

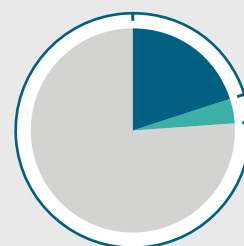
SUSTAINABILITY REPORT

[INDUS]

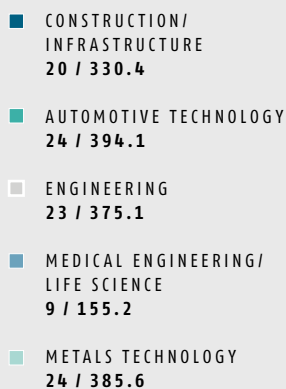
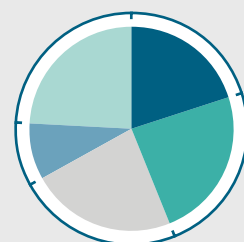
KEY FIGURES 2017

in EUR million	2017	2016	2015
Sales	1,640.6	1,444.3	1,388.9
EBITDA	215.3	200.9	186.4
EBIT	152.9	144.9	136.3
EBIT margin (in %)	9.3	10.0	9.8
EBIT adjusted	163.7	155.4	145.8
EBIT margin adjustet (in %)	10.0	10.8	10.5
Group net income for the year (earnings after tax)	83.1	80.4	68.3
Operating cash flow	145.0	137.9	157.3
Cash flow from operating activities	124.0	114.5	130.9
Cash flow from investing activities	-110.0	-104.4	-112.8
Cash flow from financing activities	-3.9	-14.9	-3.1
Earnings per share (in EUR)	3.37	3.27	2.78
Cash flow per share (in EUR)	5.07	4.69	5.36
Dividend per share (in EUR)	1.50*	1.35	1.20
Dividendenrendite (in %)	2.5*	2.6	2.7
Ausschüttungsquote (in %)	43.9*	42.7	41.9
	DEC. 31, 2017	DEC. 31, 2016	DEC. 31, 2015
Total assets	1,653.2	1,521.6	1,419.8
Group equity	673.8	644.6	595.4
Equity ratio in %	40.8	42.4	41.9
Net debt	399.0	376.6	356.3
Cash and cash equivalents	135.9	127.2	132.2
Total assets of INDUS Holding AG	1,450.8	1,360.2	1,274.2
Equity of INDUS Holding AG	855.6	806.9	761.2
Equity ratio INDUS Holding AG (in %)	59.0	59.3	59.7
Portfolio companies (number as per Dec. 31)	45	44	44
Employees within the Group (number as of Dec. 31)	10,210	9,451	8,334

PORTFOLIO STRUCTURE BY YEARS
(in % / number of portfolio companies)



2017 SALES
BY SEGMENT (in % / EUR million)



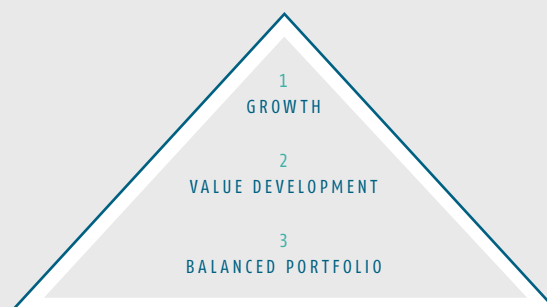
* Subject to approval at ASM on May 24, 2018

INDUS

... is a 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 orientation regarding their entrepreneurial development.

Our portfolio companies are characterized in particular by their strong position 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.

GOALS

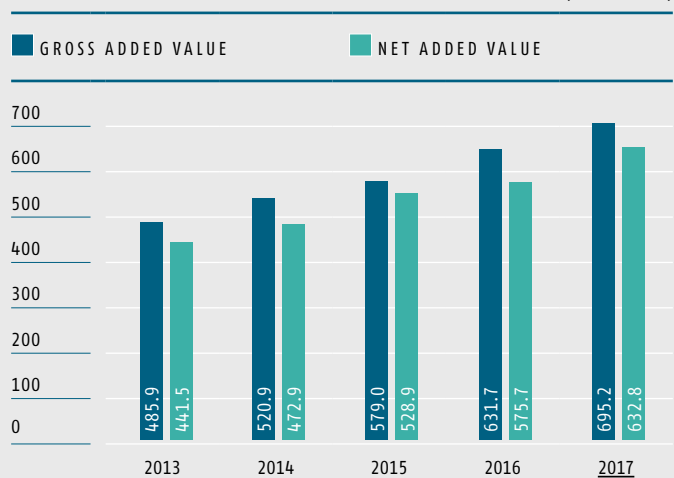


VALUE CREATION

CORPORATE PERFORMANCE (in EUR million)

	2017	2016
Sales	1,640.6	1,444.3
Other operating income	16.5	20.2
Own work capitalized	5.1	6.2
Changes in inventory	5.2	11.1
Results based on shares valued at equity	1.1	1.0
Financial income	0.3	0.5
Interest income	0.2	0.5
Business performance	1,669.1	1,483.8

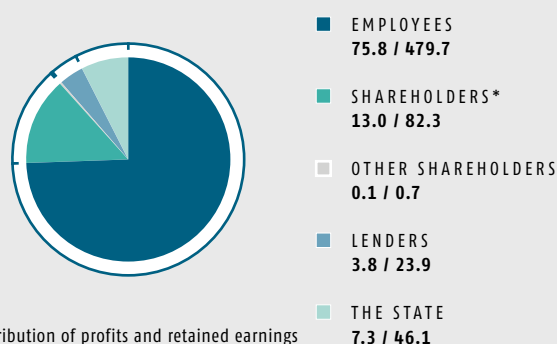
DEVELOPMENT VALUE CREATION (in EUR million)



ADDED VALUE (in EUR million)

	2017	2016
Business performance	1,669.1	1,483.8
Material expenditure	-745.9	-648.7
Other operating expenditure	-228.0	-203.5
Gross added value	695.2	631.7
Depreciation	-62.4	-56.0
Net added value	632.8	575.7

UTILIZATION OF NET ADDED VALUE IN 2017 (in % / EUR million)



* Distribution of profits and retained earnings

SUSTAINABILITY AT INDUS

INDUS believes that real entrepreneurial success cannot be measured in quarterly figures, but rather by long-term development. The entrepreneurial factors that are not included in the economic aspects are particularly important: the environment, employees, and the way we do business. These are the values that our portfolio companies, who act independently in their daily business, adhere to, as can be seen in the examples provided in our sustainability report.



[24] FUNDAMENTAL
PRINCIPLES



[28] NON-FINANCIAL
EXPLANATION



[34] PROGRESS IN
2017



[42] KEY FIGURES

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 us, 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.

The portfolio companies of the INDUS Holding AG have independently assumed responsibility for pursuing a sustainability-oriented business development policy. They set independent goals, develop action plans and evaluate their own achievements. The holding company provides an extensive information service that entails collecting sustainability-related data and delivering it to the Group companies. INDUS Holding AG also provides advice to the portfolio companies as required, helping them to effectively improve their “sustainability balance”.

As an asset management company, INDUS Holding AG’s tasks also include providing constant assistance for the portfolio companies and new acquisitions of portfolio companies. Thus the holding company acts as an internal service provider for the portfolio companies. This means the holding company’s resource consumption along the value chain is restricted to acquisition, use and disposal of energy, office materials and equipment, and any other business equipment required by a management company.

The holding company is not responsible for monitoring the relevant sustainability criteria in the portfolio companies’ value chain. Nevertheless, each portfolio company has been through the due diligence process before being acquired by the INDUS Group (hereinafter: INDUS). The real net output ratio and the associated sustainability risks are checked during this process.

Innovation results in new products, services and even approaches for new business models, which in turn create competitive advantages for our portfolio companies against their competitors. The constant technological and process developments in manufacturing processes at our portfolio companies and the technological advances made by manufacturers in the manufacture of machines and plants increase the quality of products and lead to a reduction in the energy consumed, thereby lowering both emissions and costs.

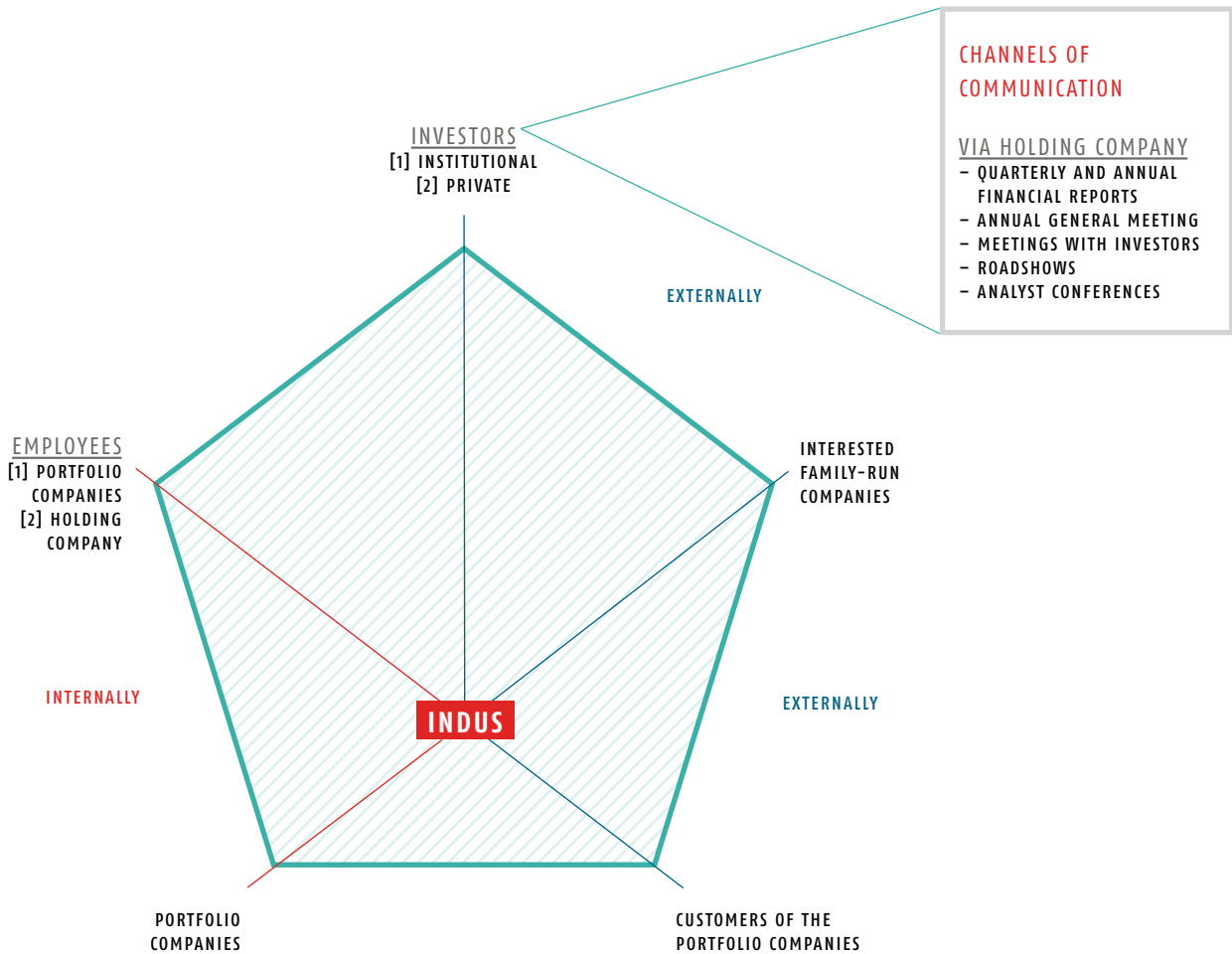
Ongoing and new measures to support the holding company’s sustainability strategy will be detailed in the following chapters. Our work in the field of sustainability has met with a positive response both in the business world and in the capital market environment. This is also reflected in the corresponding sustainability ratings: INDUS was again awarded a top “A” grade in the CDP Climate Scoring in November 2017. And it enjoys “Prime” status in the sustainability ratings of oekom research AG.

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 process was applied to identify the main stakeholders. Potentially relevant stakeholders were identified, for instance by looking at the value chain, and prioritized based on their influence on the INDUS Group and the influence of the INDUS Group on them. 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 outlooks, a stable balance sheet and transparent reporting.

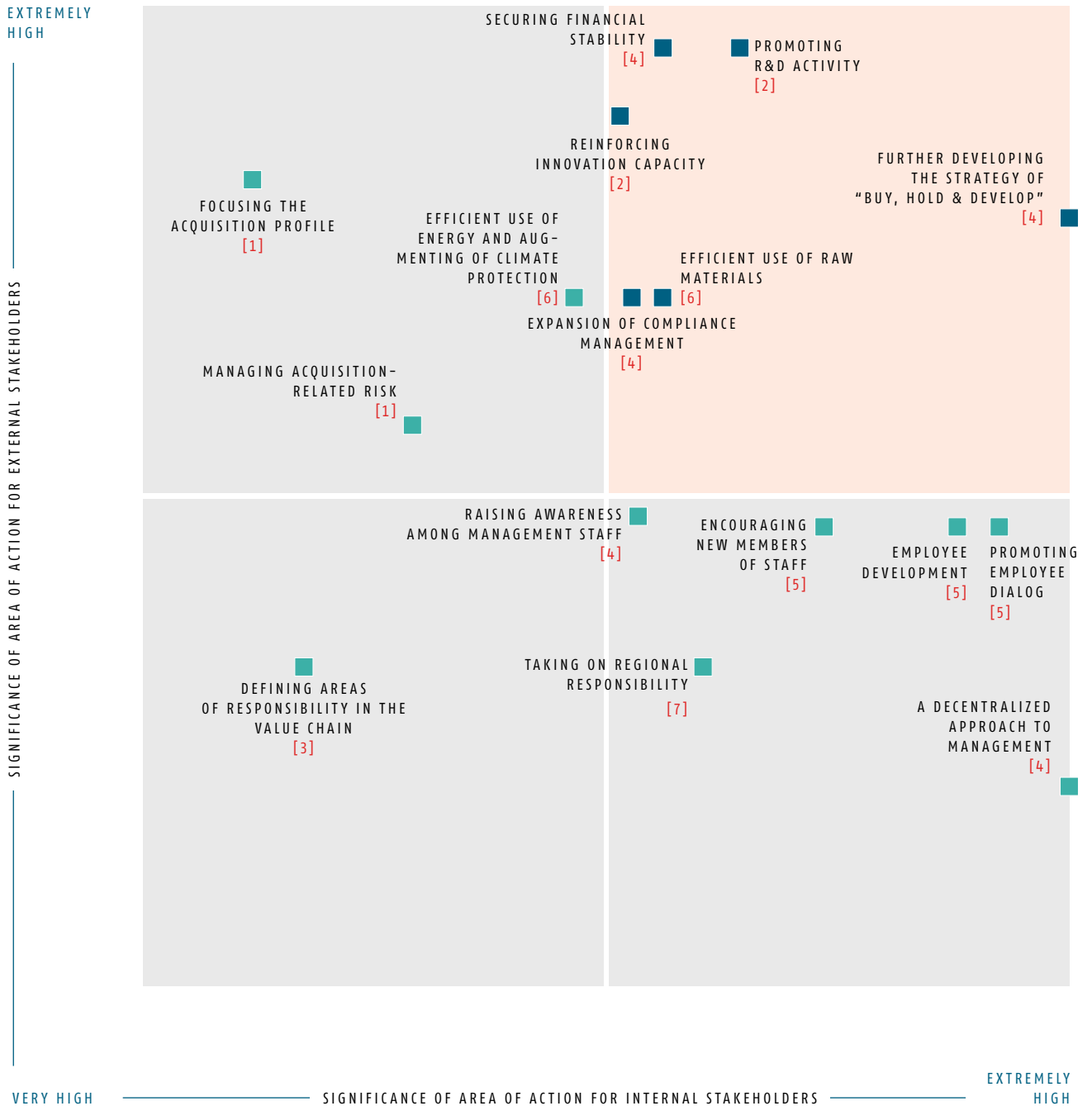
PROPER STAKEHOLDER GROUPS AND DIALOG TO MATCH



- 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.
- Portfolio companies and holding company 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.

The holding company and the portfolio companies, where appropriate, maintain regular contact with all five stakeholder groups. Various forms and channels of communication are used. In the 2016 fiscal year, the fields of action and key topics identified internally were compared with the opinion of select portfolio companies in an informative discussion. In fiscal year 2017, the stakeholder dialog with institutional investors and family-run companies was ramped up. Both stakeholder groups were questioned on their views and perceptions of the INDUS sustainability strategy and sustainability reporting. One of the aims was to verify the sustainability aspects identified as material during prior analyses and observations.

MATERIALITY MATRIX



- [1] INVESTMENTS
- [2] INNOVATION
- [3] INTERNATIONALIZATION
- [4] THE ROLE OF SHAREHOLDERS

- [5] HUMAN RESOURCES
- [6] RESOURCE EFFICIENCY
- [7] SOCIAL COMMITMENT

KEY TOPICS: THREE PLUS FOUR

To identify those aspects of sustainability that are relevant to INDUS, we performed a materiality analysis in 2016 with the Board of Management's participation. The results of this analysis have now been verified during the stakeholder dialog mentioned before. We were also able to confirm the seven key topics identified in the course of last year's reporting:

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 Holding AG's role as shareholder: financial and advisory assistance from the holding company for the portfolio companies in their efforts to develop their businesses within the existing range of possibilities
5. Personnel: employees as a key driver of corporate development in INDUS Holding AG and the individual portfolio companies
6. Social commitment: assuming the portfolio companies' and INDUS Holding AG's responsibility for social tasks
7. Resource efficiency: taking into 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 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. The focus of this year's report is the portfolio companies' and INDUS Holding AG's social commitment.

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 were compared with the assessments of the internal and external stakeholders. As a result of the discussions held with investors and former family-run companies in 2017, the action fields energy and resource efficiency, employee dialog and promotion of new employees were given higher priority. The materiality matrix was revised to reflect this and approved by the Board of Management.

NON-FINANCIAL EXPLANATION FOR THE INDUS GROUP

According to the CSR Directive Implementation Act (CSR-RLUG), INDUS Holding AG is obliged to report on sustainability issues from the fiscal year 2017. 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), is data on legally required aspects, which were identified and verified during the stakeholder dialog. The key topics are as follows:

Environmental protection is an aspect of the resource efficiency key topic, and social concerns are covered in the social commitment key topic. Employee concerns and respect for human rights are covered in the key topic personnel. Combating corruption and bribery are aspects of the key topic shareholder's role.

At INDUS Holding AG, sustainability occupies the highest level of priority. This means that the Board of Management directs the development of the holding company's sustainability strategy. The topics of discussion between the Board of Management and the managing directors of the portfolio companies include relevant sustainability issues, perception of the company internally and externally, non-financial performance indicators and the portfolio companies' achievement of goals. In addition, CSR topics are highlighted and discussed during every annual industrialists' conference. In 2016, INDUS Holding AG integrated an incentive for progress in sustainability issues into the Board of Management remuneration system.

As a part of the annual company planning process, risks and opportunities are assessed according to the likelihood of their occurrence and possible amount of ensuing damage, and documented for 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. Sustainability risks are documented as a separate risk category, but they are fully integrated in the existing risk management system. Countermeasures are introduced where necessary for the holding company, or independently of the holding company at portfolio company level for the portfolio companies. Material risks resulting from business relationships, products or services, or own operations in

accordance with Section 289c (3) no. 3 and 4 of the German Commercial Code (HGB) and how these risks are dealt with are – where reportable – documented in the risk and opportunities report (cf. management report, "Risk and Opportunities report"). In the reporting year there were no individual risks related to sustainability issues that exceed the materiality limits to report.

Our sustainability report was drafted in accordance with the criteria listed in the German Sustainability Code (DNK). Our report uses the EFFAS (European Federation of Financial Analyst Societies) performance indicators pursuant to DNK recommendations. Out of 16 key figures we have not reported on four. More information is available at the end of the key figure overview. From 2018 we will standardize all of the key figures to match EFFAS criteria and include them in our due diligence process for new acquisitions and take them into consideration during the analysis.

The key figures that have been gathered pertain to fiscal year 2017 and are compared to those for the previous year (if figures are available 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-subsidary level (exclusive of acquisitions in the year under review). The previous year's figures are not adjusted for effects from changes to the scope of consolidation (like for like approach). Changes to the scope of consolidation create no material distortion of the results in the current fiscal year in the year-on-year comparison. As compared to the previous year, the following material changes were made to system limits and content definitions in the key figures:

- Expansion of the scope of consolidation to include another direct portfolio company (new acquisitions made in 2017 will only be taken into consideration the following year).
- Inclusion of further EFFAS performance figures in accordance with DNK requirements (see corresponding figure in key figure overview).

Wirtschaftsprüfungsgesellschaft Ebner Stolz audited the INDUS Group non-financial explanation and the EFFAS key figures, reported in accordance with DNK (marked in the key figure overview).

ENVIRONMENTAL PROTECTION

CLASSIFICATION

The portfolio companies' direct impact on the environment in terms of resource consumption, emissions, waste, transport and energy consumption, and the associated direct and indirect greenhouse gas emissions can all be classified as comparatively low according to industrial benchmarks. The portfolio companies operate for the most part in the manufacturing sector using mechanical work processes. Our portfolio companies' production locations are primarily situated in the EU and Switzerland. They are therefore subject to high standards and legal requirements as far as plant safety and environmental protection are concerned. Those portfolio companies whose production may have a relevant environmental impact, such as those with galvanization and painting processes, are subject to corresponding statutory regulations and monitoring processes. The majority of these portfolio companies already have formal environmental management systems in place, such as ISO 14001. Direct effects on the environment emanating from INDUS Holding AG as an organizational unit are negligible.

GOALS/ACTION

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: this includes not just production processes, but also product development (relevant examples can be found in the chapter “Resource Efficiency”).

As part of the standardized due diligence process, INDUS Holding AG ensures that at least the statutory requirements are observed and that appropriate management system precautions are in place to avoid events that would impact the environment. The Board of Management's direct and close involvement in the due diligence process means strategic sustainability issues are actively introduced to the process.

INDUS does not invest in companies with high energy consumption or high emissions, or companies whose focus lies in the weapons industry. INDUS Holding AG's acquisition profile was revised and refined in the 2017 fiscal year – and includes sustainability issues.

The holding company insures all portfolio companies against risks relating to natural disasters, business interruptions, liability, product liability and transport damages with the appropriate cover.

The portfolio companies work with approval management systems as well as defined and documented operational processes with rules and regulations, which take the individual needs and underlying conditions into consideration. In addition, some of the portfolio companies have implemented certified management systems. The companies therefore meet regulatory requirements and actively contribute to ensuring the health and safety of their own workforce, suppliers, service providers on site and the immediate neighborhood.

The topics of energy efficiency and emissions reductions span a cross-section of all areas. The necessity 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).

RESULT

Indicators to be reported in accordance with DNK are total energy consumption (EFFAS E01-01), greenhouse gas emissions (Scope 1 and 2, EFFAS E02-01), total waste produced (EFFAS E04-01) and the percentage of waste that is recycled (EFFAS E05-01). We report greenhouse gas emissions in accordance with the guidelines of the Greenhouse Gas Protocol (GHG Protocol). In line with the GHG Protocol, we report Scope 2 greenhouse gas emissions using both the location and the market-based method. If no specific method is mentioned in the following passages, then the method used will be the market-based method. In the year under review, Scope 1 and 2 emissions (EFFAS E02-01, according to the operational control approach, pursuant to the GHG Protocol, only the holding company's emissions are covered) were slightly reduced overall, despite the further expansion of resources in the holding company. The Group's total energy consumption (EFFAS E01-01) on the other hand has increased due to growth, despite numerous energy-saving measures. Due to the Group's growth, an increase in the total waste produced was also recorded (EFFAS E04-01). The recycling ratio (EFFAS E05-01) was recorded for the first time in 2017, so a year-on-year comparison is not possible for this figure.

In future, the Group will continue to work on increasing resource efficiency in order to reduce not only our environmental impact at our locations and with our products, but also in upstream and downstream processes.

SOCIAL CONCERNSCLASSIFICATION

The portfolio companies keep airborne and noise emissions of any significance within tight limits so that the subsequent risk of potential complaints is low. The portfolio companies take their product responsibilities seriously and minimize health, safety and environmental risks according to the influence they have along the product's entire lifecycle – from product development, production and customer processing right through to use by the end consumer and disposal.

GOALS/ACTION

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. They support cultural, scientific and social projects in their immediate vicinity, for instance with student grants or donations to schools and daycare centers (cf. "Social Commitment"). The companies make no political donations.

In line with the applicable legal framework conditions, the portfolio companies have complaint management systems in place with an appropriate escalation process. This allows relevant complaints to be recorded and evaluated so that appropriate measures can be taken for the continuous improvement of processes and products. Legitimate complaints from the local area are reviewed during annual reporting sessions. The same applies for any provisions that may be necessary to cover warranties.

RESULT

Social concerns indicators to be reported pursuant to DNK include payments to political parties (EFFAS G01-01). No such payments were made in the year under review. The portfolio companies maintain regular dialog with communal and regional stakeholders through initiatives such as open days, work experience placements and plant tours. Various activities took place in the year under review. Many of the portfolio companies also work with workshops for the disabled. No legitimate complaints were received from the local vicinity in the reporting year. INDUS Holding AG will promote discourse around this topic within the Group in future by making it a topic at the annual industrialists' conference and through internal non-financial reporting.



THE COMPANIES OF THE INDUS GROUP ARE ACTIVELY TAKING OVER RESPONSIBILITY AS PART OF SOCIETY AND INDEPENDENTLY EXECUTE IT WITH REFERENCE TO REGIONAL CONTEXT.



REDUCTION

of direct and indirect emissions (Scope 1 & 2)

↘ 12.0 %
by 2020

↘ 42.5 %
by 2040

INDUS HOLDING AG has set the goal to reduce its direct and indirect emissions (Scope 1&2) by 12% (absolute) by the year 2020 and by 42,5% (absolute) by the year 2040 (base year 2014).



EMPLOYEE CONCERNS AND RESPECT FOR HUMAN RIGHTS

CLASSIFICATION

INDUS Holding AG's 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 countered within the INDUS Group with appropriate regulations in the company-specific codes of conduct. Nor does INDUS Holding AG have any information about such risks on the part of its direct suppliers.

Qualified and committed employees are an important prerequisite for the portfolio companies' and the holding company's long-term success. Gaining, keeping and training staff is therefore an important task for both the portfolio companies and INDUS Holding AG.

GOALS/ACTION

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

- 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 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.

As part of the due diligence process carried out for company acquisitions, the holding company confirms that the company to be acquired observes basic social and ethical principles and in particular appropriate working conditions. 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, i.e., also by suppliers. Each member of the INDUS Holding AG Board of Management is also directly responsible for specific direct portfolio companies. In addition to close involvement in the economic and strategic development of the company, this also includes regular on-site visits (including at sub-subsidiaries).

RESULT

Indicators relating to employee concerns and respect for human rights to be reported pursuant to DNK include average training expenditure per employee (EFFAS S02-02), age structure (EFFAS S03-01), number of SA8000 certified locations (EFFAS S07-02 II), and the number of female employees (EFFAS S10-01) and female staff in management positions (EFFAS S10-02). The age structure at the portfolio companies (EFFAS S03-01) and average development expenditure per employee (EFFAS S02-02) was recorded for the first time in 2017. A year-on-year comparison is therefore not possible for this indicator. The number of female employees in the total workforce (EFFAS S10-01) has risen slightly, while the number of female staff in management positions (EFFAS S10-02) has dropped slightly. Some portfolio companies are OSHAS 18001 (an international standard for occupational health and safety management systems) certified or are about to receive their first certification, but no portfolio company is as yet SA8000 certified (EFFAS S07-02 II). SA8000 is an international standard for working conditions, but it is somewhat uncommon in the sectors in which the INDUS portfolio companies are active. INDUS Holding AG intends to expand the information base for personnel activities within the companies in 2018 and deliver the results to the Group. HAUFF was declared a TOP 100 Employer in 2017.

COMBATING CORRUPTION AND BRIBERY

CLASSIFICATION

The share of sales generated by the INDUS Group outside of Europe is growing. This means that the ratio of business dealings in countries with a higher corruption risk is also increasing. The increase in the share of sales in countries with a higher corruption risk is primarily from sales made in China, Mexico, Russia, South Africa, and Turkey.

GOALS/ACTION

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 management of portfolio companies are responsible for ensuring conduct is in compliance with laws and guidelines as well as for the consistent introduction and pursuit of any countermeasures that may be required in case of misconduct. Conduct that does not comply with laws or guidelines is recorded as part of INDUS Holding AG's compliance reporting. Countermeasures introduced by portfolio companies are monitored by the holding company. 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. Companies do not make political donations or gifts to governments. INDUS Holding AG is not a member in any industry associations or other relevant organizations, and has no direct or indirect influence on any legislative procedures.

The holding company also offers regular compliance training for executives of the portfolio companies (cf. the section "Shareholder's role"). In 2017, the focus was on data protection, cyber crime, and foreign trade – in addition to more general compliance topics. Annual and event-related compliance reporting documents the correctness of business activities.

In its acquisition processes for the acquisition of portfolio companies, the holding company makes certain through its due diligence processes that the compliance requirements codified in its Code of Conduct are complied with. The Board of Management's direct and close involvement in the

due diligence process means strategic sustainability issues are actively introduced to the process.

RESULT

Indicators to be reported relating to combating corruption and bribery pursuant to DNK are expenses and fines following claims and processes due to anticompetitive conduct, anti-trust and monopoly violations (EFFAS V01-01), sales by country with a higher corruption risk (EFFAS V02-01), and payments to political parties (EFFAS G01-01). For the year under review no relevant expenses, 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. There were also no expenses and/or fines following claims or processes due to anticompetitive conduct (EFFAS V01-01). Fines resulting from other offenses amounted to approximately EUR 86,000 (above the materiality limit of EUR 10,000 per company). In 2017 the sales figure in countries with a higher corruption risk was on a par with the previous year (EFFAS V02-01). No payments were made to political parties (EFFAS G01-01).

For 2018 INDUS has planned a continuation of its training program for the companies in governance, risk and compliance matters. One of the focal points will be raising awareness among second management level employees at the portfolio companies.

PROGRESS IN 2017

SOCIAL COMMITMENT

PROVIDING A REASONABLE SOCIAL BENEFIT

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

STATUS QUO AND GOALS

The INDUS Group 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 commitment: 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 want to be recognized as an integral part of the region and be supported by the stakeholders.

The portfolio companies regularly become involved in their regional environments and outside of their regions through donations and sponsoring.

OUTLOOK

In the future, responsibility for social commitment 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 commitment. The holding company would like, rather, to promote the exchange of effective approaches within the Group.



PROJECT HIGHLIGHT

ASS MASCHINENBAU

ASS Maschinenbau, Overath, has been working together with Lebenshilfe-Werkstätten Leverkusen/Rhein-Berg for more than 10 years. These workshops help people with mental and physical disabilities achieve a higher quality of life by offering them suitable professional occupations. Lebenshilfe workshops assemble and process several thousand components for ASS each year. The tasks are varied and Lebenshilfe employees receive specific professional training and use workbenches adapted to their specific abilities and needs. The in-depth involvement at ASS with these workbenches resulted in an idea for a new and innovative business field, Auxilio®. This includes professional work aids such as automatic counters or assembly aids and orthetics and prosthetics for the disabled. The first product catalog was produced at the end of 2017. ASS was therefore able to use its social commitment as a driver for innovation.



PROJECT HIGHLIGHT

AURORA/INDUS

In October 2017, AURORA initiated a project for 10th and 11th grade students at the Karl-Ernst Gymnasium high school in the neighboring town of Amorbach. With the general theme “Mobility in rural areas”, the youngsters developed ideas for innovative concepts and solutions over three afternoons using the “Design Thinking” method. The project was carried out by AURORA and the Joachim and Susanne Schulz Foundation with conception and methodology support from INDUS Holding AG. The aim of the series of workshops was to increase the existing contact between the school and the company. The youths presented the results of their work to the Foundation management, AURORA’s management and the local press. One result of the workshop that has already been implemented: The prototype of the e-bus cluster led by AURORA is now called ColumBUS. The Joachim and Susanne Schulz Foundation student research forum aims to support local public educational institutes in the regions of Amorbach and Mudau economically in a sustainable manner and over the long term. At the end of 2017, it was named one of the five award winners in the national concept competition organized by Stiftung Jugend Forscht and the Joachim Herz Foundation.



SHAREHOLDER'S ROLE

ACTIVELY REPRESENTING THE INTERESTS OF THE OWNERS

In its capacity as a financial holding company, INDUS Holding AG takes care of financial consolidation and supports the portfolio companies with capital and advice within the existing range of possibilities. The holding company regularly documents the portfolio companies' successes.

STATUS QUO AND GOALS

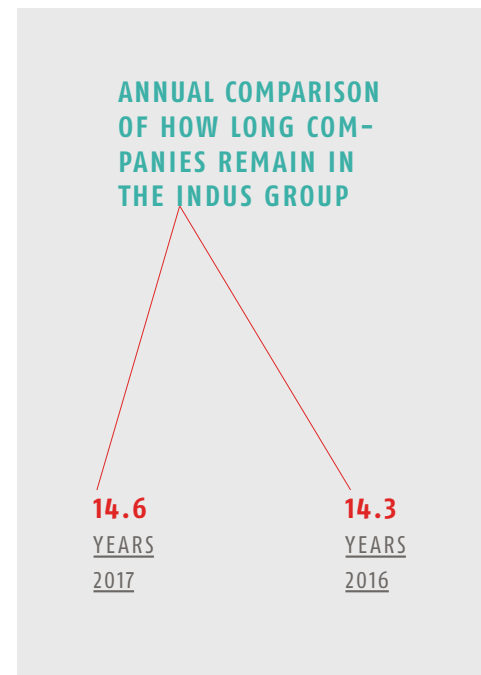
As a proponent of SME sector principles, the holding company values its reputation very highly. A good reputation makes INDUS more attractive to sellers of companies and lowers financing costs. And conversely, compliance violations, fines, unrealistic goals and unfair market practices result in a loss 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 Holding AG 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.

OUTLOOK

INDUS Holding AG adheres to its decentralized management structure and its fundamental “buy, hold & development” strategy.



RESOURCE EFFICIENCY

USING RESOURCES SPARINGLY AND WITH AWARENESS

INDUS Holding AG strives to make its portfolio companies sensitive to the ecological consequences of their operational decisions. It 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.

Decentralized responsibility for implementing the various energy efficiency measures lies with the portfolio companies. Where necessary, INDUS Holding AG provides support, for instance with a free energy consultation. The majority of the consultations in 2017 centered on new construction and expansion projects. ELTHERM's expansion, which was built and put into operation in 2017, for example, will be heated using heat pump technology – that is without the use of any fossil fuels. The same applies to the holding company's expansion.

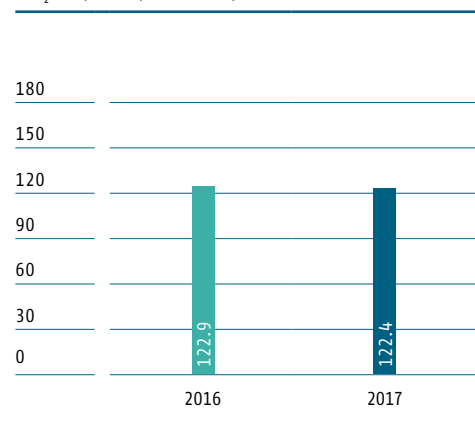
In addition, the individual portfolio companies are working in various ways to increase their use of secondary (recycled) raw materials. WEIGAND BAU, for example, uses a mobile bentonite recycling plant. The portfolio companies also use environmentally friendly substitution raw materials when possible and avoid the use of toxic materials. One example of this would be the switch made at WEINISCH from pre-treatment processes using chrome to the chrome-free processes.

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 16.2% (154.2 to CO₂e in 2017 as compared to 184 to CO₂e in 2014) by using "green electricity". In 2017 the holding company also compensated for its remaining emissions again with investments in projects to lower emissions.

OUTLOOK

The Group will continue to work intensively in 2018 on increasing its efficiency in the use of resources. The holding company has been offering assistance for portfolio companies to compensate for their CO₂ emissions since 2016. In subsequent years, the Group will also come to grips with the requirements arising from national and international climate protection plans.

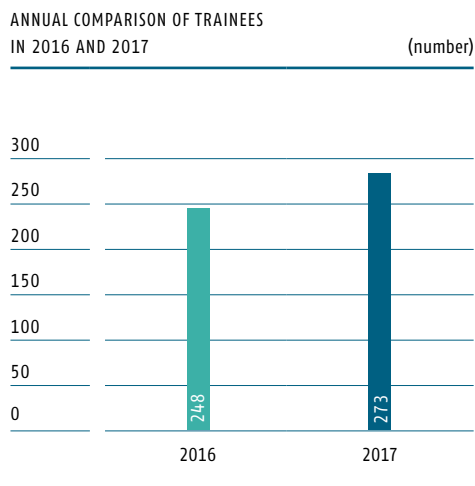
ANNUAL COMPARISON OF EMISSION INTENSITY IN 2016 AND 2017
(t CO₂e Scope 1+2 portfolio companies/EUR million value-added)



PERSONNEL

SECURING A CENTRALLY IMPORTANT BUSINESS RESOURCE

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



STATUS QUO AND GOALS

INDUS Holding AG employs a team of specialized employees to whom specific tasks are allocated and who perform only the central functions within the holding company. The two fundamental tasks of the team are to look after the interests of the holding company as shareholder and to provide the companies within the Group with the best possible advice, and to support them as needed, within the scope of a financial holding company.

Short decision paths, a strong team orientation and flat hierarchies are important characteristics of the decentralized corporate culture that is typical of the SME sector. The Board of Management maintains regular contact with all holding company employees. Great value is placed on a respectful atmosphere – both internally and externally. In their day-to-day activities, all team members are mindful of the importance of maintaining a high level of professionalism and stable processes. INDUS Holding AG has drafted a code of conduct for its employees that codifies responsible SME-appropriate principles that are binding upon all employees of the holding company.

The managements of the portfolio companies manage those employed by their companies in accordance with responsible SME-appropriate principles. Each portfolio company has drafted its own company-specific code of conduct to underscore these principles. 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 pursue a large number of different measures aligned with their individual priorities. They train according to their own needs and, if possible, beyond them. Over a number of years, HAUFF has established a structured training program that covers all educational paths, from commercial apprenticeships to dual study programs. The portfolio companies are also very committed to employee training and development. AURORA, for instance, has designed its own operational training program.

OUTLOOK

The INDUS Group also takes application-oriented research developments into consideration when researching new concepts to increase employer attractiveness. Through the holding company's cooperation with the Excellence Center for Industry 4.0 at the Technical University of Munich, the portfolio companies have access to a current research project that is investigating employer branding in the digital world. INDUS Holding AG has set itself the goal of advancing this type of information exchange in the future, too.

INTERNATIONALIZATION

PAVING THE WAY TO FURTHER GROWTH

INDUS Holding AG 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). The portfolio companies were able to stabilize long-term customer relationships, develop new customer relationships, and realize additional potential for added value by means of a stronger international presence (local for local). Outside Europe, the portfolio companies are specifically interested in developing distribution capabilities in the BRIC countries Brazil, Russia, India and China, at the same time creating added value in Germany and Europe. An example of internationalization activity in fiscal year 2017 is the construction and startup of production at Chinese locations for BETEK and BILSTEIN & SIEKERMANN. In September 2017, MIKROP moved its production activities in Serbia from a location they had rented for more than 10 years to a newly constructed plant, creating a modern and safe workplace for around 100 employees.

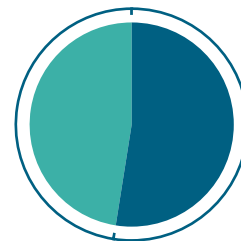
Upon request from the management, INDUS Holding AG can provide the portfolio companies with advice regarding expansion activities abroad, in order to reduce the risk of bad investments – for example, due to incorrect market assessment. When the situation warrants, the holding company will also put them in touch with local lawyers, insurers and banks or refer them to contacts within the Group.

OUTLOOK

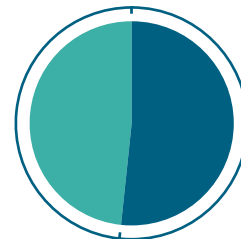
As a part of what the holding company offers its portfolio companies, it is further developing its advisory and support services for company acquisitions at the sub-subsi-dary level. In support of this process, networks are being formed between the portfolio companies and external networks are being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

ANNUAL COMPARISON OF NUMBER OF EMPLOYEES
IN EUROPE (EXCL. GERMANY) AND THE REST OF THE WORLD
IN 2016 AND 2017 (in %)

2016



2017



■ EMPLOYEES IN EUROPE
(EXCL. GERMANY)
2016: 13.5 / 2017: 13.8

■ EMPLOYEES REST OF THE WORLD
2016: 12.1 / 2017: 12.9

INNOVATION

ENHANCING THE PORTFOLIO COMPANIES' ABILITY TO INNOVATE

INDUS Holding AG 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, it 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. Upon request from the management, the holding company can also provide advice for developing new technologies beyond these incremental innovation activities, and for breaking into new markets and application fields. The holding company also supports R&D projects of portfolio companies that demonstrate a greater degree of innovation and higher investment risk with additional financial resources, assuming the function of a development bank. Up to 1.5% of the annual consolidated EBIT is available to the portfolio companies, in addition to the existing R&D budget, for such projects. The holding company's Board of Management approved EUR 2.2 million in internal development funds for innovation projects in 2017.

The intention is to enable the portfolio companies to develop their innovation capabilities in a structured and effective manner. The holding company provides methodological support, such as exchanging information and setting up a

network. In 2017 the holding company provided such methodical support by working in an advisory capacity with several portfolio companies. In addition to methodological support in determining a direction for the innovation strategy, we also focused on innovation operationalization, using appropriate processes and structures. The results of these activities culminate in innovation projects for the portfolio companies that are financially supported by INDUS Holding AG. Due to high demand for advice from the portfolio companies, the holding company expanded its advisory personnel resources in the area of technology and innovation.

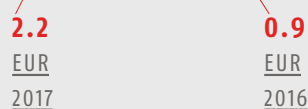
Activities designed to build or strengthen networks, especially at the R&D level, also were continued and escalated. Regular working group meetings were held on the topics additive manufacturing (3D printing) and current trends in the automotive sector.

The cooperation with the Competence Center for Digitalization/Industry 4.0 with the Technical University of Munich and the cooperation with the EBS University for Economics and Laws were both amplified. Another cooperation was initiated in 2017 with the Institute of Dynamics and Vibration Research at Leibniz Universität Hannover. The results of this cooperation include studies and project work as accompanying measures for innovations projects as well as the inclusion of INDUS in the university's teachings, during seminars for instance.

OUTLOOK

In 2018, the focus will be on expanding the methodological support program to other portfolio companies. INDUS Holding AG also intends to increase the network and cooperation activities in certain areas in 2018. One such area will likely be industry 4.0 solutions, such as networking and digitalization solutions for production processes.

ANNUAL COMPARISON OF INTERNAL FUNDS GRANTED FOR INNOVATION PROJECTS IN 2016 AND 2017



INVESTMENTS

STRENGTHENING THE GROUP AND 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. 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 growth industry. We engage in an active risk management process 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.

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.

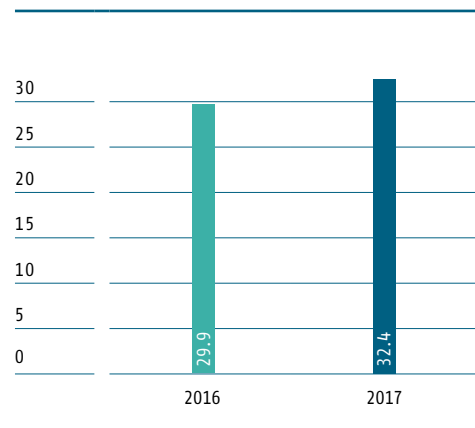
In 2017 we directly acquired M+P INTERNATIONAL and PEISELER, two growth companies and our portfolio company AURORA acquired Electronic Equipment, a strategic second-level addition. We invested in total EUR 32.4 million in company acquisitions. Another EUR 79.0 million were invested in property, plant and equipment. The acquisitions contributed 3.1% to our growth in sales.

OUTLOOK

In the 2018 fiscal year, we wish to successfully continue the holding company's acquisition strategy of the last several years. That means the direct acquisition of one to two growth companies by the holding company. For this we have allocated an investment budget of not less than EUR 50 mil-

lion. As in the past, the new Group companies are expected to be viably positioned for the long term in terms also of sustainability considerations.

ANNUAL COMPARISON OF INVESTMENTS IN COMPANY ACQUISITIONS IN 2016 AND 2017 (in EUR million)



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KEY FIGURES

KEY TOPICS	KEY FIGURES	UNIT	2017	2016	AUDITED
Investment	Direct acquisitions ¹	number	2	1	
	Add-on acquisition (on sub-subsidiary level) ¹	number	0	7	
	Investments in company acquisitions ¹	in EUR millions	32.4	29.9	
	Investments in property, plant and equipment ¹	in EUR millions	79	70	
	Inorganic growth in sales ¹	in %	3.1	3.9	
Innovation	Expenses for research and development ¹	in EUR millions	16.4	14.6	
	Approved internal subsidies for innovation projects ¹	in EUR millions	2.2	0.9	
	Current cooperative relationships with universities and research institutions ³	number	29	44	
	Received public subsidies for research projects ³	in EUR '000	283.4	283.1	
	Industrial property rights applied for in the year under review ³	number	241	239	
Internatio- nalization	External sales in Europe (exclusive of Germany) ¹	in %	22.9	23	
	External sales outside Europe ¹	in %	27.3	26.1	
	Employees in Europe (exclusive of Germany) ¹	in %	13.8	13.5	
	Employees outside Europe ¹	in %	12.9	12.1	
Shareholder's role	Equity ratio ¹	in %	40.8	42.4	
	EBIT margin ¹	in %	9.3	10.0	
	Organic growth in sales ¹	in %	10.5	0.1	
	Direct portfolio companies ¹	number	45	44	
	Average length of time portfolio companies have been affiliated with the INDUS Group ¹	in years	14.6	14.3	
	Total monetary value of significant fines (> EUR 10,000) ³	in EUR '000	86.5	0	✓
	Expenses for legal suits/action due to anti-competitive behavior, violations of anti-trust laws and monopoly legislation ³	in EUR	0	-	✓
	Non-monetary penalties for non-compliance with laws and regulations ³	number	0	0	✓
	Share of sales in regions with a Transparency International Corruption Index <60 ³	in %	18.7	18.5	✓
	Number of all portfolio companies with SA 8000 certification ^{3, 4}	in %	0	-	✓
Personnel	Female executives (first and second management levels) ^{3, 5, 6}	in % of FTE	15.6	16.2	✓
	Female employees as a share of the total workforce ^{3, 5, 6}	in % of own FTE	31.3	30.3	✓
	Temporary workers as a share of the total workforce ^{3, 5, 6}	in % der FTE	3.9	3.2	
	Trainees ^{3, 5, 6}	in FTE	273	248	
	Participants in dual study programs ^{3, 6}	number	65	55	
	Reportable accidents at work (exclusive of commuting accidents) ³	number	329	277	
	Fatal accidents at work (exclusive of commuting accidents) ³	number	0	0	
	Percentage of employees of INDUS Holding AG who have received its Code of Conduct ²	in %	100	100	
	Age structure and distribution (number of FTE by age group) ^{3, 6}	number in 10-year intervals	253/1629/2136* 2309/2356/664**	-	✓
	Average expenditure for training per FTE per year ^{3, 6}	in EUR	296.2	-	✓

KEY TOPICS	KEY FIGURES	UNIT	2017	2016	AUDITED
Social engagement	Legitimate complaints from the local area ³	number	1	1	
	Percentage of companies that cooperate with social institutions (workshops for disabled persons, etc.) ³	in %	42.0	38.8	
	Local donations and sponsoring (culture, education, sports, social affairs) ³	in EUR '000	227.2	214.9	
	Non-local donations and sponsoring (culture, education, sports, social affairs) ³	in EUR '000	169.6	172.8	
	Payments to political parties as percentage of total sales ³	in %	0	–	✓
Resource Efficiency	Holding company's Scope 1 emissions ^{2, 7}	in t CO ₂ e	154.2	147.4	✓
	Holding company's Scope 2 emissions (market-based, GHG protocol Scope 2) ^{2, 7}	in t CO ₂ e	0	7.8	✓
	Holding company's Scope 2 emissions (location-based, GHG protocol Scope 2) ^{2, 7}	in t CO ₂ e	56.1	52.5	✓
	Holding company's Scope 3 emissions ^{2, 7}	in t CO ₂ e	437.0	324.5	
	Portfolio companies' Scope 1-3 emissions ^{2, 7}	in t CO ₂ e	2,892.1	2,607.5	
	Portfolio companies' emissions intensity (Scope 1 & 2) ^{3, 7, 8}	in t of CO ₂ e/million EUR value-added	122.4	122.9	
	Waste intensity ^{3, 8}	in t of CO ₂ e/million EUR value-added	27.3	23.5	
	Total weight of waste ³	in t	17,470.7	14,379.0	✓
	Share of total waste that is recycled ³	in %	50.9	–	✓
	Total water withdrawal intensity ^{3, 8}	in m ³ /million EUR value-added	708.2	693.5	
Total energy consumption ³	in MWh	218,904	205,843	✓	

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) SA 8000 is an international standard designed to improve the working conditions of workers and defines minimum requirements on social and labor standards. | 5) The number of employees is expressed in full-time equivalents; part-time employees are accounted for proportionately according to the contractual work hours. | 6) Personnel figures as due date value as of Dec. 31, 2017 or Dec. 31, 2016. | 7) Included in the calculation besides CO₂ were nitrous oxide (N₂O), methane (CH₄) and partly fluorinated hydrocarbons (F gases). | 8) The value-added is not equivalent to consolidated gross profit (company performance less cost of materials and other operating expenses)

* Age below 20 years / between 20 and 30 / between 30 and 39

** Age between 40, and 49 / between 50 and 59 / above 60

EFFAS INDICATORS, LISTED IN THE GERMAN SUSTAINABILITY CODE, NOT REPORTED ON BY INDUS

KEY FIGURES	DECLARATION
EFFAS V04-12 Total investments in research on ESG-relevant aspects of business	Due to the business models of the portfolio companies, R&D activities are primarily reflected in the corresponding expenses. Investments (in terms of expenses recorded as fixed assets) are generally very limited for R&D and only necessary once the developed products and solutions are industrially manufactured. This key figure is therefore of little importance at INDUS.
EFFAS E13-01 Improvement rate of product energy efficiency compared to previous year	This key figure can only be determined for some of the portfolio companies. The portfolio companies partially produce goods that either consume no energy during the use phase or will be processed further. The aggregated key figure is not meaningful for the INDUS Group. And collecting this information would require considerable effort.
EFFAS S06-01 Percentage of total suppliers and supply chain partners screened for compliance in accordance with ESG criteria	There is currently no sufficient database available. The definition of ESG criteria for the supply chain is the responsibility of the portfolio companies. There are currently no Group-wide ESG criteria for the evaluation of partners and suppliers within the supply chain. A meaningful inquiry into this key figure is therefore currently not possible.
EFFAS S06-02 Percentage of suppliers and supply chain partners audited for ESG compliance	There is currently no sufficient database available. The definition of ESG criteria for the supply chain is the responsibility of the portfolio companies. There are currently no Group-wide ESG criteria for auditing suppliers and partners within the supply chain. A meaningful inquiry into this key figure is therefore currently not possible.