

REPORT OF THE SUPERVISORY BOARD

Fiscal year 2019

[INDUS]

Dear Shareholders,

I would like to take this opportunity to inform you of the Supervisory Board's work over the past financial year.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

In the reporting year, the Supervisory Board diligently fulfilled its duties under applicable law and the company's Articles of Incorporation. The Supervisory Board continually advised the Board of Management, supervised its management of the company, and ensured that all actions taken were legal and proper and served their intended purpose. The Board of Management fulfilled its informational duties at all times and regularly, promptly, and comprehensively informed the Supervisory Board, both in writing and orally, of all issues relating to strategy, planning, business performance, risk exposure, risk development, and compliance that were of material importance to the company and the INDUS Group. This included information concerning the straying of actual developments from previously reported goals and of actual business performance from the originally communicated planning as well as information relating to significant other events.

The members of the Supervisory Board always had sufficient opportunity to critically review, in their plenary sessions and committees, the reports and proposed resolutions presented by the Board of Management, and to introduce suggestions of their own. This kept them informed of current business performance and asset development at all times. Matters to which the Supervisory Board devoted its attention included, in addition to corporate, financial, and investment planning, the company's risk exposure and risk management. Where necessary due to the law, the Articles of Incorporation, or the rules of procedure, the Supervisory Board provided approval on a case-by-case basis for business transactions requiring approval. Between board meetings, the Supervisory Board Chairman also engaged in an intensive exchange of information and ideas with the Board of Management and regularly kept himself informed of significant company developments as they happened.

COMPOSITION OF THE SUPERVISORY BOARD

The election process for selecting employee representatives to the Supervisory Board was completed on January 30, 2019, with the meeting of delegates. As requested by the company, the employee representatives were appointed by the Local Court of Cologne, effective as of the end of the extraordinary Annual Shareholders' Meeting on November 29, 2018, until January 30, 2019. In contrast to the court

appointment, which was based on suggestions determined by the employee election process, the election only resulted in one change. Ms. Holzberger replaced Mr. Schönhals as an employee representative, and Mr. Schönhals has stepped down from the Supervisory Board. This has not affected the composition of the committees. Details regarding the composition of the Supervisory Board and its committees can be found on pages 6 and 7 of the annual report in the section "Management Bodies."

MEETING FREQUENCY AND ATTENDANCE

Five ordinary Supervisory Board plenary sessions were held in the 2019 financial year. In addition, one extraordinary phone conference was held and one resolution was taken by circulating written ballot. The Supervisory Board was also informed of a tragic accident at a construction site at one of the INDUS portfolio companies on September 3, 2019. The Board of Management attended all Supervisory Board meetings, although the Supervisory Board also regularly discussed agenda topics without the Board of Management.

The Supervisory Board regards its individualized disclosure of participation in meetings of the full Supervisory Board and of its committees as an element of good corporate governance.

Between board meetings, the chairwoman of the Audit Committee and in particular the Supervisory Board Chairman engaged in an intensive exchange of information and ideas with the Board of Management, ensuring that the Supervisory Board, as the controlling body, was included in all fundamental decisions. There were no indications that members of the Supervisory Board or Board of Management had conflicts of interest, which must be promptly disclosed to the Supervisory Board and of which the Annual Shareholders' Meeting is to be informed.

As part of their personal development, Ms. Diehm, Ms. Fischinger, Ms. Holzberger, Mr. Lemb, Mr. Klausmann, and Mr. Trinogga attended a three-day seminar at the IG Metall education center in February 2020.

SUPERVISORY BOARD MEETINGS AND WORK OF THE COMMITTEES IN THE 2019 FINANCIAL YEAR

	PARTICIPATION	IN %
Supervisory Board		
Jürgen Abromeit (Chairman)	5/6	83
Wolfgang Lemb (Deputy Chairman)	5/6	83
Dr. Jürgen Allerkamp	4/6	67
Dr. Dorothee Becker	5/6	83
Dorothee Diehm	5/6	83
Pia Fischinger	6/6	100
Cornelia Holzberger	5/6	83
Gerold Klausmann	6/6	100
Isabella Pfaller	6/6	100
Helmut Späth	6/6	100
Uwe Trinogga	6/6	100
Carl Martin Welcker	4/6	67
Personnel Committee		
Jürgen Abromeit (Chairman)	3/3	100
Dr. Dorothee Becker	3/3	100
Dorothee Diehm	3/3	100
Wolfgang Lemb	2/3	67
Audit Committee		
Isabella Pfaller (Chairwoman)	2/2	100
Dr. Jürgen Allerkamp	2/2	100
Gerold Klausmann	2/2	100

MAIN TOPICS OF THE MEETINGS

The Supervisory Board met with its new members in the **first ordinary meeting** held on **February 14, 2019**. The main topic of the meeting was the adoption of new rules of procedure for the Supervisory Board. The Chairman of the Board of Management was also appointed as the company's Labor Director. The Board of Management informed the Supervisory Board about the current status of the preliminary figures for the past financial year as of December 31, 2018; the current developments in repositioning projects in the Automotive Technology and Metals Technology segments; and ongoing planning for the financial year 2019.

Main topics of the **second meeting, on March 22, 2019**, were the submission and clarification of the annual financial statements for 2018 of INDUS Holding AG and the Group as well as the resolutions taken. The Chairwoman of the Audit Committee particularly addressed significant aspects of accounting for the consolidated financial statements to the Supervisory Board. At the Audit Committee's recommendation and after thorough exchanges with the external auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, the Supervisory Board approved the annual financial statements and the consolidated financial statements as well as the separate non-financial group management report for the financial year 2018. Based on the approved consolidated financial statements for 2018 and the recommendations of the Personnel Committee, the short-term variable components of members of the Board of Management's compensation for financial year 2018, the calculation parameters for long-term variable remuneration, and the sustainability targets were adopted for the 2019 financial year.

The Board of Management informed the Supervisory Board of the focus of its investment in the past year as well as the INDUS Group's economic position as of February 2019, including a special report on the ongoing repositioning projects. It also addressed the planned acquisition of MESUTRONIC Gerätebau GmbH, which the Supervisory Board approved following a discussion.

Other topics discussed included the 2018 annual risk management and compliance reports, and preparation for the Annual Shareholders' Meeting on May 29, 2019. The Supervisory Board agreed with the Board of Management's dividend proposal and the Board of Management's agenda proposal. On the basis of the proposal of the Audit Committee, the Supervisory Board at the Annual Shareholders' Meeting resolved to nominate Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Cologne, as the external auditor for the company and the Group for the 2019 financial year.

The Supervisory Board held a **third ordinary meeting** on **May 28, 2019**, the day before the Annual Shareholders' Meeting. The Supervisory Board dealt in depth with the Board of Management's report concerning business performance in the months from January to April 2019 at this meeting. The Board of Management also provided information on developments in the repositioning projects in the Automotive Technology and Metals Technology segments, and presented the Forecast I for portfolio companies to the end of 2019, which was based on the results in March 2019. The Board of Management also addressed the newly launched strategy program PARKOUR, which builds on the successfully implemented strategy COMPASS 2020. The Board of Management also informed the Supervisory Board that the purchase contract for the acquisition of MESUTRONIC Gerätebau GmbH had been signed.

On July 23, 2019, the Supervisory Board approved the sale of IPETRONIK Eichstätt GmbH's 49% share in TKI Automotive GmbH to the majority shareholder Audi Electronics Venture GmbH via circulatory written ballot.

In the **fourth ordinary meeting** on **September 18, 2019**, the Board of Management informed the Supervisory Board of the contract signed September 12, 2019, for the sale of the 49% share in TKI Automotive GmbH. The Board of Management also informed the Supervisory Board of its planned acquisition of Dessauer Schaltschrank- und Gehäusetechnik GmbH.

The Supervisory Board closely investigated the material changes in the framework conditions of compensation paid to the Board of Management in accordance with the drafts regarding the Implementation of the Second EU Shareholder Rights Directive (ARUG II) and the German Corporate Governance Code. The Board of Management and the Supervisory Board also submitted an updated declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), which is publicly available on the company's website.

Another point discussed was the financial performance. In addition to the monthly figures as of August 31, 2019, the Board of Management introduced the Forecast II, covering the period up to the end of 2019, which was based on actual figures as of June 30, 2019. As part of the special reports, the medium-term outlook for the repositioning projects was discussed in detail.

Directly following the company's ad hoc release on **October 14, 2019**, the Board of Management explained the reasons for revising the forecast for consolidated EBIT as of December 31, 2019, from EUR 152–158 million to just EUR 129–135 million to the Supervisory Board during an **extraordi-**

nary phone conference on the same day. The main reasons were a clear decline in sales in the Automotive Technology segment, higher restructuring costs, and special one-off effects such as the insolvency of a customer based in Northern Ireland and a Turkish customer's exit from the market in the Automotive Technology segment.

The **fifth ordinary meeting** on **December 11, 2019**, began with the chairman of the Personnel Committee reporting on the current status of the implementation of the Second Shareholder Rights Directive into German law. He also covered the expected material changes resulting from the new version of the German Corporate Governance Code based on the latest draft, and the action required. Based on the Personnel Committee's recommendations, the Supervisory Board decided to extend the appointment of Axel Meyer to the company's Board of Management and approve Mr. Meyer's Board of Management contract extension.

The Board of Management reported to the Supervisory Board the current financial performance as of October 31, 2019, the current status of restructuring projects in the Automotive Technology segment, and the current outlook for the remainder of the 2019 financial year. The Board of Management then covered business planning for the 2020 financial year. In the discussion that followed, the Board of Management considered the details of the planning process. The Supervisory Board adopted the annual planning without changes.

WORK OF THE COMMITTEES

The main task of the Supervisory Board committees is to prepare decisions and topics for the complete Board's sessions. Decision-making powers may be transferred to the committees for this purpose insofar as the law permits. The chairmen of the committees reported to the Supervisory Board regularly and in detail on their committees' work. Both the Personnel Committee and the Audit Committee met in the past year. In accordance with Section 27 (3) of the Codetermination Act, there was no need for the Mediation Committee or the Nomination Committee to convene. The personnel make-up of the committees is presented in the annual report under the heading "Management Bodies."

In the 2019 financial year, the Personnel Committee prepared the Supervisory Board's personnel decisions in **three meetings** on **March 22, 2019, September 18, 2019, and December 11, 2019**. Where necessary, decisions were made or resolutions to be taken were recommended to the Supervisory Board. The Committee dealt with contractual matters relating to members of the Board of Management – particularly an extension of Mr. Meyer's appointment to the

Board of Management – and the issue of compensation paid to the Board of Management. In addition to recommendations for the Supervisory Board regarding the determination of the short-term incentive for the 2018 financial year, the calculation parameters for the long-term incentives, and sustainability targets for the financial year 2019, other focal areas of discussion for the Committee were the new framework conditions regarding compensation paid to the Board of Management as a result of the Second Shareholder Rights Directive coming into force in German law, as well as the new version of the German Corporate Governance Code. Details regarding compensation for the Supervisory Board members can be found in the compensation report.

The Audit Committee **met twice** in the 2019 financial year: on **March 22, 2019, and December 11, 2019**. Taking part in the meetings, in addition to members of the Board of Management, were representatives of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne. The Audit Committee obtained the external auditor's Statement of Independence as required, verified its qualifications, entered into the remuneration agreement, and established the focal points of the audit. The external auditor declared to the Audit Committee that there were no facts or circumstances present that would constitute grounds for assuming a lack of impartiality on its part. The main topics of discussion were the 2018 annual financial statements, the review of the risk management and compliance report for 2018, and further development of risk and compliance management.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

The accounting and law firm of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, appointed auditor of the separate and consolidated financial statements by resolution at the Annual Shareholders' Meeting of May 29, 2019, audited the annual financial statements, the consolidated financial statements, and the combined management report of the Group and of INDUS Holding AG pursuant to the Supervisory Board's instructions. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The external auditor provided the annual financial statements with an unqualified audit certificate. The auditor also confirmed that the risk management system complied with the provisions of law, and that there are no identifiable risks that might jeopardize the company as a going concern. As planned, the interim financial reports were not audited.

Annual financial statements, consolidated financial statements, and the combined management report, along with the external auditor's audit report, were presented to all members of the Supervisory Board in good time, as was the non-financial group management report. These were discussed in detail at the Supervisory Board meeting held on March 26, 2020, for adoption of the financial statements. This meeting was also attended by the external auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, which reported on the main results of the audit. The external auditor was also available to answer any further questions. The Supervisory Board discussed all of the submissions and audit reports in depth.

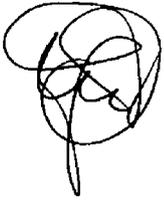
Following the final review of the documents submitted and the recommendations of the Audit Committee, the Supervisory Board raised no objections to the annual financial statements, the consolidated financial statements, or the combined management report, and agreed with the external auditor's findings. The Supervisory Board thus approved the 2019 annual financial statements and the 2019 consolidated financial statements. The annual financial statements for 2019 have therewith been adopted in accordance with Section 172 (1) of the German Stock Corporation Act (AktG). Following its review of the proposal, the Supervisory Board concurred with the Board of Management's proposed appropriation of distributable profit. The Supervisory Board also reviewed the separate non-financial report for the INDUS Group. To form its opinion, it drew on the review performed by the external auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne. The Supervisory Board raised no objections to the separate non-financial report for the INDUS Group.

COVID-19 PANDEMIC

All INDUS Group employees and their families are severely affected and challenged in many ways by the COVID-19 pandemic, both in their professional and personal lives. The managers of our portfolio companies and the INDUS Board of Management are working extremely hard to keep the impact of this crisis on our staff and businesses to a minimum. The Supervisory Board and Board of Management are working very closely together to coordinate their actions in response to the evolving situation. Representing their respective Board, the Chief Executive and the Chair of the Supervisory Board are in nearly daily contact to ensure that the Supervisory Board is kept informed of any critical developments within the INDUS Group. The last-minute amendments to the forecast for the 2020 financial year in the 2019 Consolidated Management Report were made in close cooperation with the Supervisory Board.

The Supervisory Board would like to thank the managing directors and all employees of the portfolio companies as well as all employees of INDUS Holding AG and the Board of Management for the extraordinary dedication they have displayed in the past financial year. Our thoughts are with you and your loved ones during these difficult times.

Bergisch Gladbach, March 26, 2020

A handwritten signature in black ink, consisting of several overlapping loops and a vertical line extending downwards from the center.

On behalf of the Supervisory Board,
Jürgen Abromeit
Chairman