously in effect.

The **third ordinary meeting** took place on **September 21, 2016**. The Board of Management began by providing information concerning the INDUS Group's economic performance in the first eight months of fiscal year 2016, reporting in detail on the reasons why the automotive technology segment had fallen short of plans. The Board of Management confirmed, in light of the portfolio companies' current Forecast II, the forecast for the year as a whole and commented on the strong performance observed in the construction/infrastructure and mechanical engineering segments. The Board of Management further informed the Supervisory Board that the acquisitions of H. HEITZ, ZWEICOM and IN-SITU had been completed successfully and according to plan. The Board of Management commented in detail on the M&A pipeline, which continued to deliver a steady supply of further acquisition candidates in 2016 and 2017, for which an additional approved framework might be required.

The subject matter of this meeting included presentation by the Board of Management of a strategy report on the status of the COMPASS 2020 strategy's implementation. Its main focus was the topic area of "development", the Board of Management reporting on the current state of efforts to develop the strategy for innovation and to introduce innovation management within the Group. The Board of Management explained from this angle developments that had taken place over a period of years at selected subsidiaries. The Board of Management also described the outlook for expansion of COMPASS 2020 with the three topic areas "growth", "development", and "repositioning". The Supervisory Board signaled its full support for the Board of Management's strategy in view of its announced portfolio development.

The **last meeting of the year, which was held on December 14, 2016**, covered the updated outlook for fiscal year 2016 based on results up to October 2016 and planning for 2017. The Board of Management again gave a status report on the INDUS Group's financing. It then informed the Supervisory Board, in special reports, of current developments at the companies BETOMAX, MEWESTA, SELZER and FICHTHORN.

The Board of Management explained the corporate planning for fiscal year 2017, including plans for investment and financing. In the ensuing discussion, the Board of Management considered the details of the planning process. The Supervisory Board approved the annual plans in their entirety and without correction.

The Board of Management then reported on the planned acquisition of a controlling interest in M+P INTERNATIONAL Mess- und Rechnertechnik GmbH, an innovative and internationally operating developer of measurement and test systems for vibration testing and analysis. Its measurement and test systems can be applied in fields ranging from aerospace technology to energy and environmental engineering. The Supervisory Board approved the acquisition. The signing, which fell within the new fiscal year, took place on January 30, 2017.

The chairman of the Supervisory Board presented the results of the personnel committee meeting of the same date, further to which the Board of Management presented the procedure for finding a suitable candidate to succeed to the Supervisory Board seat about to be vacated by Mr. Selzer, who will not be standing for election again for reasons of age.

The subject matter of deliberations also included the ongoing status proceedings in which the Regional Court [Landgericht] of Cologne is reviewing, upon the application of a private shareholder, the Supervisory Board's composition in terms of its conformity with stock corporation law. The Board of Management had informed the Supervisory Board by telephone of the initiation of the status proceedings shortly after it was made publicly known.

The Board of Management briefly provided information regarding the topics of the meeting of the Audit Committee held on the same date, in which Dr. Holzmayer and Mr. Lauten participated as representatives of the auditing firm of Ebner Stolz Mönning Bachem Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft of Cologne.

The members of the Supervisory Board devoted their attention also to the German Corporate Governance Code in the year under review. The Board of Management and the Supervisory Board submitted an updated declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), which is publicly available on the company's website.

WORK OF THE COMMITTEES

The main task of the two Supervisory Board committees is to prepare decisions and topics for the board's full sessions. Decision-making powers may be transferred to the committees for this purpose insofar as the law permits. The chairmen of the committees reported to the Supervisory Board regularly and in detail on their committees' work. The chairman of the Supervisory Board holds the chairmanship of the Personnel Committee and Nomination Committee, but not the chairmanship of the Audit Committee. The personnel make-up of the two committees is presented in the Annual Report under the heading "Management Bodies".

The **Audit Committee met twice** during fiscal year 2016: on **April 8 and December 14, 2016**. Taking part in the meetings, in addition to members of the Board of Management, were representatives of Ebner Stolz Mönning Bachem Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft of Cologne. The auditor declared to the Audit Committee that there were no facts or circumstances present that would constitute grounds for assuming a lack of impartiality on his part. The Audit Committee obtained the auditor's statement of independence as required, verified his qualifications, entered into the remuneration agreement and established the focus of the audit. The main topics of the consultations were the 2015 annual financial statements, a review of the risk management and compliance reports, and development of auditing guidelines.

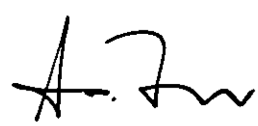
The **Personnel and Nomination Committees** prepared the Supervisory Board's personnel decisions in three meetings in fiscal year 2016, which were held on **April 8, September 21, and December 14, 2016**. Where necessary, decisions were made or resolutions were recommended to the Supervisory Board. The subject matter of these meetings included the structuring of the remuneration system, proposed bonuses for members of the Board of Management, and contractual matters. Details regarding Board of Management remuneration can be found in the remuneration report.

DELIBERATIONS CONCERNING THE ANNUAL FINANCIAL STATEMENTS AND PROPOSED DIVIDEND

The accounting and law firm of Ebner Stolz Mönning Bachem Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft, Cologne, appointed auditor of the separate and consolidated financial statements by resolution at the Shareholders' Meeting of June 9, 2016, audited the annual financial statements and management report of the INDUS Holding Group and of INDUS Holding AG pursuant to the Supervisory Board's instructions. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The auditor provided the annual financial statements with an unqualified audit certificate. The auditor also confirmed that the risk management system complied with the provisions of law, and that there are no identifiable risks that might jeopardize the company as a going concern. The interim financial reports were not audited. The consolidated financial statements and Group management report, the annual financial statements and management report, the sustainability report that was drawn up for the first time, and the audit reports were timely presented to all Supervisory Board members. These were discussed in detail at the Supervisory Board meeting held on March 22, 2017 for adoption of the financial statements. This meeting was attended also by the auditor Ebner Stolz Mönning Bachem Wirtschaftsprüfer Steuerberater Rechtsanwälte Partnerschaft, Cologne, which reported on the main results of the audit and remained available to answer additional questions. The Supervisory Board discussed all of the submissions and audit reports in depth. Based on the final result of our own audit of the documents submitted to us and the Audit Committee's recommendations, the Supervisory Board raises no objections, and concurs with the Group auditor's findings. The Board endorses the financial statements prepared by the Board of Management and approves the consolidated financial statements. The Supervisory Board concurs with the Board of Management's proposed appropriation of distributable profit.

The Supervisory Board would like to thank the members of the Board of Management and all employees of the portfolio companies and of INDUS Holding AG for the extraordinary dedication they have displayed in the past fiscal year.

Bergisch Gladbach, March 22, 2017



FOR THE SUPERVISORY BOARD
HELMUT SPÄTH
CHAIRMAN

SUPERVISORY BOARD MEETINGS AND WORK OF THE COMMITTEES IN THE 2016 FISCAL YEAR

	PARTICIPATION	IN %
Supervisory Board		
Helmut Späth	5/5	100
Dr. Jürgen Allerkamp	5/5	100
Dr. Ralf Bartsch	5/5	100
Dr. Dorothee Becker	5/5	100
Hans Joachim Selzer	5/5	100
Carl Martin Welcker	5/5	100

	PARTICIPATION	IN %
Audit Committee		
Helmuth Späth	3/3	100
Dr. Jürgen Allerkamp	3/3	100
Hans Joachim Selzer	3/3	100
Personnel and Nomination Committee		
Dr. Jürgen Allerkamp	2/2	100
Dr. Ralf Bartsch	2/2	100

THE INDUS SHARE

KEY SHARE DATA (IN EUR)	2016	2015	2014
Earnings per share Group	3.27	2.78	2.74
Cash flow per share Group	4.69	5.36	3.56
Dividend per share[1]	1.35[1]	1.20	1.20
Dividend yield in %	2.6[2]	2.7	3.1
Sum disbursed in EUR millions	33.0	29.3	29.3
12-month high	54.15	50.12	40.90
12-month low	36.75	36.37	28.00
Price at year-end[2]	51.64	44.51	38.11
Market capitalization on Dec. 31 in EUR millions[3]	1,262.6	1,088.3	931.8
Average daily turnover in number of shares	35,578	53,308	53,935

[1] Subject to approval at Annual Shareholders' Meeting on May 24, 2017
[2] Basis: closing prices in XETRA trading on 2016 reporting date
[3] based on complete capital stock of 24,450,509 shares

SHARE PRICE: STRONG PRICE PERFORMANCE IN UNSETTLED TIMES

By the end of fiscal year 2015, the INDUS share had posted a solid gain of roughly 17 %, in the middle range of the DAX and SDAX indices (DAX +10 %, SDAX +27 %). In fiscal year 2016, the INDUS share needed a bit more run-up time for its strong, above-average performance after the middle of the year and in a highly volatile market environment. The share price maintained its high level to the end of the year and beyond.

After moving in sync with the SDAX's performance in the first quarter of 2016, the INDUS paper managed to emerge in the second quarter from the shadow of its lackluster showing at the beginning of the year for a short period of time. Publication of the company's excellent financial figures for 2015, in particular, stimulated greater demand among investors and caused the share price to rise sharply. By the end of May, this development was reined in in an atmosphere of increasing global uncertainty and renewed pressure on the stock markets.

In the second half of the year, record earnings for the second quarter, confirmation of the INDUS Group's forecast for the year as a whole, and the announcement of further successful acquisitions sent the INDUS share climbing at an above-average rate. Its price was able to considerably overtake its comparison parameters. Robust labor market reports and improved economic data provided additional support for the trend. On October 24, 2016 the share price reached an all-time high of EUR 54.15.

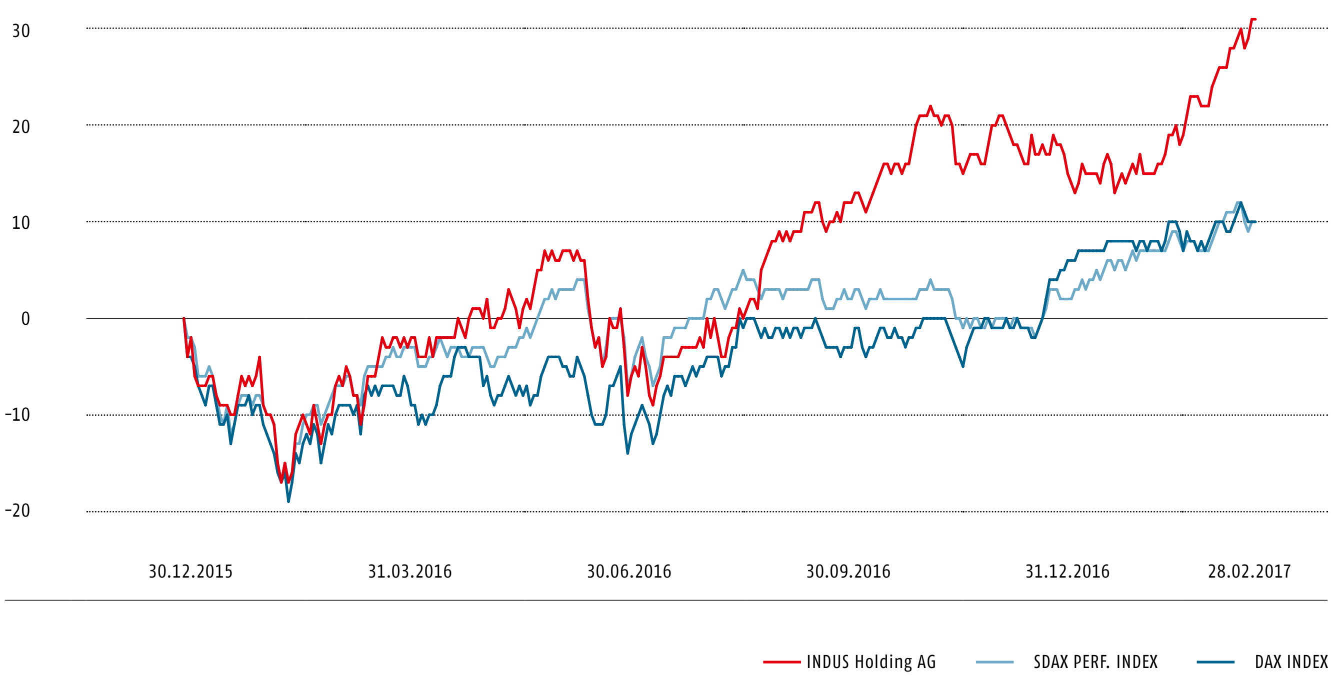
Resurgent worries in the banking sector, the increase in the U.S. Federal Reserve Bank's key lending rate, unrest in certain European countries, and the political uncertainties associated with the "Brexit" decision and the American presidential election had a dampening effect on the INDUS security in the last quarter. Yet, in spite of all that, the listing was able to hold firm above EUR 50.00 as of the year's end. At the end of fiscal year 2016, the share closed with an annual gain of roughly 21 %, significantly outperforming the SDAX and DAX indices (SDAX +6.5 %, DAX +11.7 %).

LIQUIDITY OF THE SHARE: AVERAGE DAILY TRADING VOLUME RATHER RESTRAINED AT ROUGHLY 36,000 SHARES

In contrast to the previous years, the strong share price performance in 2016 created a brisk demand, which, however, was met with a rather limited supply. On average, according to the statistics of the German Stock Exchange, 35,578 shares were traded per day on Xetra and the German regional exchanges during the fiscal year. That was, in total, more than nine million shares in 2016. There was major trading outside the exchanges as well. According to Bloomberg, another 7.3 million shares were transferred directly between buyers and

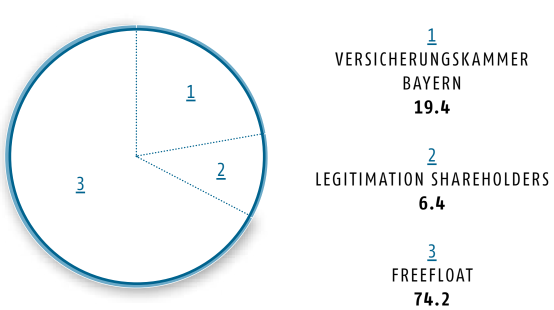
UP-TO-DATE SHARE PRICE CHANGE OF THE INDUS SHARE AND SHAREHOLDER STRUCTURE

INDUS SHARE PRICE CHANGE IN 2016 INCLUDING DIVIDENDS (IN %)



sellers and over alternative trading platforms. Roughly 55 % of trading volume was on Xetra and regional German stock markets, according to Bloomberg. The decline in average daily trading volume in fiscal year 2016 is a reflection of investor preference for investing in robust securities, and holding on to them, in uncertain times.

INDUS HOLDING AG SHAREHOLDER STRUCTURE AS OF DECEMBER 31,2016 (IN %)

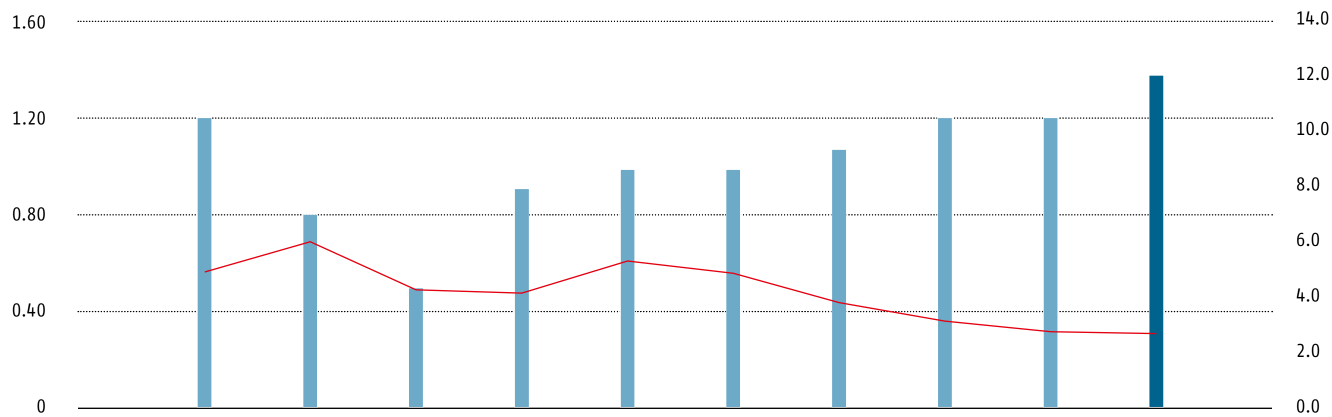


Source: company data

STABLE SHAREHOLDER STRUCTURE WITH MANY INSTITUTIONAL INVESTORS

INDUS Holding AG's largest shareholder remains Versicherungskammer Bayern in Munich. In line with its long-term capital investment strategy, it holds 19.4 % of the capital stock (according to the Board of Management's knowledge). The other anchor is formed by a group of private investors who are represented jointly. The spokesman for this group of proxy shareholders is Hans Joachim Selzer of Driedorf, Germany. This group holds 6.4 % of INDUS shares, according to its own statements. The rest of the company's share capital is held by a broad range of investors. INDUS Holding AG currently does not hold any treasury shares.

DIVIDEND PER SHARE* AND DIVIDEND YIELD, 2007–2016 (IN EUR/IN %)



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016**
1.20	0.80	0.50	0.90	1.00	1.00	1.10	1.20	1.20	1.35
4.9 %	6.0 %	4.2 %	4.1 %	5.3 %	4.9 %	3.8 %	3.1 %	2.7 %	2.6 %

* dividend payout for each fiscal year
** Subject to approval at Annual Shareholders' Meeting on May 24, 2017

– dividend yield

DISTRIBUTION: PROPOSED DIVIDEND OF EUR 1.35 PER SHARE

INDUS practices a stable dividend policy. Shareholders participate in company profits through regular dividend distributions. The amount of dividends is generally based on net profit for the year, but a dividend should be paid even in weaker years insofar as financially feasible. The dividend policy provides that up to 50 % of profits are to be reinvested in the company and up to 50 % distributed. A necessary condition for this is that INDUS Holding AG show an accumulated profit on its annual financial statements. As of December 31, 2016, the holding company had EUR 77.2 million in retained earnings. The Board of Management and the Supervisory Board will therefore propose a dividend payout of EUR 1.35 per share at the Annual Shareholders' Meeting. This brings the total distribution amount to EUR 33.0 million.

SHARE ANALYSIS FOR INDUS HOLDING AG

Bankhaus Lampe	— February 2017
	— Buy, target price EUR 65
Commerzbank	— February 2017
	— Buy, target price EUR 53*
Deutsche Bank	— February 2017
	— Buy, target price EUR 68
HSBC	— February 2017
	— Buy, target price EUR 67
LBBW	— February 2017
	— Hold, target price EUR 59
M.M. Warburg	— February 2017
	— Buy, target price EUR 57
Independent Research	— February 2017
	— Buy, target price EUR 68

HSBC resumed research into the INDUS share in March 2015. That brings to seven the number of banks and investment firms that are watching the company. Their current price targets for the share lie between 53* and 68 euros. Except from LBBW, all of the analysts recommend buying INDUS shares. Analyst opinions are regularly published on the INDUS website under "Investor Relations."

* Analysis to be updated after publication of company figures for 2016

TARGETED AND TRANSPARENT INVESTOR RELATIONS WORK

A key topic in the dialog with the capital market in 2016 was the information concerning the current business trend and further steps towards implementation of the COMPASS 2020 strategy. The Board of Management sought a continuous exchange of views with existing and potential investors in the period under review, both in Germany and abroad. It used finance events for this purpose along with conferences and roadshows in and outside Germany.

ROADSHOW ACTIVITIES AND CAPITAL MARKET ACTIVITIES OF INDUS HOLDING AG 2016

January — Roadshow Düsseldorf
February — German Equity Forum, London
March — Roadshow Cologne
April — Analysts' conference for fiscal year 2015
— Germany Conference, Baden-Baden
June — Roadshow Hannover
— Warburg Highlights, Hamburg
September — Roadshow Stuttgart
— Zurich Capital Market Conference, Zurich
October — Roadshow Paris
— Roadshow Frankfurt

In addition to regularly publishing up-to-date information about INDUS the Board of Management also regularly met for personal discussions and interviews with multipliers, analysts and business reporters. INDUS maintains a dialog with private investors through the Annual Shareholders' Meeting and through personal contact. Interested investors may also stay abreast of current events through the INDUS Newsletter and the INDUS app. By actively cultivating relations with the capital markets, INDUS underscores its commitment to transparent and regular communication. INDUS has been a member of Deutscher Investor Relations Verband e.V. (DIRK) since 2009. The financial calendar appearing on the cover of this Annual Report provides an overview of the most important dates for the current fiscal year. The financial calendar is regularly updated and is available also on the company's website.

Contacting
Investor Relations:
Telephone: +49 (0)2204 / 40 00-66

Email:
investor.relations@ indus.de

Scheduled dates for 2016
and other IR information
can be found at:
www.indus.de/en/Investor-Relations

INDUS SHARE DATA

SIN/ISIN	620010 / DE0006200108
Stock exchange code	INH.DE
Share class	No-par-value bearer unit shares
Stock exchanges	XETRA, Düsseldorf, Frankfurt, Germany (regulated market) Tradegate Exchange, Berlin, Hamburg, Hanover, Munich, Stuttgart, Germany (free exchange)
Market segment/Indices	Prime Standard/SDAX
Designated Sponsors	Commerzbank, Bankhaus Lampe
Capital stock	63,571,323.62
Number of shares on Dec. 31	24,450,509
First trading day	September 13, 1995
Last capital increase	December 2, 2013

COMPASS 2020: STATUS REPORT

We have successfully completed the first half of our COMPASS 2020 strategy program with INDUS. The strong performance achieved in fiscal year 2016 contributed significantly to that result. Directly and indirectly, i.e., through our portfolio companies, we have been able to acquire eight new companies. With this portfolio our group has once again generated earnings exceeding those of the previous year.

Another point of emphasis in the COMPASS 2020 program in 2016 was our efforts to further internationalize our portfolio. Our portfolio companies formed new companies abroad, tapping into new target groups and foreign markets.

By focusing more intensely on innovation, we reached the next stage of development in our strategy program in 2016. When it comes to realizing the potential of new technologies and markets, fostering our network of portfolio companies, working with research institutions, or acquiring newer companies at a second level of investment, INDUS assumes the role of a dependable contact to whom its portfolio companies can turn for advice. Moreover, we assist our portfolio companies in the innovation process by providing resources for research and development activities, making suitable R&D instruments available, and assuming the role of sparring partner.

In 2017 we will continue this course of development with INDUS. We aim to make further acquisitions, at both the Group level and the level of the portfolio companies, in the current year as well. We will also be further fine-tuning our strategy program.

2016

01/2016

ADD-ON ACQUISITION

BUDDE has gathered new strength by acquiring COMPUTEC AG, a company based in Murrhardt, Germany and a specialist in automation technology, electronics, and control software programming for (conveyor) systems.

Engineering

03/2016

INTERNATIONALIZATION

BILSTEIN & SIEKERMANN is launching its operations in China through its newly formed national company in Taicang.

Automotive Technology

03/2016

ADD-ON ACQUISITION

ANCOTECH has strengthened its position with MBH SOLUTIONS AG, a company based in Dielsdorf, Switzerland and a specialist in software for list programs and drawing editors.

Construction/Infrastructure

06/2016

GROWTH ACQUISITION

With its acquisition of the HEITZ Group – which has its main location in Melle, Germany, a branch plant in Pusztaszabolcs, Hungary, and a branch in Heath, Ohio USA – INDUS has acquired a world market leader and international specialist in high-quality veneer edging made of genuine wood.

Construction/Infrastructure

New addition 2016

06/2016

SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting backs the Board of Management's strategy for INDUS and approves a dividend of EUR 1.20.

Capital Market

EUR 1.20 dividend per share

07/2016

ADD-ON ACQUISITION

MIKROP has acquired in the Sauerlach-based company IN-SITU GmbH a specialist in digital image editing and 2D and 3D measurement technology.

Medical Engineering/Life Science

ANIMATION: HISTORY OF AQUISITIONS

ANIMATION:
MILESTONES

BUY & HOLD & DEVELOP/GROW

PORTFOLIO ENHANCEMENT

INDUS ASSISTS ITS COMPANIES IN THE DEVELOPMENT OF THEIR CAPABILITIES ("DEVELOP").

INTERNATIONALIZATION

INDUS ASSISTS ITS COMPANIES AS THEY EXPAND THEIR INTERNATIONAL ACTIVITIES ("DEVELOP/GROW").

GROWTH ACQUISITIONS

INDUS GROWS THROUGH EXTERNAL ACQUISITIONS IN ITS DEFINED EXISTING AND FUTURE SECTORS ("BUY/GROW").

→ HALFWAY POINT REACHED
→ SECOND STAGE HAS BEEN IGNITED

04/2016

ADD-ON ACQUISITION

M. BRAUN has acquired Dresden-based CREAPHYS GmbH, which was formed as a spin-off from the Technical University of Dresden, a young company in the field of organic electronics.

Engineering

04/2016

NEWLY FORMED COMPANY

AURORA has entered the business segment for convectors intended for use in commercial vehicles with the newly-formed AFK GmbH in Oettingen, Germany.

Automotive Technology

05/2016

ADD-ON ACQUISITION

INDUS has undertaken, with its purchase of CAETEC GmbH based in Olching, Germany, a strategic acquisition on behalf of IPETRONIK in the field of drive technology and thermal management.

Automotive Technology

2017

08/2016

ADD-ON ACQUISITION

HAUFF has acquired a 50 % interest in ZWEICOM GmbH, Jagstzell, Germany, a specialist in the development and production of passive components for fiber-optic infrastructure.

Construction/Infrastructure

10/2016

SHARE PRICE

INDUS share reaches high of EUR 54.15.

Capital Market

Historical peak price

12/2016

INTERNATIONALIZATION

OBUK has taken over the front door panel segment for the French market from door manufacturer Noblesse, Berg (Palatinate), thereby strengthening its presence in France.

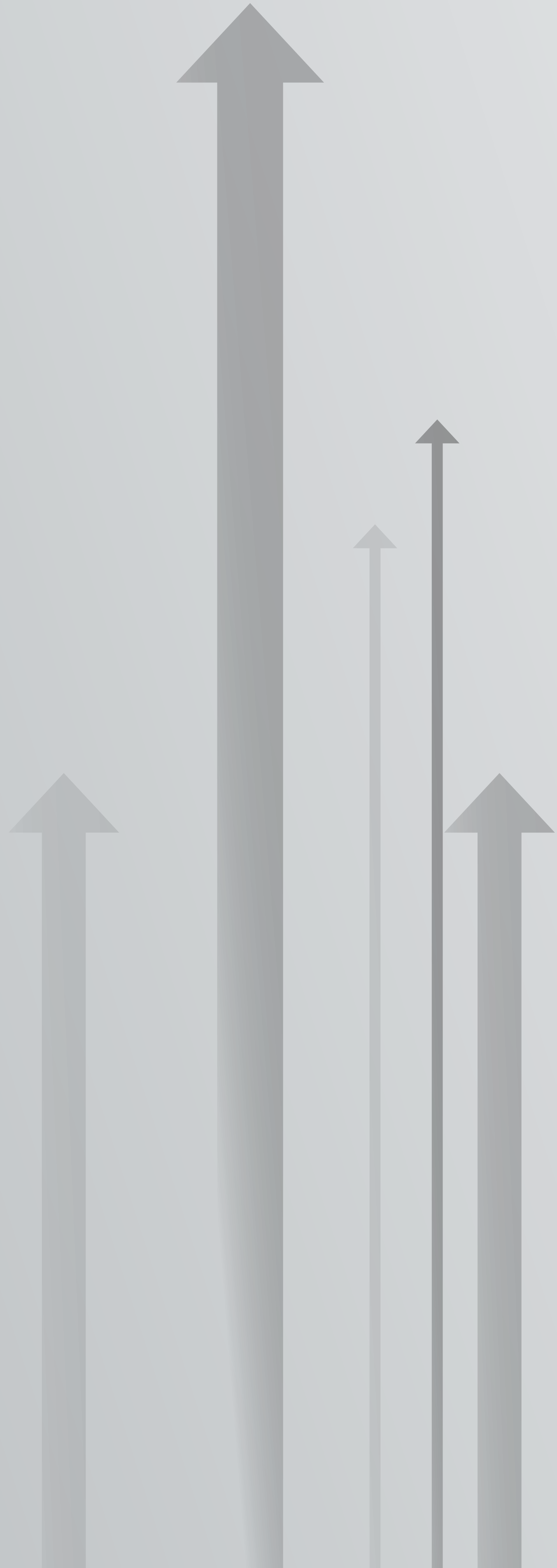
Construction/Infrastructure

12/2016

ADD-ON ACQUISITION/
INTERNATIONALIZATION

WIESAUPLAST has acquired the remaining 55 % of shares in the distribution company WIESAUPLAST-PMC de México from its existing partner PMC and now holds 100 %.

Automotive Technology



COMBINED MANAGEMENT REPORT

INTRODUCTION TO THE GROUP

INDUS is an SME-oriented financial holding company for key industrial sectors in German-speaking countries. As a specialist in the field of sustainable investment in and development of companies, we acquire for the most part owner-managed companies and assist them in their business development on a long-term basis. We intend to further expand our portfolio in the years to come through targeted acquisition of "hidden champions" in growth markets.

The Company

POSITIONING AND BUSINESS MODEL

LEADING COMPANY FOR INVESTMENT IN SMES IN GERMANY

INDUS Holding AG (hereinafter "INDUS") is among the leading specialists in the acquisition and long-term support of small and medium-size manufacturing companies in German-speaking Europe. As a long-term investor, its investment activity is focused primarily on successful SMEs.

The number of the company's investments has gradually increased since its founding in 1989. As of the reporting date, its portfolio comprised 44 companies (previous year: 44). The additions resulting from acquisition of the HEITZ Group was balanced out by the complete liquidation of SEMET's business operations. In total, 173 fully consolidated enterprises (previous year: 158) belong to the INDUS Group (cf. Consolidated Financial Statements section "[4] Scope of Consolidation").

All direct INDUS investments have their registered seats in Germany (40) or Switzerland (4). The INDUS Group has a global presence through sub-subsidiaries, branches, portfolio companies and representative offices in 28 countries on five continents. All foreign companies are managed directly by the portfolio companies. Detailed information on the portfolio companies may be found in the list of shareholdings (cf. "Further information" section).

INDUS has been a listed company since 1995. Its shares are traded on the Frankfurt and Düsseldorf exchanges in 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. Its share price increased by roughly 16 %, to EUR 51.64, in the course of 2016.

In the **competitive environment** in which it operates, INDUS has positioned itself as a long-term investor operating according to the "buy & hold" principle. This sets the company apart from the buy-and-sell and turn-around investors in particular, which as a rule limit their financial involvement to brief periods. Among both listed and unlisted German companies, INDUS sees itself as one of the leading holding companies.

INDUS has its registered seat in Bergisch Gladbach in North Rhine-Westphalia. The holding company is managed by a Board of Management, which in 2016, as in the previous year, consisted of the three members Jürgen Abromeit (Chairman), Dr. Johannes Schmidt, and Rudolf Weichert. As of the reporting date it had 26 employees, not including the Board of Management (previous year: 24).) These employees report directly to the Board of Management. They are all employed by INDUS Holding AG and work at the company's headquarters.

BUSINESS MODEL: BUY & HOLD & DEVELOP

INDUS acquires only majority interests in other companies. The companies – both those recently added and existing portfolio companies – are financially sound, are exclusively SMEs operating in the manufacturing sector in German-speaking countries, and have good long-term development prospects. With their core capabilities they as a rule occupy interesting market niches in which they assume a leading position. Ideally, an INDUS portfolio company fulfills all of the criteria of a "hidden champion".

The INDUS business model is predicated on a high degree of portfolio diversification achieved with companies operating in diverse fields of business and technology, sales markets, and industry cycles.

Within the limits of its possibilities as a majority shareholder and financial holding company, INDUS supports its portfolio companies in two ways: as a "development bank" and as an "advisor". As a development bank, INDUS provides its portfolio companies with capital – for investment in capital goods and for development projects that enable strong future growth among the subsidiaries. INDUS also facilitates investment particularly in innovation and company acquisitions (acquisitions at the second or sub-subsidiary level). In its role as shareholders' representative and advisor, the Board of Management offers the managers of the portfolio companies a strategic "sparring" relationship as a means of providing counsel and to facilitate as needed the transfer of knowledge (best practice) through networks within the Group.

In tandem with the organic growth of its portfolio companies, INDUS pursues growth also through acquisition of new portfolio companies. These portfolio expansions enhance the development prospects of the entire Group and ensure that, over the course of time, the portfolio will constitute an up-to-date cross-section of the relevant industries that have promising futures.

In sum, the INDUS business model can be described in a nutshell as "buy & hold & develop". It implies the promise of a long-term commitment to the company along with support for its development.

The portfolio companies enjoy the advantage of being able to pursue long-term development under the aegis of a financially strong partner while maintaining their own identity as SMEs. With their equity investments in the otherwise little accessible SME business segment, shareholders in INDUS are able to make sound investments while profiting from a continuous dividend.

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 even in the international markets. At the same time, the individual companies are knowingly subject to sector-specific business cycles and are managed accordingly. Economic risks are spread across the Group as a whole owing to its diversified positioning, thereby balancing out the portfolio as a whole. This gives it a competitive advantage in the long term as compared to non-diversified holding companies .

Cost factors also are important for the success of the portfolio companies. Increasing globalization has thrust SMEs into direct price competition with foreign competitors that are able to produce under economically more favorable conditions. Material, energy and personnel costs are especially relevant cost variables. INDUS adapts by advising and helping the portfolio companies, on a case-by-case basis, to optimize their international positioning, including in organizational terms.

Another important influencing factor is general technological development. Moreover, digital transformation is currently forcing manufacturing companies to undergo an additional process of intensive development. In some cases this requires business model adjustments and a marked increase in the need for investment. Owing to the great importance of this external factor, INDUS is devoting increased attention to the topic of "investment in innovation."

Also important for the corporate success of INDUS are the developments in the capital markets. The situation in the stock exchanges and general interest rate trends determine the terms on which INDUS is able to secure equity and outside capital. Owing to its size, its broad access to capital markets, and its very solid credit rating (investment grade), the company is well prepared for fluctuations in the capital markets.

PORTFOLIO

44 COMPANIES IN FIVE SEGMENTS

The Group's portfolio comprised as of the reporting date 44 portfolio companies, each of which is classified as belonging to one of five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology. In fiscal year 2016, these were the reportable segments per IFRS, with no change from the previous year.

BASIC DATA BY SEGMENT (IN EUR MILLION)

	CONSTRUCTION/ INFRASTRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY
Sales	274.5	372.2	305.9	147.0	344.4
Operating result (EBIT)	39.2	20.3	41.4	20.2	29.9
Companies	11	10	9	5	9
Employees	1,466	3,454	1,585	1,480	1,439

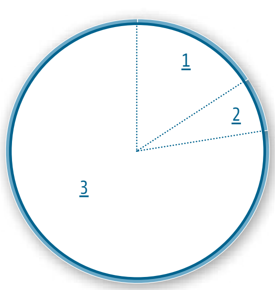
PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

Three quarters of the portfolio companies have belonged to the INDUS Group for more than ten years. The proportion of newer portfolio companies has increased in the past several years as a result of the clear growth strategy according to the COMPASS 2020 program, which was started in the fall of 2012.

PORTFOLIO STRUCTURE BY SALES

The portfolio companies' annual sales figures range from just under EUR 10 million to more than EUR 100 million. Roughly half of the portfolio companies generate annual sales of at least EUR 25 million. Nearly a quarter generate less than EUR 15 million.

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

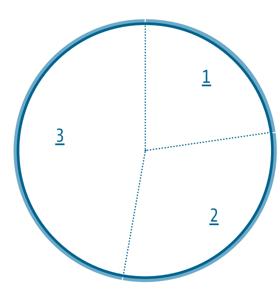


1
UP TO 5 YEARS
16 / 7

2
5 TO 10 YEARS
7 / 3

3
MORE THAN 10 YEARS
77 / 34

PORTFOLIO STRUCTURE BY SALES (in %)



1
UP TO EUR 15 MILLION
23

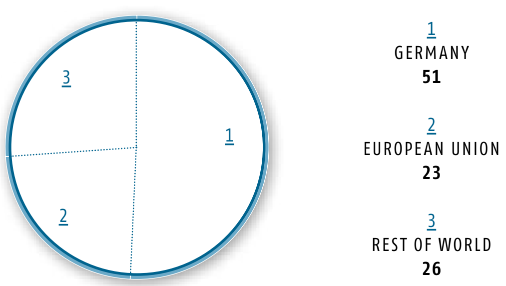
2
EUR 15 TO 25 MILLION
30

3
MORE THAN EUR 25 MILLION
47

SALES 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 sales and revenue is currently Germany at 51 %. The companies generate 23 % of their sales revenue in the EU exclusive of Germany and 26 % elsewhere abroad. The COMPASS 2020 strategy calls for an increase in the proportion of sales revenue generated abroad in the years to come.

SALES BY REGION (in %)



PORTFOLIO CHANGES IN 2016

During the last fiscal year, INDUS once again made a direct growth acquisition, while the portfolio companies carried out seven acquisitions of their own.

Growth acquisitions:

In June 2016, INDUS added **H. HEITZ** Furnierkantenwerk GmbH & Co. KG, Melle, to its portfolio. The new portfolio company was classified as part of the Construction/Infrastructure segment. The HEITZ Group produces veneer edging and wrapping veneers made of genuine wood for the furniture and construction industries and is one of the largest providers in the world in this special niche. These are produced at the company's headquarters in Melle, Germany and in a branch plant in Pusztaszabolcs, Hungary. The HEITZ Group also owns a branch in the USA The market for veneer edging is international, and H. HEITZ currently has an export rate of roughly 70 %. In the last fiscal year the group generated, with its roughly 300 employees, sales of around EUR 28 million. Its customer base is broad and includes furniture manufacturers, commercial and industrial customers, and customers in the wrapping, door and window industry.

Acquisitions at the second (sub-subsidiary) level:

At the beginning of the year, the INDUS portfolio company BUDDE Fördertechnik took over **COMPUTEC** AG in Murrhardt to expand its own capabilities. COMPUTEC is a specialist in automation technology and covers a broad spectrum ranging from electronics to the programming of the software used to control (conveyor) equipment. The software is already in use for some of the package distribution centers designed by the BUDDE Group.

To enhance its own technological capabilities, M. BRAUN acquired in April 2016 the company **CREAPHYS**, a specialist in the field of organic electronics. A company formed as a spin-off from the Dresden University of Technology in 1999, it designs and builds high-vacuum systems and components for deposition of thin organic and other films, vacuum sublimation systems and thermal evaporators. Among the customers of CREAPHYS are many research institutions in this field along with multinational chemical producers and electronics manufacturers.

In May 2016 IPETRONIK acquired the company **CAETEC**. The company develops measuring equipment used for vehicle testing purposes, primarily as they relate to driver assistance systems, bus analysis and on-board power supply. With this acquisition IPETRONIK has increased its know-how in regard to powertrains and thermal management.

In June ANCOTECH took over a former partner and supplier, the software company **MBH Solutions** AG of Dielsdorf, Switzerland.

To increase its technological capabilities, MIKROP acquired **IN-SITU** GmbH, Sauerlach, in July 2016. IN-SITU develops optical testing systems and specializes in high-precision and fast testing technologies for product quality monitoring. Examples of applications include a dot scan for detecting paint blemishes on injection molded parts or scratches on metal parts, a quality control system for embossed printing on pharmaceutical packaging, a car measuring system for a manufacturers of car wash systems, and an optical wear measuring system for automotive brake linings.

In October 2016 HAUFF-TECHNIK acquired for market strategic reasons a 50 % interest in **ZweiCom** GmbH, Jagstzell. The company is a specialist in the development and production of passive (operating without electricity) components for fiber optic infrastructures. The products developed by ZweiCom are characterized by a very high packing density for glass fibers and ease of installation, which make building a fiber optic network infrastructure considerably easier.

INDUS portfolio company WIESAUPLAST acquired 55 % of the shares in the distribution company **Wiesauplast-PMC de México** from its former joint venture partner PMC, so that it now holds 100 %. The company remains responsible for selling Wiesauplast products in the NAFTA (North American Free Trade Agreement) region.

No companies were disposed of and no businesses were discontinued in the fiscal year.

Goals and Strategies

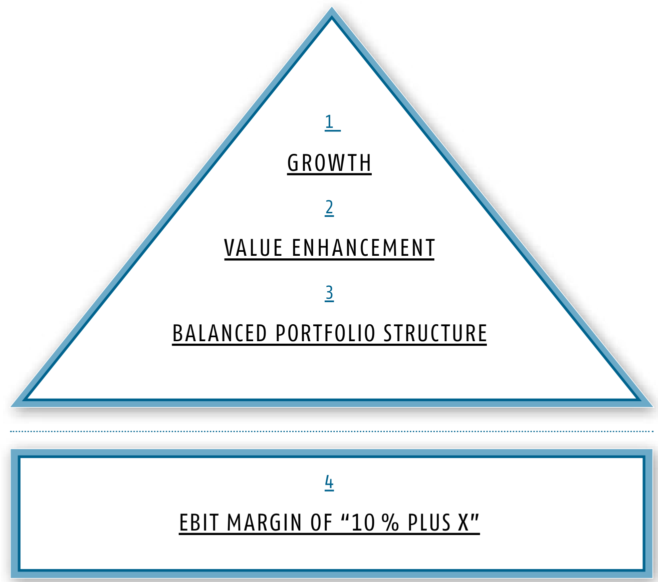
GOALS

GROWTH, VALUE APPRECIATION AND A BALANCED PORTFOLIO STRUCTURE

The INDUS Group owes its growth to the operational strength of its portfolio companies. In recent years, the Group has generated on average a sustained EBIT margin of “10 % plus”. A large portion of the income earned remains available to the portfolio companies for further growth.

It is expected that, with growth, the value of potentially every single portfolio company, and ultimately that of the entire Group, will increase. To encourage this process, INDUS systematically provides its portfolio companies with capital that they can use for their further development. INDUS provides such capital support according to the principles applied by a development bank that gives preference to specific purposes when allocating its resources. The projects that are especially promoted by INDUS involve investments in innovations, investments in internationalization and investments in strategically interesting acquisitions of companies for the portfolio companies. In this special area the initiative comes from the respective portfolio company.

INDUS GOALS

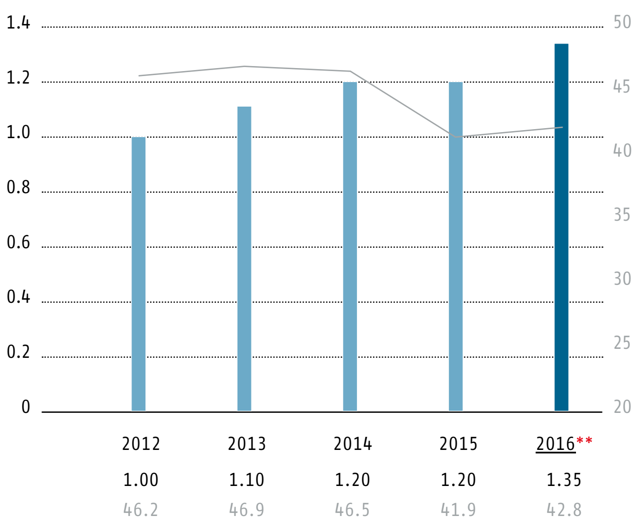


INDUS sees further potential for growth in direct growth acquisitions. INDUS is constantly considering buying options for other profitable industrial companies in the SME sector. Candidates of interest for the portfolio are companies that are active in future-oriented industrial niche markets and occupy leading positions in their markets. INDUS focuses on companies operating in the markets of the future to ensure that the Group will continue to maintain a balanced, and hence stable, structure in the future (cf. the “Strategy” section).

CALCULABLE PARTICIPATION OF THE SHAREHOLDERS IN THE COMPANY’S SUCCESS

As owners, the shareholders are entitled to share in the success of their company though calculable profit distributions. To that end INDUS provides for regular payment of a dividend. The average target value of the dividend proposed by the Board of Management and Supervisory Board lies between 40 % and 50 % of the net retained profits.

DIVIDENDS PER SHARE* WITH PAYOUT RATIO FROM 2012 TO 2016 (IN EUR/IN %)



* Dividend payment of the fiscal year concerned
** Subject to approval at Annual Shareholders' Meeting on May 24, 2017

— Payout Ratio

SECURING AND PROMOTING THE „SME" MODEL

Factors such as globalization, processes of concentration in various industries, and an increase in bottlenecks in succession arrangements make it more difficult for many small and medium-size companies to successfully pursue further development. When INDUS extends an offer for inclusion in the Group, its intent is to enable promising SMEs to continue on their paths within a financially strong structure and without losing their identity as SMEs.

FUNDAMENTAL CRITERIA FOR ACQUISITIONS: "HIDDEN CHAMPIONS" FROM THE GERMAN-SPEAKING REGION

INDUS applies definite investment criteria when acquiring companies. It continues to focus exclusively on successful manufacturing companies in the German-speaking SME sector that have a stable business model with products that have strong growth potential. The companies achieve annual sales amounting to between EUR 20 million and EUR 100 million and generate a sustained return on sales (EBIT margin) of 10% and more. They operate in an attractive niche market that will still have potential for development in the future, including internationally. They are unencumbered by old liabilities and are in an exemplary position in terms of sustainability considerations.

When considering potential acquisitions, INDUS looks especially at the arrangements for succession in the families managing them. In particular cases, corporate spin-offs also may be of interest to INDUS, provided that they will be able later to establish themselves in the marketplace as independent companies operating according to SME principles.

The ability to acquire a majority of shares is definitely a key factor in their acquisition. We consider it important that the senior management and executives of such companies maintain close ties to their holding companies beyond the purchase date. Such ties can be supported through individualized profit-sharing schemes.

Direct acquisition of start-up companies or companies undergoing restructuring is avoided by INDUS. The same goes for "overly mature" businesses that are already in decline. Also excluded are involvements in subsidized industries and investments in the war technology and armaments sectors.

Exit strategies play no role at the time of INDUS's buying decisions, the "holding" principle being a key component of our corporate philosophy. However, to ensure stable performance and achieve the growth targets set for the individual company and the Group, separation remains an available option in exceptional cases – for example, if there has been such a substantial change in the original environment and market conditions under which a portfolio company operates that keeping it in the Group would no longer make financial sense.

The portfolio companies' investment strategy as it applies to the acquisition of strategic additions at the sub-subsidiary level vary by company and are linked to the holding company.

STRATEGY

COMPASS 2020 PROVIDES A CONCRETE TIMETABLE

In the fall of 2012, the Board of Management of INDUS drafted the COMPASS 2020 strategy program for our common future. It has a term of eight years. With the first half already behind us, the Group is right on schedule.

The strategy comprises in essence three levers:

1. Direct investments
2. Financial support (investment in innovation and internationalization)
3. Control and strategic guidance consistent with a shareholder's responsibility.

INVESTMENTS IN NEW PORTFOLIO COMPANIES

To "modernize" its portfolio structure, or to ensure that in the future INDUS continues to embody a cross-section of those industries of the future that are of relevance to the group and with which the level of profitability it aims for can be achieved, the Board of Management has identified five sectors of the future on which there is a preferential focus for acquisition purposes:

THE PREFERRED FIVE INDUSTRIES OF THE FUTURE FOR COMPANY ACQUISITIONS

1
TECHNOLOGY FOR INFRASTRUCTURE/LOGISTICS

2
ENERGY AND ENVIRONMENTAL TECHNOLOGY

3
AUTOMATION AND MEASURING TECHNOLOGY AND CONTROL ENGINEERING

4
MEDICAL ENGINEERING/LIFE SCIENCE

5
CONSTRUCTION AND SAFETY TECHNOLOGY

All five industries have above-average to very good prospects for development according to the relevant expert assessments. COMPASS 2020 provides that INDUS will acquire one to two companies annually during the program's eight years. The portfolio companies' investment strategies as they apply to the acquisition of strategic additions at the sub-subsidiary level vary by company and are linked to the holding company.

SUPPORT OF INNOVATION

In light of the digital transformation taking place in the economy, it is becoming clear that a review of the INDUS portfolio companies' business models may be in order. As specialists and market leaders in their various niches, it is especially the portfolio companies with potential for innovation that are urged to seize their opportunities early on so that they may maintain or improve their market positions or tap into new markets.

Pursuant to COMPASS 2020, INDUS supports the portfolio companies in this area by three different means:

Development funds: INDUS gives financial support to promising innovation projects and provides the funds the way a development bank does. The holding company allocates an annual budget of up to 1.5 % of the consolidated EBIT for this purpose.

Imparting methodological knowledge: INDUS assists the portfolio companies in the development of their strategies for innovation and their systematic development of fields of innovation, providing them with advice as needed. The aim of the advisory services it offers is to further professionalize the portfolio companies' management of their efforts towards innovation. At the same time, the holding company provides methodological knowledge to prepare the portfolio companies for challenges such as those posed by the digital transformation of business models.

Know-how transfer and networking: INDUS provides the companies with experience, trend assessments, and knowledge. It also creates for the portfolio companies connections to other companies within the Group and to external institutions and entities that can provide help with issues relating to the fundamental development of fields of innovation or, on a cooperative basis, with specific innovation projects.

SUPPORT FOR INTERNATIONALIZATION

Markets today are global even for the SME sector. This requires of some of the INDUS Group's portfolio companies more vigorous development of their international activities.

Owing to globalization and changes in the strength of particular countries, regions, or markets, the portfolio companies – and ultimately the Group as a whole – must significantly increase their foreign sales in the medium term as a percentage of their total sales. To that end, INDUS supports the portfolio companies by the following means in particular:

Acquisition of companies at the second level: INDUS provides its portfolio companies with capital for the acquisition of strategic additions. The COMPASS program is predicated on three to four acquisitions annually.

Funds for the expansion of sales: INDUS provides its portfolio companies with funds for the construction and expansion of international production and distribution facilities.

Assistance with internationalization: INDUS offers its portfolio companies close support for their internationalization measures. That includes clarifying and resolving legal issues, building networks and establishing local organizational structures.

LOOKING OUT FOR PROPRIETARY INTERESTS

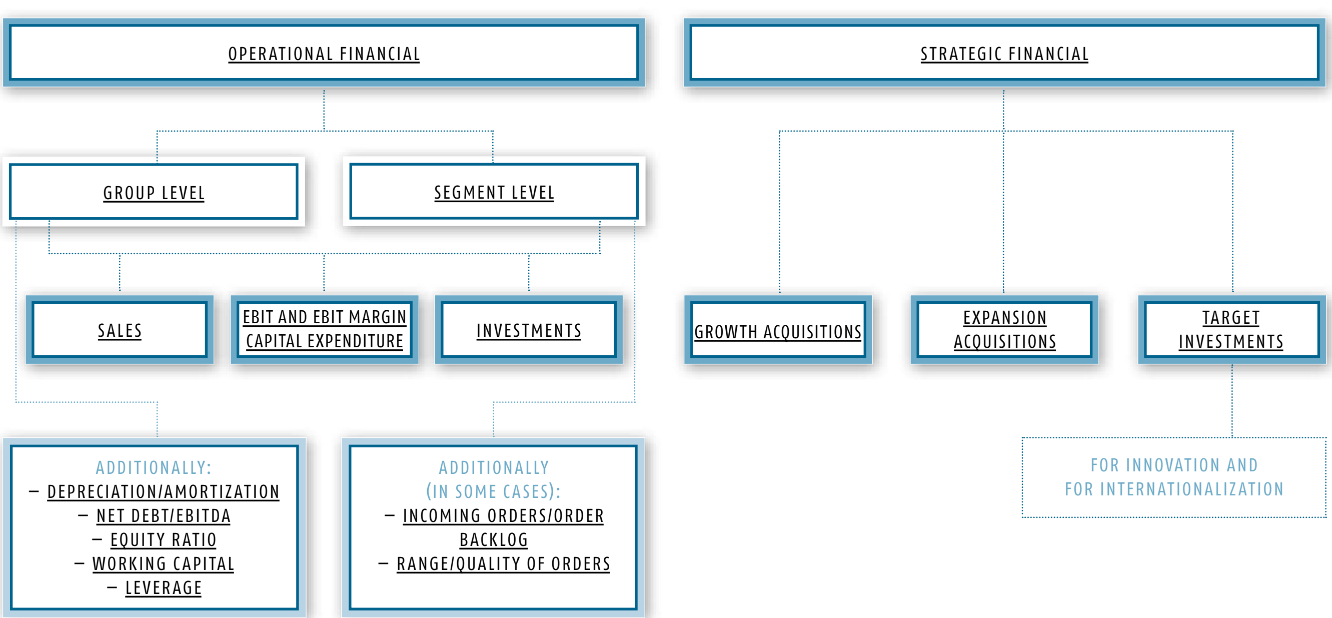
Each of the portfolio companies pursues its own international strategy, concerning which INDUS regularly engages in an intensified informative dialog with their managers. In these exchanges possibilities that exist for successful development of the portfolio companies are discussed openly and constructively.

Management Control

NO DIRECTIVE ADVICE, BUT TARGETED ADVICE AND ACTIVE REPRESENTATION OF PROPRIETARY INTERESTS

As a financial holding company, INDUS does not intervene directly in the operational or strategic management of the portfolio companies. All the same, in its dealings with its portfolio companies it does make use of the means available to it to effectively represent its interests as owner – particularly for monitoring purposes, to prevent excesses and damage to the Group, and for the protection and long-term development of assets.

INFORMATION AND CONTROL BASIS



The portfolio companies keep INDUS continually informed of financial developments in their enterprises, to which end they provide monthly reports on their financial situations. At the same time, INDUS receives information focused on specific topics. On this basis the holding company's management forms an idea of the situation of the portfolio companies and of the situation of the Group as a whole.

The financial metrics that are consulted within the holding company to assess the situation correspond to the **operational financial** performance indicators that are customary for manufacturing companies. They are complemented with **strategic financial** performance indicators for direct use in investment decision-making.

INDUS monitors the performance of the companies in light of projections based on monthly figures. The control system provides an early warning when there are divergences from the plans. The subsidiaries have their own individual control mechanisms and, consistent with such individuality, their own performance indicators as well, which are put to effective and meaningful use among the portfolio companies. In addition, the managing directors of the portfolio companies observe and analyze their own markets and the competitive environments specific to them and report on any significant changes that occur.

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

REGULAR MANAGEMENT DIALOG/CLEAR TARGETS

In addition to the obligatory information flows for the consolidation, the Board of Management and the companies' managers meet informally and regularly, and formally at least once a year (owner discussions), to discuss developments. From the information obtained from all of the companies, INDUS is able to form an overall idea of expectations and plans, which is used to plan for the necessary financial resources and communicated to its shareholders and creditors. The business objectives of INDUS Holding AG are thus based primarily on annual targets set by the companies.

Non-Financial Performance Indicators

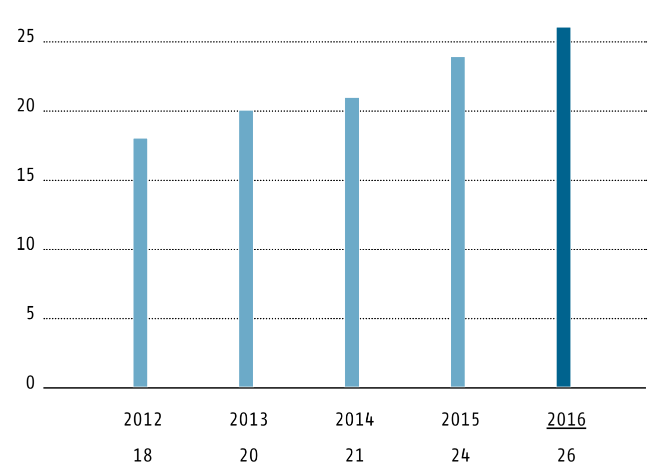
EMPLOYEES

IN THE FINANCIAL HOLDING COMPANY: A TEAM OF SPECIALISTS FOR EFFICIENT SUPERVISION OF THE PORTFOLIO COMPANIES

INDUS employs a team of specialized employees to whom are allocated specific tasks and who perform only the central functions within the holding company. The two fundamental tasks of the team are to look after the interests of INDUS as shareholder and to provide the companies within the Group with the best possible advice, and to support them as needed, within the scope of a financial holding company.

Short decision paths, a strong team orientation and flat hierarchies are important characteristics of the decentralized corporate culture that is typical of the SME sector. The Board of Management maintains regular contact with all employees. INDUS stresses the importance of showing respect in all interpersonal dealings, both internally and with its business partners. In their day-to-day activities, all team members are mindful of the importance of maintaining a high level of professionalism and stable processes. INDUS has drafted a code of conduct for its employees that codifies responsible

EMPLOYEES IN THE HOLDING COMPANY



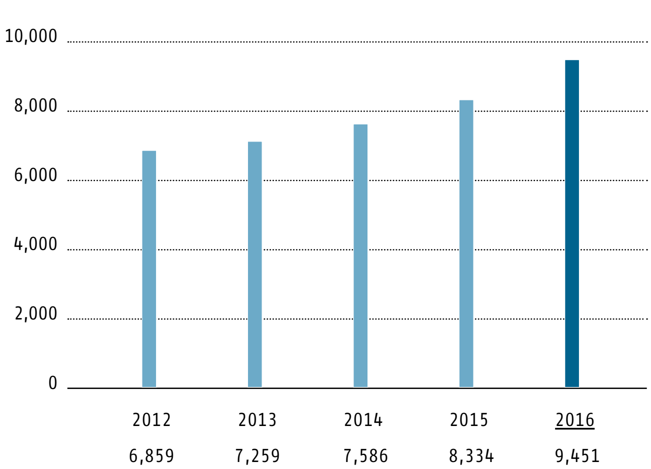
SME-appropriate principles that are binding upon all employees of the holding company.

At the end of fiscal year 2016, the holding company had 26 employees (previous year: 24), not counting the members of the Board of Management. It is in INDUS's interest to maintain 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.

WITHIN THE GROUP: CULTIVATION OF AN SME-APPROPRIATE CULTURE

The subsidiaries had 9,451 employees as of the reporting date (previous year: 8,334). Management of those employed by the Group 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. Small and medium-size enterprises assume a high level of responsibility when it comes to training; this is especially true of the companies within the INDUS Group. In the Group as a whole, 365 trainees were employed in 2016; this equates to a training ratio of 3.9 %.

EMPLOYEES IN THE GROUP'S INDIVIDUAL COMPANIES



The managements manage those employed by their companies in accordance with responsible SME-appropriate principles. To underscore that the portfolio companies likewise share these principles as a long-term commitment, each portfolio company has formulated a company-specific code of conduct of its own.

To ensure and promote employees' professional and social skills, the portfolio companies take an approach to personnel management that is individually tailored to their needs. They offer their employees advanced training, health services, and other individual benefits. The goal of the companies is to enhance the productivity of their employees and to ensure, or improve, locally their attractiveness as important and respected employers (see also "Sustainability in the INDUS Group", "Personnel" section).

INDUS FOSTERS AN AWARENESS OF TOPICS RELATING TO COMPETENCE, PERFORMANCE AND CAPACITY

Despite all of the automation taking place, people will remain a key factor in the future success of any business. Demographic trends are already producing a noticeable shortage of qualified professionals in numerous industries, especially in Germany. In this environment, SMEs are increasingly facing competition from major corporations. Availability and productivity are not the only factors that play a role for the companies; cost competitiveness also plays a role.

The managing directors of the portfolio companies are closely watching these developments on the "human capital side" and are using the means available to them to improve their individual circumstances.

DEVELOPMENT AND INNOVATION

R&D SUPPORT FOR THE PORTFOLIO COMPANIES WITHIN THE SCOPE OF A FINANCIAL INVESTOR

As a strictly financial investor, 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 of the times in terms of the technology their products embody and are strategically well positioned in their markets, lies in the hands of the subsidiaries.

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

Funds for digital transformation: The digital transformation is just fundamentally changing the industrial environment. This presents the companies with both risks and opportunities. INDUS keeps extensive funds in reserve for its portfolio companies that the latter can use to advance new ideas. It seeks to promote in particular innovation activities that may be described as "disruptive". These aim to develop fundamentally new technologies that are not yet in use in an industry or market environment. Disruptive innovations tend to promise above-average earnings opportunities.

The Group's internal knowledge platform: Many of the INDUS portfolio companies are focusing their development resources on continuous (incremental) development of existing product programs. In this way they are securing their existing market positions and realizing additional earnings potential. To support this important element in their development work, INDUS maintains a knowledge platform for innovation and technology management. The portfolio companies can access it in accordance with their individual needs.

Sensitization: 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 dialog with their managements.

Methodical support: Innovation can be learned. Since fiscal year 2016, INDUS has offered its portfolio companies what it refers to as a "toolbox". The underlying concept for it signifies methodical assistance in detecting opportunities for innovation.

Networking: To further such methodical support, INDUS forges helpful connections with research and industry for its portfolio companies.

To enhance its ability to effectively assist the companies in the field of research and development, and to do so with future prospects in mind, the holding company itself is continually seeking cooperative arrangements with science, research and industry.

The INDUS Group's research and development activities are reflected in figures as follows: Expenses for R&D activities recognized in the INDUS Group's consolidated financial statements for 2016 amounted to EUR 14.6 million (previous year: EUR 12.0 million). This reflects a continual increase in the allocation of funds for this field, something that is expected to continue in the years to come

This is especially important also for the reason that an increasing percentage of the portfolio companies have positioned themselves in the market as systems suppliers and development partners. This necessitates, besides a larger real net output ratio, an increasing measure of R&D capability of their own.

The portfolio companies are currently well positioned with their own potential. Successful development partnerships are in place with both customers and suppliers. Cooperation with research institutes and universities is also being expanded in the companies' development activities. Some Group companies are already collaborating closely with prominent organizations. Forms of cooperation range from traditional customer-supplier relationships to contract research and participation by individual companies in publicly funded research projects.

SUSTAINABILITY

SUSTAINABILITY IS AN INTEGRAL COMPONENT OF THE INDUS BUSINESS MODEL

In keeping with their orientation to the long term, all of the subsidiaries, and hence the INDUS Group as a whole, attach great value to a sustainable approach to business management. Such an approach encompasses, in addition to economic matters, social and environmental issues and the issue of responsibility in a broad sense. It is our shared conviction that sustainable conduct directly and indirectly conduces to business success:

— Economically reasonable conduct creates long-term stability.
— Social fairness fosters cooperation.
— Heeding environmental factors avoids secondary costs.
— Compliance with agreements and rules strengthens trust.

Economically INDUS is oriented to traditional financial ratios and hence by choice to conservative or stability-oriented criteria. Its goal is to ensure its business success on a lasting basis in the interests of the Group, the shareholders, and other stakeholders. To that end the holding company provides a stable bottom line, an adequate liquidity, and a flexible financing basis. **Socially** all members of the INDUS Group are oriented to the criteria applied by the traditional SME sector. Central to these is the principle of "responsibility" – for the survival of the company, but first and foremost for the people by whom that is ensured. Accordingly, the holding company and the portfolio companies share a common canon of values, one that is expressed in corresponding commitments pursuant to company-specific codes of conduct and in concrete measures for cultivating and improving various social aspects. **Ecologically** INDUS has for some years been gradually increasing its transparency and supporting the portfolio companies in their commitment to the protection of resources, a concrete example of which is the funds it has provided for investment in efficiency measures. Pursuant to its involvement since 2009 in the Carbon Disclosure Project (CDP), an annual survey concerning climate change issues conducted on behalf of institutional investors (www.cdp.net), (www.cdp.net), INDUS reports on opportunities and risks resulting from climate change, discloses its greenhouse gas emissions, and describes measures for reducing emissions. In its current ratings, **CDP's** Climate Scoring awarded INDUS its top "A" score in October 2016. Only eight other German companies besides INDUS achieved this rating. In addition, our Group achieved the status of "Sector Leader" (top 4 % in the DACH region (Germany, Austria and Switzerland)) and „Index/Country Leader" (top 1 % in the DACH region) in the "Industrials" and "Other German Companies" categories.

Regarding the topics of **governance and compliance**, the Board of Management and the Supervisory Board have long felt committed to responsible, transparent and sustainable value creation. They have consistently and nearly completely accepted the recommendations and suggestions of the German Corporate Governance Code since its introduction, thereby observing the rules of good corporate management and supervision.

THE HOLDING COMPANY'S SUSTAINABILITY WORK

INDUS Holding AG observes the "ESG" principles ("Environmental, Social and Governance") and ensures that they are complied with in its business dealings. The employees of INDUS Holding AG are bound by a policy of strict compliance with provisions of law and ethical standards.

Transparency for stakeholders and information services for the Group: The holding company provides an extensive information service that entails collecting sustainability-related data and delivering it to the Group companies for benchmarking purposes. In connection with this activity, INDUS gives its portfolio companies suggestions as to where they can effectively improve their "sustainability balance". In the fall of 2015, INDUS immediately scored a C+, a good grade, in its initial sustainability rating by **oekom research AG**, the results of which are of interest to investors. Companies with a C rating or higher are awarded the "prime" status in this comparison group. This is yet another way in which INDUS has maintained its top ranking within its international comparison group (financial/multi-sector holding companies).

Sustainability criteria in the investment process: Sustainability considerations are included in INDUS's analysis of potential portfolio companies. Certain sectors and companies (inter alia, armaments, the military) are excluded from the holding company's investment activities. INDUS portfolio companies operate in harmony with their social environment and attach great importance to observing social and ethical principles and minimizing negative impacts on the natural environment.

SUSTAINABILITY EFFORTS IN THE PORTFOLIO COMPANIES

The companies of the INDUS Group have independently assumed responsibility for pursuing a sustainability-oriented business development policy, in support of which they maintain a dialog with INDUS concerning fundamental issues. Such support relates mainly to the topics of investments, innovation, efficient use of resources, and development of resource-saving products.

ENTRY INTO SUSTAINABILITY REPORTING

Last year, to underscore the importance of sustainability considerations for the Group's business success, the holding company initiated for the first time a structured process for sustainability reporting. This included a stakeholder analysis, definition of key topics and fields of action in concrete terms, the inclusion of a status report, and collection of the corresponding data. Related details may be found in a separate section of the Annual Report (see "Sustainability at INDUS").

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 two management and supervisory bodies therefore issue the appropriate "Declaration on Corporate Governance" on an annual basis. The full text of the current Declaration, which forms an integral part of the Combined Group Management Report for 2016, may be viewed on the INDUS website under the heading "Responsibility". The information provided corresponds to the requirements in clause 3.10 of the German Corporate Governance Code and § 289a(1) HGB [Handelsgesetzbuch, German Commercial Code].

The declaration of conformity that must be issued annually pursuant to § 161 AktG [Aktiengesetz, German Stock Corporation Act] constitutes a part of the Declaration on Corporate Governance. This was issued by the Board of Management and Supervisory Board on December 14, 2016. In it they state that, with one exception, INDUS Holding AG is in compliance with all of the recommendations made by the government commission for the German Corporate Governance Code. The exception relates to the required specification of concrete goals for the composition of the Supervisory Board and limitation of the Supervisory Board members' terms of office.

REPORT ON THE ECONOMIC SITUATION

2016 marked another highly successful fiscal year for INDUS. The Group continued its growth trend and achieved a record result for the fourth year in a row: Sales increased by 4.0 %, to EUR 1.44 billion, and EBIT climbed to EUR 144.9 million, a 6.3 % increase. That enabled the Group to achieve its operating profit target, an EBIT margin of 10 %. All segments contributed in different ways to the success of the Group. These favorable developments are all the more satisfying given that the economic environment posed a formidable challenge last year. Moreover, some portfolio companies also had repositioning tasks to contend with in addition to their business operations.

Changes in the Economic Environment

MACROECONOMIC TRENDS

A LACK OF MOMENTUM IN THE GLOBAL ECONOMY IN 2016

The expansion of the global economy fell short of expectations in 2016. According to data published by the Kiel Institute for the World Economy (IfW), growth amounted to 3.1 % on the year, once again falling short of the previous year's figure (2015: 3.2 %). In the second half of the year, however, the economy profited from a noticeably upward trend. At 0.9 %, the growth rate in the third quarter was the highest registered in two and a half years.

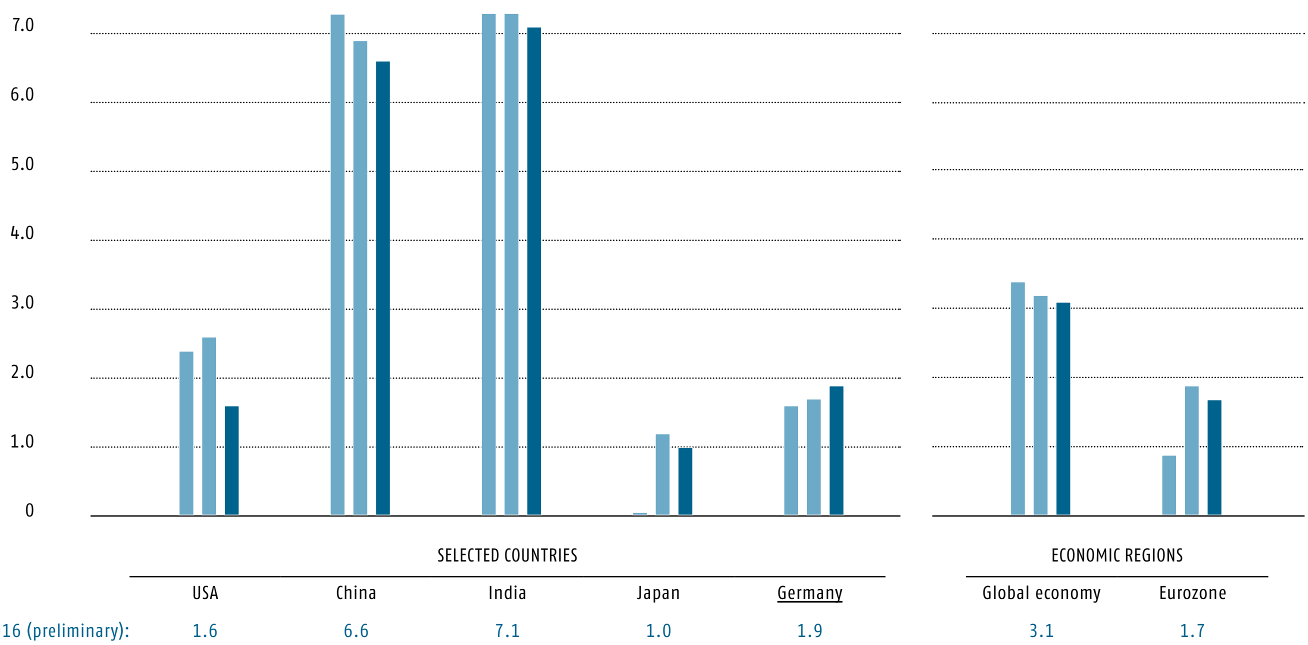
It was primarily the emerging countries that experienced more vigorous economic expansion again in 2016, for all that the problems facing some of the countries were as formidable as ever. In China, India, and other countries in Southeast Asia, production – in some instances with the support of an expansive monetary and economic policy – increased substantially in the summer half-year. In Latin America, Mexico and the Andean countries were the most successful in joining this trend. Brazil, Argentina, and Venezuela, on the other hand, remained in recession. Russia experienced a re-stabilization of production after a weak showing in the early part of the year. In Turkey there was a veritable collapse in economic activity as a result of the political turbulence during the summer.

In the advanced national economies, economic momentum remained merely stable, even though production began to revive considerably during the summer. Some of the impetus came from the USA, where exports and investment in inventories picked up considerably again after a weak first half of the year. In Japan total economic production picked up slightly with the support of exports. The eurozone economy continued in 2016 the moderate expansion that had been underway for the last three years. It was bolstered by private and public consumption for which there was a broad basis in regional terms.

THE GERMAN ECONOMY TRENDED MODERATELY UPWARD

The German economy was able to hold to its expansionary course in 2016. As compared to the previous year, the rate of growth once again increased slightly, by 0.2 percentage points, to 1.9 %. In response to international political uncertainties, companies showed considerably less willingness to make investments in the summer half-year. As the end of the year approached, the economy was clearly on the upswing again. A key factor in this positive economic trend was once again private consumption, which was stimulated by a good employment situation, increases in real wages, and a still relatively low crude oil price. Low interest rates further stimulated private household expenditures. But German exports also were able to overcome an interim phase of weakness, increasing by 2.5 % on the year. This was accompanied by a sharp increase in the volume of orders received by industry from countries outside the eurozone in the last months of the year.

ECONOMIC TENDENCIES: CHANGE IN GROSS DOMESTIC PRODUCT (GPD), ANNUAL GROWTH (2014–2016) (IN %)



Source: Institut für Weltwirtschaft, Kiel

CAPITAL MARKETS REMAIN STABLE IN AN UNEASY ENVIRONMENT

In 2016 the global financial system continued to appear robust, although numerous events gave cause for worry. A price collapse in Chinese capital markets was causing uncertainty as early as January, and all the more so as the country was already having difficulty living up to its role as a global engine of growth in 2015. In June, in the meantime, the "Brexit" vote plunged the financial markets into turbulence. But even there the markets calmed down again. The difficulties experienced by Italian banks and the persistently difficult situation in Portugal and Greece also had an unsettling effect on the financial markets in 2016.

After the American Federal Reserve Bank raised its prime lending rate to a range of 0.25 % to 0.5 % in the middle of December 2015, another increase, to 0.5 % to 0.75 %, followed in December 2016. Numerous market participants interpret this as a signal that the easy money phase is gradually coming to an end. Europe, in the meantime, was sticking to its zero interest rate policy. The stock markets were characterized in 2016 by high volatility. The German lead index DAX fluctuated during the year by roughly 2,700 points but rose on the year by 6.87 %. The euro-to-U.S. dollar ratio also was variable, fluctuating between EUR/USD 1.1617 in May and EUR/USD 1.0352 in December.

CHANGES IN THE INDUSTRIAL ENVIRONMENT

GERMAN INDUSTRIAL PRODUCTION GAINS SLIGHTLY ON THE WHOLE

The manufacturing industries in Germany began 2016 with a strong first quarter. Growth in industrial production was inconsistent thereafter and, after the first eight months, was a good 1 % above the previous year's level in real terms (2015 as a whole: +1.1 %). The trend in incoming orders had been less volatile until then. On the whole, and as before, no stable trend could be discerned in the industrial economy.

The research experts at Deutsche Bank predicted a plus of 1 % for 2016, with industry-induced growth once again lagging behind the expected increase in domestic gross value added.

CONSTRUCTION AND INFRASTRUCTURE: THE SECTOR PERFORMS BETTER THAN THE PREDICTIONS

The construction industry performed considerably better than expectations in 2016. Instead of the predicted 3 %, business increased by considerably more than 5 %, according to the trade association Zentralverband Deutsches Baugewerbe (ZDB). The order books were better filled in some cases than they had been in 16 years. This was particularly true in the case of residential construction, which is currently benefiting from a positive trend in the labor market, financing terms that continue to be very favorable, and the increased demand for living space for the migrants who have come to Germany. Commercial construction also posted a high workload. The number of building permits for commercial and office buildings exceeded that of the previous year, and civil engineering benefited from an increase in the Deutsche Bahn's investment budget. Public construction projects also showed a considerably greater willingness to make investments, posting its greatest growth in revenue, at 5 % , since 2011. A major contributor to this development was a government-initiated spike in investment in road infrastructure of approximately EUR 1 billion. But increases in investments in daycare facilities, schools and refugee accommodations at the regional and municipal levels noticeably boosted revenues. Although the trend in earnings did not entirely keep pace with the business cycle, according to industry information, the overall situation in the industry was positive at the end of the year.

VEHICLE MARKET: POSITIVE SALES TREND ON THE WHOLE, DECLINES IN COUNTRIES IN AN ECONOMIC DOWNTURN

On the whole, the vehicle market, both domestic and international, performed well in 2016. In Germany, according to information provided by the trade association Verband der Automobilindustrie (VDA), nearly 3.4 million cars were registered between January and December. That equates to a growth rate of 5 %. The volume of incoming domestic orders for the year as a whole was slightly below the previous year (-1 %); orders from abroad, on the other hand, increased considerably (+3 %). Domestic car product increased slightly, by 1 %, to 5.7 million motor vehicles, 4.4 million of which were exported abroad. The German commercial vehicle market also performed well in 2016. With an increase of 7 %, new registrations reached a new record figure. An evaluation of these figures must take into account that, as one of the world's leading motor vehicle manufacturers, Volkswagen saw its sales decline by more than 4 % in 2016 owing to the currently difficult business situation. Internationally, the last fiscal year brought peak sales primarily to the USA and China. But there was a sharp increase in Europe as well, where the best figure since 2007 was achieved. Car sales in these three regions alone increased in total by 4.5 million, to 55.1 million new vehicles. The increase in China was fueled by significant tax breaks. In India, another growth market, nearly 3 million more vehicles were sold than in the previous year, a considerable increase. Vehicle sales were in decline in Japan (4.1 million), Brazil (2.0 million) and Russia (1.4 million).

ENGINEERING: INDUSTRY TREND REMAINS AT PREVIOUS YEAR'S LEVEL

In the German engineering sector, the stagnation that had persisted for the last four years continued in 2016. After eleven months, production posted a 0.1 % increase that put it minimally above the previous year's figure. Domestically the industry was supported primarily by the automotive and construction industries. Export operations, on the other hand, showed weaker development, especially in the first half of the year and into the summer. Influenced not least by uncertainties in important sales markets such as Great Britain and Turkey, machinery exports from Germany fell during the period from January to July 2016 by 3.4 % in real terms as compared to the previous year. The export climate recovered considerably in the second half of the year. Exports to the USA, among other destinations, and to Japan and Russia declined on the year. Added to that were further declines in deliveries to raw material countries such as Saudi Arabia and Brazil. More stability was seen, on the other hand, in exports to the E.U., especially to the eurozone. Even business with China took a positive trend.

MEDICAL ENGINEERING/LIFE SCIENCE: GROWTH TREND CONTINUES AT A SLIGHTLY REDUCED PACE

According to information provided by the trade association BVMed (Bundesverband Medizintechnologie), domestic companies in the medical engineering sector succeeded in increasing their sales in 2016, achieving growth of 4.0 % in the German market (previous year: 4.3 %). That brought domestic sales up to a good, if also slightly declining, level. The trend was bolstered by both volume increases and sales associated with new treatment methods. Internationally, sales increased by 5.9 % (previous year: 6.8 %). This shows that medical engineering companies have continued to grow at a considerably stronger pace abroad than in Germany. The German medical engineering companies continued to generate some two thirds of their total sales through exports. If one considers worldwide production of medical technology products (2014: USD 310 billion), Germany, with its 10.2 % share thereof, comes in third place, behind the USA (39.6 %) and China (11.1 %) but considerably ahead of Japan (6.1 %) and Switzerland (5.3 %).

METALS TECHNOLOGY: IN A DIFFICULT ENVIRONMENT, THE INDUSTRY REGISTERS STRONGER GROWTH THAN EXPECTED

After a weak final quarter in 2015, the metal industry entered 2016 with a production lag. Metal production picked up at the beginning of the year, however, raising hopes for a better year. Foreign trade also continued to be a dampening factor in the beginning. Because Europe, as the recipient of three quarters of the exports in this sector, is the metal producers' dominant customer, foreign sales were hampered especially by the subdued pace of economic growth in Europe. Added to this was the fact that China was marketing increasing quantities of steel at very low prices owing to significant excess steel production capacity. Demand from the relatively material-intensive steel producers continued to put upward pressure on iron ore prices that had risen worldwide; German import prices for iron ore have increased by approximately 25 % since the beginning of the year, albeit from a low level. For the metal producers, domestic demand remained relatively stable thanks to strong business activity in construction but restrained business activity in industry. On the whole, the industry association for the metal and electrical industry expects growth of 1.5 % in the second half of 2016 owing to a strong positive trend. Employment figures are now considerably higher than the pre-crisis level and are trending upwards.

Development of the INDUS Group

THE BOARD OF MANAGEMENT'S OVERALL ASSESSMENT

GOALS ACHIEVED IN FULL

The fiscal year 2016 was, once again, highly successful for the INDUS Group. With sales of EUR 1.44 billion and an operating result of EUR 144.9 million, both the company's growth target and its margin target of "10 % plus x" were achieved, even though the economic and political environments were both somewhat challenging. With the exception of the Automotive Technology segment, all of the operating segments posted improved operating results.

The Group was successful also in its acquisition efforts. In the middle of the year, INDUS acquired in the HEITZ Group an internationally very well-positioned niche market leader in veneer edging and wrapping veneers made of genuine wood. The company has been building up its Construction/Infrastructure segment since June 2016. Effective as of January 1, 2017, M+P INTERNATIONAL Mess- und Rechnertechnik GmbH was added, a provider of measuring and test systems for vibration testing and analysis that is based in Hanover. Beginning in 2017, the company will augment the Engineering segment. M+P also has a strong international focus and promises to perform well in the years to come.

At the portfolio company level, the Group realized in total seven (sub-subsidiary) acquisitions in 2016. The strategic additions enhance or complement the capabilities of the acquiring companies, strengthen their international positioning, and provide opportunities for tapping into new business fields and associated income sources.

Some of the companies were engaged in the past year (and in the year before) in strategically realigning their business activities in addition to their business operations. This was necessitated by new product launches and technology start-ups along with heavy competitive pressures in some sectors. Companies in the Automotive Technology and Metals Technology sectors are currently affected by these factors. Some of the companies have already been able to successfully complete their reorganization process.

The company's financial position remained very stable in 2016. At 42 %, its equity ratio even increased slightly. Its traditionally favorable liquidity position gave INDUS enough economic strength for the capital investment it made or intended to make.

Overall, the Board of Management is very satisfied with the Group's performance in the past fiscal year. The company's favorable position provides the conditions for further successful development.

TARGET – ACTUAL COMPARISON

	ACTUAL 2015	PLAN 2016	ACTUAL 2016	EXTENT TO WHICH ACHIEVED
GROUP				
Acquisitions	Acquisition of 2 companies, 3 strategic additions	Acquisition of 2 companies, up to 3 strategic additions	Acquisition of 1 company, 7 strategic additions	Achieved in total
Sales	EUR 1,388.9 million (+10.6 %, of which 4.6 % organic)	More than EUR 1.4 billion (of which more than 1.7 % organic)	EUR 1,444.3 million (+4 %, of which 0.1 % organic)	Achieved in full (organic: below target figure)
EBIT	EUR 136.3 million	EUR 134-138 million	EUR 144.9 million	Achieved in full
Investments in property, plant and equipment and in intangible assets	EUR 73.0 million	Up to EUR 75 million	EUR 70.0 million	Achieved
Equity ratio (in %)	41,9 %	> 40 %	42.4 %	Achieved in full
Net debt/EBITDA	1.9 years	Between 2 and 2.5 years	1.9 years	Achieved in full
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 235.5 million	Growth in the single-digit percentage range	EUR 274.5 million	Achieved in full
EBIT	EUR 33.5 million	EBIT and previous year's level	EUR 39.2 million	Achieved in full
EBIT margin (in %)	14.2 %	Margin at previous year's level	14.3 %	Achieved
Automotive Technology				
Sales	EUR 367.7 million	Moderate growth in sales	EUR 372.2 million	Barely achieved
EBIT	EUR 21.4 million	Noticeable improvement in result	EUR 20.3 million	Not achieved
EBIT margin (in %)	5.8 %	Margin above previous year's level	5.4 %	Not achieved
Engineering				
Sales	EUR 293.2 million	Marked increase in sales	EUR 305.9 million	Barely achieved
EBIT	EUR 39.0 million	Disproportionately high earnings growth	EUR 41.4 million	Not achieved
EBIT margin (in %)	13.3 %	Margin below previous year's level	13.5 %	Not achieved
Medical Engineering/Life Science				
Sales	EUR 132.3 million	Slight increase in sales	EUR 147.0 million	Achieved in full
EBIT	EUR 19.7 million	Slight increase in EBIT	EUR 20.2 million	Achieved
EBIT margin (in %)	14.9 %	Margin at previous year's level	13.7 %	Slightly below target figure
Metals Technology				
Sales	EUR 359.9 million	Sales at previous year's level	EUR 344.4 million	Below target figure
EBIT	EUR 28.6 million	Result at previous year's level	EUR 29.9 million	Better than expected
EBIT margin (in %)	7.9 %	Margin unchanged	8.7 %	Better than expected

DEVELOPMENT OF CONSOLIDATED EARNINGS

CONSOLIDATED STATEMENT OF INCOME (IN EUR MILLION)

	2016	2015	2014	DIFFERENCE 2016/2015 ABSOLUTE	DIFFERENCE 2016/2015 IN %
Sales	**1,444.3**	**1,388.9**	**1,255.7**	**55.4**	**4.0**
Other operating income	20.2	19.9	21.9	0.3	1.5
Own work capitalized	6.2	5.7	7.4	0.5	8.8
Changes in inventories	11.1	7.0	9.5	4.1	58.6
Overall performance	**1,481.8**	**1,421.5**	**1,294.5**	**60.3**	**4.2**
Cost of materials	-648.7	-651.6	-598.2	2.9	-0.4
Personnel expenses	-430.2	-392.0	-349.0	-38.2	9.7
Other operating expenses	-203.5	-192.4	-173.7	-11.1	5.8
Income from shares accounted for using the equity method	1.0	0.7	1.4	0.3	42.9
Other financial results	0.5	0.2	0.2	0.3	150.0
EBITDA	**200.9**	**186.4**	**175.2**	**14.5**	**7.8**
Depreciation/Amortization	-56.0	-50.1	-48.0	-5.9	11.8
Operating result (EBIT)	**144.9**	**136.3**	**127.2**	**8.6**	**6.3**
Net interest	-21.5	-27.0	-26.5	5.5	-20.4
Earnings before taxes (EBT)	**123.4**	**109.3**	**100.7**	**14.1**	**12.9**
Taxes	-43.0	-41.0	-33.4	-2.0	4.9
Earnings attributable to discontinued operations	0.0	0.0	-4.0	0.0	0.0
Earnings after taxes	**80.4**	**68.3**	**63.3**	**12.1**	**17.7**
of which attributable to non-controlling shareholders	0.4	0.4	0.2	0.0	0.0
of which attributable to INDUS shareholders	80.0	67.9	63.1	12.1	17.8

SALES AND EARNINGS: ACQUISITIONS AND STABLE BUSINESS TRENDS BRING FURTHER GROWTH

Sales in the INDUS Group increased by 4.0 % in the fiscal year, to EUR 1,444.3 million. This growth was supported by a generally stable sales trend for the portfolio companies and by expansion of the Group through further acquisitions at the first and second levels.

The cost of materials developed at a disproportionally low rate and fell by a slight 0.4 %, to EUR 648.7 million, as compared to the previous year (previous year: EUR 651.6 million). This was caused in particular by the drop in raw material prices in the Metals Technology segment. In addition, energy costs remained at a low level in 2016. The **cost of materials ratio** therefore declined for the fiscal year by 2.0 percentage points, to 44.9 % (previous year: 46.9 %).

There was a marked increase in personnel expenses, which climbed to EUR 430.2 million, a 9.7 % increase. This was attributable mainly to the acquisitions, but also in part to wage adjustments in the individual companies. Accordingly, the **personnel expense ratio** increased by 1.6 percentage points, to 29.8 % (previous year: 28.2 %).

Other operating expenses increased by 5.8 % as compared to 2015. With the Group's growth has come a slight increase in expenditures for leased space and buildings. The higher business volume had an effect on freight and packing expenses in particular. Expenditures for other marketing activities, such as trade fairs and advertising, likewise increased. The introduction of new IT systems and the upgrading of existing systems also have had a noticeable effect.

Once the expense items are subtracted, the resulting operating result to date before depreciation/amortization (EBITDA) is EUR 200.9 million. As compared to the previous year, EBITDA increased by 14.5 million (7.8 %). At EUR 56.0 million, **depreciation/amortization** was 11.8 % higher than in the previous year. The greater need for depreciation/amortization is attributable to the new companies and associated depreciation/amortization of excess value for purchase price allocation purposes and to the persistently high level of investment.

The resulting operating result for 2016, or **EBIT**, increases disproportionately in comparison to sales, specifically by 6.3 % to EUR 144.9 million. This equates to an EBIT margin of 10.0 %. INDUS thus achieved in 2016 its long-term target mark of "10 % plus x".

Net interest improved by EUR 5.5 million, from EUR -27.0 million to EUR -21.5 million. This is attributable in part to lower interest expenses for financial liabilities. The interest rate has been falling continually owing to the balanced maturity profile of our financial liabilities with revolving repayments and new borrowing. The category of "interest from operations" improved accordingly by EUR 1.8 million. The "other interest" category includes the effects on income of the subsequent measurement of contingent purchase price liabilities along with after-tax income due to non-controlling shareholders from shares in limited partnerships and to stock corporations with call/put options. In this category, interest expense was reduced by EUR 3.8 million. Changes in the market value of interest derivatives had no significant effect.

Earnings before taxes (EBT) thereby improved to EUR 123.4 million (previous year: EUR 109.3 million). Tax expense increased in absolute terms by EUR 2.0 million. The tax expense ratio, however, was reduced from 37.5 % in the previous year to 34.8 %. The reduced tax expense ratio is attributable to the decline in the non-tax-deductible "other interest".

Earnings after taxes reached EUR 80.4 million (previous year: EUR 68.3 million). This equates to a rise of 17.7 % as compared to the previous year. Interests held by non-controlling shareholders remained unchanged at EUR 0.4 million. Earnings after taxes of the INDUS shareholders amounted to EUR 80.0 million. This equates to earnings per share of EUR 3.27 as compared to EUR 2.78 in the previous year.

ADJUSTED EBIT: MARGIN IMPROVES TO 10.8 %

In the interest of greater transparency in regard to operating performance, INDUS also reports an adjusted EBIT. The underlying reason for this is that INDUS's growth trend, and the regular acquisitions associated with it, result in non-operating charges against earnings. EBIT adjusted for these effects (after the effects of the acquisitions) increased by 6.6 % to EUR 155.4 million. This results in a margin of 10.8 % (previous year: 10.5 %).

RECONCILIATION (IN EUR MILLION)

	2016	2015	2014	DIFFERENCE 2016/2015 ABSOLUTE	IN %
Operating result (EBIT)	**144.9**	**136.3**	**127.2**	**8.6**	**6.3**
Depreciation of property, plant, and equipment, and amortization of intangible assets for value adjustments from first-time consolidations*	6.4	5.0	3.5	1.4	28.0
Impact of fair value adjustments on inventory assets/order backlog from first-time consolidations and incidental acquisition costs**	4.1	4.5	4.5	-0.4	-8.9
Adjusted operating result (EBIT)	**155.4**	**145.8**	**135.2**	**9.6**	**6.6**

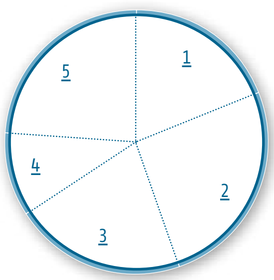
* Depreciation/amortization from fair value adjustments relates to identified assets at fair value in connection with acquisitions made by the INDUS Group.
** Charges from fair value adjustments in inventory assets/order backlog relate to identified excess value reported for purchase price allocation purposes and recognized as expense after the initial consolidation.

CONTRIBUTIONS TO EARNINGS BY THE SEGMENTS: NO FUNDAMENTAL CHANGES

The segments' contributions to sales and earnings changed only insignificantly in their ratios to one another. With its 25.8 % share (previous year: 26.5 %), the **Automotive Technology** segment continued to make the strongest contribution to sales. **Metals Technology** also remained very strong with its sales contribution of 23.9 % (previous year: 25.9 %). Both segments, however, had ceded ground as compared to the previous year. There was an increase in contributions to sales from the **Construction/Infrastructure** segment, at 19.0 % (previous year: 17.0 %) and the **Medical Engineering/Life Science** sector, at 10.2 % (previous year: 9.5 %). The sales contribution from the **Engineering** segment remained, at 21.2 %, close to the previous year's level (21.1 %).

At the earnings level, the Engineering and Construction/Infrastructure segments were especially strong. The Engineering segment was able to replicate its large contribution to earnings of the previous year at 27.4 %. The Construction/Infrastructure segment took advantage of the strong economic conditions in the sector and increased its share to 26.0 % (previous year: 23.6 %), the segment being reinforced in the middle of the year by the HEITZ Group. The Automotive Technology segment posted a slow down with an earnings contribution of 13.4 % (previous year: 15.0 %). For the Medical Engineering/Life Science and Metals Technology segments the earnings contribution ratio was, at 13.4 % (previous year: 13.9 %) and 19.8 % (previous year: 20.1 %) respectively, slightly lower than for the previous year.

SALES BREAKDOWN BY SEGMENT (in %)



1
CONSTRUCTION/INFRASTRUCTURE
19.0 (EUR 274.5 MILLION)

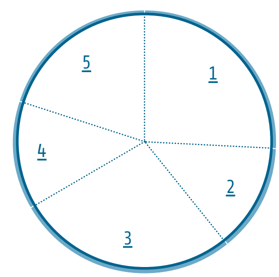
2
AUTOMOTIVE TECHNOLOGY
25.8 (EUR 372.2 MILLION)

3
ENGINEERING
21.2 (EUR 305.9 MILLION)

4
MEDICAL ENGINEERING/LIFE SCIENCE
10.2 (EUR 147.0 MILLION)

5
METALS TECHNOLOGY
23.8 (EUR 344.4 MILLION)

EBIT BREAKDOWN BY SEGMENT (in %)



1
CONSTRUCTION/INFRASTRUCTURE
26.0 (EUR 39.2 MILLION)

2
AUTOMOTIVE TECHNOLOGY
13.4 (EUR 20.3 MILLION)

3
ENGINEERING
27.4 (EUR 41.4 MILLION)

4
MEDICAL ENGINEERING/LIFE SCIENCE
13.4 (EUR 20.2 MILLION)

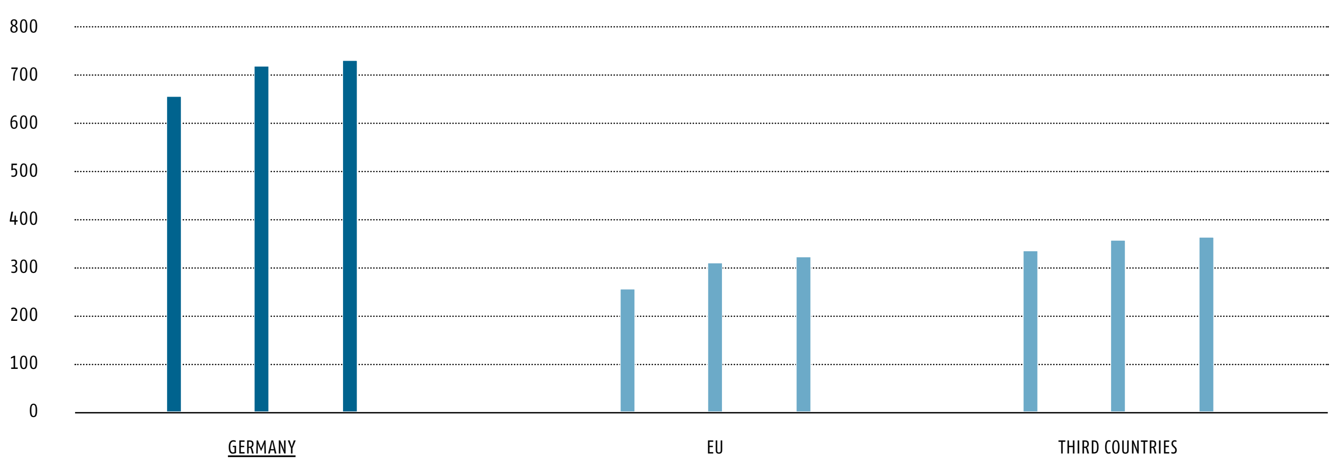
5
METALS TECHNOLOGY
19.8 (EUR 29.9 MILLION)

CONTRIBUTIONS TO EARNINGS BY REGION

The INDUS Group’s sales increases are attributable in almost equal measure to its domestic and international business. In relative terms, the international share of sales increased only marginally, by 0.1 percentage points, to 49.1 % (previous year: 49.0 %).

Domestic sales increased by 3.7 %, to EUR 735.5 million, as compared to the previous year. International sales increased by 4.3 %, to EUR 708.8 million, the increase being attributable primarily to sales within the EU (+8.6 %). Sales in third countries increased by only a slight 0.7 %.

SALES TRENDS BY REGION 2014 – 2016 (IN EUR MILLION)



	GERMANY			EU			THIRD COUNTRIES		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
	655.2	709.0	735.5	263.4	305.6	332.1	337.2	374.2	376.7

EARNINGS TRENDS IN THE SEGMENTS

CONSTRUCTION/INFRASTRUCTURE

Segment description
The Construction/Infrastructure segment comprises eleven (previous year: ten) units. The companies operate in different areas within the construction industry. Their services range from reinforcements and construction materials to air conditioning and heating technology and accessories for private residential construction. Traditional building construction and civil engineering are not included in the INDUS portfolio. The segment continues to be disproportionately profitable. For strategic purposes INDUS therefore aims to further strengthen the segment by acquiring more companies, both at the portfolio level and through strategic additions at the sub-subsidiary level.

Segment performance: Strengthened through acquisitions, margins continue to be high
Fueled by the general construction boom and a greater inclination towards investment by the public sector, the strong demand experienced in the Construction/Infrastructure segment continued unabated. The INDUS companies also benefited from this. Sales in this segment climbed by 16.6%, to EUR 274.5 million, on a yearly comparison (previous year: +4.6%). One should bear in mind that, since June, the segment has had an additional, potent contributor to its sales in the HEITZ Group. Not counting the HEITZ Group's contribution, sales increased by 9.5% as compared to the previous year. Nearly all of the companies in this segment contributed to the exceedingly strong business performance. There was a disproportionately large increase in demand in the energy and structural engineering sectors in particular.

Heavy utilization of capacity and the portfolio company acquisition took the operating result (EBIT) to the figure of EUR 39.2 million. This equates to a growth rate of 17.0%. At 14.3%, the EBIT margin once again slightly surpassed the previous year's already very good figure (14.2%). Owing to the acquisition of the HEITZ Group and the investment HAUFF-TECHNIK made in a 50% interest in ZWEICOM, capital investments in this segment reached a higher level at EUR 35.4 million. As a specialist in cable laying, WEIGAND was able to acquire a major contract for the construction of a fiber optic network in northern Hesse with a volume of more than EUR 130 million.

KEY FIGURES CONSTRUCTION / INFRASTRUCTURE (IN EUR MILLION)

	2016	2015	2014	DIFFERENCE 2016/2015	
				ABSOLUTE	IN %
Sales to external third parties	274.5	235.5	225.1	39.0	16.6
EBITDA	46.7	39.8	38.9	6.9	17.3
Depreciation/Amortization	-7.5	-6.3	-5.9	-1.2	19.0
EBIT	39.2	33.5	33.0	5.7	17.0
EBIT margin in %	14.3	14.2	14.7	0.1	0.7
Capital expenditure	35.4	8.9	11.0	26.5	>100
Employees	1,466	1,183	1,104	283	23.9

Segment description

The Automotive Technology segment comprises ten units whose products and services span the entire value chain in the automotive industry, from design and development, model and prototype construction to pilot and small-scale production, testing and measurement solutions, solutions for specialized vehicles, and serial production of components for major manufacturers of cars and commercial or special-use vehicles.

The companies in this segment operate in an intensely competitive environment that is highly sensitive to developments in the vehicle market. For the high-margin companies that perform their services before serial production begins, i.e. in design, development, prototype production and measurement or test solutions, INDUS seeks expansion acquisitions.

Segment performance: Improvements at the end of the year, earnings situation on the whole near the previous year's level

The companies in the Automotive Technology segment were exposed in 2016 to a mix of positive and negative effects. These ultimately resulted in the segment's failure to achieve its growth targets on the earnings side. Although sales did increase by a slight 1.2%, to EUR 372.2 million, this was attributable mainly to the second-level acquisition of CAETEC by IPETRONIK. Among the negative effects was the collapse in demand experienced by Spikes; the market ground nearly to a halt because of the Russian (counter-) boycott of European goods. But the performance of some companies was noticeably impeded by the repercussions of the Volkswagen exhaust scandal, weakness in the emerging countries, and weak momentum in China and the USA Agricultural and construction machinery also performed haltingly. Last but not least, the repositioning at one portfolio company that was started at the beginning of 2016 has been a lengthier process than expected. Positive effects were contributed by high call-off figures for serial parts along with the favorable economic situation among the premium OEMs.

EBIT fell by 5.1%, to EUR 20.3 million, as compared to the previous year. This equates to an EBIT margin of 5.4% (previous year: 5.8%), smaller than the target margin corridor of 6% to 8%. At the end of the year, however, a turnaround could be seen. While the EBIT margin was still at 4.6% after nine months, it climbed appreciably in the final quarter – by 0.8 percentage points – as a result of noticeable progress in product and process optimization by particular portfolio companies. Investments in the segment increased considerably as compared to the previous year. They rose by 37%, to EUR 36.9 million, as compared to the previous year, and were allocated to, among other things, construction of a production facility in Taicang, China (Bilstein & Siekermann) and to share and company acquisitions for WIESAUPLAST (Wiesauplast-PMC de México) and IPETRONIC (CAETEC).

KEY FIGURES AUTOMOTIVE TECHNOLOGY (IN EUR MILLION)

	2016	2015	2014	DIFFERENCE 2016/2015 ABSOLUTE	DIFFERENCE 2016/2015 IN %
Sales to external third parties	372.2	367.7	351.7	4.5	1.2
EBITDA	39.9	39.6	43.1	0.3	0.8
Depreciation/Amortization	-19.6	-18.2	-19.9	-1.4	7.7
Write-ups	0.0	0.0	1.1	0.0	0.0
EBIT	20.3	21.4	24.3	-1.1	-5.1
EBIT margin in %	5.4	5.8	6.9	-0.4	-6.9
Capital expenditure	36.9	26.9	27.6	10.0	37.2
Employees	3,454	3,285	3,160	169	5.1

Segment description
As in the previous year, the Engineering segment comprises nine units (previous year: ten). The companies in this segment develop complete conveyor systems and robotic gripping systems, produce valve technology, automation components, including those for final vehicle assembly, and equipment for clean room systems, and design trace heating systems.

The segment constitutes one of the mainstays of small and medium-scale industry and has good prospects. In INDUS's view, the impressive technical capabilities and quality of "made-in-Germany" engineering work promise future growth in the sub-fields of automation, measuring technology and control technology, where INDUS seeks to make further acquisitions.

Segment performance: good order volume, continued very high level of earnings
The portfolio companies in the Engineering segment continued to perform very well despite a generally difficult segment environment. Sales in the segment increased by 4.3 %, to EUR 305.9 million, as compared to the previous year. They include for the first time the business operations of IEF-Werner throughout the period under review (in the previous year: five months of its business operations included). Overall, the existing portfolio companies were thus able to maintain the exceptionally high level of the previous year, partly as a result of an on the whole very good final quarter. The strong earnings situation in the Engineering segment in 2016 was reinforced by a very good and solid volume of orders.

EBIT was, as expected, only slightly above the previous year at EUR 41.4 million. As compared to sales, it increased at a slightly disproportionate rate, by 6.2 %. Accordingly, the EBIT margin also improved slightly, to 13.5 % (previous year: 13.3 %). It therefore remained within the 12 % to 14 % corridor assumed for medium-term budgeting purposes. Investments in the segment, at EUR 9.7 million, were considerably less than in the previous year, owing to the fact that the acquisition of IEF-Werner was included in the previous year's investments. The investments made in 2016 include acquisitions for BUDDE (COMPUTEC) and for M. BRAUN (CREAPHYS).

KEY FIGURES ENGINEERING (IN EUR MILLION)

				DIFFERENCE 2016/2015	
	2016	2015	2014	ABSOLUTE	IN %
Sales to external third parties	305.9	293.2	221.2	12.7	4.3
EBITDA	49.7	46.3	32.8	3.4	7.3
Depreciation/Amortization	-8.3	-7.3	-6.4	-1.0	13.7
EBIT	41.4	39.0	26.4	2.4	6.2
EBIT margin in %	13.5	13.3	11.9	0.2	1.5
Capital expenditure	9.7	16.8	16.9	-7.1	-42.3
Employees	1,585	1,436	1,150	149	10.4

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 lenses and optical devices, produce surgical accessories and rehabilitation technology, and sell hygienic products for both medical applications and household purposes.

This segment is for INDUS the subject of special strategic focus. It represents one of the five sectors of the future that the Board of Management believes promise growth opportunities and above-average margins in the future despite increased cost pressures in the healthcare industry.

Segment performance: successful integration, continued strength on the earnings side

With the support of a favorable consumption climate, especially because of demographic changes in Germany, the companies in the Medical Engineering/Life Science segment continued to achieve stable growth in 2016. Sales in the segment climbed by 11.1 % as compared to the previous year. This significant increase is primarily a reflection of the inclusion of RAGUSE for the first time. This manufacturer of individualized surgical drapes and items for clinical use was included in the annual financial statements for one month in the past year. Similarly, NEA was included for the first time in the annual financial statements for a complete year as a strategic addition to OFA. If RAGUSE and NEA are not included, sales in the segment increased by 2.1 %. Apart from the growth effects of consolidation, a marked increase was observed especially in trade in compression garments and bandages. Trade in lenses and optical devices performed somewhat more weakly.

EBIT improved by 2.5 %, to EUR 20.2 million, resulting in an EBIT margin of 13.7 % (previous year: 14.9 %). One reason for the margin decline in the segment was changes in the exchange rate for the Swiss franc, which is a source of competitive disadvantages for our Swiss portfolio company MIKROP. That portfolio company is currently countering these effects with the expansion of an Eastern European production facility. The one-time effects of NEA's first inclusion (an acquisition for the compression garment specialist OFA) and of the new start-up of a new production facility (likewise at OFA) were fully offset in the course of the year, but likewise depressed the margin. Investments in 2016 were, at EUR 6.2 million, considerably below those of the previous year. The acquisition of the optical inspection systems specialist IN-SITU (for MIKROP) brought only lesser segment growth at the subsidiary level in 2016. The purchase of RAGUSE and NEA International and the acquisition of a plant in Glauchau all fell under the previous year's investments.

KEY FIGURES MEDICAL ENGINEERING/LIFE SCIENCE (IN EUR MILLION)

	2016	2015	2014	DIFFERENCE 2016/2015 ABSOLUTE	IN %
Sales to external third parties	147.0	132.3	114.4	14.7	11.1
EBITDA	26.8	24.9	22.3	1.9	7.6
Depreciation/Amortization	-6.6	-5.2	-3.5	-1.4	26.9
EBIT	20.2	19.7	18.8	0.5	2.5
EBIT margin in %	13.7	14.9	16.4	-1.2	-8.1
Capital expenditure	6.2	32.3	23.8	-26.1	-80.8
Employees	1,480	1,010	759	470	46.5

Segment description

As in the previous year, this segment comprises nine units and serves a large number of specialized customers. The range of solutions is large and includes supplying for railroad engineering, producing carbide tools for road construction and mining, and manufacturing housings for laboratory diagnostics, blasting agents for the steel industry, and bolt welding technology, for example for structural connecting elements used in bridge construction.

The segment as a whole is heterogeneously positioned. To strengthen certain areas, INDUS seeks growth through acquisitions and greater internationalization. Other sub-areas are the focus of further optimization.

Segment performance: restructurings are showing the first signs of success, margin further increased

The Metals Technology segment recorded a 4.3 % decline in sales revenue, to EUR 344.4 million, as compared to the previous year. This can be attributed for the most part to three reasons. The first is reduced material prices. The associated cost advantage was passed on to the customers. The second reason is a weakening of demand for carbide tools, especially in the mining business segment. The third reasons is current restructuring projects at the two Swiss metals technology companies. For one of the portfolio companies the measures were already taking hold, so that the earnings situation considerably improved in 2016. The second portfolio company was still in the midst of a reorganization process during the fiscal year. The measures in the electroplating and powder metallurgy field produced pleasing results, the fields booking marked improvements in earnings as compared to the previous year.

The segment's EBIT increased by 4.5 %, to EUR 29.9 million, despite the decline in sales. This brought the EBIT margin to 8.7 % (previous year: 7.9 %). The investments amounted to EUR 14.5 million and were allocated mainly to property, plant and equipment. The investment figure for the previous year was considerably higher, mainly because of an additional use of resources to develop a production location, including an infrastructure expansion in Germany and construction of a Chinese location by BETEK.

KEY FIGURES METALS TECHNOLOGY (IN EUR MILLION)

				DIFFERENCE 2016/2015	
	2016	2015	2014	ABSOLUTE	IN %
Sales to external third parties	344.4	359.9	342.9	-15.5	-4.3
EBITDA	43.1	41.0	42.6	2.1	5.1
Depreciation/Amortization	-13.2	-12.4	-11.6	-0.8	6.5
Write-ups	0.0	0.0	0.4	0.0	0.0
EBIT	29.9	28.6	31.4	1.3	4.5
EBIT margin in %	8.7	7.9	9.2	0.8	10.1
Capital expenditure	14.5	21.8	17.6	-7.3	-33.5
Employees	1,439	1,395	1.323	44	3.2

Financial Position and Net Assets

FINANCIAL AND LIQUIDITY MANAGEMENT

PRINCIPLES AND OBJECTIVES

Financial management at INDUS Holding AG is concerned primarily with liquidity management, procuring equity and outside capital, and managing interest rate and currency risks. As an asset-managing financial holding company, INDUS engages in liquidity management in consultation with the portfolio companies and without central cash pooling. For financial management purposes, INDUS relies mainly on long-term bank loans and promissory note bonds.

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

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 solid German financial institutions as partners. Factors stabilizing its long-term financing needs include broad diversification of the loan volume, a balanced redemption structure, and use of a spectrum of alternative financing instruments. To contain market price risks, the Group employs interest rate and currency derivatives. These are used exclusively for risk-hedging purposes.

The joint financial and liquidity management has three objectives: Securing sufficient liquidity reserves, risk limitation, and earnings and cost optimization. Securing liquidity assumes special importance since liquidity enables INDUS not only to meet its payment obligations at all times, but also to realize its acquisition opportunities with as little dependence on banks as possible.

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

Another objective of the individualized and joint finance and liquidity management system is to optimize net current assets (working capital). This frees up liquid assets, keeps debt levels low, and optimizes key financial indicators for the balance sheet structure (e.g. equity ratio) and return on capital. INDUS assists the companies in their management of working capital, with responsibility lying entirely with the companies.

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's principal banks are “investment grade”.

Financing analysis for 2016

INDUS continued in 2016 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 bonds and, to a lesser extent, off-balance sheet financing instruments such as operating leases. These instruments are reasonably scaled to INDUS's business volume.

There was on the whole little change in the off-balance sheet financing instruments and obligations in 2016. INDUS uses as off-balance sheet forms of financing primarily rent and leasehold agreements, especially for IT accessories and company cars. Future operating lease commitments amounted to EUR 68.3 million as of December 31, 2016 (previous year: EUR 71.5 million).

Liabilities to banks amounted to EUR 386.6 million as of the reporting date (previous year: EUR 388.2 million); almost all of these (99 %) were incurred in euros. The volume of loans in other foreign currencies is low and consists exclusively of Swiss francs. As of the end of the year it comprised liabilities amounting to EUR 2.7 million (previous year: EUR 3.2 million). Financial liabilities include liabilities amounting to EUR 8.1 million (previous year: EUR 10.3 million) from finance leases for real estate and machinery. These were incurred mainly for the acquisition of HAKAMA in 2010, which was transacted as an asset deal. There are promissory note bonds totaling EUR 109.0 million (previous year: EUR 90.0 million). There also exist unused credit lines amounting to EUR 28.7 million (previous year: EUR 38.2 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 fiscal year. The lenders have extraordinary termination rights in the event of a change of control. Certain key figures have been defined for promissory note loans.

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CASH FLOWS, SHORT FORM (IN EUR MILLION)

	2016	2015	2014
Operating cash flow	137.9	157.3	104.4
Interest	-23.4	-26.4	-17.4
Cash flow from operating activities	**114.5**	**130.9**	**87.0**
Cash outflow from investments	-108.1	-118.4	-98.1
Cash inflow from the disposal of assets	3.7	5.6	2.8
Cash flow from investing activities	**-104.4**	**-112.8**	**-95.3**
Dividends paid to shareholders	-29.3	-29.3	-26.9
Dividends paid to non-controlling shareholders	-0.4	0.0	-0.1
Cash inflows from the assumption of debt	132.3	126.9	158.3
Cash outflows from the repayment of debt	-117.5	-100.7	-123.1
Cash flow from financing activities	**-14.9**	**-3.1**	**8.2**
Net cash change in financial facilities	-4.8	15.0	-0.1
Changes in cash and cash equivalents caused by currency exchange rates	-0.2	0.7	0.7
Cash and cash equivalents at the beginning of the period	132.2	116.5	155.9
Cash and cash equivalents at the end of the period	**127.2**	**132.2**	**116.5**

HEAVY OPERATING CASH FLOW AND HIGH LEVEL OF INVESTMENT ACTIVITY WITH LIQUIDITY AT THE PREVIOUS YEAR'S LEVEL

Owing to the continued activities, earnings after taxes increased considerably in 2016, by EUR 12.1 million to EUR 80.4 million (previous year: EUR 68.3 million). The increase in inventory assets and increase in receivables had the effect of reducing liquidity. The favorable order situation at the end of the year resulted in a greater commitment of funds by many portfolio companies as compared to the previous year. Owing to the increase in inventories, receivables and other assets amounting to EUR 28.8 million, operating cash flow, at EUR 137.9 million in 2016, decreased by EUR -19.4 million as compared to the previous year (previous year: EUR 157.3 million); this overcompensated for the marked increase in earnings after taxes.

As a result of the higher earnings, the income taxes that were paid in the amount of EUR 48,4 million increased by EUR 9,4 million as compared to the previous year. The interest that was paid (including variable interest on the purchase price liabilities to minority shareholders) was, at EUR -23.9 million, less than the EUR -27.0 million that was paid in the previous year. This reflects, more than anything, the continuing drop in interest expense resulting from the rolling repayment of non-current financial liabilities that have higher interest rates and new borrowing on better terms.

Accordingly, cash flow from business operations reached EUR 114.5 million and decreased by EUR -16.4 million from the comparison period owing to the greater commitment of funds to inventory assets.

Cash flow from investment activity amounted to EUR -104.4 million as of the end of the fiscal year (previous year: EUR -112.8 million); this item includes the acquisitions of H. HEITZ, COMPUTEC, MBH SOLUTIONS, CREAPHYS, CAETEC, IN-SITU and WIESAUSPLAST PMC along with the investment in ZWEICOM.

Cash flow from financing activity decreased from EUR -3.1 million to EUR -14.9 million. The main reason for this was lower net borrowing as compared to the previous year. Amidst all of its financing activity, as of the end of 2016 INDUS continued to possess a high degree of liquidity despite the acquisitions. As of the reporting date, cash and cash equivalents amounted to EUR 127.2 million (previous year: EUR 132.2 million). A detailed statement of cash flows is part of the consolidated financial statements.

NET ASSETS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SHORT FORM (IN EUR MILLION)

	DEC. 31, 2016	DEC. 31, 2015	DIFFERENCE 2016/2015 ABSOLUTE	IN %
ASSETS				
Noncurrent assets	**885.8**	**827.9**	**57.9**	**7.0**
Fixed assets	880.5	821.7	58.8	7.2
Accounts receivable	5.3	6.2	-0.9	-14.5
Current assets	**635.8**	**591.9**	**43.9**	**7.4**
Cash and cash equivalents	308.7	281.6	27.1	9.6
Accounts receivable	199.9	178.1	21.8	12.2
Inventories	127.2	132.2	-5.0	-3.8
Total assets	**1,521.6**	**1,419.8**	**101.8**	**7.2**
EQUITY AND LIABILITIES				
Noncurrent liabilities	**1,150.9**	**1,091.6**	**59.3**	**5.4**
Equity	644.6	595.4	49.2	8.3
Liabilities	506.3	496.2	10.1	2.0
of which provisions	31.2	30.0	1.2	4.0
of which current liabilities and income tax	475.1	466.2	8.9	1.9
Current liabilities	**370.7**	**328.2**	**42.5**	**12.9**
of which provisions	65.6	62.3	3.3	5.3
of which liabilities	305.1	265.9	39.2	14.7
Total assets	**1,521.6**	**1,419.8**	**101.8**	**7.2**

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,521.6 million, a 7.2 % increase from the previous year's reporting date. The increase was attributable mainly to the acquisitions, but the increase in business operations also contributed to some of the increase in total assets.

ASSETS: A SHARP INCREASE IN FIXED ASSETS AND RECEIVABLES

Non-current assets increased by EUR 57.9 million, or 7.0 %, to EUR 885.8 million as compared to the previous reporting date. The increase was primarily in fixed assets. Goodwill increased by EUR 13.9 million (+3.5 %), intangible assets by EUR 15.5 million (+26.3 %). The main influencing factor behind the increase in both items was the acquisition of the HEITZ Group.

Tangible fixed assets increased by EUR 34.5 million as compared to the previous year. The precipitating factor behind the increase in this case was, aside from the addition of new companies, the further increase in investments in property, plant and equipment. The value of the portfolio companies measured at equity was as of December 31, at EUR 10.5 million, EUR 2.5 million higher than it was a year before. In this case, the disposal of two companies that have previously been accounted for at equity, was overcompensated by the addition of ZWEICOM.

Non-current assets increased by EUR 43.9 million, or 7.4 %, to EUR 635.8 million as compared to the previous reporting date, with inventories and receivables increasing disproportionately, by 9.6 % and 10.5 % respectively. The increase in inventories by EUR 27.1 million is attributable to new acquisitions to build up the inventories of particular portfolio companies. The increase in receivables amounts to EUR 16.9 million and is due to increased sales in the fourth quarter. Liquid funds decreased by EUR 5.0 million and remain at a very high level.

LIABILITIES: EQUITY RATIO WAS INCREASED TO 42.4 %

Total equity increased by 8.3 %, to EUR 644.6 million, owing to, among other factors, the high annual result. The outflow of dividends was overcompensated by current earnings. The equity ratio therefore increased from 41.9 % to a pleasing 42.4 % as compared to the previous reporting date. The equity ratio thus remains above the lower limit of 40 %, which was defined as the target.

Non-current liabilities were, at EUR 506.3 million, only 2.0 % greater than the previous year's figure. Thus, despite the acquisitions that were made during the fiscal year and the expansion of business operations, new borrowing was very limited. Non-current financial liabilities increased by EUR 12.8 million. Non-current other liabilities changed in the opposite direction, decreasing by EUR 4.0 million. The addition of contingent purchase price liabilities from company acquisitions was overcompensated for by maturity-contingent reclassifications in the current category. Deferred taxes remained at the previous year's level at EUR 37.6 million.

A 12.9 % increase was registered in **current liabilities**. This equates to EUR 42.5 million. Current financial liabilities increased by only EUR 2.4 million, to EUR 114.0 million. There was a marked increase, on the other hand, in trade payables (+ EUR 8.7 million) and current liabilities (+ EUR 28.4 million). The increase in current liabilities is attributable mainly to larger received prepayments, production orders with net debit balances and maturity-contingent reclassifications of contingent purchase price liabilities in the current category.

INDUS calculates working capital by adding trade accounts receivable to inventories and deducting trade accounts payable along with received prepayments and production orders with a net debit balance. As of December 31, 2016, working capital stood at EUR 372.5 million. It thus increased in absolute terms by 4.7 %; relative to gross revenue it remained nearly constant at 25.1 % (previous year: 25.0 %).

WORKING CAPITAL (IN EUR MILLION)

	DEC. 31, 2016	DEC. 31, 2015	DIFFERENCE 2016/2015 ABSOLUTE	DIFFERENCE 2016/2015 IN %
Inventories	308.7	281.6	27.1	9.6
Trade accounts receivable	177.6	160.7	16.9	10.5
Trade accounts payable	-55.4	-46.7	-8.7	18.6
Advance payments received	-20.5	-9.1	-11.4	125.3
Production orders with a net debit balance	-37.9	-30.8	-7.1	23.1
Working capital	**372.5**	**355.7**	**16.8**	**4.7**

INDUS calculates net debt as the difference between cash and cash equivalents and current and non-current financial liabilities. As of December 31, 2016, it amounted to EUR 376.6 million, which equates to an increase of 5.7 % as compared to the previous year's reporting date. The ratio of net debt to equity (gearing) amounts to 58 % (previous year: 60 %). The ratio of net debt to EBITDA amounts to 1.9 (previous year: 1.9). The repayment term is therefore below the target corridor of 2 to 2.5 years.

NET FINANCIAL LIABILITIES (IN EUR MILLION)

	DEC. 31, 2016	DEC. 31, 2015	DIFFERENCE 2016/2015 ABSOLUTE	DIFFERENCE 2016/2015 IN %
Non-current financial liabilities	389.8	376.9	12.9	3.4
Current financial liabilities	114.0	111.6	2.4	2.2
Cash and cash equivalents	-127.2	-132.2	5.0	-3.8
Net financial liabilities	**376.6**	**356.3**	**20.3**	**5.7**

CAPITAL EXPENDITURES AND DEPRECIATION/AMORTIZATION (IN EUR MILLION)

	2016	2015	2014	DIFFERENCE 2016/2015 ABSOLUTE	DIFFERENCE 2016/2015 IN %
Capital expenditure	**103.9**	**107.3**	**97.2**	**-3.4**	**-3.2**
of which in:					
Company acquisitions	**29.9**	**34.3**	**31.4**	**-4.4**	**-12.8**
At-equity investments	**4.0**	**0.0**	**0.0**	**4.0**	**-**
Intangible assets	**10.3**	**8.7**	**7.5**	**1.6**	**18.4**
Property, plant and equipment	**59.7**	**64.3**	**58.3**	**-4.6**	**-7.2**
of which in:					
Land and buildings	3.3	15.2	7.8	-11.9	-78.3
Technical equipment and machinery	24.5	19.0	21.7	5.5	28.9
Other equipment, factory and office equipment	17.3	16.0	12.3	1.3	8.1
Prepayments and assets under construction	14.6	14.1	16.5	0.5	3.5
Depreciation/Amortization	**-56.0**	**-50.1**	**-48.0**	**-5.9**	**11.8**

Capital expenditures in the year under review were slightly less – by 3.2 % – than in the previous year and reached EUR 103.9 million. Of this amount, EUR 29.9 million was attributable to company acquisitions (-12.8 %), EUR 59.7 million to investments in property, plant, and equipment (-7.2 %), and EUR 10.3 million to investment in intangible assets (+18.4 %). **Investments in company acquisitions** remained at the high level of the preceding three years; in contrast to the year before, however, only one, instead of two, growth investment was acquired.

The primary focus of the capital expenditures continues to be investments in **property, plant and equipment**. The funds used for this purpose are intended to improve the portfolio companies' value-added processes and strengthen the companies' competitive position. The investment projects include a broad range of individual measures.

Larger single investments in technical equipment in 2016 included the purchase at SELZER of a machine for building dual clutch transmissions (EUR 2.7 million), the acquisition at KIEBECK of a press (EUR 1.4 million), the purchase of a new climate test bed at IPETRONIK (EUR 1.3 million), and the purchase of milling machines at SCHÄFER (EUR 0.8 million).

The advance payments that were made increased slightly, by 3.5 %, to EUR 14.6 million. They related to, among other things, construction projects at INDUS and ELTHERM – at INDUS to expand the company building (EUR 1.5 million) and at ELTHERM to construct a new production hall (EUR 1.4 million).

Investments in intangible assets registered a marked increase, at EUR 10.3 million, as compared to the previous year (+18.4 %). This was attributable to the successful implementation of COMPASS 2020 and the support of innovations in the portfolio companies, for example through the development bank model newly introduced in 2016.

Depreciation/amortization increased as scheduled, by 11.8 % to EUR 56.0 million, owing to the high volume of investment activity.

Financial Performance of INDUS Holding AG

The tables below represent the annual financial statements of INDUS Holding AG in short form. The complete annual financial statements are available separately.

STATEMENT OF INCOME FOR INDUS HOLDING AG (IN EUR MILLION)

	2016	2015	2014	DIFFERENCE 2016/2015 ABSOLUTE	IN %
Sales	**5.3**	**6.3**	**5.7**	**-1.0**	**-15.9**
Other operating income	4.5	5.3	12.3	-0.8	-15.1
Personnel expenses	-5.7	-6.0	-4.7	0.3	-5.0
Other operating expenses	-7.3	-6.1	-6.0	-1.2	19.7
Income from investments	67.7	55.4	40.3	12.3	22.2
Income from long-term loans classified as financial assets	46.5	43.7	42.3	2.8	6.4
Other interest and similar income	7.4	10.4	8.8	-3.0	-28.8
Depreciation of fixed assets and property, plant and equipment	-0.5	-0.6	-0.5	0.1	-16.7
Write-downs of financial assets	-12.5	-5.0	-9.0	-7.5	150.0
Expenses from loss absorption	-9.5	-12.6	-3.4	3.1	-24.6
Interest and similar expenses	-12.5	-14.3	-15.1	1.8	-12.6
Earnings from ordinary business activities	**83.4**	**76.5**	**70.7**	**6.9**	**9.0**
Taxes	-8.4	-8.1	-8.6	-0.3	3.7
Net income	**75.0**	**68.4**	**62.1**	**6.6**	**9.6**
Profit carried forward	2.2	1.7	1.0	0.5	29.4
Balance sheet profit	**77.2**	**70.1**	**63.1**	**7.1**	**10.1**

The earnings of INDUS Holding AG derive primarily from income from portfolio companies and loans of financial assets.

Sales revenues comprise services performed for the portfolio companies by the company in its capacity as an asset-managing holding company. At EUR 5.3 million, they were EUR 1.0 million below the previous year's figure.

Other operating income declined from EUR 5.3 million to EUR 4.5 million owing to less income from currency translation. The write-ups of financial assets are, at EUR 3.3 million, close to the previous year's level (EUR 3.0 million). Personnel expenses fell from EUR 6.0 million in 2015 to EUR 5.7 million. In the previous year a one-time fair value adjustment was made to long-term variable remuneration. Other operating expenses increased by EUR 1.2 million, to EUR 7.3 million.

Income from portfolio companies increased by EUR 12.3 million, to EUR 67.7 million, owing to the good results in the subsidiaries. Income from long-term loans classified as financial assets also rose, by EUR 2.8 million, and reached EUR 46.5 million. Interest income was, at EUR 7.4 million, below the previous year's level.

Depreciation and amortization of intangible fixed assets and property, plant, and equipment remained at the previous year's level. The write-downs of long-term financial assets relate to write-downs recorded pursuant to impairment testing of investment carrying values. In the year under review, carrying values of investments in subsidiaries in the Automotive Technology and Metals Technology segments in the amount of EUR 12.5 million were written down. Expenses from loss absorption, on the other hand, were reduced from

EUR 12.6 million to EUR 9.5 million and relate to, among other things, losses from company structure adjustments in the Construction/Infrastructure segment. Interest expense in the amount of EUR 12.5 million was EUR 1.8 million less than the previous year's figure.

Thus on the whole, earnings from ordinary business activities improved to EUR 83.4 million.

STATEMENT OF FINANCIAL POSITION OF INDUS HOLDING AG (IN EUR MILLION)

	DEC. 31, 2016	DEC. 31, 2015
ASSETS		
Intangible assets	0.2	0.2
Property, plant and equipment	4.0	2.9
Financial assets	1,046.7	994.5
Fixed assets	**1,050.9**	**997.6**
Receivables and other assets	287.4	267.4
Cash on hand and bank balances	21.6	8.9
Current assets	**309.0**	**276.3**
Prepaid expenses	0.3	0.3
Total assets	**1,360.2**	**1,274.2**
LIABILITIES		
Equity	806.9	761.2
Provisions	5.5	5.6
Liabilities	503.7	463.2
Deferred tax liabilities	44.1	44.2
Total assets	**1,360.2**	**1,274.2**

The holding company's statement of financial position reflects the carrying amounts of the portfolio companies along with long- and short-term loans to the portfolio companies. The total assets of INDUS Holding AG increased, owing to the company acquisitions, and amounted to EUR 1,360.2 million as of December 31, 2016.

Financial assets increased by EUR 52.2 million, especially as a result of the acquisitions in 2016. Current assets increased by EUR 32.7 million, to EUR 309.0 million. This is attributable to an increase in accounts receivable and other assets (EUR +20.0 million) and to an increase in cash and cash equivalents (EUR +12.7 million).

The equity of INDUS Holding AG was increased in the period under review by EUR 45.7 million, to EUR 806.9 million. The equity ratio as of December 31, 2016 amounted to 59.3 % and is only slightly below the equity ratio as of December 31, 2015 (59.7 %). Liabilities are, at EUR 503.7 million as of December 31, 2016, higher by EUR 40.5 million than as of December 31, 2015. This relates primarily to liabilities to banks.

INDUS employed in total 26 employees, not including the Board of Management, as of December 31, 2016 (previous year: 24 employees).

EVENTS AFTER THE REPORTING DATE

By contract of January 31, 2017, INDUS Holding AG acquired 76% of shares in M+P INTERNATIONAL Mess- und Rechnertechnik GmbH, Hanover. The M+P group is a provider of measurement and test systems for vibration testing and analysis and employs 63 employees and generated provisional sales of EUR 12 million.

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 (DCGK).

BOARD OF MANAGEMENT COMPENSATION

The Board of Management compensation system was reviewed in 2009 and 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. Variable components 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 fiscal year.

The **short-term incentive** is calculated on the basis of earnings before taxes and interest (consolidated EBIT before impairment for 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. If the target attainment is greater than 125%, a cap (maximum upper limit) applies.

The **long-term incentive** consists of "virtual" stock options (SAR, stock appreciation rights). These involve the setting of an exercise price for stock appreciation rights as of the issue date. The contractually agreed target amount determines the number of virtual stock options. A payout can be made only if the share price is higher than this exercise price in the exercise period, and defined success hurdles are cleared (minimum price increase of 12%). The earliest possible payout date is subject to a four-year blocking period, and an upper limit (cap) applies when 200% of the target bonus is achieved. The number of SARs granted to Board of Management members in annual tranches is determined based on the option price on the grant date and the contractually specified target price. The options are non-forfeitable from the date they are granted.

In fiscal year 2016, 40,241 SARs were issued (previous year: 65,636). As of the grant date, the total fair value of the SARs was EUR 280,000 (previous year: EUR 280,000). The fair value of previously granted SARs was calculated at a total of EUR 1,974,000 on the reporting date (previous year: 2,248,000). A provision in this amount was formed in the annual financial statements. Personnel expenses include the EUR 567,000 change in fair value before discounting (previous year: EUR 1,486,000). Fair values were determined using a recognized actuarial option price model, taking account of the cap on payout claims.

For the 2015 and 2016 fiscal years, Board of Management compensation was reported in individualized form on the basis of the standard tables recommended by the German Corporate Governance Code.

Ancillary benefits include taxable non-cash benefits, primarily company cars. Deferred salary plans resulted in the accumulation of pension rights by a former Board of Management member. These were covered by reinsurance policies of corresponding value.

In accordance with the recommendation in item 4.2.3(2) of the German Corporate Governance Code, the Board of Management's compensation is to include upper limits overall and in regard to variable remuneration. The maximum remuneration for the Board of Management can be found in the table "Granted Benefits".

BOARD OF MANAGEMENT REMUNERATION – GRANTED BENEFITS (IN EUR '000)

	JÜRGEN ABROMEIT CHAIRMAN OF THE BOARD OF MANAGEMENT (SINCE 2012; BOARD MEMBER SINCE 2008)				DR. JOHANNES SCHMIDT BOARD MEMBER (SINCE 2006)				RUDOLF WEICHERT BOARD MEMBER (SINCE 2012)			
	2015	2016	2016 (MIN.)	2016 (MAX.)	2015	2016	2016 (MIN.)	2016 (MAX.)	2015	2016	2016 (MIN.)	2016 (MAX.)
Basic salary	539	550	550	550	370	370	370	370	320	340	340	340
Ancillary benefits	19	20	20	20	17	18	18	18	31	32	32	32
Total	**558**	**570**	**570**	**570**	**387**	**388**	**388**	**388**	**351**	**372**	**372**	**372**
One-year variable remuneration	270	270	0	405	170	170	0	255	170	170	0	255
Multi-year variable remuneration												
Tranche 2015*	140	0	0	0	70	0	0	0	70	0	0	0
Tranche 2016**	0	140	0	280	0	70	0	140	0	70	0	140
Total	**410**	**410**	**0**	**685**	**240**	**240**	**0**	**395**	**240**	**240**	**0**	**395**
Benefit expenses	0	0	0	0	0	0	0	0	0	0	0	0
Full compensation	**968**	**980**	**570**	**1,255**	**627**	**628**	**388**	**783**	**591**	**612**	**372**	**767**

* Tranche 2015: Virtual stock options (Jan. 1, 2015 – Dec. 31, 2020)
** Tranche 2016: Virtual stock options (Jan. 1, 2016 – Dec. 31, 2021)

BOARD OF MANAGEMENT REMUNERATION – AMOUNTS RECEIVED IN YEAR UNDER REVIEW (IN EUR '000)

	JÜRGEN ABROMEIT CHAIRMAN OF THE BOARD OF MANAGEMENT (SINCE 2012; BOARD MEMBER SINCE 2008)		DR. JOHANNES SCHMIDT BOARD MEMBER (SINCE 2006)		RUDOLF WEICHERT BOARD MEMBER (SINCE 2012)	
	2015	2016	2015	2016	2015	2016
Basic salary	539	550	370	370	320	340
Ancillary benefits	19	20	17	18	31	32
Total	**558**	**570**	**387**	**388**	**351**	**372**
One-year variable remuneration	330	377	209	240	209	240
Multi-year variable remuneration						
Tranche 2011*	140	0	140	0	0	0
Tranche 2012**	0	210	0	140	0	93
Total	**470**	**587**	**349**	**380**	**209**	**333**
Benefit expenses	0	0	0	0	0	0
Full compensation	**1,028**	**1,157**	**736**	**768**	**560**	**705**

* Tranche 2011: Virtual stock options (Jan. 1, 2011 - Dec. 31, 2016)
** Tranche 2012: Virtual stock options (Jan. 1, 2012 - Dec. 31, 2017)

SUPERVISORY BOARD COMPENSATION

Supervisory Board compensation is governed by Item 6.16 of the Articles of Incorporation. In addition to reimbursement of out-of-pocket expenses incurred in performance of their duties in the fiscal year ended, all Supervisory Board members receive basic compensation of EUR 30,000, along with an attendance fee of EUR 3,000 per meeting. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. No additional fee is paid to committee members for committee meetings held on the same day as Supervisory Board meetings. Nor are attendance fees paid for resolutions taken by circulating written ballots. The chairman and deputy chairman of the Nomination Committee and Audit Committee do not receive additional fees. Supervisory Board members who do not serve for the entire fiscal year receive pro rata compensation. Compensation is reduced pro rata accordingly for failure to attend Supervisory Board meetings and/or committee meetings.

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 2016 fiscal year was EUR 338,000 (previous year: EUR 322,000). No Supervisory Board member received fees for personally performed advisory services to Group companies (previous year: EUR 0). See 'Further Information' in the chapter of the same name for additional offices held by Board of Management or Supervisory Board members on legally mandatory supervisory boards or comparable domestic or foreign oversight bodies. See the Notes to the Consolidated Financial Statements for related party disclosures.

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

SUPERVISORY BOARD COMPENSATION (IN EUR '000)

	BASIC COMPENSATION		ATTENDANCE FEE		TOTAL	
	2015	2016	2015	2016	2015	2016
Helmut Späth	60	60	24	30	84	90
Dr. Jürgen Allerkamp	45	45	22	23	67	68
Dr. Ralf Bartsch	30	30	15	15	45	45
Dr. Dorothee Becker	30	30	12	15	42	45
Hans Joachim Selzer	30	30	12	15	42	45
Carl Martin Welcker	30	30	12	15	42	45
Total	**225**	**225**	**97**	**113**	**322**	**338**

Acquisition-Related Disclosures

DISCLOSURES PURSUANT TO HGB §§ 298(4) AND 315(4): SUBSCRIBED CAPITAL, VOTING RIGHTS AND TRANSFER OF SHARES

As of December 31, 2016, the share capital of INDUS Holding AG amounted in total to EUR 63,571,323.62. This is divided into 24,450,509 no-par-value bearer shares. Each individual 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 exist no shares with privileges conferring control rights. The Board of Management is not aware of any voting rights control in cases when employees hold shares of INDUS Holding AG without exercising their own control rights directly.

APPOINTMENT AND DISMISSAL OF BOARD OF MANAGEMENT MEMBERS

Members of the Board of Management are appointed and dismissed in accordance with the provisions of §§ 84, 85 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 item 5.1 of the Articles of Incorporation, the Board of Management consists of one or more individuals. Pursuant to item 5.2 of the Articles of Incorporation, the Supervisory Board may appoint one Board of Management member as chairman or spokesman, and another member as deputy chairman.

MATERIAL AGREEMENTS IN THE EVENT OF A CHANGE IN CONTROL

In the event of a material change in the composition of the Supervisory Board and the company's business approach (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 § 626 BGB, the company will pay out severance to the members of the Board of Management. The severance payment will be based on the full remuneration, including all fixed and variable components and non-cash benefits. The severance pay will cover at a maximum the period ending on the termination date as provided or a period of two years should the regular termination period be different.

AMENDMENT OF THE ARTICLES OF INCORPORATION

Amendments to the Articles of Incorporation are made in accordance with § 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 share capital represented in the voting. Pursuant to item 7.12 of the Articles of Incorporation, the Supervisory Board is authorized to adopt purely editorial amendments to the Articles of Incorporation and, pursuant to item 4.5, to change wording to reflect the use of authorized capital.

SHARE ISSUANCE AND BUY-BACK POWERS OF THE BOARD OF MANAGEMENT

CONTINGENT CAPITAL

The company's share capital was conditionally increased by up to EUR 11,700,000.04, divided into up to 4,500,000 no-par-value bearer or – insofar as the company's Articles of Incorporation allow for the issue of registered shares at the time of issuance – registered shares (Contingent Capital 2013). The conditional capital increase is carried out only if the holders or creditors of convertible bonds or warrants from option bonds (or of a combination of these instruments) by the company or its Group companies pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting of June 24, 2013 exercise their conversion or option rights, or those obligated under the convertible bonds or option bonds (or a combination of these instruments) issued or guaranteed on or before June 23, 2018 by the company or its Group companies pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting of June 24, 2013 fulfill their conversion or option duty and the contingent capital is needed in accordance with the terms of the convertible bonds or option bonds.

The new shares participate in profits from the beginning of the fiscal year in which option or conversion rights are exercised or option or conversion obligations are fulfilled. The Supervisory Board is authorized to amend the wording of the Articles of Incorporation in accordance with such use of the contingent capital and to change all option or conversion deadlines after they expire.

AUTHORIZED CAPITAL

In accordance with item 4.3 of the Articles of Incorporation, the Board of Management is authorized to increase the company's share capital one or more times (Authorized Capital 2014), up to a total of EUR 31,785,660.51 in exchange for cash and/or non-cash contributions (including mixed non-cash contributions) until June 10, 2019, with the approval of the Supervisory Board, and to set a date other than as provided by law on which profit sharing is to begin, including retroactively for an already ended fiscal year, provided that no resolution has yet been taken regarding the profit. The shareholders are to 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). The Board of Management is authorized, however, to exclude the shareholders' subscription rights in the following cases with the Supervisory Board's approval: to avoid fractional amounts; in a capital increase through cash contributions if the issue amount of the new shares issued with exclusion of subscriptions rights pursuant to § 186(3) sentence 4 AktG is not significantly less than the exchange price and the new shares issued with exclusion of subscription rights pursuant to § 186(3) sentence 4 AktG do not exceed in total 10% of the share capital, and do so neither at the time at which this authorization takes effect nor at the time at which this authorization is exercised. This limitation applies to shares that have been, or are to be, disposed of or issued, subject to exclusion of subscription rights, during the term of this authorization pursuant to other authorizations in direct application, or in application mutatis mutandis, of § 186(3) sentence 4 AktG; in the case of a capital increase through non-cash contributions for the purpose in particular of acquiring a company, business divisions, an interest in a company, or other operating materials; or to grant to the holders of conversion or option rights to shares in the company, or of corresponding conversion or option duties to offset dilutions, a subscription right to the extent that they would be entitled to it after they have exercised these rights or fulfilled these duties as a shareholder.

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 share capital 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. The Board of Management is authorized to establish, with the Supervisory Board's approval, the further particulars of the capital increase and its implementation, particularly the content of the share rights and the terms of the share issue, including the issue amount. The Supervisory Board is authorized to revise the Articles of Incorporation in accordance with the amount of the capital increase from authorized capital.

SHARE BUYBACKS

The Annual Shareholders' Meeting on June 3, 2015, also authorized the Board of Management, with the approval of the Supervisory Board, to buy back shares up to 10% of the company's share capital existing when the resolution is taken. The authorization took effect at the end of the Annual Shareholders' Meeting on June 3, 2015 and applies until June 2, 2020. The authorization may be exercised in full or in part and one or more times.

No more than 10% of the company's share capital may be bought back under this authorization, including shares already owned by the company and shares attributable to the company according to §§ 71a et seq. of the German Stock Corporation Act (AktG). The company may not exploit this authorization for the purpose of trading in its own 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 own 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 average value 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 10% on three days before the acquisition or the obligation to acquire.
— If the acquisition takes place through a public buy offer to all of the company's shareholders, the offered buying price or the limits of the offered price margin per share (excluding incidental acquisition costs) may not exceed or be less than 10% of the average share price (closing auction prices in the Deutsche Börse AG's XETRA trading in Frankfurt am Main or in a comparable successor system) on three days before the offer is published. The volume on 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, parts of companies or interests in companies (including increasing existing interests) or to complete mergers;
— 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 buying price is not significantly

less than the exchange price of the shares at the time of their disposal.

This authorization is limited in total to no more than 10 % of the company's share capital at the time of the resolution of the Annual Shareholders' Meeting concerning this authorization or, if less, to 10% of the share capital at the time at which the shares are disposed of. The authorized volume decreases by the proportionate share of the company's share capital that is attributable to shares, or to which conversion and/or option rights or obligations from bonds relate, that have been distributed or disposed of with exclusion of subscription rights, in direct application, application mutatis mutandis, or analogous application of § 186 (3) Sentence 4 AktG, since that authorization was granted.

The price at which shares are issued to third parties under this authorization may not be more than 5 % less than the average 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 three days before the disposal obligation was created or the day of the stock market flotation;

- 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 previous paragraph;
- 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 own 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 own 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 shares, with the approval of the Supervisory Board, 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. Own shares can be recalled also in a simplified process without a capital reduction by adjusting the proportionate share of share capital attributable to each share in accordance with § 237(3) No. 3 AktG. In this case, the Board of Management is authorized to adjust the number of registered shares in the Articles of Incorporation.

OPPORTUNITIES AND RISKS

INDUS employs a professional opportunity and risk management system. It helps the management of INDUS achieve its corporate goals. The core task of this system is to discover opportunities early on and to enable their use following an appropriate opportunity/risk assessment. At the same time, it is intended to ensure that the company is able to respond appropriately and confidently when unplanned events occur.

Opportunity Management

MARKET WATCHING AND ENGAGING IN STRATEGIC DIALOG TO IDENTIFY SOURCES OF POTENTIAL

INDUS promotes and supports the entrepreneurial potential inherent in the Group. To that end the Board of Management uses, among other things, the instrument of "strategic dialog" with the various managements. It assists the portfolio companies in part by discussing market and technological trends with the various managements at least once a year. These meetings allow the participants to discuss in particular, on an equal footing, the opportunities these trends present.

The Board of Management also regularly explores, independently of the portfolio companies, the possibilities for the Group's further strategic development, studying in particular such global growth drivers as digitalization, mobility, infrastructure, health, and security. The Board of Management expects that these areas will be sources of exceptional development opportunities for the Group companies and attractive acquisition opportunities for the holding company.

ANALYSIS OF THE REGULAR INFORMATION FLOWS

Apart from the strategic discussions between the Board of Management and the various managements, all of the companies track opportunities and risks in their operational planning and monthly information exchanges to better assess and evaluate the current earnings and liquidity situation of the individual businesses. This gives rise also to short-term measures that the companies can take in the case at hand to exploit the opportunities that arise.

QUEST FOR STRATEGIC ADDITIONS

The holding company helps the portfolio companies exploit their opportunities by providing both advice and financial resources, for example for strategic additions at the company level. The opportunities the potential acquisitions present are evaluated by the responsible Board of Management member together with the management involved.

The opportunities are analyzed and developed locally, at an operational level, by the managing directors. These activities are based on analyses of the relevant markets and competitors and on various scenarios involving crucial cost drivers and success factors.

SYSTEMATIC INNOVATION MANAGEMENT IN THE PORTFOLIO COMPANIES

Opportunities emerge for the Group companies especially from the steady development of new products. Innovations help the companies maintain and enhance their positions in their niche markets. In dialog with their customers and suppliers, the portfolio companies analyze the possibilities for new applications for their technologies in the short, medium, and long terms. An important starting point for developing their businesses further is the product innovations of their customers themselves. New products often require innovative production processes, to which the portfolio companies can contribute their expertise.

SUPPORT FROM THE HOLDING COMPANY FOR OPPORTUNITY MANAGEMENT

INDUS provides support and advice for the portfolio companies' opportunity management efforts and offers potential solutions that the portfolio companies may individually access. A detailed description of these support measures may be found in the "Development and innovation" section.

Discussion of Opportunities

STRATEGIC OPPORTUNITIES FOR THE GROUP

The business policy of INDUS is designed to increase as much as possible the value of every single portfolio company and that of the portfolio along with it. The most significant strategic opportunities therefore derive from acquiring, holding, and financing the portfolio companies' development possibilities. INDUS's M&A activities are therefore of central importance. To systematically take advantage of its acquisition opportunities, INDUS has identified in its strategic COMPASS 2020 program target markets in which potential new portfolio companies are expected to be found through active searching. The investment team at INDUS Holding AG is continually identifying potential target firms and analyzing them carefully. To find further interesting acquisition possibilities, INDUS is studying more closely, in addition to its five segment markets, those for infrastructure, transport and logistics, energy and environmental technology, measurement technology and control systems along with the field of safety technology.

To realize these opportunities, INDUS is continually expanding its network and increasingly enlisting the assistance of outside industry experts in recognition of the fact that the market for SMEs with less than EUR 100 million in annual sales is highly diversified. These consultants work exclusively for INDUS and identify suitable portfolio additions based on a clear set of requirements.

INDUS understands that, as a long-time buyer of the "hidden champions" among the SMEs, it occupies a special position in the marketplace. INDUS has an excellent reputation in the SME sector because it acquires companies to hold them for the long term and to assist them in their business development, not to sell them. Potential sellers often approach INDUS exclusively to make solid succession plans for their company.

Thanks to its long history of success, consistent business performance, and sound financing policies, INDUS has the necessary resources needed to purchase new companies at any time without depending on banks. This and a proven and expeditious acquisition process puts the Group in a position to make effective use of the opportunities the acquisition market offers and to complete sales negotiations in just a few weeks without the involvement of third parties.

OPERATIONAL OPPORTUNITIES FOR THE PORTFOLIO COMPANIES

INDUS portfolio companies are benefiting primarily from positive macroeconomic developments in the manufacturing sector. Vital stimuli for growth are likely to come in future mainly from China, the USA, and the emerging nations despite political uncertainties and current weaknesses in parts of Asia and some emerging countries. The global presence and strengthening of INDUS's portfolio companies make a contribution towards exploiting these opportunities in the relevant markets. The companies sometimes act in coordination when entering new regional markets.

INDUS's „hidden champions“ have considerable development expertise. 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.

The Construction/Infrastructure segment will benefit in both the short and medium terms from strong domestic demand for construction stimulated by inflation worries, a growing trend towards investment in real estate, and an increase in public investment in infrastructure.

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.

Owing to geopolitical developments along with the consequences of increasing mobility and the global exchange of goods and information, there is a growing need for solutions in the field of safety technology.

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 net assets, financial, and earnings position. Thus in compliance with industry standards and 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 an integral 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.

The objective of the risk management system is to identify, take stock of, analyze, assess, manage, and monitor risks systematically. The Board of Management regularly, and as required by events, examines and revises the company's risk register. On this basis, the necessary risk control measures are defined and documented and their effectiveness is also monitored using the risk register. 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 PURSUANT TO §§ 289(5) 315(2) NO. 5 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 315a Paragraph 1 of the German Commercial Code (HGB), which must additionally be observed. The separate financial statements are prepared in accordance with German Commercial Code (HGB). The ICS is structured for maximum effectiveness with regard to the objectives. 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 management control department 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 reporting formats. In some cases, external service providers are engaged as well, for example to assess pension obligations.

To avoid risks in the accounting process, the 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 department of INDUS Holding AG ensures, 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 guidelines in effect and the accounting procedures. They also ensure that their accounting processes and systems run properly and on time.

Discussion 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. 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 assessment focused on the sum of the gross risks' expected values, i. e., initially leaving out of consideration measures that had been implemented to minimize risk.

BUSINESS RISKS (AS ASSESSED BY THE BOARD OF MANAGEMENT)	POTENTIAL FINANCIAL EFFECTS (EXPECTED VALUE OF THE GROSS RISKS)	RISK EXPOSURE FOR 2017 AS COMPARED TO THE PREVIOUS YEAR
Business environment and sector risks	significant	unchanged
Corporate strategy risks	significant	unchanged
Performance risks	significant	unchanged
Personnel risks	low	unchanged
IT risks	significant	increased
Financial risks	low	unchanged
Legal risks	significant	unchanged
Other risks	low	unchanged

Impact of the potential financial effects on the consolidated results or consolidated EBIT: low (< EUR 5 million), significant (EUR 5 to 20 million), critical (> EUR 20 million)

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. Fundamental risks arising from economic and sector-specific factors cannot be avoided.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. Currently 51 % of total sales are generated domestically (previous year: 51 %). The Group's business is thus still strongly affected by the state of the German economy. In recent years, this dependency on the German market has decreased significantly thanks to strategic international business expansion. This regional diversification of operational activities reduces business risk for INDUS. Further internationalization will gradually de-prioritize the domestic market.

CORPORATE STRATEGY RISKS

Risks associated with corporate strategy 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; an 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. 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 depends largely on its employees' expertise and commitment. Potential risks arise primarily in connection with recruitment and development of staff and employee turnover in key positions. INDUS 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 personnel work independently. They are located in many different industries and regions, so that the risks of personnel recruitment and personnel development are highly diverse. In their reports to INDUS, they record on a monthly basis their personnel capacity and plan reserves so that they may take advantage of flexibility in production and personnel costs.

IT RISKS

The basis of a modern work environment is formed by a secure and effective IT infrastructure. Increased networking between different IT 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 IT 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 antivirus programs and firewall soft- and hardware, access control measures, and other preventative protection measures such as raising employee awareness and training. The importance of measures to prevent, expose and respond to cyber attacks is becoming increasingly apparent.

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 nine 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 11 %. 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 collateral is not held. The agreed covenants do not appear to pose a business risk at this time. For financing INDUS employs a mix of fixed-rate and variable financing, the latter being partially hedged via interest rate swaps. A change in interest rates during loan term would thus hardly affect income at all, as the aforementioned instruments nearly fully hedge interest rate risks, interest rate changes on variable debt being offset by the corresponding derivative financial instruments. The nominal volume of interest rate hedges totaled EUR 99.7 million as of December 31, 2016 (previous year: EUR 144.2 million).

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

Foreign currency risks are increasing in line with the growth of the individual portfolio companies' international activities. INDUS mitigates these risks by hedging transactions congruently using forward exchange contracts and suitable option transactions. The nominal volume of interest rate hedges totaled EUR 27.0 million as of December 31, 2016 (previous year: EUR 19.3 million); these were attributable mainly to the portfolio companies. Further explanation of financing matters may be found in the Notes to the Consolidated Financial Statements under "Information on the significance of financial instruments".

LEGAL RISKS

INDUS Holding AG and its portfolio companies are exposed to numerous legal risks. These lie primarily in the areas of competition, antitrust, foreign trade, customs, and tax law. Risks also arise from the individual portfolio companies' operations, 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. To ensure adequate risk provisioning, provisions in the amount of EUR 67.8 million were carried on the balance sheet in 2016 (previous year: EUR 64.2 million). The provisions included warranties due to obligations from selling or procurement, obligations for customer bonuses and rebates, estimated values for anticipated invoices, provisions for personnel costs, and other provisions.

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 responsible use of natural resources is an important principle at INDUS Holding AG. The individual portfolio companies' manufacturing processes are constantly optimized with a view to minimizing their impact on the environment, especially with regard to energy consumption. Also, the Group's entire workforce is required to comply with the environmental regulations within their fields of activity, and requested to submit improvement suggestions going beyond established standards. Sufficient insurance coverage is held for losses and damage potentially arising from environmental risks. No environmental risks are currently identifiable for the holding company or any portfolio companies.

Based on its corporate strategy of pressing ahead with diversification by continuously enlarging its investment portfolio, the Group recognized EUR 408.7 million in goodwill (previous year: EUR 394.8 million). According to IAS 36, this must be subjected to an impairment test at least once a year. If an impairment is found to be evident, goodwill must be written down accordingly. There were no write-downs in the year under review (previous year: EUR 0 million).

The Board of Management's Overall Assessment

NO GOING CONCERN RISKS DISCERNIBLE, OPPORTUNITY FOR MILD ORGANIC GROWTH AND GROWTH THROUGH ACQUISITIONS IN 2017

In fiscal 2016 INDUS continued pursuing its long-term corporate strategy. The company took advantage of its still excellent liquidity position to acquire a direct interest and seven strategic additions through the portfolio companies. For 2017, INDUS aims to further strengthen its position through acquisitions; emphasis will be given to measurement technology and control systems and to the fields of automation, energy and the environment, and health and safety. The Board of Management sees its greatest growth opportunities for 2017 in possible acquisitions at both the portfolio level and the level of the portfolio companies.

Greater internationalization of existing activities also presents growth opportunities in the portfolio, opportunities that are to be taken advantage of through planned investments (both in property, plant and equipment and in company acquisitions) of roughly EUR 125 million. With greater promotion of innovation management in the portfolio companies, it is expected that the opportunities will be considerably greater as the result of product innovations.

Risks to performance in 2017 are posed in particular by economic trends under the impact of major geopolitical conflicts and situations of instability in many countries. The situation in Europe also is characterized by numerous uncertainties. The Russia embargo, Ukraine conflict, debt crises in Greece, financial imponderables in the banking sector and, last but not least, the effects of elections in some European countries may have substantial economic impacts.

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 fiscal year ended, the Board of Management identified no risks that could materially affect the Group as a going concern, either individually or in combination with other risks. At this time, these appear unlikely in the foreseeable future as well.

FORECAST REPORT

The overall situation remains difficult to assess. The following comments regarding the Group's expected performance are therefore subject to the assumption that both the underlying general political conditions and the underlying economic conditions will not materially change. Generally speaking, however, the economic environment offers the INDUS Group the opportunity to successfully continue pursuing the path to development it has taken over the last four years. And that is just what the Board of Management's objectives are based on.

Economic Outlook

GLOBAL ECONOMY: SLIGHT INCREASE IN GROWTH EXPECTED, GENERAL UNCERTAINTY IS ON THE RISE

For 2017 the economic experts are expecting a slight increase in economic momentum. In its forecast at the turn of the year, the Kiel Institute for the World Economy (IfW) assumes that the world economy will grow by 3.6% in 2017, 0.5 percentage points more than in 2016.

The upswing in the advanced economies will gather slightly more strength. Growth will be further supported by monetary policy that continues to be expansionary, fiscal stimuli, and a return to a somewhat stronger increase in demand in the developing and emerging countries. While it is expected that China will no longer be able to fully maintain its growth rates, the expansions in the other emerging countries will once again accelerate. It is likely that the recent recovery of raw material prices is contributing to these developments. Production is expected to increase again in Russia. In Brazil, on the other hand, an economic recovery remains to be seen.

The economic risks of the last several years are still present and, if anything, will have become even more acute with the change in government in the USA. The new government has announced numerous changes that may entail a whole host of economic and political imponderables. Moreover, several major European countries await upcoming elections that may result in fundamental political shifts with economic consequences. And the means by which Great Britain will leave the European Union still remains unclear. Apart from all that, monetary policy has reached its limits with its zero interest rates. The negative side effects of extremely low interest rates are becoming noticeable especially in the financial sector.

CHANGE IN GROSS DOMESTIC PRODUCT (GPD) (IN %)

	2016 (PRELIMINARY)	2017 (FORECAST)	2018 (FORECAST)
Economic regions			
Global economy	3.1	3.5	3.6
Eurozone	1.7	1.7	1.7
Selected countries			
USA	1.6	2.5	2.7
China	6.6	6.4	5.9
India	7.1	6.8	7.2
Japan	1.0	1.2	0.7
Germany	1.9	1.7	2.0

GERMAN ECONOMY: RECOVERY EXPECTED TO CONTINUE

Despite a temporary weakening in the rising macroeconomic trends observed in the second half of 2016, the German economy is in the midst of a solid recovery. A key source of support is vigorous domestic demand fueled by a favorable labor market situation and rising household incomes. For 2017 the Bundesbank expects, according to its monthly report, a 1.8% increase in growth with a slight decline in the trend in the years to follow.

With production capacity becoming more scarce, financing terms remaining favorable, and a pick-up in exports expected, the conditions are favorable for a substantial increase in corporate investment.

The employment situation also remains favorable. The generally high rate of capacity utilization goes hand-in-hand with increasingly severe bottlenecks in the labor market and will likely be accompanied by wage increases. According to Bundesbank forecasts, the unemployment rate will fall by another 0.2 percentage points to 5.9%.

FINANCIAL AND CAPITAL MARKETS PRICE LEVEL INCREASE EXPECTED AS PRIME RATES REMAIN LOW

While price inflation remained subdued (0.5%), in 2016 owing to low energy prices, experts at the Bundesbank predict it will increase to 1.5% in the current year, with an upward trend in the years to follow. The inflation rate will thus tend once again towards the European Central Bank's target rate of 2.0%.

While the American Federal Reserve Bank appears inclined to raise interest rates, the ECB is expected to keep prime rates low in the eurozone until further notice. In December 2016 the European Central Bank decided to extend the bond buying program, which runs until March 2017, by another nine months. At the same time, it reduced monthly volume from 80 to 60 billion euros. Overall, the program has a volume of EUR 2.3 trillion. At the same time, a scaling back of the expansionary money policy ("tapering") is under discussion. The most recent ECB decision leads one to assume that interest rates, and yields along with them, will on the whole remain at a low level in 2017.

INDUSTRIAL PRODUCTION: GROWTH EXPECTED TO BE SLIGHT ON THE WHOLE

The pace of growth in German industrial production will likely pick up by a marginal 0.5% in the current year. Reasons include continued weakness in world trade and a lack of momentum in investments in equipment. In this environment, according to the assessment of researchers at Deutsche Bank, the demand stimulus for the export-intensive German industrial sectors will not be great enough to bring about an appreciably higher rate of growth in production. This is especially true of the engineering sector and large parts of the electronics sector. In major automotive markets the demand for cars will likely grow less in 2017 than it did in 2016 (China) or more or less stagnate at a high level (USA). At the same time, the risk of a recession is rather small, particularly given that capacity utilization increased in the third and fourth quarters and incoming order volumes have increased dynamically.

The German **construction industry** begins the year 2017 with positive expectations. The trade association Zentralverband Deutsches Baugewerbe (ZDB) predicts that 2017 will see a substantial 5% rate of growth in the industry, with sales reaching their highest level in 20 years. As in the previous year, residential construction will be the most powerful driver of development, one that will be able to meet the exceptionally high demand, especially in the major metropolitan areas, only with difficulty. Up to 320,000 residential units are expected to be completed; 350,000 are needed to meet the demand. Public construction will be able to continue following the strong trend of the previous year. The willingness of the federal government to invest in infrastructure, schools, and daycare centers is increasing along with its copious tax receipts. Commercial construction is not expected to grow quite as vigorously. High capacity utilization in the manufacturing industries and a rise in the number of building permits indicate that factory and workshop construction is especially likely to see vigorous development.

Despite some complicating factors in the underlying conditions, the international **car manufacturers** are taking a fundamentally optimistic view of the current fiscal year. The trade association Verband der Automobilindustrie (VDA) expects that the global market for cars will grow to 85 million vehicles sold. China continues to lead the positive development, though its contribution to the market's growth will no longer be as large after the elimination of tax concessions in the fall of 2016. In Germany a slight gain is expected in the wake of the excellent sales figures for the preceding year. Developments in Great Britain and the USA will be important for the German market. The links between the German automotive industry and both markets are close. Great Britain, for example, is currently the most important export market for the German automotive industry. Should the underlying conditions in the two countries change in fundamental ways, that would have noticeable effects. Drive-related issues are a source of other challenges. The German automotive industry plans to invest more than EUR 40 billion in further developing alternative drives by 2020. The range of available electric cars is expected to increase from the current 30 models to 100 models, a development that suppliers will have to adjust to.

In 2017 the German **engineering** segment will have to continue dealing with opposing trends which, on balance, should equalize. Networked production will remain an important field of endeavor for the sector (keyword Industry 4.0). Important engineering customers such as the three major car manufacturers have opted for a rapid expansion into the new global field of the future, electric mobility. Some of the required new investments to adjust production will also benefit the mechanical engineers. The favorable economic conditions in the construction industry, pending investments in infrastructure, and the continued conversion of the energy industry all promise further orders. Export operations, on the other hand, remain more challenging in view of the subdued world economy and the numerous political hot spots. The prospects for sales continue to point upwards, particularly in China. Indicators that the industry promises to resume an upward trajectory include the rising employment figures of recent years and the increasing number of cooperative relationships between foreign companies and German mechanical engineering specialists.

The trade association Branchenverband der Medizintechnik (BVMed) assumes that, in the years to come, demand in the **Medical Engineering/Life Science** segment will further increase in response to demographic trends and progress in medical technology. At the same time, the companies currently make a distinction between domestic and international markets, at least for the short term. While the companies expect only a slight gain for the domestic market in the current year, they continue to assume that foreign markets will see substantial growth rates. The industry sees regulatory impediments, a low price level and, in some cases, lengthy decision-making processes as reasons for the subdued domestic expectations. It also regards the German market as standing to gain from a climate that is more conducive to innovation, the infrastructure already being more than competitive in comparison to other countries. That the prospects for the sector are nevertheless positive on the whole is reflected also in the fact that two thirds of the medical engineering companies created new jobs last year.

At the end of the year the volume of incoming orders in the **metals and electronics industry** increased noticeably and raised expectations of a further increase in production. The acquisitions came from both within the country and abroad. In January 2017 capacity utilization continued to surpass the long-term average, according to industry information. That notwithstanding, the environment remains difficult. The domestic consumer book has largely passed M+E by, and an upswing in the export trade remains to be confirmed. Much depends here on future American trade policy, since the USA is the most important buyer of M+E products. The development in Great Britain is also having a significant impact on the industry. Irrespective of the imponderables, the growth rate in 2017 may approach the previous year's level (+1.5 %). Domestic business will continue to be supported by the construction industry as a result not only of residential construction but also of civil engineering (pursuant to investments in infrastructure). Stable demand is to be expected from important industrial customers such as those in electronics, mechanical engineering, and vehicle construction.

Expected Group Performance

STRATEGY: CONTINUATION OF THE COURSE OF DEVELOPMENT, REFINEMENT OF COMPASS 2020

In line with its strategic objectives, INDUS will continue in 2017 and 2018 the course it has pursued in the past several years. In doing so, the holding company is orienting itself to three fundamental objectives: growth, value enhancement, and securing a portfolio structure that is balanced in terms of industry, market cycle, and market opportunities.

To achieve these objectives, INDUS is continuing the (support) measures that have stood the test of time: It is on the lookout for suitable acquisitions, providing the portfolio companies with capital with which to implement their projects, and supporting the portfolio companies with a network and knowledge.

With its strategy (COMPASS 2020) having successfully taken hold in the last four years, INDUS will further refine its course in the current year. For the holding company, the focal points will continue to be the five defined sectors of the future (Medical Engineering/Life Science, Infrastructure and Logistics, Automation, Measuring Technology and Control Engineering, Energy and Environmental Technology, and Construction and Safety Technology), and the Board of Management is keeping its eye especially on the Automation, Measuring Technology and Control Engineering and Construction and Safety Technology sectors. To potentially accelerate growth, the Board of Management is now also considering larger business acquisitions (companies with more than EUR 50 million in sales). Newer established companies that are in an earlier phase of operating success are now likewise an option. As always, however, the requirement is that the potential acquisitions meet the Group's key criteria. At the first level, INDUS is still looking at companies in the German-speaking region; at the second level, the holding company supports international acquisitions especially, for example in Europe, Asia, or North America. Along with the acquisitions, portfolio shake-outs are not to be ruled out.

In its financial support of the portfolio companies according to its development bank concept, the holding company gives preferential support to investments by the portfolio companies in pursuit of innovation or internationalization, since these two areas are the most conducive both to further growth and to the portfolio companies' further performance.

Even in an economic environment that is currently difficult to assess and fraught with great risks, the Board of Management assumes that INDUS will be able to further enhance its earning power in 2017. For example, sales are expected to reach the EUR 1.5 billion threshold, and earnings are expected to exceed the previous year's figure. These target figures do not take into account the new acquisitions that are sought at the first and second levels. The on the whole good position of the individual Group companies provide a stable basis for achieving this growth target.

The prices on the raw materials and energy markets will presumably rise in the course of the year, so that the gross profit margin will shrink. For the other items on the Consolidated Statement of Income, the Board of Management expects only changes on the usual scale. Attainment of a total EBIT margin of 10 % continues to be the measure to which all of INDUS's activities are oriented within the limits of its means as a financial holding company.

The operating cash flow will maintain its high level in 2017 as well and, together with the high level of liquidity, provide a sound basis for further implementation of the company's growth strategy. As in the previous years, the Board of Management is taking as its guide for the acquisitions the target figures of two growth acquisitions to strengthen the segments and four acquisitions for further (indirect) strengthening at the level of the Group companies.

The investment budget (exclusive of acquisitions) for the year is EUR 75 million and is available first and foremost for, apart from rationalization and expansion measures, the realization of innovation projects and internationalization efforts. With the new option of realizing also, circumstances permitting, larger acquisition projects in the future (see above), the possibility exists that the upper limit to the investment budget for acquisitions on the order of EUR 50 million may, circumstances permitting, be lifted. INDUS still strives to carry out its financing activities as independently of banks as possible.

For all its growth ambitions, INDUS always has an eye on preserving financial stability. That means both long-term protection of liquidity and preservation of stability. Capital expenditures on physical assets and dividend payments will continue to be financed from the current cash flow or available liquidity. As in years past, the INDUS Group's equity ratio is not to fall below 40 %. Should it be necessary, INDUS will also borrow third-party funds. The debt repayment term based on EBITDA is expected to reach the 2.0- to 2.5-year corridor in 2017.

EARNINGS POSITION FURTHER GROWTH

TARGET – ACTUAL COMPARISON

GROUP	ACTUAL 2016	PLAN 2017
Acquisitions	Acquisition of 1 growth acquisition and 7 strategic investments	2 growth acquisitions
Sales	EUR 1,444.3 million	> EUR 1.5 billion
EBIT	EUR 144.9 million	EUR 145-150 million
Investments in property, plant and equipment and in intangible assets	EUR 70.0 million	EUR 75 million
Equity ratio (in %)	42.4 %	> 40 %
Net debt/EBITDA	1.9 years	between 2.0 and 2.5
SEGMENTS		
Construction/Infrastructure		
Sales	EUR 274.5 million	Organic growth in the single-digit range
EBIT	EUR 39.2 million	Proportional earnings increase
EBIT margin (in %)	14.3 %	12-14 %
Automotive Technology		
Sales	EUR 372.2 million	Slight rise in sales
EBIT	EUR 20.3 million	Slight rise in earnings
EBIT margin (in %)	5.4 %	6-8 %
Engineering		
Sales	EUR 305.9 million	Moderate rise in sales
EBIT	EUR 41.4 million	Slight rise in earnings
EBIT margin (in %)	13.5 %	12-14 %
Medical Engineering/Life Science		
Sales	EUR 147.0 million	Slight rise in sales
EBIT	EUR 20.2 million	Slight rise in earnings
EBIT margin (in %)	13.7 %	13-15 %
Metals Technology		
Sales	EUR 344.4 million	Slight rise in sales
EBIT	EUR 29.9 million	At previous year's level
EBIT margin (in %)	8.7 %	8-10 %

For the **Construction/Infrastructure** segment, the Board of Management assumes that in 2017 the portfolio companies will continue to benefit from the favorable economic conditions in the industry and thereby achieve organic growth in the single-digit percentage range. The full-year inclusion of the HEITZ Group, which in the year ended was included in the scope of consolidation only from the month of June on, will contribute to that as well. Furthermore, the effects of a major contract acquired in 2016 in the field of digital infrastructure will come to bear. On the whole, therefore, earnings will rise, so that the EBIT margin will be able to maintain its record level. We are aiming for an EBIT margin within the range between 12 % and 14 %.

The companies in the **Automotive Technology** segment are entering the current fiscal year from an improved starting position and are therefore taking a fundamentally positive view. The industry is expecting slight increases in sales, and order volumes also have improved, so that the portfolio companies in this segment are expecting increasing sales with improved margins, albeit on a low level. One portfolio company is undergoing a repositioning process. This should be resolutely continued so that in the event of success – and that is assumed – the EBIT margin will once again achieve the target corridor of 6 % to 8 % in 2017. Uncertainties affecting achievement of the targets have their source in possible protectionistic measures by the new U.S. government against cars manufactured abroad. This affects Mexico, but it affects the European countries as well.

The industry outlook promises a fundamentally upward trend for the **Engineering** segment as well. The Board of Management sees opportunities for the INDUS portfolio companies especially in the automotive sector, though it is not expected that the outstanding margins of last year can be maintained. Moderate growth is expected for sales in the segment. With the objective of, at best, once again achieving the record margin of the previous year, INDUS is raising the EBIT margin corridor slightly to 12 % to 14 %.

For the **Medical Engineering/Life Science** segment the industry environment remains positive in 2017. The portfolio companies also on are a good path and are therefore able to continue their stable growth. At the same time, their margins will decrease slightly owing not only to competitive pressures but also to the persistent austerity measures in the healthcare sector. INDUS continues to define the corridor for the EBIT margin as the range between 13 % and 15 %.

The outlook for the **Metals Technology** segment is more reserved, even though some portfolio companies in the segment bucked the industry trend by being very successful. Generally speaking, the difficult market environment results in decreasing earnings margins. The repositioning measures introduced in the previous year in the two Swiss companies have produced some successes, but the journey back to a reasonable earnings level must be continued in 2017. In sum, for the expectations regarding the earnings level in 2017 this means a confirmation of the 2016 figures.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

IN EUR '000	NOTES	2016	2015
SALES	[6]	**1,444,270**	**1,388,857**
Other operating income	[7]	20,246	19,900
Own work capitalized	[8]	6,218	5,714
Changes in inventories	[9]	11,113	7,037
Cost of materials	[10]	-648,685	-651,562
Personnel expenses	[11]	-430,230	-392,012
Depreciation/Amortization	[12]	-55,976	-50,103
Other operating expenses	[13]	-203,507	-192,461
Income from shares accounted for using the equity method		965	691
Financial result	[14]	520	244
OPERATING RESULT (EBIT)		**144,934**	**136,305**
Interest income		516	583
Interest expenses		-22,072	-27,593
INTEREST INCOME	[15]	**-21,556**	**-27,010**
EARNINGS BEFORE TAXES		**123,378**	**109,295**
Taxes	[16]	-42,960	-41,008
EARNINGS AFTER TAXES		**80,418**	**68,287**
of which allocable to non-controlling shareholders		377	355
of which allocable to INDUS shareholders		80,041	67,932
Earnings per share, basic, in EUR	[17]	3.27	2.78
Earnings per share, diluted, in EUR		3.27	2.78

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

IN EUR '000	2016	2015
EARNINGS AFTER TAXES	**80,418**	**68,287**
Actuarial gains/losses	-960	-683
Deferred taxes	284	282
Items not reclassified to profit or loss	**-676**	**-401**
Currency translation adjustment	-2,191	4,608
Change in the market values of derivative financial instruments (Cash flow hedge)	1,575	2,454
Deferred taxes	-249	-388
Items to be reclassified to profit or loss	**-865**	**6,674**
OTHER EARNINGS	**-1,541**	**6,273**
OVERALL RESULT	**78,877**	**74,560**
of which allocable to non-controlling shareholders	377	355
of which allocable to INDUS shareholders	78,500	74,205

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

IN EUR '000	NOTES	DEC. 31, 2016	DEC. 31, 2015
ASSETS			
Goodwill	[18]	408,702	394,802
Other intangible assets	[19]	74,306	58,828
Property, plant and equipment	[19]	369,331	334,846
Property held as financial investment	[19]	5,412	5,924
Financial assets	[20]	12,214	19,272
Shares accounted for using the equity method	[21]	10,497	8,036
Other non-current assets	[22]	3,029	3,484
Deferred taxes	[23]	2,258	2,671
Non-current assets		**885,749**	**827,863**
Inventories	[24]	308,697	281,612
Accounts receivable	[25]	177,626	160,744
Other current assets	[22]	16,424	14,952
Current income taxes	[23]	5,928	2,412
Cash and cash equivalents		127,180	132,195
Current assets		**635,855**	**591,915**
TOTAL ASSETS		**1,521,604**	**1,419,778**
EQUITY AND LIABILITIES			
Subscribed capital		63,571	63,571
Capital reserve		239,833	239,833
Other reserves		338,534	289,375
Equity held by INDUS shareholders		**641,938**	**592,779**
Non-controlling interests in the equity		2,630	2,651
Equity	[26]	**644,568**	**595,430**
Provisions for pensions	[27]	29,020	28,055
Other non-current provisions	[28]	2,217	1,917
Non-current financial liabilities	[29]	389,757	376,935
Other non-current liabilities	[30]	47,729	51,772
Deferred taxes	[23]	37,595	37,449
Non-current liabilities		**506,318**	**496,128**
Other current provisions	[28]	65,578	62,263
Current financial liabilities	[29]	113,974	111,616
Trade accounts payable		55,409	46,748
Other current liabilities	[30]	127,505	99,064
Current income taxes	[23]	8,252	8,529
Current liabilities		**370,718**	**328,220**
TOTAL ASSETS		**1,521,604**	**1,419,778**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR '000	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES	EQUITY HELD BY INDUS SHAREHOLDERS	SHARES HELD BY NON-CONTROLLING SHAREHOLDERS	GROUP EQUITY
BALANCE DEC. 31, 2014	**63,571**	**239,833**	**252,270**	**-7,759**	**547,915**	**1,957**	**549,872**
Income after taxes			67,932		67,932	355	68,287
Other earnings				6,273	6,273		6,273
Overall result			**67,932**	**6,273**	**74,205**	**355**	**74,560**
Capital increase						48	48
Dividend payment			-29,341		-29,341	-90	-29,431
Change in scope of consolidation						381	381
BALANCE DEC. 31, 2015	**63,571**	**239,833**	**290,861**	**-1,486**	**592,779**	**2,651**	**595,430**
BALANCE DEC. 31, 2015	**63,571**	**239,833**	**290,861**	**-1,486**	**592,779**	**2,651**	**595,430**
Income after taxes			80,041		80,041	377	80,418
Other earnings				-1,541	-1,541		-1,541
Overall result			**80,041**	**-1,541**	**78,500**	**377**	**78,877**
Dividend payment			-29,341		-29,341	-398	-29,739
BALANCE DEC. 31, 2016	**63,571**	**239,833**	**341,561**	**-3,027**	**641,938**	**2,630**	**644,568**

CONSOLIDATED STATEMENT OF CASH FLOWS

IN EUR '000	2016	2015
Income after taxes	80,418	68,287
Depreciation/Write-ups of non-current assets (excluding deferred taxes)	55,976	50,103
Gains (-)/losses (+) from the disposal of assets	-657	-117
Taxes	42,960	41,008
Net interest	21,556	27,010
Income from companies accounted for using the equity method	-965	-691
Other non-cash transactions	-2,043	-793
Changes in provisions	2,540	8,314
Increase (-)/Decrease (+) in inventories, trade accounts and other assets	-28,783	1,118
Increase (+)/Decrease (-) in trade accounts and other liabilities	15,309	2,146
Income taxes received/paid	-48,433	-39,063
Dividends received	67	19
Operating cash flow	**137,945**	**157,341**
Interest paid	-23,897	-26,982
Interest received	516	583
Cash flow from operating activities	**114,564**	**130,942**
Cash outflow from investments in		
intangible assets	-10,240	-8,740
property, plant and equipment	-59,724	-64,314
financial assets and shares accounted for using the equity method	-8,272	-10,973
shares in fully consolidated companies	-29,889	-34,326
Cash inflow from the disposal of other assets	3,671	5,585
Cash flow from investing activities	**-104,454**	**-112,768**
Cash inflows from non-controlling shareholders	0	48
Dividends paid to shareholders	-29,341	-29,341
Dividends paid to non-controlling shareholders	-397	-90
Cash inflow from the assumption of debt	132,270	126,891
Cash outflow from the repayment of debt	-117,470	-100,657
Cash flow from financing activities	**-14,938**	**-3,149**
Net cash change in financial facilities	-4,828	15,025
Changes in cash and cash equivalents caused by currency exchange rates	-187	679
Cash and cash equivalents at the beginning of the period	132,195	116,491
Cash and cash equivalents at the end of the period	**127,180**	**132,195**

NOTES

BASIC PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

[1] General Information

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

INDUS Holding AG prepared its consolidated financial statements for the fiscal year from January 1, 2016 to December 31, 2016 in accordance with the International Financial Reporting Standards (IFRS) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU).

The statement of income was prepared using the total cost method. The statement of financial position is structured according to current/non-current status of assets and liabilities.

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

The consolidated financial statements are prepared using historical cost accounting, with the exception of balance sheet items which must be carried at fair value. The financial statements of the companies included in the scope of consolidation were prepared as of the reporting date of INDUS Holding AG and are based on uniform accounting and valuation methods. Pursuant to Section 315a of German Commercial Code (HGB), INDUS Holding AG is obligated to prepare its consolidated financial statements in compliance with the IFRS. The basis for this is Directive No. 1606/2002 of the European Parliament and Council on the application of international accounting standards in the European Union. Information that must be included in the Notes in accordance with the German Commercial Code (HGB) and goes beyond what is mandatory under IFRS is presented in the Notes to the consolidated financial statements as well. The financial statements were drawn up by the Board of Management on March 15, 2017. The Supervisory Board approved the consolidated financial statements at its meeting on March 22, 2017.

[2] Application and Impact of New and Revised Standards

All standards whose application was mandatory as of December 31, 2016, were observed. No use was made of the discretionary right to apply standards before they become mandatory.

MANDATORY STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME IN THE 2016 FISCAL YEAR

The following standards have necessitated changes for the present financial statements:

- **IAS 1 “Disclosure Initiative”**: The amendments to IAS 1 provide in particular clarification regarding the materiality of information contained in the notes and the presentation of account items.

As applied for the first time, IAS 1 entails certain changes for the information contained in the Notes. It has no effect on the net assets, financial position or results of operations on INDUS. The other amended standards as applied for the first time also have no effect on the net assets, financial position or results of operations of INDUS.

STANDARDS PUBLISHED BY DECEMBER 31, 2016 WHICH WERE NOT APPLIED EARLY IN THESE FINANCIAL STATEMENTS

- **IFRS 15 "Revenue from Contracts with Customers"** will apply for the first time from January 1, 2018. The new standard for recognizing revenue contains new regulations, particularly affecting the following areas:
  - Revenue recognition as control is transferred: The time point or period of the transfer of control is now decisive for revenue recognition, and no longer the transfer of risks and opportunities, as it previously was
  - Provisions concerning multi-component transactions
  - New provisions concerning revenue recognition over a time frame

Revenue recognition based on time frame will have a particular impact for INDUS. We assume that the scope of time-frame revenue recognition will not deviate materially from the current PoC recognition method. As of December 31, 2016, INDUS had an order backlog amounting to EUR 247,580,000 consisting of customer-specific construction contracts as defined in IAS 11. The other subject areas are not expected to materially affect INDUS.

- **IFRS 9 "Financial instrument"** will be applied at INDUS for the first time on January 1, 2018. IFRS 9 is the successor to IAS 39 and is intended to simplify the existing provisions:
  - Uniform approach to classifying and measuring financial assets
  - New impairment model that will be based on expected credit losses
  - Simplified provisions for hedge accounting and expansion of the scope of application for basic hedging transactions

The approach to classification and measurement adjustments will entail changes to the balance sheet structure and the information contained in the Notes. INDUS is currently reviewing the effects arising from the impairment model and the new provisions in connection with hedge accounting

- **IFRS 16 "Leases"** will be applied for the first time on January 1, 2019. The new standard for lease transaction accounting will supersede IAS 17. In accordance with IFRS 16, all lease arrangements are included in the statement of financial position.The classification of leases as finance leases or operating leases will no longer apply to lessees. A right to the use of an asset is recorded on the asset side, a financial liability on the liability side.

The new standard will have a material effect on the financial position of INDUS. Total assets will increase in the same way as intangible assets and financial liabilities. The leasing expenses formerly reported in other operating expense will be reported in the future under depreciation or interest expense. As of December 31, 2016, operating lease obligations amounting to EUR 68,265,000 are reported in the Notes.

- **Changes with respect to IAS 7 "statement of cash flows"** are applied for the first time on 1 January 2017. Changes to this standard affect the disclosure of information regarding debts arising from financing transactions. This should permit reconciliation of financial debts in the statement of financial position regarding cash flows.

If and to what extent the other new/amended standards or interpretations to be applied in future will result in adjustments to the net asset, financial, and earnings position is currently being examined.

[3] Principles of Accounting

CONSOLIDATION PRINCIPLES

Capital consolidation is carried out in accordance with the purchase method. Assets, liabilities, and contingent liabilities are measured at their fair value as of the time of purchase for business combinations. Goodwill is determined as the difference between the acquisition costs of the business combination and the purchaser's share of the fair values of the acquired assets, liabilities, and contingent liabilities. Positive goodwill is not amortized, but rather tested at least once annually for impairment. Negative differences are immediately charged against income. Positive goodwill is carried in the functional currency of the acquired subsidiary/group.

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

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

Receivables and liabilities as well as expenses and income between consolidated companies are offset against each other. Intercompany results are eliminated from inventories and con-current assets. Deferred taxes are recognized for consolidation adjustments affecting net income.

CURRENCY TRANSLATION

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

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

		EXCHANGE RATE AS OF REPORTING DATE		AVERAGE EXCHANGE RATE	
	1 EUR =	DEC. 31, 2016	DEC. 31, 2015	2016	2015
United Arab Emirates	AED	3.863	3.988	4.050	4.059
Brazil	BRL	3.431	4.312	3.837	3.639
Canada	CAD	1.419	1.512	1.465	1.416
Switzerland	CHF	1.074	1.084	1.090	1.067
China	CNY	7.320	7.061	7.348	6.969
Czech Republic	CZK	27.021	27.023	27.034	27.283
Denmark	DKK	7.343	7.463	7.445	7.459
Great Britain	GBP	0.856	0.734	0.816	0.726
Hungary	HUF	309.830	315.400	311.432	309.885
South Korea	KRW	1,269.360	1,280.780	1,283.433	1,254.234
Morocco	MAD	10.650	10.751	10.806	10.818
Mexico	MXN	21.772	18.915	20.627	17.560
Poland	PLN	4.410	4.264	4.363	4.182
Romania	RON	4.539	4.524	4.491	4.445
Serbia	RSD	123.260	121.913	122.695	120.352
Singapore	SGD	1.523	1.542	1.527	1.524
Turkey	TRY	3.707	3.177	3.337	3.009
USA	USD	1.054	1.089	1.106	1.109
South Africa	ZAR	14.457	16.953	16.208	14.077

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

ACCOUNTING AND MEASUREMENT

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

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

The goodwill recognized in the purchase price allocation is distributed across 42 (previous year: 42) cash generating units. No individual goodwill amount is significant within the meaning of IAS 36.134.

Purchased **intangible assets** are measured at cost and amortized using the straight-line method over their useful lives of three to ten years, insofar as these can be determined. Internally generated intangible assets which fulfill the criteria of IAS 38 are capitalized at cost. Otherwise the expenses are recognized through profit and loss in the year in which they come into being. The assets are amortized upon commencement of their use, and this is done using the straight-line method over five to fifteen years.

Property, plant, and equipment are measured at cost less depreciation and, if applicable, write-downs. In accordance with the actual structure of their useful lives, the straight line depreciation method is applied. Depreciation periods are based primarily on the following useful lives.

	YEARS
Buildings	20 to 50
Improvements	8 to 20
Technical equipment, plant, and machinery	5 to 15
Factory and office equipment	3 to 15

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

Depending on the distribution of the major benefits and risks, **lease agreements** are classified as operating leases or finance leases, with the consequence that finance leases are recognized as assets. Fixed assets leased within the framework of finance leases are capitalized at the fair value or the lower net present value of the minimum lease payments and subjected to scheduled depreciation over the useful life or the shorter contractual term. The payment obligations resulting from the future leasing rates are shown discounted under financial liabilities.

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

Production orders are recognized using the "percentage of completion" (PoC) method. Contract revenue and profit are not recognized upon transfer of risk, but rather by degree of completion. Revenue from the contract agreed with the customer and the anticipated costs of the contract are taken as the basis. The percentage of completion is calculated on the basis of the ratio of costs incurred to the total costs of the contract.

Anticipated losses from production orders are immediately recognized as expenses as they are identified, beginning with the recording of impairments on assets, in addition to which provisions are formed as needed. If the result of a production order is not yet sufficiently certain, revenue is recognized only in the amount of the contractual costs that have been incurred.

Financial instruments are contracts which simultaneously result in a financial asset at one company and a financial liability or equity instrument at another company. Subsequent asset valuations are carried out applying following four categories: "measured at fair value through profit or loss," "held to maturity," "loans and receivables," and "available for sale." Financial liabilities are recognized in the two categories "measured at fair value through profit or loss" and "measured at amortized cost." The fair value option is not used.

The market values of financial liabilities are determined on the basis of market information available on the reporting date or by using accepted valuation methods, such as the discounted cash flow method, and through confirmations from the banks carrying out the transactions. The interest rates employed are adjusted to the term and risk of the underlying financial instrument.

Investments stated under **financial assets** are normally carried at cost, as no quoted market price exists for such investments and a fair value cannot be reliably determined at a reasonable cost. Associated companies on which the INDUS Group exercises significant influence (usually by holding between 20 % and 50 % of the voting rights) are accounted for using the equity method. When measured for the first time, they are stated at cost. In the subsequent measurement, the carrying amount is adjusted by the proportional changes in the associated company's equity.

Receivables and other assets are stated at amortized cost; for current receivables the carrying amount is the nominal amount. Individual risks are taken into account with appropriate valuation allowances. General credit risks are recognized by means of portfolio-based valuation allowances for receivables which are based on past experience or more up-to-date knowledge. Generally, valuation allowances for receivables are recognized in separate accounts.

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

Derivative financial instruments are used at INDUS to hedge underlying transactions based on future cash flows.

Derivatives employed as hedging instruments are primarily interest-rate swaps or currency forward contracts. The prerequisite for hedge accounting is that the hedge between the underlying transaction and the hedge instrument is effective and that this is documented and continuously monitored.

The statement of documented hedges depends on the type of relationship in question. In the case of cash flow hedges, the change in the fair value is recorded in equity with no effect on income, taking all deferred taxes into account. For the measurement of the hedging instruments described above, only market-related valuation techniques were used in the last two fiscal years. These correspond to the level 2 techniques. The market interest rate on the reporting date is used as the input factor for measuring interest-rate swaps.

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

For the evaluation of call and put options recognized at **fair value** market-related observable input factors (level 2) and internal data (level 3) were used. The market interest rate as of the reporting date, contractually agreed EBIT multiples, and individual plans of the acquired companies are used as the input factor for measuring the fair value of contingent purchase price liabilities. Generally, call and put options are allocated to level 3.

Pension obligations are based on defined contribution and defined benefit plans of varying design.

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

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

Other provisions are calculated for existing legal or constructive obligations to third parties relating to past events, in respect of which it is probable that an outflow of resources will be required and for which it is possible to make a reliable estimate of the amount of the obligation. The settlement amount is calculated on the basis of the best possible estimation. Provisions are discounted when the outflow of resources is classified as long-term and the effect of this is significant. Provisions for product warranties are calculated for the sales bearing a warranty and the relevant warranty period, based on past experience. Individual provisions are formed for known loss and/or damage. Provisions for outstanding invoices, pending losses on contracts, and other obligations from sales activities are calculated on the basis of the services to be rendered. Tax provisions are accrued on the basis of reasonable estimates for uncertain obligations to national tax authorities.

Contingent liabilities are potential obligations to third parties or existing obligations which are unlikely to result in an outflow of resources or the amount of which cannot be reliably determined. Disclosures must be made in the Notes regarding existing contingent liabilities.

Deferred taxes are identified for all temporary differences between the value recognized in the IFRS statement of financial position and the corresponding tax bases of assets and liabilities in accordance with the balance sheet approach. Temporary differences arise when the realization of the asset or settlement of the liability leads to income or expenses that diverge from a fiscal point of view. Deferred taxes on goodwill are formed only to the extent that they are tax-deductible. This is generally the case for German limited partnerships.

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

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

Deferred taxes are measured using the tax rate valid for the periods in which the differences are expected to be reversed. Regardless of maturities, deferred taxes are not to be discounted. Deferred taxes are recognized on the basis of the tax rates prevailing or approved in the various countries, in accordance with the current legal position. In Germany, a corporate income tax rate of 15 % applies. Based on a trade tax assessment multiplier of 395 % and solidarity surcharge of 5.5 %, the tax rate on earnings for companies based in Germany amounts to 29.6 % (previous year: 29.6 %). Foreign tax rates remain between 16 % and 39 %.

For purposes of **income realization**, sales revenues are recorded when services have been performed or goods or products have been delivered, the risk having thereby passed to the customer. Rebates are deducted from sales revenues. The general prerequisite of this is that the amount of income can be reliably determined and that there is sufficient certainty that INDUS will derive economic benefits from this. Revenues from services are recorded based on progress if the corresponding conditions are met. Earnings from construction contracts are recognized in accordance with stage of completion. Dividend income on equity shares is recognized when a legal claim to payment arises.

Virtual stock options (stock appreciation rights) granted as part of the long-term incentive program are classified as "share-based remuneration with cash settlement". Provisions are formed for these and measured at the fair value of the commitments.

The **Statement of Cash Flows** is divided into the sections "Cash flows from operating activities," "Cash flows from investing activities," and "Cash flows from financing activities" in accordance with the provisions of IAS 7. Interest and dividends received are assigned to cash flows from operating activities. Financial facilities on hand are equivalent to the statement of financial position item "Cash and cash equivalents" and include demand deposits and cash on hand. Cash flows from operating activities are determined using the indirect method. Operating expenses and income with no effect on net cash are eliminated from cash flows from operating activities.

The preparation of consolidated financial statements is influenced by **assumptions and estimates** made which have an impact on the recognized value of the assets, liabilities, and contingent liabilities, as well as on income and expenses. When estimates are made regarding the future, actual values may deviate from the estimates. If the original basis for the estimates changes, the statement of the relevant items is adjusted through profit and loss.

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

Systemic uncertainties derive from statement of financial position items in respect of which anticipated future cash flow series are discounted. The course of such cash flow series depends on future events about whose trends assumptions must be made. Future interest rate levels can also affect the calculation of cash flow considerably. This is particularly the case in testing assets and cash generating units for impairment, and calculating pension provisions using the projected unit credit method. Future cash flow projections are also applied to determine at what amount to value deferred tax assets.

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

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

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

For fiscal 2017 we do not on the whole anticipate events requiring material adjustment to balance sheet items in these financial statements. The assumptions made regarding conditions in the general economy and relevant markets in particular have been discussed in detail in the Forecast Report in the Combined Management Report.

[4] Scope of Consolidation

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

FULLY CONSOLIDATED SUBSIDIARIES

	GERMANY	ABROAD	TOTAL	OF WHICH SHAREHOLDINGS LESS THAN 100 %
DEC. 31, 2016				
Construction/ Infrastructure	26	10	36	2
Automotive Technology	33	14	47	10
Engineering	22	17	39	15
Medical Engineering/ Life Science	7	9	16	9
Metals Technology	16	9	25	3
Other	10	0	10	1
Total	**114**	**59**	**173**	**40**
DEC. 31, 2015				
Construction/ Infrastructure	25	6	31	2
Automotive Technology	30	11	41	9
Engineering	23	17	40	11
Medical Engineering/ Life Science	6	9	15	7
Metals Technology	15	8	23	3
Other	8	0	8	1
Total	**107**	**51**	**158**	**33**

The main operating subsidiaries are presented in “Further Information”. The complete list of shareholdings pursuant to Sec. 313 of the German Commercial Code, which is part of the Notes to the consolidated financial statements, is published electronically together with the consolidated financial statements in the German Federal Gazette.

The carrying amount of non-controlling interests amounts to EUR 2,630,000 (previous year: EUR 2,651,000). None of the non-controlling interests are in themselves material.

If minority shareholders have, as of the date of the first-time consolidation, a right to tender from which INDUS is unable to withdraw and a combination with a call option for INDUS exists, economic ownership will remain with INDUS and the shares in question will be fully consolidated and recognized at fair value as a contingent purchase price liability. As of the reporting date, purchase price liabilities from minority interests with a right to tender were recognized in the amount of EUR 54,899,000 (previous year: EUR 49,611,000). In all material instances, purchase price models ensure that the shares can be valued objectively taking company-specific risk structures into account, thereby facilitating the exchange of non-controlling interests at fair value. As a rule, both of the contractual parties can exercise the options at contractually determined times.

As of December 31, 2016, the scope of consolidation encompassed 34 limited liability companies (GmbH) which, as general partners, constitute a unit company with the associated limited partnership (December 31, 2015: 34 limited liability companies as general partners).

Additions to the scope of consolidation result from acquisitions or the foundation of new companies, or from the assumption of the operating activities of portfolio companies that had not previously been consolidated.

Removals from the scope of consolidation result from the merger of investments.

Eight (previous year: six) subsidiaries which were of subordinate significance for the consolidated financial statements owing to their small size or minimal business activity are recognized at amortized cost according to IAS 39 (Financial Instruments: Recognition and Measurement) since there is no active market for them and their fair values cannot be ascertained with reasonable effort.

[5] Business Combinations

DISCLOSURES ON FIRST-TIME CONSOLIDATION FOR THE CURRENT FISCAL YEAR

H. HEITZ

By a purchase agreement dated June 7, 2016, INDUS acquired 100% of H. HEITZ Furnierkantenwerk GmbH & Co. KG, Melle. The HEITZ group produces veneer edge banding and wrapping veneers made of genuine wood for the furnitures and construction industries. H. HEITZ is one of the largest providers in the world in this segment. Production takes place at the company's main location in Melle and in its branch plant in Pusztaszabolcs, Hungary. An American branch located in Heath, Ohio also belongs to the HEITZ group. H. HEITZ is classified as belonging to the Construction segment.

The fair value of the entire consideration for the acquisition of H. HEITZ amounted to EUR 32,314,000 at the time of acquisition. This amount consisted of EUR 23,710,000 in cash and a contingent purchase price liability of EUR 8,604,000, which was measured at fair value and resulted from an earn-out clause. The amount of the contingent purchase price liability is calculated using EBIT multiples and a forecast of the future relevant EBIT.

The goodwill calculated for the purpose of purchase price allocation at EUR 8,706,000 is in part not tax-deductible. Goodwill represents inseparable assets such as workforce know-how, positive expectations for future income and synergistic effects arising from development, production, sales, and marketing.

In the provisional purchase price allocation, the acquired assets and liabilities were determined as follows:

NEW ACQUISITION: H. HEITZ (IN EUR '000)	CARRYING AMOUNTS AT TIME OF ACQUISITION	ASSETS ADDED DUE TO FIRST-TIME CONSOLIDATION	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	8,706	8,706
Other intangible assets	86	10,722	10,808
Property, plant and equipment	5,976	959	6,935
Financial assets	135	0	135
Inventories	5,424	1,214	6,638
Accounts receivable	1,686	0	1,686
Other assets*	1,011	0	1,011
Cash and cash equivalents	4,006	0	4,006
Total assets	**18,324**	**21,601**	**39,925**
Other provisions	1,293	0	1,293
Trade accounts payable	1,369	0	1,369
Other liabilities**	4,949	0	4,949
Total liabilities	**7,611**	**0**	**7,611**

* Other assets: Other non-current assets, Other current assets, Deferred taxes, Current income taxes
** Other liabilities: Other non-current liabilities, Other current liabilities, Deferred taxes, Current income taxes

H. HEITZ was first consolidated in June 2016. H. HEITZ has contributed EUR 16,731,000 in sales and an operating result (EBIT) in the amount of EUR 16,731,000 to comprehensive income for the 2016 fiscal year. Had H. HEITZ already been integrated on January 1, 2016, revenue would have amounted to EUR 27,908,000 and EBIT to EUR 3,246,000.

The costs recognized in profit and loss associated with the initial consolidation have impacted the operating result (EBIT) in the amount of EUR 1,839,000. Incidental acquisition costs were recorded in the statement of income.

Other acquisitions

The INDUS portfolio company BUDDE acquired COMPUTEC AG, Murrhardt, at the beginning of 2016. COMPUTEC AG is a specialist in process engineering and covers a broad range, from electronics to programming the control software for (conveyor) systems. COMPUTEC is classified as belonging to the Mechanical Engineering segment.

On March 23, 2016, ANCOTECH aquired MBH SOLUTIONS AG, Drielsdorf, Switzerland. MBH is engaged in software development and is classified as belonging to the Construction/Infrastructure segment.

M. BRAUN acquired CREAPHYS GmbH, Dresden, on April 20, 2016. CREAPHYS was founded in 1999 as a spin-off from the Technical University of Dresden and operates in the field of organic electronics. The company designs and builds high-vacuum systems and components for organic and other thin film deposition, vacuum sublimation systems and thermal evaporators. CREAPHYS is classified as belonging to the Mechanical Engineering segment.

CAETEC GmbH, Olching, was acquired for IPETRONIK by an agreement dated May 2, 2016. CAETEC develops measurement technology for testing vehicles, specifically driver assistance systems, bus analysis, and on-board power supplies, thereby complementing IPETRONIK, which specializes in powertrain technology and thermal management. CAETEC is categorized as belonging to the Automotive Technology segment.

The INDUS portfolio company MIKROP acquired the Sauerlach-based company IN-SITU GmbH on July 22, 2016. IN-SITU develops optical testing systems. Examples of applications include an inspection and reading system that captures 3D shapes for quality control of braille on packaging. The company is classified as belong to the Medical Engineering/Life Science segment

On December 30, 2016 WIESAUPLAST GmbH & Co. KG acquired the remaining 55 % shareholding in WIESAUPLAST PMC RL, Mexico. The existing 45 % holding in WIESAUPLAST PMC RL had been incorporated into the consolidated financial statements of the INDUS Group using the equity method until 30 December 2016. WIESAUPLAST PMC RL is classified as belonging to the Automotive Technology segment.

The fair value of the entire consideration for the other acquisitions amounted to EUR 13,427,000 at the time of acquisition. This amount consisted of cash payments amounting to EUR 12,455,000 and a contingent purchase price liability amounting to EUR 972,000. The amount of conditional purchase-price liability is determined on the basis of EBIT multiples and a forecast of the relevant future EBIT.

Goodwill in the amount of 6,008,000 as calculated for the purpose of purchase price allocations is not tax-deductible. Goodwill represents inseparable assets such as workforce know-how, positive expectations for future income and synergistic effects arising from development, production, sales, and marketing.

In the purchase price allocation, the acquired assets and liabilities were determined as follows:

NEW ACQUISITION: OTHERS (IN EUR '000)	CARRYING AMOUNTS AT TIME OF ACQUISITION	ASSETS ADDED DUE TO FIRST-TIME CONSOLIDATION	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	6,008	6,008
Other intangible assets	191	5,371	5,562
Property, plant and equipment	1,553	0	1,553
Inventories	4,785	314	5,099
Accounts receivable	4,025	0	4,025
Other assets*	848	0	848
Cash and cash equivalents	2,215	0	2,215
Total assets	**13,617**	**11,693**	**25,310**
Other provisions	749	0	749
Financial liabilities	347	0	347
Trade accounts payable	4,050	0	4,050
Other liabilities**	5,125	1,689	6,814
Total liabilities	**10,271**	**1,689**	**11,960**

* Other assets: Other non-current assets, Other current assets, Deferred taxes, Current income taxes
** Other liabilities: Other non-current liabilities, Other current liabilities, Deferred taxes, Current income taxes

The other acquisitions were consolidated between January and December 2016. The other acquisitions contributed EUR 7,277,000 in sales and an operating result (EBIT) in the amount of EUR 1,576,000 to comprehensive income for the 2016 fiscal year. Had the other companies been consolidated by January 1, 2016, revenue in 2016 would have amounted to EUR 11,065,000 and the operating result (EBIT) to EUR 447,000.

The items recognized in profit and loss associated with the initial consolidation of the other acquisitions have had an impact on the operating result (EBIT) amounting to EUR 840,000. Incidental acquisition costs were recorded in the statement of income.

DISCLOSURES CONCERNING COMPANY ACQUISITIONS AFTER THE REPORTING DATE

M+P INTERNATIONAL

Pursuant to a contract dated January 31, 2017, INDUS Holding AG acquired 76% of the shares in M+P INTERNATIONAL Mess- und Rechnertechnik GmbH, Hanover. The M+P group is a provider of measurement and test systems for vibration testing and analysis, employs 63 employees, and in 2016 generated EUR 12 million in sales according to a preliminary estimate. M+P is categorized in the Engineering segment. The purchase price allocation is currently incomplete. The fair value of the entire consideration is the sum of a cash component in the amount of EUR 14.697,000 and a contingent purchase price payment in the amount of EUR 4.587,000, which was measured at fair value and resulted from a symmetrical call/put option for the 24% non-controlling interests. The amount of the contingent purchase price liability was calculated on the basis of EBIT multiples and a forecast of future EBIT.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

[6] Revenue

Revenue includes EUR 177,320,000 in revenue from production orders (previous year: EUR 171,840,000). Also included is EUR 15,180,000 in revenue from services (previous year: EUR 16,645,000).

A more detailed presentation of sales can be found in the section entitled "Segment Reporting."

[7] Other Operating Income

IN EUR '000	2016	2015
Income from the release of accruals	4,133	4,059
Release of valuation allowances	2,522	2,295
Transfer to earnings/release of deferrals carried as liabilities	584	774
Insurance compensation	2,800	1,103
Income from rental and lease agreements	783	768
Income from currency translation	3,737	5,092
Income from asset disposals	1,360	392
Other operating income	4,327	5,417
Total	**20,246**	**19,900**

Income from currency translation of EUR 3,737,000 (previous year: EUR 5,092,000) was offset by expenses amounting to EUR -1,127,000 (previous year: EUR -3,064,000). Exchange differences on translation recognized in income thus amounted to EUR 2,610,000 (previous year: EUR 2,028,000).

[8] Own Work Capitalized

IN EUR '000	2016	2015
Other own work capitalized	3,295	3,375
Own work capitalized in accordance with IAS 38	2,923	2,339
Total	**6,218**	**5,714**

Research and development expenses amounting to EUR 14,614,000 (previous year: EUR 11,977,000) continued to be recognized in expenses for the period.

[9] Changes in Inventories

IN EUR '000	2016	2015
Work in process	-8,866	-5,261
Finished goods	19,979	12,298
Total	**11,113**	**7,037**

[10] Cost of Materials

IN EUR '000	2016	2015
Raw materials and goods for resale	-532,795	-535,787
Purchased services	-115,890	-115,775
Total	**-648,685**	**-651,562**

[11] Personnel Expenses

IN EUR '000	2016	2015
Wages and salaries	-363,129	-330,617
Social security	-62,918	-57,071
Pensions	-4,183	-4,324
Total	**-430,230**	**-392,012**

Personnel expenses do not include the interest portion of transfers to pension provisions. This is recognized in interest income at EUR -680,000 (previous year: EUR -701,000).

[12] Depreciation/Amortization

IN EUR '000	2016	2015
Scheduled amortization	-55,976	-50,103
Unscheduled depreciation	0	0
Total	**-55,976**	**-50,103**

[13] Other Operating Expenses

IN EUR '000	2016	2015
Selling expenses	-84,131	-78,441
Operating expenses	-70,560	-66,246
Administrative expenses	-42,528	-39,195
Other expenses	-6,288	-8,579
Total	**-203,507**	**-192,461**

SELLING EXPENSES

IN EUR '000	2016	2015
Shipping, packaging, and provisions	-38,940	-37,052
Vehicle, travel, and entertaining costs	-19,185	-17,973
Marketing and trade fairs	-12,846	-11,117
Accounts receivable and guarantees	-10,823	-9,916
Other selling expenses	-2,337	-2,383
Total	**-84,131**	**-78,441**

OPERATING EXPENSES

IN EUR '000	2016	2015
Machinery and plant: Rent and maintenance	-25,309	-24,411
Land and buildings: Leases and occupancy costs	-21,271	-19,284
Energy, supplies, tools	-15,177	-14,535
Other operating expenses	-8,803	-8,016
Total	**-70,560**	**-66,246**

ADMINISTRATIVE EXPENSES

IN EUR '000	2016	2015
IT, office, and communication services	-13,415	-12,546
Consulting and fees	-14,940	-14,508
Insurance	-4,439	-4,087
Human Resources administration and continuing education	-5,610	-4,681
Other administrative costs	-4,124	-3,373
Total	**-42,528**	**-39,195**

OTHER EXPENSES

IN EUR '000	2016	2015
Cost of currency translation	-1,127	-3,064
Disposal of fixed assets	-702	-275
Transfer to provisions	-226	-73
Miscellaneous	-4,233	-5,167
Total	**-6,288**	**-8,579**

[14] Financial Result

IN EUR '000	2016	2015
Income from financial assets	539	244
Write-downs of financial assets	-19	0
Total	**520**	**244**

[15] Interest Income

IN EUR '000	2016	2015
Interest and similar income	516	583
Interest and similar expenses	-15,536	-17,349
Interest from operations	**-15,020**	**-16,766**
Other: Market value of interest rate swaps	91	219
Other: Non-controlling interests	-6,627	-10,463
Other interest	**-6,536**	**-10,244**
Total	**-21,556**	**-27,010**

The item "Other: non-controlling interests" includes effects on income resulting from the subsequent measurement of contingent purchase price liabilities (call/put options) amounting to EUR -419,000 (previous year: EUR -4,564,000) and income after taxes attributable to non-controlling shareholders from shares in limited partnerships and to stock corporations with call/put options. For consistency reasons, this is shown in the net interest item.

[16] Taxes

IN EUR '000	2016	2015
Non-recurring taxes	-355	-618
Current taxes	-43,872	-40,284
Deferred taxes	1,267	-106
Total	**-42,960**	**-41,008**

The non-recurring taxes result predominantly from changes due to external tax audits.

SPECIAL TAX ASPECTS

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

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

The value added from the purchase price allocation for tax purposes is deductible as write-downs from supplementary tax statements, distributed over the respective useful life. This means that the tax assessment base is reduced by the write-downs. Even for companies with buoyant earnings, this can result in a tax loss with corresponding tax savings, in trade tax at limited partnerships, and in corporate income tax at INDUS Holding AG. There are no longer any positive effects on earnings resulting from the recognition of deferred taxes in accordance with the temporary concept as per IFRS.

Deferred tax assets on tax loss carryforwards are only capitalized by the Group if sufficient taxable income can be generated in the five-year planning period.

Trade tax is due at the level of the limited partnerships. Offsetting tax gains and losses between limited partnerships is not permitted for trade tax. The taxable earnings after trade tax are ascribed to INDUS Holding AG and then subjected to corporate income tax. No tax group contracts have been concluded with limited liability companies. This situation is reflected in the item "No offsetting of income for autonomous subsidiaries."

RECONCILIATION FROM EXPECTED TO ACTUAL TAX EXPENSES (IN EUR '000)

	2016	2015
Earnings before income taxes	123,378	109,295
Expected tax expenses 29.6 % (previous year: 28.8 %)	36,520	32,351
Reconciliation		
Non-recurring taxes	355	618
Effect of changes in tax rates	0	954
At Equity measurement of associated companies	-286	-204
Structural effects of		
divergent local tax rates	33	-26
divergent national tax rates	-263	234
Corporate acquisition transaction costs	187	331
Capitalization or impairment of deferred tax loss carryforwards	1,267	-60
Actual use of tax loss carryforward	-1,370	-576
No offsetting of income for autonomous subsidiaries	2,730	2,157
Earnings attributable to other shareholders	1,962	3,097
Effects of the interest deduction ceiling on INDUS Holding AG	420	464
Other non-deductible expenses or tax-free income	1,405	1,668
Actual tax expenses	42,960	41,008
as a percentage of earnings	34.8	37.5

With corporate income tax of 15 % (previous year 15 %), the calculation for domestic companies is subject to an average trade-tax rate of 395 % (previous year 395 %) and the solidarity surcharge of an unchanged 5.5 %, with income tax at 29.6 % (previous year: 29.6 %).

[17] Earnings per Share

Earnings came to EUR 3.27 per share (previous year: EUR 2.78 per share). The weighted average number of shares in circulation remained unchanged in the current year at 24.450.509. See item [26] for further details.

IN EUR '000	2016	2015
Earnings attributable to INDUS shareholders	**80,041**	**67,932**
Weighted average of shares outstanding (in thous. shares)	24,451	24,451
Earnings per share (in EUR)	3.27	2.78

The earnings taken as the basis are derived from the earnings of the INDUS shareholders, adjusted to exclude income from discontinued operations. In the event of the contingent/authorized capital being utilized, dilutions can arise in the future.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[18] Goodwill

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

FIXED ASSET SCHEDULE – GOODWILL

	CARRYING AMOUNT JAN. 1, 2016	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	IMPAIRMENT	CURRENCY DIFFERENCE	CARRYING AMOUNT DEC. 31, 2016
Construction/Infrastructure	103,074	9,145	0	0	0	76	112,295
Automotive Technology	71,499	3,833	0	0	0	88	75,420
Engineering	121,305	1,574	0	0	0	-977	121,902
Medical Engineering/Life Science	69,477	162	0	0	0	0	69,639
Metals Technology	29,447	0	0	0	0	-1	29,446
Total goodwill	**394,802**	**14,714**	**0**	**0**	**0**	**-814**	**408,702**

	CARRYING AMOUNT JAN. 1, 2015	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	IMPAIRMENT	CURRENCY DIFFERENCE	CARRYING AMOUNT DEC. 31, 2015
Construction/Infrastructure	101,601	828	0	0	0	645	103,074
Automotive Technology	71,284	0	315	0	0	-100	71,499
Engineering	110,342	9,765	743	0	0	455	121,305
Medical Engineering/Life Science	55,565	13,912	0	0	0	0	69,477
Metals Technology	29,447	0	0	0	0	0	29,447
Total goodwill	**368,239**	**24,505**	**1,058**	**0**	**0**	**1,000**	**394,802**

GOODWILL IMPAIRMENT

Impairment testing on goodwill is performed for cash generating units (usually the portfolio companies including their subsidiaries).

The impairment tests compares the CGU's recoverable value against the carrying amount including goodwill. INDUS uses the value in use to determine the recoverable value.

Value in use is calculated applying the latest estimates prepared by management. The planning premises take into account both current knowledge and historical developments. After the three-year detailed planning period, future cash flows are projected using a global growth rate of 1.0 % (previous year: 1.0 %). The projection figures are discounted applying a capital cost rate. These are based on a risk-free interest rate of 0.5 % (previous year: 1.5 %), a market risk premium of 7.00 % (previous year: 6.75 %), segment-specific beta factors derived from a peer group, and borrowing rates. The following segment-specific pre-tax cost of capital rates were applied: Construction/Infrastructure 6.4 % (previous year: 7.7 %), Automotive Technology 8.6 % (previous year: 9.3 %), Mechanical Engineering 6.6 % (previous year: 8.4 %), Medical Engineering/Life Science 4.8 % (previous year: 6.4 %), and Metals Technology 6.9 % (previous year: 8.1 %).

As in the previous year, no impairments were recognized on goodwill in fiscal year 2016.

If the pre-tax cost-of-capital rate were to increase by 0.5 %, there would be, as in the previous year, no impairment on goodwill.

[19] Development of Intangible Assets, Property, Plant, and Equipment, and Property Held as a Financial Investment

COSTS IN 2016 (IN EUR '000)

	OPENING BALANCE JAN. 1, 2016	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY TRANSLATION	CLOSING BALANCE DEC. 31, 2016
Goodwill	**434,871**	**14,714**	**0**	**0**	**0**	**-838**	**448,747**
Capitalized developments costs	26,863	156	4,161	0	79	15	31,274
Property rights, concessions, and other intangible assets	148,847	16,214	6,140	-1,348	71	-282	169,642
Total other intangible assets	**175,710**	**16,370**	**10,301**	**-1,348**	**150**	**-267**	**200,916**
Land and buildings	259,519	6,100	16,847	-2,592	1,176	-69	280,981
Plant and machinery	386,271	1,253	24,532	-8,222	7,993	209	412,036
Other equipment, factory and office equipment	147,708	1,096	17,481	-6,136	504	17	160,670
Advance payments and work in process	10,212	39	14,574	-1,351	-9,823	-55	13,596
Total property, plant and equipment	**803,710**	**8,488**	**73,434**	**-18,301**	**-150**	**102**	**867,283**
Property held as financial investments	**7,891**	**0**	**0**	**-918**	**0**	**0**	**6,973**

AMORTIZATION IN 2016 (IN EUR '000)

	OPENING BALANCE JAN. 1, 2016	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS AND TRANSFERS	APPRECIATION IN VALUE	CURRENCY TRANSLATION	CLOSING BALANCE DEC. 31, 2016
Goodwill	**40,069**	**0**	**0**	**0**	**0**	**-24**	**40,045**
Capitalized developments costs	15,673	0	2,987	0	0	8	18,668
Property rights, concessions, and other intangible assets	101,209	0	8,226	-1,318	0	-175	107,942
Total other intangible assets	**116,882**	**0**	**11,213**	**-1,318**	**0**	**-167**	**126,610**
Land and buildings	79,535	0	7,979	-1,863	0	37	85,688
Plant and machinery	289,353	0	22,492	-7,756	0	584	304,673
Other equipment, factory and office equipment	99,976	0	13,459	-5,929	0	85	107,591
Advance payments and work in process	0	0	0	0	0	0	0
Total property, plant and equipment	**468,864**	**0**	**43,930**	**-15,548**	**0**	**706**	**497,952**
Property held as financial investments	**1,967**	**0**	**190**	**-596**	**0**	**0**	**1,561**

COSTS IN 2015 (IN EUR '000)

	OPENING BALANCE JAN. 1, 2015	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY TRANSLATION	CLOSING BALANCE DEC. 31, 2015
Goodwill	**409,146**	**24,505**	**1,058**	**-115**	**0**	**277**	**434,871**
Capitalized developments costs	22,743	577	3,447	0	0	96	26,863
Property rights, concessions, and other intangible assets	130,327	15,245	4,235	-1,254	6	288	148,847
Total other intangible assets	**153,070**	**15,822**	**7,682**	**-1,254**	**6**	**384**	**175,710**
Land and buildings	239,586	2,182	15,206	-805	601	2,749	259,519
Plant and machinery	356,871	1,515	18,950	-2,806	10,399	1,342	386,271
Other equipment, factory and office equipment	133,496	1,216	16,087	-4,947	704	1,152	147,708
Advance payments and work in process	9,970	449	14,104	-2,573	-11,710	-28	10,212
Total property, plant and equipment	**739,923**	**5,362**	**64,347**	**-11,131**	**-6**	**5,215**	**803,710**
Property held as financial investments	**7,891**	**0**	**0**	**0**	**0**	**0**	**7,891**

AMORTIZATION IN 2015 (IN EUR '000)

	OPENING BALANCE JAN. 1, 2015	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS AND TRANSFERS	APPRECIATION IN VALUE	CURRENCY TRANSLATION	CLOSING BALANCE DEC. 31, 2015
Goodwill	**40,907**	**0**	**0**	**-115**	**0**	**-723**	**40,069**
Capitalized developments costs	13,242	0	2,434	0	0	-3	15,673
Property rights, concessions, and other intangible assets	95,799	0	6,403	-1,214	0	221	101,209
Total other intangible assets	**109,041**	**0**	**8,837**	**-1,214**	**0**	**218**	**116,882**
Land and buildings	72,108	0	7,313	-450	0	564	79,535
Plant and machinery	268,795	0	22,076	-2,398	0	880	289,353
Other equipment, factory and office equipment	92,202	0	11,670	-4,732	0	836	99,976
Advance payments and work in process	0	0	0	0	0	0	0
Total property, plant and equipment	**433,105**	**0**	**41,059**	**-7,580**	**0**	**2,280**	**468,864**
Property held as financial investments	**1,760**	**0**	**207**	**0**	**0**	**0**	**1,967**

Intangible assets have determinable useful lives. The change in scope of consolidation concerns additions according to IFRS 3.

The residual carrying amount of capitalized finance leases came to EUR 14,408,000 for property and building leases (previous year: EUR 15,400,000) and EUR 1,044,000 for plant and machinery leases (previous year: EUR 1,361,000).

As at the reporting date, the residual carrying amounts of fixed assets, property, plant, and equipment, and property held as a financial investment came to:

RESIDUAL CARRYING AMOUNTS OF FIXED ASSETS (IN EUR '000)

	DEC. 31, 2016	DEC. 31, 2015
Goodwill	**408,702**	**394,802**
Capitalized developments costs	12,606	11,190
Property rights, concessions, and other intangible assets	61,700	47,638
Total other intangible assets	**74,306**	**58,828**
Land and buildings	195,293	179,984
Plant and machinery	107,363	96,918
Other equipment, factory and office equipment	53,079	47,732
Advance payments and work in process	13,596	10,212
Property, plant and equipment	**369,331**	**334,846**
Property held as financial investment	**5,412**	**5,924**

[20] Financial Assets

IN EUR '000	DEC. 31, 2016	DEC. 31, 2015
Other investments	2,518	310
Other loans	9,696	18,962
Total	**12,214**	**19,272**

The loans relate to loans originated by the company which are carried at amortized cost. Some of the loans are extended interest-free, but the majority of them have interest rates suitable for their durations and long-term fixed rates. There were no defaults in either of the fiscal years.

[21] Shares Accounted For Using the Equity Method

As of December 31, 2016, the carrying amounts of shares accounted for using the equity method totaled EUR 10,497,000 (previous year: EUR 8,036,000).

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

IN EUR '000	2016	2015
Purchase price of associated companies	8,408	4,447
Appropriated income in the period	849	691
Key figures of the associated companies:		
Assets	38,284	47,988
Liabilities	22,602	26,915
Capital	15,682	21,073
Revenue	26,599	58,439
Earnings	1,715	2,147

[22] Other Assets

IN EUR '000	DEC. 31, 2016	DEC. 31, 2015
Accrual of payments not relating to the period under review	5,526	3,850
Other tax refund claims	4,272	3,045
Long-term receivables	9	132
Reinsurance premiums	1,184	1,166
Loans and other receivables	490	581
Positive swap market value	860	461
Other assets	7,112	9,201
Total	**19,453**	**18,436**
of which current	16,424	14,952
of which non-current	3,029	3,484

[23] Deferred Taxes and Current Income Tax

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

2016 (IN EUR '000)	ASSETS	LIABILITIES	BALANCE
Goodwill of limited partnerships	2,696	-27,119	-24,423
Intangible assets	0	-17,907	-17,907
Property, plant and equipment	2,433	-5,155	-2,722
Receivables and inventories	577	-3,535	-2,958
Other current assets	12	-146	-134
Long-term provisions	5,553	-26	5,527
Current liabilities	3,575	0	3,575
Capitalization of losses carried forward	3,705	0	3,705
Netting-out of accounts	-16,293	16,293	0
Deferred taxes	**2,258**	**-37,595**	**-35,337**

2015 (IN EUR '000)	ASSETS	LIABILITIES	BALANCE
Goodwill of limited partnerships	378	-26,066	-25,688
Intangible assets	0	-14,330	-14,330
Property, plant and equipment	1,900	-6,121	-4,221
Other non-current assets	36	0	36
Receivables and inventories	648	-4,341	-3,693
Other current assets	10	-133	-123
Long-term provisions	5,437	-28	5,409
Current liabilities	4,669	0	4,669
Capitalization of losses carried forward	3,163	0	3,163
Netting-out of accounts	-13,570	13,570	0
Deferred taxes	**2,671**	**-37,449**	**-34,778**

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

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

The change in the balance of deferred taxes is explained in the following tables:

DEVELOPMENT OF DEFERRED TAXES (IN EUR '000)

	JAN. 1, 2016	STATEMENT OF INCOME	OTHER	DEC. 31, 2016
Trade tax	2,617	524	0	3,141
Corporate tax	546	18	0	564
Capitalization of losses carried forward	**3,163**	**542**	**0**	**3,705**
Other deferred taxes in statement of financial position	-37,941	725	-1,826	-39,042
Deferred taxes	**-34,778**	**1,267**	**-1,826**	**-35,337**

	JAN. 1, 2015	STATEMENT OF INCOME	OTHER	DEC. 31, 2015
Trade tax	2,737	-120	0	2,617
Corporate tax	201	345	0	546
Capitalization of losses carried forward	**2,938**	**225**	**0**	**3,163**
Other deferred taxes in statement of financial position	-32,621	-331	-4,989	-37,941
Deferred taxes	**-29,683**	**-106**	**-4,989**	**-34,778**

The other changes in deferred taxes resulted from the change in other income and in scope of consolidation:

IN EUR '000	2016	2015
Reserve for marked-to-market valuation of cash flow hedges	-249	-388
Currency translation reserve	-143	-152
Pension provisions (actuarial gains/losses)	284	282
Change in scope of consolidation	-1,718	-4,731
Total	**-1,826**	**-4,989**

Deferred tax assets were recognized for trade tax and corporate income tax losses carried forward in the amount of EUR 25,453,000 (previous year: EUR 21,681,000).

Other losses carried forward totaling EUR 165,241,000 (previous year: EUR 165,293,000) which are unlikely to be realized in the next five years were not capitalized. The majority of these were trade tax loss carryforwards resulting from the fiscal particularities prevailing at INDUS Group, as explained in item [16]. Potential opportunities to realize such carryforwards in the future will accordingly be determined by the prevailing trade tax rate. The largest single item is the holding company's trade tax loss carryforward. The utilization of these loss carryforwards is not subject to any time limits.

Owing to a lack of realization opportunities, deferred tax assets of EUR 139,000 (previous year: EUR 151,000) were not recognized. Deferred tax assets amounting to EUR 945,000 (previous year: EUR 1,679,000) were recognized in addition to the relevant deferred tax liabilities for companies which have recently suffered tax losses.

[24] Inventories

IN EUR '000	DEC. 31, 2016	DEC. 31, 2015
Raw materials and supplies	98,941	89,815
Unfinished goods	85,419	83,939
Finished goods and goods for resale	102,772	91,352
Prepayments for inventories	21,565	16,506
Total	**308,697**	**281,612**

The value of the inventories' carrying amounts was adjusted downward by EUR 15,982,000 (previous year: EUR 15,054,000.

[25] Accounts Receivable

IN EUR '000	DEC. 31, 2016	DEC. 31, 2015
Accounts receivable from customers	163,257	147,480
Future accounts receivable from customer-specific construction contracts	12,689	5,585
Accounts receivable from associated companies	1,680	7,679
Total	**177,626**	**160,744**

In the year under review, EUR 75,000 in accounts receivable from customers with a payment term of more than one year were recognized (previous year: EUR 228,000).

Further information on construction contracts is contained in the following table:

IN EUR '000	2016	2015
Costs incurred including prorated income	71,782	70,795
Advance payments received	96,986	96,013
Construction contracts with a positive balance	12,689	5,585
Construction contracts with a negative balance	37,893	30,803

Construction contracts with a balance on the liabilities side consist of construction contracts with a settled surplus from payments received. These are listed under other liabilities in the statement of financial position.

The accounts receivable include valuation allowances amounting to EUR 7,011,000 (previous year: EUR 6,278,000). They developed as follows:

IN EUR '000	2016	2015
Valuation allowances as of January 1	**6,278**	**6,101**
Currency translation	-12	32
Change in scope of consolidation	137	113
Additions	2,922	2,678
Utilization	-368	-1,008
Reversals	-1,946	-1,638
Valuation allowances as of December 31	**7,011**	**6,278**

[26] Equity

SUBSCRIBED CAPITAL

The capital stock came to EUR 63,571,323.62 on the reporting date. Capital stock consists of 24,450,509 no-par-value shares. The shares are bearer shares, each conferring one vote at the Annual Shareholders' Meeting. The shares are registered for regulated trading on the Düsseldorf and Frankfurt Stock Exchanges and for over-the-counter trading in Berlin, Hamburg, and Stuttgart.

The Board of Management is authorized, subject to Supervisory Board approval, to increase the Company's capital stock until June 10, 2019, through the issuance of up to 12,225,254 new no-par-value bearer shares in exchange for contributions in cash and/or contributions in kind on one or more occasions up to a total of EUR 31,785,660.51 (Authorized Capital 2014). The shareholders are to be given subscription rights during the capital increase. However, the Board of Management is authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights in certain cases.

The total number of shares issued or to be issued on the basis of one of these authorizations with exclusion of the subscription right may not exceed 10 % of the capital stock at the time such authorization is exercised. Shares are therefore to be credited if they were sold, transferred or disposed of during the period of validity of this authorization due to other authorizations, subject to the exclusion of subscription rights.

Per resolution adopted at the Annual Shareholders' Meeting on June 24, 2013, the company's capital stock was conditionally increased by up to EUR 11,700,000.04, divided into 4,500,000 no-par-value bearer or – insofar as the company's articles of incorporation allow for the issue of registered shares at the time of issuance – registered shares (Contingent Capital 2013).

The implementation of the capital increase is conditional upon

- exercise by the holders or creditors of convertible bonds or warrants of optional bonds (or a combination thereof) issued or guaranteed by INDUS Holding AG or its Group companies by June 23, 2018 pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on June 24, 2013, of such convertible bonds or warrants;
- or fulfillment by the obligated parties of obligations to exercise/convert convertible bonds or optional bonds issued or guaranteed by the company or its Group companies through the date June 23, 2018 pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on June 24, 2013;
- and contingent capital being required in accordance with the terms of the convertible bonds or option bonds.

RESERVES AND CONSOLIDATED NET INCOME AVAILABLE FOR DISTRIBUTION

The development of reserves is presented in the statement of changes in equity and includes INDUS Holding AG's additional paid-in capital. As of the reporting date the equity ratio was 42.4 % (previous year: 41.9 %).

INTERESTS ALLOCABLE TO NON-CONTROLLING SHAREHOLDERS

Interests held by non-controlling shareholders essentially consist of the non-controlling interests in the limited liability companies WEIGAND Bau GmbH and subsidiaries of ROLKO-Kohlgrüber GmbH. Non-controlling interests in limited partnerships and limited liability companies, for which the economic ownership of the corresponding non-controlling interests had already been passed on under reciprocal option agreements, are shown under other liabilities [30].

APPROPRIATION OF DISTRIBUTABLE PROFIT

The Board of Management will propose to the Annual Shareholders' Meeting that the following dividend payments be made from INDUS Holding AG's accumulated earnings:

Payment of a dividend of EUR 1.35 per no-par-value share (previous year: EUR 1.20 per share). With 24,450,509 shares (previous year: 24,450,509 shares), this equates to a payment of EUR 33,008,187.15 (previous year: EUR 29,340,610.80). The full text of the dividend proposal is published separately.

The proposed dividend was not recognized in the balance sheets and there are no tax consequences.

OTHER EARNINGS

CHANGE IN OTHER RESERVES (IN EUR '000)

	JAN. 1, 2015	OTHER RESULT 2015	DEC. 31, 2015	OTHER RESULT 2016	DEC. 31, 2016
Reserve for currency translation	5,500	4,608	10,108	-2,191	7,917
Pension provisions (actuarial gains/losses)	-9,851	-683	-10,534	-960	-11,494
Deferred taxes for pensions	2,837	282	3,119	284	3,403
Reserve for cash flow hedges	-7,414	2,454	-4,960	1,575	-3,385
Deferred taxes for cash flow hedges	1,169	-388	781	-249	532
Total other reserves	**-7,759**	**6,273**	**-1,486**	**-1,541**	**-3,027**

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

CAPITAL MANAGEMENT

INDUS Holding AG manages capital so as to increase return on equity and ensure the INDUS Group has adequate liquidity and good credit standing. The ratio of equity to interest-bearing total capital, consisting of interest-bearing debt and equity, is constantly optimized to the same end. Interest-bearing debt capital comprises provisions for pensions and financial liabilities, less cash and cash equivalents, and amounts to EUR 405,571,000 (previous year: EUR 384,411,000). Taking equity in the statement of financial position into account, total capital comes to EUR 1,050,139,000 (previous year: EUR 979,841,000). Relative to total interest-bearing capital employed, the equity ratio is 61.4 % (previous year: 60.8 %).

The increase in total capital by EUR 70,298,000 (previous year: EUR 56,970,000) resulted from an increase in equity by EUR 49,138,000 (previous year: EUR 45,559,000) and an increase in debt by EUR 21,160,000 (previous year: increase by EUR 11,411,000). The reinvested capital enhances INDUS' solid capital base.

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

[27] Pensions

STATEMENT OF INCOME (IN EUR '000)

	2016	2015	CHANGE
Current service cost	401	422	-21
Interest cost	680	701	-21
Income from plan assets	-62	-75	13
Cost of defined benefit obligation	**1,019**	**1,048**	**-29**
+ defined contribution plan cost	3,564	3,749	-185
= cost of pension commitments for the period carried on the statement of income	**4,583**	**4,797**	**-214**

BALANCE SHEET VALUES (IN EUR '000)

	2016	2015	CHANGE
Present value of benefit obligations financed by provisions	29,020	28,055	965
Present value of funded benefit obligations	2,864	2,799	65
DBO: accumulated benefit obligations	**31,884**	**30,854**	**1,030**
Market value of plan assets	-2,864	-2,799	-65
Net obligation = provisions	**29,020**	**28,055**	**965**
Actuarial gains/losses	-11,494	-10,534	-960
Opening balance: amount carried on the statement of financial position as of January 1	**28,055**	**27,174**	**881**
Pension obligation expenses	1,019	1,048	-29
Pension payments	-1,014	-872	-142
Actuarial gains/losses realized in equity	960	683	277
Change of scope in consolidation/Netting out	0	22	-22
Closing balance: amount carried on the statement of financial position as of December 31	**29,020**	**28,055**	**965**
Underlying assumptions in percent:			
Discount rate	2.00	2.25	
Salary trend	2.50	2.50	
Pension trend	1.75	1.75	
Expected income from plan assets	2.00	2.25	

Interest expenses are stated in the item "Net interest." The anticipated income from plan assets essentially corresponds to actual income.

The defined benefit plans are associated with actuarial risks, such as the longevity risk and interest rate risk. An increase or reduction in the discounting factor by 0.5 percentage points would reduce net obligations by EUR 2,150,000 (previous year: EUR 2,188,000) or increase them by EUR 2,418,000 (previous year: EUR 2,271,000).

Payments amounting to EUR 1,254,000 are anticipated in 2017 in connection with retirement benefits (in 2015 for 2016: EUR 1,184,000).

Plan assets consist solely of reinsurance policies. Plan assets developed as follows:

in EUR '000	2016	2015
Assets as of January 1	**2,799**	**2,297**
Expected return on plan assets	62	75
Ongoing provider contributions	52	52
Pensions paid	-148	-146
Change of scope in consolidation	0	461
Netting out/Other	99	60
Assets as of December 31	**2,864**	**2,799**

The statement of financial position also includes reimbursement claims totaling EUR 1,184,000 (previous year: EUR 1,166,000).

[28] Other Provisions

Other provisions include interest in the amount of EUR 83,000 (previous year: EUR 64,000).

PROVISIONS 2016 (IN EUR '000)

	OPENING BALANCE JAN. 1, 2016	CHANGE IN SCOPE OF CONSOLI-DATION	USED	LIQUI-DATION	ADDITIONS/ NEWLY CREATED	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2016
Sales and purchasing obligations	28,205	876	18,722	2,513	22,683	-64	30,465
Personnel expenses	20,573	875	16,545	547	18,414	7	22,777
Other provisions	15,402	291	11,038	1,647	11,981	-436	14,553
Total	**64,180**	**2,042**	**46,305**	**4,707**	**53,078**	**-493**	**67,795**

Liabilities from sales activities include provisions for warranties based on legal or de facto obligations, obligations for customer bonuses and rebates, as well as estimated values for anticipated invoices. Provisions for personnel expenses are formed for personnel credit hours, service anniversaries, partial retirement, severance commitments, and similar obligations. Other provisions relate to a range of possible individual risks, which are measured in terms of their probability of occurrence. There were no significant expected reimbursements in relation to obligations recognized as per IAS 37.

[29] Financial Liabilities

FINANCIAL LIABILITIES/DERIVATIVES (IN EUR '000)

	DEC. 31, 2016 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		1 YEAR	MORE THAN 1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks				
in the Group's currency EUR	383,907	102,034	253,783	28,090
in Swiss francs	2,695	1,730	965	0
in other currencies	0	0	0	0
Finance leases	8,140	2,414	5,726	0
Promissory note bonds	108,989	7,796	81,186	20,007
Other financial liabilities	0	0	0	0
Total financial liabilities	**503,731**	**113,974**	**341,660**	**48,097**
Derivatives/interest-rate swaps – Nominal values	99,652	34,570	64,827	255

	DEC. 31, 2015 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		1 YEAR	MORE THAN 1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks				
in the Group's currency EUR	383,848	102,511	239,294	42,043
in Swiss francs	3,196	1,820	1,376	0
in other currencies	0	0	0	0
Finance leases	10,305	2,362	7,943	0
Promissory note bonds	90,000	4,225	41,900	43,875
Other financial liabilities	1,202	698	504	0
Total financial liabilities	**488,551**	**111,616**	**291,017**	**85,918**
Derivatives/interest-rate swaps – Nominal values	144,183	44,531	93,064	6,588

[30] Other Liabilities

IN EUR '000	DEC. 31, 2016	CURRENT	NON-CURRENT	DEC. 31, 2015	CURRENT	NON-CURRENT
Accounts payable to outside shareholders	72,758	32,543	40,215	65,949	18,258	47,691
Accounts payable for personnel	15,802	15,799	3	13,746	13,738	8
Derivative financial instruments	3,487	3,487	0	5,077	5,077	0
Advance payments received	20,517	17,008	3,509	9,057	9,057	0
Construction contracts with a negative balance	37,892	37,892	0	30,803	30,803	0
Accrual of non-recurrent payments	9,913	9,913	0	11,757	11,207	550
Accrual of payments not relating to the period under review	1,891	1,429	462	2,478	2,026	452
Investment subsidies	2,545	0	2,545	2,900	0	2,900
Customer credit notes	5,953	5,953	0	6,382	6,382	0
Sundry other liabilities	4,476	3,481	995	2,687	2,516	171
Total	**175,234**	**127,505**	**47,729**	**150,836**	**99,064**	**51,772**

Accounts payable to outside shareholders included EUR 54,889,000 (previous year: EUR 49,611,000) in contingent purchase price liabilities at fair value where non-controlling shareholders could tender their shares to INDUS owing to termination of the articles of incorporation or on the basis of option agreements. During the fiscal year, new purchase price liabilities amounting to EUR 9,576,000 were recognized in expense and EUR 4,190,000 was deducted mainly due to payouts to minori ty shareholders. Purchase price liabilities fluctuated in line with the percentage change in the operating result (EBIT), partially kept in check by upper and lower limits.

OTHER DISCLOSURES

[31] Information on the Statement of Cash Flows

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

IN EUR '000	2016	2015
Net cash transactions attributable to the acquisition of portfolio companies:	-36,110	-46,454
Subject to assumed financial liabilities	6,221	12,128
Net purchase price	**-29,889**	**-34,326**

Cash and cash equivalents include limited-authorization accounts with a balance of EUR 55,000 (previous year: EUR 89,000). Investing and financing transactions amounting to EUR 3,004,000 (previous year: EUR 2,693,000) which had no impact on cash and cash equivalents are not part of the statement of cash flows.

[32] Segment Reporting

SEGMENT INFORMATION FOR THE BUSINESS UNITS

SEGMENT INFORMATION IN ACCORDANCE WITH IFRS 8 (IN EUR '000)

	CONSTRUCTION/ INFRA-STRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCI-LIATION	CONSOLIDATED FINANCIAL STATEMENTS
2016								
Sales revenues with external third parties	274,542	372,164	305,878	147,026	344,363	1,443,973	297	1,444,270
Sales with Group companies	25,677	41,980	49,282	15,890	37,857	170,686	-170,686	0
Sales	**300,219**	**414,144**	**355,160**	**162,916**	**382,220**	**1,614,659**	**-170,389**	**1,444,270**
Segment earnings (EBIT)	**39,235**	**20,271**	**41,387**	**20,153**	**29,917**	**150,963**	**-6,029**	**144,934**
Earnings from equity valuation	173	559	233	0	0	965	0	965
Depreciation/Amortization	**-7,455**	**-19,611**	**-8,318**	**-6,596**	**-13,225**	**-55,205**	**-771**	**-55,976**
of which scheduled depreciation	-7,455	-19,611	-8,318	-6,596	-13,225	-55,205	-771	-55,976
of which unscheduled depreciation	0	0	0	0	0	0	0	0
Segment EBITDA	**46,690**	**39,882**	**49,705**	**26,749**	**43,142**	**206,168**	**-5,258**	**200,910**
Capital expenditure	**35,350**	**36,902**	**9,659**	**6,199**	**14,491**	**102,601**	**1,282**	**103,883**
of which company acquisition	20,120	8,137	1,318	314	0	29,889	0	29,889
of which at equity	4,030	0	0	0	0	4,030	0	4,030
Dec. 31, 2016								
Shares accounted for using the equity method	4,203	4,371	1,923	0	0	10,497	0	10,497
Goodwill	112,295	75,420	121,902	69,639	29,446	408,702	0	408,702

SEGMENT INFORMATION IN ACCORDANCE WITH IFRS 8 (IN EUR '000)

	CONSTRUCTION/ INFRA-STRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCI-LIATION	CONSOLIDATED FINANCIAL STATEMENTS
2015								
Sales revenues with external third parties	235,460	367,665	293,237	132,348	359,894	1,388,604	253	1,388,857
Sales with Group companies	11,486	39,042	48,263	11,527	40,790	151,108	-151,108	0
Sales	**246,946**	**406,707**	**341,500**	**143,875**	**400,684**	**1,539,712**	**-150,855**	**1,388,857**
Segment earnings (EBIT)	**33,534**	**21,428**	**38,962**	**19,654**	**28,634**	**142,212**	**-5,907**	**136,305**
Earnings from equity valuation	0	487	204	0	0	691	0	691
Depreciation/Amortization	**-6,310**	**-18,162**	**-7,250**	**-5,228**	**-12,384**	**-49,334**	**-769**	**-50,103**
of which scheduled depreciation	-6,310	-18,162	-7,250	-5,228	-12,384	-49,334	-769	-50,103
of which unscheduled depreciation	0	0	0	0	0	0	0	0
Segment EBITDA	**39,844**	**39,590**	**46,212**	**24,882**	**41,018**	**191,546**	**-5,138**	**186,408**
Capital expenditure	**8,942**	**26,891**	**16,826**	**32,331**	**21,778**	**106,768**	**612**	**107,380**
of which company acquisition	2,446	0	7,995	23,885	0	34,326	0	34,326
Dec. 31, 2015								
Shares accounted for using the equity method	2,215	4,132	1,689	0	0	8,036	0	8,036
Goodwill	103,074	71,499	121,305	69,477	29,447	394,802	0	394,802

RECONCILIATION (IN EUR '000)

	2016	2015
Segment earnings (EBIT)	**150,963**	**142,212**
Areas not allocated, incl. holding company	-6,266	-5,891
Consolidations	237	-16
Net interest	-21,556	-27,010
Earnings before taxes	**123,378**	**109,295**

The classification of segments corresponds unchanged to the current status of internal reporting. The information relates to continuing activities. The companies are allocated to the segments on the basis of their selling markets insofar as the bulk of their product range is sold in that market environment (Automotive Technology, Medical Engineering/Life Science). Otherwise they are classified by common features in their production structure (Construction/Infrastructure, Engineering, Metals Technology). The reconciliations contain the figures of the holding company, non-operational units not allocated to any segment, and consolidations. See the discussion provided in the management report regarding the products and services that generate segment sales.

The central control variable for the segments is operating earnings (EBIT) as defined in the consolidated financial statements. The segment information has been ascertained in compliance with the reporting and valuation methods that were applied during the preparation of the consolidated financial statements. The transfer prices between the segments are based on market prices.

SEGMENT INFORMATION BY REGION

Sales are broken down by region in relation to our selling markets. Further classification of our diverse foreign activities by country is not expedient, as no country outside of Germany accounts for 10 % of Group sales.

Non-current assets, less deferred taxes and financial instruments, are based on the domiciles of the respective companies. Further differentiation is not expedient, as the majority of companies are domiciled in Germany.

Due to INDUS's diversification policy there were no individual product or service groups and no individual customers that accounted for more than 10 % of sales.

IN EUR '000	GROUP	GERMANY	EU	THIRD COUNTRIES
2016				
Sales revenues with external third parties	1,444,270	735,486	332,049	376,735
Dec. 31, 2016				
Non-current assets, less deferred taxes and financial instruments	868,248	732,990	41,190	94,068
2015				
Sales revenues with external third parties	1,388,857	708,993	305,621	374,243
Dec. 31, 2015				
Non-current assets, less deferred taxes and financial instruments	802,436	685,471	40,947	76,018

[33] Information on the Significance of Financial Instruments

FINANCIAL INSTRUMENTS DEC. 31, 2016 (IN EUR '000)

	BALANCE SHEET VALUE	IFRS 7 NOT APPLICABLE	FINANCIAL INSTRUMENTS IFRS 7	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
Financial assets	12,214	0	12,214	0	12,214
Cash and cash equivalents	127,180	0	127,180	0	127,180
Accounts receivable	177,626	12,689	164,937	0	164,937
Other assets	19,453	9,798	9,655	860	8,795
Financial instruments: Assets	**336,473**	**22,487**	**313,986**	**860**	**313,126**
Financial liabilities	503,731	0	503,731	0	503,731
Trade accounts payable	55,409	0	55,409	0	55,409
Other liabilities	175,234	74,313	100,921	49,531	51,390
Financial instruments: Equity and liabilities	**734,374**	**74,313**	**660,061**	**49,531**	**610,530**

FINANCIAL INSTRUMENTS DEC. 31, 2015 (IN EUR '000)

	BALANCE SHEET VALUE	IFRS 7 NOT APPLICABLE	FINANCIAL INSTRUMENTS IFRS 7	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
Financial assets	19,272	0	19,272	0	19,272
Cash and cash equivalents	132,195	0	132,195	0	132,195
Accounts receivable	160,744	5,585	155,159	0	155,159
Other assets	18,436	3,045	15,391	461	14,930
Financial instruments: Assets	**330,647**	**8,630**	**322,017**	**461**	**321,556**
Financial liabilities	488,551	0	488,551	0	488,551
Trade accounts payable	46,748	0	46,748	0	46,748
Other liabilities	150,836	58,695	92,141	51,688	40,453
Financial instruments: Equity and liabilities	**686,135**	**58,695**	**627,440**	**51,688**	**575,752**

The fair value of the financial liabilities amounts to EUR 511,100,000 (previous year: EUR 498,142,000). The fair value of all other financial instruments that are carried at amortized costs is equivalent to the amortized costs or differs only negligibly from them.

FINANCIAL INSTRUMENTS BY IAS 39 VALUATION CATEGORY (IN EUR '000)

	CARRYING AMOUNT		NET GAINS/LOSSES	
	DEC. 31, 2016	DEC. 31, 2015	2016	2015
Measured at fair value through profit and loss				
for trading purposes	860	461	399	-125
designated instrument	0	0	0	0
Financial investments held to maturity	0	0	0	0
Loans and receivables	310,608	321,246	786	326
Available-for-sale financial assets	2,518	310	67	19
Financial instruments: Assets	**313,986**	**322,017**	**1,252**	**220**
Measured at fair value through profit and loss				
for trading purposes	49,531	51,688	-22	-1
designated instrument	0	0	0	0
Financial liabilities measured at their residual carrying amounts	610,530	575,752	692	469
Financial instruments: Equity and liabilities	**660,061**	**627,440**	**670**	**468**

Available-for-sale financial assets are long-term financial investments for which no pricing on an active market is available and the fair value of which cannot be reliably determined. These are carried at cost.

Total interest income and expenses for financial instruments not measured at fair value through profit and loss amount to EUR -14,466,000 (previous year: EUR -16,239,000).

TYPE AND SCOPE OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS

Principles of financial risk management

In keeping with the philosophy of INDUS Holding AG, the assessment and management of operating risks is the responsibility of the portfolio companies and their management. The holding company calculates and monitors the overall financing need on the basis of the local risk assessment and the investment and financing plans of the respective portfolio companies. In principle, those risks which have an impact on the Group's cash flow are hedged. Such risks are hedged using non-derivative and derivative financial instruments, with the latter being transacted solely for hedging purposes.

Risk management and financial derivatives

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

Liquidity risk

Basically, the individual portfolio companies finance themselves from their operating results. Transfers are made between INDUS Holding AG and the portfolio companies depending on the liquidity situation. The INDUS Group holds sufficient cash to enable the firm to take action at any time (2016: EUR 127,180,000, previous year: EUR 132,195,000). It also has unused credit lines totaling EUR 28,701,000 (previous year: EUR 38,181,000).

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

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

CASH OUTFLOWS (IN EUR '000)

	DEC. 31, 2016			DEC. 31, 2015		
	1 YEAR	MORE THAN 1 TO 5 YEARS	MORE THAN 5 YEARS	1 YEAR	MORE THAN 1 TO 5 YEARS	MORE THAN 5 YEARS
Interest rate derivatives	1,852	2,397	9	2,567	3,781	112
Total derivative financial instruments	**1,852**	**2,397**	**9**	**2,567**	**3,781**	**112**
Financial liabilities	124,944	360,664	49,316	121,777	310,657	88,442
Trade accounts payable	55,409	0	0	46,748	0	0
Other liabilities	127,505	45,184	2,545	99,064	48,872	2,900
Total financial instruments	**307,858**	**405,848**	**51,861**	**267,589**	**359,529**	**91,342**

Cash flows consist of principal payments and their respective interest. In the previous year they also included interest payments on derivatives with a positive market value which act as commercial hedges for the financial liabilities. The accumulated payment flows from financial liabilities and interest rate derivatives result in the payment flow from corresponding fixed-term loans.

Default risk

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

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

A concentration of default risks arising from business relationships exists in the Automotive Technology segment and results from the segment's oligopolistic customer structure. The overall portfolio of trade accounts receivable shows that 11 customers (previous year: 7) each accounted for more than 1 % of Group sales. This equates to a share of about 32 % of open items as recognized in the consolidated financial statements (previous year: 25 %). The ten largest customers accounted for approximately 29 % of consolidated sales (previous year: approximately 31 %).

Furthermore, there are accounts receivable from customers and associated companies which are overdue but have had no valuation allowances carried out for them. There are generally no major payment defaults with due dates of up to three months, since overdue payments largely result from timing differences in their booking. Since trade accounts receivable were not subjected to valuation allowances and were not overdue, there were no indications as of the reporting date that the debtors may not be able to meet their payment obligations.

ACCOUNTS RECEIVABLE FROM CUSTOMERS AND ASSOCIATED COMPANIES (IN EUR '000)

	2016	2015
Amount carried in the statement of financial position*	164,937	155,159
+ valuation allowances contained therein	7,011	6,278
= gross value of accounts receivable before valuation allowances	171,948	161,437
of which as per reporting date		
neither impaired nor overdue	132,060	119,313
not impaired and overdue by the following periods:		
less than 3 months	30,607	32,583
3 to 6 months	1,758	1,295
6 to 9 months	1,047	594
9 to 12 months	284	766
over 12 months	1,516	1,227

* excluding receivables from production orders per IAS 11

Interest rate risk

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

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

Changes in market values have an impact on the presentation of the net assets, financial and earnings position, depending on the valuation categories of the underlying financial instruments.

The following table shows interest rate sensitivity given a parallel shift in the rate curve by 100 basis points (BP):

MARKET PRICE RISK SENSITIVITY ANALYSIS (IN EUR '000)

	DEC. 31, 2016		DEC. 31, 2015	
	+ 100 BP	- 100 BP	+ 100 BP	- 100 BP
Market value of derivatives	1,593	-1,662	2,695	-2,825
of which equity/ hedges	1,586	-1,655	2,670	-2,799
of which interest expenses per statement of income	7	-7	25	-26
Market value of loans	12,225	-12,864	11,117	-11,742
Total market value	**13,818**	**-14,526**	**13,812**	**-14,567**

Since, from a commercial point of view, interest rate risks are almost completely hedged, changes in the interest rates of variable-interest financial liabilities and derivative financial instruments would offset each other. This means that future cash flows will not be significantly affected.

Currency risk

Currency risks basically result from the operating activities of the Group companies and financing transactions between the foreign portfolio companies and the respective proprietary companies. Risk analyses are carried out on a net basis, while hedges are concluded by the portfolio companies on a case-by-case basis in accordance with the philosophy of commercial autonomy. The instruments employed are forward exchange transactions and suitable options.

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

Assuming that the exchange rates of all foreign currencies were to rise by 10 % against the euro as of the reporting date, net income from currency translation would not materially change.

HEDGE ACCOUNTING

Hedging Measures

As of the reporting date, currency hedging accounted for a nominal volume of EUR 27,027,000 (previous year: EUR 19,339,000). Most of this currency hedging consisted of transactions in US dollars, Swiss francs and Chinese renminbi (previous year: US dollars and Swiss francs only). Hedging contracts have a market value of EUR 795,000 (previous year: EUR 455,000).

Interest-rate hedging accounts for a nominal volume of EUR 99,652,000 (previous year: EUR -144,184,000). Market values amounted to EUR -3,412,000 (previous year: EUR -5,076,000). Further details on terms and maturities are included in the report on financial liabilities.

[34] Collateral Furnished

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

PLEDGED ASSETS (IN EUR '000)

	2016	2015
Land charges	22,255	25,788
Securities collateral	1,705	1,705
Other collateral	620	243
Total collateral	**24,580**	**27,736**

[35] Contingent Liabilities

Obligations from guarantees exist in the amount of EUR 14,806,000 (previous year: EUR 10,547,000). These include external obligations which INDUS Holding AG assumed in connection with the business activities of the portfolio companies. Currently, it is extremely unlikely that the beneficiaries would utilize the guarantees.

[36] Other Financial Obligations

Other financial obligations from rental, tenancy, and operating lease agreements are reported as the sum totals of the amounts which fall due by the earliest cancellation date:

IN EUR '000	2016	2015
Up to 1 year	15,063	15,218
Between 1 and 5 years	31,784	33,660
More than 5 years	21,418	22,582
Total	**68,265**	**71,460**

Operating lease installments in the year under review amounted to EUR 15,879,000 (previous year: EUR 15,681,000).

Obligations arising from purchase commitments for non-current assets amount to EUR 20,543,000 (previous year: EUR 6,831,000), of which property, plant and equipment account for EUR 20,431,000 (previous year: EUR 6,603,000), with intangible assets accounting for EUR 112,000 (previous year: EUR 228,000).

Real estate leases are concluded with clauses allowing for the adjustment of the lease installments based on the development of price indices. The contracts regularly contain purchase options.

The following overview shows amounts from finance leases payable in the future:

IN EUR '000	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
2016				
Lease installments	2,622	5,996	0	8,618
Interest component	209	271	0	480
Carrying amount/ present value	2,413	5,725	0	8,138
2015				
Lease installments	2,659	8,417	1	11,077
Interest component	297	474	0	771
Carrying amount/ present value	2,362	7,943	1	10,306

Favorable purchase options generally exist for the corresponding assets, which, as far as we know, will also be exercised. The purchase prices are fixed and there are no price adjustment clauses. The applicable contract interest rates remained between 2.5 % and 7.5 %. There were no rental payments, contingent or otherwise, from subleases.

[37] Related Party Transactions

MEMBERS OF MANAGEMENT IN KEY POSITIONS AND AFFILIATED PERSONS

As the INDUS Group is structured, members of management in key positions include the Supervisory Board (six members in 2016 and six members in 2015), the Board of Management at INDUS Holding AG (2016: three persons, previous year: three persons), and the managing directors of the operating units (2016: 112 persons, previous year: 109 persons).

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

COMPENSATION OVERVIEW (IN EUR '000)

	PERIOD EXPENSE	OF WHICH WAGES AND SALARIES"	OF WHICH SAR*	OF WHICH SEVERANCE	OF WHICH PENSIONS
2016					
INDUS Holding AG					
Supervisory Board	338	338	0	0	0
Board of Management**	2,220	1,940	280	0	0
Subsidiaries					
Managing directors	20,295	19,589	0	364	342
Family members	304	304	0	0	0
Total	**23,157**	**22,171**	**280**	**364**	**342**
2015					
INDUS Holding AG					
Supervisory Board	322	322	0	0	0
Board of Management**	2,186	1,906	280	0	0
Subsidiaries					
Managing directors	18,375	17,621	0	480	274
Family members	671	671	0	0	0
Total	**21,554**	**20,520**	**280**	**480**	**274**

* SAR = stock appreciation rights = virtual share options
** The received compensation is listed for the Board of Management

In 2016, 11 family members of shareholders or managing directors were employed at portfolio companies (previous year: 13 persons).

REMUNERATION OF THE SUPERVISORY BOARD

The Supervisory Board's compensation was redetermined by the Annual Shareholders' Meeting of INDUS Holding AG in July 2010. It is governed by Item 6.16 of the articles of incorporation. In addition to reimbursement of out-of-pocket expenses incurred in performing their duties in the fiscal year ended, all Supervisory Board members receive basic compensation of EUR 30,000 along with an attendance fee of EUR 3,000 per meeting. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. The Supervisory Board held five meetings in 2016 and four meetings in 2015.

REMUNERATION OF THE BOARD OF MANAGEMENT

The intention of the German Management Board Remuneration Act (VorstAG) newly adopted in August 2009 is that listed companies should make greater use of incentives for sustainable corporate development when setting the remuneration for their management board members in future. This obliged INDUS Holding AG to restructure the variable remuneration components for Board of Management members.

The long-term incentive plan was implemented as of January 1, 2010, offering SARs (Stock Appreciation Rights). These stock appreciation rights represent a commitment by INDUS Holding AG to pay the holder an amount determined by the difference between the exercise price and current market price of company shares upon option exercise. 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 option terms stipulate a maximum limit (cap) to the payment amount accruing to the holder. SARs may only be exercised if the share price has risen by a certain percentage above the option strike price at the time of exercise (payout threshold). Members of the Board of Management receive no payout if the payout threshold is not exceeded. SARs are subject to a restriction period of four years from the tranche allocation date. They cannot be exercised during the restriction period. The exercise period immediately following the statutory waiting period amounts to two years.

The number of SARs granted to Board of Management members in annual tranches is determined based on the option price at the grant date and the contractually specified target price. In fiscal 2016, 40,241 SARs were granted (previous year: 65,636). On the date on which they were granted, the total fair value of the SARs was EUR 280,000 (previous year: EUR 280,000). The stock of SARs granted up to December 31, 2016 amounted to 277,152 (previous year: 395,775). The fair value of previously granted SARs was calculated at a total of EUR 1,974,000 at the reporting date (previous year: EUR 2,248,000). A provision in this amount was formed in the annual financial statements. Personnel expenses include the EUR 567,000 change in fair value before discounting (previous year: EUR 1,486,000). The time value calculation is based on an option-price model of Black/Scoles and reasonable volatility on the part of INDUS, along with a risk-free interest rate that takes the capping of payment claims into account.

In the event of a material change in the composition of the Supervisory Board and the company's business approach (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. If contracts are terminated extraordinarily or the Board of Management is dismissed within one year of a change of control, without good cause as defined in Section 626 of the German Civil Code (BGB), the company will pay out severance to the members of the Board of Management. This will be based on the member's full compensation, including all fixed and variable remuneration components and non-cash benefits. Severance payments will be paid for a maximum of the period through the end of their employment contracts, or a total period of two fiscal years if the regular end of the contract differs from this period.

For the 2016 and the 2015 fiscal year, the compensation paid to the members of the Board of Management of INDUS Holding AG comprised fixed basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program), and stock-based compensation in the form of virtual stock options (long-term incentive program).

In total, the members of the Board of Management were paid EUR 2,220,000 (previous year: EUR 2,186,000). Of that, EUR 1,330,000 was in fixed remuneration (previous year: EUR 1,296,000), EUR 610,000 to short-term variable remuneration (previous year: EUR 610,000), and EUR 280,000 to virtual stock options (previous year: EUR 280,000). See the explanations provided in the Corporate Governance Code in the management report regarding the individual Board of Management remunerations.

OTHER RELATIONS

INDUS Group transactions with persons or companies which control or are controlled by the INDUS Group must be disclosed insofar as they have not already been included in the consolidated financial statements as a consolidated company. Affiliated companies are the companies in the consolidated financial statements accounted for using the equity method. The other categories concern management members in key positions and their family members. There were no business relations with members of the Board of Management or with their family members in either of the two fiscal years.

RELATED PARTY TRANSACTIONS (IN EUR '000)

	SALES AND OTHER OPERATING INCOME	GOODS PURCHASED	OTHER PURCHASES*	OPEN ITEMS	LOANS GRANTED
2016					
Related companies	2,722	18	456	1,675	5,880
Family members of BoM members and shareholder	0	0	38	0	0
Non-controlling shareholders	0	0	447	0	0
Managing directors of portfolio companies	1,484	1,006	2,092	28	0
Total related party transactions	**4,206**	**1,024**	**3,033**	**1,703**	**5,880**
2015					
Related companies	21,923	27	472	7,656	2,254
Family members of BoM members and shareholders	0	0	38	0	0
Non-controlling shareholders	2	0	373	2	2
Managing directors of portfolio companies	1,491	579	2,119	1	0
Total related party transactions	**23,416**	**606**	**3,002**	**7,659**	**2,256**

* Interest, rent, consulting service

[38] Employees

AVERAGE NUMBER OF EMPLOYEES IN THE FISCAL YEAR

	2016	2015
Employees per region		
Germany	6,999	6,447
Europe (EU & Switzerland)	1,277	856
Rest of world	1,175	1,031
Total	**9,451**	**8,334**
Employees per segment		
Construction/Infrastructure	1,466	1,183
Automotive Technology	3,454	3,285
Engineering	1,585	1,436
Medical Engineering/Life Science	1,480	1,010
Metals Technology	1,439	1,395
Other	27	25
Total	**9,451**	**8,334**

[39] Cost of the Annual Financial Statements and Audits of the Consolidated Financial Statements

The accounting and law firm Ebner Stolz GmbH & Co. KG charged a fee of EUR 243,000 (previous year: EUR 224,000) for auditing the financial statements, of which EUR 18,000 for previous years, EUR 5,000 for other confirmation and valuation services (previous year: EUR 5,000), and EUR 4,000 for other services (previous year: EUR 6,000).

[40] German Corporate Governance Code

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Board of Management and the Supervisory Board submitted a German Corporate Governance Code declaration in December 2016 and made it available to shareholders on the INDUS Holding Aktiengesellschaft website (www.indus.de).

[41] Exemptions Applied in Accordance With Section 264 (3) and Section 264B of the German Commercial Code (HGB)

In the complete list of shareholdings recorded in the electronic commercial register in accordance with Section 313 of the German Commercial Code (HGB), which constitutes part of the Notes to the consolidated financial statements, the subsidiaries are listed to which exemption from disclosure duties has been applied in accordance with Section 264 (3) and Section 264b of the German Commercial Code (HGB) as of December 31, 2016.

[42] Events After the Reporting Date

Pursuant to a contract dated January 31, 2017, INDUS Holding AG acquired 76% of the shares in M+P INTERNATIONAL Mess- und Rechnertechnik GmbH, Hanover. The M+P group is a provider of measurement and test systems for vibration testing and analysis, employs 63 employees, and in 2016 generated EUR 12 million in sales according to a preliminary estimate.

Bergisch Gladbach, March 21, 2017

INDUS Holding AG
The Board of Management

Jürgen Abromeit   Dr. Johannes Schmidt   Rudolf Weichert

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles as of December 31, 2016, the consolidated financial statements give a true and fair view of the assets, financial, and earnings position of the Group, and the combined management report for the 2016 fiscal year includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bergisch Gladbach, March 21, 2017

The Board of Management

Jürgen Abromeit Dr. Johannes Schmidt

DIVIDEND PROPOSAL

The following proposal will be submitted to the Annual Shareholders' Meeting regarding the appropriation of the balance sheet profit for the 2016 fiscal year to the amount of EUR 77,251,142.37:

Payment of a dividend of EUR 1.35 per no-par-value share (24,450,509) to the capital stock of EUR 63,571,323.62	33,008,187.15
Transfer to other revenue reserves	42,500,000.00
Earnings carried forward	1,742,955.22
Balance sheet profit	77,251,142.37

Bergisch Gladbach, March 21, 2017

The Board of Management

Jürgen Abromeit   Dr. Johannes Schmidt   Rudolf Weichert

REPORT OF THE INDEPENDENT GROUP AUDITORS

We have audited the consolidated financial statements drawn up by **INDUS Holding Aktiengesellschaft, Bergisch Gladbach** – consisting of the consolidated income statement, statement of income and accumulated earnings, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, and notes – along with the combined Group management report for the financial year from January 1 to December 31, 2016. These consolidated financial statements and the Group management report drawn up in accordance with IFRS as applicable in the EU, the commercial rules applicable pursuant to Sec. 315a, Para. 1 of the German Commercial Code (HGB), and the supplementary provisions included in the articles of association are the responsibility of the company's legal representatives. Our responsibility is to make a judgment on these consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and in observance of the German generally accepted standards for the audit of financial statements established by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements according to the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the company's business activities, its economic and legal environment, and expectations as to possible errors are taken into account in the determination of audit procedures. For purposes of the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on the basis of random samples. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, definition of the scope of consolidation, the accounting and consolidation principles that are applied, significant estimates made by the company's legal representatives, and evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any reservations.

In our opinion, based on the results of our audit, the consolidated financial statements are in compliance with IFRS as applicable in the E.U., the additional commercial provisions that are applicable according to Sec. 315a, Para. 1 HGB, and the supplementary provisions of the articles of association, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined Group management report on the state of the company and Group is consistent with the consolidated financial statements, complies with the provisions of law, conveys on the whole an accurate picture of the state of the Group, and accurately describes the opportunities and risks of future development.

Cologne, March 22, 2017

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Werner Holzmayer	Marcus Lauten
Auditor	Auditor

FURTHER INFORMATION ON THE BOARD MEMBERS

The Supervisory Board of the INDUS Holding AG

HELMUT SPÄTH

Business graduate (Dipl.-Kfm.), Deputy CEO of Versicherungskammer Bayern Versicherungsanstalt des öffentlichen Rechts, Munich

CHAIRMAN

Other mandates, in accordance with Section 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):
— ifb AG, Cologne, Chairman of the Supervisory Board
— Bayerische Beamtenkasse AG, Munich*, Chairman of the Supervisory Board
— Saarland Feuerversicherung AG, Saarbrücken*
— Saarland Lebensversicherung AG, Saarbrücken*

* These mandates are group companies of the insurance company Versicherungskammer Bayern

DR. JÜRGEN ALLERKAMP

Fully qualified lawyer, CEO of Investitionsbank Berlin, Berlin

DEPUTY CHAIRMAN

Other mandates, in accordance with Section 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):
— Neue Dorint GmbH, Cologne, Chairman of the Supervisory Board (until December 31, 2016)
— BPWT Berlin Partner für Wirtschaft und Technologie GmbH, Berlin, Deputy Chairman of the Supervisory Board
— IBB Beteiligungsgesellschaft mbH, Berlin**

** This mandate is a group company of Investitionsbank Berlin

DR. RALF BARTSCH

Fully qualified lawyer, Management Board Spokesperson for the Brüder Schlau Group, Porta Westfalica

DR. DOROTHEE BECKER

Economics graduate, Management Board Spokesperson for the Gebrüder Becker Group, Wuppertal

HANS JOACHIM SELZER

Engineer (Dipl.-Wirtschafts-Ing.), Driedorf
Other mandates, in accordance with Section 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):
— Herborner Pumpenfabrik J.H. Hoffmann GmbH & Co. KG, Herborn (until November 5, 2016)

CARL MARTIN WELCKER

Engineer (Dipl.-Ing), Managing Director of Alfred H. Schütte GmbH & Co. KG, Cologne

The Board of Management of the INDUS Holding AG

JÜRGEN ABROMEIT

Georgsmarienhütte

CEO

Other mandates in advisory councils:
— NORD/LB economic council, Hannover
— Düsseldorf stock exchange economic council (until December 31, 2016)
— SME Initiative Group, DZ Bank, Frankfurt/Düsseldorf
— Regional Advisory Council West, Commerzbank, Frankfurt

DR.-ING. JOHANNES SCHMIDT

Bergisch Gladbach

RUDOLF WEICHERT

Business graduate (Dipl.-Kfm.), Erkrath
Other mandats in advisory councils:
— Stock exchange council Börse Düsseldorf (since January 1, 2017)

INVESTMENTS OF THE INDUS HOLDING AG

BY SEGMENTS	CAPITAL (IN EUR MILLIONS)	INDUS STAKE (IN %)
Construction/Infrastructure		
ANCOTECH AG, Dielsdorf/Switzerland*	4.12**	100
BETOMAX systems GmbH & Co. KG, Neuss	2.03	100
FS-BF GmbH & Co. KG, Reichshof-Hahn*	0.67	100
HAUFF-TECHNIK GmbH & Co. KG, Hermaringen*	1.62	100
H. HEITZ Furnierkantenwerk GmbH & Co. KG, Melle*	4.39	100
MIGUA Fugensysteme GmbH, Wülfrath*	1.69	100
OBUK Haustürfüllungen GmbH & Co. KG, Oelde*	0.52	100
REMKO GmbH & Co. KG Klima- und Wärmetechnik, Lage	1.56	100
SCHUSTER Klima Lüftung GmbH & Co. KG, Friedberg	1.05	100
WEIGAND Bau GmbH, Bad Königshofen i. Grabfeld	1.00	80
WEINISCH GmbH & Co. KG, Oberviechtach	0.53	100
Automotive Technology		
AURORA Konrad G. Schulz GmbH & Co. KG, Mudau*	3.40	100
BILSTEIN & SIEKERMANN GmbH + Co. KG, Hillesheim*	3.11	100
FICHTHORN GmbH & Co. KG, Schwelm	0.65	100
IPETRONIK GmbH & Co. KG, Baden-Baden*	2.54	100
KIEBACK GmbH & Co. KG, Osnabrück*	0.21	100
Konrad SCHÄFER GmbH, Osnabrück*	1.53	100
SELZER Fertigungstechnik GmbH & Co. KG, Driedorf*	7.56	85
SITEK-Spikes GmbH & Co.KG, Aichhalden	1.05	100
S.M.A. Metalltechnik GmbH & Co. KG, Backnang*	2.60	100
WIESAUPLAST Deutschland GmbH & Co. KG, Wiesau*	13.47	100
Engineering		
ASS Maschinenbau GmbH, Overath*	0.57	100
M. BRAUN Inertgas-Systeme GmbH, Garching b. München*	1.92	100
BUDDE Fördertechnik GmbH, Bielefeld*	0.39	75
ELTHERM GmbH, Burbach*	1.01	100
GSR Ventiltechnik GmbH & Co. KG, Vlotho*	0.57	100
HORN GmbH & Co. KG, Flensburg*	6.13	100
IEF-Werner GmbH, Furtwangen in the Black Forest	1.28	75
MBN – Maschinenbaubetriebe Neugersdorf GmbH, Ebersbach-Neugersdorf*	0.74	75
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100

BY SEGMENTS	CAPITAL (IN EUR MILLIONS)	INDUS STAKE (IN %)
Medical Engineering/Life Science		
IMECO GmbH & Co. KG, Hösbach*	0.75	100
MIKROP AG, Wittenbach/Switzerland*	1.13**	100
OFA Bamberg GmbH, Bamberg*	1.55	100
RAGUSE Gesellschaft für medizinische Produkte mbH, Ascheberg*	0.89	70
ROLKO Kohlgrüber GmbH, Borgholzhausen*	0.36	75
Metals Technology		
BACHER AG, Reinach/Switzerland	3.20**	100
BETEK GmbH & Co. KG, Aichhalden*	6.08	100
HAKAMA AG, Bättwil/Switzerland	5.00**	100
Anneliese KÖSTER GmbH & Co. KG, Ennepetal*	2.47	100
MEWESTA Hydraulik GmbH & Co. KG, Münsingen	0.54	100
PLANETROLL GmbH & Co. KG, Munderkingen	0.54	100
Helmut RÜBSAMEN GmbH & Co. KG, Metalldrückerei-Umformtechnik, Bad Marienberg	0.53	90
Karl SIMON GmbH & Co. KG, Aichhalden*	5.08	100
VULKAN INOX GmbH, Hattingen*	1.07	100

* including subsidiaries
** CHF in million

The complete list of shareholdings pursuant to Sec. 313 of the German Commercial Code, which is part of the Notes to the consolidated financial statements, is published electronically together with the consolidated financial statements in the German Federal Gazette.

KEY FIGURES

IN EUR '000	2009	2010	2011	2012	2013	2014	2015	2016
Consolidated Statement of Income								
Sales	766,399	971,585	1,097,125	1,105,271	1,186,785	1,255,723	1,388,857	1,444,270
of which domestic	448,573	537,708	592,907	569,488	611,191	655,198	708,993	735,486
of which abroad	317,826	433,877	504,218	535,783	55,594	600,525	679,864	708,784
Personnel expenses	227,753	265,128	292,129	306,240	322,628	349,010	392,012	430,230
Personnel expenses ratio (personnel expenses as % of sales)	29.7	27.3	26.6	27.7	27.2	27.8	28.2	29.8
Cost of materials	336,985	461,988	544,840	523,555	562,789	598,204	651,562	648,685
Cost of materials ratio (cost of materials as % of sales)	44.0	47.5	49.7	47.4	47.4	47.6	46.9	44.9
EBITDA	102,837	145,032	159,972	151,778	162,270	175,156	186,408	200,910
Depreciation/Amortization	45,780	43,596	46,759	45,818	43,685	47,970	50,103	55,976
EBIT	57,057	101,436	113,213	105,960	118,585	127,186	136,305	144,934
EBIT margin (EBIT as % of sales)	7.4	10.4	10.3	9.6	10.0	10.1	9.8	10.0
Interest	27,575	27,390	22,961	21,093	19,889	26,481	27,010	21,556
EBT	29,481	74,047	90,252	84,867	98,696	100,705	109,295	123,378
Group net income for the year (earnings after taxes)	11,410	46,943	55,635	52,481	63,974	63,314	68,287	80,418
Earnings per share, basic as per IFRS (in EUR)	0.89	2.59	2.75	2.47	3.02	2.74	2.78	3.27
Statement of Financial Position								
Assets								
Intangible assets	306,689	306,644	313,877	310,706	360,493	412,268	453,630	483,008
Property, plant and equipment	238,888	244,460	245,453	253,917	271,833	306,818	334,846	369,331
Inventories	143,102	178,756	222,778	219,058	236,056	265,690	281,612	308,697
Accounts receivable	99,267	117,617	108,422	137,054	156,218	162,091	160,744	177,626
Other assets	32,027	28,772	26,530	41,333	40,383	45,029	56,752	55,762
Cash and cash equivalents	93,506	96,840	123,107	98,710	115,921	116,491	132,195	127,180
Equity and liabilities								
Equity	241,714	309,489	382,095	414,138	515,330	549,872	595,430	644,568
Provisions	47,994	62,211	65,552	68,229	74,566	80,750	92,235	96,815
Financial liabilities	501,846	476,231	434,283	440,497	423,529	462,315	488,550	503,731
Other equity and liabilities	121,925	125,158	158,237	137,914	167,479	215,450	243,563	276,490
Total assets	**913,479**	**973,089**	**1,040,167**	**1,060,778**	**1,180,904**	**1,308,387**	**1,419,778**	**1,521,604**

IN EUR '000	2009	2010	2011	2012	2013	2014	2015	2016
Group equity ratio (equity/total assets) as %	26.5	31.8	36.7	39.0	43.6	42.0	41.9	42.4
Noncurrent financial liabilities	363,501	326,417	322,604	331,146	304,769	367,935	376,935	389,757
Current financial liabilities	138,345	149,814	111,679	109,351	118,760	94,381	111,616	113,974
Net debt (noncurrent and current financial liabilities – cash and cash equivalents)	408,340	379,391	311,176	341,787	307,608	345,824	356,356	376,551
Net debt/EBITDA	4.0	2.6	1.9	2.3	1.9	2.0	1.9	1.9
Trade accounts payable	28,019	36,053	46,056	37,313	45,543	47,942	46,749	55,409
Advance payments and production orders received with balances on the liabilities side	4,988	7,207	16,694	16,016	21,983	30,263	39,860	58,409
Working capital (inventories + trade accounts receivable – trade accounts payable – advance payments – production orders with balance on liabilities side)	209,362	253,113	268,450	302,783	324,748	349,576	355,746	372,505
Net debt/equity	1.7	1.2	0.8	0.8	0.6	0.6	0.6	0.6
Equity ratio (Net debt/Equity) in %	4.7	15.2	14.6	12.7	12.4	11.5	11.5	12.5
Capital expenditure	34,694	52,042	58,259	53,926	100,895	97,156	107,380	103,884
Statement of Cash Flows								
Operating cash flow	106,595	81,903	130,158	68,428	117,411	104,385	157,341	137,945
Cash flows from operating activitie	77,091	54,297	106,238	45,919	97,522	86,961	130,942	114,564
Cash flow from investing activities	-32,709	-38,425	-56,929	-53,525	-99,625	-95,234	-112,768	-104,454
Cash flow from financing activities	-39,126	-13,888	-23,349	-16,523	19,977	8,195	-3,149	-14,938
Cash flow per share (in EUR)	4.20	2.91	5.17	2.07	4.35	3.56	5.36	4.69
Other performance indicators								
XETRA year end price (in EUR)	12.00	21.99	18.86	20.26	29.20	38.11	44.51	51.64
Average number of shares	18,370,033	18,676,200	20,543,819	22,227,737	22,410,431	24,450,509	24,450,509	24,450,509
Number of shares at year end	18,370,033	20,207,035	22,227,737	22,227,737	24,450,509	24,450,509	24,450,509	24,450,509
Market capitalization	220,440	444,353	419,215	450,334	713,955	931,809	1,088,292	1,262,624
Total dividend (in EUR million)	9,185	18,186	22,228	22,228	26,896	29,341	29,341	33,008
Dividend per share (in EUR)	0.50	0.90	1.00	1.00	1.10	1.20	1.20	1.35
Number of portfolio companies	40	40	39	38	40	42	44	44

* Total dividend amount and dividend per share for the fiscal year; dividend proposal for the 2016 fiscal year – to approval at Annual Shareholders' Meeting on May 24, 2017

CONTACT

HEAD OF PUBLIC RELATIONS & INVESTOR RELATIONS
Nina Wolf
Phone: +49 (0)2204/40 0066/73
Julia Pschribülla
Phone: +49 (0)2204/40 0066/66

Fax: +49 (0)2204/40 0020
E-mail: presse@indus.de
E-mail: investor.relations@indus.de

INDUS HOLDING AG
Kölner Straße 32
51429 Bergisch Gladbach

P.O. Box 10 03 53
51403 Bergisch Gladbach

Phone: +49(0)2204/40 000
Fax: +49 (0)2204/40 0020
E-mail: indus@indus.de

www.indus.de

FINANCIAL CALENDAR

March 27, 2017	Publication annual report and annual earnings 2016, press conference, Düsseldorf
March 28, 2017	Analysts' conference on financial year 2016, Frankfurt/Main
May 15, 2017	Interim report Q1 2017
May 24, 2017	Annual Shareholders' Meeting 2017, Cologne
August 14, 2017	Interim report Q2/H1 2017
November 14, 2017	Interim report Q3 2017

IMPRINT

RESPONSIBLE MEMBER OF THE MANAGEMENT BOARD
Jürgen Abromeit

DATE OF PUBLISHING
March 27, 2017

PUBLISHER
INDUS Holding AG, Bergisch Gladbach

CONCEPT/DESIGN
Berichtsmanufaktur GmbH, Hamburg

PHOTOS
Catrin Moritz, INDUS-Gruppe

VIDEOS
Videograph GmbH, Bielefeld

This annual report is also available in german. Both the english and the german versions of the annual report can be downloaded from the internet at www.indus.de under investor relations/annual and interim reports. Only the german version of the annual report is legally binding.

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EUR 300 MILLION

—

PLANNED INVESTMENTS
IN INNOVATION & DEVELOPMENT
FOR THE INDUS GROUP
BY 2020

[INDUS]

INDUS ASSISTS ITS PORTFOLIO COMPANIES

AS A DEVELOPMENT BANK
– FOR INNOVATION
– FOR ACQUISITIONS

AS AN ADVISOR
– THROUGH CONSULTING
– THROUGH NETWORKING

IN INNOVATION MODE

Changes in the markets and new technological possibilities offer INDUS portfolio companies opportunities for growth and further development. To realize these opportunities, they must be willing to follow new paths.

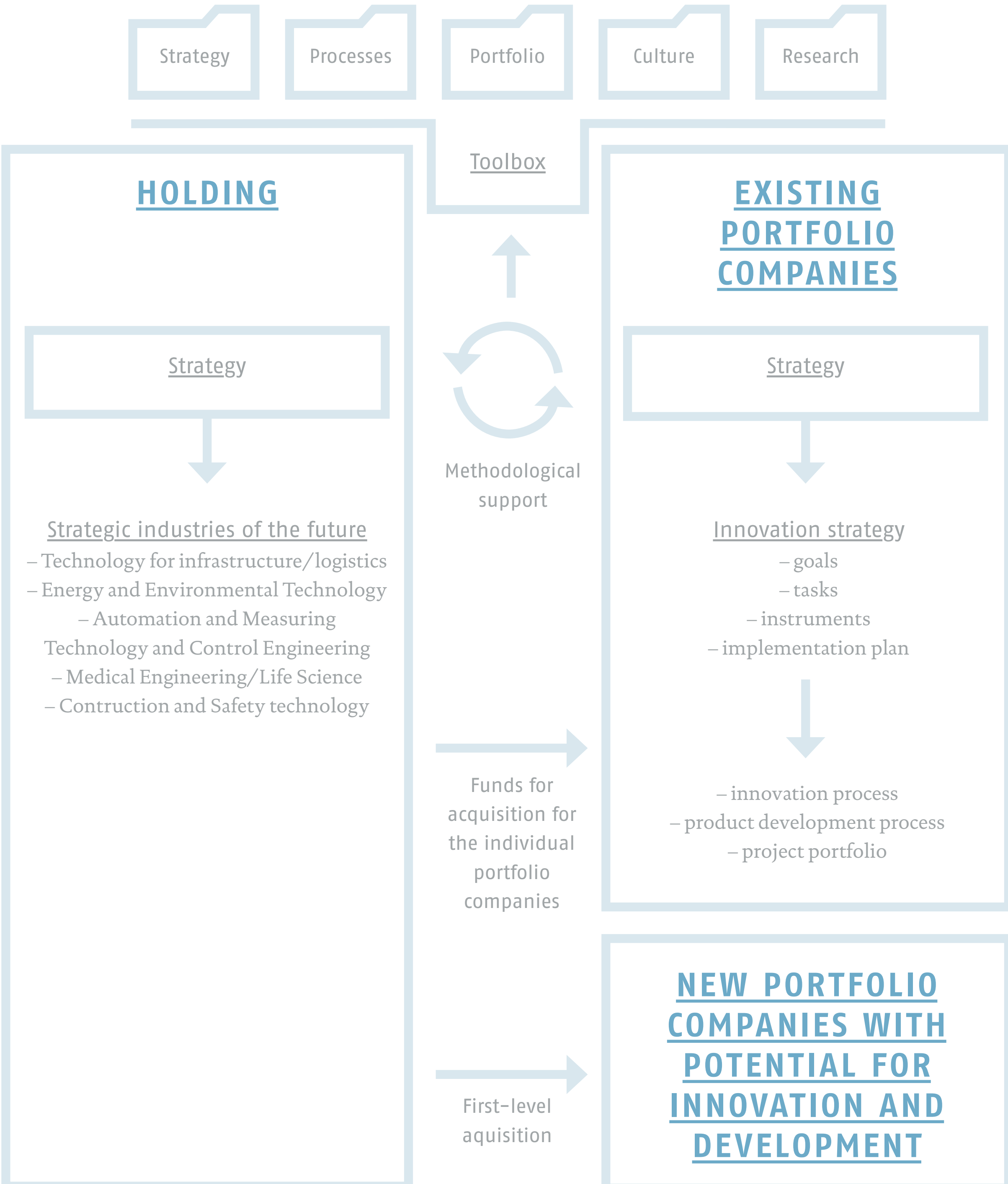
With our “House of Innovation” we have developed for the INDUS portfolio companies a comprehensive support program that they can draw upon at any time. The program includes know-how relating to methods and processes (see p. 24 of the Annual Report), knowledge about markets, technologies and customer categories, access to networks and innovation partners, and the financial support we offer in our capacity as a “development bank”. Numerous companies made use of this program in 2016:

AURORA // BACHER // GSR // HAKAMA // HAUFF-TECHNIK // IEF-Werner // IMECO // IPETRONIK // SELZER // MIGUA // SIMON-Gruppe

OUR GOAL:

TO DEVELOP THE CAPACITY FOR INNOVATION WITHIN THE GROUP AND FOSTER A CULTURE OF INNOVATION IN OUR PORTFOLIO COMPANIES.

No two companies in the INDUS Group are alike. And each portfolio company follows its own path. What they all have in common is their aspiration to be successful. This is an ideal point of commonality for us as a holding company, for here our interests overlap. INDUS is successful if its portfolio companies are successful. Our program of support services enables us to help them be just that with the excellent support capabilities of the holding company.



CONSTRUCTION/INFRASTRUCTURE

DIRECT LINKS TO INDUS PORTFOLIO COMPANIES

19.0 %

EUR 274.5 million
of total sales

The companies in this segment operate in various areas within the construction industry. Their products and services range from reinforcements and construction materials to air conditioning and heating technology along with accessories for private housing construction.

ANCOTECH AG, Dielsdorf
SPECIAL REINFORCEMENTS AND ANCHORAGE TRANSPORT SYSTEMS
Sales 2016: **EUR 34.9 million**
www.ancotech.com

BETOMAX systems GmbH & Co. KG, Neuss
CONCRETE CONSTRUCTION SOLUTIONS
Sales 2016: **EUR 15.4 million**
www.betomax.de

FS-BF GmbH & Co. KG, Reichshof/Hahn
SEALANTS MADE FROM SILICONE AND ACRYLIC
Sales 2016: **EUR 38.0 Million**
www.fsbf.com

NEWCOMER 2016

H. HEITZ Furnierkantenwerk GmbH & Co. KG, Melle
EDGE AND WRAPPING VENEER FOR THE FURNITURE AND CONSTRUCTION INDUSTRIES
Sales 2016: **EUR 16.7 million***
www.h-heitz.de

HAUFF-TECHNIK GmbH & Co. KG, Hermaringen
INNOVATIVE SEALING SYSTEMS FOR CABLES AND PIPES
Sales 2016: **EUR 49.8 Million**
www.hauff-technik.de

MIGUA Fugensysteme GmbH, Wülfrath
SECTION CONSTRUCTION FOR EXPANSION JOINTS
Sales 2016: **EUR 12.7 million**
www.migua.de

OBUK Haustürfüllungen GmbH & Co. KG, Oelde
INDIVIDUAL FRONT DOOR PANELS
Sales 2016: **EUR 26.4 million**
www.obuk.de

REMKO GmbH & Co. KG, Lage
EFFICIENT HEATING TECHNOLOGY
Sales 2016: **EUR 39.8 million**
www.remko.de

SCHUSTER Klima Lüftung GmbH & Co. KG, Friedberg
ENERGY-EFFICIENT VENTILATION AND AIR-CONDITIONING TECHNOLOGY
Sales 2016: **EUR 12.3 million**
www.klima-schuster.de

WEIGAND Bau GmbH, Bad Königshofen im Grabfeld
MODERN PIPELINE AND CABLE DUCT CONSTRUCTION
Sales 2016: **EUR 23.4 million**
www.weigandbau.de

WEINISCH GmbH & Co. KG, Oberviechtach
HIGH-QUALITY POWDER COATING OF METALS
Sales 2016: **EUR 5.2 million**
www.weinisch.de

* SINCE JOINING THE GROUP

AUTOMOTIVE TECHNOLOGY

25.8 %

EUR 372.2 million
of total sales

The companies in this segment provide a broad range of products and services for the automotive industry: from design and model or prototype construction to pilot and small-scale production, from testing and measurement solutions and solutions for specialized vehicles to serial production of components for manufacturers of cars and commercial or special-use vehicles.

AURORA Konrad G. Schulz GmbH & Co. KG, Mudau
HEATING AND AIR-CONDITIONING SYSTEMS FOR COMMERCIAL VEHICLES
Sales 2016: **EUR 44.7 million**
www.aurora-eos.com

BILSTEIN & SIEKERMANN GmbH & Co. KG, Hillesheim
COLD EXTRUSION PARTS, TURNED PARTS AND LOCKING SCREWS
Sales 2016: **EUR 16.3 million**
www.bsh-vs.com

Emil FICHTHORN Metallwarenfabrik GmbH & Co. KG, Schwelm
METAL FORMING AND ASSEMBLY FOR SERIAL PRODUCTION
Sales 2016: **EUR 8.2 million**
www.fichthorn.de

IPETRONIK GmbH & Co. KG, Baden-Baden
MEASUREMENT SYSTEMS AND SERVICES FOR AUTOMOTIVE DEVELOPMENT
Sales 2016: **EUR 38.0 million**
www.ipetronik.com

KIEBACK GmbH & Co. KG, Osnabrück
PROTOTYPE PARTS AND SMALL SERIES FOR THE AUTOMOTIVE INDUSTRY
Sales 2016: **EUR 11.2 million**
www.kieback.de

Konrad SCHÄFER GmbH, Osnabrück
MODEL AND MOLD CONSTRUCTION FOR THE AUTOMOTIVE AND AVIATION INDUSTRIES
Sales 2016: **EUR 24.6 million**
www.konrad-schaefer.de

SELZER Fertigungstechnik GmbH & Co. KG, Driedorf
PRECISION METAL TECHNOLOGY FOR THE SERIAL PRODUCTION OF AUTOMOBILES
Sales 2016: **EUR 79.2 million**
www.selzer-automotive.de

SITEK-Spikes GmbH & Co. KG, Aichhalden
TIRE STUDS AND CARBIDE TOOLS
Sales 2016: **EUR 16.8 million**
www.sitek.de

S.M.A. Metalltechnik GmbH & Co. KG, Backnang
PRODUCTS FOR AUTOMOTIVE AIR-CONDITIONING AND SERVO TECHNOLOGY
Sales 2016: **EUR 81.7 million**
www.sma-metalltechnik.de

WIESAUPLAST GmbH & Co. KG, Wiesau
PRECISION PLASTICS
Sales 2016: **EUR 51.5 million**
www.wiesauplast.de

ENGINEERING

DIRECT LINKS TO INDUS PORTFOLIO COMPANIES

21.2 %

EUR 305.9 million of total sales

The companies in this segment develop complete conveying systems and robotic gripping systems, produce valve technology, automation components (including those used for vehicle assembly), and installations for clean room systems, and design electric heat tracing systems.

ASS Maschinenbau GmbH, Overath
ROBOTIC HANDS AND AUTOMATION SYSTEMS FOR MANUFACTURERS
Sales 2016: **EUR 19.0 million**
www.ass-automation.com

BUDDE Fördertechnik GmbH, Bielefeld
SPECIALIST IN LOGISTICS AND MATERIALS FLOWS
Sales 2016: **EUR 51.3 million**
www.budde-foerdertechnik.de

ELTHERM GmbH, Burbach
SPECIALIST IN ELECTRICAL HEAT TRACING SYSTEMS
Sales 2016: **EUR 27.2 million**
www.eltherm.com

GSR Ventiltechnik GmbH & Co. KG, Vlotho
INNOVATIVE VALVE TECHNOLOGY FOR DEMANDING INDUSTRIAL APPLICATIONS
Sales 2016: **EUR 20.8 million**
www.ventiltechnik.de

HORN TECALEMIT GmbH & Co. KG, Flensburg
REFUELING TECHNOLOGY AND WORKSHOP SOLUTIONS WORLDWIDE
Sales 2016: **EUR 28.5 million**
www.tecalemit.de

IEF-Werner GmbH, Furtwangen
AUTOMATION COMPONENTS AND SYSTEMS
Sales 2016: **EUR 22.1 million**
www.ief-werner.de

MBN Maschinenbaubetriebe Neugersdorf GmbH, Ebersbach-Neugersdorf
SOPHISTICATED SOLUTIONS FOR SPECIAL MACHINERY AND PLANT TECHNOLOGY
Sales 2016: **EUR 63.4 million**
www.mbn-gmbh.de

M. BRAUN Inertgas-Systeme GmbH & Co. KG, Garching
INERT GAS GLOVE BOX SYSTEMS FOR INDUSTRY AND RESEARCH
Sales 2016: **EUR 63.0 million**
www.mbraun.de

NEWCOMER 2017

M+P INTERNATIONAL Mess-und Rechnertechnik GmbH, Hannover
MEASUREMENT AND TEST SYSTEMS FOR VIBRATION TESTING AND ANALYSIS
Sales 2016: **approx. EUR 12 million**
www.mpihome.com

TSN Turmbau Steffens & Nölle GmbH, Berlin
INTERNATIONAL CONSTRUCTION OF TOWERS
Sales 2016: **EUR 10.2 million**
www.turmbau-berlin.de

MEDICAL ENGINEERING/LIFE SCIENCE

10.2 %

EUR 147.0 million
of total sales

The companies in this segment produce orthotic devices and medical compression garments, develop lenses and optical devices, and produce surgical accessories, rehabilitation technology and hygienic products for both medical applications and household use.

IMECO GmbH & Co. KG, Hösbach
NONWOVEN PRODUCTS –
„MORE THAN NONWOVEN“
Sales 2016: **EUR 28.4 million**
www.imeco.de

MIKROP AG, Wittenbach (CH)
MINIATURIZED PRECISION OPTICS
Sales 2016: **EUR 12.9 million**
www.mikrop.ch

OFA Bamberg GmbH, Bamberg
COMPRESSION HOSIERY AND BANDAGES
Sales 2016: **EUR 70.5 million**
www.ofa.de

RAGUSE Gesellschaft für medizinische Produkte mbH, Ascheberg-Herbern
INDICATION-SPECIFIC PRODUCTION OF SURGICAL DRAPES
Sales 2016: **EUR 11.5 million**
www.raguse.de

ROLKO Kohlgrüber GmbH, Borgholzhausen
REHABILITATION EQUIPMENT
Sales 2016: **EUR 23.7 million**
www.rolko.de

METALS TECHNOLOGY

DIRECT LINKS TO INDUS PORTFOLIO COMPANIES

23.8 %

EUR 344.4 million
of total sales

The companies in this segment provide a range of products and services that encompasses solutions for rail technology, the production of carbide tools for road construction and mining, the manufacture of housings for laboratory diagnostic equipment, blasting agents for the steel industry, and bolt welding technology for bridges and other applications.

BACHER AG, Reinach (CH)
COMPONENTS MADE FROM STEEL AND ALUMINUM
Sales 2016: **EUR 22.2 million**
www.bacherag.ch

BETEK GmbH & Co. KG, Aichhalden
CARBIDE-TIPPED WEAR PARTS
Sales 2016: **EUR 163.7 million**
www.betek.de

HAKAMA AG, Bättwil bei Basel (CH)
HIGH-PERFORMANCE SHEET METALS
Sales 2016: **EUR 23.2 million**
www.hakama.ch

KÖSTER & Co. GmbH, Ennepetal
COLD WORKING PARTS AND STUD WELDING TECHNOLOGY
Sales 2016: **EUR 16.3 million**
www.koeco.net

MEWESTA Hydraulik GmbH & Co. KG, Münsingen
HYDRAULIC CONTROL BLOCKS AND SYSTEMS
Sales 2016: **EUR 7.4 million**
www.mewesta.de

PLANETROLL GmbH & Co. KG, Munderkingen
STIRRING TECHNOLOGY AND POWER TRANSMISSION TECHNOLOGY
Sales 2016: **EUR 5.4 million**
www.planetroll.de

Helmut RÜBSAMEN GmbH & Co. KG, Bad Marienberg
METAL PROCESSING AND FORMING TECHNOLOGY
Sales 2016: **EUR 43.7 million**
www.helmut-ruebsamen.de

Karl SIMON GmbH & Co. KG, Aichhalden
COMPONENTS AND ASSEMBLIES MADE FROM METAL AND PLASTIC
Sales 2016: **EUR 39.2 million**
www.simon.de

VULKAN INOX GmbH, Hattingen
GRANULES FOR SURFACE TREATMENT
Sales 2016: **EUR 23.5 million**
www.vulkan-inox.de

THE INDUS WORLD

DIREKT LINK
TO INTERACTIVE
LOCATION MAP

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PORTFOLIO COMPANIES IN GERMANY AND SWITZERLAND

CONSTRUCTION/INFRASTRUCTURE

1 ANCOTECH
2 BETOMAX
3 FS-BF
4 HAUFF-TECHNIK
5 H. HEITZ
6 MIGUA
7 OBUK
8 REMKO
9 SCHUSTER
10 WEIGAND
11 WEINISCH

AUTOMOTIVE TECHNOLOGY

12 AURORA
13 BILSTEIN & SIEKERMANN
14 FICHTHORN
15 IPETRONIK
16 KIEBACK
17 SCHÄFER
18 SELZER
19 SITEK
20 S.M.A.
21 WIESAUPLAST

ENGINEERING

22 ASS
23 BUDDE
24 ELTHERM
25 GSR
26 HORN
27 IEF-WERNER
28 MBN
29 M. BRAUN
30 M+P
31 TSN

MEDICAL ENGINEERING/ LIFE SCIENCE

32 IMECO
33 MIKROP
34 OFA
35 RAGUSE
36 ROLKO

METALS TECHNOLOGY

37 BACHER
38 BETEK
39 HAKAMA
40 KÖSTER
41 MEWESTA
42 PLANETROLL
43 RÜBSAMEN
44 SIMON
45 VULKAN INOX

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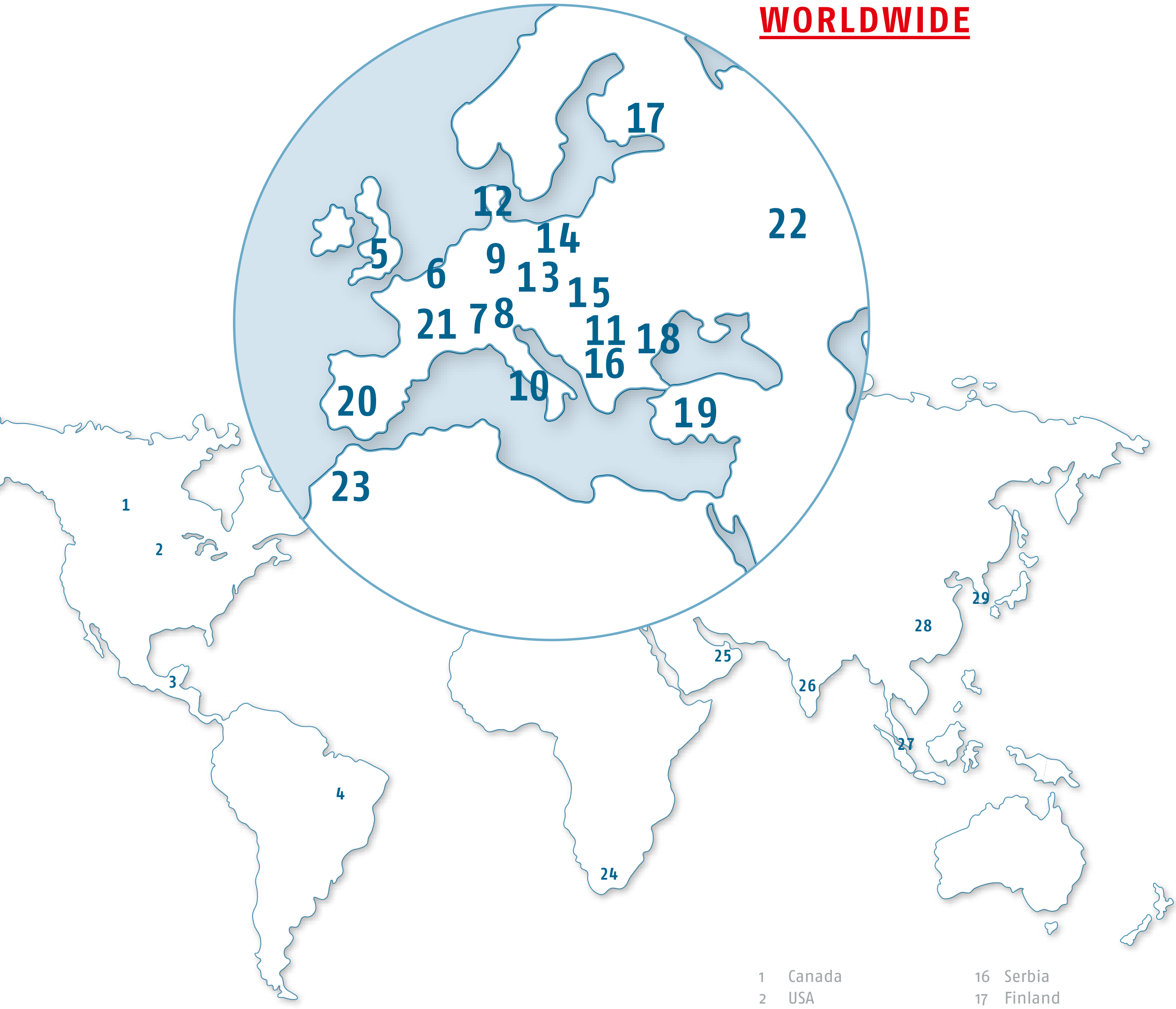
LOCATIONS OF THE INDUS GROUP WORLDWIDE



1 Canada
2 USA
3 Mexico
4 Brazil
5 Great Britain
6 The Netherlands
7 Switzerland
8 Austria
9 Germany
10 Italy
11 Hungary
12 Denmark
13 Czech Republic
14 Poland
15 Slovakia
16 Serbia
17 Finland
18 Romania
19 Turkey
20 Spain
21 France
22 Russia
23 Morocco
24 South Africa
25 United Arab Emirates
26 India
27 Singapore
28 China
29 South Korea

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