INDUS AG

Speech at 2016 Annual Shareholders' Meeting
Cologne, 9 June 2016

Ladies and gentlemen
dear guests, dear friends of INDUS,

I can start my speech with a great piece of news - two days ago we signed the agreements for the acquisition of the Heitz Group. This Melle-based company is one of the world's leading manufacturers of veneer edges for the furniture and construction industries. I am very happy that ours was the winning bid for this special company. I will return to this deal later on in my speech.

Before I present the statement of accounts for the past fiscal year, let me share my personal view of a few important things with you. The times of doing business in cosy and cuddly style are over and the climate out there has become appreciably harsher. The world is changing at a rapid pace.

In recent years INDUS has been seen as rock solid and as a safe haven for mid-sized companies. Our "Compass 2020" strategy program has made us weather-proof. Our "buy, hold and develop" approach has proven its value. But this will no longer be good enough going forward. No matter how well trained we are – we will not win this race wearing our old sneakers. We have to put on spiked track shoes. We have to fire up the turbo charger and launch the second stage of the program to make sure we remain in the vanguard also in the future. We have to adapt to a different world – economically, fiscally and mentally. Sure, there will be periods of fine weather but you can bet that conditions will be harsh most of the time.

I am telling you this despite the fact that I will be presenting excellent figures on INDUS' performance in the year 2015. No need to worry – INDUS is in good shape. We are doing fine. We are a strong Group – well-positioned, well-funded and highly committed and dedicated. All in all we are a powerful team. It is from this position of strength that we take on the challenges of our time and have a lot of scope for shaping our own destiny.

When I say “we”, I am of course referring to the 44 medium-sized companies meanwhile assembled under one roof. These are companies rooted in Germany but active around the world. The INDUS Group is today the leading specialist for long-term investment and development in Germany’s mid-sized company sector.

Our broadly diversified portfolio across the construction/infrastructure, automotive technology, engineering, metals technology as well as medical engineering and life science sectors ensures a high level of stability even in uncertain times. Each member company is economically and strategically integrated within the Group on an individual basis and derives stability from being part of a greater whole. We have a shared identity. And we all know that as a whole we are worth more than the sum of our parts.

1. Statement of accounts

Fiscal 2015 was an extremely successful year for INDUS. Consolidated sales revenues rose to a record EUR 1.3 billion, and EBIT in excess of EUR 136 million represented the best result ever. This is more than we had planned – although the year was characterised by unexpected extraordinary charges. Problems with ramping up production of new products, currency turbulences in Switzerland and the political crisis in Russia all left their marks. Without these issues, we would have performed even better. But with results like this, we have really no cause for complaint.

In 2015, our portfolio companies invested more than ever before, namely a bit more than EUR 107 million. We acquired companies at a net price of EUR 34 million and a gross price of EUR 46.5 million. These acquisitions include RAGUSE, a family-run company operating in the medical engineering and life science sector, as well as automation specialist IEF-Werner. Raguse was presented to you in detail at the last Annual Shareholders‘ Meeting. As far as IEF-Werner is concerned, we will show you a film about the company later.

Three of our subsidiaries in the Medical Engineering/Life Science and Construction/Infrastructure segments also made strategic acquisitions. OFA Bamberg took over a textile production plant in Glauchau, Saxony, and later NEA International, a company specialising in braces and orthotic devices. ANCOTECH acquired Swiss company MURINOX Bautechnik AG and now also offers its customers anchoring systems for brick facades. OBUK gained strength by taking over the EUMATIC/FROHMASCO Group, a manufacturer of front door panels. All acquisitions will accelerate our growth in the coming years.

Our portfolio companies invested EUR 64 million in fixed assets, with close to EUR 9 million invested in intangible assets. MBN, for instance, built a completely new processing centre. The Simon Group is installing new production capacities in Germany and China. Kieback and Fichthorn invested in state-of-the-art presses, while HAKAMA purchased a bending robot and Selzer invested in plants for new projects for Daimler and BMW. As you know, we discontinued the operations of machine and plant manufacturer SEMET. This is no longer weighing on INDUS‘ bottom line.

4.6 percent of the increase in sales revenues is attributable to organic growth. That is impressive and makes me particularly happy. 6 percent is attributable to our acquisitions. At 13.2 percent, our growth outside Germany was higher than our growth of 8.2 percent in Germany. Close to half of our revenues were generated outside Germany. The operational extraordinary charges I mentioned before had an impact on our EBIT margin. At 9.8 percent, the latter remained just above our target of 10%+.

Regardless of this, we are reporting adjusted earnings before interest and taxes for the first time. Why are we doing this? As a result of the growth strategy and the many acquisitions, every year we have write-downs because of purchase price allocations and acquisition costs under IFRS accounting. In other words, the more we acquire, the higher our write-downs. We want to adjust only the latter in order to show you the real profitability of INDUS. In 2015, adjusted EBIT increased by roughly 8 percent to approximately EUR 146 million. In these adjusted terms, the EBIT margin stands at 10.5 percent, in spite of the above-mentioned operational problems. After deduction of taxes, we increased our profit by roughly 8 percent to EUR 68 million. Earnings per share climbed by four cents to EUR 2.78.

Our equity capital increased by EUR 46 million to EUR 595 million. Net debt rose only moderately to EUR 356 million. At 42 percent, the equity ratio remained at the prior year level. The net-debt-to-equity ratio, also referred to as “gearing”, declined to 60 percent. The debt repayment period reached a new record of 1.9 years, which is clearly below our target range of 2 to 2.5 years.

Based on earnings after taxes of the continued operations, operating cash flow increased sharply from EUR 104 million in the previous year to roughly EUR 157 million and exceeded our target of over EUR 100 million. Cash flow for interest paid amounted to a negative EUR 27 million. As we apply the present ownership method, this includes the variable interest on the purchase price obligations towards minority shareholders. As a result of the low interest rates, our operating interest expenses declined by 7.7 percent to close to EUR 17 million.

Cash and cash equivalents amounted to EUR 132 million on 31 December, and we are keeping these funds handy for a reason. Thanks to this comfortable financial position and high credit lines, our investee companies will be able to flexibly and securely finance the planned investments also in the current fiscal year.

Ladies and gentlemen,

Let us take a short look at our five business segments. At 26.5 percent, the Automotive Technology segment made the highest relative contribution to sales revenue in 2015, closely followed by Metals Technology, at roughly 26 percent. By contrast, the Engineering segment accounted for the highest share of our operating profit, at 27.4 percent, followed by Construction/Infrastructure at 23.6 percent. Posting an EBIT margin of over 13 percent, the Engineering segment clearly exceeded our expectations. At 14.2 percent and 14.9 percent, respectively, the Construction/Infrastructure and Medical Engineering/Life Science segments were almost right on target. This was not the case for the Automotive Technology and Metals Technology segments, whose operating margins declined from 6.9 to 5.8 percent and from 9.2 to 7.9 percent, respectively. These are exactly the issues we must address. We are convinced that the measures we have initiated will improve the results again.

The Construction/Infrastructure segment benefited from continued positive construction activity in Germany, with public construction, in particular, performing better than expected. Our ten investees exceeded our revenue and earnings expectations. The ten companies in our Automotive Technology segment also increased their revenues. This is all the more pleasing as we had expected no growth at all. The start-up problems that arose in the manufacture of a new cooling pipe at S.M.A. reduced the operating profit significantly. The problem has meanwhile been solved by the respective investmee companies.

Sales revenues in the Metals Technology segment increased as expected. The decline in EBIT was primarily attributable to our two Swiss sheet metal processors, who were no longer competitive for exchange rate related reasons. Moreover, the elimination of quality problems in powder metallurgy led to additional expenses. The improved results reported at the end of the third quarter showed that the right measures have been taken.

The five companies making up our smallest business segment, Medical Engineering/Life Science, also increased their sales revenues and again showed a very promising performance. The segment reported a very good result in spite of the integration costs for the start-up of the new OFA production plant in Glauchau.

Some of the nine companies in our Engineering segment performed much better than expected in a stagnating overall market. This is particularly true of the logistic and automation companies. Besides the growth acquisitions made in the previous years, additional acquisitions further strengthened this segment. Sales revenues increased more strongly than projected. In spite of the initial consolidation effects, the segment posted a record result.

2. Looking back at Compass 2020

Ladies and gentlemen,

This was an overview of fiscal 2015, which was a very good year for us at the bottom line. Let us now take a look at the results of the “Compass 2020” strategy program. The overall strategy is effective and we are making faster progress than expected. Since 2012, we have successfully completed a total of 24 transactions at the first and second company level and carefully integrated them into the Group. We strongly expanded our international investments, e.g. with acquisitions in the USA, China and the Middle East as well as outside the DACH region. Today, we have production and sales locations in 28 countries on 5 continents.

Since the start of “Compass 2020”, sales revenues have increased by 26 percent and operating profit by as much as 30 percent. The value of our portfolio has increased significantly. At the stock exchange, our value more than doubled, with the market capitalisation rising from roughly EUR 470 million in mid-2012 to currently roughly EUR 1.1 billion. We are well on track to establishing ourselves as the leading group of SMEs in Europe.

Ladies and gentlemen,

I would like to take a moment to illustrate the approach we take to integrating a newly acquired company. Last year we acquired IEF-Werner, the automation specialist based in Furtwangen. Employing 138 people, the company develops solutions for customers in the sectors of timekeeping, automotive, electric drives and hard disk storage. In 2015 IEF-Werner generated sales revenues of approximately EUR 22 million. Mr Bär, who joined IEF-Werner 30 years ago as its third employee, was looking for a new owner and a succession arrangement.

His prior experience with outside investors had not been very encouraging and our first challenge was to build mutual trust. Following a phase of congenial negotiations, we signed the agreements on 30 July 2015. With its smart automation technology, IEF fits in perfectly with our innovative SMEs. Mr Bär will remain on board to support the transition as a managing partner for a while and we are very happy about that. Mr and Mrs Bär, may I bid you a warm welcome to your first-ever attendance at an INDUS Shareholders' Meeting. Let me step over here to talk to you for a moment. Mr Bär, be honest, what has it been like, looking back on the past year? And how is your company doing these days? How have your employees responded to the changes?

Ladies and gentlemen, we have prepared a short film to introduce this company from the Black Forest region.

(IEF-Werner image film screened)

IEF is a great company with fantastic employees.

We have completed the first stage of the strategy program with great success. Needless to say, we constantly adjust our products and services to market needs and optimise our business models. You know that we do not have an exit orientation and that we do not put question marks on individual segments. However, we regularly review our investments in terms of their long-term prospects, asking whether we can change things ourselves to take an investee company forward or whether it could possibly perform better in a different context. Please do not get me wrong. INDUS remains a long-term investor. Of course we also support companies dealing with short-term problems and looking for support. However, as we represent the interests of our entire Group – and your interests as our shareholders – our mission also includes assessing the future prospects of such companies. As I said before, we can no longer afford to do business in cosy and cuddly style.

3. Current situation

We want to stay our course for continued growth even in rough seas. How well will we succeed in this? On the one hand, we see opportunities to be grasped by our portfolio companies. On the other hand, we also see risks. The financial markets are undergoing a

period of profound change with an uncertain outcome. This is due not only to monetary policy. My personal opinion, ladies and gentlemen, is that these low interest rates mean a waste of money; handing out liquidity to everybody and gearing policy to the needs and wants of financially failed states is total madness.

From the point of view of the German economy, the most important trading partners are no longer our European neighbours but the USA and China. The recovery in the eurozone and the stable US economy make for a good environment. China offers a promising outlook, too, never mind the currently much cited wobbles in its growth story. Demand for German products remains high. In contrast, the emerging economies such as Brazil and Russia have been sluggish; in the case of Russia, this has been aggravated by the EU sanctions. This is why the INDUS Group's Russian business is virtually dead. This year this will once again affect SITEK as well as Köster and Heavac. While none of our products are actually embargoed, the country's economic problems mean that this market will be more or less non-existent for quite a while.

The European Union is at a crucial crossroads. Will we manage to integrate the refugees on a sustainable basis? Will Greece and Britain remain members of the union? Brexit would hardly affect the INDUS Group directly, given that we do not do much business in the UK. Also, experts assume that Brexit would quickly be followed by bilateral agreements to facilitate continued trading. The actual damage done would be the political signal going out from the EU's second-largest economy and one of the big net contributors exiting the union. The UK is not only an economically stable but also a politically stable country. Against the background of the political shift to the right in several European countries, Brexit would mean the loss of a politically strong partner.

In my address at last year's Shareholders' Meeting, I already criticised the German government for completely neglecting a sensible economic policy and spending its time and energy on issues of lesser importance. While I do not want to repeat myself, I have to say that politicians continue to waste precious time which we have already run out of. The politicians now in charge are not preparing Germany for the increasingly rough climate. This may cost us dearly. Look at the digitisation challenge, which will completely revolutionise the way we work and live. At INDUS we are currently gearing up for this challenge. Regrettably, politicians have failed to put in place strategically well thought-through guardrails which can support our companies in global competition. To quote just one example: we are still waiting for nationwide access to broadband Internet. We also need research investment in forward-looking projects. Skilled staff cannot be plucked from thin air, either; universities need

funding and programs to turn out graduates who are ready to tackle the challenges of the future.

However, business executives working under the pressure of tough global competition make momentous mistakes, too, as can be seen from the emissions scandal at VW. This company currently accounts for just under 7 percent of the INDUS Group's sales revenues, which is still a manageable quantity. So far we have lost only a few VW orders which can be compensated by contracts from other manufacturers. But the VW scandal is a factor in making the overall economic situation a little more challenging and less predictable. The penalties which are likely to be imposed on VW will force them to make savings in other areas and renegotiate supplier prices. However, I believe that the impact on the INDUS Group as a whole will remain limited.

So how can we address the margin pressure emanating from the major auto makers? Either we manage to become vehicle system suppliers who can command higher margins. Or we create a solid position for ourselves which gives us exclusive arguments in negotiations with the automotive manufactures. But what if we do not manage to do this? Then we have to give serious thought to exiting the mass production field. This strategic debate is currently ongoing on the Board of Management.

So what does this mean for INDUS?

Irrespective of the weather conditions out there, we have to find our solutions ourselves and strengthen our own position. We will widen our scope for decisions and action. We have to become more flexible and nimble and allow for more options. And we will have to embark on journeys into hitherto unfamiliar territory. But whatever the challenge, we are strong enough to help ourselves.

Ladies and gentlemen,

I would like to illustrate this process by taking one of our investees, Ipetronik, as an example. This company has not only grown strongly but has gradually repositioned itself completely. For 20 years, Ipetronik had focused on developing and marketing data loggers for test vehicles. We then sat down together and thought of ways to further develop this business. As a result, the company has turned from a mere supplier of individual devices to a systems supplier. Today, Ipetronik is considered the German market and innovation leader in automobile thermal management. But we have got a film for you so you can see for yourself.

(Film)

This year, Ipetronik will be awarded the TOP 100 Prize at the Deutscher Mittelstands-Summit. This is the most important award for innovative medium-sized companies in Germany.

In all these activities, our strength and our stability are of critical importance – both internally and externally. Internally, because we integrate our employees into the change processes. Externally, because our companies are rooted in their respective regions and create value which secures our future in the long term. Our commitment to sustainability supports these objectives. In autumn 2015, rating agency oekom research awarded our company a prime rating, which put us in a top position in the international peer group. Moreover, CDP, the world's largest independent investor initiative, voted us the "Sector Leader Industrials" in the DACH region and the "Country Leader" in Germany. Every year, this non-profit organisation checks thousands of enterprises and organisations for their climate behaviour. Our investee companies autonomously ensure that natural resources are used responsibly and carry out their own energy efficiency audits. But we also offer more and more sustainable products to our customers. REMKO, one of our investees, for instance, focuses on "new energies"; one of the core products is an inverter heat pump, which is on display in the entrance hall.

4. Outlook

Ladies and gentlemen,

After having taken a look at the present, let's now turn to the future. I explained to you why INDUS and its investee companies are in a very strong position. And I told you that we have to cope with a number of imponderables. We will all have to get used to the fact that to be successful you need to keep your revenues at a high level. This applies to most manufacturing companies. And to be very successful, you need to be able to grow your operations.

As you have become accustomed to, we are therefore initially making conservative plans for 2015. But we are cautiously optimistic. Organically – that is, without acquisitions – our investee companies' sales revenues are expected to grow by a good 2 percent to roughly EUR 1.4 billion. Operating profit is expected to come in at between EUR 134 million and EUR 138 million. The figures for the first quarter support our expectations. While January

was a difficult month, we clearly caught up in February and March, with total revenues for the first quarter up by 1.5 percent to EUR 333 million. The operating result amounted to EUR 30.5 million, which was still slightly below the previous year. We showed a really good performance in April and May and are now slightly up on the prior year.

The acquisition of our youngest subsidiary, the Heitz Group, which I briefly mentioned at the beginning of my speech, has effectively strengthened our portfolio. This family-run company maintains production facilities at its head office in Melle and in Hungary and has a distribution and logistics site in Ohio/USA. Employing 300 people, the Heitz Group generated a total output of roughly EUR 30 million and very good EBIT last year. Ralf and Guido Heitz will stay on board to ensure a smooth succession by installing a new management team. I am very pleased that Guido Heitz is here today. The Heitz Group is an excellent example for the acquisition of a highly profitable company for our Construction/Infrastructure segment.

Our investee companies have already made four strategic additions this year. Apart from CEATEC, which you already got to know in the film about Ipetronik, BUDDE Fördertechnik acquired COMPUTEC, a developer of control software, in January. M.BRAUN took over CREAPHYS, a young company from the organic electronics sector. AURORA acquired AFK from Oettingen, a specialist for the construction of convectors for utility vehicles. We have earmarked a total of EUR 50 million for acquisitions in 2016. Another EUR 75 million is available for investments in tangible and intangible assets.

What are the prospects for our segments? The companies in our Construction/Infrastructure segment should benefit from the very good industry situation and generate revenue growth in the single-percentage range. We are confident that the good margin will be maintained. We project moderate growth but notably better results for the Automotive Technology segment. The Engineering segment will be challenged to maintain its surprisingly good performance. We expect slightly higher demand for the Medical Engineering/Life Science segment's products. Moreover, the full consolidation of RAGUSE will have a positive impact on revenues and the operating result. The cost of integrating the new OFA facility in Glauchau is currently still having an adverse effect, but this is improving from month to month. As a result of the restructurings, sales revenues in the Metals Technology segment are expected to stay at the prior year level. But here, too, we anticipate much better results.

5. The three "i's"

I started my speech by telling you that the cosy and cuddly times are over. Now you have every right to expect a solution. The next development stage of our program is characterised by three major topics – investment, innovation and internationalisation.

Together with our investee companies, we will not only intensify but also expand the search for strategic acquisitions. We will now also focus on companies at a younger development stage. These should already have established themselves successfully and ideally operate on an international scale. Our expertise will help these companies mature. Our present negotiations with a company from the digital image processing sector ideally fit this picture. With this new focus, we will also operate on the fringes of our former activities in the future. We can afford to cross these borders because we are strong enough. But then, there is no alternative anyway if we want to stay at the top. This way, we will support our companies in strengthening and expanding the portfolio even more quickly and selectively acquire knowledge and market access.

We have identified sectors of the future for the INDUS Group, which can be found in industrial growth markets. These include medical engineering and life science, especially for the aging society, public and private security, automation, measurement and control technology, industry 4.0, technology for infrastructure/transport/logistics as well as innovative construction technology and green tech, i.e. energy and environmental technology.

Ladies and gentlemen,

It is innovation which we expect to provide the main boost for our business. This is an area where we will spend time and money and make disproportionately high investments. The turbo charger we will fire up for this purpose is called "innovation management". This development will be driven out of the holding company, which will provide its investee companies with methodological expertise.

In doing so, we act like a development bank. On the one hand, we will further develop existing product programs and extend our knowledge platform. On the other hand, we will provide support in the development of new technologies and new markets. As a growing number of our subsidiaries are positioning themselves as systems suppliers and development partners in the market, the Board of Management has set itself the objective to

make available much higher funds for R&D activities. This also applies to entirely new products and services.

Many innovations originate from an intensive exchange, for instance the Genius Cab concept for construction machinery and agricultural equipment. The result is on display in the entrance hall. Our investees AURORA, IPETRONIK and its subsidiary SAVVY as well as S.M.A made a great contribution to this development. Besides such successful partnerships between our companies, we also rely on the cooperation with research institutions and universities. Our cooperation with EBS in Oestrich-Winkel near Wiesbaden dates back quite some time. We also plan to cooperate more closely with the “Kompetenzzentrum Industrie 4.0” of Munich Technical University. The concept cab was developed in cooperation with Dresden Technical University.

6. Share, dividend and conclusion

Besides the big steps we take, we must not forget the small ones. You surely have noticed that we have modernised our logo. Our new INDUS app provides you with all important information about the company such as press releases, financial reports and analyst opinions directly to your tablet computer or mobile phone. The latter also shows you the latest share price, which today stands at EUR 47.

During the past year, the share price fluctuated up and down for several reasons. Our company is meanwhile covered by eight banks and investment houses. The price target ranges from EUR 51 to EUR 60. All analysts recommend the share as a buy.

Ladies and gentlemen,

Before I conclude my presentation, I would like to explain to you our view regarding the dividend, which is an important topic. INDUS Holding AG posted a profit of EUR 70.1 million for 2015, of which we want to pay out EUR 29.3 million to you, our shareholders. This is equivalent to EUR 1.20 per share. Although the profit increased, the Board of Management and the Supervisory Board decided to leave the dividend unchanged. We want to invest the remaining capital in the acquisition of additional companies, the innovation tasks and, consequently, in the growth of INDUS and its investments. I would ask you to approve this profit appropriation proposal. INDUS will remain a dividend-paying stock also in the future. We stick to our strategy of paying out between 40 and 50 percent of the net profit. It will be

42 percent for 2015. If the year 2016 proceeds according to plan, we will propose to increase the dividend in due course.

Besides the resolution on the profit appropriation, other items on the agenda include the resolutions on ratifying the actions of the members of the Board of Management and the Supervisory Board for fiscal 2015. Moreover, the auditors of the separate financial statements and the consolidated statements for the year 2016 will be elected.

Coming to the end of my address, let me say that at the end of 2016, all INDUS companies should have made a step forward. Which company will take which step is up to them: one may have stepped up its international expansion, another may have implemented leaner processes and a third one may have made a strategic acquisition to round off its expertise. To achieve this, you need a very good team. We therefore thank our executives and our more than 9,000 employees for their great commitment. As it is impossible to ask all of them onto the stage and many of our managing directors are on business trips around the world, I would today like to thank the team of INDUS Holding in their place. You are doing a great job every day and this is something I want to express my great respect for today. I would ask those members of the holding company team who are here today onto the stage. Thank you very much on behalf of the entire Board of Management.

I also thank my fellow Board members for the still wonderful and refreshing cooperation. And my thanks also go to you, our shareholders, for your confidence, your support and the capital you provide us with. While I personally believe that global digitisation opens up huge opportunities, I also believe in personal dialogue. I am therefore very pleased that you are attending this event in person to listen to my “analogue” speech.

I am now handing over to Mr Späth again.