

SPEECH

on the occasion of the Annual Shareholder's Meeting
of INDUS Holding AG on May 22, 2024

Chairman of the Board of Management
Dr. Johannes Schmidt

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The spoken word shall be binding

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

Welcome to the Annual Shareholders' Meeting. It's wonderful to see you all in person. I'd especially like to welcome the pupils from the Konrad-Heresbach-Gymnasium in Mettmann from the business group. Our international accounting expert, Ms. Crombach, organized their attendance here today. Ms. Crombach is dedicated to encouraging young people's interest in business. We are delighted about this. Dear pupils, we'll be giving you an insight into Germany's successful SME industry today.

Ladies and Gentlemen, I'd like to pick up where Mr. Abromeit left off: The situation our companies are facing remains challenging. And I don't want to complain. But German policy makers are not exactly helping us: We are dealing with neglected infrastructure and comparably high taxes. Plus the problems that we have with bringing qualified international workers to Germany. We have just waited eight months for a work permit for a highly qualified Serbian employee, who has already spent many years working in Switzerland. Too much paperwork, too much red tape.

It is unbelievable how much work goes into fulfilling the reporting requirements both in the holding company and in our portfolio companies. Let's take the implementation of the German supply chain due diligence law as an example: Over the past year, the holding company had to log roughly 30,000 suppliers who work with our Group. And evaluate them. Across the Group, more than 200 members of staff worked on this task. The cost was in the six-digit range. We have just submitted the mandatory report to BAFA for the first time and published it on our website. The requirements of the EU Supply Chain Act will be tightened once again from 2026.

The most important topic currently is the implementation of the CSRD – the new EU guidelines for sustainability reporting. We are working hard to implement the directive for the first time in the 2024 financial year. We have to collect a substantial amount of new key figures throughout the Group. The reporting will form part of the management report and will be subject to audit by an external auditor.

And further reporting obligations are already foreseeable: for example, all reporting related to global minimum taxation. Or the regulations currently under discussion to tighten up the Money Laundering Act.

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Of course, I fully support the aims of these reporting obligations. However, we'd rather be implementing measures than dealing with excessive reporting. I'll present the systematic work we've been doing to make lasting improvements in a moment.

It is my hope that a greater measure of common sense will return to politics, both at the European and German level. This unabated regulation frenzy does not create competitive advantages, no matter how many people repeat the mantra. Just the opposite: it creates competitive disadvantages.

But enough of that. Let's talk about the profitable added value our Group creates. And that immediately brightens my mood...

1. Good results in 2023 provide leeway

Almost EUR 200 million in free cash flow in 2023 proves that we are back on the right track after the years of restructuring. This gives us more flexibility. We have the freedom to pursue our aims.

We made more progress with our PARKOUR perform strategy update in 2023 than we originally anticipated. We completed the discontinuation of the former Automotive Technology segment by the middle of the year. In future, there will be no more effects that will cost us time and money.

Our portfolio has been cleaned up. The companies in the continuing operations performed well in 2023. They're all on track.

Group sales remained on a par with the previous year. EBIT increased to almost EUR 150 million. The EBIT margin rose to 8.3%. We still haven't quite achieved our target of "10% plus x" – but in light of the macroeconomic situation, it's a solid EBIT margin. It is worth noting that we recognized considerably fewer write-downs in 2023 than in the previous year. And that is a positive development.

Adjusted EBITDA came to EUR 188.1 million. Why did we introduce this additional key figure? PPA amortization recognized in profit or loss is the direct result of the initial consolidation of our acquisitions. This is amortization – primarily on intangible assets – resulting from the purchase price allocation. Last year this figure came to EUR 19.2 million. And the figure will continue to rise as we continue on with our M&A activities. In addition, we have impairments from our regular impairment testing. These effects can be clearly seen in adjusted EBITDA. Institutional investors in particular have a keen interest in this figure.

The Group's earnings after taxes climbed to EUR 56.1 million.

Let's take a brief look at the individual segments:

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The Engineering segment increased its share of sales and income. Business was particularly good in the fields of measuring technology and control engineering, clean room systems and automation. We have made a number of successful acquisitions in these fields in recent years. The EBIT margin reached a very encouraging level at 9.5%.

The companies in the Infrastructure segment performed well despite the adverse external conditions. Demand in the construction sector has fallen sharply, but sales and income were only down slightly against the previous year. The EBIT margin was 8.5%. We are satisfied with this result given the circumstances. We acquired QUICK Bauprodukte for the segment as an addition to our portfolio company BETOMAX. QUICK is one of the companies with an exhibit in the reception area.

Sales in the Materials segment declined in particular in the second half of the year. Operating income climbed considerably, however. The EBIT margin rose to 9.2%. A sharp drop in demand for agricultural technology, construction machinery, and in the steel industry in the second half of the year prevented the segment attaining a better result.

Cash and cash equivalents amounted to EUR 265.8 million as of the end of the year. That is a lot – actually too much. It was not planned that way. Firstly, working capital fortunately declined more sharply than expected. And secondly, we decided not to acquire a larger company just before the end of the year as not all of our acquisition criteria were fulfilled. We invested almost EUR 9 million in acquiring companies in 2023, EUR 51 million in property, plant and equipment, and around EUR 11 million in intangible assets.

The Group's equity ratio came to 37.3%. Once liquidity falls back to a normal level and total assets are reduced accordingly, the equity ratio will once more amount to approximately 40% – our target figure.

At two years, the repayment term was below our limit of a maximum of 2.5 years. This is important to us because this is the figure used by the banks providing our financing to evaluate our investment grade.

Long story short: We're where we should be. And by "we" I mean our almost 9,000 employees currently working in our portfolio companies around the world and our roughly 40 employees in the holding company. They've done an outstanding job. And they deserve our thanks!

The capital market confirms that we're on the right track. The price of our share has been heading in the right direction again in the last six months. Sometimes you need patience, but it's worth it. And I'd like to thank you all sincerely for your patience.

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As Mr. Abromeit touched on earlier: our employees, you – our shareholders – and society as a whole expect us to conduct our business responsibly. To be proactive when it comes to sustainability. This brings us full circle back to the comments I made at the beginning. It's not about constantly preparing new reports. It's about acting in the interests of our stakeholders. And that is what we aim to do.

We're dedicated to protecting the environment. This is the aim of the support measures funded by our sustainability development bank. And it's paying off. Our portfolio companies were able to lower their greenhouse emissions intensity by 36% in 2023. A remarkable achievement, I think you'll agree.

Our portfolio companies assume social responsibility in their operations. This includes high-quality basic and advanced training, appropriate pay and a good work-life balance. And of course, by making occupational safety and healthy living a priority.

Conducting business in an honest manner is one of our most important values. We have established an effective compliance management system for this purpose.

Since 2021, "Striving for Sustainability" has been an independent strategic initiative within the PARKOUR perform strategy. We are taking responsibility for sustainability at the top level. My colleague on the Board of Management, Dr. Großmann, is in charge of this strategic initiative. We have also had a sustainability expert on board since September 2021. And there are now sustainability officers in all portfolio companies.

2. Scope for future fields

Ladies and Gentlemen,

"We are shaping the future with SMEs." – that is our motto. We have even restructured the Board of Management to reflect this.

Mr. Weichert and I have pooled the central functions between us. His main focus is on the figures and the financing of the Group. Mine is on developing strategy and M&A activities.

Segment management under the other three members of the Board of Management is now well established. Close collaboration with the portfolio companies and constructive dialogue among the segment companies are important building blocks for shaping the future. And every member of the Board of Management can concentrate on their own sector and expand their networks when it comes to M&A activities.

I'd say this is an appropriate time to thank my colleagues for their excellent cooperation. We're a good team.

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We are actively developing our portfolio companies. We're making the most of our networks. Here's a film that might give you a better insight.

Film

Ladies and Gentlemen,

We're closely analyzing what the market will need in the future. We need innovations in ever shorter cycles – in processes, products and access to markets. In order to be successful, we also need solid external networks. Scientific and research partners contribute the latest research findings. We have to apply these to our processes and products. And this is precisely the focus of our strategic initiative "Driving Innovation."

When it comes to digitalization, our portfolio companies are right on track. But digitalization is a constantly changing field. We're witnessing new trends daily.

But which ones are important, and why? Is it worth taking action in these areas, or not? How much will implementation cost?

Let's take artificial intelligence for example: AI will permanently change all the processes at our portfolio companies. It is our job to enable our portfolio companies to tackle this challenge. To make sensible investments in this area. Together we're concentrating on identifying and implementing the right applications. And it doesn't have to be anything revolutionary. We're more interested in a highly efficient tool box that will help us to shape the future.

That is why we encourage our portfolio companies to take an interest in the topic. Our AI initiative includes a training program at the Technical University of Munich's AI lab, an AI compact course and a specialist topic day at Fraunhofer IAIS. This enables our portfolio companies to take a look at the most recent advancements and think about specific applications. And it proactively increases our employees' AI programming skills. They can then program their own applications. This also boosts the decentralized AI skills in the Group.

We have added the program AI sprint to our innovation development bank. This program funds 100% of the project volume of innovations in this area. IPETRONIK is using the funding to set up a chatbot as a service assistant in sales. BETEK uses AI in image processing, to detect carbide in scrap that can be recycled.

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When it comes to sustainability, the INDUS portfolio companies are not just aiming to reduce greenhouse gas emissions in their own companies. They're also focusing on taking advantage of entrepreneurial opportunities such as developing new business models and new products. The companies have set up working groups that include external experts. Our hydrogen working group, for instance, has received input from the Helmholtz Institute HI ERN. The sustainable construction working group benefits from the research of Fraunhofer IAO Stuttgart.

But what do these scientific researchers receive in return?

[Interview with Prof. Jörg Wallaschek, Leibniz University Hannover](#)

3. Scope for acquisitions

Ladies and Gentlemen,

Let's take a look at our M&A activities. There is a healthy supply in our M&A pipeline. We're pursuing focus areas derived from the megatrends of digitalization, sustainability, urbanization and mobility.

We haven't seen such a wealth of interesting projects for some time. And hidden champions in future fields can be had for a reasonable price again. EBIT multiples have fortunately fallen, too, so it is a good time to buy companies.

As much as I'd like to, I'm afraid I can't report any acquisitions for the portfolio today. But M&A processes go at their own pace, and sometimes they take longer than expected.

We have made a number of complementary additions to our portfolio companies this year. You've already seen the exhibits presenting these companies on the ground floor: We acquired the remaining 50% share in GRIDCOM for HAUFF-TECHNIK. And we acquired the British company COLSON X-Cel for our own HORNGROUP. We also acquired the remaining 15% share in TECALEMIT Inc. in the United States for HORN.

GESTALT AUTOMATION also has an exhibition. With this acquisition, we've entered new territory. A young company in Berlin that is working on applying artificial intelligence methods to industrial automation. This company brings AI expertise in industrial applications to the Group. And INDUS has gained a number of young employees with a high level of expertise in AI.

Young engineers are vital for our future. Many of them are working in our portfolio companies. But many are also founding start-ups. They're not hidden champions yet – but they intend to be, and can do it. We will be taking our first steps in this type of acquisition. And then we'll decide whether to continue along this path and how.

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In 2024, we will spend EUR 70 million for acquisitions. That may be spent on individual larger acquisitions at portfolio level or several smaller acquisitions. In the end, the most important factor is long-term EBIT that we can add to our results through the acquisitions.

4. Scope for international expansion

The internationalization of our business has always been a vital building block in developing our portfolio companies. But why is it so important, especially right now?

On the one hand, it allows us to tap into new markets. On the other, it enables us to react to geopolitical changes. We're currently witnessing an increasing decoupling of the major power and economic blocks. Free global trade is being restricted in a number of ways. That means it is all the more important for our portfolio companies to establish a local presence in the markets that are interesting for them.

Constituting just over half of our sales, Germany is currently the most important market for our portfolio companies. And Germany is currently experiencing a pronounced weak period. Many of our products go to customers that are very much export-oriented, who are active around the globe. They expect us to produce the goods in the areas in which they are active. In this context, lower energy prices, proximity to customers but also increasing protectionism play a role.

Our companies are therefore also more active abroad. And "local for local" is the approach they use, both when it comes to establishing a sales presence and their own production sites. The focus is currently on North America and increasingly also on India. This requires investment, however, but it is well worth it. We encourage our portfolio companies to communicate with one another, and benefit from each other's experiences in internationalization. We're really pushing this within the Group.

Markets are best tapped with local knowledge. Our company TECALEMIT Inc., for instance, has developed equipment platforms for the North American fuel and tire filling sector. Despite fierce competition, they're very successful. They're all about local networks. And local supply chains that provide more security and resilience in times of crisis. We have all seen how prone global supply chains are to disruption.

In addition to establishing our own locations abroad, we will also be acquiring companies abroad in the future as complementary additions. As recently happened with the acquisition of COLSON. The British company develops and manufactures industrial fittings for measurement and control engineering. This includes valves, shut-off units and measuring devices for controlling liquids and

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gases. With COLSON, we have another entryway to the British market. The company also exports to the United States and the Middle East – which makes the acquisition even more valuable for us.

Another example is our subsidiary HAUFF-TECHNIK, which is now active in 40 countries. HAUFF-TECHNIK has been part of the Group since it was founded. The company has never rested on its laurels. It has evolved from a small manufacturing company to an internationally recognized technology leader. Sales have climbed from EUR 4 million when we bought it to EUR 93 million today. A real success story in our Infrastructure segment.

[Interview with Dr. Seibold, Managing Director of the INDUS portfolio company HAUFF-TECHNIK](#)

HAUFF-TECHNIK is a great example of how we develop companies in the INDUS Group. How we make sensible investments. How we live up to our core value of “buy, hold & develop.”

5. Scope for buybacks and dividends

Ladies and Gentlemen,

Given the current situation, some of you have probably wondered whether it makes sense to buy back treasury shares. Due to the good level of free cash flow and high degree of liquidity we had the ability to do that at the beginning of 2024. We, the Board of Management, consider INDUS an attractive investment. And we put our money where our mouth is and bought back treasury shares. This gives us an additional acquisition currency. And we have the ability to create an employee share program.

We also have scope to pay an attractive dividend, despite all acquisitions, investments and the share buyback.

A while ago now in an interview, I'd said “We don't want to skimp on the dividend.” We recommend a dividend considerably higher than that of the previous year of EUR 1.20 per share. This equates to a dividend yield of 5.4% based on the 2023 closing price. Following the restraint of recent years – with good reason – we are once again demonstrating that we are an attractive dividend stock. It's also another sign that we're returning to normality.

In addition to the standard agenda items, we'd also like your agreement on amendments to the Articles of Incorporation. One amendment relates to the compensation of Supervisory Board members. The other to the right to participate in the Annual Shareholders' Meeting. According to the new Future Financing Act, proof of shareholding must no longer relate to the start of the 21st day before the Annual Shareholders' Meeting, but the end of business on the 22nd day. Please don't ask me about

the substantial difference. But to comply with this new Act, all listed companies in Germany now have to amend their articles of incorporation.

And last but not least, I'd like to ask for your approval to complete a control agreement and a profit and loss transfer agreement between INDUS Holding AG and INDUS Omega GmbH.

6. Outlook for the 2024 financial year

Ladies and Gentlemen,

When it comes to 2024 we're confident that our Group will achieve a stable performance, despite the challenging overall economic conditions, particularly in Germany. Thanks to the work we have put into restructuring our Group, we're well positioned to handle this difficult market environment. Our portfolio companies have experience of finding the right solutions even in tough times. And are good at making the most of opportunities.

The start to 2024 was restrained, in line with the economy. Business in January and February was much better than expected, but took a downturn in March. Overall, the performance in the first quarter was not as good as in the previous year, but this was already factored in our portfolio companies' forecasts. We anticipate that the economy as a whole will recover over the course of the second half of the year.

We're expecting sales to increase slightly in 2024. EBIT should amount to between EUR 145 million and EUR 165 million. In the Infrastructure segment in particular, we expect earnings to rise considerably again. Free cash flow will not attain the level seen in the previous year. That much is clear. The forecast figure of at least EUR 110 million for this year is solid however, and this will continue to provide flexibility.

7. The future belongs to innovative industrial technology

Ladies and Gentlemen,

We have eliminated the losses caused by the discontinued operations and adapted our structures. We have improved profitability. With our solid free cash flow, we have laid the foundation to expand our business in the future fields. This gives us the freedom to keep developing the INDUS Group, and position ourselves as an industrial holding company with innovations and acquisitions. This in turn will enable us to make the most of opportunities and profit from developments on the market.

On behalf of the entire Board of Management, I'd like to thank the Supervisory Board for the excellent collaboration. We found good solutions in difficult times. And we have a good plan for challenging times ahead.

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Dear shareholders, without your support and your acceptance of the path we have chosen, we would not be in the good position we are in today. We are truly grateful.

Mr. Abromeit,

Coming back to your important questions: Investing in industrial companies, yes or no? It's a very definite yes from me. Industrial technology will remain one of the German economy's strengths. And one of INDUS' strengths. And yes, we'll remain a long-term investor in hidden champions providing technological answers for the questions we'll be facing in the future. Through innovation, sustainable production, a high level of digitalization, supported by artificial intelligence. Our hidden champions are active on an international scale. They're lean, despite the weight of German bureaucracy. Once we're dedicated to a topic, we don't waste a lot of words on it, we get on with it. We test, implement, evaluate, learn and adapt. That is how we shape the future.

And now I'd like to hand back over to you.