

**Speech held on the occasion of the
Annual Shareholders' Meeting of INDUS Holding AG
Cologne, May 29, 2019**

Dr. Johannes Schmidt, Chairman of the Board of Management

Dear shareholders,
Dear members of the Supervisory Board,
Dear employees and friends of INDUS,

On behalf of the entire Board of Management, I would like to welcome you here in Cologne. This is the first time that I am talking to you in my new role as Chairman of the Board of Management to report on INDUS' performance in the past year. Our film is about a very special sport. The aim is to get from A to B as efficiently as possible. Parkour runners choose their own way, independently and unconventionally. Any obstacles that are in their way are skillfully overcome – entirely under their own steam. Parkour is therefore also referred to as the “art of efficient movement”.

But what does this sport have to do with INDUS? We have named our new strategy program “PARKOUR” because the obstacles on the way to more innovative capacity and efficiency are becoming ever more complex for our portfolio companies. Our portfolio currently consists of 45 companies from the German-speaking SME sector. If we include the sub-subsidiaries, the Group today comprises 189 fully consolidated entities. Each of the operationally independent portfolio companies is facing a variety of challenges that must be successfully mastered by 2025. And the INDUS world will not stand still: we intend to further expand our portfolio in the coming years by acquiring new hidden champions.

We must choose the right path at high speed. Little can be planned for the long term: will additional tariffs be imposed or not? Is Brexit coming or isn't it? Will car makers soon build only electric vehicles? Or will they end up using hydrogen? In this difficult environment, political leaders are very naively relying on the efficiency and the power of the economy. The regulatory frenzy starting at the European level is unbroken. New regulations are constantly being imposed on companies. At the same time, far too little is being invested in infrastructure and future technologies such as digitization and artificial intelligence. This environment makes planning difficult. It is therefore not surprising that many companies hesitate in making decisions.

Ladies and gentlemen, complaining doesn't help. We know that. We can and must help ourselves. Just like Parkour runners completely under their own steam. To do this, you have to look at the world from a new angle and readjust your goals. It may also be worth trying completely new ways. In such an environment, we must focus even more strongly on the virtues that make SMEs so successful: courage, creativity and reliability. We will continue to vigorously support these virtues within the framework of our new PARKOUR strategy program.

To use another term from the world of sports, we serve as “mental and fitness coach” for our portfolio companies. We offer them knowledge they will need in the future. We support them in building up skills. And if they break new ground for their future success, we will provide them with even more resources than before. To make it clear: we will stick to our previous philosophy. Every INDUS company must find its own way. We're just empowering them – in order to ensure that every portfolio company, like a well-trained Parkour runner, will reach its goals as quickly as possible.

When we look at the future, it is important to know where we are standing right now. The companies of the INDUS Group are facing tough competition. And they are doing extremely well. But needless to say, we are keeping our eyes and our ears open. If several experts project economic momentum to slow down, this will be incorporated into our planning. The last few years have spoiled us all. Growth knew hardly any limits. This has also had a significant impact on expectations. Now we are seeing a slowdown here and there. But that is normal at this high level and no reason to panic.

After so many very good years, sales and earnings simply cannot mark new records every year. We don't have to sound the alarm: the order books are full. The Automotive Technology segment is certainly a special case, but more about this later. Growth momentum is expected to slow down in 2019. Nevertheless, most of our companies will continue to grow. Maybe not as fast as before, but still at a decent pace. Salaries will rise, raw materials will become more expensive. This means that margins will decline somewhat. But they will still reach a good level again.

Let us take a look at the past fiscal year. You will find detailed figures and comments in our Annual Report. I will focus on the essential facts. The 45 entities of the INDUS Group increased their revenues to EUR 1.71 billion in the fiscal year 2018. This was slightly above our forecast and exceeded the previous year by 4.3%. In purely organic terms, the Group grew by 3.2%. This is something we can be satisfied with. Prices rise when resources are scarce – this applies

to materials and to skilled labor alike. This is reflected in slightly higher material and personnel expense ratios.

At the end of 2018, the holding company – excluding the members of the Board of Management – employed 31 people. The subsidiaries had an average annual headcount of roughly 10,700. The INDUS family also grows as new trainees and apprentices join us. Trainees and apprentices represent a good 5.3% of the domestic workforce. I would like to take this opportunity to thank all our employees from the bottom of my heart for once again making a significant contribution to the growth and success of the Group.

After deduction of the expense items, earnings before interest, taxes, depreciation and amortization – or EBITDA for short – amounted to around EUR 218 million. Compared to the previous year, EBITDA rose by EUR 3.1 million. At approximately EUR 151 million before impairment losses, earnings before interest and taxes were slightly down on the previous year's EUR 153 million. You only need to look at our forecast to see that we had imagined things to be different. We had projected between EUR 154 and 160 million. It is no surprise that the shortfall is primarily attributable to the weakness among the series production suppliers in the automotive industry. The fact that the shortfall was not higher was due to the strength of the other segments. We are in quite a comfortable situation: with 45 hidden champions, the majority of our successful companies contribute to our growth. There are always two or three problem children. These need to be repositioned to ensure that they are able to cope with the market conditions.

Four of our five segments were well positioned last year. The tasks and challenges we have identified internally are being addressed with great determination. We try to adapt to the external conditions in the automotive sector in the best possible way. We adapt our products to the demand for new models and technologies. In view of the changed prospects of some portfolio companies, we recognized non-cash impairment losses of EUR 16.1 million in the fourth quarter. Of this amount, EUR 9.5 million related to the Automotive Technology segment, while EUR 6.6 million related to the Metals Technology segment. Operating EBIT after impairment losses thus amounted to close to EUR 135 million. The EBIT margin at 8.8% before impairment and at 7.9% after impairment. Earnings per share amounted to EUR 2.90, compared to EUR 3.37 in the previous year.

Let us now take a brief look at the individual segments:

The boom in the Construction/Infrastructure segment continued. All 11 portfolio companies are operating close to their capacity limits. Segment revenues were up by 8.6% on the previous

year to around EUR 359 million. It is good to see that nearly all companies were able to further increase their revenues compared to the previous year. Although skilled personnel are scarce and expensive and raw material prices are on the increase, the segment companies increased their operating result to close to EUR 50 million. At the sub-subsidiary level, we acquired a supplier of air-conditioning equipment. If we find suitable companies for this segment, we will make further acquisitions.

2018 was a difficult fiscal year for the nine portfolio companies in the Automotive Technology segment. The technological shift towards e-mobility and the emissions scandal intensified the already high pressure on margins. The new measurement methods for exhaust emissions and the resulting shortfall in sales made life even more difficult for series production suppliers. This has resulted in lower release quantities. Sales revenues in the Automotive Technology segment declined to EUR 391 million. The companies generated an operating result of EUR 5.2 million before impairment losses, which was EUR 9.5 million below the prior year level. The well-known repositioning exercise at a portfolio company is proceeding to plan but has not yet led to an improved result as the ramp-up of mass production takes several year. A second series production supplier suffered a sharp drop in earnings in the second half of the year. This requires another repositioning exercise, which we have already started to address. In view of the difficult situation of the series production suppliers, we are examining whether some of them might stand a better chance under another owner. But we will not sell any company before the framework conditions are right. Not only economically for INDUS. The prospects also need to be good for the companies concerned. This has not been the case so far. Segment investments include the acquisition of ELECTRONIC EQUIPMENT by AURORA. AURORA is very much benefiting from electromobility. The company has established a strong market position based on its innovative systems for the heating and air-conditioning of electric buses and commercial vehicles.

The 11 portfolio companies in the Engineering segment are characterized by high technological expertise and good product quality. They will ensure that we will continue to grow in the future. This applies, in particular, to the automation, measurement and control sector, where we also intend to make further acquisitions. The segment's revenues increased by close to EUR 12 million to EUR 387 million. EBIT amounted to over EUR 52 million, which was good but slightly lower than in the previous year.

The five portfolio companies in the Medical Engineering / Life Science segment recorded a moderate decline in revenues to approximately EUR 154 million. The operating result came in at a bit more than EUR 17 million, which was also lower than in the previous year. There is

fierce competition, especially in the market for non-wovens and surgical kits. Some customers have chosen other suppliers. Labor costs at our foreign locations have risen sharply. The EU Medical Device Regulation has also made the overall conditions more difficult. The segment remains one of our industries of the future. In spite of regulatory requirements and increased cost pressure, we expect this segment to offer opportunities for growth in the future and high margins.

The nine portfolio companies in the Metals Technology segment have largely performed as expected by us. Sales revenues have risen to EUR 420 million. EBIT before impairment losses amounted to roughly EUR 35 million, which clearly exceeded the prior year level. This is very good. The second half of the year saw the EBIT margin decline, however, as material prices increased sharply. We have not been able yet to offset this increase with higher selling prices. As the future expectations for two portfolio companies have changed, we have recognized impairment losses of EUR 6.6 million. The operating result after impairment losses amounted to roughly EUR 28 million, which was still more than EUR 4 million above the prior year level. The Metals Technology segment has grown strongly, which is why we will now first of all optimize our operations in this segment.

Let me summarize:

The INDUS Group's total result was impacted by the negative developments in the Automotive Technology segment. The other four segments, i.e. the great majority of our portfolio companies are doing well to very well. These companies are very well equipped for successful, sustainable development in 2019.

The INDUS Group as a whole is well positioned, as reflected in our stable balance sheet ratios and our strong equity base. Our financial resources and comprehensive bank commitments give us flexibility in our investment decisions. I am looking at my colleague Mr Weichert with gratitude. After the departure of Mr Abromeit, he has taken on additional tasks and is now also responsible for INDUS Group's financials in his role as "classic CFO". Total assets amounted to EUR 1.72 billion on the reporting date, up by 4% on the previous year. Equity increased by 5.3% to close to EUR 710 million. At 41.3%, the equity ratio was well above the defined target ratio of 40%.

Net debt climbed from approximately EUR 399 million to EUR 483 million. This is attributable to an increase in working capital and the repayment of contingent purchase price liabilities. At 2.2 years, the debt repayment period is within the target range of 2 to 2.5 years. INDUS' traditionally good liquidity has given us the financial muscle we needed to realize all important

projects. Cash and cash equivalents stood at a very solid EUR 110 million on the reporting date.

At roughly EUR 91 million, the portfolio companies' investments in property, plant and equipment as well as intangible assets were higher than ever before. At a price of EUR 11.5 million, we acquired the two sub-subsidiaries mentioned before. Moreover, OFA, our subsidiary from Bamberg, took over a trading firm for medical aids. Total investments amounted to roughly EUR 102 million.

Ladies and gentlemen,

we would certainly have been able to spend more money on the acquisition of direct investments in 2018. But because of unreasonably high prices, we refrained from doing so – not least in your interest. But you will soon learn that the situation has improved significantly in the meantime.

After having looked back, let us now look ahead. Under the COMPASS 2020 strategy program, the INDUS Group has developed and performed very well. Our core strategy of “Buy, hold and develop” is paying off. PARKOUR is building on the successful elements and looking at the further development of INDUS up to the year 2025.

As you have seen in our film, PARKOUR includes three central levers.

We are strengthening the portfolio structure.

We are driving innovation.

We are increasing the performance.

Why are we doing this? In our Annual Report, much room has been given to our “goals”. In 2025, we want to have 55 to 60 portfolio companies. Total revenues are expected to grow to EUR 2.5 billion. The EBIT margin is to exceed 10 percent again. We have defined six technology-driven industries of the future for these acquisitions. You can see them behind me.

Shown in the presentation:

Automation, measurement and control technology

Construction technology

Security technology

Medical engineering and life science

Infrastructure and logistics technology

Energy and environmental engineering

At the first level, we will buy two to three companies per year. In addition, PARKOUR provides for the acquisition of three to four strategic additions at the portfolio company level. We will also support the acquisition of younger technology companies.

Ladies and gentlemen,

it gives me great pleasure to be able to present you the first acquisition of a subsidiary in almost two years. Last Saturday, we signed the purchase agreement for the acquisition of a 89.9% stake in MESUTRONIC. Our new portfolio company is a specialist for the manufacture of inspection systems for the detection of metal and foreign objects. It is a perfect fit for the automation, measurement and control technology sector, which is one of the defined industries of the future. The systems are used to protect production facilities from metal parts and other foreign object, for example in the timber and plastic industries. They also check manufactured products for freedom from metal and other contaminants, for example in the food and pharmaceuticals industries. The four former shareholders will continue to manage the company and partly also retain a share in it. They are here today. I would ask you to stand up for a moment so that we can welcome you to the INDUS family. I would like to invite the managing director and co-shareholder of the company, Mr. Karl-Heinz Dürrmeier, to join me on stage.

Conversation with Mr Dürrmeier on stage

Ladies and gentlemen, as you can see, INDUS can and will continue to make acquisitions! This way, we will fill the “portfolio strengthening” lever with life. I am confident that the acquisition of MESUTRONIC will not be the last purchase in 2019.

Let me now address the second lever, “driving innovation”. The rapid technological change and the digital transformation are central challenges of our times. Our hidden champions are specialists and market leaders in their respective niches. But they too are called upon to rethink their business models. This change offers great opportunities, especially for our SMEs. This is why we will support innovation projects even more intensively than before. Financially, our development bank helps our companies to develop innovative products, services and processes. The funds comprise 50 to 80 percent of the respective project volume. To this end, we will double our annual budget to up to 3% of the Group’s EBIT.

One example: our subsidiary **HORNGroup** is a specialist for refueling technology. It has developed a digital platform in the context of the innovation project “**mytecalemit**” **Cloud Solution**. In a first step, HORNGroup will connect the fuel terminals of non-public gas stations. This allows the dispensing information of the pumps to be read out in real time via the cloud. In a second step, it is planned to also transmit the filling level of the tanks. In the future, it will thus be possible to reorder fuel fully automatically. In a third step, HORNGroup plans to connect repair shops to facilitate engine and transmission oil management. INDUS’ development bank has supported this project. Going forward, the resulting IoT platform can also be used by other portfolio companies.

The **Ipetronik IPECloud** is another example. This solution is used to structure, process and evaluate measurement data of large vehicle fleets or test benches. The aim is to be able to process very large data volumes in the future, such as those generated during autonomous driving.

Our **Innovation Toolbox** supports our portfolio companies with consulting and training services. We provide methodological knowledge for the digital transformation of business models. Digitization is not always about rocket science or complex innovation projects. Above all, it is also about supporting routine processes in day-to-day business with IT solutions. In this respect, please have a look at the website of our HAUFF portfolio company. It provides a planning tool which enables building owners and architects as well as private individuals to configure and order the right seals. Given the great diversity of the practical applications, this is by no means trivial. The planning tool takes the user to the right product step by step and also provides corresponding texts for tenders. Needless to say, the user may also ask for an online quotation of the configured products.

The creation and expansion of **networks** is another factor that is key to successful innovation. Our portfolio companies are already well positioned here, as is reflected in the successful development partnerships between individual portfolio companies but also with suppliers and customers. We are also expanding the cooperations with research institutions and universities.

Let's now watch a short film as an example of the successful promotion of innovation within our Group. You have already encountered the “additive manufacturing” topic in the foyer.

Film

I think this is a good example of how innovations can grow within our network. In order to strengthen the important area of innovation, we appointed Dr. Jörn Großmann to the Board of Management earlier this year. You will meet him for the first time at today's Shareholders' Meeting. He is sitting over there. Since 1 January, he has been responsible for "Technology and Innovation" on the Board of Management. As you can imagine, it was not easy for me to give up this task. But I know that Dr. Großmann is just the right person for it.

You already know my colleague, Mr Axel Meyer, from last year. On the Board of Management, he is responsible for Production and Investment. In this capacity, he is also responsible for the third lever of our PARKOUR strategy – the expansion of operational excellence. The general conditions require each portfolio company to question and continuously improve its value-adding core processes – from the acquisition of orders to their processing. With respect to the acquisition of orders, we want to support our portfolio companies in the areas of strategic marketing and pricing. More specifically, this means that we provide methodical support for the development of marketing strategies as well as the performance of market and competitor analyses and advise on the optimization of pricing strategies for products and services. With respect to the processing of orders, we assist our portfolio companies in tapping productivity potential in the procurement, production and logistics areas. The magic word here is "lean management". Lean management helps set up lean business processes for the systematic avoidance of waste. We conduct audits together with the companies' managing directors to identify potential for improvement. This are then incorporated into concrete action plans. We support their implementation by accompanying projects, but also by offering a multi-stage training program for lean experts and individual workshops for specific methodological knowledge.

Ladies and gentlemen, how does this all fit in with our principle of independently operating portfolio companies? Our model for success has proven itself and will remain untouched. But we offer help for self-help. Our current repositioning exercises have furthermore shown us that we have to support our companies at an earlier stage to get them back on track. I am a great lover of classical music. I am particularly fascinated by how a good conductor can control a large orchestra. Many of the musicians have successful solo careers. Each them is one of the best in their field. But they nevertheless need the conductor for a successful performance. The conductor hears exactly when something goes wrong or groups drift apart and intervenes immediately to restore harmony. This is the only way to ensure a successful performance. At INDUS, things are very similar. For us as Board members, it is important to let the managing directors use their skills to act independently and autonomously – and to create the framework conditions that allow each individual company to unfold their full potential. But we intervene

when we hear discords. All this is done at eye level and with great respect. This is legitimate, and you, our shareholders, have every right to expect this from us.

So let us now come to you, dear shareholders. Everything we do is not in fact an end in itself. But where does the money from our value creation actually go? The net value added of the INDUS Group amounted to approximately EUR 642 million last year. The largest share of this, i.e. 79%, went to our employees. The government received more than EUR 43 million. 3.2% went to our lenders and 0.1% to our co-shareholders in the portfolio companies. 11% remain in the Group for you, our shareholders. On 31 December 2018, the distributable profit of INDUS Holding AG amounted to EUR 76.3 million. The Board of Management and the Supervisory Board therefore propose to the Shareholders' Meeting to pay a dividend of EUR 1.50 per share. This corresponds to a total dividend of EUR 36.7 million and a payout ratio of 48.0%. The remaining 52% will be reinvested. This proposal strikes a balance between the company's interest in continued dynamic development and the shareholders' interest in appropriate participation in the company's business success. We want to maintain this approach in the years to come. When will the dividend be paid? Given that Ascension Day is a public holiday in Germany, the dividend will be paid on 4 June. I would like to take this opportunity to thank you very much for your support – in some cases already over several decades – and for your trust.

The other items on the agenda were detailed in the invitation. In addition to the mandatory resolutions on the controlling bodies and the election of the auditors, we propose this year a vote on the cancellation of the existing Authorized Capital 2014 and the creation of a new Authorized Capital 2019 and the corresponding amendment of the Articles of Incorporation by the resolution under item 6 of the agenda. This is necessary because the existing authorization to create Authorized Capital is limited until 10 June 2019. In principle, shareholders will continue to be granted subscription rights in future. Plausible exceptions have been explained in the agenda. Ladies and gentlemen, I would also like to ask you to support this item on the agenda. The Board of Management needs this flexibility to also realize larger attractive acquisition projects. This gives us as a clear competitive edge.

Ladies and gentlemen, I now come to the end and would like finish on a confident note. With PARKOUR, we have set the right course. In view of the good prospects in four of the five segments, we are generally optimistic for the current fiscal year. How did we start into 2019? In the first quarter, consolidated sales revenues increased by 7.2 percent to approximately EUR 438 million.

And most of this was achieved organically, i.e. by our own strength. At approximately EUR 34 million, earnings were slightly down on the previous year due to the weakness of the Automotive Technology segment. For the full year 2019, we continue to project sales revenues of between EUR 1.72 and 1.77 billion. Earnings before interest and taxes are expected to increase to between EUR 156 and 162 million. However, it is currently difficult to predict the future performance of the Automotive Technology segment. Manufacturers are adjusting releases at short notice. This may result in slumps like in February and March. At the same time, the major manufacturers forecast stable to slightly rising sales for the full year in their three-month reports. It is safe to assume that the industry's problems will persist and that we will continue to plan and react at short notice. Reaching the lower end of our EBIT forecast therefore seems very ambitious to us today.

We intend to invest roughly EUR 89 million in our portfolio companies. The focus will be on promoting operational excellence. In addition, we will double our financial commitment to our development bank scheme. An amount of EUR 50 million has been earmarked for company acquisitions. I have just presented a first acquisition to you. While the M&A market was quite tight in 2018, the supply of attractive targets has increased noticeably over the past months. I am therefore confident that we will reach our target of two first-level growth acquisitions in 2019.

As you can see, we have set ourselves ambitious goals – for this year and for the next five years. Personally, I will remain fascinated by the sport of Parkour... albeit from a distance. If you want to give Parkour a try – and run free through your neighbor's garden or along the walls of houses – train well beforehand and make sure you're fit. Set yourself realistic goals. Otherwise, you might hurt yourself and be disappointed.

Mr Abromeit, you as an athlete know what I am talking about. Please take the floor again. Ladies and gentlemen, thank you very much for your attention.