

# SUSTAINABILITY REPORT

[INDUS]

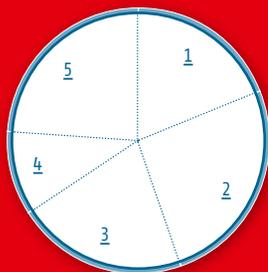
# KEY FIGURES 2016

## KEY FIGURES (in EUR millions)

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

\* Subject to approval at ASM on May 24, 2017

## 2016 SALES BY SEGMENTS (in EUR millions)



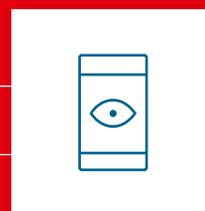
1 CONSTRUCTION/INFRASTRUCTURE  
274.5 (19.0 %)

2 AUTOMOTIVE TECHNOLOGY  
372.2 (25.8 %)

3 ENGINEERING  
305.9 (21.2 %)

4 MEDICAL ENGINEERING/  
LIFE SCIENCE  
147.0 (10.2 %)

5 METALS TECHNOLOGY  
344.4 (23.8 %)



FURTHER  
INFORMATION:

SALES  
EBIT  
EBIT MARGIN  
EQUITY RATIO

# PROFILE

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

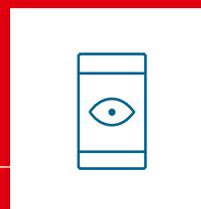
# OUR GOALS

**A BALANCED  
PORTFOLIO OF  
FUTURE-ORIENTED  
BUSINESSES**

**VALUE DEVELOPMENT**

**GROWTH**

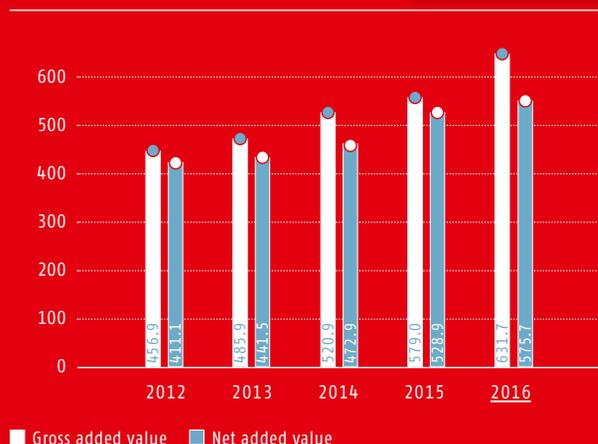
AUDIO:  
SUSTAINABILITY  
AT INDUS



# VALUE CREATION

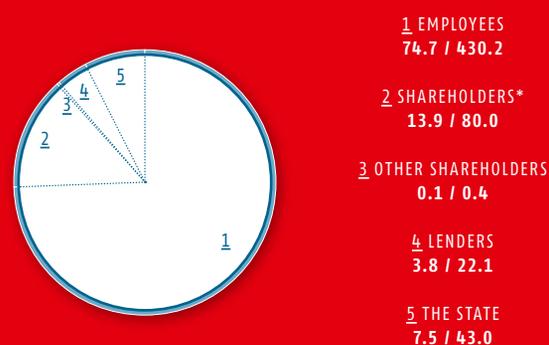
CORPORATE PERFORMANCE (in EUR million)	2016	2015
Sales revenue	1,444.3	1,388.9
Other operating income	20.2	19.9
Own work capitalized	6.2	5.7
Changes in inventory	11.1	7.0
Results based on shares valued at equity	1.0	0.7
Financial results	0.5	0.2
Interest income	0.5	0.6
Business performance	<b>1,483.8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

DEVELOPMENT VALUE CREATION (in EUR million)



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

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



\* Distribution of profits and retained earnings



# SUSTAIN- ABILITY AT INDUS

FUNDAMENTAL  
PRINCIPLES

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# FUNDAMENTAL PRINCIPLES

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

## **SUSTAINABILITY: FOR INDUS, NOTHING NEW**

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

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

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

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

## **REPORTING FUNDAMENTALS**

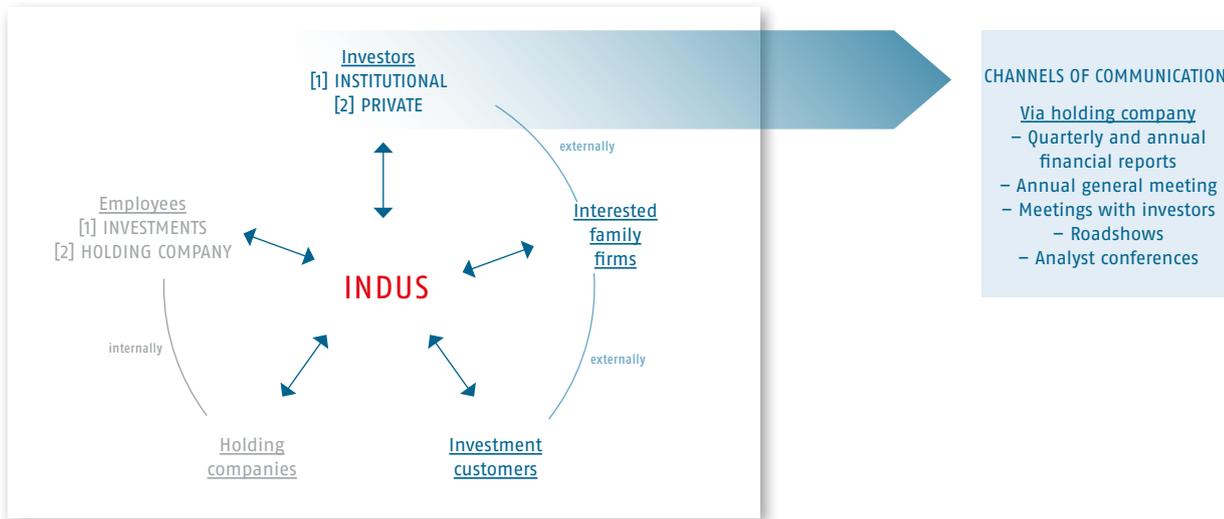
Our sustainability reporting follows the G4 guidelines of the Global Reporting Initiative (GRI) along with the criteria of the German Sustainability Code (Deutscher Nachhaltigkeitskodex, “DNK”). We report greenhouse gas emissions in accordance with the guidelines of the Greenhouse Gas Protocol (GHG Protocol). The data that are reported contain both financial figures and non-financial performance indicators of

crucial importance for our business. They are to be found on the report cover and in the following section, “Key Figures”. The key figures that have been gathered pertain to fiscal year 2016 and are compared to those for the previous year. To collect the data for the non-financial performance indicators, the existing internal financial data reporting system in use at INDUS Holding AG was used and supplemented with the appropriate surveys. The collection of companies from which sustainability-related data were collected differs from those within the Group’s scope of consolidation. It does, however, contain all direct INDUS portfolio companies along with important investments at the sub-subsidiary level (exclusive of acquisitions in the year under review).

## **STAKEHOLDERS: RECOGNIZING INTERESTS, MAINTAINING A DIALOG**

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

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



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

**KEY TOPICS: THREE PLUS FOUR**

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

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

**7. Resource efficiency:** taking account of ecological consequences in business decisions and minimizing the ecological effects of the portfolio companies’ business operations

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

**MATERIALITY MATRIX WITH CONCRETE FIELDS OF ACTION**

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

**NON-FINANCIAL EXPLANATION**

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



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



INFORMATION GRAPHICS:  
MATERIALITY MATRIX  
WITH INTERACTIVE  
FILTER FUNCTION BASED  
ON CORE TOPICS

of which coincides with the key topics and fields of action. Important performance indicators are to be found in the next section, “Key figures”.

### **RISK AND OPPORTUNITY MANAGEMENT**

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

### **ENVIRONMENTAL PROTECTION**

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

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

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

### **SOCIAL CONCERNS**

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

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

### **EMPLOYEE CONCERNS AND RESPECT FOR HUMAN RIGHTS**

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

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

### **COMBATING CORRUPTION AND BRIBERY**

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

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

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

# PROGRESS IN 2016

## INVESTMENTS

### STRENGTHENING THE GROUP AND THE PORTFOLIO COMPANIES THROUGH ACQUISITIONS

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

#### STATUS QUO AND GOALS

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

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

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

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

#### OUTLOOK

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



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#### PROJECT HIGHLIGHTS

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### **MIKROP** finds a perfect general partner in IN-SITU.

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

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

[Prof. Hartmut Ernst,](#)  
[Founder of IN-SITU](#)

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#### PROJECT HIGHLIGHTS

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

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

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

[Guido Heitz,](#)  
[Managing Director of H. HEITZ](#)



# INNOVATION

## ENHANCING THE PORTFOLIO COMPANIES' ABILITY TO INNOVATE

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

### STATUS QUO AND GOALS

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

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

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

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

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

### OUTLOOK

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



PROJECT HIGHLIGHTS

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

Under the slogan “efficiency for comfort”, AURORA is developing innovative components and systems for efficient ventilation and climate control comfort in premium commercial vehicles (buses, agricultural and construction machinery). The current focus of several projects is thermal management for city buses with alternative drives. AURORA’s approach is based on heat pump technology that encompasses heat recovery and a regulation and control system that integrates all heat sources and heat sinks. This technology offers significant energy efficiency advantages without compromising comfort. A first prototype was developed for an electrical bus in cooperation with VDL and introduced to the public in 2016. Building upon this achievement, AURORA is currently working with partners within and outside of the INDUS Group on the next generation. For this work AURORA has relied also on financial resources provided by INDUS. In addition to the technology used to for heat generation and refrigeration, climate-friendly refrigerants such as CO<sub>2</sub> or propane are also subjects of consideration.

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

[Hannes Wolf](#),  
Managing Director of AURORA

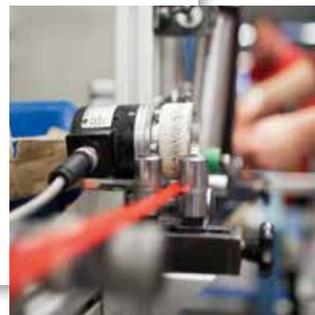
PROJECT HIGHLIGHTS

**ELTHERM** opens new fields of application with innovation.

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

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

[Alexander Neff](#),  
Spokesman for the management of ELTHERM



# INTERNATIONALIZATION

## PAVING THE WAY TO FURTHER GROWTH

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

### STATUS QUO AND GOALS

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

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

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

### OUTLOOK

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

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

[Dr. Martin Reinelt,](#)  
[Managing Director of M. BRAUN](#)



PROJECT HIGHLIGHTS

**M. BRAUN**

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

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

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

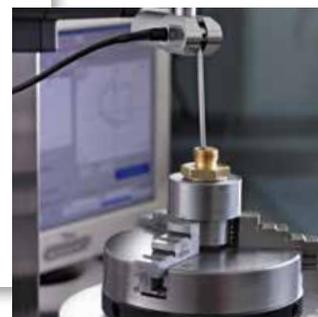
[Bruno Hirtz,](#)  
[Managing Director of BILSTEIN & SIEKERMANN](#)

PROJECT HIGHLIGHTS

**BILSTEIN & SIEKERMANN**

sets high working and environmental standards even in China.

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



# SHAREHOLDER'S ROLE

## ACTIVELY REPRESENTING THE INTERESTS OF THE OWNERS



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

### STATUS QUO AND GOALS

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

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

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

### OUTLOOK

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

14.3  
YEARS

2016

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

13.7  
YEARS

2015

# PERSONNEL

## SECURING A CENTRALLY IMPORTANT BUSINESS RESOURCE

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

### STATUS QUO AND GOALS

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

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

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

The portfolio companies pursue a large number of different measures aligned with their individual priorities. They train according to their own needs and, if possible, beyond them. BILSTEIN & SIEKERMANN, for example, recently established, together with partners from the region, a newly conceived training course for punching and forming mechanics. The portfolio companies also offer their employees a needs-oriented range of further training opportunities, and in some cases the option of completing a dual (academic and practical) study program or dispatch to company locations

abroad. At the same time, the portfolio companies maintain a general exchange with schools (e.g. girls' days), universities and universities of applied sciences (e.g. through internships and theses).

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

### OUTLOOK

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

248.0

FTE

2016

Trainees

231.5

FTE

2015

# SOCIAL ENGAGEMENT

## PROVIDING A REASONABLE SOCIAL BENEFIT

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

### STATUS QUO AND GOALS

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

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

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

214.9  
EUR '000  
2016

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

154.0  
EUR '000  
2015

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

### OUTLOOK

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

# RESOURCE EFFICIENCY

## USING RESOURCES SPARINGLY AND WITH AWARENESS



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

### STATUS QUO AND GOALS

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

The companies are at the same time subject to the ever more stringent requirements of the environments in which they operate; legislators are making the regulatory framework ever tighter. Customers also wish for production methods that conserve resources and products produced by them. Even though the Group's consumption of energy is relatively low by industrial standards, energy efficiency and associated reductions in

emissions are a cross-sectional topic. The necessity of measures to counter climate change is something that INDUS has clearly recognized. INDUS Holding AG has therefore set itself the goal of reducing its direct and indirect emissions (scope 1 & 2) in absolute terms by 12% by 2020 and by 42.5% by 2040 (as compared in each case to the base year 2014).

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

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

### OUTLOOK

The Group will continue to work intensively in 2017 on increasing its efficiency in the use of resources. In 2017 the holding company is for the first time offering to assist the portfolio companies in their efforts to compensate for their CO<sub>2</sub> emissions. In subsequent years the Group will also come to grips with the requirements arising from national and international climate protection plans.



# KEY FIGURES

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

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

Reporting limits/scope of consolidation:

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