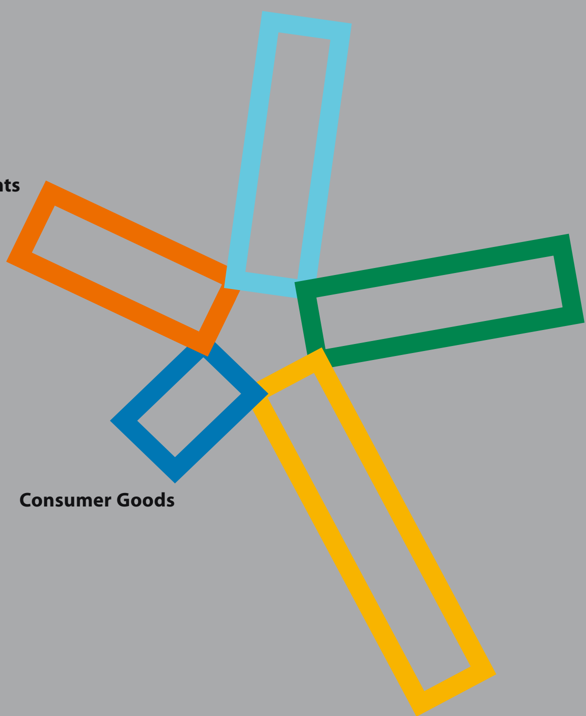
INDUS HOLDING AG

2006


Construction Industry
Other Investments
Engineering
Consumer Goods
Automotive Industry

Holding Company		2002	2003	2004	2005	**2006**
Income from investments	EUR in millions	83.4	78.7	77.3	84.4	**80.4**
EBIT	EUR in millions	74.6	74.8	69.3	74.8	**–5.4**
Net profit	EUR in millions	56.5	56.9	50.5	52.7	**–29.3**
Total assets	EUR in millions	804.8	881.9	906.8	986.5	**900.3**
Fixed assets	EUR in millions	573.5	619.0	674.6	756.4	**724.4**
Capital stock	EUR in millions	46.8	46.8	46.8	46.8	**46.8**
Equity	EUR in millions	411.2	447.4	476.7	508.2	**457.2**
Equity ratio	%	51.1	50.7	52.6	51.5	**50.8**

Group*		2002	2003	2004	2005	**2006**
		HGB	HGB	IFRS	IFRS	**IFRS**
Revenue	EUR in millions	680.3	706.2	660.5	731.9	**849.3**
Export share	%	35.0	36.0	35.0	35.9	**37.9**
EBITDA	EUR in millions	116.7	127.7	118.6	125.0	**146.5**
EBIT	EUR in millions	54.2	67.9	80.0	82.3	**85.3**
Net income	EUR in millions	10.5	11.5	27.7	21.6	**29.1**
Depreciation	EUR in millions	61.3	59.9	38.6	42.7	**61.2**
Operating cash flow	EUR in millions	94.4	60.7	73.9	53.2	**60.8**
Total assets	EUR in millions	678.8	725.8	829.0	921.4	**900.4**
Fixed assets	EUR in millions	331.5	362.8	451.6	524.3	**524.9**
Equity	EUR in millions	137.4	124.5	192.8	197.0	**204.6**
Equity ratio	%	20.2	17.2	23.3	21.4	**22.7**
Employees		4.484	4.727	4.641	4.996	**5.174**
– Holding company		11	12	14	17	**18**
– Portfolio companies		4.473	4.715	4.627	4.979	**5.156**

** The financial statements for the fiscal years 2002 and 2003 are based on the accounting principles under the German Commercial Code (HGB). The following years' financial statements comply with the International Financial Reporting Standards (IFRS).*

INDUS Share Key Figures		2002	2003	2004	2005	**2006**
Earnings per share (Group)	EUR	0.58	0.64	1.62	1.24	**1.72**
Earnings per share (holding company)	EUR	3.14	3.16	2.81	2.93	**–1.63**
Cash flow per share	EUR	5.24	3.37	4.10	2.96	**3.38**
Dividend per share	EUR	1.15	1.18	1.18	1.20	**1.20**
Dividend payout	EUR in millions	20.70	21.24	21.24	21.60	**21.60**
12-month high	EUR	26.15	22.95	27.25	29.50	**33.98**
12-month low	EUR	16.34	14.30	19.80	22.40	**24.71**
Price at year-end	EUR	17.27	20.45	21.97	29.45	**29.60**
Average daily turnover	No. of shares	18,372	23,472	36,067	49,509	**42,353**
Market capitalization on Dec. 31	EUR in millions	310.86	368.10	395.46	530.10	**532.80**

Financial Calendar

Balance Sheet Press Conference	May 2, 2007
Analyst Conference	May 3, 2007
Interim report on the first quarter	May 31, 2007
Annual Shareholders' Meeting	July 3, 2007
Dividend payment	July 4, 2007
Interim report on the first half	August 31, 2007
Interim report on the first three quarters	November 30, 2007

Ladies and Gentlemen,

Helmut Ruwisch
Chairman

We can look back on a year of successful organic performance. Consolidated sales were up 16.0% to EUR 849.3 million, with earnings before interest, taxes, depreciation and amortization (EBITDA) advancing 17.2% to EUR 146.5 million. This positive development was achieved on the strength of our existing portfolio of investments. In 2006, the expansion of our portfolio, an integral part of our corporate strategy, only made a small contribution to the growth we achieved.

We invest in the following five segments: Construction Industry, Engineering, Automotive Industry, Consumer Goods and Other Investments. This provides for broad diversification and an appropriate risk-return profile. Weaker developments in individual sectors or portfolio companies can thus be offset by positive developments in other sectors or portfolio companies.

Conditions on the automobile market are affected by permanent cost pressure exerted by the major automotive suppliers and auto manufacturers. Therefore, the Board of Management and the Supervisory Board decided to adjust the valuation of certain investments. In doing so, it was important to us that we not only consider the present situation, but that we make allowances for medium-term risks as well. Consequently, the revaluation of affected investments resulted in a significant charge against the earnings of the Group and, above all, of the holding company.

Naturally, this is contrasted by value added from sectors and portfolio companies which displayed extremely positive development in recent years. Our Construction Industry segment is what jumps to mind first and foremost. However, these write-ups could not be stated on the balance sheet. They thus constitute reserves resulting from our buy and hold strategy.

We intend to continue developing our portfolio companies over the long term. We will consider selling investments only in justified, exceptional cases. This clearly sets us apart from private equity firms, which operate over a short horizon, with exit-oriented strategies.

The two acquisitions we made last year strengthen our attractive Construction Industry segment. Swiss-based ANCOTECH AG, which was purchased by our subsidiary BETOMAX, specializes in the development, manufacture and marketing of special reinforcements and stainless steel parts.

OBUK Haustürfüllungen GmbH & Co. KG, which will be consolidated as of January 1, 2007, ranks among the leading producers of premium plastic and aluminum fillings for doors. Both of these companies operate in attractive niches and command outstanding shares of their respective markets.

Besides the acquisitions, we increased our shareholdings in the existing portfolio companies VULKAN INOX GmbH and WEIGAND Bau GmbH from 90% to 100% and from 70% to 80%, respectively. As of the reporting cut-off date, we thus held 100% stakes in 37 of our 41 portfolio companies.

As in the past, in 2007, we will adhere to our proven and successful strategy of growing our portfolio of equity holdings by making further acquisitions. In the process, we will analyze opportunities and risks in great detail and take them into account when deciding on investments as regards the risk-return profile of our overall portfolio. We will act with the utmost restraint when it comes to making investments in the automotive industry. Conversely, we may conceivably expand our portfolio predominantly on the Construction Industry, Engineering and Consumer Goods segments.

One must bear in mind the situation prevailing on the investment market which is shaped to a very considerable extent by the private equity firms' high level of liquidity. This has led to a substantial rise in prices. We will not let the market's situation entice us to deviate from our tried and tested valuation criteria or succumb to demands for exaggerated prices. As long as the market remains in this state, we will focus our strategy on making progress in growing our portfolio organically and further optimizing the cost structures of our portfolio companies.

We expect to see another positive performance in fiscal 2007, buoyed by robust economic developments. We aim to generate some EUR 890.0 million in revenue and improve the operating result by at least the same order of magnitude.

Dr. Lars Bühring helped shape our company for twenty years—with success and commitment. Dr. Bühring retired effective March 31, 2007, for age-related reasons. My heart-felt gratitude goes out to him.

I would like to take this opportunity to thank all the people who work in our portfolio companies and the holding company, including the general managers of each and every one of our enterprises. Their formidable work and daily commitment have been, and will continue to be, the basis for our success. Also deserving of my appreciation are our shareholders for standing by our company. In some cases, their loyalty has lasted for many years.

Sincerely,

Helmut Ruwisch
Chairman of the Board of Management

Ladies and Gentlemen,

Dr. Winfried Kill
Chairman

In the fiscal year that just ended, the Supervisory Board extensively debated the company's situation and prospects, while keeping abreast of major transactions. We fulfilled the tasks and met the obligations required of us by law, our articles of association, the German Corporate Governance Code, and the company's bylaws. We constantly monitored the manner in which the Board of Management ran the business and provided it with advisory assistance on all material issues. The Board of Management regularly informed us about the general business trend and fundamental issues of corporate policy. Supporting documents used to this end were written and oral reports, which we discussed at length with the Board of Management in our meetings. In my capacity as Chairman of the Supervisory Board, I regularly shared information and ideas with the Chairman of the Board of Management. This ensured that the Supervisory Board stayed up to date on business policies, compliance with the corporate budget—including the financial, investment and personnel budgets—the company's profitability, and the development of the business.

In total, the Supervisory Board convened in four sessions in 2006. The Supervisory Board's members attended all of the meetings. The Board of Management submitted detailed reports on the quarterly financial statements and the outlook for the financial statements for fiscal 2006. We dedicated a major part of our deliberations to the optimization of our portfolio management, the development of our individual portfolio companies, and the implementation of our acquisition strategy. Besides addressing these issues, when in session, the Supervisory Board dealt intensively with the acquisitions of ANCOTECH and OBUK, the valuation of the Group's goodwill and the Group's financial assets as well as its budget for 2007. Refining corporate governance practices in light of the revised code was another focal point. Legal and tax experts were consulted with on a case-by-case basis in order to discuss and review specific issues. The Personnel Committee, which was formed as in prior years, held three sessions. There are no further committees.

The Supervisory Board continues to accord high importance to the further development of corporate governance practices within the company. In the year being reviewed, the Supervisory Board and the Board of Management conducted a joint analysis to determine whether further recommendations could be followed, taking into account the amendments to the German Corporate Governance Code that took effect on June 12, 2006. The latest statement of compliance has been published on the web and printed in the chapter entitled "Corporate Governance Report." Furthermore, we reviewed the instruments and contractual agreements, mentioned in Sec. 289, Para. 4 and Sec. 315, Para. 4 of the German Commercial Code (HGB), which could hamper a takeover of the company. In conclusion, our opinion is that all the measures we have taken in this regard are appropriate, given the situation specific to the company. Please turn to the review of operations and Group management report for further commentary.

In line with the resolution passed by the Annual Shareholders' Meeting on July 11, 2006, the Supervisory Board appointed Treuhand- und Revisions-Aktiengesellschaft Niederrhein, based in Krefeld, Germany, auditors of the financial statements and the review of operations of the holding company (German Commercial Code—HGB) as well as of the consolidated financial statements and the Group management report (IFRS). The Supervisory Board received a statement from the auditors regarding all of the INDUS Group's business and financial related party disclosures. This statement did not give rise to any objections. The auditors audited the financial statements of the holding company and the Group as well as the review of operations and Group management report of INDUS Holding AG. With the exception of the following qualifications, no objections were raised by the audit. "As in previous years, the company has not reported the business results of the previous financial year for companies in which it owns at least one-fifth of the shares in the notes to the consolidated financial statements (list of investments). This disclosure in accordance with Sec. 313, Para. 2 of the German Commercial Code has become mandatory due to the elimination of the protective clause pursuant to Sec. 313, Para. 3 of the German Commercial Code. Furthermore, the notes to the consolidated financial statements do not include statements concerning business combinations pursuant to IFRS 3.67 d, f, h or i, or 3.70 a and b (with special regard to information on the purchase prices, revenue and earnings of acquired companies)." The Board of Management and the Supervisory Board deliberately accepted these qualifications in order to protect the individual portfolio companies by renouncing the publication of results broken down by subsidiary. This is the only way one can prevent the business operations of portfolio companies active in niche markets from being put at a disadvantage. Moreover, it would be irresponsible to publish purchase prices since the buyer must enter into a contractual obligation vis-à-vis the seller to keep such information strictly confidential.

The Supervisory Board reviewed the financial statements of the holding company, the consolidated financial statements, the review of operations, the Group management report and the Board of Management's proposed appropriation of distributable profit and discussed these items with the Board of Management. The auditors participated in the consultative sessions, explained the material findings of the audit, and were available to answer questions pertaining to the auditors' report. All supporting documents, with special regard to the audit reports, were made available to the members of the Supervisory Board in due time. The Supervisory Board is in agreement with the findings of the audit performed by the auditors and—based on the final results of its own audit—does not raise any objections against the holding company's financial statements, the consolidated financial statements, the review of operations, or the Group management report. At its balance sheet meeting on April 24, 2007, the Supervisory Board approved the financial statements of the holding company and the consolidated financial statements and adopted the holding company's financial statements. The Supervisory Board concurs with the Board of Management's proposed appropriation of distributable profit, which involves paying a dividend of EUR 1.20 per share and carrying forward the remaining profit, without reservation.

In the financial year under review, there were two staffing changes on the Board of Management. As of January 1, 2006, the Supervisory Board appointed Dr.-Ing. Johannes Schmidt to the Board of Management. He was put in charge of technology and capital expenditure. Furthermore, Mr. Wolfgang E. Höper joined the Board of Management effective October 1, 2006, enlarging the Board of Management to five members as of year-end.

Dr. Lars Bühring retired for age-related reasons as of March 31, 2007, after nearly twenty years of service to the company. From the very beginning, he assumed a great deal of responsibility for our company's entrepreneurial orientation and commercial success. His expertise and unfettered loyalty to the company are deserving of great recognition. We thank him for his outstanding commitment and wish him all the best for the future.

The Supervisory Board should like to take this opportunity to express its gratitude to the Board of Management, the portfolio companies' managing directors, and the entire staff for their successful work in fiscal 2006. INDUS Holding AG would not have been able to display such a positive development without their tireless commitment.

Bergisch Gladbach, April 2007

On behalf of the Supervisory Board

Dr. Winfried Kill
Chairman

The Board of Management of INDUS Holding AG from left to right: Michael Eberhart, Helmut Ruwisch, Wolfgang E. Höper, Dr. Johannes Schmidt

Board of Management

Dipl.-Kfm. (MBA equivalent)
Helmut Ruwisch
– Chairman –

Dipl.-Volkswirt
(MA equivalent in economics)
Dr. Lars Bühring
– Until March 31, 2007 –

Dipl.-Wirtsch.-Ing. (MA equivalent in industrial engineering)
Michael Eberhart

Dipl.-Kfm. (MBA equivalent)
Wolfgang E. Höper
– Since October 1, 2006 –

Dr.-Ing. (PhD in engineering)
Johannes Schmidt

Supervisory Board

Dipl.-Kfm. (MBA equivalent)
Dr. Winfried Kill,
Bergisch Gladbach
– Chairman –

Dipl.-Kfm. (MBA equivalent)
Günter Kill,
Cologne
– Deputy Chairman –

Prof. Dr. Axel Kollar,
Düsseldorf

Dr. Uwe Jens Petersen,
Attorney-at-law, Hamburg

Dr. Egon Schlütter,
Attorney-at-law, Cologne

Dipl.-Kfm. Bernhard Scholten,
Maisons-Laffitte, France

Business and Economic Environment

Report of the Board of Management

Fiscal 2006 was an eventful year for INDUS. The company is staying its course for growth. Boosted by strong exports and mounting domestic demand, revenue and EBITDA posted new all-time highs. Our existing portfolio companies made a significant contribution to this positive trend. In anticipation of the year underway, INDUS acquired OBUK effective January 1, 2007.

Positive development was displayed by the operating result, whereas non-cash charges stemmed from the revaluation of the holding company's financial assets and the Group's goodwill, which had to be taken due to the weak development experienced by the Automotive Industry segment. The revaluation also took medium-term risks into account. This results in a net loss for the holding company. In light of the positive performance constantly recorded by our operations, the Board of Management decided to release part of the retained earnings. This offsets the holding company's net loss and leads to a distributable profit. Subject to approval from the Annual Shareholders' Meeting, distributable profit is to be appropriated to pay a dividend of EUR 1.20 per share, as in the previous year. INDUS still has an equity ratio above 50% at the holding-company level even after having taken these measures. Ample cash and cash equivalents and unused bank financing commitments remain a basis for continuing to implement our long-term growth strategy by strategically expanding our portfolio of investments.

Group Structure

INDUS Holding AG's Group structure is divided between the holding company and the individual portfolio companies, acting as independent operating units. Responsibilities are clearly allocated among the holding company and the portfolio companies. The holding company handles classical back-office functions, supporting the portfolio companies in the fields of finance, controlling, accounting, tax affairs and legal matters. As listed company with a good credit rating, the holding company can afford its portfolio companies access to the entire range of financing options available on the capital market, which would be out of their reach as medium-sized enterprises. This enables the Group to optimize its financing costs.

INDUS divides its portfolio of companies into five segments: Construction Industry, Engineering, Automotive Industry, Consumer Goods and Other Investments. Each portfolio company is assigned to one of these five segments, depending only on the sector to which it predominantly supplies its products. The Other Investments segment includes companies which do not fit into any of the four core segments.

The portfolio companies' managing directors bear full responsibility for their operations. The decentralized management system gives them free reign over their research and development activities, production processes and sales operations. As of the balance sheet date, INDUS Holding AG's investment portfolio counted a total of 41 operating units as well as numerous second-tier subsidiaries.

Management System

INDUS Holding AG's primary objective is a sustainable enhancement in company value. The holding company develops detailed short- and medium-term budget scenarios in cooperation with the investments, based on their individual strategies. Compliance with these scenarios is constantly monitored using an efficient controlling system, thus ensuring that measures can be taken to counter significant deviations early on at any time. Portfolio companies are controlled primarily on the basis of such key performance indicators as revenue, return on capital and cash flow.

Strategy

INDUS exclusively acquires majority stakes in medium-sized enterprises and invests in the continuous development of existing portfolio companies. In so doing, the company focuses on manufacturing companies that command a strong position in an attractive market niche and have a robust business model and a successful product range. Acquisition candidates are screened according to detailed criteria.

INDUS has developed quality standards in addition to the financial parameters. The main focus of activity is an in-depth analysis and valuation of the candidate's business model. The stability of corporate development over the long term, coupled with the candidate's prospects for sustainable growth in its business environment are the decisive factors. It is paramount that acquisition candidates have a broad customer base, which limits their dependence on individual clients significantly. The goal is to ensure the overall portfolio's stability and a well-balanced mix of opportunities and risks.

INDUS generally grows its business by acquiring medium-sized enterprises. We always aim to purchase 100% of the shares in any company we acquire over the medium term. As a matter of principle, INDUS only makes long-term investments without exit strategies. INDUS provides its medium-sized enterprises with extensive support in developing their operations in global markets undergoing rapid change, thus affording them unique possibilities. In so doing, the acquired companies' successful structures are preserved. To optimize its portfolio, INDUS also employs various tools to increase the return on investment of its portfolio companies, in order to achieve the profitability targets it sets internally. Every single measure is planned, optimized and implemented in close dialogue with the general managers in charge.

General Economic Trend

In 2006, the world economy maintained the momentum behind its course for growth. As in the preceding year, the rise in the price of basic commodities, led by crude oil, which posted a new all-time high in August 2006, only marginally hampered growth. Interest rates, which were relatively low despite the slight hike implemented by the central banks, and favorable corporate earnings were the dominant factors. Developments diverged greatly among industrialized countries. Following a strong start to the year, US gross domestic product weakened markedly, feeling the effect of several interest rate increases. Although Latin America, Japan and East Asia maintained their robust economic momentum, growth slowed somewhat. In contrast, the economies of China and Eastern Europe's new EU member states showed extremely positive development.

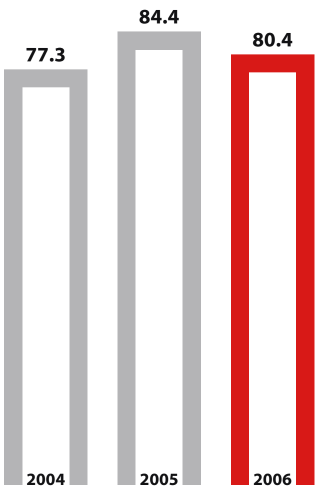
Eurozone economies picked up the pace considerably in 2006, following rather weak performances in the preceding years. Based on calculations made by the ifo Institute, gross domestic product climbed from 1.4% to 2.7% in real terms. The spirited rise in consumption and the marked increase in spending on plant, machinery, equipment and construction were the main drivers behind this substantial upturn. Developments displayed by the Eurozone's large countries were essentially uniform, with the exception of France and Spain, where net exports recorded a decline. Despite the strong rise, the Eurozone's economy lagged the US for the fifth straight year. Only six Eurozone countries, namely Spain, Greece, Finland, Ireland, Slovenia and Luxembourg, managed to exceed the 3.4% growth posted by the US economy. Most notably, France, Italy and Portugal trailed this economic development, achieving growth rates between 1.5% and 2.1%.

Germany's economy displayed a positive development. According to initial calculations published by the German Federal Statistical Bureau, Germany's real gross domestic product advanced 2.7%. Net of calendar effects, it was even up 2.9%. Besides recording a significant surge over the previous year's 0.9% growth, German real GDP posted the strongest advance since the boom in 2000. It is remarkable to see that it was not only exports which returned to strength—consumption and investment made a strong contribution to this upturn in their own right, placing it on a broader, more robust basis. Exports were up 12.5% in real terms, again clearly outpacing imports, which posted 11.1% real growth. In sum, net exports added 1.1% (prior year: 0.4%) to the gross domestic product. However, unlike in the two preceding years, net exports lagged domestic consumption, which recorded much more dynamic growth of 1.6% (previous year: 0.5%). Gross capital investments rose by a total of 5.6%, showing the steepest climb since German unification. Capital expenditure on construction was especially pleasing, as it jumped 4.2% after years of sub-par performance. Capital spending on plant, machinery and equipment posted a gain of 7.3%, with investments on other fixed assets increasing by 5.9%. Consumer reticence loosened for the first time in many years, as households returned to increased spending. Consumer spending was up 0.8%, in part due to the advance effects of the sales tax hike, with government spending advancing even more significantly (+1.8%).

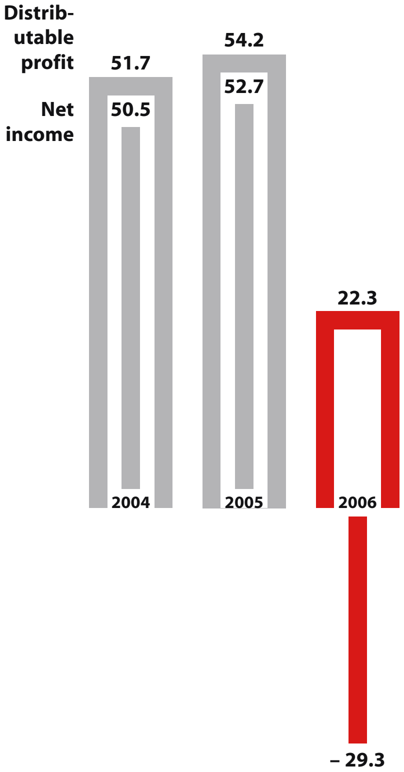
Status of INDUS Holding AG

Earnings Situation

Holding company income from investments
EUR in millions



Holding company distributable profit/net income
EUR in millions



In the financial year just ended, revenue amounted to EUR 7.2 million (previous year: EUR 3.2 million). This rise reflects the marked increase in consulting services rendered by INDUS to its portfolio companies. This is due to the mounting complexity and international reach of markets on which our portfolio companies are active. As in preceding years, no business transactions were concluded with external third parties. Other operating income totaled EUR 3.2 million (previous year: EUR 13.2 million). In 2005, this line item was primarily affected by the write-backs performed for companies with positive earnings trends.

The development of earnings is predominantly characterized by the restatement of our financial assets. This resulted in EUR 86.6 million in depreciation and amortization (previous year: EUR 11.0 million). EUR 45.5 million of this sum was allocable to companies in the Automotive Industry segment. The remainder breaks down into 2.0% to 3.0% annual write-downs on financial assets and individual non-recurrent write-downs. Lower values had to be recognized for some of the Automotive Industry segment's investments owing to the relentlessly high pressure on margins exerted by major manufacturers and suppliers. INDUS does not currently expect this pressure to let up over the medium term. At present, a lasting betterment of the profitability of the affected companies cannot be expected. This trend is confirmed by the restrained acquisition activity demonstrated by INDUS in this sector since the middle of 2005. By carrying out this restatement, INDUS is taking both the current and identifiable future valuation risks into account. Lower amounts disclosed on the balance sheet for these operations are contrasted by much higher enterprise values which were achieved as a result of the marked betterment of the other segments' earning power. However, these write-ups could not be stated on the balance sheet.

Staff costs decreased by 22.0% to EUR 3.2 million (previous year: EUR 4.1 million) largely owing to the absence of one-off effects. Depreciation and amortization of intangible assets and property, plant and equipment were virtually flat, coming in at EUR 0.4 million (previous year: EUR 0.5 million). Other operating expenses declined by 35.5% to EUR 4.9 million (previous year: EUR 7.6 million).

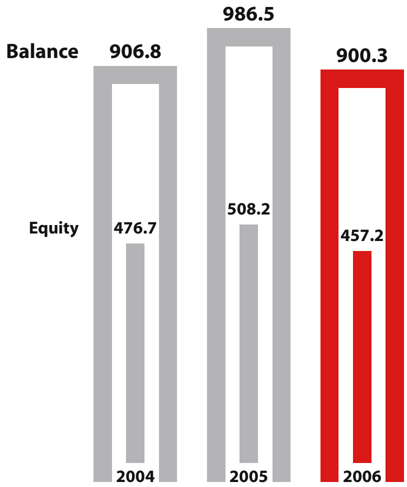
Income from investments totaled EUR 80.4 million (previous year: EUR 84.4 million). This marginal decrease must be viewed against the backdrop of the rise in revenue driven by the substantial increase in consulting services. The operating result was stable, proving that the concept of diversifying risk among five segments was worthwhile. Income from operating activities dropped to EUR –20.2 million (previous year: EUR 57.6 million) due to the high level of write-downs caused by the restatement of fixed assets. Net of the EUR 9.2 million in taxes, this results in a net loss of EUR 29.3 million (previous year: EUR 52.7 million in net income). The net loss and the drawing on other retained earnings resulted in a distributable profit of EUR 22.3 million. Earnings per share amounted to EUR –1.63 (previous year: EUR 2.93).

The joint profit appropriation proposal made by the Board of Management and the Supervisory Board envisions continuing the dividend policy in light of the positive organic performance achieved in 2006, and using distributable profit to pay a dividend of EUR 1.20 per share.

Financial and Net Assets Position

INDUS Holding AG's total assets experienced a considerable drop to EUR 900.3 million (previous year: EUR 986.5 million). This reflects the impact of the revaluation of our financial assets as well as the redemption of the EUR 100 million syndicated credit. Financial assets were down EUR 31.6 million to EUR 720.8 million, while property, plant and equipment remained virtually flat at EUR 3.7 million (previous year: EUR 4.0 million). Accounts receivable from affiliated companies totaled EUR 137.1 million—significantly down on the preceding year's level. INDUS maintained its healthy balance sheet despite the adjustment made to its financial assets. As of December 31, 2006, equity amounted to EUR 457.2 million (previous year: EUR 508.2 million). Accordingly, the equity ratio remained high, at 50.8% (previous year: 51.5%). Accounts payable to banks were reduced by EUR 38.3 million to EUR 389.9 million.

Holding company balance-sheet structure EUR in millions

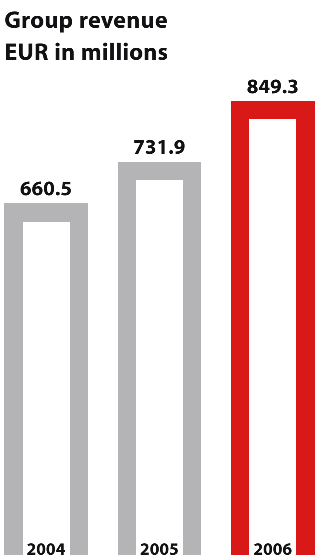


Workforce

On average, the holding company employed 18 people last fiscal year.

Group Accounting

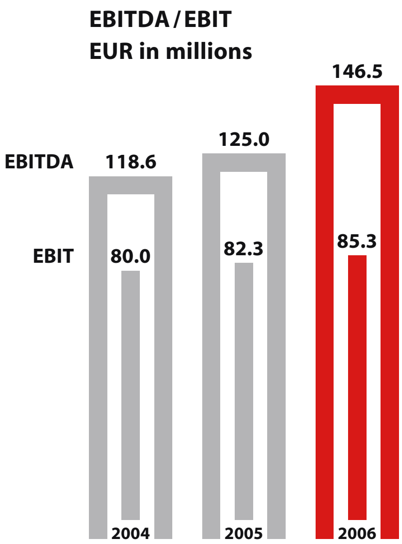
Earnings Situation



Revenue generated by the INDUS Group last year was up some 16.0% to EUR 849.3 million (previous year: EUR 731.9 million). Positive stimuli were provided above all by portfolio companies in the Construction Industry and Engineering segments as well as by changes in the scope of consolidation. SELZER and MIGUA, the companies acquired in the prior year, were consolidated on a full-year basis for the first time, and ANCOTECH, which was acquired in 2006, was added to the scope of consolidation on a pro-rata temporis basis as of June 1, 2006. In 2006, the foreign share of aggregate revenue advanced to 37.9% (previous year: 35.9%).

Other operating income totaled EUR 17.8 million (previous year: EUR 16.9 million). Changes in finished goods and work in progress rose from EUR 2.4 million to EUR 10.5 million.

The cost of materials jumped 20.8% to EUR 394.3 million (previous year: EUR 326.4 million) owing to persistently high prices for basic commodities and energy, which only eased up somewhat towards the end of the year under review. Commodity-intensive sectors such as engineering and the automotive industry were especially hard hit by the high level of costs. All in all, the ratio of material costs to total assets increased by 1.8 percentage points to 46.4% (previous year: 44.6%). Staff costs amounted to EUR 226.4 million—a 12.7% rise on the EUR 200.9 million recorded a year earlier. Thanks to the streamlining measures taken at our individual portfolio companies, the ratio of staff costs to total turnover dropped to 26.7% (previous year: 27.5%). Other operating expenses advanced by 10.3% to EUR 116.7 million (previous year: EUR 105.8 million). This is primarily due to the stronger overall performance.



In 2006, earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 17.2% to EUR 146.5 million (previous year: EUR 125.0 million). Depreciation and amortization rose to a total of EUR 61.2 million (previous year: EUR 42.7 million). This development was predominantly due to the higher amortization of goodwill. A downward correction had to be made especially to the valuations of portfolio companies in the Automotive Industry segment, owing to the low development of margins caused by the relentlessly high pressure on prices exerted by major auto manufacturers and suppliers. Earnings before interest and taxes (EBIT) in the financial year that just ended posted a marginal rise to EUR 85.3 million (previous year: EUR 82.3 million).

Net interest in 2006 totaled EUR –23.8 million, compared with the EUR –37.0 million achieved a year earlier. One reason for this substantial decline was the lower interest expense stemming from the redemption of a EUR 100 million syndicated credit line at the beginning of 2006. The other driver was the change in accounting principles commented in the notes. This resulted in an additional expense of EUR 5.4 million in 2005 and income of EUR 4.1 million in 2006, each of which were recognized after deferred taxes.

These one-off effects caused earnings before taxes (EBT) to rise to EUR 61.5 million (previous year: EUR 45.3 million).

Taxes amounted to EUR 29.9 million—a 34.7% rise on the EUR 22.2 million recorded a year earlier. The tax rate was flat, at 48.6 percentage points. Net income after minorities rose by 34.7% to EUR 29.1 million (previous year: EUR 21.6 million). Corresponding earnings per share amounted to EUR 1.72 (previous year: EUR 1.24).

Financial Position

The cash flow statement is a key element in the assessment of our financial position. Cash flows from operating activities increased by EUR 7.6 million to EUR 60.8 million. This was mainly due to the higher level of depreciation, amortization and taxes, which, however, were partially offset by the reduction in net interest and the increase in inventories. Cash flows from investing activities declined by EUR 45.8 million to EUR –53.3 million. This significant reduction is chiefly owed to the decrease in acquisition activity. Cash flows from financing activities were largely affected by the redemption of a EUR 100 million syndicated credit line. This explains the EUR 77.7 million drop to EUR –48.4 million. In addition to the fact that accounts payable to banks declined and new loans were taken out, cash flows were used to pay the dividend (EUR 21.6 million).

In the last financial year, net debt grew by EUR 15.7 million to EUR 426.9 million (previous year: EUR 411.2 million). Leases were the main off-balance-sheet financing instruments used by INDUS. Above all, various properties were leased over the long term.

Net Worth

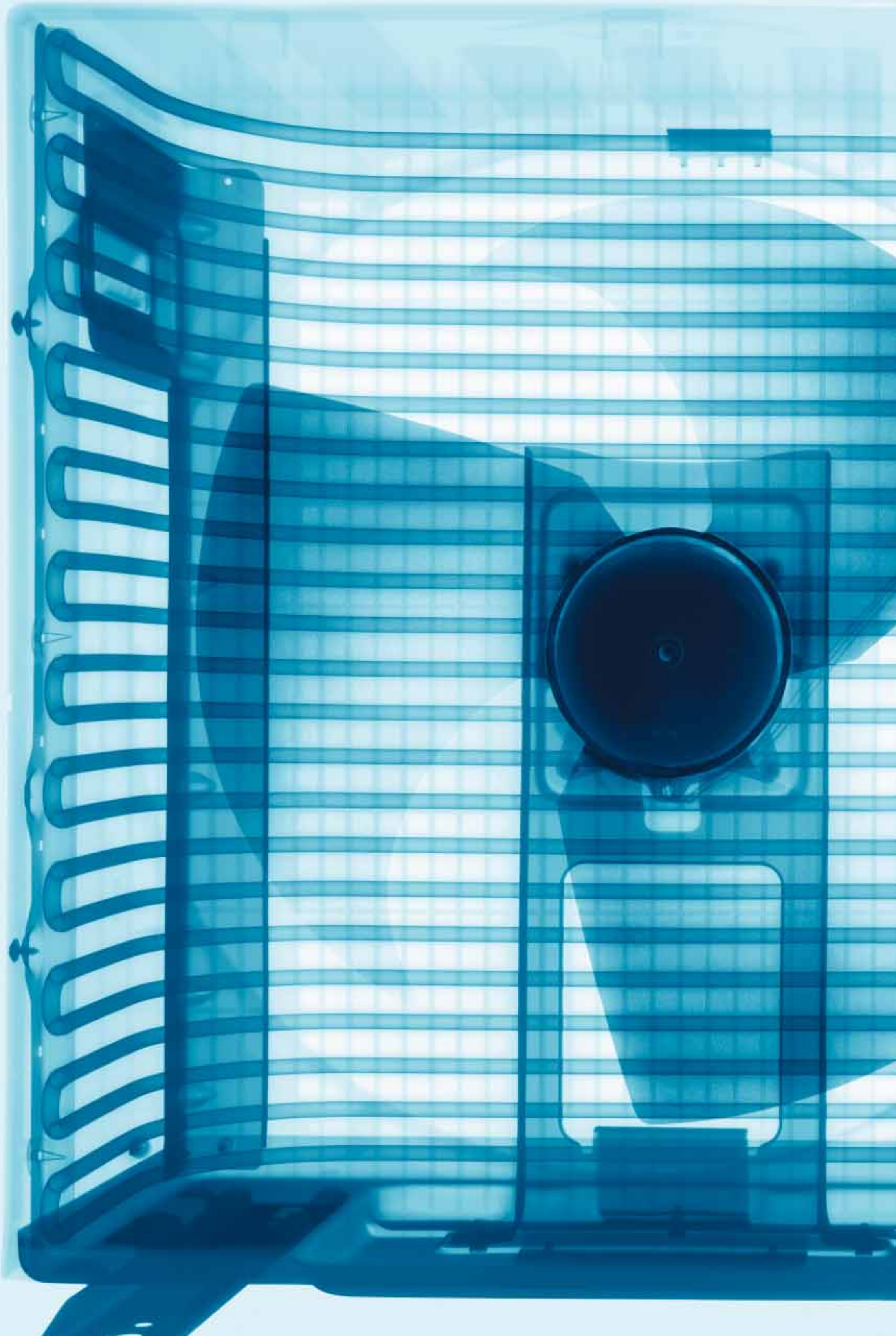
The INDUS Group reduced its balance-sheet total by EUR 21.0 million to EUR 900.4 million, in part due to the redemption of the syndicated credit line.

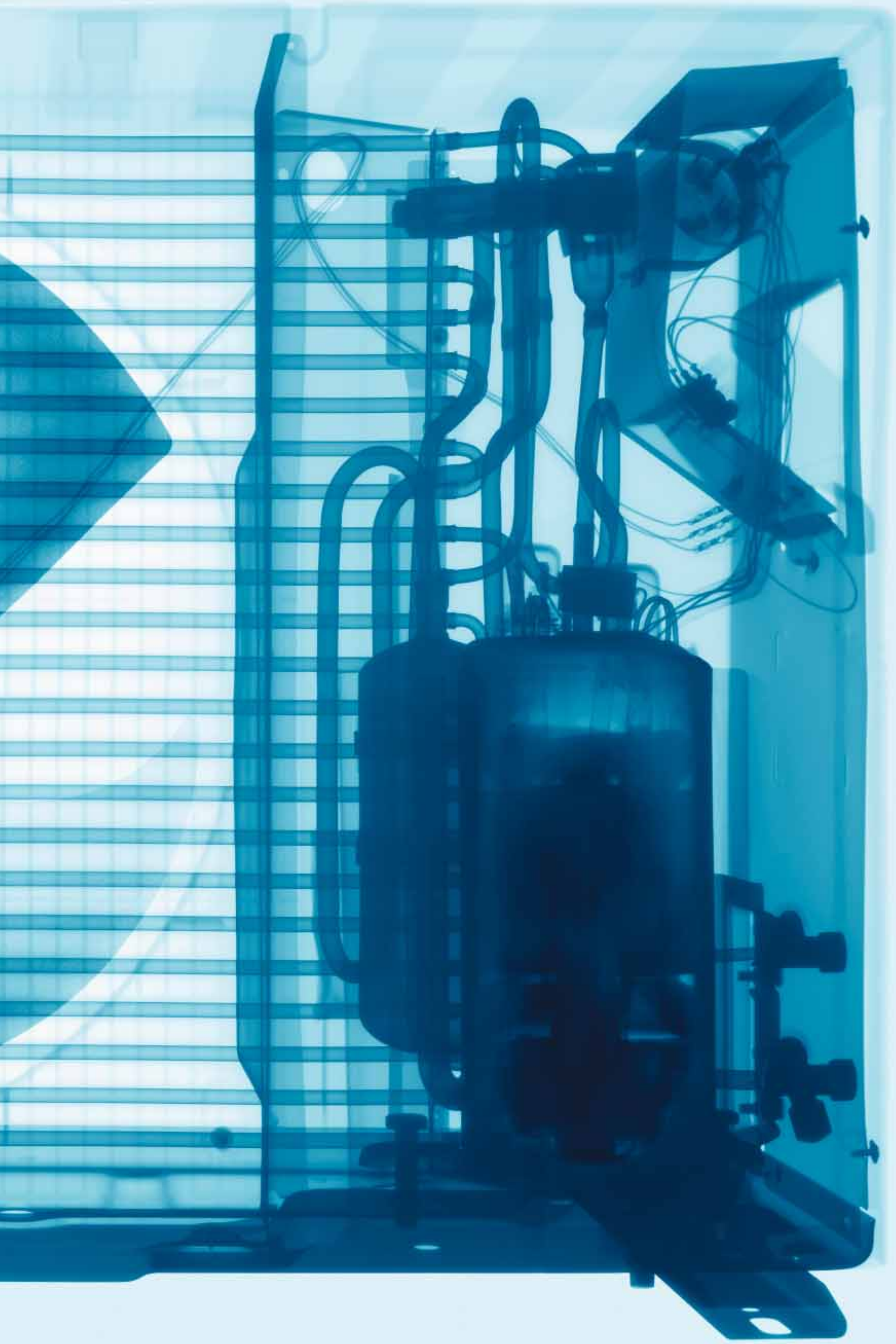
On the assets side, non-current assets were nearly unchanged. Property, plant and equipment recorded a marginal rise to EUR 226.8 million. Financial assets decreased by EUR 1.9 million to EUR 6.3 million. Current assets were down EUR 21.6 million to EUR 375.5 million. Due to the rise in business volume, inventories climbed to EUR 158.4 million (previous year: EUR 137.3 million). As of the balance-sheet date, current accounts receivable totaled EUR 108.1 million (previous year: EUR 109.5 million). Other current assets were up EUR 1.5 million to EUR 16.3 million. Cash and cash equivalents slipped by EUR 40.9 million to EUR 92.7 million, chiefly affected by the redemption of the syndicated credit line. INDUS thus continues to command a comfortable liquidity position, which allows the company to act flexibly on the investment market at all times.

Group equity climbed by EUR 7.6 million to EUR 204.6 million. The equity ratio improved to 22.7%, compared with the 21.4% recorded a year earlier. Long- and medium-term financial liabilities increased from EUR 362.4 million to EUR 419.9 million. At EUR 14.8 million, provisions for pensions were essentially unchanged. Other non-current provisions were also flat, totaling EUR 3.0 million. Current financial liabilities dropped considerably as a result of the redemption of the syndicated credit line, falling by EUR 82.8 million to EUR 99.6 million. In sum, financial liabilities at the Group level amounted to EUR 519.5 million, down EUR 25.2 million on the previous year's level. Trade accounts receivable rose by EUR 7.7 million to EUR 33.9 million due to the higher volume of business. At EUR 35.7 million, current provisions were on par year on year.

Segment Report

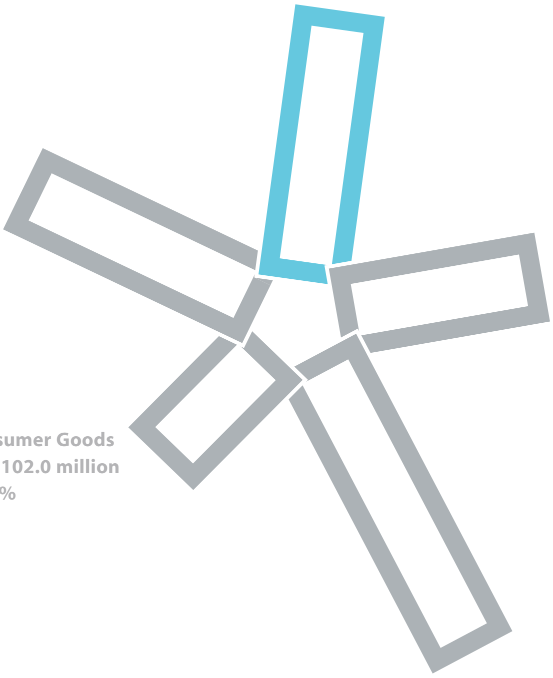
2006 Investments by Segment





Room air conditioner by REMKO

2006 Revenue by Segment



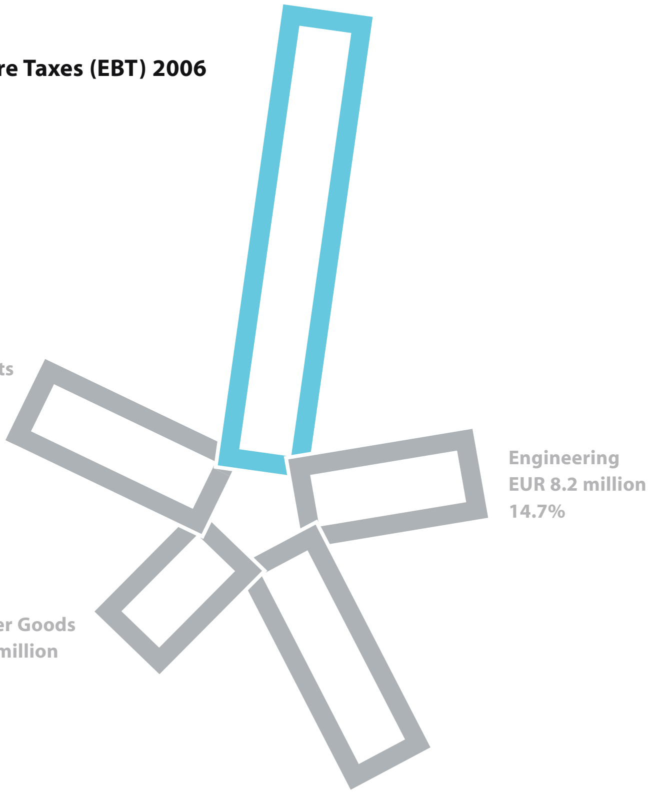
Construction Industry

For the first time in ten years, during which it was forced to stomach revenue shortfalls—some of which were considerable—Germany's construction industry was able to look back on an extremely positive year. According to statements issued by Germany's Central Construction Industry Association, sales generated by the main construction sector in 2006 were up 9.2% year on year. The main driver of this development was commercial construction, posting a gain of 11.7%. Residential construction benefited from the advance effects of the abolishment of the homeowner bonus and the sales tax hike, causing sales achieved in this segment to rise 10.2% over the year-earlier level.

As of the balance-sheet date, the Construction Industry segment still comprised nine operating units. Completed in May 2006, the acquisition of ANCOTECH AG made by BETOMAX GmbH & Co. KG has been assigned to this portfolio company. BETOMAX acquired a 100% stake in the Swiss-based enterprise which is domiciled in Dielsdorf.

ANCOTECH develops, manufactures and markets technically sophisticated and economically appealing special reinforcements and stainless steel parts for the construction industry. ANCOTECH was consolidated pro-rata temporis effective June 1, 2006. Oelde-based OBUK Haustürfüllungen GmbH & Co. KG, which was also acquired in 2006, will not be consolidated until January 1, 2007. INDUS acquired a 75% shareholding in the specialist for plastic and aluminum fillings for premium-quality doors. Last fiscal year, OBUK generated more than

Earnings before Taxes (EBT) 2006 by Segment

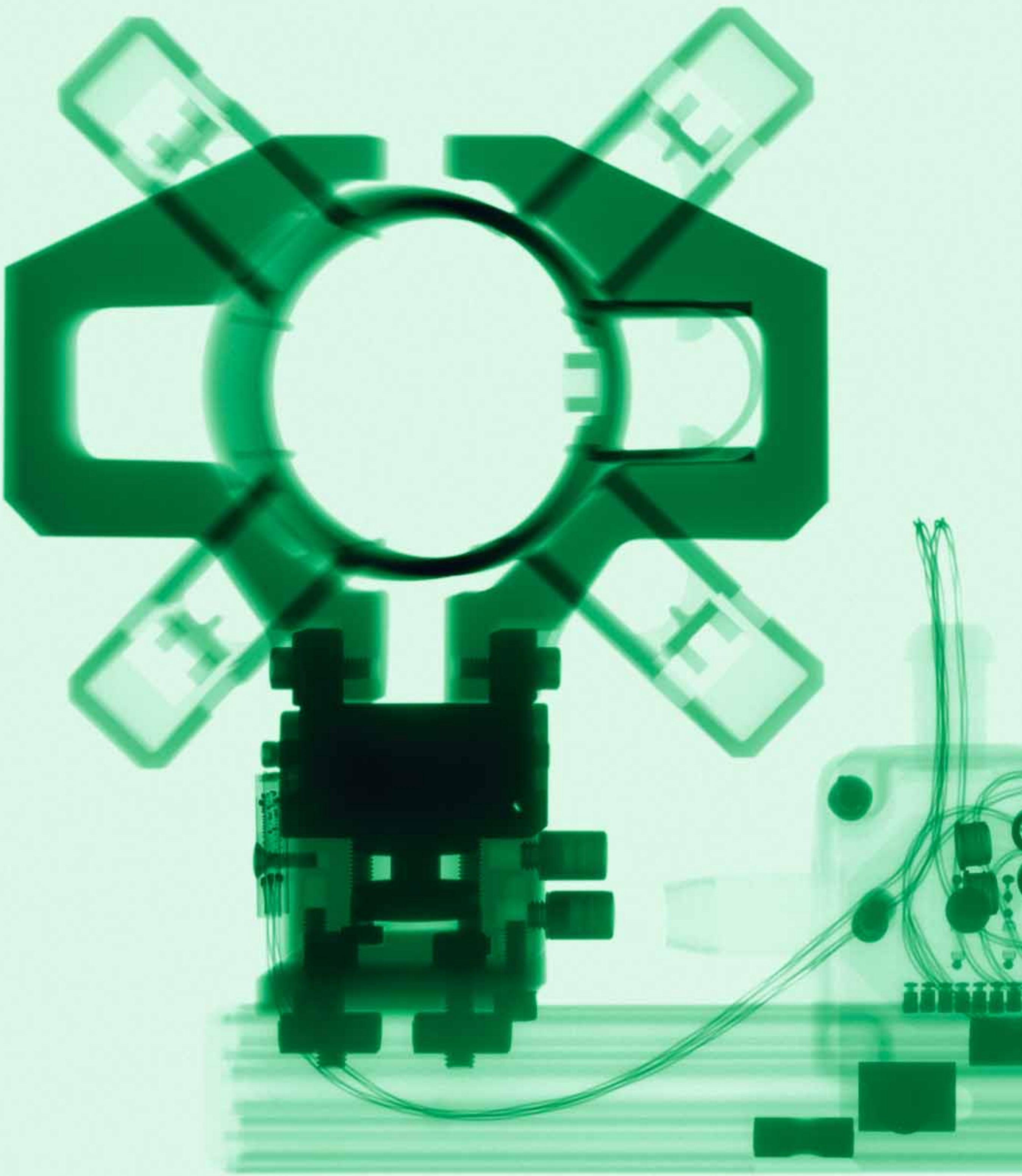


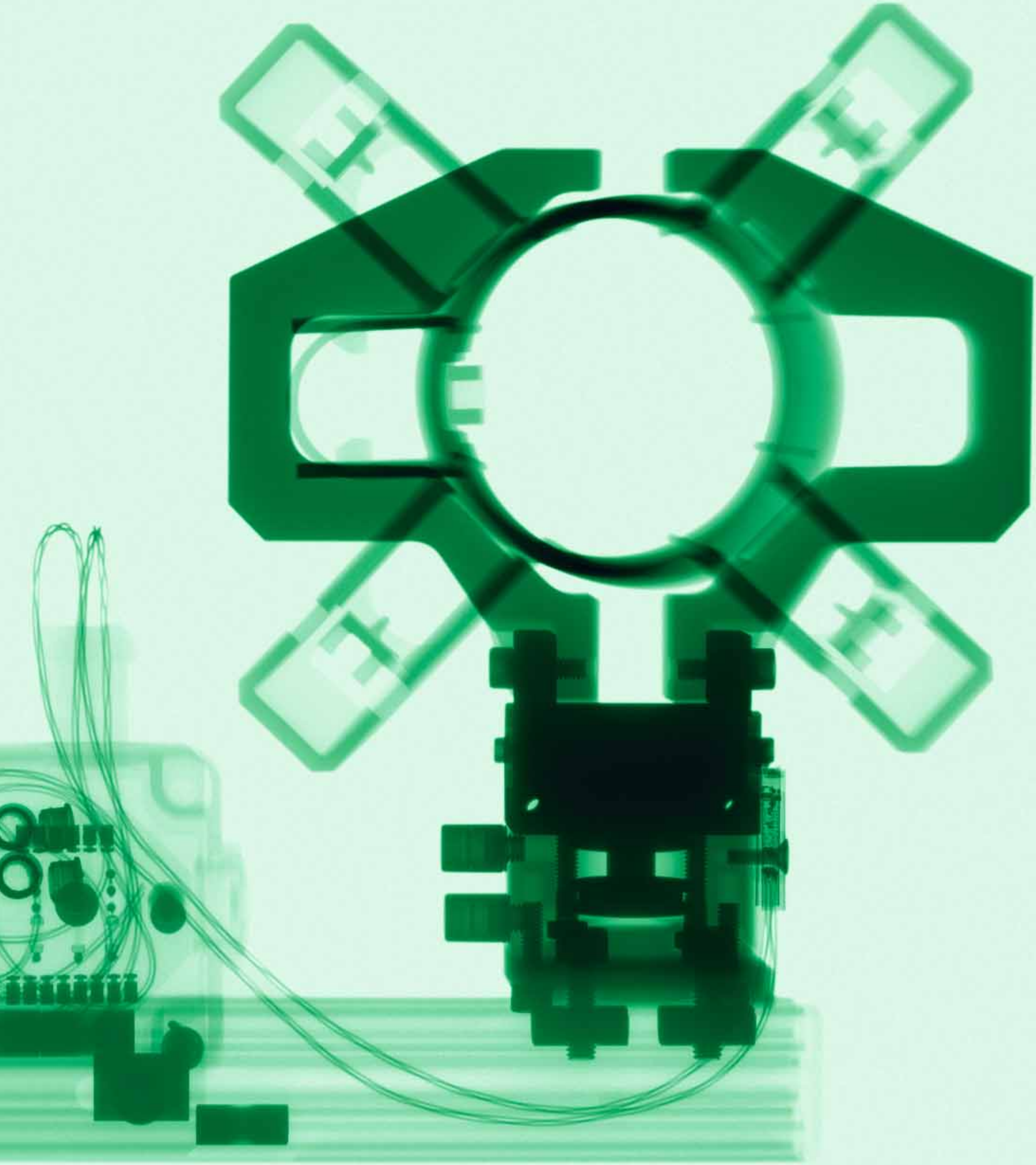
EUR 21 million in revenue with a workforce of some 150 employees. Furthermore, we increased our stake in WEIGAND Bau GmbH by an additional 10.0% to 80%, with retroactive effect as of January 1, 2006.

On a year-on-year basis, revenue earned by the Construction Industry segment was boosted by 24.1% to EUR 182.9 million. As in preceding years, portfolio companies exclusively active in attractive niche markets in the construction sector thus displayed more dynamic development than the market as a whole. Further positive effects were felt from the fact that the MIGUA Group was consolidated on a full-year basis for the first time and from the prorated consolidation of the newly acquired ANCOTECH.

The earnings situation also showed positive developments. EBITDA grew by EUR 3.4 million to EUR 32.9 million. Earnings before taxes (EBT) climbed 2.0% to EUR 20.7 million. The EBT margin is 11.3%. Capital expenditure amounted to EUR 14.1 million, falling EUR 8.0 million short of the year-earlier level, which was primarily marked by the acquisition of the MIGUA Group. In 2006, the focal point of investing activity was the acquisition of ANCOTECH. The average employee headcount grew by 64, driven by acquisitions.

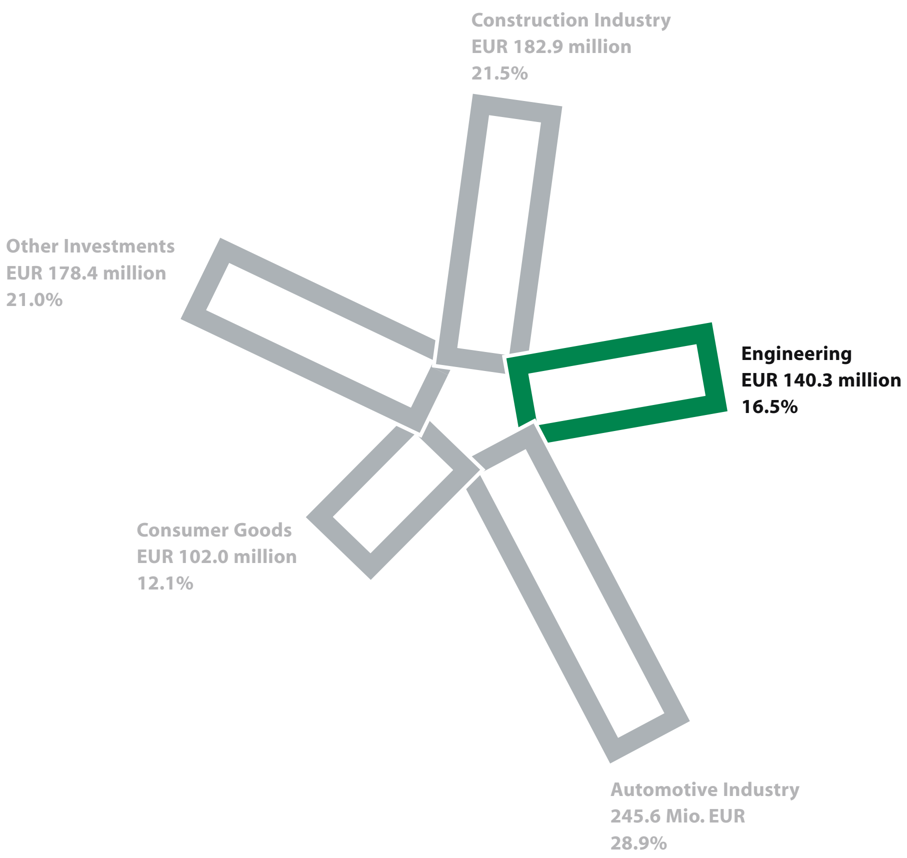
Construction Industry Segment		2004	2005	**2006**
Revenue	EUR in millions	129.9	147.4	**182.9**
EBT	EUR in millions	16.2	20.3	**20.7**
Depreciation	EUR in millions	3.9	4.1	**6.6**
Capital expenditure	EUR in millions	3.4	22.1	**14.1**
Workforce	Ø	576	673	**737**





Robot hand by ASS

2006 Revenue by Segment



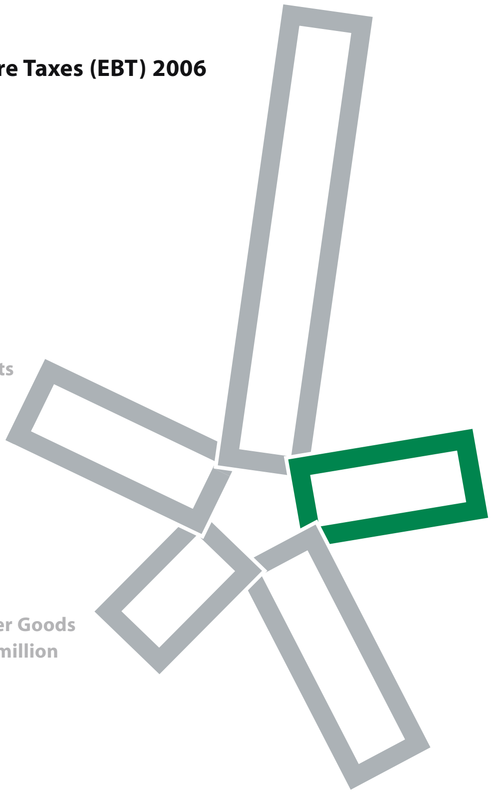
Engineering

In 2006, Germany's mechanical engineering sector continued to display positive development. According to preliminary official estimates, production was up 7.4% to EUR 158.4 billion, net of price-related effects. German mechanical engineering companies have thus increased output by a cumulative 18.4% over the last three years. Having eclipsed the 100 billion mark in the preceding year for the first time, exports posted a gain of 15.1%, acting as the main driver of growth once again. A total of EUR 123 billion in plant and machinery were exported. Following years of relative restraint, domestic demand rose steadily as well, achieving 19% growth in order intake for the year as a whole.

As of the balance-sheet date, the Engineering segment encompassed nine operating entities, as in the preceding year.

Having benefited exclusively from strong exports in prior years, segment companies saw domestic business posting a tangible gain in momentum as well. Segment revenue rose by 14.4% to EUR 140.3 million.

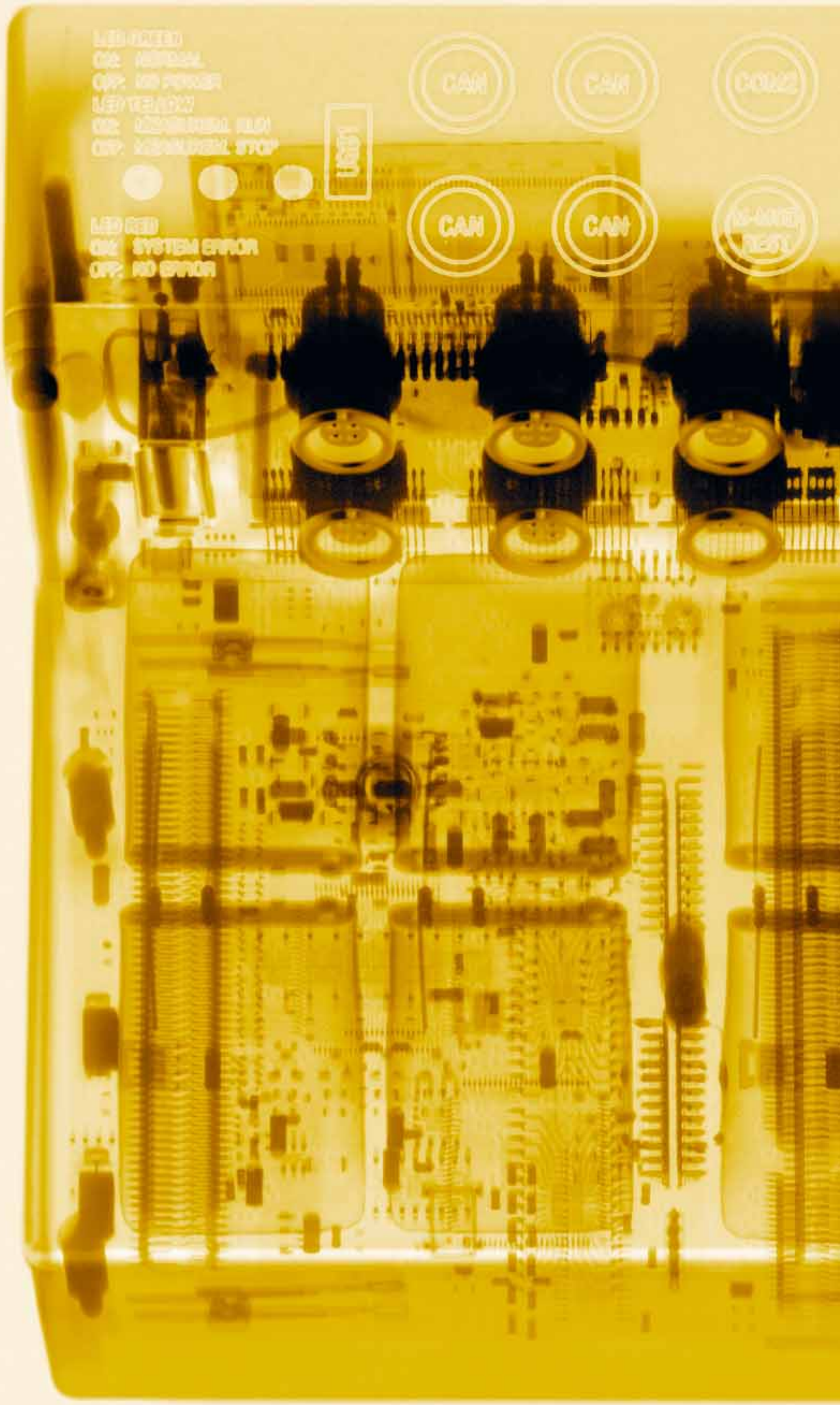
Earnings before Taxes (EBT) 2006 by Segment



At EUR 19.7 million (previous year: EUR 20.6 million) EBITDA was essentially unchanged. Income before taxes declined by EUR 4.4 million to EUR 8.2 million, owing to depreciation and amortization. The EBT margin was 5.8%.

At EUR 2.9 million, capital expenditure was on par with the year-earlier level. The average employee headcount was up by 38 to 644.

Engineering Segment		2004	2005	**2006**
Revenue	EUR in millions	109.2	122.6	**140.3**
EBT	EUR in millions	5.5	12.6	**8.2**
Depreciation	EUR in millions	6.8	4.2	**7.6**
Capital expenditure	EUR in millions	3.2	2.8	**2.9**
Workforce	Ø	602	606	**644**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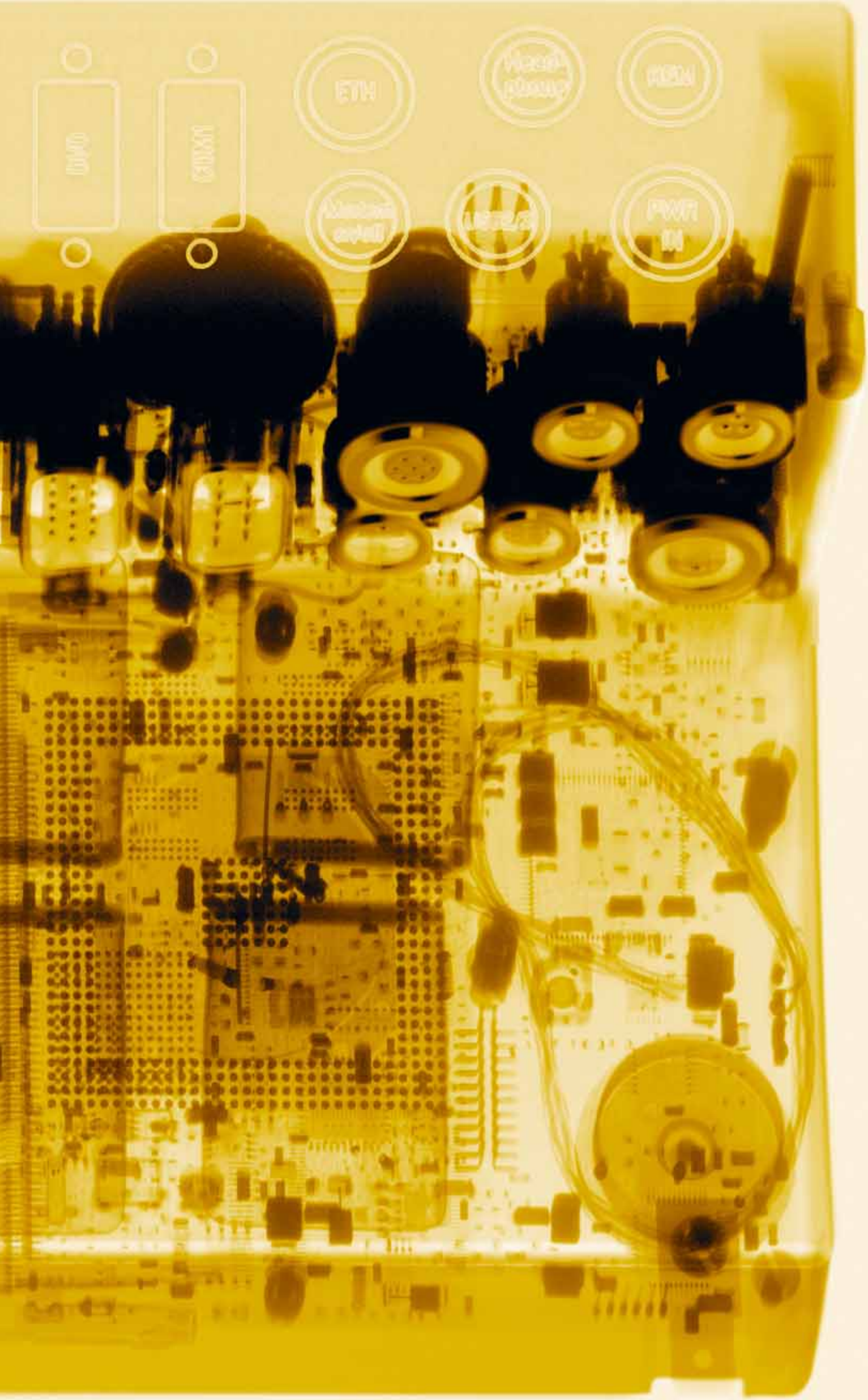
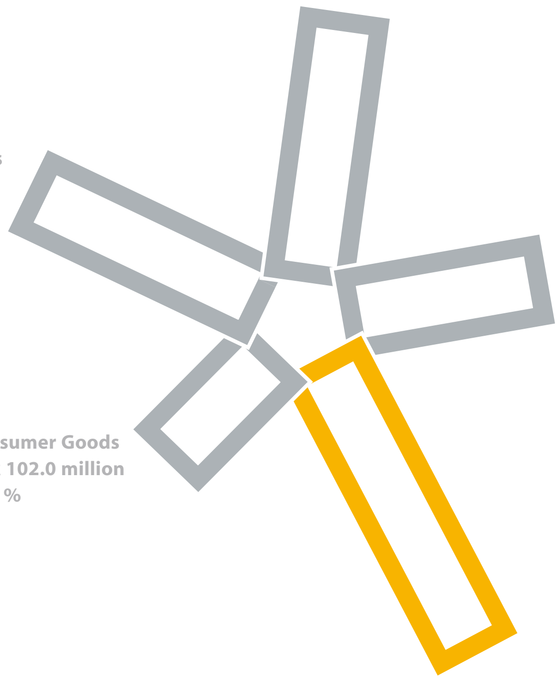


Data logger by IPETRONIK

2006 Revenue by Segment



Automotive Industry

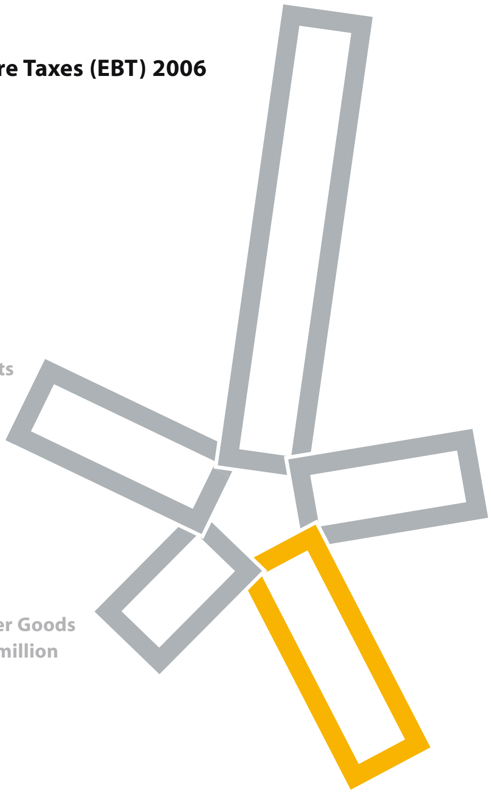
According to the German Association of the Automotive Industry (VDA), the German automobile sector looks back on a high number of passenger car registrations in the last two months of 2006. Driven by the advance effects of the sales tax hike, additional buying incentives offered by manufacturers, and new, attractive models, vehicle registrations were up 18.0% in November and 17.0% in December. New passenger car registrations for the full year advanced by 3.47 million, or 4.0%, compared with the previous year. The additional purchase incentives caused margins to drop and manufacturers to increase pressure on suppliers, in order to leverage further cost savings potential.

As of the balance-sheet date, the Automotive Industry segment still comprised a total of twelve operating units.

Revenue generated by the Automotive Industry segment rose, predominantly on the strength of the first, full-year consolidation of SELZER, climbing by EUR 49.3 million to EUR 245.6 million.

Persistently high pressure on prices exerted by major auto manufacturers and suppliers as well as the relentlessly high level of basic commodity prices had a lasting impact on the segment companies' earnings trends. The valuations of individual portfolio companies were adjusted in light of the difficult market environment, following the performance of impairment tests. This was offset by the

Earnings before Taxes (EBT) 2006 by Segment



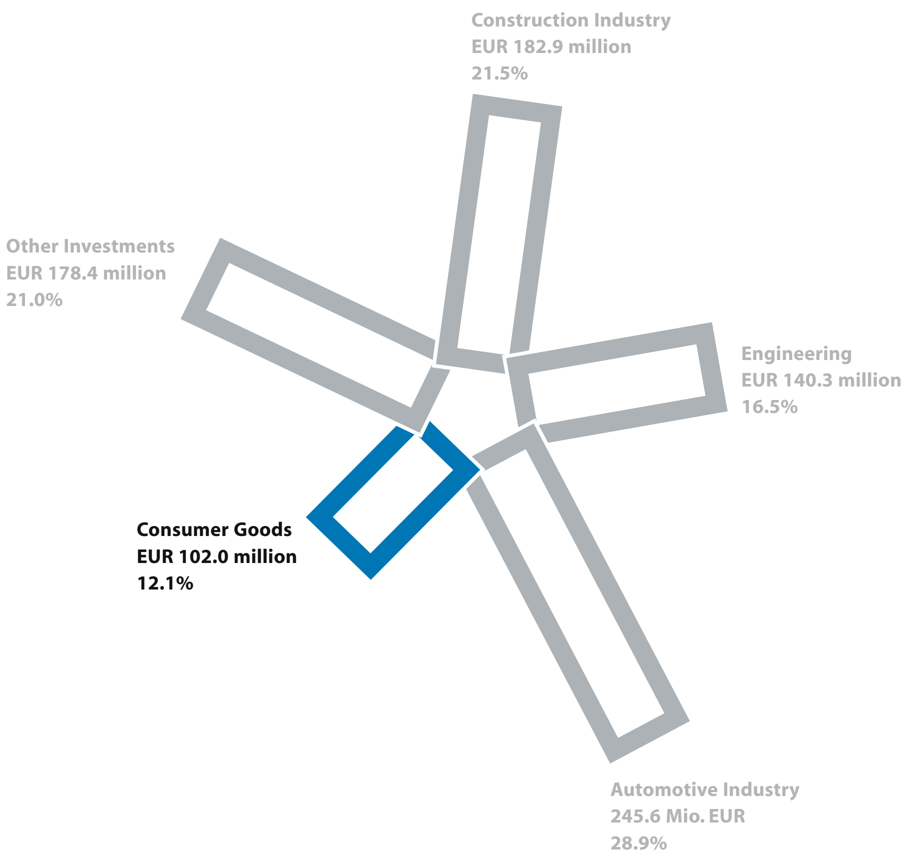
change in the scope of consolidation and the pleasing business performance displayed by several specialty suppliers. Earnings before taxes (EBT) climbed to EUR 11.2 million. The EBT margin was 4.6% (previous year: 3.3%).

Capital expenditure amounted to EUR 27.0 million, falling shy of the prior year's level. This decline reflects INDUS' policy of extremely restrained acquisition in the automotive sector against the backdrop of the present situation on the market. Nevertheless, goal-oriented investments were made to safeguard the company's competitiveness. The employee headcount grew to 1,757 (previous year: 1,646).

Automotive Industry Segment		2004	2005	**2006**
Revenue	Mio. EUR	175.0	196.3	**245.6**
EBT	Mio. EUR	12.4	6.5	**11.2**
Depreciation	Mio. EUR	13.8	18.9	**24.9**
Capital expenditure	Mio. EUR	19.5	62.3	**27.0**
Workforce	Ø	1,172	1,646	**1,757**

Nordic walking shoe by OFA Bamberg

2006 Revenue by Segment



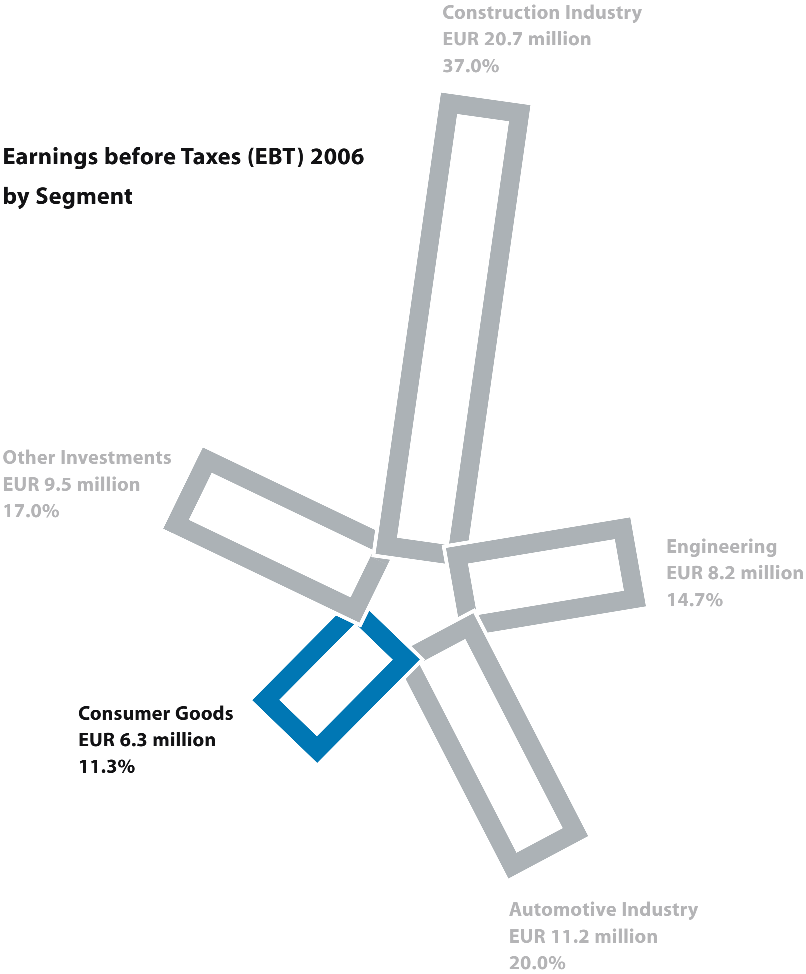
Consumer Goods

After years of near-stagnation from 2003 to 2005, German consumers relieved themselves of their restraint in 2006, demonstrating a significant rise in consumer spending. Consumer spending was up 0.8%, subsequent to a rate of change of 0.1% in prior years. The strong growth observed in the second six months is definitely a result of the advance effects associated with the sales tax hike to 19% as of January 1, 2007. However, positive developments were witnessed as well, which stimulated consumer readiness to spend. At year-end, Germany's labor force counted 39.7 million people—452,000 gainfully employed more than a year earlier. Moreover, private households' disposable income was up about 1.7%, with the ratio of savings to discretionary income falling for the first time since 2000, albeit by a marginal 0.1% to 10.5%.

Revenue earned by the Consumer Goods segment totaled EUR 102.0 million, remaining essentially stable.

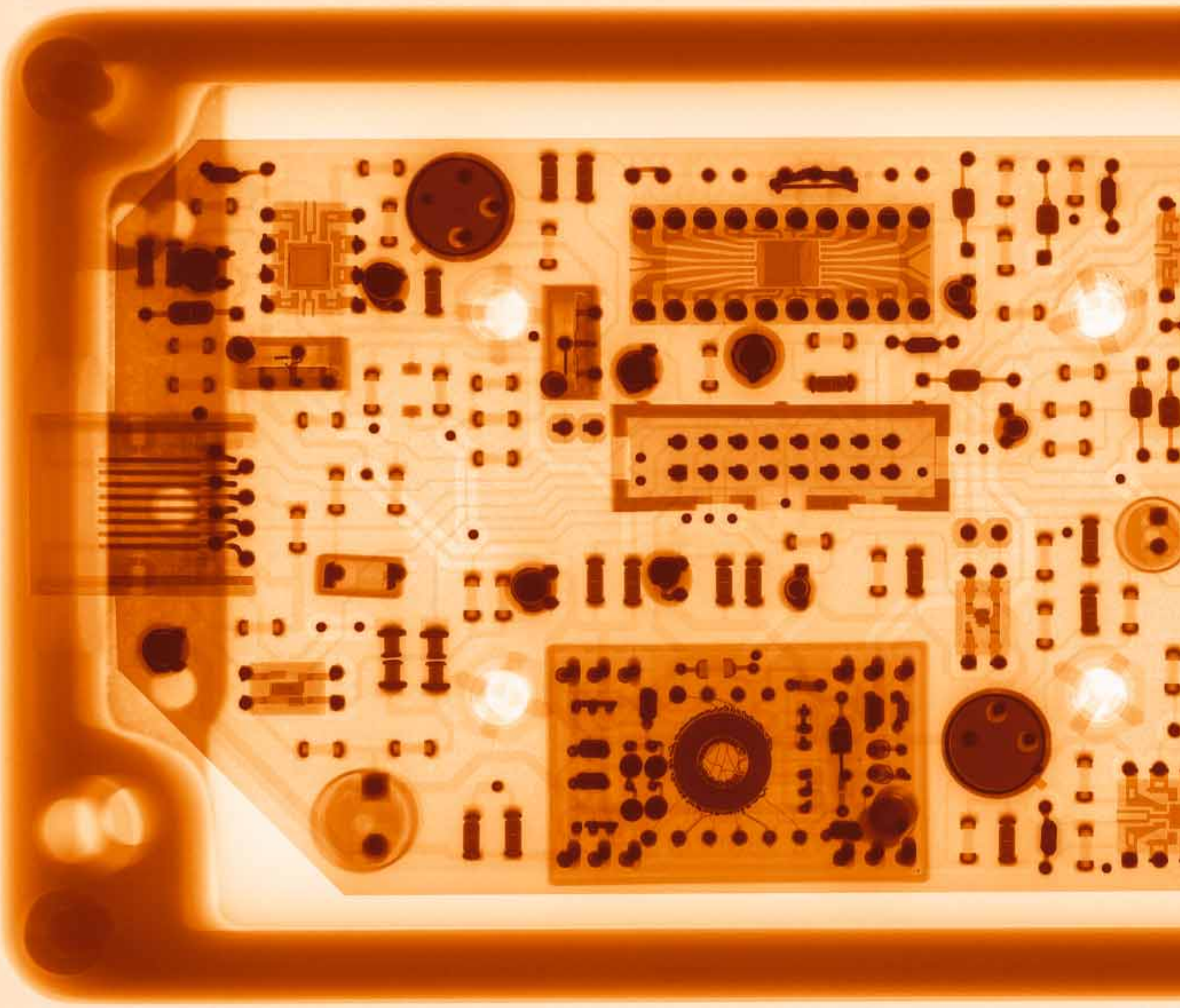
The earnings trend was tangibly affected by the persistently high level of basic commodity prices, which could only partially be passed through to customers. Measures to streamline certain portfolio companies already had a counteracting effect in the year being reviewed. All in all, EBITDA dropped by 3.9% to EUR 17.1 million, with earnings before taxes (EBT) decreasing to EUR 6.3 million. The EBT margin declined marginally, falling to 6.2%.

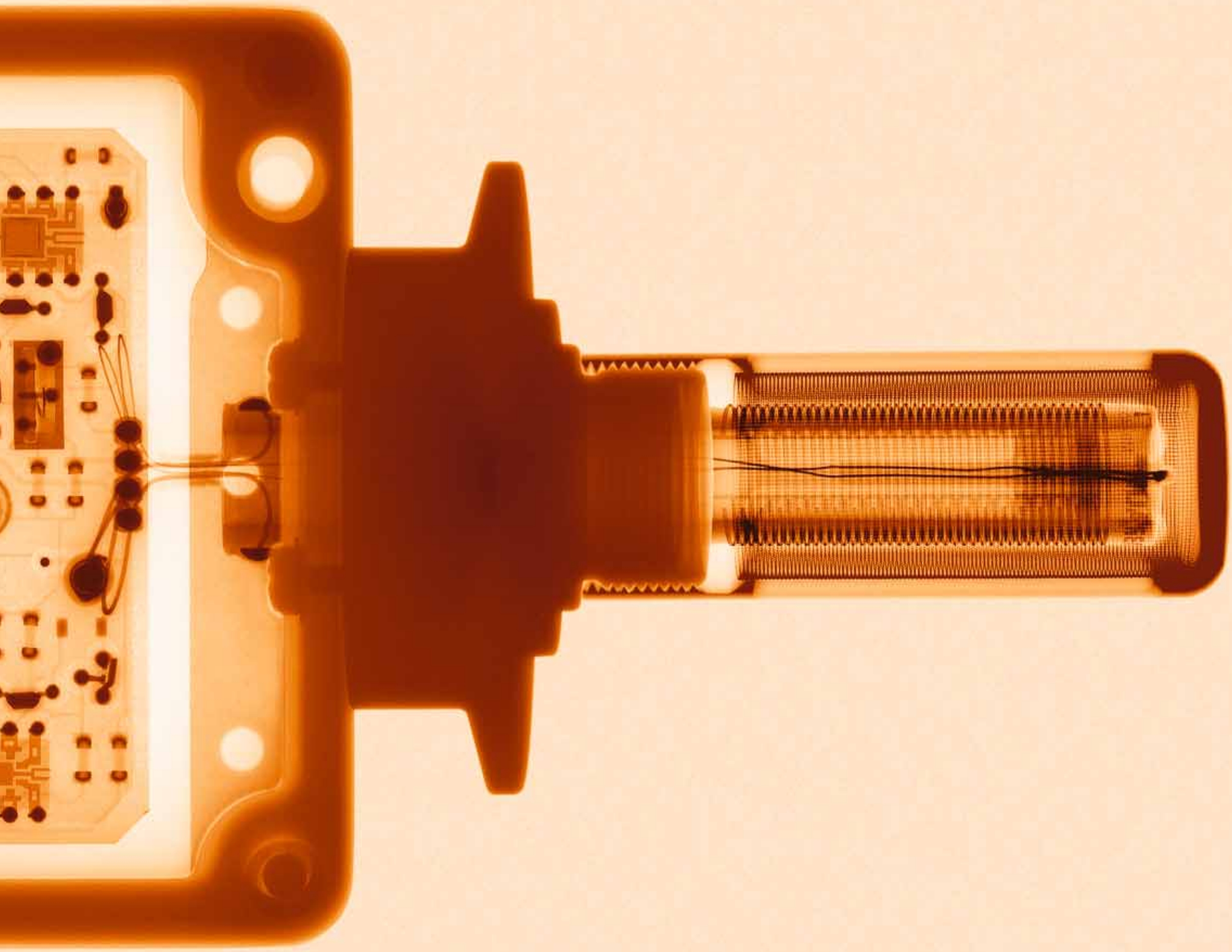
Earnings before Taxes (EBT) 2006 by Segment



In sum, the four segment companies spent EUR 12.8 million in capital—up EUR 2.2 million year on year. The average employee headcount declined to 846, owing to the streamlining measures.

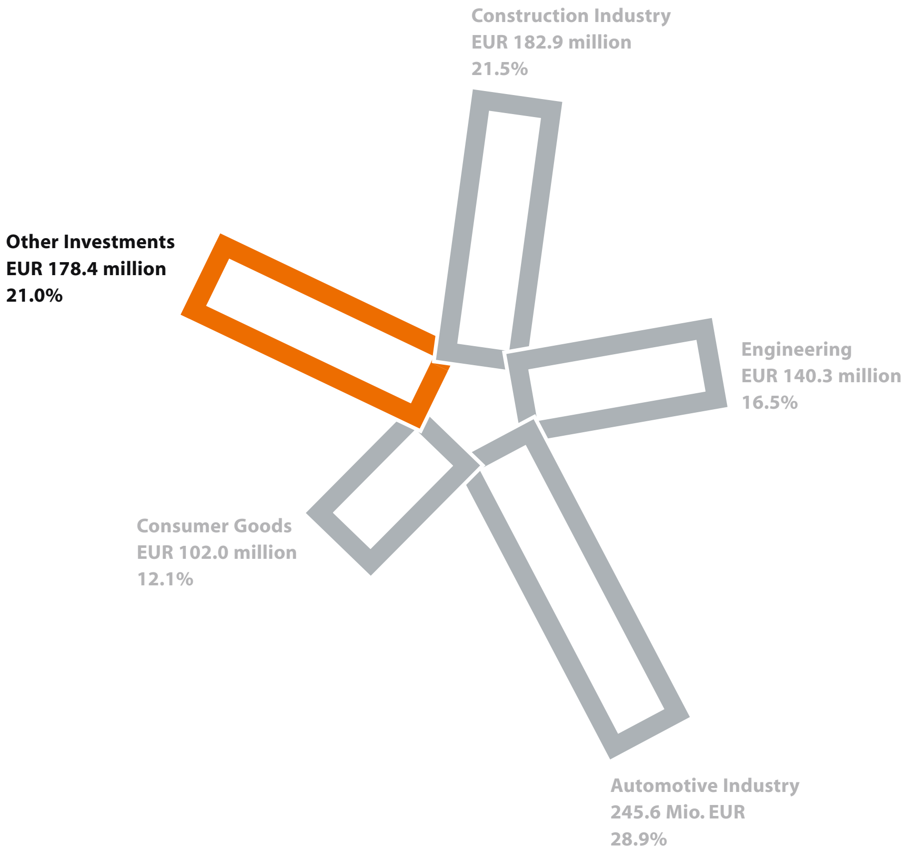
Consumer Goods Segment		2004	2005	**2006**
Revenue	EUR in millions	102.2	103.0	**102.0**
EBT	EUR in millions	17.0	7.0	**6.3**
Depreciation	EUR in millions	6.7	6.6	**6.7**
Capital expenditure	EUR in millions	11.7	10.6	**12.8**
Workforce	Ø	1,090	855	**846**





Moisture sensor by M. BRAUN for measuring residual humidity in the order of parts per million (ppm)

2006 Revenue by Segment

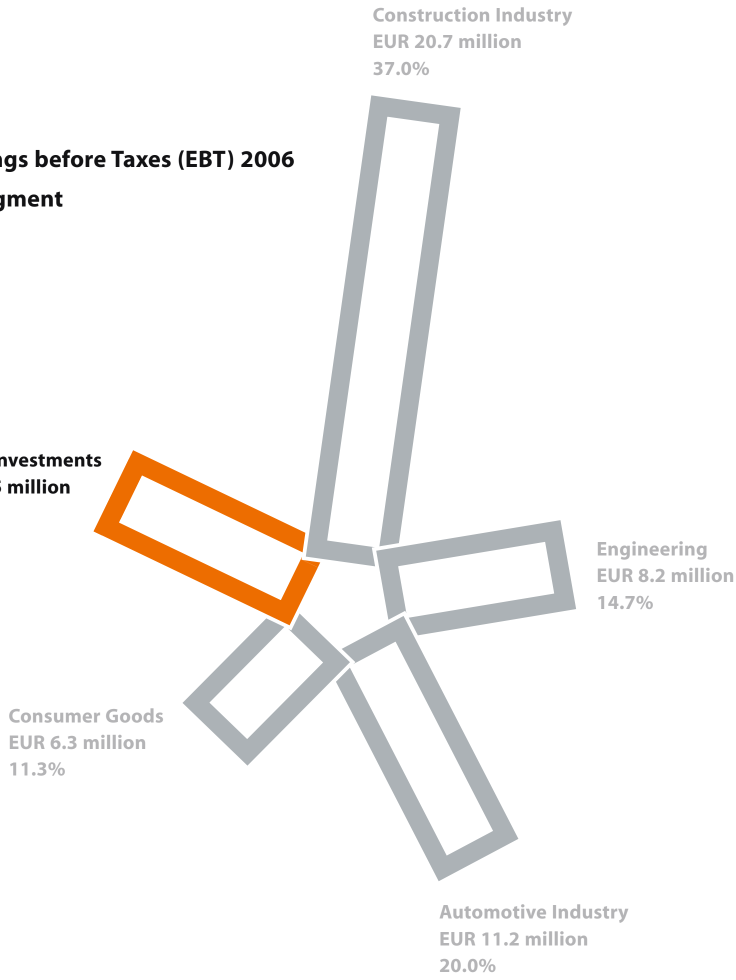


Other Investments

Other Investments, our fifth segment, is heterogeneous, as it includes portfolio companies that supply products to customers in the most diverse sectors and thus cannot be assigned to any of the four preceding segments. Therefore, unlike the other segments, there is no specific sectoral indicator that can be used as a basis of comparison. Germany's general economic trend, measured on the basis of the gross domestic product (GDP), is the only suitable—albeit rough—yardstick. In 2006, real GDP was up 2.7%, demonstrating a very dynamic rise over the preceding years. For additional commentary on the development of the gross domestic product, please read the section entitled "Business and Economic Environment" in the review of operations and the Group management report.

As of the balance-sheet date, the Other Investments segment comprised seven operating units, which was one fewer than in the previous year. Effective October 31, 2006, INDUS divested the portfolio company Oskar OVERMANN GmbH & Co. KG, within the scope of a management buyout. In so doing, INDUS took a further step towards optimizing the overall portfolio, since OVERMANN's share of the market shrank considerably. As of January 1, 2006, INDUS acquired the remaining 10% stake in the portfolio company VULKAN INOX GmbH. INDUS thus holds 100% of the shares in this enterprise, as it does in an additional 37 portfolio companies.

Earnings before Taxes (EBT) 2006 by Segment



In 2006, revenue earned by the Other Investments segment was boosted by 9.8%, climbing to EUR 178.4 million.

EBITDA posted a disproportionately high increase, rising by EUR 7.3 million to EUR 30.9 million. Earnings before taxes (EBT) climbed to EUR 9.5 million. The EBT margin was 5.3% (previous year: 3.8%). This reflect both the successful restructuring as well as the positive development shown by individual companies.

Capital expenditure amounted to EUR 9.5 million—substantially down on the EUR 17.1 million recorded in the preceding year. At 1,190, the average employee headcount was nearly unchanged compared with the previous year.

Other Investments Segment		2004	2005	**2006**
Revenue	EUR in millions	144.2	162.5	**178.4**
EBT	EUR in millions	3.2	6.2	**9.5**
Depreciation	EUR in millions	7.4	8.9	**15.4**
Capital expenditure	EUR in millions	14.4	17.1	**9.5**
Workforce	Ø	1,201	1,216	**1,190**

Workforce

People employed at our portfolio companies and the holding company guarantee our success, thanks to their expertise and commitment. They are the cornerstone on the positive development of each and every one of our portfolio companies. In the 2006 financial year, an average of 5,174 people were employed throughout the INDUS Group (previous year: 4,996 employees), 18 of which are employed at the holding company.

Personnel policy centered on permanent measures to promote and unleash the potential of our staff members. If we want to continue to garner success on the market, we must see to it that the people employed in our portfolio companies are highly qualified and motivated. INDUS ensures the required levels of qualification in cooperation with the portfolio companies via programs tailored to develop personnel systematically, based on their skills and the demands placed on them in the future.

As a company that invests exclusively in medium-sized enterprises, INDUS accords high importance to providing young people with solid vocational training. Last fiscal year, our portfolio companies trained a total of 248 young men and women for white- and blue-collar professions (previous year: 244). The trainee-to-workforce ration was thus virtually unchanged, at 4.8%.

Research and Development

Our portfolio companies are accountable for their own research and development (R&D) activities, which they initiate and pursue until the products can be launched on the market. Focal points mainly involve improving existing products and engineering new ones, which again culminated in numerous patent applications in the year being reviewed. In line with its sphere of activity, the holding company itself does not do any R&D work. Including own work capitalized, a total of EUR 11.3 million was spent on research and development (previous year: EUR 10.8 million).

Environmental Protection

Making responsible use of natural resources is an integral component of the portfolio and holding companies' strategic development. Efforts center primarily on conserving energy, raw materials and supplies as well as avoiding and managing waste in an environmentally friendly manner. All relevant environmental factors are subjected to regular internal monitoring and assessments. Individual measures taken to protect the environment and focal points of environmental protection are strongly oriented towards the portfolio companies' individual business fields.

Events After the Balance-Sheet Date

No major operating or structural changes or business transactions occurred in the INDUS Group after the balance-sheet date, which would have been reportable here, or would have caused us to amend the information disclosed in the financial statements of INDUS Holding AG for the Group or the holding company for 2006.

Reporting According to Sec. 315, Para. 2, Item 4 and Para. 4 as well as Sec. 289, Para. 2, Item 5 and Para. 4 of the German Commercial Code (HGB)

Subscribed Capital and Limitations on Voting Rights

As of December 31, 2006, INDUS Holding AG's subscribed capital continued to consist of 18,000,000 non-par value common shares in the name of the bearer. Every share accounted for EUR 2.60 of subscribed capital. According to Item 7.9 of the articles of association, each share bears one vote. The Board of Management of INDUS Holding AG has no knowledge of limitations pertaining to voting rights or the transfer of share ownership, including any that may arise from agreements between shareholders. Shareholders exercise their rights—with due regard to their voting rights—at the Annual Shareholders' Meeting in compliance with statutory regulations and the articles of association.

Monitoring of Voting Rights and Shares Bearing Privileges

The Board of Management does not have any knowledge that voting rights may be monitored to verify whether employees have shares in INDUS Holding AG's capital without exercising the monitoring rights directly. The company does not have any shares bearing privileges that would confer monitoring rights.

Equity Holdings

INDUS Holding AG did not receive any notices stating that a direct or indirect stake held by a third party exceeded 10.0% of the company's voting rights.

Appointment/Removal of Members of the Board of Management

Members of the Board of Management are appointed and removed in accordance with Secs. 84 and 85 of the German Stock Corporation Act (AktG). Therefore, the Supervisory Board can appoint members of the Board of Management for a maximum of five years. Members of the Board of Management can be reappointed or have their tenure extended for another maximum period of five years pursuant to a further Supervisory Board resolution. In addition, Item 5.1 of the articles of association stipulates that the Board of Management may consist of one or several individuals and that the number of members on the Board of Management shall be determined by the Supervisory Board.

Amendments to the Articles of Association

Resolutions to amend the articles of association may be passed in accordance with the provisions set forth in Sec. 179 et seqq. of the German Stock Corporation Act (AktG). They stipulate that amendments to the articles of association generally require approval from at least three quarters of the capital stock represented during the decision-making process. The Annual Shareholders' Meeting authorized the Supervisory Board to independently make amendments to the articles of association as long as they merely relate to wording (Item 7.12 of the articles of association). Furthermore, the Supervisory Board is empowered to amend the wording of the articles of association to reflect the usage of authorized capital in accordance with Item 4.5.

Board of Management Authorization for Share Issues and Buybacks

The Board of Management's authorizations for share issuances and buybacks are regulated by Items 4.3 and 4.4 of INDUS Holding AG's articles of association.

Pursuant to a resolution passed by the Annual Shareholders' Meeting on July 11, 2006, subject to the approval of the Supervisory Board, the Board of Management is authorized to increase the company's capital stock by up to EUR 18,720,000 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash (authorized capital I) by June 30, 2009.

Shareholders are to be awarded subscription rights in the event of a capital increase. However, subject to Supervisory Board approval, the Board of Management is empowered to exempt fractional amounts from the shareholder subscription rights. Furthermore, pursuant to a resolution passed by the Annual Shareholders' Meeting on July 11, 2006, subject to the approval of the Supervisory Board, the Board of Management is authorized to increase the company's capital stock by up to EUR 4,680,000 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash and/or in kind (authorized capital II) by June 30, 2009. Subject to the approval of the Supervisory Board, the Board of Management is entitled to decide on the exclusion of shareholder subscription rights and to determine other details of the capital increase. The authorization to exclude shareholder subscription rights shall only be valid with the proviso that, pursuant to the limitation to 10% of the capital stock stipulated by Sec. 186, Para. 3, Sentence 4 of the German Stock Corporation

Act (AktG), the shares taken into account are those which are sold in the period from July 5, 2004, until said authorization is exercised based on an authorization by the company to sell treasury stock with the exclusion of shareholder subscription rights.

The Board of Management is authorized to buy back a maximum of 1,800,000 shares, corresponding to 10% of the current number of individual share certificates and thus to 10% of the company's current capital stock, from January 1, 2007 to December 31, 2007. The authorization can be exercised in full or in part as well as either once or several times. However, no more than 10% of the company's capital stock may be bought back, including shares already purchased and owned by the company. The purchase shall be made on the stock market. The price of each share purchased may not exceed or fall short of 5% of the INDUS share's average closing quotation (excluding ancillary purchase costs) on the Frankfurt Securities Exchange on the three trading days prior to the buyback. The Board of Management is authorized to sell shares bought back on the stock exchange or—subject to Supervisory Board approval—by other means under exclusion of shareholder subscription rights. If the shares bought back are sold on the stock exchange, the sales price per share may not exceed or fall short of 5% of the INDUS share's average closing quotation (excluding ancillary sales costs) on the Frankfurt Securities Exchange on the three trading days prior to the sales transaction. If the shares bought back are sold over the counter, the sales price may not materially fall short of the INDUS share's average closing quotation on the Frankfurt Securities Exchange on the three trading days prior to the sales offer. The sales price may not fall short of the shares' imputed par value. However, the authorization to exclude shareholder subscription rights shall only apply as long as the shares sold under exclusion of shareholder subscription rights after raising authorized capital II are applied to the limit of 10% of the company's capital stock set by Sec. 186, Para. 3, Sentence 4 of the German Stock Corporation Act (AktG).

Material Arrangements Subject to a Change of Control

As of the balance sheet date, one of the five members of the Board of Management had a contract including a change-of-control clause, which, when enforced, grants the member a special cancellation privilege, combined with the entitlement to a settlement equaling accumulated compensation due until the contractually agreed termination of the employment contract. In fiscal 2007, corresponding supplements have been agreed upon for additional members of the Board of Management.

Remuneration of the Board of Management and the Supervisory Board

The Board of Management's compensation is composed of a fixed and a variable component, in line with the tasks and performance as well as the company's commercial success. Supervisory Board members receive fixed and variable remuneration in line with the dividend. Details of board remuneration are described in the compensation report included in the corporate governance report and the notes.

Risk Management

The management of risks and opportunities is an integral part of all decisions and business transactions implemented at INDUS Holding AG and its portfolio companies. In the course of their business operations, the portfolio companies are exposed to a large number of risks that are inextricably linked to entrepreneurial activity. The management structure, budgeting system and our detailed reporting and information systems are to be regarded as the basis for organizationally integrating risk management in our operating processes. The objective behind the risk management system in use is to identify risks both early on and constantly, manage them, and minimize them by resolutely taking advantage of entrepreneurial opportunities. The Board of Management and Supervisory Board are constantly kept abreast of the organization's risk position as regards the implications this has on the development of business at the individual portfolio companies and their holding company. The risk management system's effectiveness is regularly verified both internally and by the auditor of the financial statements, in line with statutory regulations.

Risks Affecting the Business and Sectoral Environment

One of the factors influencing the development of business operations and associated financial risks is the economic trend displayed by relevant countries and regions. Although our portfolio companies are headquartered only in Germany, Switzerland and South Africa, the foreign share of 37.9% demonstrates the mounting significance of international markets. In addition, our portfolio companies increasingly have proprietary production sites outside Germany, with a view to benefiting from lower wages and remaining competitive on the global market. Driven by our strategy, this development makes the INDUS Group less dependent on the domestic economy, while affording the company a wider regional diversification. However, this requires us to constantly observe and analyze economic trends in key countries and regions.

INDUS exclusively acquires medium-sized enterprises, which command strong positions in attractive market niches. Since our portfolio companies are specialized, our businesses are much less susceptible to sudden fluctuations in economic performance than their sectors as a whole.

As of December 31, 2006, our investment portfolio comprised a total of 41 companies from our four core branches of industry, i.e. the construction industry, engineering, the automotive industry and consumer goods, as well as further attractive sectors, e.g. medical technology. When viewing the portfolio in its entirety, this mix of sectors combined with the diversity afforded by the divergent sizes and cyclicality of our individual companies reduces risks considerably. In consequence, despite the pressure on margins in the Automotive Industry segment, the Group succeeded in growing both revenue and earnings organically.

Risks Associated with Corporate Strategy

The INDUS Group's success hinges substantially on its selection of acquisition candidates and the management of its portfolio. The holding company is solely responsible for these tasks. When acquiring companies, it makes use of a comprehensive array of tools to analyze the targeted branch of industry, resolutely applies quality and volume standards, and draws on management's years-long experience. Management of the shareholdings is founded on a standardized controlling program and broad-based budgeting and reporting. Based on select key figures, pre-defined risk fields are constantly monitored, enabling the early detection of potential risks. All of the portfolio companies submit monthly reports on their business trends and risk situations to the holding company. Short- and medium-term plans established for each of the portfolio companies and the holding company itself give the Board of Management and Supervisory Board a continuous, topical overview of the INDUS Group's risk position.

Performance Risks

Our portfolio companies are exposed to a number of performance risks. These mainly include risks encountered in the procurement market as well as in production and sales. The companies individually mitigate these risks with a comprehensive array of measures aiming to detect price and volume risks on procurement markets early on, constantly optimize production processes, and enhance product quality. In light of our widely diversified portfolio, the Group's performance risks are limited to a significant degree.

Personnel Risks

Employees working for the individual portfolio companies and the holding company secure the Group's success through their know-how and commitment. Personnel risks such as employee turnover, competition for highly qualified experts and executives, insufficient qualifications and loss of expertise are countered by the portfolio companies and the holding company with a variety of personnel-retention and development measures of both tangible and intangible nature. Above and beyond this, INDUS has deputy and substitute policies in place to preempt absences.

IT Risks

IT risks are associated with computer system crashes, network failure, unauthorized access to data and data abuse. IT system protection and optimization are ensured via the deployment of highly-qualified internal and external experts as well as various technological security measures including firewalls and virus scanners. In 2006, these security measures were audited and rendered a positive assessment by an external firm.

Financial Risks

Financial risks can encompass liquidity, foreign exchange and interest rate risks, primarily arising from operating business transactions and associated hedges as well as from Group financing. The holding company handles the financing of portfolio company operations on the basis of their individual budgets. Financing is generally long-term in nature and constantly safeguards the possibility of capitalizing on opportunities arising on the market through high reserve liquidity. As of December 31, 2006, the Group had EUR 92.7 million in cash and cash equivalents (previous year: EUR 133.6 million). Furthermore, various banks have made additional financing commitments in excess of EUR 90 million. INDUS manages financing risks via its net cash position, which has been significant for years, as well as through its strong equity position (the Group's and the holding company's equity ratios were 22.7% and 50.8%, respectively) and a broadly diversified debt-finance structure—both in terms of counterparties and maturities—as well as through long-term interest-rate hedges using derivative financial instruments and fixed interest rates. As of the balance sheet date, we carried interest-rate hedges with a nominal value of EUR 248.0 million on our books (previous year: EUR 206.0 million).

Since most of the portfolio companies are predominantly active in the Eurozone, currency risks are immaterial. Currency forwards and suitable options are used to hedge currencies on a case-by-case basis. Risk analysis is performed on a net basis, with hedging by the portfolio companies on a case-to-case basis, in accordance with the philosophy of business autonomy. As of the cut-off date, the nominal value of hedged currency risks on our books was EUR 2.7 million (previous year: EUR 3.1 million).

Legal Risks

Neither INDUS Holding AG, nor any of its portfolio companies are involved in legal or arbitration proceedings, which, based on our current perspective, would have a material adverse effect on the Group's economic situation.

Other Risks

In addition to the aforementioned risks, individual portfolio companies may face environmental risks, even if applicable guidelines are adhered to and their employees make responsible use of resources. No such risks are identifiable at present. Damages resulting from potential environmental risks would be covered by appropriate insurance policies.

In summary, in the 2006 reporting year, the INDUS Group's risk position did not change significantly vis-à-vis the previous year. No future risks that could jeopardize the company's subsistence are discernible at present.

Outlook

The economic upturn at the end of 2006 indicates that the environment in Germany and most of the global economy continues to be positive. In the first two months of 2007, the ifo business climate index slipped marginally, but it maintained its very high level, at 107.0 points. This allows one to conclude that the adverse effects of the sales tax increase to 19% is likely to cause a small dip in Germany's economic development, instead of a significant decline. Although the other economic risks, including the euro's continued appreciation, a tighter interest rate policy and the continued rise in basic commodity prices, continue to exist, they have become less threatening. The robust uptick should thus continue. As before, major stimuli will come from foreign demand, investments and private consumption resulting from the higher level of employment. Leading economic research institutes forecast real gross domestic product growth for the full year at up to 2%.

Expectations for the fiscal year underway are quite positive in the individual sectors, although growth is anticipated to lose some of its momentum. In light of the positive order situation, Germany's Central Construction Industry Association forecasts that revenue will post a further rise of some 3.5% in 2007. Based on initial prognoses, the German mechanical engineering sector's long-term upward trend will also continue over the year as a whole. Although the German Engineering Federation (VDMA) expects exports to slow down somewhat, it believes that a lot of lost ground has to be covered on the home market. The Federation has per-capita sales in Germany's mechanical engineering industry growing by another 4%, following suit with the strong performances achieved in preceding years. The German Association of the Automotive Industry (VDA) has a rather reserved outlook, despite the strong business at the end of the year. Negative effects are anticipated to primarily result from the increase in sales and insurance taxes, the reduced commuter allowance, and the continued rise in fuel prices. Whereas the domestic consumer climate will be adversely affected by the high tax burden, the negative impacts appear to be less severe than originally feared. This is due to the marked rise in employment, which will have a lasting positive effect on disposable income and thus, in turn, on consumer behavior. Demands currently being made by Germany's trade unions to raise wages by some 4% will cause discretionary income to advance, leading to a further increase in individuals' propensity to consume. At the same time, however, this will result in the cost situation at individual companies deteriorating significantly, regardless of their branch of industry.

INDUS will continue to pursue its strategic orientation without alteration in 2007. Although the private equity companies' high level of liquidity is making a major impact on the investment market, leading to a considerable rise in prices, INDUS will only make targeted investments in specialized medium-sized production enterprises. Its proven valuation parameters will continue to play a decisive role and will continue to be considered throughout. However, the situation prevailing on the market will not incite INDUS to accept exaggerated prices. Instead, in line with its strategy, the company will focus on making progress in growing its portfolio organically and further optimizing the cost structures of each and every portfolio company. We intend to make use of the existing level of liquidity and cash flows generated to reduce net debt and increase our equity ratio. Acquisition activities will be stepped up once purchase prices have become more favorable.

The Board of Management expects revenue for fiscal 2007 to continue growing to approximately EUR 890 million. This is to be driven by the existing portfolio companies' positive organic trends and additional acquisitions. A first step has already been taken in this direction with the acquisition of a 75% stake in OBUK, which became effective on January 1, 2007. In view of the positive forecasts for the construction and mechanical engineering industries, key earnings indicators should at least show analogous developments. This is one of the factors serving as a basis on which to continue pursuing our unwavering dividend policy in the years ahead and achieve a payout ratio of about 40% once again.

Bergisch Gladbach, April 20, 2007

The Board of Management

Helmut Ruwisch | Michael Eberhart | Wolfgang E. Höper | Dr. Johannes Schmidt

Germany's stock markets delivered another extremely pleasing performance in 2006. It was the fourth consecutive year in which investors could look back on a rise in share prices, some of which were substantial. Starting from roughly 5,400 points, the market's high liquidity combined with positive corporate statements at the beginning of the year drove the German share index (DAX) until May 9, 2006, when it reached 6,140.72 points. In May and June, profit-taking and fear among several market participants over the negative effects of high raw material costs on corporate profits resulted in a significant correction, during which the DAX dropped by a clear 13.8%, reaching 5,292.14 points on June 13, 2006, which was its low for the year. From the middle of July onwards, buoyed by positive economic stimuli from the US and—above all—from Germany, the DAX recorded a remarkable surge, which was only interrupted by a second minor correction phase in November. Following a year-high of 6,611.81 points on December 28, 2006, the DAX closed the year at 6,596.92 points, representing a gain of 22.0% for the year. As in the previous year, this development was bested by the small- and mid-cap indices: The MDAX was up 28.6% to 9,404.89 points, with the SDAX gaining 31.0% to 5,564.09 points. This repeated outperformance vis-à-vis the DAX is primarily due to the high profit dynamics displayed by businesses as well as the favorable economic situation, which predominantly benefited the more cyclically-exposed MDAX and SDAX companies.

The performance put in by the INDUS share last year lagged the capital market's overall development. While our share price posted a 34% rise in 2005, it closed the fiscal year at EUR 29.60, which was a mere 0.5% higher than in the prior year. Including the EUR 1.20 dividend payment, this results in a total return of 4.6% per share for 2006. The INDUS share developed similarly to the overall market until the middle of the year, but it was unable to capitalize on the general upward trend witnessed in the second six months. The high for the year of EUR 33.98 was achieved as early as April 7, 2006. Following the ex-dividend markdown in July, the INDUS share fell to its year-low of EUR 24.71 on July 18, 2006, before rising through the end of the year, posting a year-high EUR 29.60 both on November 16, 2006 and at year-end.

The INDUS share continues to trade on the regulated market in Frankfurt (Prime Standard) and Düsseldorf as well as over the counter in Berlin-Bremen, Hamburg, Munich and Stuttgart. Taking all share marketplaces into account, the average daily trading volume amounted to 42,353 shares. The marginal decline compared with the preceding year is certainly due to the weaker performance and the associated reduction in trading activity. Feedback garnered from analyst firms that track INDUS Holding AG and regularly publish reports remained positive. Among the publications appearing last year were comprehensive studies by renowned firms such as WestLB, Commerzbank and Bankhaus Lampe.

INDUS stock maintained its share of the SDAX small cap index and the CDAX general index. The INDUS share's weighting in the SDAX dropped from 3.31% to 2.09%. This development is largely owed to the change in the index's composition resulting from IPOs of sizable companies and the below-average performance displayed by the INDUS share.

In 2006, investor relations activity continued to center on furnishing analysts, institutional investors, journalists and private investors with a timely, continuous flow of information. Our CEO presented INDUS Holding AG's strategy and future prospects to institutional investors and analysts on numerous road shows and investor conferences. In addition, a host of one-on-ones were conducted with institutional investors at corporate headquarters. The Board of Management provided a detailed commentary of the figures produced in the financial year just ended and a forecast for fiscal 2006 at the company's annual press and analyst conferences in May 2006. The web is another key channel for communicating with the financial community. INDUS affords interested parties the opportunity to obtain detailed information on the INDUS share and the company's current developments via an investor relations microsite at www.indus.de. Among other things, INDUS publishes its annual and interim reports, press and ad-hoc releases, and a financial calendar on a timely basis. All these measures are tailored to keep the capital market abreast of developments occurring within the company and shed light on investment opportunities.

In the financial year underway, investor relations work is designed to inform the financial market's major opinion-makers, i.e. analysts and journalists, even more in depth and comprehensively of INDUS Holding AG's business model as well as the company's short and medium-term opportunities for development. The aim is to bring INDUS' share development back in line with its operating performance.

INDUS Share Data

ISIN:	DE0006200108
Stock exchange abbreviation:	INH
Share class:	Non-par value registered shares
Capital stock:	EUR 46.8 million
Number of shares:	18,000,000
Market segment:	Prime Standard
Indices:	SDAX, CDAX

Corporate Governance Report

INDUS Holding AG and its portfolio companies have a tradition of according high importance to good, responsible corporate governance, with a view to adding value to the company over the long term. In the year under review, the Board of Management and the Supervisory Board again dealt extensively with ensuring compliance with the provisions of the German Corporate Governance Code, with due regard to the standards introduced on June 12, 2006. INDUS largely implements the Code's enhanced recommendations, constantly weighing them against company specifics in an appropriate and defensible manner. Only in justifiable exceptional cases does INDUS deviate from the recommendations. Based on the deliberations of the Board of Management and the Supervisory Board, we adopted the following statement of compliance pursuant to Sec. 161 of the German Stock Corporation Act (AktG) and published it on the web at www.indus.de.

Amendments to the Statement of Compliance

Due to the adoption of International Financial Reporting Standards (IFRS) in 2005, INDUS fully complies with Item 7.1.1 of the Code this year. We are following all the Code recommendations which entered into force when the amended Code was published on June 12, 2006. Consequently, we are not in compliance with a total of ten Code items at present. Unlike in the previous year, INDUS does not comply with Code Recommendation 5.4.3 which envisions that the Supervisory Board be elected in a separate election. The company reserves its discretionary power to conduct Supervisory Board elections in a single ballot and thus not renounce a more efficient voting procedure, which is a tried-and-tested approach.

Shareholders and the Annual Shareholders' Meeting

Our communication with the financial market aims to disseminate prompt, comprehensive information on the company's business trend. The company's website, accessible at www.indus.de, is a pivotal tool to this end. It contains the full breadth of information relating to INDUS, including the annual report, interim reports, ad-hoc releases, and the financial calendar. We also use it as a platform to which all necessary information concerning the Annual Shareholders' Meeting is posted. Shareholders exercise their decision-making and monitoring rights at the Annual Shareholders' Meeting. INDUS accords importance to ensuring a high turnout at its Annual Shareholders' Meetings. Therefore, INDUS attempts to make it easier for its shareowners to exercise their voting rights even during their absence, by offering them the possibility to nominate a proxy. Corresponding authorizations and instructions can be issued using electronic documents posted to the Internet.

More than 1,500 shareholders attended the Annual Shareholders' Meeting, which took place in Cologne on July 11, 2006. Therefore, 40.6% of our capital stock was represented. A large majority of the shareholders voted in favor of the items presented on the agenda, including the approval of the acts of the Board of Management and Supervisory Board, the payment of a dividend of EUR 1.20 per share, and the appointment of the auditor.

Cooperation between the Board of Management and the Supervisory Board

Between the four sessions held by the Supervisory Board, the Board of Management and Supervisory Board constantly shared information on the development of INDUS Holding AG and its portfolio companies. All of the Supervisory Board meetings were held in the presence of the Board of Management, with the Supervisory Board withdrawing for closed debates whenever necessary. Both the Board of Management and the Supervisory Board are dedicated exclusively to pursuing the company's interests. Conflicts of interest over the course of the year must be disclosed to the Supervisory Board as soon as they arise. No such cases occurred in the year being reviewed.

Board of Management

The Board of Management of INDUS Holding AG comprised five members. Dr. Johannes Schmidt and Wolfgang E. Höper joined this body effective January 1, 2006, and October 1, 2006, respectively; the mandates exercised by the Chairman of the Board of Management Helmut Ruwisch and by Dr. Lars Bühring and Michael Eberhart remained unchanged. The members of the Board of Management share the responsibility of running the company's operations. The Board of Management establishes the portfolio companies' entrepreneurial goals, basic strategic orientation, corporate policy and controlling systems. The Board of management is responsible for preparing the financial statements of INDUS Holding AG, the consolidated financial statements, and the company's interim reports.

Supervisory Board

The Supervisory Board consisted of a total of six members, and did not change its composition in the year under review. The five-year tenure of the members of the Supervisory Board will end on conclusion of this year's Ordinary Annual Shareholders' Meeting on July 3, 2007 in Cologne. The Supervisory Board monitors company management and assists the Board of Management in an advisory capacity. It discusses business development, the medium-term budget and the refinement of the corporate strategy. The Supervisory Board is of the opinion that it has a sufficient number of outside directors.

Compensation Report

INDUS Holding AG has published commentary on its compensation system in a compensation report for the first time. Separate summaries of the remuneration of the Board of Management and Supervisory Board have been published pursuant to a resolution passed by the Annual Shareholders' Meeting in accordance with Sec. 286, Para. 5 and Sec. 315, Para. 2, Item 2 of the German Commercial Code.

The Board of Management's compensation system remained unchanged in the fiscal year under review. Remuneration consists of a fixed and a variable component and depends on their responsibilities, performance, and the company's commercial success. The Board of Management received compensation totaling EUR 1,957,000 (2005: EUR 2,060,000), of which EUR 618,000 (2005: EUR 926,000) were attributable to the performance-based component. Furthermore, the Board of Management received non-cash compensation and fringe benefitss as company cars. The company did not offer share-based payment, especially not in the form of stock option plans. INDUS Holding AG has no further reportable pension commitments to members of its Board of Management, with the exception of obligations financed by renouncing compensation.

The Supervisory Board's compensation system also remained unchanged in the fiscal year under review. Supervisory Board members receive EUR 10,000 in fixed remuneration (2005: EUR 10,000) as well as EUR 159,000 (2005: EUR 154,000) in variable compensation, depending on the dividend payment. In addition, Supervisory Board members are reimbursed for out-of-pocket expenses incurred in connection with their Supervisory Board activities. Supervisory Board members thus received a total remuneration of EUR 233,000 (2005: EUR 229,000). Furthermore, members of the Supervisory Board rendered personal advisory services in the amount of EUR 5,000 (2005: EUR 20,000) and received a total of EUR 105,000 in payments for a leasehold obligation (2005: EUR 111,000).

Transparence

INDUS informs its shareholders of the company's business trend, financial position and earnings situation four times every financial year. Annual and interim reports are published four and two months on conclusion of the periods under review. Besides issuing regular reports, INDUS informed its shareholders on late-breaking developments and business transactions via press releases. Last financial year, the company published a total of seven press releases. No ad-hoc releases in accordance with Sec. 15 of the German Securities Trading Act (WpHG) were published in the year under review. The same applies to communication on changes in shares in voting stock pursuant to Sec. 25 of the German Securities

Trading Act (WpHG) and on directors' dealings in accordance with Sec. 15a of the German Securities Trading Act (WpHG). Besides the annual analyst conference, investor relations included regular meetings between the Chairman of the Board of Management, analysts and institutional investors.

Accounting and Audit of the Financial Statements

Since 2005, Group accounts have been prepared in compliance with the principles of International Financial Reporting Standards (IFRS). As before, the separate financial statements of INDUS Holding AG are prepared in accordance with the provisions of the German Commercial Code (HGB). Subsequent to the resolution adopted by the Annual Shareholders' Meeting, the Supervisory Board appointed Treuhand- und Revisions-Aktiengesellschaft Niederrhein, Krefeld, auditor of the holding company and the Group. As in the preceding years, a separate audit committee was not set up.

Statement of Compliance with the German Corporate Governance Code in 2007

The Board of Management and the Supervisory Board declare that the company has complied—and continues to comply—with the recommendations set forth in the June 12, 2006 version of the German Corporate Governance Code. The Board of Management and the Supervisory Board intend to consider the recommendations in the future as well. The following exceptions shall be made:

Code Item 3.8
When concluding a D&O insurance policy, members of the Board of Management and the Supervisory Board did not, and do not, pay a deductible.

Code Item 4.2.3
The fundamentals of the compensation system and the amendments thereto were not, and will not be, commented by the Chairman of the Supervisory Board at the Annual Shareholders' Meeting.

Code Items 5.1.2 and 5.4.1
There was, and is, no age limit for members of the Board of Management or Supervisory Board.

Code Item 5.3.2
An audit committee did not, and does not, exist on the Supervisory Board.

Code Item 5.4.2
It was, and is, possible to have more than two former members of the Board of Management sit on the Supervisory Board.

Code Item 5.4.3
Supervisory Board elections may be conducted as by-elections.

Code Item 5.4.7
The remuneration received by members of the Supervisory Board was, and is, presented in the notes to the consolidated financial statements in total, broken down into fixed and performance-linked components. An itemized statement was not, and is not, made in the corporate governance report.

Code Item 6.6
Directors' dealings pursuant to Sec. 15 of the German Securities Trading Act (WpHG) were not, and are not, mentioned in the corporate governance report.

Code Item 6.6
The notes to the consolidated financial statements did not, and will not, include information on the purchase or sale of treasury stock by members of the Board of Management or Supervisory Board. Furthermore, the consolidated financial statements did not, and will not, include information on shares held by individual members of the Board of Management or Supervisory Board exceeding 1%. Even if the combined share ownership of the Board of Management and Supervisory Board exceeded 1% of the stock issued by the company, it was not, and will not be, disclosed separately by member of the Board of Management or Supervisory Board.

Code Item 7.1.2
Publication of the consolidated financial statements within 90 days of the end of the financial year and publication of the interim report within 45 days of the end of the period under review was not, and is not, possible with the required care and diligence.

Bergisch Gladbach, April 2007

On behalf of the Board of Management
Helmut Ruwisch
Michael Eberhart

On behalf of the Supervisory Board
Dr. Winfried Kill

Balance Sheet of the Holding Company

Assets

EUR			Dec. 31, 2006	Dec. 31, 2005
Non-current assets				
Intangible assets				
Software			4,027.00	30,564.00
Property, plant and equipment				
Leasehold rights and buildings		3,330,324.00		3,586,254.00
Other plant, fixtures, furniture and office equipment		336,241.00		425,081.00
			3,666,565.00	4,011,335.00
Financial assets				
Shares in affiliated companies		584,607,675.74		657,036,578.38
Long-term loans to affiliated companies		135,250,000.00		94,400,000.00
Other long-term loans		907,337.11		958,579.00
			720,765,012.85	752,395,157.38
Current assets				
Accounts receivable and other assets				
Accounts receivable from affiliated companies		137,091,373.30		187,854,701.56
– of which with a remaining term of more than 1 year: previous year:	–.–– –.––			
Other assets		11,731,400.25		9,018,355.88
– of which with a remaining term of more than 1 year: previous year:	404,956.00 266,246.50			
			148,822,773.55	196,873,057.44
Cash on hand and bank balances			26,746,850.81	32,926,743.98
Advance payments				
Discount		78,180.00		96,630.00
Other		240,500.00		214,500.00
			318,680.00	311,130.00
			900,323,909.21	**986,547,987.80**

Balance Sheet of the Holding Company

Equity and Liabilities

EUR			Dec. 31, 2006	Dec. 31, 2005
Equity				
Subscribed capital		46,800,000.00		46,800,000.00
Capital reserve		116,155,194.86		116,155,194.86
Retained earning				
Statutory reserve		1,022,583.76		1,022,583.76
Other retained earnings		271,000,000.00		290,000,000.00
Distributable profit				
Profit carried forward		2,573,436.65		1,505,959.70
Net loss/income		–29,303,450.43		52,667,476.95
Usage of retained earnings		49,000,000.00		–.––
			457,247,764.84	508,151,215.27
Provisions				
Provisions for pensions		340,700.00		219,000.00
Provisions for taxes		724,000.00		274,000.00
Other provisions		3,295,000.00		746,000.00
			4,359,700.00	1,239,000.00
Liabilities				
Accounts payable to banks		389,933,063.85		428,219,598.63
Accounts payable for supplies and services		411,969.46		301,493.42
Accounts payable to affiliated companies		678,183.13		–.––
Other liabilities		47,693,227.93		48,636,680.48
– of which resulting from taxes: previous year:	181,106.98 309,064.57			
– of which associated with social security: previous year:	–.–– 24,665.20			
			438,716,444.37	477,157,772.53
			900,323,909.21	**986,547,987.80**

Income Statement of the Holding Company

EUR			**2006**	**2005**
Net sales			7,154,265.52	3,242,274.08
Other operating income			3,203,629.14	13,208,482.74
			10,357,894.66	**16,450,756.82**
Staff costs				
Wages and salaries		2,928,448.58		3,728,371.21
Cost of social security, retirement and other benefits		291,307.76		387,735.94
of which for retirement benefits: previous year:	146,005.15 239,167.22			
			3,219,756.34	4,116,107.15
Depreciation and amortization of intangible fixed assets and property, plant and equipment			441,994.49	465,173.67
Other operating expenses			4,919,869.27	7,593,369.41
Income from investments		80,442,355.09		84,409,938.58
of which from affiliated companies: previous year:	80,442,355.09 84,409,938.58			
Income from long-term loans classified as financial assets		3,595,613.31		2,909,011.97
of which from affiliated companies: previous year:	3,551,471.74 2,863,943.61			
Other interest and similar income		6,039,978.35		8,520,406.14
of which from affiliated companies: previous year:	5,238,056.69 5,780,239.92			
Depreciation and amortization of financial assets		86,638,721.32		11,000,000.00
Cost of the assumption of losses		1,021,832.64		2,894,079.57
Interest and similar expenses		24,344,141.68		28,648,792.40
of which paid to affiliated companies: previous year:	326,962.67 25,601.41			
			–21,926,748.89	53,296,484.72
Profit from operating activities			**–20,150,474.33**	**57,572,591.31**
Taxes on income			9,152,976.10	5,522,918.19
Other taxes			–.––	– 617,803.83
Net loss/income			**–29,303,450.43**	**52,667,476.95**
Profit carried forward			2,573,436.65	1,505,959.70
Usage of retained earnings			49,000,000.00	–.––
Distributable profit			**22,269,986.22**	**54,173,436.65**

Consolidated Income Statement*

EUR '000	Note	2006	2005
Revenue	(1)	849,270	731,886
Other operating income	(2)	17,778	16,908
Own work capitalized	(3)	5,394	4,842
Change in inventories	(3)	10,474	2,440
Cost of materials	(4)	– 394,287	– 326,376
Staff costs	(5)	– 226,434	– 200,937
Depreciation	(6)	– 61,168	– 42,698
Other operating expenses		– 116,703	– 105,759
Financial result	(7)	994	2,032
Operating result		**85,318**	**82,338**
Interest income		1,948	3,714
Interest expenses		– 25,771	– 40,733
Net interest	(8)	– 23,823	– 37,019
Income before taxes		**61,495**	**45,319**
Taxes	(9)	– 29,869	– 22,235
Income from discontinued operations	(10)	– 1,798	– 820
Income after taxes		**29,828**	**22,264**
Minus minority interests		– 719	– 690
Income allocable to INDUS shareholders		**29,109**	**21,574**
Diluted earnings per share in EUR Undiluted earnings per share in EUR	(11)	1.72 1.72	1.24 1.24
Earnings allocable to INDUS shareholders, net of volatility and interest-rate hedges (see "Changes in Accounting Policies")		25,041	26,937

** The previous year's figures have been restated.*

Consolidated Balance Sheet*

Assets

EUR '000	Note	**Dec. 31, 2006**	**Dec. 31, 2005**
Goodwill	(12)	263,195	269,356
Intangible assets	(12)	19,046	21,570
Property, plant and equipment	(12)	226,791	215,776
Financial assets	(13)	6,304	8,205
Shares accounted for using the equity method	(13)	4,314	4,072
Other non-current assets	(14)	2,163	2,062
Deferred taxes	(15)	3,128	3,242
Non-current assets		**524,941**	**524,283**
Cash and cash equivalents		92,664	133,564
Accounts receivable	(16)	108,129	109,501
Inventories	(17)	158,437	137,250
Other current assets	(14)	16,252	14,716
Assets held for sale	(18)	–	2,080
Current assets		**375,482**	**397,111**
Balance sheet total		**900,423**	**921,394**

Equity and Liabilities

EUR '000	Note	**Dec. 31, 2006**	**Dec. 31, 2005**
Paid-in capital		162,955	162,955
Generated capital		40,102	31,643
Shareholders' equity of INDUS shareholders		203,057	194,598
Minority interests in capital		1,503	2,413
Group equity	(19)	**204,560**	**197,011**
Non-current financial liabilities	(20)	419,924	362,359
Provisions for pensions	(21)	14,793	14,719
Other non-current provisions	(22)	3,043	3,402
Other non-current liabilities	(23)	5,223	6,495
Deferred taxes	(15)	19,203	15,609
Non-current liabilities		**462,186**	**402,584**
Current financial liabilities	(20)	99,625	182,381
Trade accounts payable		33,908	26,185
Current provisions	(22)	35,731	36,400
Other current liabilities	(23)	64,413	76,490
Liabilities held for sale	(18)	–	343
Current liabilities		**233,677**	**321,799**
Balance sheet total		**900,423**	**921,394**

** The previous year's figures have been restated.*

Consolidated Statement of Equity*

2006 EUR '000	Opening balance Jan. 1, 2006	Dividend payment	Recognized expenses and income	Deferred taxes	Closing balance Dec. 31, 2006
Subscribed capital	46,800	–	–	–	46,800
Additional paid-in capital	116,155	–	–	–	116,155
Paid-in capital	**162,955**	**–**	**–**	**–**	**162,955**
Accumulated earnings	32,546	– 21,600	29,109	–	40,055
Currency translation reserve	487	–	46	–	533
Reserve for the marked-to-market measurement of financial instruments	– 1,390	–	1,228	– 324	– 486
Capital generated	**31,643**	**– 21,600**	**30,383**	**– 324**	**40,102**
Equity of INDUS shareholders	**194,598**	**– 21,600**	**30,383**	**– 324**	**203,057**
Minority interests	2,413	– 1,629	719	–	1,503
Group equity	**197,011**	**– 23,229**	**31,102**	**– 324**	**204,560**

2005 EUR '000	Opening balance Jan. 1, 2005	Dividend payment	Recognized expenses and income	Deferred taxes	Closing balance Dec. 31, 2005
Subscribed capital	46,800	–	–	–	46,800
Additional paid-in capital	116,155	–	–	–	116,155
Paid-in capital	**162,955**	**–**	**–**	**–**	**162,955**
Accumulated earnings	32,212	– 21,240	21,574	–	32,546
Currency translation reserve	– 454	–	941	–	487
Reserve for the marked-to-market measurement of financial instruments	– 7,409	–	8,175	– 2,156	– 1,390
Capital generated	**24,349**	**– 21,240**	**30,690**	**– 2,156**	**31,643**
Equity of INDUS shareholders	**187,304**	**– 21,240**	**30,690**	**– 2,156**	**194,598**
Minority interests	5,507	– 3,783	689	–	2,413
Group equity	**192,811**	**– 25,023**	**31,379**	**– 2,156**	**197,011**

** The previous year's figures have been restated.*

Reserves for currency translation and the marked-to-market valuation of financial instruments include unrealized gains and losses. The change in reserves for the marked-to-market valuation of financial instruments is based solely on continuous changes in marked-to-market valuation; there were no effects from reclassification.

Minority interests in equity relate to external shareholders in limited liability companies and corporations. In accordance with IAS 32, due to the theoretical retirability and redeemability of the shares, minority interests in limited partnerships are reported as debt and stated under other liabilities in the amount of EUR 9,052,000 (previous year: EUR 9,667,000).

Consolidated Cash Flow Statement*

EUR '000	2006	2005
Income after taxes	**29,828**	**22,264**
Depreciation/write-backs		
– of non-current assets (excluding deferred taxes)	61,285	41,176
– due to gains (–)/losses (+) from the disposal of assets	– 993	– 610
Taxes	29,869	22,235
Net interest	23,823	37,019
Cash earnings of discontinued operations	– 148	– 1,017
Income from companies accounted for using the equity method	– 763	– 1,154
Other non-cash transactions	– 144	886
Changes in provisions	– 1,721	– 2,658
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not allocable to investing or financing activities	– 20,540	– 2,258
Increase (+)/decrease (–) in trade accounts payable and other liabilities not allocable to investing or financing activities	– 10,834	– 11,380
Income taxes received/paid	– 24,251	– 23,879
Dividend portion	640	389
Operating cash flow	**86,051**	**81,013**
Interest paid	– 27,597	– 31,548
Interest portion	2,362	3,714
Cash flows from operating activities	**60,816**	**53,179**
Cash flows from investments in		
– shares in fully consolidated companies	– 8,121	– 60,960
– intangible assets	– 6,369	– 7,301
– property, plant and equipment	– 44,473	– 33,320
– financial assets	– 866	– 2,232
Income from the disposal of		
– shares in fully consolidated companies	1,714	–
– other assets	4,831	3,467
Cash flows from investing activities of discontinued operations	– 13	1,285
Cash flows from investing activities	**– 53,297**	**– 99,061**
Dividends paid to shareholders	– 21,600	– 21,240
Dividends paid to minority interests	– 1,628	– 3,784
Cash flows from the issuance of debt	131,862	109,019
Cash flows from the repayment of debt	– 157,053	– 54,728
Cash flows from financing activities	**– 48,419**	**29,267**
Net cash change in financial facilities	**– 40,900**	**– 16,615**
Financial facilities at the beginning of the reporting period	**133,564**	**150,418**
Financial facilities of discontinued operations stated separately on the balance sheet	**–**	**– 239**
Financial facilities at the end of the reporting period	**92,664**	**133,564**

EUR ’000	**2006**	**2005**
Cash transactions related to the sale of investments	1,905	–
Financial facilities sold	– 191	–
	1,714	**–**
Cash transactions related to the acquisition of investments	– 7,625	– 60,514
Financial facilities assumed	488	3,991
Financial facilities acquired	– 984	– 4,437
	– 8,121	– 60,960

** The previous year’s figures have been restated.*

Financial facilities include an account with limited discretionary rights in the amount of EUR 242,000 (prior year: EUR 375,000). EUR 7,842,000 in investing and financing transactions not affecting cash and cash equivalents are not part of the cash flow statement (previous year: EUR 1,867,000).

General Information

INDUS Holding AG, based in Bergisch Gladbach, Germany, entered in the Cologne commercial register (HRB 46360), prepared its consolidated financial statements for fiscal 2006 in accordance with International Financial Reporting Standards (IFRS) and the interpretation of such by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements are prepared in euros (EUR). Unless otherwise noted, all amounts are stated in thousands of euros (EUR '000). The consolidated financial statements are prepared using historical cost accounting, with the exception of financial instruments, which must be marked to market. The financial statements of the companies included in the scope of consolidation were prepared as of the balance-sheet date of INDUS Holding AG and are based on uniform accounting policies. Pursuant to Sec. 315a of the German Commercial Code (HGB), INDUS Holding AG is obligated to prepare its consolidated financial statements in compliance with IFRS. Information that must be included in the notes in accordance with the German Commercial Code (HGB) and goes above and beyond statements mandatory pursuant to IFRS is thus presented in the notes to the consolidated financial statements as well. Prior-year figures were adjusted in all cases where amendments were necessary due to changes in accounting policies as well as the reclassification of discontinued operations.

Application and Impact of New and Revised Standards

All standards mandatory as of December 31, 2006 were taken into account. The discretionary right to apply standards that will become mandatory in the future early on was not exercised.

Changes made to IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IAS 39 (Financial Instruments: Recognition and Measurement; concerns insurance policies and financial warranties as well as cash flow hedge accounting and fair value options) were observed in fiscal 2006. IFRS 6 (Exploration for and Evaluation of Mineral Resources) is a new standard that was considered, as were the following interpretations: IFRIC 4 (Determining Whether an Arrangement Contains a Lease), IFRIC 5 (Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds) and IFRIC 6 (Liabilities Arising from Participating in a Specific Market (Waste Electrical and Electronic Equipment). The only effects felt from the application of the standard were immaterial; by and large, it did not have an impact.

As regards standards, IFRS 7 (Financial Instruments: Disclosures), IFRS 8 (Operating Segments) and improvements to IAS 1 (Presentation of Financial Statements/ Information on Capital Management) were published in 2006. IFRIC 7 (Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies"), IFRIC 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded

Derivatives), IFRIC 10 (Interim Financial Reporting and Impairment), IFIRC 11 (Group and Treasury Share Transactions) and IFRIC 12 (Service Concession Arrangements) were the interpretations introduced in the fiscal year. Based on current assessments, this did not have a material impact on the INDUS Group's financial statements, with the exception of additional disclosure in the notes, some of which were considerable.

Consolidation Principles

Capital consolidation is performed in accordance with the purchase method. In respect of business combinations, assets, liabilities and contingent liabilities are measured at fair value as of the time of purchase. Goodwill is determined as the difference between the acquisition costs of the business combination and the purchaser's share of the fair value of the acquired assets, liabilities and contingent liabilities. Positive goodwill is not amortized. Instead, it is tested at least once annually for impairment. A negative difference is recognized immediately with an effect on income.

When acquired companies are included in the scope of consolidation for the first time, the carrying amount of the investments in the holding company's accounts is offset against assets and liabilities. In periods thereafter, the carrying amount of the holding company's investment is offset against the carrying amount of the subsidiary's equity capital.

Receivables and liabilities as well as expenses and income between consolidated companies are offset against each other. Intercompany results in inventories and non-current assets are eliminated. Deferred taxes are accrued for consolidation adjustments affecting net income.

Currency Translation

Foreign currency transactions in the individual financial statements are translated at the exchange rates prevailing at the time of the transaction. The fair value of monetary items is converted as of the balance-sheet date using the appropriate exchange rate, with an effect on the income statement.

In accordance with the concept of functional currency, companies located outside of the Eurozone prepare their financial statements in the currency of the country in which they are domiciled. For assets and liabilities, translation of these financial statements into euros occurs using the exchange rate prevailing on the balance-sheet date. With the exception of items recognized directly in equity, equity capital is carried at historical rates. Items in the income statement are translated at average exchange rates, and any differences resulting from currency translation are recognized without an effect on the income statement. The exchange rates used are shown in the following table:

	1 EUR =	Exchange rate as of the balance-sheet date 2006	2005	Average exchange rate 2006	2005
Brazil	BRL	2.823	–	2.738	-
Canada	CAD	1.528	1.373	1.424	1.509
China	RMB	10.025	9.589	10.321	10.222
Mexico	MXN	14.318	–	13.722	–
Poland	PLN	3.831	3.860	3.896	4.023
South Africa	ZAR	9.212	7.464	8.531	7.918
Switzerland	CHF	1.607	1.555	1.573	1.548
Turkey	TRL	1.864	1.592	1.809	1.667
USA	USD	1.317	1.180	1.256	1.244

In the presentation of the development of property, plant and equipment, provisions and equity capital, the opening and closing balances are translated using the exchange rate prevailing on the balance-sheet date, while changes during the year under review are translated using the average exchange rate. Exchange rate differences are reported separately, without an effect on the income statement.

Accounting policies

Due to its undetermined useful life, **goodwill** is not amortized, but is tested at least once annually for impairment. In the course of this, the value in use is taken as a basis, in accordance with the current planning prepared by management. Such planning takes into account both current knowledge and historical developments. After the 3-year planning periods, future cash flows are calculated using a growth rate of approximately 1.0%. Results obtained in this manner are discounted using a capital cost rate of 11%. Goodwill is tested for impairment at the level at which this is reasonable from an economic point of view. In most cases, goodwill is assigned to the operating portfolio companies and their subsidiaries. In the few cases in which there is a close intragroup trade relationship between these companies, they are combined to form operating units, and goodwill is tested for impairment on this basis.

Individually acquired **intangible assets** are measured at cost and amortized over their useful lives of 3 to 8 years. Internally generated intangible assets which fulfill the criteria of IAS 38 are capitalized at cost; otherwise the expenses are recognized with an effect on the income statement in the year in which they are incurred. Amortization begins upon use, using the straight-line method over a period of 3 to 8 years.

Property, plant and equipment is stated at cost less scheduled depreciation and impairments, if applicable. Depending on the actual useful life, depreciation using both the straight-line and the declining-balance method is applied. If the reason for an impairment loss recognized in prior years has ceased to exist, a write-back is performed. Investment subsidies are recorded as liabilities. The cost of self-constructed property, plant and equipment consists of the direct costs and appropriate allocations of relevant overheads; interest is not included. Expenses for maintenance and repairs are charged against income, unless they must be capitalized. Depreciation periods are mainly based on the following useful lives:

	Years
Buildings	20 to 50
Improvements	8 to 20
Technical equipment, plant and machinery	5 to 15
Fixtures, furniture and office equipment	3 to 15

Depending on the distribution of the major benefits and risks, **lease** agreements are classified as operating leases or finance leases, whereby finance leases are recognized as assets. For sale-and-leaseback transactions, the accounting treatment of the result of the transaction varies: if the underlying transaction is classified as a finance lease, or if in the event of an operating lease the sale price is higher than the market value, the result is distributed over the term of the lease.

Inventories are measured at the lower of cost or net realizable value. Cost consists of all direct costs and appropriate allocations of relevant overheads; interest is not included. Overheads are generally allocated on the basis of actual capacity, if this essentially corresponds to normal capacity.

Raw material and goods for resale are measured at average cost. In the event of longer storage periods or reduced realizable value, inventories are written down to the lower net realizable value.

Customer-specific **construction contracts** are recognized using the percentage of completion (POC) method. Sales revenues are recognized based on the percentage of completion. The result of the contract is not recognized solely upon transfer of risk, but rather based on the degree of completion. Revenues from the contract agreed with the customer and the anticipated costs of the contract are taken as a basis. The percentage of completion is calculated on the basis of the ratio of costs incurred to the total costs of the contract.

Anticipated losses from customer-specific construction contracts are recognized as expenses as soon as they are identified. If the result of a customer-specific construction contract is not certain, the revenues are only recognized to the extent of the costs of the contract that have been incurred.

Financial instruments are contracts, which result in a financial asset at one company and a financial liability or equity instrument at another company. In the event of a normal purchase, financial instruments are recognized on the date of performance. When measured for the first time, they are stated at fair value. Subsequent asset valuations are carried out in the four following categories: "measured at fair value through profit or loss," "held-to-maturity investments," "loans and receivables," and "available for sale." Financial liabilities are recognized in the two categories "measured at fair value through profit or loss" and "measured at amortized cost."

The fair value of financial instruments is determined on the basis of market information available on the balance-sheet date or by way of accepted valuation methods, such as the discounted cash flow method. The interest rates employed are adjusted to the maturity and risk of the underlying financial instrument.

Non-derivative financial instruments: Loans and receivables and liabilities as well as financial investments held to maturity are carried at amortized cost. Financial assets available for sale are stated at fair value. Changes in fair value are recognized in equity, without an effect on the profit or loss, taking into account deferred taxes. Changes in the fair value of financial instruments which are designated as "measured at fair value through profit or loss" have a direct effect on the results for the period.

Investments stated under **financial assets** are carried at cost, as no quoted market price exists for such and their fair value cannot be reliably determined at a reasonable cost. Associated companies, in which the INDUS Group exercises significant influence by holding between 20% and 50% of the voting rights, are accounted for using the equity method. When measured for the first time, they are stated at cost. For subsequent measurement, the carrying amount of the prorata changes in equity of the associated company is amortized.

Receivables and other assets are stated at net realizable value. Individual risks are taken into account through suitable impairments. General credit risks are recognized through impairments to receivables, based on past empirical experience or more current knowledge.

For current receivables and liabilities, the amortized costs essentially correspond to the net realizable cost or the repayable amount.

INDUS primarily employs **derivative financial instruments** to hedge underlying transactions based on future cash flows. Derivatives employed as hedging instruments are primarily swaps, although forwards and suitable options are also used. A prerequisite for hedge accounting is that the effectiveness of the hedge between the underlying transaction and the hedge instrument is documented and continuously monitored.

The statement of documented hedges depends on the type of relationship in question. In the case of hedging the fair value of a balance-sheet item (fair value hedges), the underlying transaction and the hedge transaction are recognized through profit or loss with counteracting effects. In the case of hedging cash flows (cash flow hedges), the change in the fair value is recorded in equity without an effect on income, taking into account all deferred taxes. Termination of the position with an effect on income occurs either upon completion of the underlying transaction or when it is determined that the hedge is ineffective.

Non-current assets available for sale are classified as such if the corresponding carrying amount is to be realized primarily by sale and not by continued use. This is considered to be the case if the probability of sale is high and specific objective measures have taken place. Such assets are stated at the lower of the carrying amount or fair value less costs to sell. Amortization has been discontinued.

Pensions: There are several benefit plans with different characteristics, in part for former shareholders of acquired companies. All of the benefit plans stated in the financial accounts are closed, and some are already in the pay-out phase.

Expenses from defined contribution plans relate to payments by INDUS to external institutions, without any additional obligations for the beneficiary.

With regard to defined benefit obligations, pensions and other benefits on termination of the employment contract are calculated in accordance with the projected unit credit method. Future obligations are measured based on the benefit claims earned pro rata up to the balance-sheet date and thus reflect the portion of benefit obligations that have been recognized with an effect on income up to such date. The valuation uses assumptions about the future development of several different parameters, in particular increases in wages and pensions.

For each pension plan, the projected benefit obligation is reduced by the fair value of the plan assets. Actuarial gains and losses are not recognized if the cumulative value of such remains within what is referred to as a "corridor." This corridor is calculated for each pension plan as the greater of 10% of the defined benefit obligation and the fair value of the qualified plan assets. Actuarial gains or losses outside the corridor are distributed prospectively over the expected average remaining working lives of the employees participating in the plan, with an effect on income. Periods of 1 to 15 years may be applied in this regard.

Other provisions are calculated for existing legal or constructive obligations relating to past events, in respect of which it is probable that an outflow of resources will be required and for which it is possible to make a reliable estimate of the amount of the obligation. The settlement amount is calculated on the basis of the best possible estimation. Provisions are discounted when their effect is significant. Individual provisions are formed for known damages. Provisions for product warranties are calculated for the sales with warranty and the relevant warranty period, based on past empirical experience. Provisions for pending expenses, pending losses on contracts and other obligations from sales activities are calculated on the basis of the services to be performed.

Contingent liabilities and assets essentially consist of possible obligations or assets resulting from past events, the existence of which depends on uncertain future events, and which cannot be influenced in full by INDUS. As long as an outflow of resources cannot be completely ruled out, information on contingent liabilities is included in the notes.

Deferred taxes are identified for all temporary differences between the value recognized in the IFRS financial statements and the corresponding tax bases of assets and liabilities based on the balance sheet approach. Temporary differences arise when the realization of the asset or settlement of the liability leads to tax-relevant income or expenses. Deferred taxes on goodwill are only accrued to the extent that they may be deducted. This is the case for German limited partnerships. Deferred taxes must also be recalculated if the realization of this goodwill, e.g. by way of disposal of the relevant limited partnership, is not planned. This leads to a continuous accrual of deferred tax liabilities for INDUS.

Deferred tax assets are recognized for tax loss carryforwards with regard to which it is probable that sufficient taxable income will be available over a 5-year planning horizon.

Deferred tax assets are recognized as soon as it is probable that sufficient taxable income will be available against which the deductible temporary difference can be offset.

Deferred taxes are measured using the tax rate valid for the periods in which the difference is expected to be reversed. Regardless of maturity, deferred taxes are not discounted. Deferred taxes are recognized on the basis of the tax rates prevailing or approved in the various countries, in accordance with the current legal situation. Due to the broadly long-term nature of deferred taxes at INDUS, short-term fluctuations in tax rates are not taken into account. In Germany, the corporate income tax rate is 25%. Taking into consideration the average local trade tax multiplier of 370% and the solidarity surcharge of 5.5%, the tax rate on earnings for companies in Germany amounts to 37.8% for all reporting periods. Foreign tax rates range from 15% to 40%.

Recognition of expenses and income: With the exception of revenue from customer-specific construction contracts (see above), sales revenues are recognized when the services are performed, or when the goods or products are delivered with simultaneous transfer of risk to the customer. Rebates are deducted from sales revenues. One general prerequisite for this is that the amount of revenue can be reliably determined and that there is sufficient certainty that INDUS will derive economic benefits from such. Income and expense items are recognized in accordance with the principle of accrual as per the IAS framework.

In accordance with the provisions of IAS 7, the **cash flow statement** is divided into the sections "Cash flows from operating activities," "Cash flows from investing activities," and "Cash flows from financing activities." Effects of changes in the scope of consolidation are eliminated in the relevant items, and interest and dividends received are assigned to cash flows from investing activities. Financial facilities on hand are equivalent to the balance-sheet item "Cash and cash equivalents." Cash flows from operating activities are determined using the indirect method. Operating expenses and income without an effect on net cash are eliminated in cash flows from operating activities. As a result, data in the cash flow statement cannot be directly derived from the balance sheet and the income statement.

Management estimates and judgments: The preparation of consolidated financial statements is influenced by accounting and valuation principles and requires assumptions and estimates to be made which have an impact on the recognized value of the assets and liabilities carried on the balance sheet, as well as on contingent liabilities as well as income and expenses. When estimates are made regarding the future, actual values may deviate from the estimates. If the original basis for the estimates changes, the statement of the relevant items is adjusted with an effect on income.

The realization of balance-sheet items can be influenced by future events which cannot be controlled. This can relate to the loss of receivables, useful lives of intangible assets or property, plant and equipment or other aspects, as well as risks that are integrally related to business activities. The recognition of such items is based on long-term experience and the assessment of current conditions.

Systemic uncertainties derive from balance-sheet items in respect of which future cash flows must be discounted. The path of such cash flows depends on future events regarding which assumptions must be made. In particular, this is the case when testing assets for impairment in terms of value in use, as well as the calculation of pension provisions pursuant to the projected unit credit method.

Other uncertainties stem from items that must be measured on the basis of a range of possible future values; in particular this relates to other provisions.

As of the date on which the consolidated financial statements were prepared, it is not presumed that there will be a material change in the assumptions and estimates made by INDUS, and therefore, viewed from the current perspective, there are no expectations of material adjustment of the balance-sheet items.

Changes in Accounting Policies

INDUS' consolidated financial statements for fiscal 2005, including prior-year figures for 2004 and the IFRS opening balance sheet were audited in accordance with Sec. 342 b, Para. 2 of the German Commercial Code by the Financial Reporting Enforcement Panel (FREP). The audit procedure was initiated on May 18, 2006, and the audit's findings were presented as of April 16, 2007. There were differences in opinion between the FREP and INDUS Holding AG.

Minority Interests in Limited Partnerships

Since shares in limited partnerships can generally be called in by the shareholders, which would mean that the capital could be repaid, limited partnerships do not have equity in their separate IFRS financial statements. In the consolidated financial statements, this issue is resolved by stating minority interests.

On the whole, accounting for minority interests in the capital of limited partnerships in strict compliance with IAS 32 results in statements that contradict the quality standards set forth in the IFRS framework—both in our opinion and the opinion of others. IAS 1.17 et seqq. would be suitable for accounting for the capital of limited partnerships, which would deviate from a presentation pursuant to IAS 32. Following an extensive discussion, we do not believe that the impact on the income statement is material enough to justify adopting a different accounting approach and thus agree with the FREP's opinion.

When applying the standard strictly, expenses arising in connection with debt are stated as an interest expense instead of as an appropriation of profit (2006: EUR 1,985,000; 2005: EUR 478,000). The INDUS shareholders' profit and earnings per share in accordance with IAS 33 are not affected by the changes.

Derecognition of a Financial Asset, IAS 39

The INDUS Group sells receivables within the framework of an asset-backed security (ABS) program. The purchasing company is not a special purpose entity in the INDUS Group. The share of purchased receivables in the INDUS Group is considerably lower than 10% with regard to the company's main counterparties.

The ABS program was designed to expand INDUS' portfolio in strategic terms. Efforts centered on widening the range of financing sources and not on optimizing the balance-sheet structure. Therefore, in 2005, the modalities specific to the ABS program reduced the balance-sheet total by a mere EUR 6 million on the back of a sale of gross accounts receivable in the amount of EUR 35 million.

The need for an asset to be retired or remain on the balance sheet depends on the likelihood with which future opportunities and risks will occur, which primarily relates to the default of one or several major debtors as regards the ABS program. The probability of future events associated with the full default of major debtors dictates whether it is permitted or forbidden to retire accounts receivable sold within the ABS program.

As regards the assessment of this risk, INDUS Holding AG came to a different conclusion than the FREP. Since its impact amounts to less than 1% of the 2005 balance-sheet total and general comparability with other IFRS financial statements is improved, INDUS Holding AG decided to present the ABS program in line with international conventions bystating the financing component under financial liabilities. Financial liabilities thus rose by EUR 31 million in 2005, largely due to the EUR 25 million reduction in other liabilities.

Cash Flow Hedges, IAS 39

INDUS Holding AG nearly exclusively uses cash flow hedges to hedge interest rates. Loan agreements based on EURIBOR include short-term interest-rate adjustment clauses and are artificially converted to fixed-interest loans through interest-rate hedges (interest-rate swaps). Since these hedges are generally concluded separately for each loan agreement (they are thus referred to as micro hedges), the requirements of IAS 39 (Annex 108) relating to the assessment of the effectiveness of hedges are fulfilled. This makes it much easier to assess effectiveness. In the event of an identified, effective hedge, the fair values of the derivative contracts underlying the micro hedge are carried as part of shareholders' equity without an effect on net profit.

The principle of synthetic fixed-interest loans was formally abandoned as a result of the redemption of the EUR 100 million syndicated credit line in 2006, although the company had a very effective hedge position as of the 2005 and 2006 balance-sheet dates. The redemption of the syndicated credit line caused the micro hedge to be replaced by a "portfolio hedge." This increases the purely formal requirements concerning the determination of the hedge's effectiveness.

In line with the principle of weighing costs and benefits in connection with the disclosure of information included in the IFRS framework concept, INDUS Holding AG renounces carrying out extensive, costly effectiveness tests on its portfolio hedge. Since the portfolio hedge is a unique issue at INDUS, which will cease to exist in 2009, it is not economically feasible to implement and run a system for performing complex effectiveness tests.

Since a hedge is thus not presentable formally, the fair values of the affected derivatives are included in the income statement. This results in a corresponding degree of volatility in earnings. Bookings of fair values with an effect on net profit set each other off over the term of the derivatives. We are of the opinion that additional information supplementing the income statement, which subtracts the volatility stemming from the fair valuation of interest-rate derivatives from earnings, provides the reader with relevant and reliable information with which to analyze earnings from an economic perspective. The corresponding line item is entitled: "Income allocable to INDUS shareholders, net of volatility stemming from interest-rate hedges."

Hedges used in 2005 and 2006 were effective in terms of quality. For purely formal reasons, derivatives are stated at fair value in the income statement instead of as hedges as part of shareholders' equity. Taking deferred taxes into account, the previous year's income statement has to take a charge of EUR 5,363,000. In 2006, carrying these values resulted in a EUR 4,068,000 non-operating improvement in earnings.

Adjustment of Prior-Year Figures

When accounting for discontinued operations in compliance with IFRS 5.34, one has to adjust prior-year figures. They have been stated separately from the changes in accounting in accordance with IAS 32 and IAS 39 in the following reconciliation:

Income Statement

Adjustment to the previous year's income statement EUR '000	**2005** published	Restatement **IAS 8**	Restatement **IFRS 5**	**2005** comparable
Revenue	735,323	–	– 3,437	731,886
Other operating income	17,358	–	– 450	16,908
Own work capitalized	4,848	–	– 6	4,842
Change in inventories	2,383	–	57	2,440
Cost of materials	– 328,054	–	1,678	– 326,376
Staff costs	– 202,538	–	1,601	– 200,937
Depreciation	– 42,698	–	–	– 42,698
Other operating expenses	– 107,381	–	1,622	– 105,759
Financial result	2,032	–	–	2,032
Operating result	**81,273**	**–**	**1,065**	**82,338**
Net interest	– 29,257	– 7,762	–	– 37,019
Income before taxes	**52,016**	**– 7,762**	**1,065**	**45,319**
Taxes	– 23,875	1,920	– 280	– 22,235
Income from discontinued operations	– 35	–	– 785	– 820
Income after taxes	**28,106**	**5,841**	**–**	**22,264**
Minority interests	– 1,169	478	–	– 690
Amount allocable to INDUS shareholders	26,937	5,363	–	21,574
Diluted earnings per share in EUR	1.50			1.24
Undiluted earnings per share in EUR	1.50			1.24

The income statement was restated due to the amendments in accounting policies stipulated by IAS 39. The financial result is included in the operating result, since this result is predominantly generated by companies with which a close commercial relationship exists.

Due to the volatility of net interest, according to this extended definition, earnings before interest and taxes (EBIT) provide the most comprehensive information on the INDUS Group's continued economic development and are thus a strategic key performance indicator for use in external communications.

The adjustment to the changes resulting from IAS 32 and 39 explained in the chapter entitled "Changes in Accounting Policies" made pursuant to IAS 8 has the following effects:

Assets

EUR '000	Note	2005 published	Restatement IAS 8	2005 comparable
Goodwill	(12)	269,356	–	269,356
Intangible assets	(12)	21,570	–	21,570
Property, plant and equipment	(12)	215,776	–	215,776
Financial assets	(13)	8,205	–	8,205
Shares accounted for using the equity method	(13)	4,072	–	4,072
Other non-current assets	(14)	2,062	–	2,062
Deferred taxes	(15)	3,242		3,242
Non-current assets		**524,283**	**–**	**524,283**
Cash and cash equivalents		133,519	45	133,564
Accounts receivable	(16)	99,915	9,586	109,501
Inventories	(17)	137,250	–	137,250
Other current assets	(14)	18,307	– 3,591	14,716
Assets held for sale	(18)	2,080	–	2,080
Current assets		**391,071**	**6,040**	**397,111**
Balance-sheet total		**915,354**	**6,040**	**921,394**

Equity and Liabilities

EUR '000	Note	2005 published	Restatement IAS 8	2005 comparable
Paid-in capital		162,955	–	162,955
Generated capital		31,643	–	31,643
Treasury stock reserve		–	–	–
Shareholders' equity of INDUS shareholders		194,598	–	194,598
Minority interests in capital		2,413	–	2,413
Group equity	(19)	**197,011**	**–**	**197,011**
Non-current financial liabilities	(20)	362,359	–	362,359
Provisions for pensions	(21)	14,719	–	14,719
Other non-current provisions	(22)	3,402	–	3,402
Other non-current liabilities	(23)	6,495	–	6,495
Deferred taxes	(15)	15,609	–	15,609
Non-current liabilities		**402,584**	**–**	**402,584**
Current financial liabilities	(20)	151,162	31,219	182,381
Trade accounts payable		26,185	–	26,185
Current provisions	(22)	36,400	–	36,400
Other current liabilities	(23)	101,669	– 25,179	76,490
Liabilities held for sale	(18)	343	–	343
Current liabilities		**315,759**	**6,040**	**321,799**
Balance-sheet total		**915,354**	**6,040**	**921,394**

Consolidation and Scope of Consolidation

In the consolidated financial statements all subsidiary companies are fully consolidated, if the INDUS Group has the direct or indirect possibility of influencing the companies' finance and business policy to the benefit of the INDUS Group. Associated companies, whose finance and business policy can be significantly influenced are consolidated using the equity method. Companies purchased during the course of the fiscal year are consolidated as of the date of transfer of control over their finance and business policy. Companies which are sold are no longer included in the scope of consolidation starting on the date on which the business is transferred. After the date upon which the decision is made to dispose of the company, they are classified as "held for sale."

Number of companies included	Germany	Abroad	Total
Fully consolidated subsidiaries			
Jan. 1, 2005	**94**	**12**	**106**
Additions	9	0	9
Disposals	0	0	0
Jan. 1, 2006	**103**	**12**	**115**
Additions	1	6	7
Disposals	6	0	6
Dec. 31, 2006	**98**	**18**	**116**
Companies accounted for using the equity method			
Jan. 1, 2005	**2**	**2**	**4**
Additions	2	0	2
Disposals	0	0	0
Jan. 1, 2006	**4**	**2**	**6**
Additions	0	1	1
Disposals	3	0	3
Dec. 31, 2006	**1**	**3**	**4**

Four other associated companies, which are of lesser importance for the consolidated financial statements due to their small size or very limited economic activity, were recognized at carrying amounts in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

Two of the disposals of fully consolidated subsidiaries resulted from their folding into other companies. The data presented as at December 31, 2006, in these statements includes 38 fully liable limited liability companies, which form what is termed a "unit company" with the related limited commercial partnerships (as of December 31, 2005: 40 fully liable limited liability companies). The most important operative companies are presented in the appendix. The complete list of shareholdings is submitted to the operator of the electronic version of Germany's Federal Gazette.

Business Combinations Pursuant to IFRS 3

INDUS subsidiary BETOMAX GmbH & Co. KG acquired a 100% stake in Swiss-based ANCOTECH AG pursuant to a purchase agreement on May 29, 2006. ANCOTECH AG was consolidated effective June 2006.

Furthermore, shareholdings in existing majority interests were increased in 2006, consisting mainly of the purchase of 10% of the shares in VULKAN INOX GmbH and 10% of the shares in WEIGAND Bau GmbH. INDUS now owns 100% of the shares in VULKAN INOX GmbH and 80% of the shares in WEIGAND Bau GmbH.

Acquisition costs for all additions including the minority shareholdings acquired amounted to EUR 15 million (previous year: EUR 65 million). The purchase prices were determined on the basis of a standardized enterprise valuation model.

Revenue generated by all newly consolidated companies for the period January 1 to December 31 would amount to EUR 15 million (previous year: EUR 93 million). These companies contributed EUR 11 million to the revenue stated in the 2006 consolidated financial statements.

The purchase price allocation for the new acquisitions resulted in goodwill of EUR 4.7 million (previous year: EUR 36.9 million). In 2006, EUR 4.4 million of this sum was allocable to the Construction Industry segment, while EUR 0.3 million was attributable to the Other Investments segment.

Further mandatory statements on first-time consolidations are shown in the following tables:

Acquisitions made in 2006

EUR '000	Carrying amounts at time of addition	Assets added due to first-time consolidations	Additions consolidated balance sheet
Non-current assets	2,039	5,676	7,715
Current assets	2,978	574	3,552
Total assets	**5,017**	**6,250**	**11,267**
Non-current liabilities	374	–	374
Current liabilities	3,111	148	3,259
Total liabilities	**3,485**	**148**	**3,633**

Acquisitions made in 2005

EUR '000	Carrying amounts at time of addition	Assets added due to first-time consolidations	Additions consolidated balance sheet
Non-current assets	17,595	59,818	77,413
Current assets	45,109	3,595	48,704
Total assets	**62,704**	**63,413**	**126,117**
Non-current liabilities	10,416	1,712	12,128
Current liabilities	42,244	7,085	49,329
Total liabilities	**52,660**	**8,797**	**61,457**

Disposals Pursuant to IFRS 5

In fiscal 2005 INDUS decided to sell its investment in NEUTRASOFT IT für den Handel GmbH & Co. KG as of January 2, 2006. In fiscal 2006, Oskar OVERMANN GmbH & Co. Kommanditgesellschaft was divested as of October 31, 2006. Accordingly, income generated from this company was reclassified as "held for sale" in the income statements for the 2005 and 2006 financial years. The company was sold to the years-long managing director in the framework of a management buyout (MBO).

In fiscal 2005 and 2006, income and expenses attributable to discontinued operations broke down as follows:

Information on IFRS 5

EUR '000	**2006**	**2005**
Revenue	2,729	5,805
Expenses and other income	– 4,206	– 6,919
Operating result	**– 1,477**	**– 1,114**
Financial result	– 1	– 6
Taxes	390	300
Income after taxes from continuing operations	– 1,088	– 820
Income from deconsolidations	– 710	–
Income from discontinued operations	**– 1,798**	**– 820**
Tax expense/revenue from divestments	254	–

The following is an overview of reclassifications of assets and liabilities stated on the balance sheet as held for sale. These companies did not have any goodwill when they were reclassified in compliance with IFRS.

EUR '000	**2006**	**2005**
Non-current assets	–	1,554
Current assets	–	526
Total assets	**–**	**2,080**
Non-current liabilities	–	94
Current liabilities	–	249
Total liabilities	**–**	**343**

Business Combinations Pursuant to IFRS 3 after the Balance-Sheet Date

Per a purchase agreement dated September 28, 2006, INDUS Holding AG acquired a 75% stake in Oelde-based OBUK Haustürfüllungen GmbH & Co. KG as of January 1, 2007. The remaining shares are held by the company's founder, who will remain responsible for operations as general manager. A preliminary purchase price allocation is not feasible at present, since we do not yet have all the information required to make a purchase price allocation.

Notes to the Consolidated Income Statement

[1] Revenue

Revenue includes EUR 16,452,000 in revenue for services (prior year: EUR 29,068,000) and EUR 1,202,000 in service fees (previous year: EUR 327,000). Revenue also includes EUR 46,218,000 in revenue from customer-specific construction contracts (prior year: EUR 32,652,000). Of the EUR 117,384,000 increase in revenue, EUR 54,059,000 resulted from the first-time consolidation of companies in 2006 as well as the first-time, full-year inclusion of the SELZER and MIGUA Groups. In fiscal 2005, EUR 3,437,000 in revenue was reclassified to income from discontinued operations.

A more detailed presentation of revenue can be found in the section entitled "Segment Reporting."

[2] Other Operating Income

EUR '000	**2006**	**2005**
Transfer to earnings/release of deferrals carried as liabilities	1,276	1,113
Income from the release of accruals	2,164	1,689
Release of valuation allowances	1,454	1,105
Income from currency translation	676	1,435
Income from asset disposals	881	477
Insurance coverage for disposals of property, plant and equipment	3,512	314
Other operating income	7,815	10,775
Total	**17,778**	**16,908**

Income from currency translation was offset by expenses amounting to EUR –2,144,000 (prior year: EUR 854,000,000); hence, currency translation differences included in the result amounted to EUR –1,468,000 (previous year: EUR 581,000). This was mainly caused by the valuation of loans denominated in South African rand. The increase in insurance recoveries primarily stems from the recognition of a compensation claim in connection with damage caused by a fire.

[3] Own Work Capitalized

EUR '000	2006	2005
Other own work capitalized	2,782	2,575
Own work capitalized in accordance with IAS 38	2,612	2,267
Total	**5,394**	**4,842**

Furthermore, EUR 8,679,000 in research and development expenses were recognized as part of the expenses for the period (prior year: EUR 8,513,000).

Changes in Finished Goods and Work in Progress

EUR '000	2006	2005
Work in progress	4,435	1,699
Finished goods	6,039	741
Total	**10,474**	**2,440**

[4] Cost of Materials

EUR '000	2006	2005
Raw materials and goods for resale	– 345,916	– 287,841
Purchased services	– 48,371	– 38,535
Total	**– 394,287**	**– 326,376**

[5] Staff Costs

EUR '000	2006	2005
Wages and salaries	– 188,344	– 167,483
Social security	– 35,674	– 31,690
Pensions	– 2,416	– 1,764
Total	**– 226,434**	**– 200,937**

Staff costs do not include interest accretion to transfers to pension provisions, which amounted to EUR 763,000 (previous year: EUR 523,000), and was stated in net interest.

[6] Depreciation, Amortization, Write-Downs, Impairment Losses

EUR '000	2006	2005
Depreciation of property, plant, equipment and intangible assets	– 33,040	– 29,543
Amortization of first-time consolidations	– 9,855	– 11,155
Impairment losses from first-time consolidations	– 18,273	– 2,000
Total	**– 61,168**	**– 42,698**

Impairment losses from first-time consolidation are broken down by segment in the segment report. Additionally, impairment losses of EUR 948,000 were recognized on property, plant and equipment (prior year: EUR 73,000) and of EUR 509,000 on intangible assets (previous year: EUR 642,000).

[7] Financial Result

EUR '000	2006	2005
Income from associated companies	763	1,154
Depreciation of financial assets	– 117	– 128
Income from financial assets	348	1,006
Total	**994**	**2,032**

[8] Net Interest

EUR '000	2006	2005
Interest and similar income	1,948	3,714
Interest expenses associated with the fair value of swaps	5,524	– 7,184
Interest and similar expenses	– 29,310	– 33,071
Interest on minority interests pursuant to IAS 32	– 1,985	– 478
Total	**– 23,823**	**– 37,019**

A commentary on the interest expense arising from the fair valuation of swaps is included in the chapter entitled "Changes in Accounting Policies."

[9] Taxes

EUR '000	2006	2005
Non-recurrent taxes	– 73	– 1,929
Current taxes	– 28,617	– 19,436
Deferred taxes	– 1,179	– 870
Total	**– 29,869**	**– 22,235**

Special Tax Aspects

INDUS Holding AG's business model is based on the idea of building up a portfolio of medium-sized niche enterprises which hold leading positions in their respective markets. Synergies play a secondary role in respect of acquisitions. Each company is responsible for its own success, supported if necessary by the holding company's resources.

INDUS focuses above all on the acquisition of German limited partnerships. Acquiring such companies has the following tax consequences:

Assets added from the purchase price allocation for tax purposes are deductible as write-downs from supplementary balances, distributed over the relevant useful life. This means that the tax base is reduced by the write-downs; even for companies with stronger earnings this can result in a tax loss with corresponding tax savings, in trade tax at limited partnerships, and in corporate tax at INDUS Holding AG. There are no longer any positive effects on earnings due to the recognition of deferred taxes pursuant to the temporary concept as per IFRS. Recognition of deferred tax assets for tax carryforwards only occurs in the Group if the realization of such is probable over a 5-year planning period.

Trade tax is due at the level of the limited partnerships. With regard to trade tax, offsetting tax gains and losses between limited partnerships is not allowed. The taxable earnings after trade tax are ascribed to INDUS Holding AG and then subject to corporate tax. Tax group contracts to avoid this trade tax effect are not possible for limited partnerships, and are also not desired, in line with the idea of preserving the autonomy of the businesses. Accordingly, no tax group contracts are concluded with stock corporations for tax accounting. These effects are reflected in the item "No offsetting of income for independent subsidiaries."

In accordance with the business model, the holding company assumes the financing functions for all of the portfolio companies. The financial expenses of the Group are thus incurred by the holding company to a great degree. Financial expenses for stock corporations are tax-deductible for the holding company, whereas distributions are tax-exempt. As a result, the holding company incurs trade tax losses, which increase the tax rate in the Group.

Reconciliation from the Expected to the Actual Tax Expense

EUR '000		**2006**	**2005**
Income before income taxes		**61,495**	**45,319**
Expected tax expense	37.8%	23,245	17,131
Reconciliation			
Goodwill amortization		6,907	756
Capitalization or value allowance of deferred tax loss carryforwards		– 949	– 808
Non-recurrent taxes		73	1,929
Equity measurement of associated companies		– 288	– 436
Structural effects of			
– deviating local tax rates		– 606	50
– deviating national tax rates		– 395	– 571
Commercial tax losses of INDUS AG		–	720
No offsetting of income for independent subsidiaries		1,028	1,876
Foreign withholding tax on tax-free dividends		231	314
Other non-deductible expenses or tax-free income		1,412	1,893
Use of actual tax loss carryforwards		– 789	– 619
Actual tax expense		**29,869**	**22,235**
As a percentage of income		48.6%	49.1%

[10] Income from Discontinued Operations

Income from discontinued operations includes the income after taxes generated by NEUTRASOFT IT GmbH & Co. KG and Oskar OVERMANN GmbH & Co. KG for both 2006 and 2005.

The tax expense resulting from income from discontinued operations amounted to EUR –390,000 (prior year: EUR 300,000). The tax expense resulting from disposals of companies amounted to EUR –254,000 (previous year: EUR 0).

[11] Earnings per Share

Earnings per share total EUR 1.72 per share (previous year: EUR 1.24 per share). The number of shares remained unchanged at 18,000,000 in both financial years. Dilution is possible in the event that the authorized capital increase is exercised [19]. The earnings taken as a basis are derived from the earnings of the INDUS shareholders, with income from discontinued operations eliminated. Including income from discontinued operations in the basis would affect earnings per share to the tune of EUR –0.10 per share (prior year: EUR –0.04 per share).

Notes to the Consolidated Balance Sheet

[12] Development of Intangible Assets and Property, Plant and Equipment

Cost EUR '000	Opening balance Jan. 1, 2006	Changes in the scope of con-solidation	Additions	Disposals	Transfers	Currency translation	Closing balance Dec. 31, 2006
Goodwill	**302,828**	**– 7,136**	**7,286**	**210**	**–**	**–**	**302,768**
Capitalized development costs	3,639	–	2,612	–	–	–	6,251
Licenses, commercial rights, and other intangible assets	88,658	378	1,998	306	157	–	90,885
Total intangible assets	**92,297**	**378**	**4,610**	**306**	**157**	**–**	**97,136**
Land and buildings	132,008	3,731	6,708	1,537	2,356	–	143,266
Technical plant and machinery	216,250	165	23,431	6,991	3,095	–	235,950
Other plant, fixtures, furniture and office equipment	82,515	– 1,326	8,759	6,395	340	–	83,893
Advance payments and work in progress	6,274	–	5,543	977	– 5,948	– 6	4,886
Total property, plant and equipment	**437,047**	**2,570**	**44,441**	**15,900**	**– 157**	**– 6**	**467,995**

Depreciation EUR '000	Opening balance Jan. 1, 2006	Changes in the scope of con-solidation	Additions	Write-ups	Disposals and Transfers	Currency translation	Closing balance Dec. 31, 2006
Goodwill	**33,472**	**– 11,962**	**18,273**	**–**	**210**	**–**	**39,573**
Capitalized development costs	138	–	314	–	–	–	452
Licenses, commercial rights, and other intangible assets	70,589	– 121	7,411	–	238	– 3	77,638
Total intangible assets	**70,727**	**– 121**	**7,725**	**–**	**238**	**– 3**	**78,090**
Land and buildings	25,216	–	4,760	–	1,126	–	28,850
Technical plant and machinery	141,908	– 234	20,305	–	6,860	– 52	155,067
Other plant, fixtures, furniture and office equipment	54,147	– 1,458	10,105	–	5,475	– 32	57,287
Advance payments and work in progress	–	–	–	–	–	–	–
Total property, plant and equipment	**221,271**	**– 1,692**	**35,170**	**–**	**13,461**	**– 84**	**241,204**

Cost EUR '000	Opening balance Jan. 1, 2005	Changes in the scope of con-solidation	Additions	Disposals	Transfers	Currency translation	Closing balance Dec. 31, 2005
Goodwill	**263,466**	**36,316**	**3,045**	**–**	**–**	**1**	**302,828**
Capitalized development costs	1,480	– 107	2,266	–	–	–	3,639
Licenses, commercial rights, and other intangible assets	81,334	5,140	2,804	690	69	1	88,658
Total intangible assets	**82,814**	**5,033**	**5,070**	**690**	**69**	**1**	**92,297**
Land and buildings	110,589	8,418	1,869	2,160	13,289	3	132,008
Technical plant and machinery	181,446	18,923	13,482	2,900	5,297	2	216,250
Other plant, fixtures, furniture and office equipment	71,792	5,899	8,413	5,106	1,513	4	82,515
Advance payments and work in progress	18,168	798	7,640	165	– 20,168	1	6,274
Total property, plant and equipment	**381,995**	**34,038**	**31,404**	**10,331**	**– 69**	**10**	**437,047**

Depreciation EUR '000	Opening balance Jan. 1, 2005	Changes in the scope of con-solidation	Additions	Write-ups	Disposals and Transfers	Currency translation	Closing balance Dec. 31, 2005
Goodwill	**31,472**	**–**	**2,000**	**–**	**–**	**–**	**33,472**
Capitalized development costs	–	–	138	–	–	–	138
Licenses, commercial rights, and other intangible assets	61,195	–	9,718	307	17	–	70,589
Total intangible assets	**61,195**	**–**	**9,856**	**307**	**17**	**–**	**70,727**
Land and buildings	22,122	–	4,292	63	1,148	13	25,216
Technical plant and machinery	127,608	–	17,316	573	2,247	– 196	141,908
Other plant, fixtures, furniture and office equipment	49,395	–	9,234	300	3,993	– 189	54,147
Advance payments and work in progress	–	–	–	–	–	–	–
Total property, plant and equipment	**199,125**	**–**	**30,842**	**936**	**7,388**	**– 372**	**221,271**

Residual carrying amounts of fixed assets developed as follows:

EUR '000	Dec. 31, 2006	Jan. 1, 2006	Jan. 1, 2005
Goodwill	**263,195**	**269,356**	**231,994**
Capitalized development costs	5,799	3,501	1,480
Licenses, commercial rights, and other intangible assets	13,247	18,069	20,139
Total intangible assets	**19,046**	**21,570**	**21,619**
Land and buildings	114,416	106,792	88,467
Technical plant and machinery	80,883	74,342	53,838
Other plant, fixtures, furniture and office equipment	26,606	28,368	22,397
Advance payments and work in progress	4,886	6,274	18,168
Total property, plant and equipment	**226,791**	**215,776**	**182,870**

[13] Financial Assets

EUR '000	2006	2005
Other investments	96	859
Other loans	6,208	7,346
Shares accounted for using the equity method	4,314	4,072
Total	**10,618**	**12,277**

Loans relate to loans granted by the company, which are carried at amortized cost. Some of the loans are extended interest-free, but the majority of them have interest rates suitable for their durations and long-term fixed rates. The negative deviation between the market values and the carrying amounts totals about EUR 750,000 (previous year: EUR 500,000).

The following overview contains additional information on associated companies:

EUR '000	2006	2005
Costs incurred for associated companies	2,971	2,857
Appropriated income	763	1,154
Key figures of associated companies		
Assets	7,618	6,575
Liabilities	4,442	3,970
Capital	3,176	2,605
Income	22,383	20,241
Accounts receivable from associated companies	826	4,170

Accounts receivable from associated companies include EUR 100,000 in valuation allowances (previous year: EUR 0).

[14] Other Assets

EUR '000	2006	2005
Tax refunds	9,237	10,135
Accrual of non-recurrent payments	2,257	1,782
Capital cover for reinsurance policies	1,147	1,583
Loans and other receivables	444	558
Other current assets	5,330	2,720
Total	**18,415**	**16,778**
– of which current	16,252	14,716
– of which non-current	2,163	2,062

Market values of the current assets essentially correspond with their fair values. On the whole, deviations between the market value of non-current assets with low interest rates are of secondary importance.

[15] The origin of **deferred tax assets and deferred tax liabilities** for the balance-sheet items is detailed in the following:

2006 EUR '000	Assets	Liabilities	Balance
Goodwill of limited partnerships	2,559	– 26,298	– 23,739
Intangible assets	4,122	– 2,233	1,889
Property, plant and equipment	5,663	– 3,350	2,313
Other non-current assets	292	–	292
Receivables and inventories	7,511	– 3,633	3,878
Other current assets	613	–	613
Long-term provisions	1,181	–	1,181
Current liabilities	1,530	– 5,956	– 4,426
Capitalization of losses carried forward	1,924	–	1,924
Netting-out of accounts at the company level	– 17,242	17,242	–
Netting-out of accounts at the Group level	– 5,025	5,025	–
Deferred taxes	**3,128**	**– 19,203**	**– 16,075**

2005 EUR '000	Assets	Liabilities	Balance
Goodwill of limited partnerships	2,390	– 16,599	– 14,209
Intangible assets	3,098	– 3,049	49
Property, plant and equipment	1,281	– 3,751	– 2,470
Other non-current assets	457	– 444	13
Receivables and inventories	12,114	– 2,553	9,561
Other current assets	565	215	780
Long-term provisions	969	– 249	720
Current liabilities	4,345	– 12,131	– 7,786
Capitalization of losses carried forward	975	–	975
Netting-out of accounts at the company level	– 16,506	16,506	–
Netting-out of accounts at the Group level	– 6,446	6,446	–
Deferred taxes	**3,242**	**– 15,609**	**– 12,367**

The netting-out of deferred tax assets and deferred tax liabilities at the company level (for the same tax entity) primarily relates to receivables, inventories and current liabilities, resulting from treatment pursuant to IAS 11 (Construction Contracts). Netting within the Group (between different tax entities) is undertaken for income tax which is due to the same tax authority. This essentially pertains to corporate income tax at INDUS Holding AG for limited partnerships in Germany.

Deferred tax liabilities mainly result from the calculation of deferred taxes on the tax-deductible goodwill of limited partnerships. For tax purposes, rules governing the purchase price allocation are similar to those under IFRS for limited partnerships, and the resulting assets are tax-deductible, as is goodwill of fiscal nature. As goodwill is no longer amortized pursuant to IFRS, henceforth deferred taxes will be accrued in line with the amortization of fiscal goodwill in accordance with the conditions of IAS 12.21B. Deferred taxes must be recognized up until the sale of the company. As INDUS principally engages in long-term investments in subsidiaries, this item will increase constantly in the future.

The change in the balance of deferred taxes was recognized with an effect on income in the income statement and amounted to EUR 1,179,000 (previous year: EUR 870,000). This also results from adjustments without an effect on income within the framework of capital consolidation and reserves for the marked-to-market valuation of financial instruments.

Due to the decline in the opportunities to realize such, deferred tax assets in the amount of EUR 884,000 were not recognized (previous year: EUR 1,940,000). We believe that EUR 11,700,000 in losses carried forward (previous year: EUR 6,250,000) are realizable over a planning horizon of 5 years. Tax carryforwards amounting to a total of EUR 93,876,000 (previous year: EUR 105,765,000) were not capitalized, as it is not probable that such can be realized. The vast majority of this pertains to loss carryforwards for trade tax resulting from the special tax aspects of INDUS Holding AG, as explained in note [9]. Possible future opportunities to realize such carryforwards are determined by the trade tax rate. The single-largest item is the tax loss carryforward for trade tax of the holding company. Use of loss carryforwards is not subject to any time limits.

Taking applicable tax rates into account, this results in EUR 1,924,000 in capitalized tax loss carryforwards (previous year: EUR 975,000). The impact this has on earnings is EUR 949,000 (previous year: EUR 234,000).

Deferred taxes of EUR 174,000 (prior year: EUR 498,000) were accrued for the items recognized in equity without an effect on income.

[16] Accounts Receivable

EUR '000	2006	2005
Accounts receivable from customers	98,828	98,578
Future accounts receivable from customer-specific construction contracts	8,475	6,753
Accounts receivable from associated companies	826	4,170
Total	**108,129**	**109,501**

Trade accounts receivable are due within one year. In total, impairment losses of EUR 4,840,000 (previous year: EUR 5,453,000) were recognized. Of the future receivables from customer-specific construction contracts, EUR 8,000 is due later than one year (long-term) (prior year: EUR 259,000). Further information on construction contracts is contained in the following table:

Completion of Contracts

EUR '000	2006	2005
Costs incurred including prorated income	21,669	33,181
Advance payments received	15,490	31,520
Construction contracts with a positive balance	8,475	6,753
Construction contracts with a negative balance	2,296	5,092
Contingent liabilities	5,971	2,715

Construction contracts with a balance on the liabilities side are reported under other liabilities.

[17] Inventories

EUR '000	2006	2005
Raw materials and supplies	56,840	46,506
Unfinished goods	39,387	35,698
Finished goods and goods for resale	61,172	54,010
Prepayments to third parties for inventories	1,038	1,036
Total	**158,437**	**137,250**

Carrying amounts of inventories include downward valuation adjustments of EUR 7,178,000 (previous year: EUR 6,795,000), of which EUR 1,652,000 were applied to the fair value (prior year: EUR 1,478,000). No inventories were pledged as collateral for liabilities.

[18] Liabilities Held for Sale

This item contains the reclassification of assets and liabilities of NEUTRASOFT IT GmbH & Co. KG (cf. [10]).

[19] Equity

Subscribed Capital

The capital stock amounts to EUR 46,800,000.00. The capital stock is divided into 18,000,000 (non-par-value) bearer share certificates. Each share certificate entitles its holder to a vote at the Annual Shareholders' Meeting. The shares are registered for regulated trading on the Düsseldorf and Frankfurt Stock Exchanges and for over-the-counter trading in Berlin, Hamburg and Stuttgart. The company is listed in the Prime Standard as well as in the SDAX and CDAX.

According to Item 4.3 of the articles of association, subject to the approval of the Supervisory Board, the Board of Management is authorized to increase the company's capital stock by up to EUR 18,720,000 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash (authorized capital I) by June 30, 2009. Shareholders are to be awarded subscription rights in the event of a capital increase. However, subject to Supervisory Board approval, the Board of Management is empowered to exempt fractional amounts from the shareholder subscription rights.

According to Item 4.4 of the articles of association, subject to the approval of the Supervisory Board, the Board of Management is authorized to increase the company's capital stock by up to EUR 4,680,000 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash and/or in kind (authorized capital II) by June 30, 2009. Subject to the approval of the Supervisory Board, the Board of Management is entitled to decide on the exclusion of shareholder subscription rights and to determine other details of the capital increase. The authorization to exclude shareholder subscription rights shall only be valid with the proviso that, pursuant to the limitation to 10% of the capital stock stipulated by Sec. 186, Para. 3, Sentence 4 of the German Stock Corporation Act (AktG), the shares taken into account are those which are sold in the period from July 5, 2004, until said authorization is exercised based on an authorization by the company to sell treasury stock with the exclusion of shareholder subscription rights.

In accordance with Sec. 71, Para. 1, Item 8 of the German Stock Corporation Act (AktG), the company is authorized to buy back a maximum of 1,800,000 shares, corresponding to 10% of the current number of individual share certificates and thus to 10% of the company's current capital stock, from January 1, 2007 to December 31, 2007. The authorization can be exercised in full or in part as well as either once or several times. However, no more than 10% of the company's capital stock may be bought back, including shares already purchased and owned by the company. But the authorization to exclude shareholder subscription rights shall only apply as long as the shares sold under exclusion of shareholder subscription rights after raising authorized capital II are applied to the limit of 10% of the company's capital stock set by Sec. 186, Para. 3, Sentence 4 of the German Stock Corporation Act (AktG).

Reserves and Consolidated Net Income Available for Distribution

The development of reserves is presented in the statement of changes in equity and includes INDUS Holding AG's additional paid-in capital. As of the balance-sheet date, the equity ratio was 22.7% (previous year: 21.4%).

Minority Interest

Interests held by other shareholders essentially consist of the minority interests in the incorporated companies WEIGAND Bau GmbH and ASS Maschinenbau GmbH. Minority interests in limited partnerships were reclassified to other liabilities [23]. This primarily relates to SELZER Fertigungstechnik KG and Helmut RÜBSAMEN GmbH & Co. KG.

Application of Profits

A proposal was submitted to the Annual Shareholders' Meeting for a dividend of EUR 1.20 per individual share certificate (18,000,000). The complete text of the dividend proposal is published separately.

[20] The following tables contain information on **financial liabilities** and the related derivatives:

Information on contractual repayment obligations/ remaining terms EUR '000	**Dec. 31, 2006** Carrying amount period under review	Repayment obligations 1 year	Over 1 year to 5 years	More than 5 years
Accounts payable to banks				
– in the Group's currency (euro)	408,355	48,139	248,276	111,940
– in Swiss franks	26,768	2,060	19,304	5,404
ABS financing	46,926	46,926	–	–
Notes payable	37,500	2,500	30,000	5,000
Syndicated credit line	–	–	–	–
Other loans	–	–	–	–
Total financial liabilities	**519,549**	**99,625**	**297,580**	**122,344**
Derivatives/interest-rate swaps (nominal values)	248,224	7,872	124,791	115,561

Information on contractual repayment obligations/ remaining terms EUR '000	**Dec. 31, 2005** Carrying amount period under review	Repayment obligations 1 year	Over 1 year to 5 years	More than 5 years
Accounts payable to banks				
– in the Group's currency (euro)	346,070	47,040	208,793	90,237
– in Swiss franks	27,386	1,557	16,120	9,709
ABS financing	31,219	31,219	–	–
Notes payable	40,000	2,500	30,000	7,500
Syndicated credit line	100,000	100,000	–	–
Other loans	65	65	–	–
Total financial liabilities	**544,740**	**182,381**	**254,913**	**107,446**
Derivatives/interest-rate swaps (nominal values)	206,171	11,963	172,516	21,692

EUR '000 Interest obligation period	Risk-free going interest rates	Weighted interest rate based on the carrying amount	Nominal volume/ historical cost	Financial liabilities Carrying amount as of Dec. 31, 2006	Carrying amount as of Dec. 31, 2005	Derivatives: interest-rate swaps Nominal value as of Dec. 31, 2006	Nominal value as of Dec. 31, 2005
< 1 year	3.85%	4.40%	242,919	204,578	220,130	–	3,323
1 to < 2 years	3.89%	5.15%	70,296	40,023	18,032	35,000	–
2 to < 3 years	3.90%	5.23%	65,680	50,968	47,434	103,835	42,613
3 to < 4 years	3.90%	5.78%	71,705	53,593	54,201	12,228	104,091
4 to < 5 years	3.91%	4.69%	44,861	37,000	58,528	11,499	13,062
>5 years	3.99%	4.78%	153,487	133,387	146,415	85,662	43,082
Total			**648,948**	**519,549**	**544,740**	**248,224**	**206,171**
Market value of non-derivative and derivative financial instruments				**517,465**	**534,010**	**245,139**	**196,999**

Additions to financial facilities from the sale of accounts receivable within the scope of the ABS program were stated as part of financial liabilities with short maturities and adjusted interest rates in both the year under review and in the previous year.

The redemption of the EUR 100 million syndicated credit occurred in the first quarter of 2006. In 2006, comparable lines of credit were taken out, with a maximum amount of EUR 20 million per loan agreement and terms ranging between 5 and 10 years. This enabled INDUS Holding AG to improve its risk position significantly.

The variable-interest lines of credit taken out in 2006 are being effectively hedged by a EUR 100 million interest-rate swap that will expire in 2009. Forward swaps were concluded for the remaining term and will hedge these financial liabilities at their current interest rates until their final maturity. Therefore, the nominal value of the interest-rate swaps is higher than the value of the financial liabilities whose interest rates can be adjusted in less than a year.

[21] Disclosures in Accordance with IAS 19: Balance Sheet and Income Statement

EUR '000	2006	2005	Other difference
Income statement			
Current service cost	283	180	103
Interest cost	763	523	240
Income from plan assets	– 89	– 100	11
Recognized actuarial gain or loss	18	42	– 24
Service cost subject to retrospective settlement	139	21	118
Cost of defined benefit obligation	**1,114**	**666**	**448**
+ Defined contribution plan cost	242	141	101
= Cost of pension commitments for the period carried on the income statement	1,356	807	549

Balance sheet statement			
Present value of benefit obligations financed by provisions	15,190	15,909	– 719
Present value of funded benefit obligation	1,375	902	473
DBO: accumulated benefit obligation	**16,565**	**16,811**	**– 246**
– Market value of plan assets	– 1,375	– 755	– 620
Net obligation	**15,190**	**16,056**	**– 866**
– Unrecognized actuarial result	– 397	– 1,337	940
Closing balance: amount carried on the balance sheet as of December 31	**14,793**	**14,719**	**74**
Pension obligation expenses	1,114	666	448
Pension payments	– 748	– 578	– 170
Changes in the scope of consolidation	– 292	5,723	– 6,015
Opening balance: amount carried on the balance sheet as of January 1	**14,719**	**8,908**	**5,811**
Underlying assumptions			
Discount rate	4.75%	4.50%	
Salary trend	1.50%	1.50%	
Pension trend	1.25%	1.00%	
Expected income from plan assets	3.75%	4.00%	

Interest expenses are stated in the item "interest result." The anticipated income on plan assets essentially corresponds to actual income. In 2005, the change to the scope of consolidation was due to the fact that the SELZER and MIGUA Groups were consolidated for the first time. In 2006, this was due to a correcting item resulting from the fact that junior pension plans were included for the first time. Plan assets only include reinsurance policies. Plan assets developed as follows:

Development of plan assets EUR '000	**2006**	**2005**
Assets as of January 1	**755**	**757**
Expected return on plan assets	55	28
Ongoing employer contributions	114	87
Benefits paid	– 61	– 84
Reclassification of pension plans	545	–
Changes in the scope of consolidation	–	– 49
Other	– 33	16
Assets as of December 31	**1,375**	**755**

Assets held to back old-age retirement arrangements are reclassified if they must be classified as qualified insurance policies through pledges.

The following table provides an overview of the development of pension obligations, the fair value of plan assets, and the benefit obligation exceeding the assets for the year under review and the three preceding years. No material adjustments based on experience were made to pension obligations or assets not stemming from changes in actuarial assumptions.

EUR '000	**2006**	**2005**	**2004**	**2003**
Defined benefit obligation (DBO)	16,565	16,811	10,266	9,408
Fair value of plan assets	– 1,375	– 755	– 757	– 704
Benefit obligation	15,190	16,056	9,509	8,704
Unrecognized actuarial gain/loss	– 397	–1,337	– 601	–
Value stated on the balance sheet as of December 31	**14,793**	**14,719**	**8,908**	**8,704**

[22] Provisions

2006 EUR '000	Opening balance Jan. 1, 2006	Changes in scope of consolidation	Amount used	Unused amounts released	Additions/ new accruals	Currency adjustments	Closing balance Dec. 31, 2006
Obligations from the sales business	9,429	3	7,675	966	9,282	1	10,074
Staff costs	11,676	39	9,517	486	9,831	– 14	11,529
Provisions for taxes	10,694	234	7,957	359	3,728	– 141	6,199
Other provisions	8,003	86	5,178	666	8,739	– 12	10,972
Total	**39,802**	**362**	**30,327**	**2,477**	**31,580**	**– 166**	**38,774**

2005 EUR '000	Opening balance Jan. 1, 2005	Changes in scope of consolidation	Amount used	Unused amounts released	Additions/ new accruals	Currency adjustments	Closing balance Dec. 31, 2005
Obligations from the sales business	8,298	1,121	7,199	849	8,076	– 18	9,429
Staff costs	6,278	3,702	7,318	114	9,129	– 1	11,676
Provisions for taxes	8,688	3,901	8,429	352	6,847	39	10,694
Other provisions	8,970	1,525	6,941	877	5,266	60	8,003
Total	**32,234**	**10,249**	**29,887**	**2,192**	**29,318**	**80**	**39,802**

Additions to provisions for pensions [21] include EUR 763,000 in interest accretion (previous year: EUR 523,000). There is no other significant interest accretion. Tax provisions were formed for expected actual tax expenses. Liabilities from sales activities include provisions for warranties based on legal or constructive obligations, obligations for customer bonuses and rebates, as well as estimated values for anticipated invoices. Provisions for staff costs are formed for staff credit hours, service anniversaries, old-age part-time work, severance commitments and similar obligations. Other provisions relate to a range of possible individual risks, which are measured in terms of their probability of occurrence. There are no significant expected reimbursements in relation to obligations recognized as per IAS 37.

[23] Other Liabilities

EUR '000	**2006**	Current	Non-current	**2005**	Current	Non-current
Accounts payable to outside shareholders	19,379	19,379	–	15,395	15,395	–
Accounts payable for staff	8,557	8,557	–	13,383	13,383	–
Tax liabilities	8,484	8,484	–	10,682	10,682	–
Accrual of non-recurrent payments	7,432	7,432	–	6,069	6,069	–
Advance payments received	4,215	4,215	–	4,632	4,002	630
Investment subsidies	3,572	873	2,699	3,716	402	3,314
Derivative financial instruments	2,421	2,421	–	9,172	9,172	–
Construction contracts with a negative balance	2,296	2,296	–	5,092	5,092	–
Miscellaneous other liabilities	13,280	10,756	2,524	14,844	12,293	2,551
Total	**69,636**	**64,413**	**5,223**	**82,985**	**76,490**	**6,495**

The minority interests in the capital of limited partnerships in which other external shareholders hold stakes (EUR 9,052,000; previous year: EUR 9,667,000) are reported under accounts payable to outside shareholders.

Segment Reporting

Primary Reporting Format: by Operation

2006 EUR '000	Construction Industry	Engineering	Automotive Industry	Consumer Goods	Other Investments	Non-operating*	Total
External revenue	183,320	140,984	256,333	110,402	188,904		879,943
Internal revenue	– 430	– 645	– 10,704	– 8,386	– 10,508		– 30,673
Segment revenue from third parties	**182,890**	**140,339**	**245,629**	**102,016**	**178,396**		**849,270**
Earnings before taxes (EBT)	**20,721**	**8,184**	**11,194**	**6,341**	**9,531**	**5,524**	**61,495**
Earnings before interest and taxes (EBIT)	**26,349**	**12,089**	**20,962**	**10,378**	**15,540**		**85,318**
Income from discontinued operations (EBIT)					– 2,441		– 2,441
Capital expenditure	14,096	2,879	26,960	12,752	9,512		66,199
– of which due to changes in the scope of consolidation	7,449	33	2,076		304		9,862
– of which other capital expenditure	6,647	2,846	24,884	12,752	9,208		56,337
Depreciation	6,572	7,566	24,944	6,725	15,361		61,168
– of which for first-time consolidations	1,391	591	3,912	102	3,859		9,855
– of which impairment	1,438	3,635	7,000	1,000	5,200		18,273
Non-cash expenses	667	1,296	672	136	1,622		4,393
Segment assets	**169,710**	**132,075**	**276,701**	**135,035**	**177,665**		**891,186**
Segment liabilities	**144,276**	**97,388**	**215,275**	**98,639**	**131,800**		**687,378**
Companies accounted for using the equity method							
– Earnings	313	– 51		501			763
– Assets	851	22		3,441			4,314
Workforce	737	644	1,757	846	1,190		5,174

**Exclusion of pretax effects from the fair valuation of interest-rate swaps (see "Changes in Accounting Policies").*

Companies are assigned to segments based on their sales markets.

2005 EUR '000	Construction Industry	Engineering	Automotive Industry	Consumer Goods	Other Investments	Non-operating*	Total
External revenue	147,957	123,459	205,316	110,168	173,202		760,1022
Internal revenue	– 544	– 816	– 9,030	– 7,122	– 10,704		– 28,216
Segment revenue from third parties	**147,413**	**122,643**	**196,286**	**103,046**	**162,498**		**731,886**
Earnings before taxes (EBT)	**20,261**	**12,593**	**6,537**	**7,004**	**6,208**	**– 7.284**	**45,319**
Earnings before interest and taxes (EBIT)	**25,439**	**16,395**	**14,614**	**11,150**	**14,740**		**82,338**
Income from discontinued operations (EBIT)					– 1,114		– 1,114
Capital expenditure	22,115	2,757	62,305	10,637	17,093		114,907
– of which due to changes in the scope of consolidation	19,317		45,514		10,557		75,388
– of which other capital expenditure	2,798	2,757	16,791	10,637	6,536		39,519
Depreciation	4,069	4,184	18,929	6,616	8,900		42,698
– of which for first-time consolidations	946	894	5,506	786	3,023		11,155
– of which impairment			2,000				2,000
Non-cash expenses	1,884	708	1,141	205	775		4,713
Segment assets	**164,669**	**129,794**	**278,813**	**137,271**	**194,672**		**905,219**
Segment liabilities	**137,431**	**96,992**	**219,973**	**102,911**	**150,354**		**707,661**
Companies accounted for using the equity method							
– Earnings	244	– 101		1,011			1,154
– Assets	563	74		3,435			4,072
Workforce	673	606	1,646	855	1,216		4,996

**Exclusion of pretax effects from the fair valuation of interest-rate swaps (see "Changes in Accounting Policies").*

Secondary Reporting Format: by Region

2006 EUR '000	Germany	Europe	Rest of the world	Total
External revenue	557,181	187,870	134,892	879,943
Internal revenue	– 29,707	– 811	– 155	– 30,673
Segment revenue from third parties	**527,474**	**187,059**	**134,737**	**849,270**
Segment assets	815,728	40,149	35,309	891,186
Capital expenditure on property, plant and equipment and intangible assets	50,872	1,458	4,007	56,337

2005 EUR '000	Germany	Europe	Rest of the world	Total
External revenue	496,850	148,007	115,245	760,102
Internal revenue	– 27,911	– 257	– 48	– 28,216
Segment revenue from third parties	**468,939**	**147,750**	**115,197**	**731,886**
Segment assets	846,302	38,136	20,781	905,219
Capital expenditure on property, plant and equipment and intangible assets	38,071	1,074	374	39,519

The regional breakdown of sales pertains to the sales markets. The other information relates to the domicile of the companies themselves. Further differentiation is not expedient, as the majority of the companies is domiciled in Germany.

Intersegment prices are based on arm's length prices to the extent that they can be established in a reliable manner and are determined using the cost-plus pricing method.

Additional Information

Contingent liabilities from customer-specific construction contracts are listed separately in the section on receivables and inventories. Collateral put up to back financial liabilities is presented in the following table.

Contingent Liabilities

EUR '000	2006	2005
Accounts payable due to the issuance and transfer of drafts	77	40

Pledged Assets

EUR '000	2006	2005
Land charges	17,541	17,061
Other collateral	54,922	36,140
Total collateral	**72,463**	**53,201**

Other pledges primarily consist of accounts receivable used as a basis for ABS financing.

Other Financial Obligations

Other financial obligations from rental, tenancy and operating lease contracts are reported as the sum totals falling due by the earliest possible cancellation date.

Maturities

EUR '000	2006	2005
Up to 1 year	40,354	18,322
Between 1 and 5 years	27,410	37,250
More than 5 years	72,333	61,584
Total	**140,097**	**117,156**

Other financial obligations in 2006 include EUR 49,152,000 in possible purchase price payments that would come due in the event that minority shareholders exercised their option rights at the probable exercise date.

Obligations from orders for property, plant and equipment amount to EUR 9,055,000 (previous year: EUR 5,015,000) and to EUR 231,000 (prior year: EUR 54,000) for intangible assets.

Real estate leases are concluded with clauses allowing for the adjustment of the lease installments based on the development of price indices. The contracts also contain regular purchase options; the option price as of the end of the lease period is not expected to be considerably lower than on the exercise date of the option.

Lease installments in fiscal 2006 amounted to EUR 11,333,000 (previous year: EUR 6,425,000).

Annual Average Workforce

	2006	2005
Wage earners	3,361	3,196
Salaried staff	1,813	1,800
Total	**5,174**	**4,996**

Risk Management and Financial Derivatives

INDUS Group runs an effective risk management system to detect business risks at an early stage, focusing on the key types of problems facing a diversified portfolio of investments. This system integrates the specific aspects of financial risk management as per the definition set forth in IAS 32. The fundamental principles and exercise of the financial risk management policies are established by the Board of Management every year and are continuously monitored by it.

Fundamental Principles of Financial Risk Management

In keeping with the philosophy of INDUS Holding AG, the financing of the individual companies in the portfolio is centrally controlled, while the assessment and management of operating risks is the responsibility of the portfolio companies and their management. Fundamentally speaking, risks which have an impact on the cash flow of the Group are hedged. Hedging of such risk occurs with the use of non-derivative and derivative financial instruments, whereby use of the latter is restricted solely to hedging.

Interest-Rate Risk

INDUS Holding AG supports and coordinates the financing and liquidity of all of the portfolio companies, focusing on ensuring financing for the long-term development of the investment portfolio. Accordingly, financing with suitable maturity is obtained for the acquisition of investments. The means employed include fixed-rate and variable-rate financing instruments, which are transferred into fixed-rate instruments by way of interest-rate swaps.

Liquidity Risk

Basically, the individual portfolio companies finance themselves based on their operating results. Depending on the particulars of the liquidity situation, transfers to INDUS Holding AG are made. The holding company has adequate reserves of liquidity to ensure its ability to act quickly at any time.

Currency Risk

Currency risks essentially stem from the operating activities of the Group companies and financing transactions between the portfolio companies abroad and the respective parent companies. Risk analysis is performed on a net basis, with hedging by the portfolio companies on a case-to-case basis, in accordance with the philosophy of business autonomy. The instruments employed are currency futures and suitable options.

Default Risk

In the field of financing transactions, contracts are only concluded with counterparties with first-class creditworthiness. In the field of operations, the portfolio companies are responsible for decentralized risk monitoring on a continuous basis. Default risk is taken into consideration by way of appropriate valuation allowances. The maximum default risk corresponds to the stated value of loans extended and receivables, while for derivatives it is equal to the sum total of their positive market value.

Hedging Activities

Currency hedges concluded as of the balance-sheet date primarily relate to USD and were junior. Their nominal volume was EUR 2.7 million (previous year: EUR 3.1 million). Market values largely correspond to these figures. A nominal EUR 248 million in interest-rate hedges were concluded (prior year: EUR 206 million). The corresponding market values are lower than the nominal values and amounted to EUR 245 million (previous year: EUR 197 million). The rationale for this lies in INDUS Holding AG's long-term financing strategy, which is being pursued within the scope of the company's strategic orientation. Further details on terms and maturities have been presented in the reports on financial liabilities.

Related Party Disclosures

Members of Management in Key Positions and Affiliated Persons

In accordance with the structure of the INDUS Group, members of management in key positions sit on the Supervisory Board (6 members in 2006 and 2005), the Board of Management of INDUS Holding AG (2006: 4 members; 2005: 4 members) and include the managing directors/boards of management of the operating companies (2006: 58 people; 2005: 53 people). The increase in the number of people in key positions at the operating companies is essentially due to the increase in the scope of consolidation. In fiscal 2006, 6 managing directors held minority interests in their companies (previous year: 6). Their shares in earnings are contained in minority interests.

There is no share-based payment in the sense of IFRS 2, in particular with regard to stock option plans. There are no pension commitments by INDUS Holding AG for members of the Board of Management which must be disclosed in the financial statements. In the year under review, payments of EUR 114,000 (prior year: EUR 84,000) were made within the framework of a defined contribution plan for members of the Board of Management.

Overview of Compensation

2006 EUR '000	Period expense	Of which severance	Of which wages and salaries	Of which pensions
INDUS Holding AG				
– Supervisory Board	233	–	233	–
– Board of Management	1,957	–	1,957	–
Subsidiaries				
– Managing directors	11,450	–	11,376	74
– Family members	478	–	478	–
Total	**14,118**	**–**	**14,044**	**74**

2005 EUR '000	Period expense	Of which severance	Of which wages and salaries	Of which pensions
INDUS Holding AG				
– Supervisory Board	229	–	229	–
– Board of Management	2,060	–	2,060	–
Subsidiaries				
– Managing directors	10,029	52	9,915	62
– Family members	803	–	803	–
Total	**13,121**	**52**	**13,007**	**62**

In fiscal 2006, 10 family members of partners or managing directors were employed at the portfolio companies (previous year: 6 members).

Remuneration of the Supervisory Board

The Supervisory Board met four times in both 2006 and 2005. For their services, each member of the Supervisory Board receives reimbursement for expenses and base compensation of EUR 10,000, as well as variable compensation depending on the amount of the dividend. The Chairman of the Supervisory Board receives twice the amount of the fixed and variable compensation amounts, and his deputy receives 1.5 times these sums. Variable pay in fiscal 2006 amounted to EUR 158,000 (previous year: EUR 154,000).

Remuneration of the Board of Management

The variable component of the compensation due to the Board of Management depends on the company's results and is determined based on the result of ordinary activities of INDUS Holding AG. The variable compensation component of the Board of Management amounted to EUR 618,000 (prior year: EUR 926,000) in fiscal 2006.

Other Relations

EUR 150,000 were paid to former members of the Board of Management for consulting services. In fiscal 2006 members of the Supervisory Board of INDUS Holding Aktiengesellschaft received EUR 5,000 (previous year: EUR 20,000) in compensation for services rendered on personal account and EUR 105,000 (prior year: EUR 111,000) for a leasehold obligation.

Above and beyond this, there were business relations with minority shareholders for consultation (EUR 232,000; previous year: EUR 120,000), lease of property and buildings (EUR 337,000; prior year: EUR 337,000) and other payments in kind (EUR 626,000; previous year: EUR 66,000). There were EUR 646,000 in outstanding accounts receivable from affiliated companies as of the balance sheet date (prior year: EUR 0). In the meantime, they have been settled completely.

In order to enhance clarity, information on business relations between associated companies is presented in the section on key figures [13, 16].

Expenses Related to Auditing of the Holding Company Financial Statements and Consolidated Financial Statements

The fee for audit services rendered by Treuhand- und Revisions-AG Niederrhein amounted to EUR 153,000; the fee for other services involving opinions and valuations amounted to EUR 4,000. Additionally, consultation services in the amount of EUR 56,000 were also performed.

Corporate Governance Code

In December 2006, the Board of Management and the Supervisory Board issued a declaration on the Corporate Governance Code, pursuant to Sec. 161 of the German Stock Corporation Act (AktG), and published it for the shareholders on INDUS Holding AG's website (http://www.indus.de).

Application of Sec. 264b of the German Commercial Code (HGB)

Limited partnerships bearing the designation "GmbH & Co. KG" are exempt from making disclosures in accordance with Sec. 264b of the German Commercial Code (HGB). This primarily relates to the operating companies mentioned in the notes and the limited partnerships entered into the electronic commercial register.

Bergisch Gladbach, April 20, 2007

The Board of Management

Helmut Ruwisch   Michael Eberhart   Wolfgang E. Höper   Dr. Johannes Schmidt

Report of the Independent Auditors

We have audited the consolidated financial statements prepared by INDUS Holding Aktiengesellschaft, Bergisch Gladbach—consisting of the income statement, balance sheet, statement of changes in equity, cash flow statement and notes—as well as the Group management report, which is combined with the review of operations from the holding company's annual financial statements, for the financial year from January 1 to December 31, 2006. These consolidated financial statements and the Group management report prepared in accordance with IFRS as adopted by the EU, the commercial rules applicable pursuant to Sec. 315a, Para. 1 of the German Commercial Code (HGB), and the supplementary provisions included in the articles of association are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on these consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code (HGB) and the German regulations for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (IDW). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the company's legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

With the exception of the following qualification, no objections were raised by the audit:

As in previous years, the company has not reported the business results of the previous financial year for companies in which it owns at least one-fifth of the shares in the notes to the consolidated financial statements (list of investments). This disclosure in accordance with Sec. 313, Para. 2, Item 4 of the German Commercial Code has become mandatory because the protective clause pursuant to Sec. 313, Para. 3 of the German Commercial Code is not applicable.

Furthermore, the notes to the consolidated financial statements do not include statements concerning business combinations pursuant to IFRS 3.67 d, f, h and i, as well as 3.70 a and b (with special regard to information on the purchase prices, revenue and earnings of acquired companies).

In our opinion, based on the results of our audit, the consolidated financial statements, with the aforementioned exception, are in compliance with IFRS, as adopted by the EU, the additional provisions stated in Sec. 315a, Para. 1 of the German Commercial Code, and the supplementary provisions included in the articles of association, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The Group management report is in accordance with the consolidated financial statements and provides, on the whole, a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Krefeld, April 23, 2007

Treuhand- und Revisions-Aktiengesellschaft
Niederrhein
Certified Public Accountants
Tax Consultants

(Dr. Ring)
German CPA

(Kuntze)
German CPA

Proposed Appropriation of Distributable Profit

Management proposes to the Annual Shareholders' Meeting that the distributable profit for fiscal 2006 be appropriated as follows:

Payment of a dividend of EUR 1.20 per individual share certificate (18,000,000) on the capital stock of EUR 46,800,000.00	21,600,000.00 EUR
Profit carried forward	669,986.22 EUR
Distributable profit	22,269,986.22 EUR

Bergisch Gladbach, April 20, 2007

The Board of Management

Helmut Ruwisch   Michael Eberhart   Wolfgang E. Höper   Dr. Johannes Schmidt

Investments in 2006 by Segment

	Capital EUR in millions	INDUS stake
Construction Industry		
BETOMAX Kunststoff- und Metallwarenfabrik GmbH & Co. KG*, Neuss	3.19	100%
FS Kunststofftechnologie GmbH & Co. KG*, Reichshof/Hahn	0.72	100%
HAUFF-TECHNIK GmbH & Co. KG, Herbrechtingen	1.56	100%
MIGUA Fugensysteme GmbH & Co. KG*, Wülfrath	1.85	100%
REMKO GmbH & Co. KG Klima- und Wärmetechnik*, Lage	1.56	100%
Max SCHUSTER Wärme • Kälte • Klima GmbH & Co. KG, Neusäß	1.05	100%
SEMET Maschinenbau GmbH & Co. KG, Meimsheim	0.80	100%
WEIGAND Bau GmbH, Bad Königshofen	1.00	80%
WEINISCH GmbH & Co. KG, Oberviechtach	0.53	100%
Engineering		
ALUCOLOR Dr.-Ing. Richard Heim GmbH & Co. KG, Hürth	1.05	100%
ASS Maschinenbau GmbH*, Overath	0.54	90%
BACHER AG*, Reinach/Switzerland	3.70**	100%
Maschinenfabrik BERNER GmbH & Co. KG, Bischofsheim	1.31	100%
BETEK Bergbau- und Hartmetalltechnik Karl-Heinz Simon GmbH & Co. KG, Aichhalden	1.56	100%
GSR Ventiltechnik GmbH & Co. KG*, Vlotho	0.57	100%
MEWESTA Hydraulik GmbH & Co. KG, Münsingen	0.54	100%
NISTERHAMMER Maschinenbau GmbH & Co. KG, Nister	0.80	100%
PLANETROLL GmbH & Co. KG, Munderkingen	0.54	100%
Automotive Industry		
AURORA Konrad G. Schulz GmbH & Co. KG*, Mudau	3.07	100%
BILSTEIN & SIEKERMANN GmbH + Co. KG, Hillesheim	1.03	100%
Emil FICHTHORN GmbH & Co. KG, Hattingen	0.65	100%
IPETRONIK GmbH & Co. KG*, Baden-Baden	0.55	100%
KIEBACK GmbH & Co. KG, Osnabrück	0.54	100%
REBOPLASTIC GmbH & Co. KG, Kalletal	0.80	100%
Konrad SCHÄFER GmbH*, Osnabrück	1.50	100%
SELZER Fertigungstechnik GmbH & Co. KG*, Driedorf-Roth	7.54	70%
SITEK-Spikes GmbH & Co. KG, Aichhalden	1.05	100%
S.M.A. Metalltechnik GmbH & Co. KG*, Backnang	1.03	100%
WFV Werkzeug-, Formen- und Vorrichtungsbau GmbH & Co. KG, Lampertheim-Hüttenfeld	0.54	100%
WIESAUPLAST Kunststoff und Formenbau GmbH & Co. KG*, Wiesau	1.76	100%
Consumer Goods		
IMECO Einwegprodukte GmbH & Co. KG Vliesstoffvertrieb*, Hösbach	0.80	100%
OFA Bamberg GmbH, Bamberg	1.50	100%
SIKU GmbH, Rickenbach/Switzerland	0.80**	100%
Karl SIMON GmbH & Co. KG, Aichhalden	2.19	100%
Other Investments		
M. BRAUN Inertgas-Systeme GmbH*, Garching	1.32	100%
HORN GmbH & Co. KG*, Flensburg	1.33	100%
MIKROP AG, Kronbühl/Switzerland	0.05**	100%
NEUTRASOFT GmbH & Co. KG*, Greven	1.16	100%
Helmut RÜBSAMEN GmbH & Co. KG, Bad Marienberg	0.53	88.89%
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100%
VULKAN INOX GmbH*, Hattingen	1.26	100%

** including subsidiaries   ** CHF in millions*

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