INTERIM REPORT
Q3 2019

INDUS HOLDING AG

[INDUS]

HIGHLIGHTS

in EUR million	Q1–Q3 2019	Q1–Q3 2018
Sales	1,312.8	1,274.9
EBITDA	168.1	165.9
EBIT before impairment	103.1	115.6
EBIT margin before impairment (in %)	7.9	9.1
Impairment	12.5	–
EBIT after impairment	90.6	115.6
EBIT margin after impairment (in %)	6.9	9.1
Group net income for the year (earnings after taxes)	50.1	66.7
Earnings per share (in EUR)	2.02	2.69
Operating cash flow	106.5	14.8
Cash flow from operating activities	91.5	0.8
Cash flow from investing activities	-64.1	-58.6
Cash flow from financing activities	-10.0	29.4
	SEP. 30, 2019	DEC. 31, 2018
Total assets	1,872.7	1,720.0
Equity	721.2	709.8
Equity ratio (in %)	38.5	41.3
Net debt	583.2	482.8
Cash and cash equivalents	127.6	109.6
Investments (as of the reporting date)	47	45

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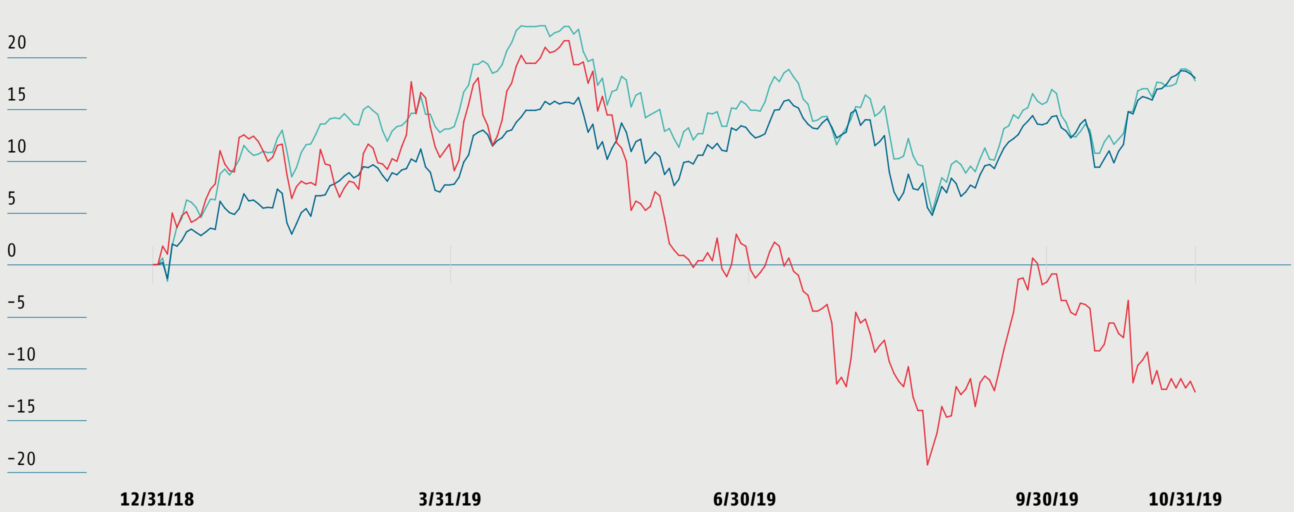
- Boom in Construction/Infrastructure continues
- Automotive Technology still under pressure
- Impairment of EUR 12.5 million recognized in Automotive Technology segment
- Operating cash flow up EUR 91.7 million
- DSG acquisition strengthens Metals Technology segment
- TKI sale successfully completed

SHARE PRICE PERFORMANCE OF THE INDUS SHARE JANUARY TO OCTOBER 2019 EXCL. DIVIDENDS (indexed, in %)



Source: Bloomberg

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

The third quarter is now behind us, and it has been a challenging quarter in many ways. But it is in such times that the strength of the INDUS portfolio shows. The broad and diverse setup of our portfolio allows us to generate solid income even in a phase in which the automotive market is struggling with a fundamental structural upheaval.

The Construction/Infrastructure segment plays a big part here. Companies in this segment are looking at record sales figures, and income is also rising disproportionately.

The performance of the Automotive Technology segment, however, clearly reflects the changes in the sector. Following a weak first six months in comparison with the previous year, we have observed sharp sales declines of 20% among our series suppliers since August. But our pre- and post-series production companies, too, are now clearly noticing customers' reluctance to invest. Ongoing restructuring is also having a negative impact on the figures and one-time effects have been seen from bankruptcy and a market exit in the field of air-conditioning equipment for buses. With forecasts down, we have also had to record non-cash impairments on goodwill and property, plant and equipment of EUR 12.5 million in this segment.

The Board of Management is currently focusing intently on the development of the Automotive Technology segment in our planning for 2020. We intend to work with the managing directors of the affected companies to establish a package of measures by the end of 2019 that will serve to create sustainable improvements to the future development of the segment companies. The sale of the minority interest in TKI will have a positive effect on the figures in the Automotive Technology segment. This sale generated operating income of EUR 16.8 million in the Group. Cash inflow now stands at EUR 27.5 million.

In the Metals Technology segment, sales are slightly down since the beginning of the year, primarily due to the global downturn in the markets for carbide tools. Income declined to a manageable extent against the very solid figure seen in the previous year.

The companies in the Engineering segment are doing well overall so far this year. The sluggish incoming orders for the companies reliant on the automotive sector are proof, however, that we cannot completely escape market developments. The other companies in the segment are continuing to see stable business.

Developments in the Medical Engineering/Life Science segment are also very encouraging, showing another disproportionately high increase in income. Sales are high and climbing.

We are particularly pleased that we were able to gain a second first-level acquisition in our Group this year with Dessauer Schaltschrank & Gehäusetechnik GmbH (DSG) in September – following the acquisition of MESUTRONIC in May. As a specialist in the growth industry of infrastructure and logistics, DSG will strengthen INDUS' activities in the challenging field of lead processing in partnership with our Swiss portfolio companies BACHER and HAKAMA.

Operating cash flow is also developing well this year. As part of our drive for operational excellence at our portfolio companies, we have initiated a program to reduce working capital. This is now bearing fruit. Solid cash flow provides us with the flexibility to acquire more companies, invest in the existing portfolio, and determine dividends.

Dear Shareholders, we are aware that we will not be able to fulfill all of your expectations this year due to the increasingly challenging economic environment. Nevertheless, we believe that the strength of our full portfolio shows particularly in these difficult times. We will continue to put all of our efforts into minimizing the risks and weaknesses. Our financial flexibility allows us to bolster the development of the high performers in our portfolio and to make the most of opportunities in company acquisitions. We appreciate your loyalty at this time.

Bergisch Gladbach, November 2019

Dr. Johannes Schmidt | Dr. Jörn Großmann | Axel Meyer | Rudolf Weichert

INTERIM MANAGEMENT REPORT

PERFORMANCE OF THE INDUS GROUP IN THE FIRST NINE MONTHS OF 2019

CONSOLIDATED STATEMENT OF INCOME (in EUR million)

			DIFFERENCE	
	Q1-Q3 2019	**Q1-Q3 2018**	**ABSOLUTE**	**IN %**
Sales	**1,312.8**	**1,274.9**	**37.9**	**3.0**
Other operating income	26.0	12.7	13.3	>100
Own work capitalized	3.4	2.9	0.5	17.2
Changes in inventories	-5.8	35.3	-41.1	<-100
Overall performance	**1,336.4**	**1,325.8**	**10.6**	**0.8**
Cost of materials	-610.1	-613.4	3.3	0.5
Personnel expenses	-396.9	-376.8	-20.1	-5.3
Other operating expenses	-161.3	-169.7	8.4	4.9
EBITDA	**168.1**	**165.9**	**2.2**	**1.3**
Depreciation/amortization	-77.5	-50.3	-27.2	-54.1
Operating income (EBIT)	**90.6**	**115.6**	**-25.0**	**-21.6**
Financial income	-13.5	-13.1	-0.4	-3.1
Earnings before taxes (EBT)	**77.1**	**102.5**	**-25.4**	**-24.8**
Taxes	-27.0	-35.8	8.8	24.6
Earnings after taxes	**50.1**	**66.7**	**-16.6**	**-24.9**
of which attributable to non-controlling shareholders	0.7	1.0	-0.3	-30.0
of which attributable to INDUS shareholders	49.4	65.7	-16.3	-24.8

The business performance of INDUS was somewhat subdued in the first nine months of the year. The Group did manage to expand sales by 3.0% against the same period of the previous year, but operating income (EBIT) declined by EUR 25.0 million despite the solid performance in the Construction/Infrastructure segment – in particular because of the challenging circumstances in the Automotive Technology segment – and related impairments in the amount of EUR 12.5 million. M&A activities were positive in the reporting period. INDUS was able to gain first-level acquisitions for both the Engineering segment and the Metals Technology segment. In addition, a minority interest in TKI was profitably sold in September.

FURTHER INCREASE IN SALES

In the first nine months of 2019, the INDUS portfolio companies increased their sales by EUR 37.9 million (3.0%) to EUR 1,312.8 million. The portfolio companies benefited from the largely stable economic environments in the Construction/Infrastructure, Engineering and Medical Engineering/Life Science areas. In contrast, an economic downturn is noticeable in the Metals Technology segment. A number of negative effects, which began in August, have led to an increased sales decline of up to 20% in comparison with the previous year in the Automotive Technology segment.

The organic increase in sales achieved by the INDUS Group came to 1.9% and is largely attributable to the Construction/Infrastructure and Engineering segments.

The change in inventories fell from EUR 35.3 million to EUR -5.8 million due mainly to increased working capital management within the INDUS Group. The cost-of-materials ratio dropped from 48.1% to 46.5%. The personnel expense ratio rose slightly from 29.6% to 30.2%.

Depreciation, amortization and impairment increased by 54.1% to EUR -77.5 million in total. This included depreciation/amortization of EUR 65.0 million (previous year: EUR 50.3 million) and impairment of EUR 12.5 million (previous year: no impairment). The increase in depreciation/amortization is mainly due to the new lease accounting rule IFRS 16 and, to a lesser extent, to the increase in investments in fixed assets in recent years. In line with the increase in depreciation/amortization due to right-of-use assets from lease contracts totaling EUR 12.1 million that were capitalized for the first time, other operating expenses fell by EUR 13.7 million due to the new lease accounting regulations. In addition to depreciation/amortization, impairment of goodwill and property, plant and equipment of EUR 12.5 million was recognized. This relates to the Automotive Technology segment and is the result of subdued expectations for the future.

NEGATIVE TREND IN AUTOMOTIVE TECHNOLOGY AND IMPAIRMENT PUT PRESSURE ON CONSOLIDATED INCOME

At EUR 90.6 million, operating income (EBIT) was down by EUR 25.0 million on the previous year's figure. The EBIT margin came in at 6.9% (previous year: 9.1%). Without taking impairment of EUR 12.5 million into account, the Group achieved an operating income of EUR 103.1 million (previous year: EUR 115.6 million). The EBIT margin before impairment was only 7.9%. This decline is particularly due to the negative development in the Automotive Technology segment. EBIT before impairment fell by EUR 15.5 million in this segment.

Financial income amounted to EUR -13.5 million, declining slightly against the previous year by EUR 0.4 million. This item includes net interest, income from shares measured according to the equity method and other financial income. The valuations of the interest rate swaps and minority interests are reported within other financial income.

At EUR 77.1 million, earnings before taxes (EBT) was 24.8% lower than the previous year's figure (EUR 102.5 million). Tax expenses came to EUR 27.0 million as against EUR 35.8 million in the previous year, pushing the tax ratio up slightly from 34.9% in the previous year to 35.0%. Before the interests attributable to non-controlling shareholders were deducted, income for the period had fallen by EUR 16.6 million to EUR 50.1 million (previous year: EUR 66.7 million). Earnings per share came to EUR 2.02 as against EUR 2.69 in the comparison period.

During the first nine months of 2019, the INDUS Group companies employed 10,818 people on average (previous year: 10,622 employees).

TWO FIRST-LEVEL ACQUISITIONS

INDUS acquired MESUTRONIC Gerätebau GmbH, Kirchberg, with effect from May 27, 2019. The company operates in the measuring technology and control engineering sector, an industry of the future, and is one of the technology leaders in metal and foreign body detection in production processes. MESUTRONIC systems are used to protect production equipment from metal parts and other foreign bodies, for example, in the plastics and textiles industries. They are also used for the inspection of products for the absence of metal and other contamination, e.g., in the food and pharmaceutical industries. High-precision sensors detect unwanted foreign bodies. Particularly dynamic sorting systems divert these foreign bodies from ongoing production processes without the latter having to be interrupted. Both discrete product flows, such as packaged food, and continuous material flows, such as plastic granulate, can be inspected.

MESUTRONIC delivers its systems to 50 countries worldwide and has its own service staff and spare parts service. The systems are produced exclusively at the company's headquarters in Kirchberg. A separate sales and service subsidiary is operated in France. MESUTRONIC generated annual sales of over EUR 24 million in 2018 and employs some 200 people at locations in Germany and France.

INDUS acquired 89.9% of the shares as part of a first step. The remaining shares will remain with the existing shareholders initially, although call/put options have been agreed.

Effective September 30, 2019, INDUS Holding AG acquired all shares in Dessauer Schaltschrank & Gehäusetechnik GmbH (DSG) with registered office in Dessau-Roßlau. DSG is an SME specializing in the development, manufacture and sale of high-quality metal and lead parts, components, switch cabinets, machine casings and similar products that meet the highest industry and safety standards. The long-standing company manufactures goods in Dessau for its renowned German customers. Its focus is on individual application and equipment-specific system solutions from a single source. DSG's production expertise ranges from laser cutting, CNC punching machines, bending, welding, gluing, and surface refinement to assembly. The company's customers are primarily active in the fields of rail and ship technology, electronics and communications technology, engineering and automated machine construction. DSG will strengthen INDUS' activities in the challenging field of lead processing together with the Swiss portfolio companies BACHER and HAKAMA.

DSG is expected to generate sales of around EUR 10.5 million in 2019. The new subsidiary will boost INDUS' Metals Technology segment – and have a positive influence on sales and the EBIT margin.

SALE OF MINORITY INTEREST IN TKI

IPETRONIK Eichstätt GmbH, an INDUS Holding AG portfolio company, sold a minority interest in TKI Automotive GmbH to the majority shareholder on September 12, 2019. TKI Automotive GmbH specializes in thermal management, convenience electronics and interior air conditioning for conventional and electric vehicles.

Due to this transaction, the IFRS consolidated financial statements from January 1 to September 30, 2019, included other operating income of EUR 16.8 million. The sale led to cash inflow in the amount of EUR 27.5 million for the INDUS Group at the beginning of the fourth quarter.

SEGMENT REPORTING

INDUS Holding AG divides its investment portfolio into five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science and Metals Technology. As of September 30, 2019, our investment portfolio encompassed 47 operating units.

CONSTRUCTION/INFRASTRUCTURE

EBIT MARGIN CLIMBS TO OUTSTANDING 15.9%

The INDUS portfolio companies in the Construction/Infrastructure segment reported a solid sales increase of EUR 23.5 million (8.7%) against the previous year. Segment sales came to EUR 294.9 million (previous year: EUR 271.4 million). Encouragingly, this growth was carried by virtually all companies in the segment. The highest increase in sales was recorded in the area of air-conditioning devices.

Operating income (EBIT) rose by EUR 6.9 million (17.2%) to EUR 47.0 million (previous year: EUR 40.1 million). This is a disproportionate increase that is reflected in yet another increase in the EBIT margin. At the end of the first nine months of the reporting period, the EBIT margin reached an outstanding 15.9%, following 14.8% in the previous year. All portfolio companies in the segment once more generated positive operating income (EBIT). The unusual increase in income is particularly due to the excellent results achieved with air-conditioning devices (including acquisitions in the previous year).

We anticipate that the segment will achieve or exceed an EBIT target margin between 13% and 15% for the full year.

At EUR 11.0 million, investment in the segment was less than in the same period of the previous year. The previous year's figure of EUR 18.8 million included the acquisition of an air-conditioning supplier.

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

			DIFFERENCE	
	Q1–Q3 2019	Q1–Q3 2018	ABSOLUTE	IN %
Revenue with external third parties	294.9	271.4	23.5	8.7
EBITDA	57.2	47.6	9.6	20.2
Depreciation/amortization	-10.2	-7.5	-2.7	-36.0
EBIT	47.0	40.1	6.9	17.2
EBIT margin in %	15.9	14.8	1.1 pp	–
Investments	11.0	18.8	-7.8	-41.5
Employees	1,867	1,789	78	4.4

AUTOMOTIVE TECHNOLOGY

CLEAR DECLINE IN SALES AND INCOME, TKI SALE SUCCESSFULLY COMPLETED

Sales in the Automotive Technology segment decreased by EUR 27.0 million, or 9.2%, year-over-year to EUR 267.8 million. This decline has affected many of the portfolio companies in the segment and is due to weaker call-off figures among the series suppliers and a drop in demand in pre- and post-series companies. The consequences of the global decline in sales and the structural changes in the automotive and automotive series production supplier sectors are making themselves felt. Since August in particular, sales have declined unexpectedly by around 20% against the previous year. We believe that this decline in sales will continue until the end of the year.

At EUR -10.1 million, operating income (EBIT) before impairment was EUR 15.5 million lower than in the same period of the previous year. The segment's EBIT margin before impairment fell to -3.8%, as against 1.8% in the previous year. The segment's EBIT margin fell to -2.1%, as against 1.8% in the previous year. This is due, in particular, to the declining sales referred to above. In light of the difficult situation on the market and the extreme pressure on prices in the automotive sector, other companies in the segment are now also feeling the effects of this in addition to series suppliers. Efforts to counter price pressure are underway across the board with cost-lowering measures and restructuring measures at the companies of two series suppliers. In the area of air-conditioning for buses, a Northern Irish customer has filed for bankruptcy and a Turkish customer has exited the market. This led to additional, but one-time, negative impacts.

Due to the effects described above and the lower earnings prospects for the future, impairment was recognized on goodwill and property, plant and equipment in the amount of EUR 12.5 million. Operating income after impairment amounted to EUR -22.6 million, and the EBIT margin fell to -8.4% due to impairment.

The sale of a minority interest in TKI Automotive GmbH to the majority shareholders was completed in the third quarter. The sale resulted in a gain in other operating income in the amount of EUR 16.8 million.

The Automotive Technology segment will record a negative EBIT margin (before and after impairment) for the full year.

At EUR 14.3 million, investments were down by EUR 2.6 million on the same period of the previous year. In the previous year, this included the acquisition of electronics specialist EE ELECTRONIC EQUIPMENT by the INDUS subsidiary AURORA.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY (in EUR million)

			DIFFERENCE	
	Q1-Q3 2019	**Q1-Q3 2018**	**ABSOLUTE**	**IN %**
Revenue with external third parties	267.8	294.8	-27.0	-9.2
EBITDA	10.5	22.7	-12.2	-53.7
Depreciation/ amortization	-20.6	-17.3	-3.3	-19.1
EBIT before impairment	-10.1	5.4	-15.5	<-100
EBIT margin in %	-3.8	1.8	-5.6 pp	–
Impairment	-12.5	0.0	-12.5	–
EBIT after impairment	-22.6	5.4	-28.0	<-100
EBIT margin after impairment in %	-8.4	1.8	-10.2 pp	–
Investments	14.3	16.9	-2.6	-15.4
Employees	3,372	3,545	-173	-4,9

ENGINEERING

GROWTH IN SALES AND INCOME

Segment sales in Engineering showed an increase of EUR 43.1 million as against the previous year (+15.7%) to EUR 318.0 million (previous year: EUR 274.9 million). Growth was driven, in particular, by the segment's major plant engineering manufacturers. Overall, almost all companies in the segment were able to increase sales. Incoming orders at some portfolio companies are now falling, and the economic situation appears to be cooling down.

Operating income (EBIT) rose by a solid EUR 3.0 million, or 9.1%, to EUR 36.0 million. All portfolio companies were able to make a positive contribution to income. The field of logistics generated particularly high EBIT. At 11.3%, the EBIT margin for the reporting period was down slightly year-over-year (12.0%).

The portfolio company acquired at the end of May, MESUTRONIC, has been part of the Engineering segment since June 2019. MESUTRONIC ranks among the market leaders in metal and foreign body detection.

As far as the year as a whole is concerned, we are striving for a target EBIT range of between 12% and 14%. We currently believe this is an ambitious target.

The investments of EUR 28.3 million made during the reporting period relate to the acquisition of MESUTRONIC and investments in fixed assets.

KEY FIGURES FOR ENGINEERING (in EUR million)

			DIFFERENCE	
	Q1-Q3 2019	**Q1-Q3 2018**	**ABSOLUTE**	**IN %**
Revenue with external third parties	318.0	274.9	43.1	15.7
EBITDA	49.8	41.9	7.9	18.9
Depreciation/ amortization	-13.8	-8.9	-4.9	-55.1
EBIT	36.0	33.0	3.0	9.1
EBIT margin in %	11.3	12.0	-0.7 pp	–
Investments	28.3	6.9	21.4	>100
Employees	2,147	1,990	157	7.9

MEDICAL ENGINEERING/LIFE SCIENCE

FURTHER GROWTH IN INCOME

The Medical Engineering/Life Science segment reported sales of EUR 121.0 million in the first nine months of 2019, which corresponds to an increase of EUR 5.6 million (+4.9%). Orthotic devices and surgical stockings particularly contributed to this trend.

Operating income (EBIT) rose by EUR 1.4 million or 11.1% in comparison with the previous year. EBIT amounted to EUR 14.0 million for the first nine months of 2019 (previous year: EUR 12.6 million). With the exception of the highly competitive product group non-wovens, all of the segment's product groups contributed to the growth in income. One encouraging development was the fact that optical lenses and full optical devices increased their contribution to income considerably in a year-over-year comparison. The segment's EBIT margin came to 11.6% compared with 10.9% in the previous year and is thus within the target range of 11% to 13%.

We anticipate that the EBIT margin will be within the target range referred to above of 11% to 13% for the full year.

Investments stood at EUR 2.8 million, below the value seen in the previous year (EUR 5.5 million).

KEY FIGURES FOR MEDICAL ENGINEERING/LIFE SCIENCE (in EUR million)

			DIFFERENCE	
	Q1–Q3 2019	**Q1–Q3 2018**	**ABSOLUTE**	**IN %**
Revenue with external third parties	121.0	115.4	5.6	4.9
EBITDA	21.0	18.1	2.9	16.0
Depreciation/amortization	-7.0	-5.5	-1.5	-27.3
EBIT	14.0	12.6	1.4	11.1
EBIT margin in %	11.6	10.9	0.7 pp	–
Investments	2.8	5.5	-2.7	-49.1
Employees	1,716	1,678	38	2.3

METALS TECHNOLOGY

INDUS ACQUIRES NEW PORTFOLIO COMPANY

Between January and September 2019, sales in the Metals Technology segment dropped by 2.3% (EUR -7.3 million) to EUR 311.3 million. Sales in the field of carbide tools in particular declined steeply. The Metals Technology segment is heavily export-oriented. For the INDUS portfolio companies in this segment, this means that business with China deteriorated due to the slowdown in the global economy and the palpable decline in demand.

At EUR 23.4 million, operating income (EBIT) was down by EUR 5.1 million on the previous year's value. At 7.5%, the EBIT margin was down on the previous year's figure (8.9%). The EBIT margin for the full year is also expected to come in slightly under the target range of 8% to 10%.

INDUS took over Dessauer Schaltschrank und Gehäustechnik GmbH (DSG) effective September 30, 2019. DSG specializes in the development, manufacture and sale of high-quality metal and lead parts that meet the highest industry and safety standards. The acquisition of DSG will also strengthen INDUS' activities in the challenging field of lead processing together with the Swiss portfolio companies BACHER and HAKAMA.

At EUR 8.2 million, investment was below that of the previous year (EUR 11.0 million).

KEY FIGURES FOR METALS TECHNOLOGY (in EUR million)

			DIFFERENCE	
	Q1–Q3 2019	**Q1–Q3 2018**	**ABSOLUTE**	**IN %**
Revenue with external third parties	311.3	318.6	-7.3	-2.3
EBITDA	36.1	39.0	-2.9	-7.4
Depreciation/amortization	-12.7	-10.5	-2.2	-21.0
EBIT	23.4	28.5	-5.1	-17.9
EBIT margin in %	7.5	8.9	-1.4 pp	–
Investments	8.2	11.0	-2.8	-25.5
Employees	1,680	1,586	94	5.9

FINANCIAL POSITION

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

			DIFFERENCE	
	Q1–Q3 2019	**Q1–Q3 2018**	**ABSOLUTE**	**IN %**
Operating cash flow	106.5	14.8	91.7	>100
Interest	-15.0	-14.0	-1.0	-7.1
Cash flow from operating activities	**91.5**	**0.8**	**90.7**	**>100**
Cash outflow for investment	-65.5	-59.7	-5.8	-9.7
Cash inflow from the disposal of assets	1.4	1.1	0.3	27.3
Cash flow from investing activities	**-64.1**	**-58.6**	**-5.5**	**-9.4**
Dividend payment	-36.7	-36.7	0.0	0.0
Dividends paid to minority shareholders	-0.3	-0.3	0.0	0.0
Cash inflow from raising of loans	111.4	160.4	-49.0	-30.5
Cash outflow from the repayment of loans	-64.5	-68.1	3.6	5.3
Cash outflow from the repayment of lease liabilities	-17.5	-0.9	-16.6	<-100
Cash outflow from the repayment of contingent purchase price commitments	-2.4	-25.0	22.6	90.4
Cash flow from financing activities	**-10.0**	**29.4**	**-39.4**	**<-100**
Net changes in cash and cash equivalents	17.4	-28.5	45.9	>100
Changes in cash and cash equivalents caused by currency exchange rates	0.6	0.1	0.5	>100
Cash and cash equivalents at the beginning of the period	109.6	135.9	-26.3	-19.4
Cash and cash equivalents at the end of the period	**127.6**	**107.5**	**20.1**	**18.7**

STATEMENT OF CASH FLOWS: OPERATING CASH FLOW UP BY EUR 91.7 MILLION YEAR-OVER-YEAR

Based on earnings after taxes of EUR 50.1 million (previous year: EUR 66.7 million), operating cash flow increased year-over-year by EUR 91.7 million to EUR 106.5 million. This is due, in particular, to much lower working capital growth. The program initiated by the holding company to promote operational excellence is beginning to have an effect on reducing working capital at the portfolio companies. The changes in lease accounting also contributed EUR 17.5 million to the improvement in the operating cash flow, as lease payments previously included in the operating cash flow have been partly reclassified as cash outflows for the repayment of lease liabilities in the cash flow from financing activities item. All in all, cash flow from operating activities rose by EUR 90.7 million to EUR 91.5 million.

The cash flow from investing activities came to EUR -64.1 million, compared with EUR -58.6 million in the previous year. This increase is due to an increase in payments for fully consolidated companies from EUR -11.5 million in the same period of the previous year to EUR -22.0 million in the reporting period. These payments relate in full to the acquisition of the MESUTRONIC Group. By way of an agreement concluded on September 30, 2019, INDUS Holding AG acquired 100% of the shares in Dessauer Schaltschrank GmbH (DSG), which was consolidated for the first time on September 30, 2019. The cash component of the consideration will only be paid in the fourth quarter of 2019. Investments in property, plant and equipment and intangible assets amounted to EUR 43.3 million, down slightly against the previous year (EUR 47.9 million).

Cash inflow from the raising of loans fell by EUR 49.0 million to EUR 111.4 million. Due and in some cases contingent purchase price liabilities of EUR 2.4 million were also repaid in the first three quarters (previous year: EUR 25.0 million). The initial application of IFRS 16 “Leases” and the associated changes in financial statement accounting mean that cash outflow from the repayment of lease liabilities has been stated in the cash flow from financing activities item since the start of this financial year. Cash flow from financing activities fell by EUR 39.4 million in total due to lower net borrowing.

As a result, at EUR 127.6 million, cash and cash equivalents were above the level of EUR 109.6 million seen at the end of 2018, and above the value seen in the same period of the previous year.

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

			DIFFERENCE	
	SEP. 30, 2019	DEC. 31, 2018	ABSOLUTE	IN %
ASSETS				
Non-current assets	**1,039.1**	**968.5**	**70.6**	**7.3**
Fixed assets	1,038.5	955.2	83.3	8.7
Receivables and other assets	13.1	13.3	-0.2	-1.5
Current assets	**833.6**	**751.5**	**82.1**	**10.9**
Inventories	418.9	408.7	10.2	2.5
Receivables and other assets	287.1	233.2	53.9	23.1
Cash and cash equivalents	127.6	109.6	18.0	16.4
Total assets	**1,872.7**	**1,720.0**	**152.7**	**8.9**
EQUITY AND LIABILITIES				
Equity and non-current liabilities	**1,420.2**	**1,290.0**	**130.2**	**10.1**
Equity	721.2	709.8	11.4	1.6
Borrowings	699.0	580.2	118.8	20.5
of which provisions	52.1	45.4	6.7	14.8
of which payables and deferred taxes	646.9	534.8	112.1	21.0
Current liabilities	**452.5**	**430.0**	**22.5**	**5.2**
of which provisions	104.1	73.6	30.5	41.4
of which liabilities	348.4	356.4	-8.0	-2.2
Total equity and liabilities	**1,872.7**	**1,720.0**	**152.7**	**8.9**

STATEMENT OF FINANCIAL POSITION: INCREASE IN TOTAL ASSETS DUE TO ADDITION OF MESUTRONIC AND DSG AND INITIAL APPLICATION OF IFRS 16 "LEASES"

At EUR 1,872.7 million, the INDUS Group's consolidated total assets were 8.9% higher than they were as of December 31, 2018. The increase in total assets is due, in particular, to the mandatory application of IFRS 16 "Leases" since January 1, 2019, and to the initial consolidation of the newly acquired portfolio companies MESUTRONIC and DSG. As of September 30, 2019, right-of-use assets from leasing in the amount of EUR 82.7 million were reported. Working capital also increased slightly, mainly due to an increase in receivables (EUR +29.4 million). The total amount of working capital as of September 30, 2019, came to EUR 518.1 million, which was 9.7% more than as of the end of 2018 (EUR 472.1 million). The increase in working capital against the reporting date is due to seasonal factors and is down significantly in comparison with the figure from the first nine months of the previous year.

As of September 30, 2019, the equity ratio is 38.5%. This represents a decrease of 2.8 percentage points against the equity ratio as of December 31, 2018 (41.3%). The initial recognition of lease liabilities and the earnings performance in the Automotive Technology segment are responsible for the drop in the ratio compared with the level seen at the end of 2018.

WORKING CAPITAL (in EUR million)

	SEP. 30, 2019	DEC. 31, 2018	DIFFERENCE ABSOLUTE	DIFFERENCE IN %
Inventories	418.9	408.7	10.2	2.5
Trade receivables	231.9	202.5	29.4	14.5
Trade payables	-70.3	-65.7	-4.6	-7.0
Advance payments received	-28.5	-37.3	8.8	23.6
Contract liabilities	-33.9	-36.1	2.2	6.1
Working capital	**518.1**	**472.1**	**46.0**	**9.7**

Net financial liabilities came to EUR 583.2 million as of September 30, 2019, up by EUR 100.4 million on December 31, 2018. The increase is due to higher financial liabilities (EUR +118.4 million), mainly as a result of the first-time application of IFRS 16 "Leases" and the associated recognition of lease liabilities.

NET FINANCIAL LIABILITIES (in EUR million)

	SEP. 30, 2019	DEC. 31, 2018	DIFFERENCE ABSOLUTE	DIFFERENCE IN %
Non-current financial liabilities	580.9	465.9	115.0	24.7
Current financial liabilities	129.9	126.5	3.4	2.7
Cash and cash equivalents	-127.6	-109.6	-18.0	-16.4
Net financial liabilities	**583.2**	**482.8**	**100.4**	**20.8**

OPPORTUNITIES AND RISKS

For the Opportunities and Risk Report of INDUS Holding AG, please consult the 2018 Annual Report. The company operates an efficient risk management system for early detection, comprehensive analysis, and the systematic handling of risks. The particulars of the risk management system and the significance of individual risks are explained in the Annual Report. Therein is stated that the company does not view itself exposed to any risks that might jeopardize its continued existence as a going concern.

OUTLOOK

The economy has taken another downturn over the last few weeks in Germany. According to the fall forecast for the full year from the Leibniz-Institut für Wirtschaftsforschung Halle (IWH), growth of just 0.5% is expected. Internationally, the political and economic environment remains tense. The manifold political risks, such as the trade conflict between the United States and China, the simmering conflict in the Middle East, and yet another Brexit delay are putting significant pressure on the economic climate. The markets are under a lot of pressure. The economy is particularly suffering as a result of the trade conflict between the United States and China. Chinese demand, which is currently having the greatest impact on the global economy, is declining noticeably as a result and German exports are weaker. This is also being compounded by the difficult situation in the automotive industry. The automotive crisis is now affecting more companies than just series suppliers.

Nevertheless, in this turbulent time, INDUS was able to increase sales by 3% in the first nine months of 2019. Three of the five segments increased sales and operating income (EBIT).

The Automotive Technology segment in contrast was greatly impeded by the negative developments in the automotive sector. These negative developments were reflected in the sales and income of INDUS portfolio companies in the Automotive Technology segment, which in turn are impacting the Group's income.

We believe the problems currently affecting the automotive sector will stay with us for the remaining three months of the financial year. In addition, our repositioning projects are giving rise to further costs, putting additional pressure on margins. In light of this, we have recognized impairment on goodwill and property, plant and equipment in the amount of EUR 12.5 million in the Automotive Technology segment.

The sale of TKI in the Automotive Technology segment, completed in September, led to operating income of EUR 16.8 million, but this could not offset the decrease in operating income in the segment.

The Construction/Infrastructure segment continues to achieve record results. It has shown very positive development throughout the last few years and is likely to continue to generate excellent margins. The Engineering segment is also on track in general. Developments in the Medical Engineering/Life Science segment are pointing in the right direction. A slight increase in sales translated into a much more marked improvement in the EBIT margin. The Metals Technology segment recently reported a drop in sales and a disproportionate decline in income.

In order to boost the Group's earnings base, the INDUS companies are continuing to work on improving their cost structures and on forging ahead with the initiatives to achieve operational excellence. Future-oriented and innovation projects are being advanced with high intensity.

INDUS is still planning to achieve sales of between EUR 1.72 billion and EUR 1.77 billion in 2019 as a whole. We expect a negative result for the Automotive Technology segment. Our expectations remain unchanged from the updated income forecast from October 14, 2019, and we expect operating income (EBIT) before impairment for the full year to be between EUR 129 million and EUR 135 million. Including the impairment recognized in the third quarter, we are expecting operating income to come in at between EUR 116 million and EUR 122 million.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

FOR THE FIRST NINE MONTHS OF 2019 AND THE THIRD QUARTER OF 2019

in EUR '000	NOTES	Q1–Q3 2019	Q1–Q3 2018	Q3 2019	Q3 2018
REVENUE		**1,312,784**	**1,274,939**	**436,259**	**430,206**
Other operating income		25,998	12,717	20,591	7,238
Own work capitalized		3,359	2,853	542	743
Changes in inventories		-5,791	35,273	-5,198	5,600
Cost of materials	[5]	-610,067	-613,419	-203,791	-206,223
Personnel expenses	[6]	-396,859	-376,797	-133,737	-124,520
Depreciation/amortization	[7]	-77,450	-50,295	-34,394	-17,076
Other operating expenses	[8]	-161,344	-169,680	-56,106	-56,496
OPERATING INCOME (EBIT)		**90,630**	**115,591**	**24,166**	**39,472**
Interest income		166	66	58	28
Interest expense		-11,560	-10,054	-3,925	-3,888
NET INTEREST		**-11,394**	**-9,988**	**-3,867**	**-3,860**
Income from shares accounted for using the equity method		614	296	260	358
Other financial income		-2,743	-3,410	-1,510	-504
FINANCIAL INCOME	[9]	**-13,523**	**-13,102**	**-5,117**	**-4,006**
EARNINGS BEFORE TAXES (EBT)		**77,107**	**102,489**	**19,049**	**35,466**
Taxes	[10]	-27,019	-35,780	-6,686	-12,477
EARNINGS AFTER TAXES		**50,088**	**66,709**	**12,363**	**22,989**
of which attributable to non-controlling shareholders		726	1,001	276	422
of which attributable to INDUS shareholders		49,362	65,708	12,087	22,567
Earnings per share (basic and diluted) in EUR	[11]	2.02	2.69	0.49	0.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIRST NINE MONTHS OF 2019 AND THE THIRD QUARTER OF 2019

in EUR '000	Q1–Q3 2019	Q1–Q3 2018	Q3 2019	Q3 2018
EARNINGS AFTER TAXES	**50,088**	**66,709**	**12,363**	**22,989**
Actuarial gains/losses	-5,535	2,321	-2,069	1,157
Deferred taxes	1,824	-567	615	-283
Items not to be reclassified to profit or loss	**-3,711**	**1,754**	**-1,454**	**874**
Currency conversion adjustment	3,974	-1,971	3,622	-1,993
Change in the market values of hedging instruments (cash flow hedge)	-2,243	787	-431	1,043
Deferred taxes	354	-101	67	-173
Items to be reclassified to profit or loss	**2,085**	**-1,285**	**3,258**	**-1,123**
OTHER COMPREHENSIVE INCOME	**-1,626**	**469**	**1,804**	**-249**
TOTAL COMPREHENSIVE INCOME	**48,462**	**67,178**	**14,167**	**22,740**
of which attributable to non-controlling shareholders	726	1,001	276	422
of which attributable to INDUS shareholders	47,736	66,177	13,891	22,318

Income and expenses recorded under other comprehensive income include actuarial gains from pensions and similar obligations amounting to EUR -5,535 thousand (previous year: EUR 2,321 thousand). These gains are mainly due to a 0.8 percentage-point reduction in the interest rate for domestic pension obligations and 0.9 percentage points for foreign pensions (Switzerland).

Income from currency conversion is derived primarily from the converted financial statements of consolidated international subsidiaries. The change in the market value of derivative financial instruments was the result of interest rate swaps transacted by the holding company to hedge against interest rate movements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019

in EUR '000	NOTES	SEP. 30, 2019	DEC. 31, 2018
ASSETS			
Goodwill		420,060	418,590
Right-of-use assets from leasing/rent		82,320	0
Other intangible assets		101,296	90,830
Property, plant and equipment		406,292	418,227
Investment property		2,871	2,953
Financial investments		6,264	13,684
Shares accounted for using the equity method		6,930	10,970
Other non-current assets		3,244	3,126
Deferred taxes		9,826	10,127
Non-current assets		**1,039,103**	**968,507**
Inventories	[12]	418,892	408,693
Receivables	[13]	231,938	202,523
Other current assets		44,386	22,993
Current income taxes		10,717	7,655
Cash and cash equivalents		127,641	109,647
Current assets		**833,574**	**751,511**
TOTAL ASSETS		**1,872,677**	**1,720,018**
EQUITY AND LIABILITIES			
Subscribed capital		63,571	63,571
Capital reserve		239,833	239,833
Other reserves		414,780	403,719
Equity held by INDUS shareholders		**718,184**	**707,123**
Non-controlling interests in the equity		2,999	2,702
Equity		**721,183**	**709,825**
Pension provisions		50,506	43,702
Other non-current provisions		1,657	1,688
Non-current financial liabilities	[14]	580,867	465,886
Other non-current liabilities	[15]	22,013	27,731
Deferred taxes		43,985	41,172
Non-current liabilities		**699,028**	**580,179**
Other current provisions		104,064	73,576
Current financial liabilities	[14]	129,952	126,520
Trade payables		70,277	65,659
Other current liabilities	[15]	138,406	150,825
Current income taxes		9,767	13,434
Current liabilities		**452,466**	**430,014**
TOTAL EQUITY AND LIABILITIES		**1,872,677**	**1,720,018**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1, 2019, TO SEPTEMBER 30, 2019

in EUR '000	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES	EQUITY HELD BY INDUS SHAREHOLDERS	INTERESTS ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS	GROUP EQUITY
AS OF DEC. 31, 2017	**63,571**	**239,833**	**390,890**	**-23,381**	**670,913**	**2,900**	**673,813**
Earnings after taxes			65,708		65,708	1,001	66,709
Other comprehensive income				469	469		469
Total comprehensive income			**65,708**	**469**	**66,177**	**1,001**	**67,178**
Dividend payment			-36,675		-36,675	-304	-36,979
AS OF SEP. 30, 2018	**63,571**	**239,833**	**419,923**	**-22,912**	**700,415**	**3,597**	**704,012**
AS OF DEC. 31, 2018	**63,571**	**239,833**	**424,785**	**-21,066**	**707,123**	**2,702**	**709,825**
Earnings after taxes			49,362		49,362	726	50,088
Other comprehensive income				-1,626	-1,626		-1,626
Total comprehensive income			**49,362**	**-1,626**	**47,736**	**726**	**48,462**
Dividend payment			-36,675		-36,675	-295	-36,970
Change in scope of consolidation						-134	-134
AS OF SEP. 30, 2019	**63,571**	**239,833**	**437,472**	**-22,692**	**718,184**	**2,999**	**721,183**

Interests held by non-controlling shareholders mainly consist of minority interests in WEIGAND Bau GmbH and subsidiaries of the ROLKO Group. Where economic ownership of minority interests in limited partnerships and corporations had, at the time of purchase, already been transferred under reciprocal option agreements, those interests are shown under other liabilities.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIRST NINE MONTHS OF 2019

in EUR '000	Q1–Q3 2019	Q1–Q3 2018
Earnings after taxes	50,088	66,709
Depreciation/appreciation of non-current assets	77,450	50,295
Taxes	27,019	35,780
Financial income	13,523	13,102
Other non-cash transactions	-198	713
Changes in provisions	35,581	17,998
Increase (-)/decrease (+) in inventories, receivables and other assets	-33,271	-106,200
Increase (+)/decrease (-) in trade payables and other equity and liabilities	-29,088	-29,500
Income taxes received/paid	-34,601	-34,111
Operating cash flow	**106,503**	**14,786**
Interest paid	-15,174	-14,099
Interest received	166	66
Cash flow from operating activities	**91,495**	**753**
Cash outflow from investments in		
property, plant and equipment and intangible assets	-43,282	-47,932
financial investments	-202	-214
shares in fully consolidated companies	-22,038	-11,516
Cash inflow from the disposal of other assets	1,462	1,047
Cash flow from investing activities	**-64,060**	**-58,615**
Dividend payment	-36,675	-36,675
Dividends paid to minority shareholders	-295	-304
Cash outflow from the repayment of contingent purchase price commitments	-2,431	-25,043
Cash inflow from raising of loans	111,396	160,420
Cash outflow from the repayment of loans	-64,530	-68,042
Cash outflow from the repayment of lease liabilities	-17,506	-946
Cash flow from financing activities	**-10,041**	**29,410**
Net changes in cash and cash equivalents	17,394	-28,452
Changes in cash and cash equivalents caused by currency exchange rates	600	53
Cash and cash equivalents at the beginning of the period	109,647	135,881
Cash and cash equivalents at the end of the period	**127,641**	**107,482**

NOTES

BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

[1] GENERAL INFORMATION

INDUS Holding AG, with registered office in Bergisch Gladbach, Germany, has prepared its condensed consolidated interim financial statements for the period from January 1, 2019, to September 30, 2019, in accordance with the International Financial Reporting Standards (IFRS), and their interpretation by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable in the European Union (EU). The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are stated in thousands of euros (EUR ’000).

These interim financial statements have been prepared in accordance with IAS 34 in condensed form. The interim report has been neither audited nor subjected to perusal or review by an auditor.

New obligatory standards are reported on separately in the section “Changes in Accounting Standards.” Otherwise, the same accounting methods have been applied as in the consolidated financial statements for the 2018 financial year, where they are described in detail. Since these interim financial statements do not provide the full scope of information found in the annual financial statements, these financial statements should be considered within the context of the last annual financial statements.

In the Board of Management’s view, this quarterly report includes all usual current adjustments necessary for the proper presentation of the Group’s financial position and financial performance. The results achieved in the first to third quarters of 2019 do not necessarily allow predictions to be made regarding future business performance.

Preparation of consolidated financial statements is influenced by accounting and valuation principles and requires assumptions and estimates that have an impact on the recognized value of assets, liabilities, and contingent liabilities and on income and expenses. When estimates are made regarding the future, actual values may differ from the estimates. If the original basis for the estimates changes, the statement of the items in question is adjusted through profit and loss.

[2] CHANGES IN ACCOUNTING STANDARDS

All obligatory accounting standards in effect as of the 2019 financial year have been implemented in the interim financial statements at hand.

IFRS 16 “Leases” is applicable from January 1, 2019. The new standard for lease accounting supersedes 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 modified retrospective method will be applied for adjustments at INDUS. The new standard has a material effect on the financial position and financial performance of INDUS. Total assets will rise in line with intangible assets and financial liabilities. Lease expenses previously reported under other operating expenses are now reported under depreciation or interest expenses. As of January 1, 2019, right-of-use assets and financial liabilities of EUR 81.2 million from operating leases were recognized for the first time. In addition, the previous finance lease assets have been reclassified, at their residual carrying amounts as of December 31, 2018, within the balance sheet item “right-of-use assets from leasing/rent” (formerly reported as tangible fixed assets). Operating income (EBIT) from January 1 to September 30, 2019, was relieved by EUR 1.7 million due to the application of the new leasing regulations. In the statement of cash flows, cash flow from financing activities was reduced by EUR 17.5 million, while cash flow from operating activities was increased by EUR 17.5 million. Application facilitation for IFRS 16 has been used.

There are no other new standards or interpretations that affect the presentation of the financial position and financial performance of INDUS Holding AG in the consolidated financial statements.

[3] CHANGE IN THE STRUCTURE OF THE STATEMENT OF INCOME

With effect from this financial year, the previous item "financial income" has been renamed "other financial income" and is now reported under operating income (EBIT). Similarly, the "income from shares accounted for using the equity method" are also shown under operating income. Together with net interest, the three items make up the "financial income." As a result of the change in presentation, the effect on income resulting from the subsequent valuation of purchase price commitments and from fair value changes in swaps is no longer shown under "interest expense," but rather under the item "other financial income." The change in presentation was made to reflect standard IFRS accounting practice. The figures for the previous year have been adjusted accordingly. The change in presentation results in operating income (EBIT) that is EUR 493 thousand lower for the Q1–Q3 2018 period. There were also minor adjustments to segment reporting.

[4] BUSINESS COMBINATIONS

MESUTRONIC

By way of an agreement concluded on May 25, 2019, INDUS Holding AG acquired 89.9% of the shares in MESUTRONIC Gerätebau GmbH, Kirchberg. MESUTRONIC operates in the measuring technology and control engineering sector, an industry of the future, and is one of the technology leaders in metal and foreign body detection in production processes. MESUTRONIC will be assigned to the Engineering segment.

The fair value of the total consideration amounted to EUR 31,895 thousand on the acquisition date. This comprises a cash component and a contingent purchase price payment of EUR 4,098 thousand, which was measured at fair value, and call/put options relating to the minority interests, as well as profit-sharing rights for the remaining minority shareholders. The cash component was paid in July 2019. Contingent purchase price liabilities from call/put options on minority interests are determined based on EBIT multiples and the forecast regarding future EBIT.

Goodwill of EUR 10,751 thousand, determined in the course of the purchase price allocation, is not tax-deductible. Goodwill represents inseparable values such as the workforce's know-how and positive future earnings expectations as well as synergies resulting from development, production, sales and marketing.

In the purchase price allocation, the acquired assets and liabilities have been calculated as follows:

NEW ACQUISITIONS: MESUTRONIC (in EUR '000)

	CARRYING AMOUNT AT TIME OF ACQUISITION	ASSETS ADDED DUE TO INITIAL CONSOLIDATION	ADDITION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	10,751	10,751
Other intangible assets	36	10,800	10,836
Property, plant and equipment	5,800	322	6,122
Financial investments	2	0	2
Inventories	3,473	547	4,020
Receivables	3,648	0	3,648
Other assets*	1,241	0	1,241
Cash and cash equivalents	5,510	0	5,510
Total assets	**19,710**	**22,420**	**42,130**
Other provisions	1,477	0	1,477
Financial liabilities	3,106	0	3,106
Trade payables	349	0	349
Other equity and liabilities**	1,849	3,454	5,303
Total liabilities	**6,781**	**3,454**	**10,235**

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes
** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

MESUTRONIC was consolidated for the first time in June 2019. MESUTRONIC contributed sales amounting to EUR 8,100 thousand to the INDUS result for the period from January 1, 2019, to September 30, 2019, and operating income (EBIT) of EUR 179 thousand. If MESUTRONIC had been consolidated as of January 1, 2019, revenue would have amounted to EUR 17,442 thousand and EBIT EUR 169 thousand.

Expenses affecting net income from the initial consolidation of MESUTRONIC had a negative impact of EUR 1,270 thousand on operating income. The incidental acquisition costs were recorded in the statement of income.

DSG

By way of an agreement concluded on September 30, 2019, INDUS Holding AG acquired 100% of the shares in Dessauer Schaltschrank GmbH (DSG), with registered office in Dessau. DSG is an SME specialized in the development, manufacture and sale of high-quality metal and lead parts, components, switch cabinets, machine casing and similar products that meet the highest industry and safety standards. DSG has been allocated to the Metals Technology segment.

The fair value of the total consideration amounted to EUR 7,150 thousand as of the acquisition date and consisted entirely of cash.

Goodwill of EUR 1 thousand, determined in the course of the purchase price allocation, is not tax-deductible. Goodwill represents inseparable values such as the workforce's know-how and positive future earnings expectations as well as synergies resulting from development, production, sales and marketing.

In the purchase price allocation, the acquired assets and liabilities have been calculated as follows:

NEW ACQUISTION: DSG (in EUR '000)

	CARRYING AMOUNT AT TIME OF ACQUISITION	ASSETS ADDED DUE TO INITIAL CONSOLIDATION	ADDITION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	1	1
Other intangible assets	1	4,757	4,758
Property, plant and equipment	950	1,430	2,380
Financial investments	0	0	0
Inventories	1,956	339	2,295
Receivables	732	0	732
Other assets*	856	0	856
Cash and cash equivalents	249	0	249
Total assets	**4,744**	**6,527**	**11,271**
Other provisions	203	0	203
Financial liabilities	338	0	338
Trade payables	365	0	365
Other equity and liabilities**	1,283	1,932	3,215
Total liabilities	**2,189**	**1,932**	**4,121**

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes
** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

The initial consolidation of DSG took place at the end of September 2019. DSG contributed no sales or operating income (EBIT) to the INDUS result in the period from January 1 to September 30, 2019. If DSG had been consolidated as of January 1, 2019, revenue would have amounted to EUR 7,514 thousand and EBIT EUR -142 thousand.

Expenses affecting net income from the initial consolidation of DSG had a negative impact of EUR 50 thousand on operating income. The incidental acquisition costs were recorded in the statement of income.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

[5] COST OF MATERIALS

in EUR '000	Q1–Q3 2019	Q1–Q3 2018
Raw materials, consumables and supplies, and purchased merchandise	-521,181	-515,103
Purchased services	-88,886	-98,316
Total	**-610,067**	**-613,419**

[6] PERSONNEL EXPENSES

in EUR '000	Q1–Q3 2019	Q1–Q3 2018
Wages and salaries	-335,312	-319,144
Social security	-57,933	-54,092
Pensions	-3,614	-3,561
Total	**-396,859**	**-376,797**

[7] DEPRECIATION / AMORTIZATION

in EUR '000	Q1–Q3 2019	Q1–Q3 2018
Depreciation/amortization	-64,950	-50,295
Impairment	-12,500	0
Total	**-77,450**	**-50,295**

Impairments were recognized due to the lower earnings power and worsening outlook in the Automotive Technology segment. This consisted of impairments on goodwill amounting to EUR 9,652 thousand (previous year: EUR 0 thousand) and on property, plant and equipment amounting to EUR 2,848 thousand (previous year: EUR 0 thousand).

[8] OTHER OPERATING EXPENSES

in EUR '000	Q1–Q3 2019	Q1–Q3 2018
Selling expenses	-67,417	-66,515
Operating expenses	-50,554	-60,279
Administrative expenses	-38,543	-37,404
Other expenses	-4,830	-5,482
Total	**-161,344**	**-169,680**

[9] FINANCIAL INCOME

in EUR '000	Q1–Q3 2019	Q1–Q3 2018
Interest and similar income	166	66
Interest and similar expenses	-11,560	-10,054
Net interest	**-11,394**	**-9,988**
Income from shares accounted for using the equity method	**614**	**296**
Market value of interest rate swaps	2	9
Minority interests	-2,755	-3,616
Income from financial investments	10	197
Other financial income	**-2,743**	**-3,410**
Total	**-13,523**	**-13,102**

The item "minority interests" includes the effects on income from the subsequent valuation of contingent purchase price liabilities (call/put options) in the amount of EUR 881 thousand (previous year: EUR 563 thousand) as well as earnings after taxes due to external entities from shares in limited partnerships and stock corporations with call/put options. The corresponding amounts are reported under "other financial income" for the first time.

[10] TAXES

The income tax expense in the interim financial statements is calculated based on the assumptions currently used for tax planning purposes.

[11] EARNINGS PER SHARE

in EUR '000	Q1–Q3 2019	Q1–Q3 2018
Income attributable to INDUS shareholders	49,362	65,708
Weighted average shares outstanding (in thousands)	24,451	24,451
Earnings per share (in EUR)	**2.02**	**2.69**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[12] INVENTORIES

in EUR '000	SEP. 30, 2019	DEC. 31, 2018
Raw materials, consumables and supplies	145,574	149,227
Unfinished goods	109,382	113,263
Finished goods and goods for resale	127,428	127,785
Advance payments	36,508	18,418
Total	**418,892**	**408,693**

[13] RECEIVABLES

in EUR '000	SEP. 30, 2019	DEC. 31, 2018
Receivables from customers	207,861	189,909
Contract assets	21,645	9,956
Receivables from associated companies	2,432	2,658
Total	**231,938**	**202,523**

[14] FINANCIAL LIABILITIES

As a result of the mandatory application of IFRS 16 "Leases" from January 1, 2019, financial liabilities include approximately an additional EUR 68.0 million in lease liabilities as of September 30, 2019.

in EUR '000	SEP. 30, 2019	CURRENT	NON-CURRENT	DEC. 31, 2018	CURRENT	NON-CURRENT
Liabilities to banks	420,878	70,057	350,821	358,829	79,223	279,606
Liabilities from leasing	72,841	16,813	56,028	5,323	4,215	1,108
Promissory note loans	217,100	43,082	174,018	228,254	43,082	185,172
Total	**710,819**	**129,952**	**580,867**	**592,406**	**126,520**	**465,886**

[15] LIABILITIES

Other liabilities of EUR 41,341 thousand (Dec. 31, 2018: EUR 41,789 thousand) include contingent purchase price liabilities, carried at fair value, insofar as the minority shareholders can tender shares to INDUS by terminating the Articles of Incorporation or on the basis of option agreements.

OTHER DISCLOSURES

[16] SEGMENT REPORTING

SEGMENT INFORMATION BY OPERATION FOR THE FIRST NINE MONTHS OF 2019

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8 (in EUR '000)

	CONSTRUCTION/ INFRASTRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENTS
Q1–Q3 2019								
Revenue with external third parties	294,894	267,751	318,044	120,979	311,271	1,312,939	-155	1,312,784
Revenue with Group companies	26,387	60,329	51,604	13,872	47,409	199,601	-199,601	0
Revenue	**321,281**	**328,080**	**369,648**	**134,851**	**358,680**	**1,512,540**	**-199,756**	**1,312,784**
Segment earnings (EBIT)	**46,980**	**-22,576**	**36,044**	**13,992**	**23,428**	**97,868**	**-7,238**	**90,630**
Income from measurement according to the equity method	241	15	358	0	0	614	0	614
Depreciation/amortization	**-10,229**	**-33,082**	**-13,808**	**-6,956**	**-12,709**	**-76,784**	**-666**	**-77,450**
of which amortization	-10,229	-20,582	-13,808	-6,956	-12,709	-64,284	0	-64,950
of which impairment	0	-12,500	0	0	0	-12,500	0	-12,500
Segment EBITDA	**57,209**	**10,506**	**49,852**	**20,948**	**36,137**	**174,652**	**-6,572**	**168,080**
Investments	**11,009**	**14,285**	**28,275**	**2,778**	**8,235**	**64,582**	**940**	**65,522**
of which company acquisitions	0	0	22,287	0	-249	22,038	0	22,038

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8 (in EUR '000)

	CONSTRUCTION/INFRASTRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENTS
Q1–Q3 2018								
Revenue with external third parties	271,365	294,801	274,928	115,386	318,612	1,275,092	-153	1,274,939
Revenue with Group companies	24,949	59,628	46,609	13,339	42,354	186,879	-186,879	0
Revenue	**296,314**	**354,429**	**321,537**	**128,725**	**360,966**	**1,461,971**	**-187,032**	**1,274,939**
Segment earnings (EBIT)	**40,119**	**5,343**	**32,978**	**12,597**	**28,457**	**119,494**	**-3,903**	**115,591**
Income from measurement according to the equity method	252	-135	179	0	0	296	0	296
Depreciation/amortization	**-7,463**	**-17,284**	**-8,935**	**-5,494**	**-10,520**	**-49,696**	**-599**	**-50,295**
Segment EBITDA	**47,582**	**22,627**	**41,913**	**18,091**	**38,977**	**169,190**	**-3,304**	**165,886**
Investments	**18,761**	**16,925**	**6,940**	**5,536**	**11,017**	**59,179**	**483**	**59,662**
of which company acquisitions	9,890	1,626	0	0	0	11,516	0	11,516

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8 (in EUR '000)

	CONSTRUCTION/INFRASTRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENTS
Q3 2019								
Revenue with external third parties	103,978	84,327	110,551	39,442	97,702	436,000	259	436,259
Revenue with Group companies	9,372	19,341	16,577	4,506	13,104	62,901	-62,901	0
Revenue	**113,350**	**103,668**	**127,128**	**43,948**	**110,806**	**498,901**	**-62,642**	**436,259**
Segment earnings (EBIT)	**19,135**	**-17,501**	**13,239**	**4,870**	**7,096**	**26,839**	**-2,673**	**24,166**
Income from measurement according to the equity method	61	32	167	0	0	260	0	260
Depreciation/amortization	**-3,448**	**-19,284**	**-4,776**	**-2,381**	**-4,273**	**-34,162**	**-232**	**-34,394**
of which amortization	-3,448	-6,784	-4,776	-2,381	-4,273	-21,662	-232	-21,894
of which impairment	0	-12,500	0	0	0	-12,500	0	-12,500
Segment EBITDA	**22,583**	**1,783**	**18,015**	**7,251**	**11,369**	**61,001**	**-2,441**	**58,560**
Investments	**3,009**	**6,413**	**29,962**	**961**	**9,850**	**50,195**	**808**	**51,003**
of which company acquisitions	0	0	27,797	0	-249	27,548	0	27,548

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8 (in EUR '000)

	CONSTRUCTION/ INFRASTRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCILIATION	CONSOLIDATED FINANCIAL STATEMENTS
Q3 2018								
Revenue with external third parties	99,361	98,299	92,608	37,663	102,271	430,202	4	430,206
Revenue with Group companies	9,031	20,636	17,130	4,197	15,038	66,032	-66,032	0
Revenue	**108,392**	**118,935**	**109,738**	**41,860**	**117,309**	**496,234**	**-66,028**	**430,206**
Segment earnings (EBIT)	**17,131**	**1,059**	**10,469**	**4,215**	**5,933**	**38,807**	**665**	**39,472**
Income from measurement according to the equity method	270	32	56	0	0	358	0	358
Depreciation/amortization	**-2,554**	**-5,853**	**-3,005**	**-1,978**	**-3,489**	**-16,879**	**-197**	**-17,076**
Segment EBITDA	**19,685**	**6,912**	**13,474**	**6,193**	**9,422**	**55,686**	**862**	**56,548**
Investments	**12,835**	**5,899**	**2,547**	**2,343**	**7,086**	**30,710**	**0**	**30,710**
of which company acquisitions	9,890	0	0	0	0	9,890	0	9,890

The table below reconciles the total operating results of segment reporting with the earnings before taxes in the consolidated statement of income:

RECONCILIATION (in EUR '000)

	Q1–Q3 2019	Q1–Q3 2018	Q3 2019	Q3 2018
Segment earnings (EBIT)	**97,868**	**119,494**	**26,839**	**38,807**
Areas not allocated incl. holding company	-7,245	-3,873	-2,644	695
Consolidations	7	-30	-29	-30
Financial income	-13,523	-13,102	-5,117	-4,006
Earnings before taxes	**77,107**	**102,489**	**19,049**	**35,466**

The classification of segments corresponds without change to the current state of internal reporting. The segment information relates to continued operations. The companies are assigned to the segments based on their selling markets if the large majority of their range is sold in a particular 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-operating units not allocated to any segment, and consolidations. See the explanation provided in the management report regarding the products and services that generate segment sales.

The key control variable for the segments is operating income (EBIT) as defined in the consolidated financial statements. The information pertaining to the segments has been ascertained in compliance with the reporting and valuation methods that were applied in the preparation of the consolidated financial statements. Transfer prices between segments are based on arm's-length prices to the extent that they can be established in a reliable manner and are otherwise determined on the basis of the cost-plus pricing method.

SEGMENT INFORMATION BY REGION

The breakdown of sales by region relates to our selling markets. Owing to the diversity of our foreign activities, a further breakdown by country would not be meaningful since no country other than Germany accounts for 10% of Group sales.

Non-current assets, less deferred taxes and financial instruments, are based on the registered offices of the companies concerned. Further differentiation would not be useful since the majority of companies are based in Germany.

Owing 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
Revenue with external third parties				
Q1–Q3 2019	1,312,784	675,605	286,165	351,014
Q3 2019	436,259	222,863	97,626	115,770
Non-current assets, less deferred taxes and financial instruments				
Sep. 30, 2019	1,032,213	875,533	54,516	102,164
Revenue with external third parties				
Q1– Q3 2018	1,274,939	655,540	286,210	333,189
Q3 2018	430,206	224,621	97,421	108,164
Non-current assets, less deferred taxes and financial instruments				
Dec. 31, 2018	941,570	801,157	51,185	89,228

[17] INFORMATION ON THE SIGNIFICANCE OF FINANCIAL INSTRUMENTS

The table below shows the carrying amounts of the financial instruments. The fair value of a financial instrument is the price that would be paid in an orderly transaction between market participants for the sale of an asset or transfer of a liability on the measurement date.

FINANCIAL INSTRUMENTS (in EUR '000)

	BALANCE SHEET VALUE	IFRS 9 NOT APPLICABLE	IFRS 9 FINANCIAL INSTRUMENTS	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
September 30, 2019					
Financial investments	6,264	0	6,264	2,478	3,786
Cash and cash equivalents	127,641	0	127,641	0	127,641
Receivables	231,938	21,645	210,293	0	210,293
Other assets	47,630	11,790	35,840	0	35,840
Financial instruments: Assets	**413,473**	**33,435**	**380,038**	**2,478**	**377,560**
Financial liabilities	710,819	0	710,819	0	710,819
Trade payables	70,277	0	70,277	0	70,277
Other liabilities	160,419	74,608	85,811	48,651	37,160
Financial instruments: Equity and liabilities	**941,515**	**74,608**	**866,907**	**48,651**	**818,256**

	BALANCE SHEET VALUE	IFRS 9 NOT APPLICABLE	IFRS 9 FINANCIAL INSTRUMENTS	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
December 31, 2018					
Financial investments	13,684	0	13,684	2,612	11,072
Cash and cash equivalents	109,647	0	109,647	0	109,647
Receivables	202,523	9,956	192,567	0	192,567
Other assets	26,119	14,380	11,739	404	11,335
Financial instruments: Assets	**351,973**	**24,336**	**327,637**	**3,016**	**324,621**
Financial liabilities	592,406	0	592,406	0	592,406
Trade payables	65,659	0	65,659	0	65,659
Other liabilities	178,556	90,449	88,107	46,854	41,253
Financial instruments: Equity and liabilities	**836,621**	**90,449**	**746,172**	**46,854**	**699,318**

FINANCIAL INSTRUMENTS BY BUSINESS MODEL PURSUANT TO IFRS 9 (in EUR '000)

	SEP. 30, 2019	DEC. 31, 2018
Financial assets measured at fair value through profit and loss	0	404
Financial assets measured at cost	377,560	324,621
Financial assets recognized at fair value directly in equity	2,478	2,612
Financial instruments: Assets	**380,038**	**327,637**
Financial liabilities measured at fair value through profit and loss	41,506	41,950
Financial liabilities measured at cost	818,256	699,318
Derivatives with hedging relationship, hedge accounting	7,145	4,904
Financial instruments: Equity and Liabilities	**866,907**	**746,172**

[18] APPROVAL FOR PUBLICATION

The Board of Management of INDUS Holding AG approved these IFRS interim financial statements for publication on November 13, 2019.

Bergisch Gladbach, November 13, 2019
INDUS Holding AG

The Board of Management

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This interim report is also available in German. Both the English and the German versions of the interim report can be downloaded at www.indus.de under investor relations, financial reports and presentations. Only the German version of the interim report is legally binding.

FINANCIAL CALENDAR

DATE	EVENT
February 20, 2020	Publication of the preliminary figures for the 2019 fiscal year
March 30, 2020	Publication of the Annual Report for the 2019 fiscal year
March 30, 2020	Press conference on the results for the 2019 fiscal year, Düsseldorf
March 31, 2020	Analysts' conference on the 2019 fiscal year, Frankfurt/Main
May 14, 2020	Publication of the interim report for Q1 2020
May 20, 2020	Annual Shareholders' Meeting, Cologne
August 13, 2020	Publication of the interim report for H1 2020
November 12, 2020	Publication of the interim report for Q3 2020

Please visit www.indus.de/en/investor-relations/financial-calendar for updates on the INDUS financial calendar.

IMPRINT

RESPONSIBLE MEMBER OF THE BOARD OF MANAGEMENT
Dr.-Ing. Johannes Schmidt

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