

# Growth Founded on the Strength of Proximity



**HIDDEN CHAMPIONS**

ANNUAL REPORT 2010

**[INDUS]**  
H O L D I N G A G

**A  
strong  
Portfolio**

# HIDDEN CHAMPIONS



**Close to Our Customers**



**High Standards**



**Innovation**



**Focus**



**Identification**

Our broad portfolio spanning various industries supports consistent earnings.

INDUS maintains a portfolio of 40 successful companies from key commercial segments of the SME sector in German-speaking countries. INDUS aims to constantly further develop this portfolio in the years to come.

**Construction/  
Infrastructure**



EUR millions	2009	2010
Sales (external)	189.2	205.5
EBIT	28.1	27.9

**Automotive Components/  
Engineering**



EUR millions	2009	2010
Sales (external)	199.3	284.8
EBIT	-8.4	14.4

**Engineering**



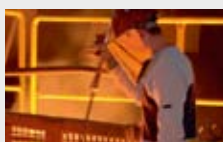
EUR millions	2009	2010
Sales (external)	105.2	129.0
EBIT	12.4	14.3

**Medical Engineering/  
Life Science**



EUR millions	2009	2010
Sales (external)	76.9	81.6
EBIT	10.8	12.4

**Metal/Metal Processing**



EUR millions	2009	2010
Sales (external)	195.7	270.6
EBIT	18.5	39.6



# INDUS makes sure medium-sized champions can move forward successfully.

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The INDUS Recipe for Success:

# Hidden Champions

## Helmut Ruwisch

A company is led by people who embody the firm's self-image. Helmut Ruwisch is one such person. This is his tenth year as Chairman of the Board of Management at INDUS, a personal testament to continuity. During this time, he has steered the company safely through both calm and rough waters with persistence, reliability, and a wariness of short-lived trends. As a fully qualified banking expert, he appreciates the strengths of hidden champions – and knows how to protect them.

INDUS maintains a portfolio of 40 successful small and medium-sized manufacturing companies. **As "hidden champions," they make an important contribution – some for decades – to Germany's consistent position at or near the top of world industrial production.** We help them to continue successfully along their chosen path as specialists – in the long term and while preserving their identity.

You don't have to be a large group to be successful. Far more crucial is whether a company has a stable business model, is focused on one core competency, and stays close to the market with it. If the company is then in a position to be among the technical leaders in its field over an extended period, we can regard it as a hidden champion.

INDUS is a combination of such hidden champions, of companies which are frequently owner-run. They are strong on their niche markets and are often market leaders because, thanks to their above-average innovativeness, they have outstanding technology at their disposal. They are commercially stable because they plan their finances in the long term and invest reserves in a forward-looking fashion to see them through difficult periods. In addition, they are very close to their customers so that, in cases of doubt, they already have an answer in the form of their products even before the customer has asked the question.

**Our Group combines the strengths of many hidden champions under the roof of an SME holding company – with the common goal of growing profitably.** And we have been doing this highly successfully for 25 years, for the topic of corporate succession is becoming increasingly critical for SMEs. At many companies,



## A strong Portfolio

the departure or retirement of the founding generation leaves a leadership vacuum behind it. This threatens the continued existence of otherwise well-positioned companies. **We acquire a majority stake in, and therefore responsibility for, these companies and guide the “champions” into a new, stable situation which preserves and promotes precisely that which makes these companies strong:** their traditional structures typical of family-run companies and their individual performance culture.

We have been active with this model on the stock exchange for 15 years, where we present ourselves as an interesting investment opportunity. Our listing on the stock market enables investors to acquire stakes in small and medium-sized hidden champions, in other words to participate in the long-term success of companies whose business is geared towards grounded corporate principles with, at the same time, ambitious objectives. We achieve healthy risk distribution by consciously adopting a broad structure spread across five segments and through diversification within those segments. This makes our share an attractive yet security-oriented investment.

INDUS regards itself as a financial holding company geared towards long-term investment. We offer the companies in our Group solid economic integration, freedom in their own business development, and – if necessary – active support from the Holding. We see ourselves as a capital-providing management holding company. This means that our activities are concentrated primarily on central functions such as controlling, accounting, and financing. Over

and above that, the individual companies operate independently on their own markets according to their management’s wishes. They alone determine how they position themselves there, for nobody else – ourselves included – knows their possibilities and limitations better than they do. The companies retain their names and brands, and run their traditional areas such as human resources, R&D, sales, production, and commercial administration themselves. With this concept, INDUS has been offering an outstanding environment for successful hidden champions for 25 years.

For all the robustness shown by hidden champions in their operating activities, their success model is threatened by **generational change** and succession factors. In owner-run companies, the management plays an absolutely crucial role. In most cases, it was the previous owner who built up the company and it continues to provide the staff with firm orientation. This is why we attach great importance to a stage-by-stage commercial and operational transition: in the first stage, the entrepreneur remains on board with capital and leadership, and actively helps to structure the transition. More than 40 corporate transitions that INDUS has overseen so far demonstrate that this approach functions excellently.

### **One major advantage in the structuring of our portfolio is that we have no need to be acquisition-driven.**

This is despite the fact that we are listed on the stock exchange with INDUS. Our business model of developing income calmly and sustainably from our strong existing portfolio has been supported out of conviction by our Supervisory Board for many years. Our major shareholders, too, are right behind this strategy. This gives us the peace of mind that enables us to select further suitable champions from the many companies we are constantly assessing and integrate them into our Group, all with the purpose of securing the INDUS model’s lasting success.

Interview with Jürgen Abromeit

# 2020 Portfolio-Update

The fact that INDUS and its high-performance portfolio now play in the SME segment's Major League did not come about simply by chance. Executive Jürgen Abromeit can draw on 16 years of experience on the bench as a specialist for SME solutions, which has proved indispensable in his 11 years as a managing director and sub-group chairman. With many years under his belt as a professional athlete and coach, he knows from experience that a team has to be built up carefully, constantly improved, and refreshed with talented new additions if it is to achieve long-term success. And the same is true of a successful investment portfolio.

INDUS has a broad and – going by its results – very healthy portfolio. At 40 subsidiary companies, the number of its companies, too, is manageable. Why do you think that INDUS must nevertheless continue to make acquisitions?

**Jürgen Abromeit:** The holding company's primary task is to ensure a diversified, profitable, and forward-looking portfolio. We do this firstly by actively guiding, supporting, and strengthening the existing companies. And secondly by making prudent acquisitions in the defined segments that will grow strongly. This is important because we want INDUS to reflect the growth areas across the whole spectrum of industry, both now and in the future.

In the process, we take into account that the world is moving faster all the time: the industrial landscape of 1985 differed substantially from that of today. And by 2020, perhaps it will have changed even more in a shorter period of time. Conceivably, technologies and markets might even reinvent themselves completely. Even if the danger of radical upheaval in the sectors that we focus on is not great, we have to make sure that we are present on the relevant markets with our portfolio. However, we make all our acquisitions with the goal of building up our portfolio, not revolutionizing it.



Does this mean that you will also be entering new segments in the future? Are there any sectors to which you accord priority?

**Jürgen Abromeit:** Not only in the future. The adjustment of our segment structure last year shows that we are developing our portfolio spectrum today. This covers important topics that we are already discussing intensively on the markets: medical engineering and life science still play a subordinate role in our portfolio. But we know that we can expect a lot from that sector. We are already far stronger in the areas of construction/infrastructure and logistics. That's good, because the world in which we live would be unthinkable without mobility. Other attractive fields in the present age are energy, the environment, and consumer goods. I am assuming that over the next few years, we will have new companies from these sectors in our portfolio.

The overriding goal is that the portfolio should grow while remaining strong and stable. To achieve this we also make strategic vertical acquisitions, in other words at sub-subsidiary level. Recently, for example, we strengthened AURORA and WIESAUPLAST with interesting complementary acquisitions. In this way we are pointedly securing and enhancing our subsidiaries' competencies.

# »Our portfolio has to be alive if it is to remain stable and profitable in ten or twenty years.«

Is the familiar INDUS strategy of “buy and hold” still valid and appropriate?

**Jürgen Abromeit:** If you regard “buy and hold” as a fundamental decision for a long-term investment and a synonym for lasting collaboration and further

folio strategy. These days, however, this can no longer be a “no-go area.” If there are exceptional cases in which a company is disposed of, this step is carefully considered and meticulously prepared, and makes sense to everyone involved.



development, then we are firmly behind this guiding principle. But there can be no apodictic “hold” without a commercial basis. This is because a subsidiary suffering from a lasting decline ultimately weakens the entire Group. And the success of INDUS flows from having the right portfolio: now, in ten years, and beyond that!

Does this also mean that you are going to sell more companies in the future?

**Jürgen Abromeit:** Basically, no, although our portfolio is a living one. We must develop it continuously if we are to carry our current strength into the future and enhance it further. We will achieve this with investment and development work on the inside, as well as with acquisitions. In the last analysis, this will also occasionally involve the non-retention in the portfolio of companies which, despite all the efforts, do not meet the requirements of a hidden champion in a lasting fashion. Our portfolio has to be alive if it is to remain stable and profitable in ten or twenty years. We are a financial investor geared towards the long term and are in no way exit-oriented. Disposing of companies plays no part in our acquisition and port-

To what extent do you believe that guiding the companies will become more demanding for you in the future?

**Jürgen Abromeit:** Basically, we manage our subsidiaries according to simple rules and along short routes. That will help us greatly in the future, too. But naturally we can also see that the markets have become highly volatile. And this situation is unlikely to change a great deal. The financial and economic crisis that we have just overcome showed us how quickly this can impact our operating activities. The holding company and the subsidiaries certainly had to show great unity and determination to stay on course.

As far as the future is concerned, this tells me that a solid commercial position for all our subsidiaries will be even more important. That will safeguard our resilience. Two other aspects that will become more significant are conscientious compliance and communication within the Group. Adherence to both points will ensure that, when necessary, clarifications will already be in place as soon as action is needed.

A  
strong  
Portfolio



# Hidden Champions: Growth Founded on the



Our portfolio strategy concentrates on hidden champions — leading small and medium-sized enterprises which tend to go largely unnoticed by those around them, but which are developing dynamically within their markets thanks to a feasible business concept. Any attempt to summarize these firms' strengths concisely inevitably centers on the fact that they are **IN TOUCH**.

Our companies are **in touch with their customers**, allowing them to act in tandem with their markets. At the same time, they are **in touch with their key competency**: focusing on this makes them specialists who can withstand any competition. Our companies are **in touch with the future** because their

# Strength of Proximity



**Close to Our Customers**  
**High Standards**  
**Innovation**  
**Focus**  
**Identification**

ongoing research and development work constantly generates impressive new products. And, even in difficult times, they are **in touch with their chosen path:** because they identify so strongly with their remit, they always have that 10 percent more commitment that ultimately makes the difference. All of this propels them to a position where their achievements are recognized: **at the top of their peer group.**

Our companies carry our Group with their market success. And vice versa: we keep them on track with our reliable support. This relationship enables us to attain what we want to achieve together: **profitable growth.**

Close to Our Customers

# Side by Side

A  
strong  
Portfolio



With individuality and a targeted orientation towards different customer groups, OFA Bamberg GmbH is writing its very own success story by manufacturing a supposedly boring product: the group's workforce of over 300 staff produces and sells compression hosiery and bandages. In the process, individual items are manufactured just as efficiently as mass-produced goods thanks to modern computer control systems.

Medical articles, let alone orthopedic ones, are generally anything but attractive. But OFA Bamberg has succeeded in freeing these products from their ugly "elastic stocking" image. With new ideas aplenty, the company, which is based in Germany's Franconia region, managed over the years to develop a sought-after assortment that customers feel good about. Whether an adhesive strap, modern color variants, or compression hosiery made from modern microfiber are required, the Bamberg-based company always sees the potential for innovations and is frequently the first to offer them.

Another example of this is the development of the "memory care concept," which is medical compression hosiery with aloe vera. This allowed OFA to open up a new dimension for the product in 2006. The hybrid product stands for

healthy compression and skincare in one package and therefore appeals to a larger target group. This is because wellness is all the rage. One way of bringing products to customers is to use celebrity support. OFA knows this, which is why it has recruited the popular actress Jutta Speidel to endorse "all-inclusive compression and skincare."

Different customer groups, different requirements. And the trading channels often vary, too. With its two divisions OFA Phlebologie and Arcus Orthopädie, OFA serves traditional medical retail outlets as well as – with an exclusive branded line – drugstores. Two years ago these were joined by another division called O-motion. This is the brand name under which OFA sells hosiery with a compression effect for athletes, who are increasingly using the special hosiery to boost their performance in training and competition.

The best way to win customers' trust  
is with custom-fit solutions.

### **OFA Bamberg: Specialist in the Field of Healthy Hosiery**

As well as manufacturing medical compression hosiery, bandages, and orthotic devices, OFA offers preventive health products such as surgical and travel stockings as well as special hosiery for athletes and diabetics. The company, which was established in 1928, generated sales of over EUR 45 million with its 315 employees. OFA has been part of the INDUS Group since 2000.



Today, OFA is excellently positioned on the market: as well as selling its products through its own branch in Austria, the company now exports to more than 40 countries, even as far away as Japan. And success generates a positive atmosphere: for example, one of the OFA divisions has just received the "Best Employer of 2011" award from an SMEs' association. The concept is working: OFA Bamberg is clearly close not only to its customers, but also to its employees.

#### **Strengths of OFA:**

- > high product quality
- > strong specialist retail partners
- > international product presence
- > high level of vertical integration

[www.ofa.de](http://www.ofa.de)



High Standards

# Good. Better. The Best.

A  
strong  
Portfolio



Those who want to position their products permanently and successfully in research and in the high-tech industry should not be wary of demanding, sophisticated tasks. M. BRAUN from Garching near Munich has been tackling the demand for "best performance" for three and a half decades – and is now in an excellent position: as a global market leader.

All over the world, the name M. BRAUN stands for high-quality inert gas glove box systems and gas purification systems. These are used in high-tech production areas such as the manufacturing of flat screens, xenon automotive lighting, lithium-ion batteries, and pharmaceutical products. In addition to equipment manufacturers such as Aixtron (LED production facilities), M. BRAUN's customers include mechanical engineering firms such as Trumpf (titanium welding machines) and a number of automotive manufacturers such as BMW, VW, and Toyota (testing of lithium-ion batteries).

The success story began in the early 1970s when the engineers Hellmut Fölster and Gerhard Hinrichs in Munich were commissioned by universities to build inert gas glove boxes of the kind that already existed in the USA. A glove box was to be developed which would facilitate research into air-sensitive chemical substances in a high-purity protective gas atmosphere. The successful completion of this assignment was followed in 1974 by the company's foundation in Munich.

As technology advanced, there was heavy market demand for glove box systems, and as a result the company expanded quickly. The products' reliability and quality soon



## M. BRAUN: System Solutions for High-Tech Products of the Future

As a systems supplier, M. BRAUN concentrates on the production of inert gas glove box systems and gas purification systems. The company, which was established in 1974, generated sales of EUR 72 million in 2010. Its 213 employees now work at five plants in Germany, Switzerland, the UK, China, and the USA. M. BRAUN became part of the INDUS Group in 2002.

If you stop  
wanting  
to improve,  
you stop  
being good.

gave M. BRAUN a reputation as the quality leader. Following the years spent building up the company, the Bavarians expanded their selling activities beyond Europe's borders and set up a subsidiary in the USA in 1994 and another in China in 2002. Mecalab AG, a Swiss company with access to the pharmaceuticals industry, was acquired in 2006 and the subsidiary in the UK commenced operations in 2010.

M. BRAUN cultivates close relations with public research institutions and industrial companies' development departments. In this way, the company stays close to the latest technological themes and can use projects of this kind for the early development of products which are ready for mass production. At the beginning of 2011, for example, M. BRAUN developed a facility for the production of illuminants based on organic semiconductors (OSSL = organic solid state lighting) by order of the UK's national Printable Electronics Technology Centre. This facility – the most expensive in the company's history at EUR 5 million – has no parallel anywhere in the world. It operates in a future-oriented segment that M. BRAUN has been working in

for ten years: OLED technology (organic light-emitting diodes). This facilitates the use of organic substances for illumination purposes, which could make the dream of luminescent wallpaper or tiles come true in the future.

Today, M. BRAUN has few competitors. Its handful of competitors in the USA, Asia, and Europe are considerably smaller than M. BRAUN. In the face of its fiercest competitors, the copying companies from Asia, M. BRAUN protects itself time and again with the high standards it sets itself in terms of being the technological leader in its segment, delivering quality on a daily basis, and getting better every day.

### Strengths of M. BRAUN:

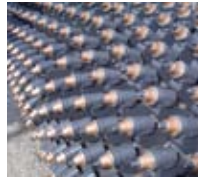
- > exceptionally close customer contact
- > top technological expertise
- > high product quality
- > worldwide service round the clock

[www.mbraun.de](http://www.mbraun.de)

Innovation

# The Power of the New

A  
strong  
Portfolio



To only produce in Germany these days calls for some good arguments. Such as that the products comply with high standards. Or that producing them requires a great deal of expertise. BETEK, which is based in Aichhalden in Germany's Black Forest, "only" produces carbide tools. In doing so, however, the Swabian company has positioned itself among the 100 most innovative German SMEs. With their inventive talent, the developers repeatedly open up new potential for processing the world's materials even better with state-of-the-art machinery.

**B**ETEK is one of the most significant manufacturers of carbide-tipped wear parts. In addition, the company develops carbide solutions especially for wear protection. The production program is broad and offers tool systems for more than ten fields of application, for example for road construction, special civil engineering, the recycling industry, and mining and tunnel construction.

The basic idea of the business model is simple: making tools better and increasing their life span. The growth concept, too, is based on a simple principle: refining the existing field of expertise and extending it to new areas of application and industries. Its functioning is ensured in

particular by good development work: eight product managers and three service engineers visit the construction sites around the world in order to get to know our customers' requirements in detail. The seven developers make a note of the problems and develop suitable solutions for the respective applications.

The base material, carbide, is manufactured from tungsten carbide and cobalt – expensive raw materials which BETEK imports in their entirety. The raw materials are mixed and wet-milled according to the quality of the carbide required. In the hot gas flow in the spray tower, free-flowing carbide powder is produced, which is then compacted and fired in vacuum ovens in accordance with the requirements.

# Every idea opens up new scope.

## BETEK – Progress!

BETEK is one of the leading manufacturers of special carbide parts for road construction, mining and surface mining, tunnel construction, special civil engineering, recycling, track construction, and agriculture. The company, which was founded in 1981 as part of the SIMON Group, has been an INDUS Group company since 1992. In 2010, BETEK generated sales of EUR 127.4 million with its 194 employees.



BETEK has its new developments safeguarded by patent on a regular basis. In the past five years alone, the company submitted 34 applications for industrial property rights.

The most recent developments include its TungStuds which protect metal surfaces from wear, for example on excavator shovels. All this innovation costs money. But in return for this investment, the Baden-Württemberg-based company excels in the market with top product quality and has impressed INDUS Holding's accountants for years with above-average sales growth.

"Of course pressure on prices and product piracy, especially from China, worry us a lot," emphasizes Managing Director Karl Kammerer, "and our high-quality parts are being copied faster and faster at inferior quality. But that simply gives us the incentive to continue even more rigor-

ously along our chosen path. As well as making continuous improvements, we can offer our customers service and security of supply all around the world." Even though the construction industry is still ailing, BETEK wants to keep on growing. "There are still many industries where we can convince companies of the quality of our products. Carbide is the better and more economical alternative." At present, the company has the agricultural and track construction industries in its sights for the first time.

### Strengths of BETEK:

- > great innovative power
- > short response times
- > high readiness to deliver
- > consistently high quality

[www.betek.de](http://www.betek.de)



## Focus

# One Competency – Many Customers

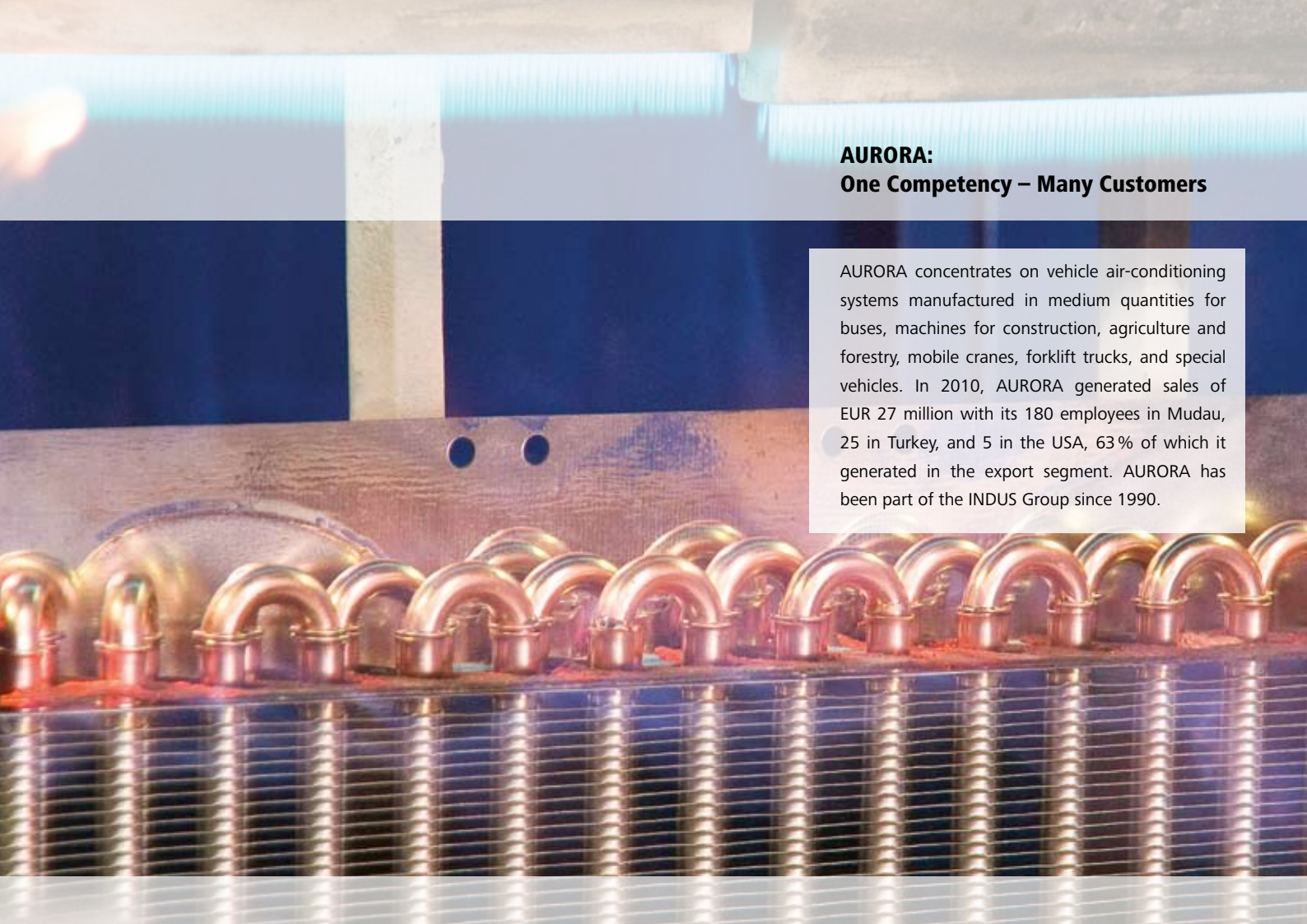
A  
strong  
Portfolio



"Aurora has been doing the same thing for 60 years," as Hannes Wolf, Managing Director of Aurora, once said in jest. Understood properly, this assertion makes a crucial point. Aurora has been successful for decades because it has been concentrating on the enhancement of its core competencies: the development and construction of efficient heating and air-conditioning systems for commercial vehicles in the premium category.

The first product in 1930 was quite a simple heating appliance made to special customer order for Kässbohrer buses. At that time, the basic versions of vehicles were delivered without heating appliances. Today, the company, which is based in the northern Baden region of Germany, develops and supplies components, devices, and complete systems for the heating, ventilation, and air-conditioning of commercial vehicles. The international elite of commercial vehicle manufacturers are among its customers: MAN, Daimler/EvoBus, Irisbus, Caterpillar, AGCO, and Terex – their buses, excavators, and tractors operate with climate control technology made in Mudau.

More than two dozen technicians and engineers work with modern tools and methods in the development department – at three-dimensional CAD workspaces with simulation software for the dimensioning of air conditioner output and the air distribution in the vehicle. Every year, 8% of the company's sales are invested in R&D. Thanks to the air-conditioning hall that was newly installed in 2010, vehicles of up to 15 meters' length, 4 meters' height, and 3.5 meters' width can be validated in terms of climate control under reproducible conditions. The chamber can be



## **AURORA: One Competency – Many Customers**

AURORA concentrates on vehicle air-conditioning systems manufactured in medium quantities for buses, machines for construction, agriculture and forestry, mobile cranes, forklift trucks, and special vehicles. In 2010, AURORA generated sales of EUR 27 million with its 180 employees in Mudau, 25 in Turkey, and 5 in the USA, 63 % of which it generated in the export segment. AURORA has been part of the INDUS Group since 1990.

## The path to quality involves vertical integration.

conditioned up to 60 degrees Celsius and 60 % humidity, a sun load of up to 1,500 watts/m<sup>2</sup> can be simulated, or it can be cooled down to –50 degrees Celsius. This means that the climate conditions of anywhere ranging from Death Valley to the Antarctic can be created.

AURORA offers an extensive product program and largely carries out its own manufacturing. Components such as air exhausts, water valves, control units, heat exchangers, and fans are developed in-house and adapted to the commercial vehicles' specific requirements. Another of AURORA's strengths is its vertical integration. For example, the company manufactures important components such as heat exchangers for heating and air-conditioning itself.

A high level of vertical integration, a broad product family containing some 40,000 active parts, and customized development services for more than 500 active customers have enabled AURORA to grow successfully. Over the past five years, its sales have increased by 80 %. Each year, production starts for 20 to 30 series and between EUR 1.3

and 1.8 million is invested. During and since the crisis, AURORA has invested aggressively in development and production while a number of its competitors have become considerably weaker. This led to a further increase in the company's competitive edge. The fresh acquisitions over the past year and a half have consequently secured its further growth. The resultant success shows that all this expenditure pays off. Because with each euro, AURORA is investing in its future.

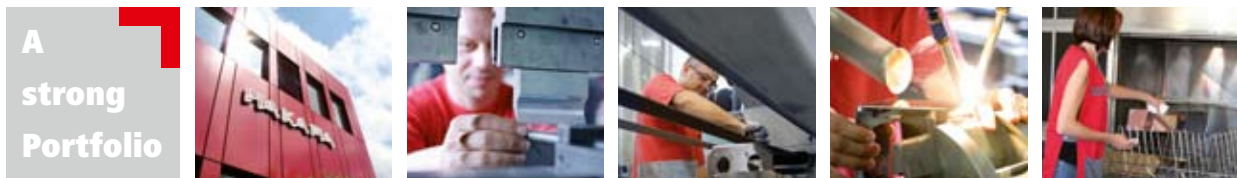
### **Strengths of AURORA:**

- > experience in the core business  
and a good feel for the market
- > development expertise and high product quality
- > a broad product range and a high level  
of vertical integration
- > individual solutions and high speed of realization

[www.aurora-eos.com](http://www.aurora-eos.com)

Identification

# With Passion



Sold, but its essence has been retained: HAKAMA has been part of the INDUS Group since 2010. Marius Haberthür and Fritz Kasper make sure that the Swiss family-run company consistently charts its own course even in the new situation. They are the second generation in charge, managing the company established by their fathers – and providing familiar orientation for 160 committed employees.

**W**hat are the signs that a company is healthy? The customers keep coming back, the employees stay, and the management does everything that is required for both groups to gain new, additional members in the future. HAKAMA is just such a company. Established in 1972, it develops, constructs, and realizes individual casings and components made from thin sheet metal with its 160 employees, mainly for medical devices, analytical systems, and vending machines. The customers are satisfied, the employees like working for the company, and HAKAMA is ideally prepared for further growth thanks to its absorption into INDUS Holding at the beginning of 2010.

The family-run firm's decision to hand over the commercial, and therefore a great part of the strategic, responsibility to another was preceded by a great deal of careful consideration. For as with many other SMEs, HAKAMA's success is based on an extremely sensitive commodity: relationships with employees and customers that have developed over many years.

That is why the two owners consciously opted for INDUS as a new majority shareholder that shares HAKAMA's SME culture and which entered into a clear strategic obligation: "We acquire in order to retain and enhance." A commercial transfer in stages was agreed jointly. Part of this arrangement is that the families will continue to hold the reins in the first few years of the transfer.



# What we do out of conviction we do twice as well.

## **HAKAMA: Performance in Thin Sheet Metal**

The company based in Bättwil (near Basel), Switzerland, specializes in the production of high-quality casings and components made from aluminum, stainless steel, and other steel types for medical engineering and other industries. HAKAMA's strengths are its highly developed engineering services geared towards short delivery periods and its close cooperation with its customers. In addition to Switzerland, its core selling markets are the EU and the USA. In 2010, HAKAMA and its 160 employees generated sales of EUR 20 million.

It was therefore possible to inform the customers that a bridge into the future had been built. Or in the words of the press release: "Nothing is going to change for our customers and partners: the familiar contact persons, addresses, telephone numbers, mail addresses, banking details, and websites will remain unchanged. Coming together with INDUS will secure the corporate future of HAKAMA in a lasting and long-term fashion. Our identity, which is much appreciated by our customers, partners, and employees, will be retained."

Today, more than a year after the majority of the company was transferred to INDUS, it is evident that HAKAMA has maintained its strong position. The website contains the

following information: "At present, we have a workforce of 160 staff: engineering: 5 employees, construction/preparatory work: 7 employees, administration/sales: 9 employees, quality management: 2 employees, logistics: 7 employees, production: 130 employees." Here, everyone's important. And everyone is a part of our future.

### **Strengths of HAKAMA:**

- > international presence
- > engineering expertise
- > customer proximity
- > short delivery times

**[www.hakama.ch](http://www.hakama.ch)**

One Group – many winners

# Our investments

Our portfolio companies operate independently within their markets. They use this freedom to actively develop their businesses further, tailoring them closely to customers' needs. This keeps both the individual firms and our Group as a whole successful and resilient.

A  
strong  
Portfolio

## **[ Construction/Infrastructure ]**

Construction and infrastructure are elementary sectors for any country. Small and medium-sized construction firms ensure that we in Germany can live and work in comfort. They also ensure that standards are constantly raised. At the same time, mobility is increasing in our society. The infrastructure sector will therefore become even more significant in the future.

## **[ Automotive Components/Engineering ]**

The automotive industry is one of the pillars of the German economy. Around one-sixth of all German jobs are dependent on it. This sector is supported crucially by the expertise and skills of medium-sized manufacturers and suppliers. Their flexibility and innovative power ensure that Germany will remain a leading force on this market in the years to come.

## **[ Engineering ]**

No other industry embodies the term "Made in Germany" as well as the engineering industry. Industrial production would be unimaginable without this segment. All over the world, German companies in this sector have a first-class reputation. With their expertise and their quality, SMEs from Germany have been ensuring for many decades that German products are in high demand internationally.

## **[ Medical Engineering/Life Science ]**

Faced with an ageing population, healthcare will become a major market in the future. It is driven by a high pace of innovation. SMEs seize the new knowledge and use it to develop products which are compatible with markets and everyday life. By focusing their efforts in this way, they become specialists that assert themselves outstandingly in the competitive environment.

## **[ Metal/Metal Processing ]**

The metal and metal processing areas play a significant part in the base materials processing industry. It is mainly smaller and medium-sized companies which, thanks to the precision of their work and the quality of their products, create the conditions for high-quality end products. The reliability of its performance makes this segment a stable pillar in the day-to-day economy.



## BETOMAX Kunststoff- und Metallwarenfabrik GmbH & Co. KG, Neuss

Construction/Infrastructure

### Solutions in Concrete Construction

BETOMAX provides intelligent solutions and systems for modern concrete construction and civil engineering. Its customers are construction companies, prefabricated part plants, and planning and structural design agencies. BETOMAX produces anchoring and reinforcement technology and supplies important components for bridge building technology. Its products are sold and used all over the world, for example in high-rise construction in Dubai and bridge construction in Nigeria. The construction materials supplier's strengths include customer orientation and proximity to the market.

Revenue 2010 EUR millions	40.7
Employees	183
Established	1963
INDUS company since	1991
Location	Neuss, Halle, Dielsdorf (CH), Budapest (H), Końskie (PL), Linz (A)

[www.betomax.de](http://www.betomax.de)

**BETOMAX®**

## FS Kunststofftechnologie GmbH & Co. KG, Reichshof/Hahn

Construction/Infrastructure

### Sealants Made from Silicone and Acrylic

The company formulates and packs high-quality silicone and acrylic sealants tailored to different market segments such as skilled tradespersons, specialist retailers, section jointers, and DIY chains. A modern infrastructure and filling technology enable the company to reinforce and further enhance its leading position in Europe. With 40 years' presence on the market behind it, FS has excellent networks at its disposal.

Revenue 2010 EUR millions	36.2
Employees	112
Established	1966
INDUS company since	1998
Location	Reichshof/Hahn

[www.fs-kunststoff.de](http://www.fs-kunststoff.de)



## HAUFF-TECHNIK GmbH & Co. KG, Herbrechtingen

Construction/Infrastructure

### Reliable Sealing Systems

The company is one of Europe's leading manufacturers of sealing systems for cable and pipe ducts. HAUFF has been developing and manufacturing in Germany since 1955 and sells approximately 3,000 products worldwide. HAUFF-Technik supplies energy providers, public utility companies, construction firms, installation companies, industrial companies, and private construction clients. Convincing technology and closeness to its customers make HAUFF the market leader in Germany.

Revenue 2010 EUR millions	29.1
Employees	136
Established	1955
INDUS company since	1986
Location	Herbrechtingen, Landshausen

[www.hauff-technik.de](http://www.hauff-technik.de)

**hauff-technik®**  
Kabel- und Rohrdurchführungen

## MIGUA Fugensysteme GmbH & Co. KG, Wülfrath

Construction/Infrastructure

### Section Construction for Expansion Joints

MIGUA manufactures expansion joint sections for the bridging, closure, and sealing of movement joints made from aluminum, standard and high-grade steel, and elastomers, as well as combinations of these materials. In global terms, MIGUA is represented in more than 60 countries via independent specialist firms. Possessing great innovative power and with decades of experience under its belt, the company offers its customers more than 600 different forms of profile construction together with an extremely high standard of advice, quality, punctuality of delivery, and safety.

Revenue 2010 EUR millions	12.6
Employees	57
Established	1928
INDUS company since	2005
Location	Wülfrath

[www.migua.de](http://www.migua.de)

**MIGUA®**



## OBUK Haustürfüllungen GmbH & Co. KG, Oelde

### Individual Front Door Panels

The company designs, produces, and sells around 30,000 plastic and aluminum panels each year for front doors in the high-priced premium segment. With its broad design-oriented product range, OBUK positions itself as a "manufacturer of front door panels." It markets the products it manufactures via a regionally organized sales structure in Germany, Austria, and the Netherlands. OBUK has operated on the market for more than 30 years and has a broad customer base.

Revenue 2010 EUR millions	22.7
Employees	189
Established	1980
INDUS company since	2007
Location	Oelde, Malacky (SK)

[www.obuk.de](http://www.obuk.de)



## REMKO GmbH & Co. KG Klima- und Wärmetechnik, Lage

### Efficient Heating Technology

REMKO develops and produces room air conditioners, hot-air heating systems, air dehumidifiers, and heat pumps. REMKO offers new inverter heat pumps for the environmentally friendly generation of energy. They cool, heat up water, and heat rooms: energy is provided by the ambient air. The devices are marketed via wholesalers and around a quarter of the products are exported. REMKO's strengths include service and innovative power.

Revenue 2010 EUR millions	33.2
Employees	103
Established	1976
INDUS company since	1988
Location	Lage, Luvia (FIN)

[www.remko.de](http://www.remko.de)



## SCHUSTER Klima Lüftung GmbH & Co. KG, Friedberg

### Ventilation and Air-conditioning Technology

SCHUSTER is a specialist supplier in the field of planning and installing ventilation and air-conditioning systems in shopping malls, schools, and industrial and administrative buildings. The company is an acknowledged planning partner for architects, engineering consultants, and industry. Its new headquarters in Friedberg was completed in 2010 as a zero-energy building and serves as a reference for energy-efficient construction. Increasingly stringent quality and environmental standards are securing a good position on the market for SCHUSTER.

Revenue 2010 EUR millions	11.2
Employees	69
Established	1945
INDUS company since	2001
Location	Friedberg

[www.klima-schuster.de](http://www.klima-schuster.de)



## WEIGAND Bau GmbH, Bad Königshofen im Grabfeld

### Modern Pipeline and Cable Duct Construction

WEIGAND concentrates on special underground construction projects such as the laying of cable conduits, particularly for the telecommunications industry. In line with the idea of being a "one-stop shop," the company takes on all the tasks required, such as planning, securing the right of way, surveying, documentation, and maintenance. The services rendered also encompass the areas of electricity, gas, water, and district heating. The company, which is certified in a number of areas, has a convincing market presence thanks to its reliability and quality.

Revenue 2010 EUR millions	22.2
Employees	135
Established	1990
INDUS company since	2002
Location	Bad Königshofen im Grabfeld

[www.weigandbau.de](http://www.weigandbau.de)





Construction/Infrastructure



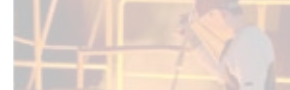
Automotive Comp./Engineering



Engineering



Medical Engineering



Metal/Metal Processing

**WEINISCH****GmbH & Co. KG, Oberviechtach****High-quality Powder Coating of Metals**

WEINISCH coats elements made from aluminum and galvanized steel for manufacturers of exterior, ceiling, and wall elements. The company's coatings satisfy high international quality standards. A high-bay warehouse system that became operational in 2009 ensures that the company's logistics are efficient. The modern fleet maintained by WEINISCH enables it to supply its customers flexibly and independently of forwarders. The company is well established as a quality leader in its niche.

Revenue 2010 EUR millions	6.7
Employees	64
Established	1979
INDUS company since	2001
Location	Oberviechtach

[www.weinisch.de](http://www.weinisch.de)**BILSTEIN & SIEKERMANN****GmbH + Co. KG, Hillesheim****Turned Parts, Cold Extrusion Parts, and Locking Screws**

BILSTEIN & SIEKERMANN produces turned parts, cold extrusion parts, and locking screws made from steel, brass, and aluminum – primarily for the automotive industry, mechanical engineering, and other high-tech sectors. The company is the market leader in the field of locking screws. A long-established company with decades of production experience, the company is characterized by technical know-how and close commercial relationships with its customers.

Revenue 2010 EUR millions	16.0
Employees	91
Established	1956
INDUS company since	2003
Location	Hillesheim

[www.bsh-vs.com](http://www.bsh-vs.com)**AURORA Konrad G. Schulz****GmbH & Co. KG, Mudau****Heating and Air-conditioning Systems for Commercial Vehicles**

AURORA is a specialist in air-conditioning for commercial vehicles manufactured in medium quantities. Be it for buses, machinery for construction, agriculture or forestry, mobile cranes, forklift trucks, or special vehicles, the company has been producing customized solutions for many decades and is one of the leading international suppliers in this area. Its strengths include dynamic development work and a broad spectrum of self-developed products and components.

Revenue 2010 EUR millions	27.0
Employees	212
Established	1930
INDUS company since	1990
Location	Mudau, Istanbul (TR), Grand Rapids (USA)

[www.aurora-eos.com](http://www.aurora-eos.com)**Emil FICHTHORN Metallwarenfabrik****GmbH & Co. KG, Schwelm****Metal Forming and Assembly**

FICHTHORN designs and manufactures stamped, flexible, and embossed parts. Its customers come from the automotive parts supply and building hardware industries. FICHTHORN's drawn, pressed, stamped, and formed parts and assemblies are used in door locking systems, suspension struts, and airbag and drive systems. Strategically oriented and able to adapt to its target markets' requirements, the company positions itself as a competent contact and adviser.

Revenue 2010 EUR millions	8.7
Employees	53
Established	1937
INDUS company since	1996
Location	Schwelm

[www.fichthorn.de](http://www.fichthorn.de)



**IPETRONIK****GmbH & Co. KG, Baden-Baden****Automotive Components/Engineering****Measurement Technology for Motor Vehicles**

IPETRONIK is one of the global leaders in the field of mobile measurement technology. The service spectrum encompasses the areas of measurement technology, consulting/engineering for vehicle equipment, testing, and precommissioning inspections. The majority of the company's employees work in the development field. Its distributors and sales offices are present at all the automotive industry's important development locations worldwide.

Revenue 2010 EUR millions	19.3
Employees	117
Established	1989
INDUS company since	1999
Location	Baden-Baden, Livonia (USA), Voisins-Le-Bretonneux (F)

[www.ipetronik.com](http://www.ipetronik.com)**KIEBACK****GmbH & Co. KG, Osnabrück****Automotive Components/Engineering****Prototype Parts for Niche and Special-purpose Vehicles**

KIEBACK is a specialist in the manufacturing of prototype parts and the production of small series for niche and special-purpose vehicles. Its construction department uses state-of-the-art computer technology to plan sheet metal and plastic parts in precise conformity with customer specifications. The company's customers include major automotive, commercial vehicle, and agricultural machinery manufacturers. The company stands out on the market by virtue of its flexibility and competence.

Revenue 2010 EUR millions	6.9
Employees	80
Established	1985
INDUS company since	1998
Location	Osnabrück

[www.kieback.de](http://www.kieback.de)**REBOPLASTIC****GmbH & Co. KG, Kalletal****Automotive Components/Engineering****Vacuum-formed Plastic Parts and System Solutions**

REBOPLASTIC produces large-scale thermoformed plastic parts and system solutions for, among others, the automotive and ancillary industries, machinery and equipment construction, and the electrical industry. Its standard products include pallet systems for in-house transportation. A large proportion of its products are developed specifically for individual customers. Construction and realization are carried out by means of CAD/CAM in the company's own model and toolmaking facilities. REBOPLASTIC holds various patents for Europe and the USA.

Revenue 2010 EUR millions	6.3
Employees	51
Established	1969
INDUS company since	1985
Location	Kalletal

[www.reboplastic.de](http://www.reboplastic.de)**REBOPLASTIC****Konrad SCHÄFER****GmbH, Osnabrück****Automotive Components/Engineering****Modern Mold and Model Construction**

The Konrad SCHÄFER group is a highly qualified mold and model construction specialist and an important development partner for the automotive and aviation industries. As well as producing reference gauges, leather application models, and headlamp systems, the company manufactures integral testing and functional cubing for the vehicle body shell and the interior fittings. In the interests of its customers, SCHÄFER strives to keep development costs low and development periods short.

Revenue 2010 EUR millions	11.9
Employees	137
Established	1901
INDUS company since	2002
Location	Osnabrück, Mühlhausen

[www.konrad-schaefer.de](http://www.konrad-schaefer.de)



## SELZER Fertigungstechnik GmbH & Co. KG, Driedorf

### Precision Technology for Manufacturing

SELZER is a developer and manufacturer of ready-to-install metal components and assemblies for gear mechanisms, brakes, and engines as well as industrial applications. The company is an established partner of the automotive and electrical industries and its customers are particularly appreciative of its reliability and quality. SELZER safeguards its particularly high standards of precision by investing regularly in state-of-the-art technologies.

Revenue 2010 EUR millions	79.7
Employees	646
Established	1923
INDUS company since	2005
Location	Driedorf, Vinhedo (BR)

[www.selzer-automotive.de](http://www.selzer-automotive.de)



## SITEK-Spikes GmbH & Co. KG, Aichhalden

### Tire Studs and Carbide Tools

SITEK is a manufacturer of car tire studs and carbide-tipped milling cutters. SITEK is the global market leader in the production of tire studs. The milling cutters are used on milling machines to remove applications such as road markings and to roughen and clean asphalt or concrete. They are resistant to wear and tear and calibrated for economical use. SITEK has its own carbide production facilities. Continuous quality control in all production phases ensures constantly high product quality.

Revenue 2010 EUR millions	16.4
Employees	51
Established	1970
INDUS company since	1992
Location	Aichhalden

[www.sitek.de](http://www.sitek.de)



## SIKU GmbH, Rickenbach/Switzerland

### High-precision Plastic Injection-molded Parts

SIKU is a manufacturer of small plastic injection-molded parts in large quantities for the metal processing companies in the Swiss-based SIMON Group. All standard reinforced and nonreinforced thermoplastics are processed. SIKU therefore plays a substantial part in making the products of the SIMON Systems group company. This company supplies integral mechanical assemblies for a wide array of applications.

Revenue 2010 EUR millions	2.7
Employees	21
Established	1974
INDUS company since	1992
Location	Rickenbach (CH)

[www.simon.de](http://www.simon.de)



## S.M.A. Metalltechnik GmbH & Co. KG, Backnang

### Ducts for Automotive Air-conditioning and Servo Technology

S.M.A. manufactures ducts for motor vehicles, concentrating on the construction and production of air-conditioning, heating, cooling, servo-cooling, and lubricant return ducts. Sophisticated production and soldering processes are used for the different materials. The company's main customers are German premium manufacturers such as Audi, BMW, Mercedes, VW, and Porsche. In defiance of the trend towards outsourcing, it carries out its own highly automated development and production on its own premises.

Revenue 2010 EUR millions	67.2
Employees	1,107
Established	1990
INDUS company since	2000
Location	Backnang, Halle, East London (ZA)

[www.sma-metalltechnik.de](http://www.sma-metalltechnik.de)





## WIESAUPLAST Kunststoff und Formenbau GmbH & Co. KG, Wiesau

### Plastics Injection Molding

WIESAUPLAST concentrates on the production of plastic parts for use in automotive technology. This plastics processor with plants in Germany and Mexico has its own mold construction facilities and produces prototypes in accordance with individual customer specifications. Using innovative special procedures in injection molding technology, WIESAUPLAST manufactures economically, functionally, and at an extremely high level of quality. Its competencies also include the finishing of the products, right up to the production of integrated units.

Revenue 2010 EUR millions	45.4
Employees	367
Established	1958
INDUS company since	1997
Location	Wiesau, San José Iturbide (MEX)

[www.wiesauplast.de](http://www.wiesauplast.de)



## ASS Maschinenbau GmbH, Overath

### Robotic Hand Systems for Production Plants

ASS is an automation specialist and development partner of the parts supplier industry with 28 sites in Europe and the USA. The company develops innovative function- and cost-optimized production and handling equipment. In addition to robotic hand systems, ASS also manufactures integral peripheral systems. Its customers include plastics processors and automotive manufacturers. More than 6,000 applications testify to the company's cross-sector solution expertise.

Revenue 2010 EUR millions	12.1
Employees	81
Established	1983
INDUS company since	2002
Location	Overath, Livonia (USA)

[www.roboterhand-und-mehr.de](http://www.roboterhand-und-mehr.de)



## M. BRAUN Inertgas-Systeme GmbH, Garching

### Glove Box Systems for Industry

M. BRAUN manufactures inert gas glove box systems and gas purification systems. The products are used in the manufacturing of flat screens, xenon automotive lighting, lithium-ion batteries, and pharmaceutical products. The company's customers are in machinery and plant construction and automotive manufacturing. Its 213 employees work at five plants in Germany, Switzerland, the UK, China, and the USA. M. BRAUN maintains its high level of technological competence by engaging in close and long-term cooperation with the science sector.

Revenue 2010 EUR millions	72.5
Employees	213
Established	1974
INDUS company since	2002
Location	Garching, Shanghai (CN), Stratham (USA), Wittenbach (CH), Mansfield (GB)

[www.mbraun.de](http://www.mbraun.de)



## GSR Ventiltechnik GmbH & Co. KG, Vlotho

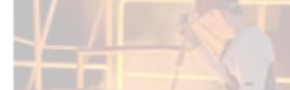
### Innovative Valve Technology

GSR develops and manufactures automatically controlled valves for liquid and gaseous substances. Since being established in the 1970s, the company has expanded its product range to the point where it now includes 3,000 special valves. Today, highly qualified specialists work on customized solutions as part of a global selling network. Specifications are elaborated in collaboration with customers and then brought to technical fruition by GSR.

Revenue 2010 EUR millions	18.1
Employees	143
Established	1971
INDUS company since	1999
Location	Vlotho

[www.ventiltechnik.de](http://www.ventiltechnik.de)



**HORN****GmbH & Co. KG, Flensburg****Engineering****Fueling Technology and Repair Shop Solutions**

This long-established company develops and manufactures fueling systems and oil management systems for the petroleum industry and technical components for commercial and other vehicles' repair shops. In the area of fluid level measurement, among others, HORN provides great competence in the electronic further processing of specific data for its customers. As well as series products, HORN also offers innovative special applications.

Revenue 2010 EUR millions	12.3
Employees	93
Established	1944
INDUS company since	1991
Location	Flensburg

[www.tecalemit.de](http://www.tecalemit.de)**NISTERHAMMER Maschinenbau****GmbH & Co. KG, Nister****Engineering****Special Machinery for Belt Cleaning**

NISTERHAMMER develops and manufactures belt cleaning equipment and components for the wet chemical treatment of metal surfaces. Its customers come from the international steel and nonferrous metals industries. The facilities are characterized by chemical, electrolytic, and mechanical procedures for cleaning metal substances using the throughfeed method and are used in processing lines, paint shops, hot-dipping lines, and continuous annealing.

Revenue 2010 EUR millions	13.0
Employees	71
Established	1725/1956
INDUS company since	1997
Location	Nister

[www.nisterhammer.de](http://www.nisterhammer.de)**SEMET Maschinenbau****GmbH & Co. KG, Brackenheim****Engineering****Automation and Materials Handling Technology**

SEMET manufactures materials handling equipment, automation solutions, and special constructions for, among others, the porous concrete, clay brick, metal, and sand-lime brick industries. The company positions itself as a global supplier of machinery and integral plant facilities – with its own independent development, construction, and commissioning. Thanks to its high level of vertical integration, SEMET offers its customers great security in the realization of projects.

Revenue 2010 EUR millions	2.9
Employees	29
Established	1978
INDUS company since	1994
Location	Brackenheim

[www.semet-gmbh.de](http://www.semet-gmbh.de)**TSN Turmbau Steffens & Nölle****GmbH, Berlin****Engineering****International Construction of Towers**

TSN is one of Germany's leading specialists in the construction of self-supporting steel towers, masts, and special structures. The structures are up to 370 meters high and are erected for customers from the fields of radio, television, and telecommunications. They can be found standing in almost every part of the world. The range of services encompasses project planning, foundation construction, steel supply, and construction.

Revenue 2010 EUR millions	16.5
Employees	51
Established	1893
INDUS company since	2004
Location	Berlin

[www.turmbau-berlin.de](http://www.turmbau-berlin.de)



Construction/Infrastructure



Automotive Comp./Engineering



Engineering



Medical Engineering



Metal/Metal Processing

## IMECO Einwegprodukte GmbH & Co. KG Vliesstoffvertrieb, Hösbach

### Medical Engineering

#### Nonwoven Fabrics

IMECO produces and sells nonwoven fabrics and throwaway products of all kinds for the areas of medicine, hygiene, cosmetics, cleaning, and nursing care. Its services encompass product conception, creating designs, packaging development, and finishing on special machines. The products are marketed using trade brands and branded companies. In the field of airbag packaging, IMECO is well known worldwide as a supplier and has an export ratio of 50 percent. Efficient machinery ensures that IMECO can reliably deliver high quality and punctuality of delivery.

Revenue 2010 EUR millions	27.4
Employees	217
Established	1984
INDUS company since	1999
Location	Hösbach, Königswalde, Lubań (PL)

[www.imeco.de](http://www.imeco.de)



## MIKROP AG, Wittenbach/Switzerland

### Medical Engineering

#### Miniaturized Precision Optics

MIKROP concentrates on the sophisticated development, production, and assembly of lens systems with diameters of below one millimeter. Its most important customers include companies from, for example, the medical engineering, automotive, research, and telecommunications sectors. MIKROP has its own lens development department through which the company further advances its niche expertise. MIKROP occupies a good position in a market with a high access threshold.

Revenue 2010 EUR millions	10.5
Employees	100
Established	1981
INDUS company since	2000
Location	Kronbühl (CH)

[www.mikrop.ch](http://www.mikrop.ch)



## OFA Bamberg GmbH, Bamberg

### Medical Engineering

#### Compression Hosiery and Bandages

OFA Bamberg is a manufacturer of medical compression hosiery, bandages, and orthotic devices, as well as preventive health products such as surgical and travel stockings. Other products on offer are stockings for athletes and diabetes sufferers. The company serves its customer groups selectively via different channels; these include, in particular, specialist medical retailers and drugstores. OFA sells its products in more than 40 countries around the world.

Revenue 2010 EUR millions	47.2
Employees	315
Established	1928
INDUS company since	2000
Location	Bamberg

[www.ofa.de](http://www.ofa.de)



## BACHER AG, Reinach/Switzerland

### Metal/Metal Processing

#### Components Made from Steel and Aluminum

BACHER is a tier 1 supplier of components made from standard and stainless steel, and aluminum. One of its focal points is the manufacturing of integral ceiling systems including air ventilation ducts and lighting for trains. Its most important customer groups include European railways, transport and medical technology, lab technology, and mechanical engineering. BACHER underlines its high quality aspirations with the various industry and DIN certificates it has earned.

Revenue 2010 EUR millions	21.0
Employees	124
Established	1919
INDUS company since	2000
Location	Reinach (CH)

[www.bacherag.ch](http://www.bacherag.ch)



**BETEK****GmbH & Co. KG, Aichhalden**

Metal/Metal Processing

**Carbide-tipped Wear Parts**

BETEK is one of the world's leading manufacturers of carbide-tipped wear parts. The production spectrum comprises tool systems for a variety of industrial application fields. Focal points are road construction, special civil engineering, the recycling industry, mining, and tunnel construction. In addition, the company develops carbide solutions for wear protection. BETEK safeguards its pioneering role by means of numerous patents.

Revenue 2010 EUR millions	127.4
Employees	194
Established	1981
INDUS company since	1992
Location	Aichhalden, Buford (USA)

[www.betek.de](http://www.betek.de)

Weiterkommen!

**HAKAMA****AG, Bättwil near Basel/ Switzerland**

Metal/Metal Processing

**Sheet Metal Technology**

HAKAMA specializes in the production of premium casings and components made from aluminum, steel, and stainless steel, primarily for medical technology systems such as analytical and diagnostic equipment. The company supplies customers from segments such as communications technology, measuring technology, control engineering, medical engineering, and equipment manufacturers for laboratories, analysis, medical practices, and surgery. Half of the products are bought by customers abroad. Indirectly, HAKAMA's export share is well over 80 percent.

Revenue 2010 EUR millions	20.6
Employees	160
Established	1972
INDUS company since	2010
Location	Bättwil/Basel (CH)

[www.hakama.ch](http://www.hakama.ch)

Performance in Feinblech

**KÖSTER****& Co. GmbH, Ennepetal**

Metal/Metal Processing

**Fasteners for Stud Welding Technology**

As a tier 1 supplier, the KÖSTER Group manufactures fasteners for stud welding technology, including the corresponding stud welding machines. Stud welding is a safe and efficient fastening technique which is rapidly gaining in significance, particularly in the infrastructure area. High product quality and a well-developed global sales network in more than 80 countries give KÖSTER an outstanding market position.

Revenue 2010 EUR millions	19.4
Employees	59
Established	1952
INDUS company since	2008
Location	Ennepetal, Žacléř (CZ)

[www.koeco.net](http://www.koeco.net)

KÖSTER &amp; CO

**MEWESTA Hydraulik****GmbH & Co. KG, Münsingen**

Metal/Metal Processing

**Hydraulic Components and Systems**

MEWESTA is one of the leading companies in the construction and assembly of hydraulic control blocks, hydraulic power units, and hydraulic components of almost any size. The company takes on the entire assembly and testing of hydraulic control systems and distinguishes itself with a broad spectrum of standard products and innovative solutions with custom-made products. Its customers are manufacturers from the plastics, construction, machine tools, and materials handling technology sectors.

Revenue 2010 EUR millions	7.0
Employees	50
Established	1970
INDUS company since	1997
Location	Münsingen

[www.mewesta.de](http://www.mewesta.de)



**PLANETROLL****GmbH & Co. KG, Munderkingen**

Metal/Metal Processing

**Power Transmission Technology,  
Stirring Technology, Plant Engineering**

PLANETROLL is an innovation-driven company in the engineering sector. As well as manufacturing planetary gearheads and developing software and hardware solutions, PLANETROLL is the market leader in the field of explosion-proof variable-speed gear boxes for power transmission. In the stirring technology segment, the company has a broad manufacturing spectrum ranging from explosion-proof lab stirring units to industrial stirring facilities. A modular approach to product coordination allows for a high level of customization.

Revenue 2010 EUR millions	4.6
Employees	38
Established	1976
INDUS company since	1998
Location	Munderkingen

[www.planetroll.de](http://www.planetroll.de)**Helmut RÜBSAMEN****GmbH & Co. KG, Metalldruckerei  
Umformtechnik, Bad Marienberg**

Metal/Metal Processing

**Metal Processing and Forming**

RÜBSAMEN is a specialist supplier of pressed, stamped, drawn, and formed parts made from malleable metals, laser-cut articles, and welded assemblies made from sheet steel, stainless steel, aluminum, and nonferrous heavy metals. The company's customers are German and international manufacturers, primarily from the iron, steel, and metallurgical industry, the heating and air-conditioning technology sector, and plant construction. RÜBSAMEN uses its production expertise by integrating it at an early stage into the construction processes on the customers' premises.

Revenue 2010 EUR millions	33.7
Employees	255
Established	1960
INDUS company since	2003
Location	Bad Marienberg

[www.helmut-ruebsamen.de](http://www.helmut-ruebsamen.de)**Karl SIMON****GmbH & Co. KG, Aichhalden**

Metal/Metal Processing

**Metal and Plastics Production**

SIMON is an international group of companies and combines the production segments of window and door hardware, electroplating, powder metallurgy, and tool-making. Highly automated production processes in the technological fields of powder and carbide metallurgy, injection molding of plastic, galvanic finishing, and assembly in combination with its efficient in-house toolmaking facilities and materials laboratory assure the company of competitive, technically outstanding products.

Revenue 2010 EUR millions	44.4
Employees	285
Established	1918
INDUS company since	1992
Location	Aichhalden

[www.simon.de](http://www.simon.de)**VULKAN INOX****GmbH, Hattingen**

Metal/Metal Processing

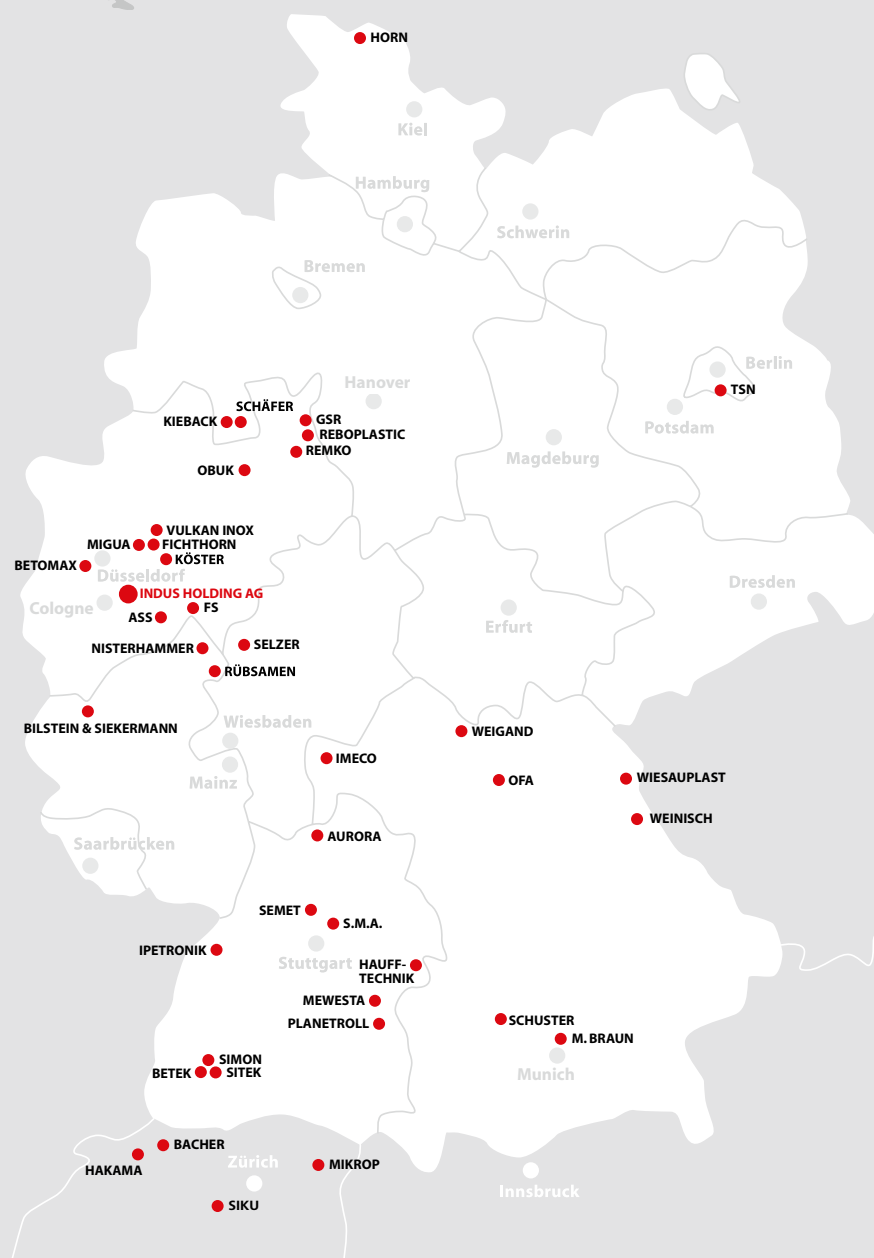
**Granules for Surface Treatment**

Granules for Surface Treatment VULKAN INOX is one of the leading manufacturers of granulated stainless steel blasting agents for the treatment of surfaces of all kinds. The blasting agents are rust-resistant thanks to the addition of nickel and chrome. The granules are produced using a patented procedure. VULKAN INOX sells its products worldwide, partly through subsidiaries of its own. With an export ratio of more than 70 percent, the company has a global market share of 75 percent.

Revenue 2010 EUR millions	18.6
Employees	47
Established	1984
INDUS company since	2002
Location	Hattingen, Vinhedo (BR), Brantford (CA)

[www.vulkan-inox.de](http://www.vulkan-inox.de)

## SEATS







# Financial Report **2010**

**[INDUS]**  
H O L D I N G A G

INDUS is the leading specialist in the field of sustainable investment in German small and medium-sized companies. We mainly acquire owner-managed companies and support their business development entrepreneurially with a long-term orientation. **Our subsidiaries are characterized in particular by their strong positions on specific niche markets.** Our goal is to achieve lasting value appreciation for our portfolio that is both healthy and measured. We do this by maintaining a diversified investment structure and a corporate policy geared toward stable yields.

The guideline for all of our decisions is the long-term development of each and every company. We give our companies reliable perspectives and allow them entrepreneurial scope for action.

In 2010, our Group's workforce of around 6,000 generated sales of approximately EUR 972 million and EBIT of EUR 101 million. This meant our portfolio companies were able to capitalize on the economic upturn more strongly than most. We aim to keep our Group on this growth path in the current fiscal year.

## Key figures

EUR millions	2006	2007	2008	2009*	2010
Sales	846.0	915.0	920.1	766.4	971.6
EBITDA	146.7	143.1	133.4	102.8	145.0
EBIT	85.6	102.4	90.3	57.1	101.4
EBT	61.8	77.4	60.0	29.5	74.0
Net income for the year	29.1	49.9	27.9	11.4	46.9
Total assets	900.4	931.3	965.5	913.5	973.1
Group equity	204.6	234.1	246.4	241.7	309.5
Net debt	426.9	440.4	438.5	408.3	379.4
Equity ratio in the Group (in %)	22.7	25.1	25.5	26.5	31.8
Equity of the holding company	457.2	488.4	506.7	484.4	503.2
Equity ratio of the holding company (in %)	50.8	52.2	53.1	53.0	54.6
Operating cash flow	86.0	108.0	107.3	106.6	81.9
Cash flow from operating activity	60.8	82.1	80.7	77.1	54.3
Cash flow from investing activity	-53.3	-73.4	-55.5	-32.7	-38.4
Cash flow from financing activity	-48.4	-23.6	-14.9	-39.1	-13.9
Cash and cash equivalents as per Dec. 31	92.7	77.6	87.8	93.5	96.8
Earnings per share, basic in acc. with IFRS (in EUR)	1.73	2.74	1.78	0.89	2.59
Cash flow per share (in EUR)	3.41	4.52	4.39	4.20	2.69
Dividend per share (in EUR)	1.20	1.20	0.80	0.50	0.90**
Average number of employees in the period	5,174	5,777	5,862	5,371	6,036
Investments (number as per Dec. 31)	41	42	41	40	40

\* Previous year's figures adjusted in accordance with IFRS

\*\* Proposed

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# Letter to the Shareholders



Dr. Wolfgang Höper, Dr. Johannes Schmidt, Helmut Ruwisch, Jürgen Abromeit

## Ladies and Gentlemen,

For INDUS Holding AG, the 2010 fiscal year was the most successful since the company's foundation 25 years ago. During the course of the year we were able to increase our forecasts several times. In the first year after the crisis, the INDUS Group generated an EBIT margin of more than 10% and thereby returned to its high long-term level of return on investment.

Following the severe financial and economic crisis in 2008 and 2009, the economy was expected to recover slightly in 2010. It could not be foreseen that the upturn in our business sectors would turn out to be so dynamic. The German economy, too, recovered rapidly – more robustly and quickly than most other economies – and consequently became the driving force for the European economy.

In this context, INDUS was able to generate disproportionately high growth thanks to its pronounced strength in the SME sector. Two factors helped us to achieve this. Firstly, the restructuring measures that were introduced swiftly and comprehensively in 2009 had an immediate impact on the cost side. Secondly, our strong growth was driven in particular by exports. The upturn was especially beneficial for the traditional, heavily export-oriented sectors such as the metal and automotive industries. Demand from China, India, and the USA was particularly high. The robust recovery took place in all the segments. This was accentuated by one-off effects at the associated companies in the construction sector, which still benefited from the economic stimulus packages in 2010.

The fact that we made necessary investments in research and development and in machinery even in the recession, while pressing ahead with our expansion of sales activities, paid off handsomely. In addition, we retained our employees wherever possible. As a result, our portfolio companies were not only in a position to react quickly to increasing demand when the recovery began; they also had more efficient workflows, a market presence that had been further enhanced, and high technical standards at their disposal.

# [ Letter to the Shareholders

We have once again impressively demonstrated the strength of our SME-oriented portfolio and the stable position of our associated companies in their respective niches, both during the crisis and in the recovery phase. As an association of strong hidden champions, INDUS delivers sustainable and stable returns coupled with broad diversification of risk.

In the coming fiscal year, we intend to enhance our portfolio by selectively investing unprecedented amounts in our existing subsidiaries. In doing so, we will also keep an eye out for strategic investments at the level below that of our subsidiaries so that their competencies can be perfected further. At the same time, we will still be on the lookout for suitable hidden champions with good prospects. These will ensure that we can keep the overall portfolio stable and profitable, now and in the future.

We also have positive news in relation to our investors: since the end of October 2010, INDUS has had a new anchor investor. With Versicherungskammer Bayern (VKB), we have secured ourselves an institutional investor that fully supports our business model's long-term orientation. We gained VKB as an investor within the framework of a capital increase of almost 10% and with the aim of establishing a lasting collaboration. A future-oriented company like INDUS requires investors with a long-term investment horizon.

At this year's Annual Shareholders' Meeting on July 5, the Board of Management and the Supervisory Board will propose a dividend of EUR 0.90 per share. This means that, as we promised last year, we are increasing our dividend, by approximately 80%. At the same time, we are maintaining our dividend policy of distributing around 50% of revenue.

We regard the overall economic situation in 2011 as stable. We are confident about the current fiscal year and are assuming that we will again increase our sales and returns. As a result of the natural disaster in Japan in mid-March, the political upheavals in North Africa, and the consequences of these, however, we are seeing a slackening of dynamism in the global economy. The effects of this on the upturn in Germany cannot yet be foreseen. Neither can we make any precise forecast regarding the ongoing increases in energy and commodity prices or wage and salary demands that might burden the income situation. All in all, however, we are currently assuming that INDUS in 2011 can emulate its highly positive level of 2010 and – from a current viewpoint – break through the EUR 1 billion sales barrier for the first time. Parallel to this, we are aiming to maintain our double-digit EBIT margin.

»As an association of strong hidden champions,  
INDUS delivers sustainable and stable returns  
coupled with broad diversification of risk.«

The great success we achieved last year would have been impossible without our employees. It was thanks to their commitment and motivation that INDUS was able to take full advantage of the upturn. The Board of Management at INDUS Holding AG would like to thank not only its executives, but also all of its employees for their commitment in overcoming this crisis. We know that the smooth organization of such rapid and robust growth is a highly challenging task. We thank you, dear shareholders, for your trust and support.

Bergisch Gladbach, Germany, April 2011

The Board of Management



Helmut Ruwisch



Jürgen Abromeit



Dr. Wolfgang Höper



Dr. Johannes Schmidt



## The Board of Management



### **Helmut Ruwisch**

Chairman of the Board of Management  
Strategy, Banks/Finance,  
Public Relations, Human Resources,  
Equity Holdings Management

*Helmut Ruwisch, 64, was appointed as Chairman of the Board of Management at INDUS Holding AG in 2002 after over twenty-five years in responsible positions at a variety of banks. After graduating with a degree in business administration, he spent a number of successful years at the financial institutions WestLB, IKB, and WGZ. At Westdeutsche Genossenschaftszentralbank (WGZ), he held responsibility for corporate and equity holdings transactions for a total of ten years first as general agent and was then responsible for money, currency, bond, and share transactions, including treasury, as a member of the Board of Management. He was a board member at Bankhaus Lampe until 2002.*



### **Jürgen Abromeit**

M+A Coordination, IT/Services,  
Compliance/Corporate Governance,  
Reengineering Processes,  
Equity Holdings Management

*Jürgen Abromeit, 50, has been a member of INDUS Holding AG's Board of Management since 2008. After completing his professional training, the bank manager occupied a number of positions at Dresdner Bank and Commerzbank in the small and medium-sized corporate customers segment before switching to Georgsmarienhütte (GMH) as Chief Financial Officer in 1998. During his eleven years at GMH, Abromeit took on the management of several subsidiaries and, as board-level divisional director, was responsible for the steel and mechanical and plant engineering division that he had built up in the GMH Group.*



### **Dr. Wolfgang Höper**

Accounting,  
Treasury,  
Taxes,  
Equity Holdings Management

*Dr. Wolfgang Höper, 45, has been a member of INDUS Holding AG's Board of Management since 2006. In 1988, as part of his officer's training course, he graduated with a degree in economic and organizational studies. Later, he gained his doctorate at Cottbus University of Technology. After gaining initial experience in the financial sector at Aachener und Münchener Beteiligungs AG, Dr. Höper spent the next fifteen years in operating management functions at small and medium-sized industrial companies – first for nine years as regional managing director and divisional head for the building materials manufacturer Readymix. Then, as managing director of the South African-British packaging specialist Mondi, he was responsible for the company's activities in Germany, and most recently for its northern European business as a member of the international operational committee.*



### **Dr.-Ing. Johannes Schmidt**

Technology, Research/Development,  
Capital Expenditure,  
Risk Management,  
Equity Holdings Management

*Dr. Johannes Schmidt, 49, has been a member of INDUS Holding AG's Board of Management since 2005. After graduating with a degree in applied mathematics and gaining his doctorate in the field of mechanical science, Dr. Schmidt first assumed development tasks at Richard Bergner GmbH, a Schwabach-based manufacturer of electrical instruments, before rising to become managing director during the course of his twelve years at the company. In 2000, he switched to Landshut-based ebm-papst GmbH, a manufacturer of blower motors and fans, as sole managing director. During his time there, he advanced the development of new product platforms and the internationalization of the production sites, among other things.*



## Supervisory Board

### **Burkhard Rosenfeld**

Chairman of the Supervisory Board

*Burkhard Rosenfeld, 70, is a graduate engineer and was a member of INDUS Holding AG's Board of Management from 1990 until 2005. He has been a member of INDUS Holding AG's Supervisory Board since December 7, 2008, and was elected as its Chairman in December 2009.*

### **Dr. Jürgen Allerkamp**

Deputy Chairman of the Supervisory Board

*Dr. Jürgen Allerkamp, 54, is a lawyer and political scientist. Dr. Allerkamp has been chairman of the management board at Deutsche Hypo AG in Hanover since February 2010, having previously been a member of the management board at Nord/LB from 1998 until 2010. He was elected to INDUS Holding AG's Supervisory Board in 2007.*

### **Dr. Ralf Bartsch**

*Dr. Ralf Bartsch, 52, is a lawyer and executive spokesman of the SCHLAU/HAMMER Group, Porta Westfalica. He has been a member of INDUS Holding AG's Supervisory Board since 2007.*

### **Dr. Uwe Jens Petersen**

*Dr. Uwe Jens Petersen, 66, is a lawyer in Hamburg. He has been a member of INDUS Holding AG's Supervisory Board since 2002.*

### **Dr. Egon Schlütter**

*Dr. Egon Schlütter, 78, is a lawyer and is co-partner in the law firm Schlütter Bornheim Seitz in Cologne. He has been a member of INDUS Holding AG's Supervisory Board, or that of its predecessor company, since 1991.*

### **Carl Martin Welcker**

*Carl Martin Welcker, 50, is a qualified engineer and managing partner at the medium-sized mechanical engineering company Alfred H. Schütte GmbH & Co. KG in Cologne. He has been a member of INDUS Holding AG's Supervisory Board since February 2010.*

## Personnel Committee

### **Burkhard Rosenfeld**

### **Dr. Jürgen Allerkamp**

### **Dr. Egon Schlütter**

# [ Report of the Supervisory Board

**Ladies and Gentlemen,**

The long-term corporate concept pursued by INDUS Holding AG proved its worth again in the first year following the crisis: all of the INDUS Holding AG companies without exception were able to exploit the opportunities presented by the robust upturn without any time lag. The Supervisory Board regards safeguarding the sustainability of operating activities as one of its most important tasks. For all its responsible care and entrepreneurial boldness, the company must continue to see the strengthening of the Group's substance as its overriding goal. At the same time, the Supervisory Board takes care that INDUS also remains an attractive investment for its shareholders because of its ability to pay good dividends.

The Supervisory Board diligently fulfilled all the tasks required of it by law and the company's articles of incorporation in the year under review. It continuously advised the Board of Management and monitored the company's management. In the process, it was informed by the Board of Management regularly, promptly, and comprehensively about the company's position and all of its significant transactions. It thereby received the latest information about its business trend and asset development at all times. In addition to financial, investment, and personnel planning, the Supervisory Board devoted its attention to the risk situation and risk management. It was able to compare all the information with the company's strategic planning.

All transactions with significance for INDUS Holding AG were also discussed with the Supervisory Board outside of its regular meetings, such that it was always involved in any major decisions. In 2010, there were four regular meetings of the Supervisory Board, at which the Board of Management was also present. In the 2010 fiscal year, there were no events subject to reporting requirements under the German Corporate Governance Code in relation to the frequency of Supervisory Board members' attendance of meetings.

## **Thematic Priorities of the Meetings**

The priorities of the first meeting, held on April 22, were discussion of the annual financial statements for 2009 and discussion of the agenda for the Annual Shareholders' Meeting on July 1, 2010. The Board of Management also reported on the status and further development of the internal control and risk management system and on the course of business in the first quarter of 2010.

The second meeting, held on June 2, concentrated on the investment report and, in particular, on risk management. The Board was also informed about the current development of the company's portfolio. Among other things, the latest position regarding the planned disposal of the BERNER equity holding was explained.

At the meeting held on July 1, the Board of Management gave an updated preview of the development of business in the year as a whole. As part of its information on ongoing projects, the Board of Management explained a strategic acquisition for the special vehicles division at the equity holding AURORA. Another important project the status of which was reported to the Supervisory Board was the acquisition of anchor shareholders.



Burkhard Rosenfeld

The year's last meeting, held on December 9, concerned itself with the future development of business. The Supervisory Board approved the corporate plans for the 2011 fiscal year and noted the plans for 2012 and 2013. The introduction of a new management information system was also reported on and a model for possible capital investments by managing directors within the INDUS Group was

presented. In addition, the Chairmen of the Supervisory Board and the Board of Management and the member of the Board of Management responsible for corporate governance signed the new declaration of conformity stipulated by Section 161 of the German Stock Corporation Act (AktG). The declaration of conformity was published on the company's website thereafter, making it permanently available to the public. It is also part of the corporate governance report in this annual report (see page 11 f).

### **Changes in the Composition of the Supervisory Board**

On February 2, 2010, at the suggestion of the Supervisory Board and the Board of Management, Cologne District Court appointed the businessman Carl Martin Welcker of Cologne as the successor to Günter Kill, who had resigned from his long-standing Supervisory Board seat as of December 9, 2009. Carl Martin Welcker was elected with a large majority for a period of five years by our shareholders at the Annual Shareholders' Meeting in Cologne on July 1, 2010.

### **Work of the Committees**

The Supervisory Board has formed a Personnel Committee for a number of years. It convened twice in the fiscal year. One of the reasons for this was the new German Act on the Appropriateness of Management Board Remuneration (VorstAG). With the assistance of a consulting firm, a new compensation system for the Board of Management was devised in order to comply with the prevailing statutory provisions and, in its absolute terms, the market standards. At its meeting held on February 11, 2010, the Supervisory Board decided to adopt the proposed changes. The revised features now contain a multiyear sustainability component as well as a plan-oriented annual bonus. The existing contracts were adjusted to the new rules as required as of January 1, 2010 (Details of the compensation system can be found in the declaration on management, see page 13 f).

### **Discussion on the Annual Financial Statements and the Dividend Recommendation**

Treuhand- und Revisions-Aktiengesellschaft Niederrhein, based in Krefeld, Germany, which was appointed as company and Group auditor by resolution of the Shareholders' Meeting of July 1, 2010, audited the annual financial statements and management report of the INDUS Holding Group and INDUS Holding AG in accordance with the Supervisory Board's instructions. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The auditor granted the annual financial statements the unqualified audit certificate. Moreover, the auditor confirmed that the risk management system complied with statutory regulations and that there were no identifiable risks that might jeopardize the company's continued existence. The interim financial reports were not subjected to a perusal or review.

# Report of the Supervisory Board

The consolidated financial statements and Group management report, the individual financial statements and management report, and the audit reports were submitted to all the members of the Supervisory Board in good time. They were discussed in detail at the Supervisory Board meeting for the adoption of the financial statements on April 14, 2011. The auditor participated in these discussions, reported on all the audit's significant results, and was available to answer any additional questions. The Supervisory Board reviewed and discussed all of the submissions and audit reports in depth.

Following the final result of our own audit of the documents submitted to us, the Supervisory Board raises no objections, concurs with the result ascertained by the auditor, and approves the financial statements prepared by the Board of Management for the company and the Group. The Supervisory Board concurs with the Board of Management's proposed appropriation of distributable profit.

**The Supervisory Board thanks all the employees for their high degree of commitment and loyalty in the 2010 fiscal year. As an association of small and medium-sized companies, we are aware of our special social responsibility for our employees at the local level. We therefore regard our employees as important partners and handle them accordingly. The success of our work would be inconceivable without their daily commitment and loyalty. Special thanks are due to the members of the Board of Management and the managing directors at the individual companies. Finally, we would like to thank our shareholders for their trust in our company.**

Bergisch Gladbach, Germany, April 2011

For the Supervisory Board



Burkhard Rosenfeld  
Chairman

# Declaration on Management and Corporate Governance

The principles of good and responsible management of a company determine the actions of INDUS Holding AG's management and monitoring bodies. In this declaration, the Board of Management reports – also for the Supervisory Board – on corporate governance in accordance with Item 3.10 of the German Corporate Governance Code and Sec. 289a (1) of the German Commercial Code (HGB):

Our actions are geared toward long-term success. These behavioral maxims have shaped the INDUS corporate culture since the company was founded. The corporate and portfolio strategy is geared towards this. The German Corporate Governance Code documents the principles of value-oriented, transparent company management and monitoring. These, too, are geared toward sustainable value creation. The Board of Management and Supervisory Board of INDUS Holding AG therefore act in accordance with the Code's recommendations. In the declaration of conformity, we explain why we diverge from the recommendations in certain cases.

## ■ CORPORATE GOVERNANCE REPORT

In December 2010, the Board of Management and Supervisory Board jointly submitted the statement of compliance necessitated by Sec. 161 of the German Stock Corporation Act (AktG) and made it permanently available to its shareholders on the company's website at [www.indus.de](http://www.indus.de). It is also printed on page 15 and 16 of this report and is, therefore, part of the declaration on corporate governance.

### Shareholders and the Annual Shareholders' Meeting

The shareholders of INDUS Holding AG exercise their rights within the framework of the Annual Shareholders' Meeting. Each share carries one vote. INDUS publishes all of the documents required for making a decision in good time on its website. INDUS helps its shareholders exercise their voting rights by nominating proxies who cast votes at the Annual Shareholders' Meeting in accordance with the instructions they receive from the shareholders. Last year's Annual Shareholders' Meeting was held in Cologne on July 1, 2010. Around 500 shareholders who were either present or represented approved the management's draft resolutions with a clear majority vote.

### Board of Management and Supervisory Board

The Board of Management informs the Supervisory Board in a regular, timely, and comprehensive manner, particularly about all relevant issues pertaining to the corporate budget, strategic development, the earnings and financial position, and the risk situation. Decisions of material significance for the Group require Supervisory Board approval. In the year under review, there were no consulting, service, or other work and labor contracts between individual members of the Supervisory Board and the company. In the year under review, members of the Board of Management and the Supervisory Board had no conflicts of interest that would have been immediately reportable to the Supervisory Board.

### Board of Management

The Board of Management of INDUS Holding AG runs the company and manages its business activities. It develops the company's strategic orientation, coordinates it with the Supervisory Board, and ensures its implementation. Furthermore, the Board of Management determines entrepreneurial goals, the annual and multi-year budgets, the internal control and risk management system, and the associated companies' controlling practices. Another of the Board of Management's duties is to prepare the quarterly, semi-annual, and annual consolidated financial statements. The Board of Management consisted of four people in the year under review. As in the previous year, its members were Helmut Ruwisch (Chairman), Jürgen Abromeit, Dr. Wolfgang Höper, and Dr.-Ing. Johannes Schmidt. The age limitation policy adopted by the Supervisory Board for members of the Management Board, which provides for their stepping down upon reaching the age of 68, was complied with.

### Supervisory Board

The Supervisory Board of INDUS Holding AG appoints the Board of Management, advises it in mat-



ters concerning company management, and monitors its management activities.

Detailed information on the focal points of Supervisory Board activity last year has been printed on pages 8 et seq of the Supervisory Board's report. The Supervisory Board consisted of six people in the year under review. The next election date for four members of the Supervisory Board is the date of the 2012 Annual Shareholders' Meeting, at which a resolution will be passed on the discharge of the Supervisory Board for the 2011 financial year. Further details about the members of the Supervisory Board can be found on page 7 of the Annual Report.

No member of the Supervisory Board performs or performed executive, supervisory, or consulting functions at any material competitors of INDUS. The company also observes the Code's recommendation that the Supervisory Board should contain no more than two former members of the Board of Management. The Supervisory Board currently contains one former member of the Board of Management, namely Burkhard Rosenfeld, who is Chairman of the Supervisory Board. He stepped down from the Board of Management in 2005 and was appointed to the Supervisory Board in 2008.

The current German Corporate Governance Code stipulates that the Supervisory Board should set concrete goals with regard to its composition and take these goals into account when making future candidate proposals. These goals should take account of the company's international operations, potential conflicts of interest, an age limit, and an appropriate quota of women. The Supervisory Board of INDUS has therefore set the following objectives with regard to its future composition:

**Age limit:** A standard age limit of 70 shall apply when Supervisory Board members are appointed.

**Potential conflicts of interest:** When the Supervisory Board makes proposals to the competent election committees, particular care shall be taken to avoid potential conflicts of interest. This concerns, in

particular, candidates who were or are employed by competitors, or who were or are in a business relationship with INDUS Holding AG.

**International operations:** INDUS Holding AG currently comprises only companies based in German-speaking countries under the umbrella of its holding company. Some of these companies have foreign subsidiaries and a majority of their executives there are local. In view of this business model pursued by INDUS Holding AG, no further action is currently required to internationalize the composition of the Supervisory Board.

**Diversity, appropriate quota of women:** When proposals are made for the election of Supervisory Board members, attention is paid to the knowledge, skills, and specialist experience required to perform the tasks and to the internationality and diversity of the Board's composition, and these factors are weighed up in the interests of the company. The Supervisory Board welcomes the DCGC Commission's objective of promoting the appointment of women to managerial positions supervisory boards, and has set itself the goal of recruiting more qualified women for these positions. However, we are not setting a specific quota to be reached by a certain date. The Supervisory Board undertakes to search explicitly for suitable female candidates whenever it makes proposals for appointments in the future. For the Supervisory Board of INDUS Holding AG, diversity is not just about a mixture of male and female employees – it also comprises other criteria. The Supervisory Board always pays attention to the specialist mix, a combination of representatives from industry and financial circles, and a blend of different age groups among its members.

## ■ Compensation Report

The following compensation report is also part of the consolidated financial statements and the Group management report. The German Act on the Disclosure of Management Board Remuneration (VorstOG) provides for individualized disclosure of the compen-

sation paid to the Board of Management's members for the year under review. It stipulates that this compensation should be itemized by fixed and performance-related components, as well as components with a long-term incentive effect. The disclosures being demanded can be withheld if the Annual Shareholders' Meeting has passed a resolution to that effect with a three-quarters majority of the capital stock represented when the resolution was passed. On July 1, 2006, the Ordinary Shareholders' Meeting of INDUS Holding AG resolved to withhold these disclosures for a period of five years as from the resolution date with 87.49% of the voting rights present.

#### **New Compensation System in Accordance with the Act on the Appropriateness of Management Board Remuneration (VorstAG)**

The compensation system for the Board of Management was reviewed in 2009. With the help of external consultants, a benchmark analysis was carried out and changes discussed. At the 2010 Annual Shareholders' Meeting, the Supervisory Board gave a detailed presentation of the amended compensation system for future Board of Management contracts. The revised features now also contain a sustainability component. The new compensation system was applied for all Board of Management contracts in the reporting year. The previous compensation system did not contain any components with a long-term orientation. It consisted of a fixed salary, plus a short-term incentive which depended on the commercial results achieved in the year in question. The system did not contain any kind of pension commitments.

In conformity with the law, the new compensation system now consists of three elements: fixed salary, short-term incentive, and long-term incentive. Components with an assessment basis lasting several years and short-term variable elements are weighted as appropriate. In addition, the higher basic compensation has brought the aggregate figure to a level in line with general market practice and has compensated for the lack of an employer-financed company pension scheme.

The short-term incentive is determined on the basis of consolidated EBIT (earnings before interest and taxes). The target figure is set annually as part of the corporate planning process. If the target is reached in full (100%), the bonus factor is also 100%. If the target attainment level is below 50%, the bonus factor is 0. If the target is reached up to a level between 50% and 125%, the bonus factor increases by two percentage points for each percentage point of growth. If the target is reached at a level of over 125%, a cap (maximum upper limit) applies.

The long-term incentive consists of "virtual" stock options (stock appreciation rights). These involve the setting of an exercise price for the stock appreciation rights as of the issue date. The target bonus stipulated as part of the annual corporate plans determines the number of virtual shares. A payout shall only be made if the share price is higher than this exercise price in the exercise period and defined success hurdles are cleared (minimum price increase of 12%). The earliest possible date of the payout is dependent on a blocking period of four years and an upper limit (cap) applies when 200% of the target bonus has been reached. In the 2010 fiscal year, 169,160 stock appreciation rights (SARs) were granted at an exercise price of EUR 12.13 each (2010 tranche). The payout claims of all beneficiaries ensuing from this tranche are limited to an aggregate sum of EUR 630,000. At the time when they were granted, the fair value of the SARs totaled EUR 350,000. The pro rata temporis fair value of the SARs granted amounted to EUR 136,000 (previous year: EUR 0) as of the reporting date and is included in its entirety in personnel expenses and provisions.

In the 2011 fiscal year, the Board of Management's remuneration totaled EUR 2,995,000 (previous year: EUR 1,649,000). Of this sum, EUR 1,379,000 was accounted for by compensation unrelated to performance (previous year: EUR 1,322,000) and EUR 1,616,000 by performance-related compensation (previous year: EUR 327,000). An additional EUR 54,000 was converted into pension entitlements (previous year: EUR 54,000).

### Supervisory Board

The Supervisory Board's compensation was redetermined by the Annual Shareholders' Meeting of INDUS Holding AG in July 2010. It is governed by Item 6.16 of the articles of incorporation. In addition to the reimbursement of their out-of-pocket expenses incurred in performing their duties in the fiscal year ended, all Supervisory Board members receive basic compensation of EUR 30,000 as well as an attendance fee of EUR 3,000 per meeting. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. The members of the Supervisory Board have their value-added tax refunded if it is deductible for the company as input tax. There are no stock option plans or similar securities-based incentive systems for the Supervisory Board either. The new compensation rules were calculated with a cutoff date of July 5, 2010 (when the amendment to the articles of incorporation was registered). The previous compensation rules (basic compensation plus variable depending on the dividend) were calculated for the period from January 1, 2010, to July 5, 2010. In the 2010 fiscal year, the Supervisory Board's remuneration totaled EUR 212,000 (previous year: EUR 176,000) comprising a fixed remuneration in the amount of EUR 184,000 (previous year: EUR 75,000) and variable payments in the amount of EUR 28,000 (previous year: EUR 101,000). In the year under review, Supervisory Board members received EUR 0 (previous year: EUR 7) for advisory services rendered in person to Group companies.

The members of the Supervisory Board received the following compensation in 2010:

EUR	
Burkhard Rosenfeld	59,260.28
Dr. Jürgen Allerkamp	44,445.22
Dr. Ralf Bartsch	26,630.14
Dr. Uwe Jens Petersen	26,630.14
Dr. Egon Schlütter	29,630.14
Carl Martin Welcker	25,095.89
Plus 19% VAT	40,221.45
<b>Total</b>	<b>251,913.26</b>

### Reportable Securities Transactions

There were no reports of transactions by members of the senior management (directors' dealings) as defined by Sec. 15a of the German Securities Trading Act (WpHG) in 2010. Should any such dealings occur, they will be disclosed in prompt announcements on the company's website. The direct and indirect ownership of shares or derivatives related to shares by members of the Board of Management and the Supervisory Board has not exceeded the threshold value of 1% of the issued shares either in any individual case or in total.

### Transparency

INDUS provides the shareholders, shareholder associations, analysts, the media, and the interested public with information on the company's current business trend and situation in a regular and timely manner. The company serves these groups simultaneously while treating them equally. To this end, all significant information, consisting primarily of annual and interim reports, press releases and ad-hoc statements, analyst estimates, and a financial calendar, are published on the company's website. To ensure that the consolidated financial statements and the interim reports are prepared with the necessary care, the annual report is published four months after the end of the fiscal year, and the interim reports are released two months after the end of the respective quarter. In the year under review, INDUS published three ad-hoc statements pursuant to Sec. 15 of the German Securities Trading Act (WpHG). They concerned changes to the forecast and the announcement of a capital increase. Important news about the company was published promptly via press releases.

### Accounting and Audit of the Financial Statements

Since the beginning of 2005, the consolidated financial statements have been prepared in compliance with the principles set forth in the 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). The audit of the consolidated and separate financial statements was performed by Treuhand- und Revisions AG Nie-

derrhein, Krefeld, Germany. The corresponding statement of independence in accordance with Item 7.2.1 of the German Corporate Governance Code was obtained by the Supervisory Board.

The audit assignment for the individual and consolidated financial statements was issued by the Supervisory Board following the resolution passed by the Annual Shareholders' Meeting. The Supervisory Board and the auditor of the financial statements agreed that the Chairman of the Supervisory Board be informed immediately about any grounds for exemption or bias during the audit. Furthermore, the auditor of the financial statements should immediately report on any findings and events material to the Supervisory Board's tasks.

#### **Composition of the Supervisory Board, the Board of Management, and the Committees**

The composition of the Board of Management and the Supervisory Board themselves, and of the Supervisory Board's committees, is described in the "Management Bodies" section (p. 6 and 7). For a description of the working methods of the Board of Management and the Supervisory Board, please refer to the corporate governance report (see above). The Board of Management has no committees.

The Supervisory Board of INDUS Holding AG formed the Personnel Committee. This committee consists of three members. Its duties are to deal with personnel matters relating to the Board of Management, in particular the employment contracts and other contracts with members of the Board of Management and the approval of secondary employment pursued by members of the Board of Management. Decisions are delegated only if the full Supervisory Board is responsible by law. This applies in particular to the decisions of the Supervisory Board regarding the structure of the compensation for the Board of Management's members and, since the German Act on the Appropriateness of Management Board Remuneration (VorstAG), also for the determination of the overall compensation for the individual members of the Board of Management. The committee must elaborate proposals on these points and submit them to the full Supervisory Board for a resolution.

Meetings of the committees are held regularly in the form of meetings by personal attendance. Outside of meetings, resolutions in writing are permissible insofar as they are stipulated by the Chairman of the Supervisory Board. As with the Supervisory Board itself, decisions by the committees require a simple majority if nothing to the contrary is provided for by law. The execution of decisions by the Supervisory Board and its committees is incumbent upon the Chairman of the Supervisory Board.

#### **■ Declaration of Conformity with the German Corporate Governance Code**

In December 2010, the Board of Management and the Supervisory Board of INDUS Holding AG submitted a declaration of conformity with the following wording:

The Board of Management and the Supervisory Board declare that the company has in essential respects complied, and continues to comply, with the recommendations set forth in the May 26, 2010, version of the German Corporate Governance Code. In the future as well, the Board of Management and the Supervisory Board intend to comply with the recommendations. The following exceptions shall apply:

##### **Code Item 3.8**

No deductible was agreed for the members of the Supervisory Board on conclusion of a D&O insurance policy.

The Code recommends that when concluding directors' and officers' liability insurance (D&O insurance) for members of the Supervisory Board, a deductible shall be provided for, while a deductible on conclusion of D&O insurance for members of the Board of Management is stipulated by law. INDUS Holding AG does not believe that agreeing on a deductible would be suitable for improving the motivation and sense of responsibility with which the members of the Supervisory Board perform the duties and functions assigned to them.

**Code Item 5.3.2:**

The Supervisory Board had and still has no audit committee.

The existing practice whereby the full Supervisory Board, with all six of its members, deals with every topic as far as possible, is to be retained. This shall also apply with regard to the constitution of an audit committee. No specific audit committee was constituted as the full Supervisory Board deals with the annual financial statements in a single meeting with the audit report.

**Code Item 5.4.6:**

The members of the Supervisory Board shall receive a performance-related remuneration component as well as a fixed component. The performance-related remuneration should also contain elements which are oriented to the company's long-term success.

In our opinion, the quality of the Supervisory Board members' work must be viewed independently of business success. For that reason, the Supervisory Board's remuneration contains an appropriate fixed component and a time and expense-related variable component. It is precisely during difficult periods that considerable additional expenses arise during the diligent performance of Supervisory Board duties. INDUS compensates for this additional expense in the form of attendance fees.

**Code Item 7.1.2:**

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

We comply with the statutory provisions and/or the regulations of the Frankfurt Stock Exchange, according to which the consolidated financial statements should be accessible for the public within four months of the fiscal year ending and interim reports within two months of the end of the reporting period in question. In view of INDUS Holding AG's business model, an appropriate time corridor is required, in particular for the safe and professional examination of the financial statements of all the subsidiaries and second-tier subsidiaries. Earlier publication of the financial statements would have a disproportionately adverse effect on their quality.

Bergisch Gladbach, Germany, December 2010

For the Board of Management



Helmut Ruwisch



Jürgen Abromeit

For the Supervisory Board



Burkhard Rosenfeld



# [ Strategy

**Long-term Investment in Small and Medium-sized Companies:** INDUS Holding AG focuses on successful, innovative production companies with outstanding technical equipment, excellent operating results, and first-class growth prospects. With their specialization, most of these companies are considered to be “hidden champions.”

In order to minimize our entrepreneurial risk, we invest in a variety of sectors. At present these are, in particular, Construction/Infrastructure, Engineering, Automotive Components/Engineering, Metal/Metal Processing, and Medical Engineering/Life Science.

In addition to that, we focus our attention on companies operating on markets which are going to enjoy above-average growth in the future. These include energy and environmental technology, automation technology, measuring technology, and control engineering. By integrating companies from these sectors, we ensure that our portfolio mix facilitates our stable and profitable development now and in the future.

## **Strengthening and Expanding the Portfolio Through Internal and External Growth**

Those who invest in INDUS are investing in a broad and diversified corporate portfolio that is hardly vulnerable to market fluctuations. From this foundation, INDUS is aiming for long-term growth, value appreciation as a company, and a regular EBIT margin of between 10 and 12 %. We regularly pass on our companies’ operating success to our investors by paying them a dividend (target: 50 % of the company’s balance sheet profit).

The basis and the primary driving force for our commercial success is our 40 portfolio companies. We shall continue to guide and support these companies actively in the current year and thereafter. When there is an upturn in demand, we support our companies with a targeted increase in capacities. This includes, among other things, further investments in innovation. Parallel to that, we aim to make targeted acquisitions – preferably in our existing Construction/Infrastructure and Medical Engineering/Life Science segments, but also in the production-related growth sectors defined above.

### **2011/2012 Goals and Measures**

- To invest more than EUR 50 million in the existing portfolio
  - > in the enhancement of production capacities
  - > in acquisitions to broaden the portfolio at subsidiary and sub-subsidiary level
- To initiate or continue with selective reengineering measures
- To extend the “Kapaflex” model
- To cross the EUR 1 billion sales threshold and generate an EBIT margin of more than 10%.

### **ACQUISITION PROFILE**

EBIT of EUR 2–10 million	Sales of EUR 20–100 million	Low liabilities to banks	Successful product program
Double-digit operating margin	<b>INDUS investment criteria</b>		Broad customer structures
Cash flow-oriented	Stable business model	Equity ratio above 30 %	Niche positions

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## THE INDUS BUSINESS MODEL

**Acquisition and long-term strategic guidance and support of small and medium-sized companies in the German-speaking regions in Europe**

### COMMERCIAL OBJECTIVES

**Growth**

**Value appreciation**

**Yield**

### STRATEGY

**To strengthen the portfolio by**

- > actively guiding/supporting the portfolio companies
- > investing in development and innovation
- > making sub-subsidiary acquisitions to broaden the portfolio



**organic  
growth**

**+**

**To expand the portfolio with selective acquisitions**

- > in the existing segments
- > in attractive future-oriented fields of business



**external  
growth**

**= sustainable  
business success**

# [ INDUS on the Capital Market

## Outperformance by the INDUS share, market capitalization doubled

The INDUS share price increased by 82% in the 2010 fiscal year, thereby clearly outperforming both the DAX (+14%) and the SDAX (+43%) in the course of the year. The price was showing a strong upward trend as soon as the year began. The run of positive news aroused the interest of investors, who increasingly took account of the Group's strong position in its five business segments. INDUS raised its sales and earnings forecasts four times in the course of the year. The ambitious goals formulated in the course of 2010 were comfortably exceeded. INDUS regards the pleasing increase in its share price as an expression of investors' appreciation of a portfolio strategy that limits risk and puts its faith in sustainable income.

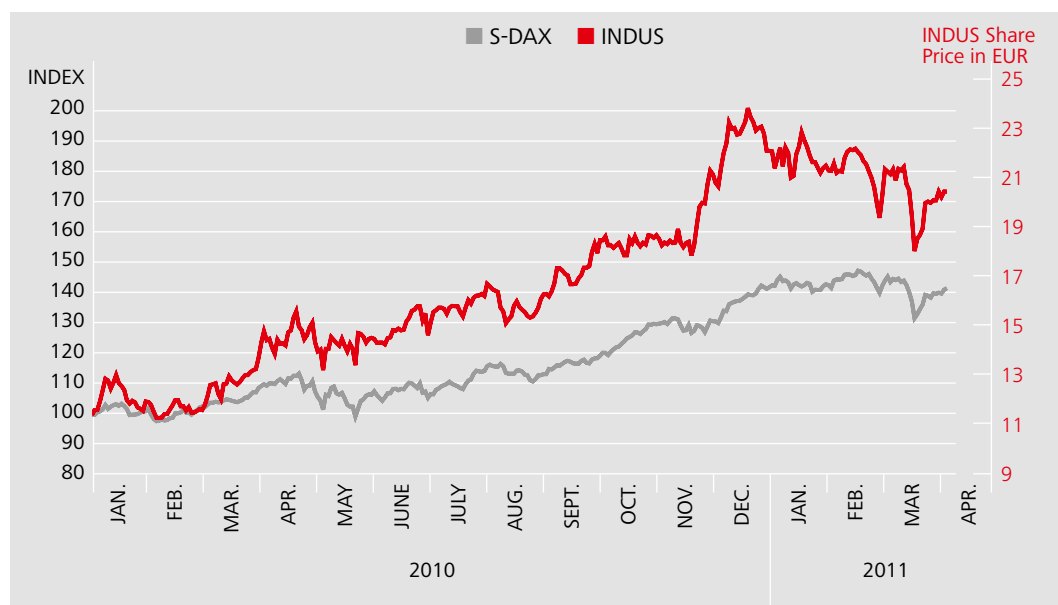
When the year drew to a close, the price was EUR 21.99 (January 4, 2010: EUR 12.10). INDUS is represented in Deutsche Börse's high-quality Prime Standard segment. Gratifyingly, the share moved up slightly in the joint SDAX and MDAX ranking list: to 56th place with regard to free market capitalization and to 70th place regarding stock exchange turnover (previous year: 59th and 75th place respectively). Compared with 2009, the market capitalization of INDUS

Holding AG doubled to around EUR 444.35 million (previous year: EUR 220.44 million). It has therefore almost returned to its all-time high of 2007/2008.

## Successful capital increase from cash, new anchor shareholder with long-term orientation

On October 28, 2010, the Board of Management and the Supervisory Board decided on a capital increase amounting to 10% of the capital stock with the exclusion of subscription rights and published the resolutions in question in an ad-hoc statement. The basis for this increase was a resolution adopted by the 2009 Annual Shareholders' Meeting. The subscription price of the approximately 1.84 million shares comprised the weighted average price from the last five trading days before the ad-hoc statement less a share parcel markdown of 5% that is customary on the market. In return, Versicherungskammer Bayern (VKB) pledged to subscribe for all the new shares; consequently, it now holds 9.09% of INDUS Holding AG. According to its own information, VKB is the third-largest capital investor in Germany. It regards its investment not as a strategic participation, but as part of its long-term investment policy. INDUS welcomes VKB's commitment and is delighted to have won a new major shareholder with

## [ Development INDUS Share ]



a long-term investment strategy which wants to accompany INDUS as it grows and which supports its successful and proven business model. The shares are fully entitled to share in the dividends for the 2010 fiscal year. Including the new shares, 20,207,035 shares are now in circulation. The share's free float as of year-end was 91%. The shares are widely strewn with, as far as we know, 45% held by private and 55% by institutional investors. Apart from the notification from Versicherungskammer Bayern (see above), as of the reporting date there were no further notifications of investors indicating an increase above the threshold subject to reporting requirements.

### Increase in Dividend to EUR 0.90 per Share Proposed

The distribution of a dividend is dependent on the annual financial statements and statement of financial position of INDUS Holding AG based on the German Commercial Code (HGB). The Board of Management and the Supervisory Board propose to the Annual Shareholders' Meeting that a dividend of EUR 0.90 per share be distributed. With the substantial increase of 40 cents (up approximately 80 % compared with the previous year), the Board of Management and the Supervisory Board are taking the positive income trend into account. The dividend yield consequently remains at 4.1 %.

### The INDUS Share: Key Figures

EUR	2009	2010
Earnings per share, basic in acc. with IFRS	0.89	2.59
Cash flow per share	4.20	2.69
Dividend per share	0.50	0.90
Dividend yield in %	4.2	4.1*
12-month high	13.54	24.39
12-month low	7.90	11.98
Price at year-end**	12.00	21.99

\* Subject to the consent of the Annual Shareholders' Meeting on July 5, 2011

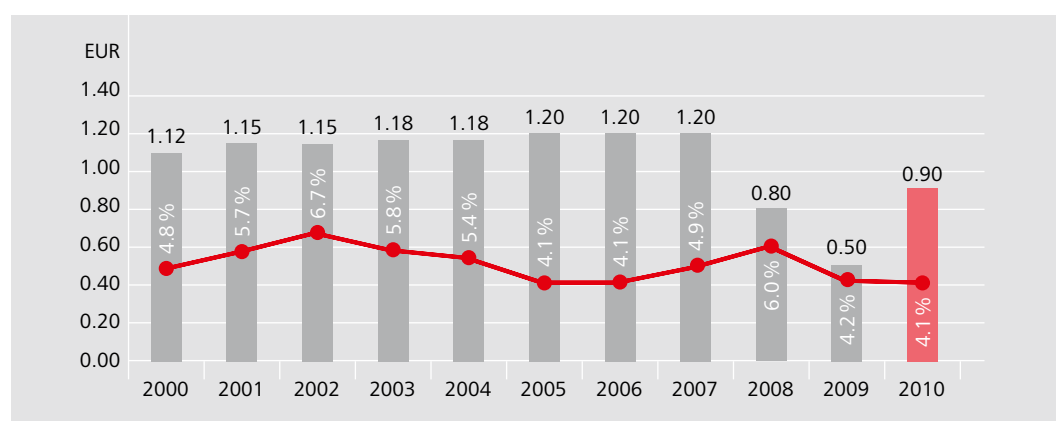
\*\*Basis: Closing prices in XETRA trading, December 30, 2010

INDUS practices a sustainable dividend policy. The distribution policy provides for 50 % of the profits being paid out to shareholders and 50 % being reinvested so as to strengthen the company in the long term. We are again complying with this rule this year, and as a result the distribution sum amounts to EUR 18.2 million.

### Analysts Recommend INDUS Share as a Buy

The five banks and investment companies which regularly observe the INDUS share recommended the share as "buy" throughout the course of the year. At the end of the year, all the recommendations were either "Buy" or "Add." The target price at the end of 2010 was in a range from EUR 24 to EUR 27. At the moment, most of the analysts see the share's prospects as positive. Investors and interested members of the general public can find the current assessment under investor relations on the INDUS Holding AG website.

### [ Dividend per Share with Dividend Yield 2000-2010 ]



**Analyst Coverage of INDUS Holding AG**

- Bankhaus Lampe
- Commerzbank
- WestLB
- Independent Research
- WGZ

**Investor Relations Work in 2010**

The primary objective of INDUS Holding AG's investor relations work is to disseminate transparent, timely, and comprehensive information on all of the company's events of relevance to the capital market. Center stage in this context is taken above all by shareholders, analysts, financial journalists, and shareholder associations. The Board of Management therefore sought a continuous exchange of views with existing and potential investors, both in Germany and abroad, in the period under review. With this purpose in mind, INDUS Holding AG was also present at selected roadshows in Europe's financial centers.

In addition to the regular publications containing information from INDUS, many one-on-one conversations were held. The Board of Management was also regularly available for interviews and questions on publication of the quarterly reports. The central ele-

ment of our dialog with private investors was the Annual Shareholders' Meeting in Cologne. In addition, the Investor Relations department answered many written and verbal questions. Interested investors were additionally provided with relevant information via an electronic newsletter. We have been a member of the German investor relations association DIRK ("Deutscher Investor Relations Verband e.V.") since 2009, thereby underlining our objective of providing transparent and continuous communication. The financial calendar in the cover of this annual report provides an overview of the most important dates in the 2011 fiscal year.

2010	Capital Market Events
April 26	Statement of financial position press conference, Presentation of the 2010 Annual Report, Düsseldorf
April 27	Analysts' conference, Frankfurt am Main
April 28	Investor talks Frankfurt
April 29	Investor talks Köln, Düsseldorf
May 19.-21	Investor talks Wien, Zürich, Basel
June 17	Investor talks Hamburg
Sept. 29	Investor talks Zürich
Nov. 22	Deutsches Eigenkapitalforum, Frankfurt am Main
Dec. 16	Investor talks Stuttgart

INDUS Share Data	
SIN/ISIN	620010/DE0006200108
Stock exchange code	INH.DE
Share class	No-par-value registered shares
Stock exchanges	XETRA, Frankfurt (regulated market), Düsseldorf (regulated unofficial market), Stuttgart (regulated unofficial market)
Market segment	Prime Standard
Indices	SDAX, DAX International Mid 100, DAXsector Financial Services, Daxsubsector Diversified Financial Services, Classic All Share, Prime All Share, CDAX
Designated sponsors	Commerzbank, WestLB
Market capitalization on Dec. 31 in EUR millions	444.35
Average daily turnover	38,479
Free-float capitalization	91 %
Number of shares on Dec. 31	20,207,035
Opening price	September 13, 1995
Last capital increase	November 2, 2010





# CONDENSED **MANAGEMENT REPORT**

For INDUS, 2010 was the most successful fiscal year in the company's history. The Group generated sales of EUR 971.6 million. Meanwhile, the EBIT margin reached 10.4 %, putting it back within the long-term target of 10 to 12 %. We expect this positive trend to stabilize in the current fiscal year.

## An Overview of the 2010 Fiscal Year

Following the dramatic economic downturn in 2008 and 2009, we were expecting to see a significant increase in sales and income in 2010. The German economy recovered rapidly and INDUS, thanks to its strengths, benefited disproportionately from this upturn. Two factors helped us to achieve this. Firstly, the restructuring measures that were introduced swiftly and comprehensively in 2009 had a positive impact on the cost side in the short term. The economic recovery therefore occurred after our structures had become leaner. Secondly, we benefited from a substantial increase in demand from China, India, and the USA. The upturn manifested itself in all segments, with the biggest improvements occurring in the Automotive Components/Engineering and Metal/Metal Processing segments which were particular beneficiaries of the export boom.

INDUS therefore returned to its earnings level of 2007 and 2008 as early as the first year after the crisis. We have thereby demonstrated the strength of our broad portfolio and its diversification of risks in

the respective niches, both during the crisis and the upturn. The EBIT margin of over 10 % that was achieved in 2010 is evidence of our strong position as an association of SME hidden champions.

In the coming fiscal year, INDUS is going to enhance its portfolio with selective investments in existing subsidiaries. The intention is that these investments should flow into new products and production processes and be available for acquisitions at the level of our subsidiaries. We want to use these funds to strategically complement existing competencies, with the aims of opening up new areas of business, further increasing our international presence, and extending our technical competence. In addition, we are still on the lookout for successful hidden champions with a future so that we can gradually expand our portfolio and thereby achieve an optimum overall performance on a lasting basis.

## Business Model and Strategy

### ■ Position and Business Model

#### **Managing SME Production Companies with Niche Competencies**

INDUS Holding AG consists of the managing company based in Bergisch Gladbach and over 40 production companies based in Germany and Switzerland. Since it was founded in 1985, INDUS has established itself as a specialist in the acquisition of small and medium-sized companies in the German-speaking parts of Europe. The subsidiaries operate independently. INDUS Holding AG takes on the central functions such as finance, taxes, statements of financial position, and legal matters. INDUS Holding AG's portfolio is structured in five segments: Engineering, Automotive Components/Engineering,

Metal/Metal Processing, Construction/Infrastructure, and Medical Engineering/Life Science. In the last two segments in particular, INDUS is aiming for long-term growth. We also see interesting prospects in the areas of energy and environmental technology, automation technology, measuring technology, and control engineering. The INDUS Group's companies are active on a wide variety of sales markets. Information on the development of the individual industry branches can be found in the segment report. The German market continues to play a key role for the portfolio companies from a regional perspective. The proportion of business generated abroad, at over 44 %, demonstrates the high level of internationalization the Group has now achieved.

### **Objectives and Strategy: Long-term Guidance and Support for the Companies**

INDUS makes long-term investments in medium-sized manufacturing companies. This is INDUS Holding AG's key statement about its corporate strategy. It is founded on the acquisition of majority stakes in successful medium-sized companies and their ongoing further development. INDUS acquires only industrial companies which are active on interesting niche markets and occupy a leading position within those markets. We regard ourselves as the leading contact for succession plans. Our acquisitions are focused on companies which have already proven that, as established manufacturers, they already have a stable business model with high-growth products. Accordingly, we exclude start-ups and companies undergoing restructuring from our portfolio. Exit scenarios are not part of our corporate strategy. In legitimate individual cases, subsequent disposal is only conceivable and perhaps necessary if the original framework and market conditions change fundamentally after years of success.

INDUS puts its faith in organic growth from the permanent cultivation of its portfolio and makes considerable investment and complementary acquisition efforts at sub-subsidiary level to enhance its subsidiaries' positions and thereby achieve pronounced growth. Selective acquisitions of new hidden champions from current and future growth markets maintain and/or improve the overall performance. As an association of hidden champions, we see our future in complementing our portfolio with acquisitions on markets with above-average growth and the potential for sustainability. At the same time, we want to maintain our culture of medium-sized companies ("Mittelstand") and enhance our technical emphasis by adding innovative, forward-looking products and solutions.

### **Acquisition Profile Aimed at Risk Diversification**

We make the decision to invest in a new company after carrying out a detailed quantitative and qualitative analysis. Companies generating annual sales of between EUR 20 and EUR 100 million along with earnings before interest and taxes (EBIT) of between EUR 2 and EUR 10 million are a perfect fit for the INDUS portfolio. This limits the degree of interdependency within the investment portfolio, ensuring that the balanced risk-reward profile is not jeopardized.

During the course of an acquisition, our analysis is focused particularly on the business model and the general situation in the respective sector. We regard the business model's sustainable stability as the crucial factor. Operating within an attractive niche, both the company and the sector in question should have long-term growth potential. To enhance this potential, we aim specifically for a successful and innovative product spectrum and a broad customer spectrum, with the latter being important for minimizing dependency on individual customers.

With all of its acquisitions, INDUS pursues the objective of acquiring a 100 % stake in the long run. At the same time, the company believes that strong ties binding the companies' senior management after the acquisition has taken place are particularly significant for continued commercial success. These ties can be underpinned with appropriate investment models for individual managing directors.

### **Management and Control: Clear Task Allocation with Lean Organizational Structure**

Tasks are allocated clearly in a decentralized way between the individual portfolio companies and the holding company. Responsibility for the development of business operations lies with the managing directors of the individual companies. They handle the key areas of production and sales, marketing and administration, and research and development. The holding company focuses on classical corporate functions such as finance, controlling, accounting, taxes, and legal affairs. The strategic goals and milestones of operational development are defined in a permanent dialog between the companies' managing directors and the holding company's experts.

### **Financial and Non-financial Performance Indicators**

#### **Strict Management for Early Risk Recognition**

INDUS Holding AG's management system is based on regular strategic discussions with a multiyear outlook within the Board of Management and with the portfolio companies' managing directors. Furthermore, the Board of Management and the individual managing directors hold detailed budget and planning talks over the course of the year. During these discussions, short and medium-term planning scenarios, including individual profitability targets, are established for each of the portfolio companies on the basis of refined strategies. An efficient controlling system monitors compliance with these scenarios and goals, thereby enabling the early detection of deviations from plans and, if necessary, the initiation of suitable corrective measures. The key performance indicators used for this purpose are primarily the EBIT margin; the return on sales, equity, and total capital; and the net cash flow.

### **Interconnectedness and High Levels of Niche Market Competence Are Integral Parts of the Business Model**

As well as having access at any time to the expertise of the Board of Management's members and of the holding company's specialists in the field of equity holdings management, the portfolio companies benefit in particular from centralized financial management. Thanks to INDUS Holding AG's good credit ratings over many years, the INDUS companies have excellent access to the capital markets. In its corporate history of more than 20 years, the INDUS Group has built up a broad-based network. Our contacts at banks, M&A institutions, consulting firms, law firms, auditing companies, and other specialist enterprises ensure that we have a steady inflow of potential acquisitions. The management team at INDUS Holding AG has many years of experience from exercising management positions in industry and the banking system.

#### **Constant Growth Prospects Thanks to Innovative Research and Development**

Continuous research and development work constitutes the foundation for the portfolio companies' establishment of successful positions in their respective niche markets. The goals of these activities, which are managed by the individual portfolio companies autonomously, are to enhance existing products, develop innovative products until they become marketable, launch these successfully on the market, and optimize manufacturing processes. All of the methods employed are constantly refined. New technologies and materials are examined for their improvement potential within the process chain. The research and development activities are focused on the issue of the individual products' added value for customers and on environmental aspects. The INDUS Group's spending on R&D investment amounted to EUR 7.1 million in 2010 (previous year: EUR 6.8 million).

### **INDUS Conducts its Business Sustainably and Assumes Environmental and Social Responsibility**

Responsible corporate governance is a major priority for INDUS Holding AG. It is part of our self-image. Constancy and sustainability are, therefore, important to INDUS as principles of business ethics. We see ourselves not only as a commercial undertaking which has obligations to its customers, owners, and employees, but also as an undertaking with an obligation to society. Our portfolio companies, too, assume their responsibility as an active part of society. They commit themselves to supporting cultural and social projects in their immediate vicinity.

Making responsible use of natural resources is a key element of our corporate culture. All of the Group's employees are called upon to comply with environmental regulations in the fields of procurement, production, and waste disposal. The basic principles for action taken in this respect are detailed rules and measures which are developed and implemented by the portfolio companies' managing directors in line with the corporate philosophy while taking the prevailing environment into account.

For the 2010 reporting year, INDUS will again participate in the Carbon Disclosure Project (CDP – [www.cdproject.net](http://www.cdproject.net)). The CDP project involves a systematic assessment of the opportunities and risks, and the concrete measures derived from them, for the INDUS portfolio companies as a result of climate change. In addition, the total of the Group's global CO<sub>2</sub> emissions is calculated (CO<sub>2</sub> footprint). When the CO<sub>2</sub> balance for the 2009 and 2010 fiscal years has been ascertained, a concrete objective concerning the reduction of the INDUS Group's specific CO<sub>2</sub> emissions will be formulated for the 2011 fiscal year. Central responsibility for the attainment of this emissions target is held by the Board of Management's Technology section.

### **■ Other Mandatory Disclosures**

#### **Declaration on Corporate Governance**

The INDUS Holding AG Board of Management reports – simultaneously for the Supervisory Board – in accordance with Item 3.10 of the German Corporate Governance Code regarding corporate governance and in accordance with Sec. 289a of the German Commercial Code (HGB) with regard to the company's management. The relevant explanations can be found in the corporate governance report and on the company's website ([www.indus.de](http://www.indus.de)).

#### **Basic Features of the Compensation System for the Board of Management and the Supervisory Board**

The Board of Management's compensation consists of fixed and variable elements and is determined on the basis of its members' tasks and performance, and the commercial success of the company. In addition to an annual component, the variable compensation also contains a long-term component. The members of the Supervisory Board receive a fixed sum plus variable compensation in the form of an attendance fee.

#### **New Compensation System in Accordance with the German Act on the Appropriateness of Management Board Remuneration (VorstAG)**

The compensation system for the Board of Management was reviewed in 2009. With the help of external consultants, a benchmark analysis was carried out and changes discussed. At the 2010 Annual Shareholders' Meeting, the Supervisory Board gave a detailed presentation of the amended compensation system for future Board of Management contracts. The revised features now also contain a sustainability component. The new compensation system was applied for all Board of Management contracts in the reporting year. The previous compensation system did not contain any components with a long-term orientation. It consisted of a fixed salary, plus a short-term incentive which depended on the commercial results achieved in the year in question. The system did not contain any kind of pension commitments.

In conformity with the law, the new compensation system now consists of three elements: fixed salary, short-term incentive, and long-term incentive. Components with an assessment basis lasting several years and short-term variable elements are weighted as appropriate. In addition, the higher basic compensation has brought the aggregate figure to a level in line with general market practice and has compensated for the lack of an employer-financed company pension scheme.

The **short-term incentive** is determined on the basis of consolidated EBIT (earnings before interest and taxes). The target figure is set annually as part of the corporate planning process. If the target is reached in full (100 %), the bonus factor is also 100 %. If the target attainment level is below 50 %, the bonus factor is 0. If the target is reached up to a level between 50 % and 125 %, the bonus factor increases by two percentage points for each percentage point of growth. If the target is reached at a level of over 125 %, a cap (maximum upper limit) applies.

The **long-term incentive** consists of "virtual" stock options (stock appreciation rights). These involve the setting of an exercise price for the stock appreciation rights as of the issue date. The target bonus stipulated as part of the annual corporate plans determines the number of virtual shares. A payout shall only be made if the share price is higher than this exercise price in the exercise period and defined success hurdles are cleared (minimum price increase of 12 %). The earliest possible date of the payout is dependent on a blocking period of four years and an upper limit (cap) applies when 200 % of the target bonus has been reached. In the 2010 fiscal year, 169,160 stock appreciation rights (SARs) were granted at an exercise price of EUR 12.13 each (2010 tranche). The payout claims of all beneficiaries ensuing from this tranche are limited to an aggregate sum of EUR 630,000. At the time when they were granted, the fair value of the SARs totaled EUR 350,000. The pro rata temporis fair value of the SARs

granted amounted to EUR 136,000 (previous year: EUR 0) as of the reporting date and is included in its entirety in personnel expenses and provisions.

### Supervisory Board

The Supervisory Board's compensation was re-determined by the Annual Shareholders' Meeting of INDUS Holding AG in July 2010. It is governed by Item 6.16 of the articles of incorporation. In addition to the reimbursement of their out-of-pocket expenses incurred in performing their duties in the fiscal year ended, all Supervisory Board members receive basic compensation of EUR 30,000 as well as an attendance fee of EUR 3,000 per meeting. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. The members of the Supervisory Board have their value-added tax refunded if it is deductible for the company as input tax. There are no stock option plans or similar securities-based incentive systems for the Supervisory Board either. The new compensation rules were calculated with a cutoff date of July 5, 2010 (when the amendment to the articles of incorporation was registered). The previous compensation rules (basic compensation plus variable depending on the dividend) were calculated for the period from January 1, 2010, to July 5, 2010.

### Disclosures in Compliance with Sec. 289 Para. 4 and Sec. 315 Para. 4 of the German Commercial Code (HGB): Capital Stock, Voting Rights, and Transfer of Shares

As of December 31, 2010, INDUS Holding AG's capital stock amounted to EUR 52,538,291.22 and was divided into 20,207,035 no-par-value bearer shares. Each share entitles its holder to one vote. The Board of Management has no knowledge of limitations pertaining to voting rights or the transfer of shares.

### Shareholdings in Excess of 10 %

INDUS Holding AG did not receive any notices stating that a direct or indirect stake held by a third party exceeded 10 % of the company's voting rights.



#### **Privileges and Monitoring of Voting Rights**

The company does not have any shares bearing privileges that would confer monitoring rights. 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.

#### **Appointment and Dismissal of Members of the Board of Management**

Members of the Board of Management are appointed and dismissed in accordance with the statutory provisions as set forth in Secs. 84 and 85 of the German Stock Corporation Act (AktG). The articles of incorporation do not contain any special rules in relation to this. The Supervisory Board appoints members of the Board of Management for a maximum of five years, and appointments may be repeated by the Supervisory Board. In accordance with Item 5.1 of the articles of incorporation, the Board of Management shall consist of one or more individuals. Pursuant to Item 5.2 of the articles of incorporation, the Supervisory Board may appoint a member of the Board of Management as Chairman of the Board of Management and another member as Deputy Chairman of the Board of Management.

#### **Amendments to the Articles of Incorporation**

Amendments to the articles of incorporation are made in accordance with Sec. 179 of the German Stock Corporation Act (AktG) by resolution of the Annual Shareholders' Meeting. Basically, amendments to the articles of incorporation require approval from at least three-quarters of the capital stock represented during the decision-making process. Pursuant to Item 7.12 of the articles of incorporation, the Supervisory Board is empowered to adopt amendments to the articles of incorporation intended merely to reflect the latest events and, pursuant to Item 4.5, to adopt changes to the wording which merely reflect the extent to which the authorized capital has been utilized.

#### **Powers of the Board of Management Relating to Share Issuance and Buybacks**

According to Item 4.3 of the articles of incorporation, 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 14,328,626 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash (Authorized Capital I) by June 30, 2014. In the event of a capital increase, shareholders must be granted a subscription right. However, subject to Supervisory Board approval, the Board of Management is empowered to exempt fractional amounts from the shareholder subscription rights. The Board of Management remains empowered to determine the further details of the capital increase.

According to Item 4.4 of the articles of incorporation, subject to the approval of the Supervisory Board, the Board of Management is authorized to increase the company's capital stock additionally by up to EUR 9,552,417.00 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash and/or kind (Authorized Capital II) by June 30, 2014. According to an ad-hoc announcement made on October 28, 2010, the Board of Management made use of this authorization and effected a capital increase for cash amounting to EUR 4,776,205.22 to the exclusion of subscription rights (further details in the chapter "Financial and Assets Position").

Subject to the approval of the Supervisory Board, the Board of Management is empowered to exclude shareholder subscription rights and to determine other details of the capital increase:

- if the issue amount for the new shares is not significantly below the stock market price of company shares of the same type at the time when the issue amount is determined, as defined by Sec. 203 Paras. 1 and 2, Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG). The authorization to exclude shareholder subscription rights

shall be valid only if the shares to be issued within the framework of the capital increase account for a proportion of the company's existing capital stock which is no higher than 10% both at the time when this authorization comes into effect and at the time when this authorization is exercised. This maximum amount for the exclusion of subscription rights must take into account the proportional amount of the capital stock accounted for by shares issued or sold to the exclusion of subscription rights during the term of this authorization under the direct or analogous application of Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act. Also to be taken into account are shares which were or must be sold during the term of this authorization on the basis of bonds with conversion or option rights issued in accordance with this stipulation.

- in the event of a capital increase against contributions in kind for the purpose of acquiring companies, parts of companies, or investments in companies.

(1) Furthermore, the Annual Shareholders' Meeting held on July 1, 2010, authorized the company in accordance with Sec. 71 Para. 1 Item 8 of the German Stock Corporation Act (AktG) to buy back a maximum of 1,837,003 shares, corresponding to approximately 10% of the current number of no-par-value shares and therefore to around 10% of the company's current capital stock, in the period until June 30, 2015. The authorization can be exercised in full or in part and either once or several times.

However, no more than 10% of the company's capital stock as per the time of the resolution that was acquired on the basis of this empowerment, including shares already purchased and owned by the company and shares attributable to the company under Sec. 71d Sentence 3 and Sec. 71e Para. 1 Sentence 1 of the German Stock Corporation Act (AktG), may be bought back.

The Board of Management decides whether the shares in INDUS Holding Aktiengesellschaft (INDUS shares) are to be acquired by means of stock market purchase or by making a public offer to all the company's shareholders.

If the shares are purchased on the stock market, the purchase price per share (excluding additional purchasing costs) may not exceed or fall short of the market price of an INDUS share in Xetra trading on the Frankfurt Stock Exchange determined by the opening quotation on the trading day in question or by a functionally comparable successor system to Xetra by more than 10%.

If the shares are purchased as the result of a public offer to all the company's shareholders, the sale price per share, or the threshold values of the range offered (excluding additional purchasing costs), may not exceed or fall short of the INDUS share's average closing quotation in Xetra trading on the Frankfurt Stock Exchange or a functionally comparable successor system to Xetra by more than 10% on the ten trading days prior to the public announcement of the offer. The offer, or invitation to submit bids, can provide for – among other things – a term of acceptance, conditions, and the possibility of adjusting the price range during the term of acceptance or the offer period if there are substantial share price fluctuations during the term of acceptance after a formal offer has been published. In the event of such an adjustment, the average closing prices quoted in Xetra trading, or a functionally comparable successor system to Xetra, for the company's shares on the Frankfurt Stock Exchange on the ten trading days prior to the Board of Management's resolution on the adjustment shall be authoritative. If the volume subscribed for exceeds the volume offered, acceptance shall be regulated by quota. If the number of shares with pre-emptive tender rights therefore exceeds the total number of shares offered by the company, the shareholders' right to tender can be excluded insofar as the shares are acquired proportionate to the shares with pre-emptive tender rights.

This can provide for the preferential acceptance of small numbers of up to 100 shares with pre-emptive rights per shareholder.

(2) The Board of Management is authorized to sell the treasury shares repurchased on the basis of the empowerment under (1) or some empowerment previously granted on the stock exchange or, subject to Supervisory Board approval, by other means to the exclusion of shareholder subscription rights.

If the repurchased treasury shares are sold on the stock exchange, the sale price per share (excluding additional purchasing costs) may not fall significantly short of the average closing quotation in Xetra trading on the Frankfurt Stock Exchange or a comparable successor system on the ten trading days prior to the selling transaction.

If the repurchased treasury shares are sold over the counter, the sale price per share (excluding additional purchasing costs) may not fall significantly short of the average closing quotation in Xetra trading on the Frankfurt Stock Exchange or a comparable successor system on the ten trading days prior to the submission of the sale offer. The sale price may not fall short of the shares' imputed par value. The repurchased treasury shares, furthermore, can be sold against payment in kind to the exclusion of subscription rights, particularly in order to offer them to third parties in the event of a merger or the acquisition of companies, parts of companies, equity interests, or other capital assets. The term "sell" in this context also encompasses purchase options and cession by way of lending. The value of the payment in kind may not be disproportionately low in an overall assessment.

In the cases specified above, moreover, the proportion of the company's capital stock accounted for by the aggregate shares sold under this empowerment to the exclusion of subscription rights, together with

the proportion of the capital stock accounted for by new shares issued during the term of this empowerment as a result of any capital increases to the exclusion of subscription rights in accordance with Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG), may not exceed 10% of the company's capital stock either when this empowerment comes into force or when it is exercised. This limitation must also include the proportion of the company's capital stock to which the conversion and/or option rights or obligations issued since the aforementioned empowerment was granted to the exclusion of subscription rights in accordance with the provision in Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG) relate.

Shareholder subscription rights to repurchased treasury shares are excluded insofar as these shares are used in accordance with the above authorizations.

The Board of Management shall also be authorized, subject to the approval of the Supervisory Board, to retire repurchased shares without this retirement or its implementation requiring a new resolution by the Annual Shareholders' Meeting.

The authorizations in the aforementioned Item (2) can be exercised in whole or partial amounts, once or several times, individually or jointly.

### **Material Agreements in the Event of a Change of Control**

In the event of a change of control, the members of INDUS Holding AG's Board of Management have a special right to terminate their employment contracts. In this case, they are entitled to severance payments. This is generally the total compensation that the Board of Management member would have received up to the scheduled termination date, but no less than the total compensation of one contractual year.

## Business Environment and Development

### ■ Economic and Sector Development

#### German Economy Recovers at a Record Pace

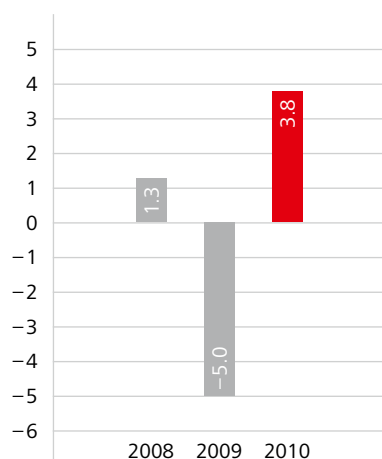
The German economy recovered with surprising vigor and speed in 2010. With gross domestic product (GDP) in real terms growing by 3.8%, the upturn proved to be stronger than had been forecast. Most observers of the general economic trend assumed that it would take several years for the economy to return to its pre-recession level. Unlike Spain, Ireland, and Greece, the German economy did not suffer from the consequences of the burst credit and real estate bubble. The economic reforms and the wage and salary restraint shown in recent years also helped the economy to revive. The almost unprecedented growth spurt in the spring of 2010 – this is almost traditional for Germany – was driven primarily by exports. German exporting companies benefited from their high level of competitiveness and their product ranges based predominantly on capital goods and high-quality consumer goods. Germany produces many products in these segments which are increasingly in demand in the newly industrializing countries.

Although the revival in early 2010 was driven mainly by exports, domestic investment activity took over the reins during the course of the year. According to Germany's Reconstruction Loan Corporation (KfW), corporate investment increased every quarter from the beginning of 2010: by +3.6% in the first quarter and by +4.6% in the second. At the same time, domestic demand also regained momentum. As of the mid-year point, not only public-sector consumption, but also – after three quarters of decline – private consumption showed signs of revival.

#### Labor Market Recovers, Consumer Confidence Increases

The German labor market, too, benefited from the robust economic recovery in 2010. Compared with the crisis year of 2009, the unemployment rate fell, while the number of jobs subject to social insurance contributions and employment as a whole increased sharply. According to the German Federal Employment Agency, the average unemployment rate in 2010 was 7.7%. This constitutes a decrease of 0.5 percentage points over the previous year. In December 2010 the figure was 7.2%.

#### [ GDP Growth Rate in Germany in % ]



The positive development of the labor market and pleasing news about fully utilized production capacities led to a revival in confidence, also among the population at large. As a result, the direct income effect was reinforced by a psychological effect. According to a survey by the insurance group Allianz, Germans were more confident than at any time since 2007: when asked in the fall how they saw Germany's future in the light of the general economic situation, 38% of respondents replied "with great confidence" or "with confidence." This represents a doubling compared with the previous year (19%). The surge in optimism was equally strong in the area of job security: the confident answers given in the third quarter of 2010 (27%) constituted an increase of 19 percentage points, treble the level recorded in the fall of 2009 (8%).

### Industrial Sectors Relevant to INDUS Embark on Growth Trend

In the sectors with relevance for INDUS, the economic trend was positive across all business segments, albeit with a degree of gradation: automotive industry supply companies showed the greatest dynamism, followed by metal processing companies. The late-cyclical engineering segment recovered notice-

ably in 2010, although it has yet to show the same degree of growth. The trend in the construction segment was pleasing, despite the hard winter. The medical engineering sector, too, showed a stable and steady trend. For details about the general conditions in the respective sectors, see the segment report below.

### ■ Development of Sales and Earnings

**Table with overview of the INDUS Group's key figures**

EUR millions	2010	2009*
Sales	971.6	766.4
EBITDA	145.0	102.8
EBIT	101.4	57.1
EBT	74.0	29.5
Net income for the year	46.9	11.4
Total assets	973.1	913.5
Group equity	309.5	241.7
Net debt	379.4	408.3
Equity ratio in the Group (in %)	31.8	26.5
Equity in the holding company	502.2	484.4
Equity ratio in the holding company (in %)	54.6	53.0
Operating cash flow	81.9	106.6
Cash flow from operating activity	54.3	77.1
Cash flow from investing activity	-38.4	-32.7
Cash flow from financing activity	-13.9	-39.1
Cash and cash equivalents as per Dec. 31	96.8	93.5
Earnings per share, basic in acc. with IFRS (in EUR)	2.59	0.89
Cash flow per share (in EUR)	2.69	4.20
Dividend per share (in EUR)	0.90**	0.50
Average number of employees in the period	6,036	5,371
Germany	4,772	4,549
Abroad	1,264	822
Investments (number as per Dec. 31)	40	40

\* Previous year's figures adjusted in accordance with IFRS

\*\* Proposed

### Changes in the Scope of Consolidation

The financial statements include 115 fully consolidated subsidiaries and two companies valued using the equity method. The disposal of Maschinenfabrik BERNER GmbH & Co. KG led to an adjustment of the previous year's figures.

### Development of Sales: INDUS Group Reports Record Sales

The INDUS Group's consolidated sales increased sharply in the 2010 fiscal year, growing by more than 25 % to EUR 971.6 million (previous year: EUR 766.4 million). INDUS consequently achieved its highest sales figures since its foundation 25 years ago.

EUR millions	2010	in %	2009*	in %
<b>Group sales</b>	<b>971.6</b>		<b>766.4</b>	
of which Germany	537.7	55.3	448.6	58.5
of which abroad	433.9	44.7	317.8	41.5

\* Previous year's figures adjusted in accordance with IFRS

### Expenses and Earnings Position Reflect Positive Business Trend

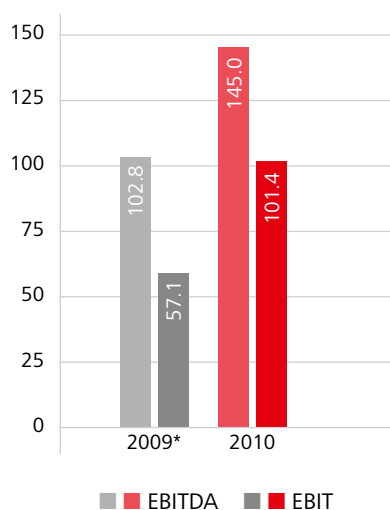
In line with the trend in sales, the other earnings data also developed positively: other operating income decreased from EUR 23.3 million in 2009 to EUR 19.6 million in 2010, but the previous year's figures contain reduced working hours allowances amounting to EUR 3.7 million. The cost of materials increased from EUR 337.0 million in 2009 to EUR 462.0 million as a result of the improved orders position. Although the cost of materials ratio increased to EUR 47.6 % in the year under review (previous year: 44.0 %), it nevertheless remains within the long-term average range. Prices of raw materials rose in 2010 as a result of the swift recovery and high demand from the newly industrializing countries. Personnel expenses increased from EUR 227.8 million to EUR 265.1 million. This resulted primarily from the increase in hiring occasioned by the economic upturn. The ratio of personnel costs to total sales thereby improved to 27.3 % compared with 2009 (previous year: 29.7 %).

Depreciation and amortization amounted to EUR 43.6 million, slightly below their previous year's level of EUR 45.8 million. Non-scheduled amortization as a result of impairment tests totaled EUR 1.7 million and related to the Automotive Components/Engineering segment (previous year: EUR 5.8 million). The basis of the impairment test is the rolling medium-term plans for the three subsequent fiscal years drawn up for every company. Due to the reduced cost of capital, among other things, a WACC (weighted average cost of capital) of 8.0 % was estimated (previous year: 8.5 %).

Other operating expenses were significantly higher than in the previous year. They increased to EUR 140.0 million (previous year: EUR 109.2 million). This increase resulted mainly from variable costs, such as packaging and delivery costs.



**[ EBITDA and EBIT in EUR millions ]**



\* Previous year's figures adjusted in accordance with IFRS

**Earnings Before Taxes More Than Double**

Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased disproportionately by approximately 40 % in 2010, from EUR 102.8 million to EUR 145.0 million. The slight decrease in depreciation and amortization led to an earnings before income and taxes (EBIT) figure of EUR 101.4 million. This means that INDUS improved its operating result by over 70 % last year (previous year: EUR 57.1 million). The INDUS Group's EBIT margin, at 10.4 %, thereby returned to its long-term target corridor of 10 % to 12 % (previous year: 7.5 %).

Net interest, at EUR –27.4 million, remained at the level of 2009 (previous year: EUR –27.6 million). If the interest included in these figures which was actually paid for operating activities is viewed in isolation, it can be seen that the expenses incurred in debt reduction decreased from EUR –28.0 million to EUR –26.9 million. The "IFRS interest" item which is also included shows market valuations of interest rate swaps and non-controlling interests with no effect on cash flow. The INDUS Group can thank its loan agreements concluded over the long term on favora-

ble terms for this stable situation. Net interest income increased slightly from EUR 1.4 million to EUR 1.9 million. The Group uses interest rate hedging instruments only for hedging risks. Earnings before taxes (EBT) show the turnaround in the business trend more clearly than any other indicator: with EUR 74.0 million (previous year: EUR 29.5 million), INDUS generated around two and a half times its previous year's result.

Taxes increased in absolute terms from EUR 12.6 million to EUR 25.3 million. The tax ratio, however, decreased sharply and, including deferred and non-recurring taxes, is now 34.2 % (previous year: 42.7 %). If the non-recurring taxes of EUR 3.8 million are excluded from this figure, there is a notional tax rate of 29 %; this corresponds in text-book fashion to the "standard tax rate" of 30 %. In 2010, INDUS thereby achieved a balanced tax ratio that can be compared with that of the pre-crisis year of 2007. For information on the tax particularities and the actual tax expenses, see also the detailed explanations under Item 10 of the notes.

Consolidated net income improved to EUR 46.9 million (previous year: EUR 11.4 million). Of this sum, EUR 46.6 million (previous year: EUR 10.8 million) is attributable to INDUS Holding AG shareholders and EUR 0.3 million (previous year: EUR 0.6 million) to non-controlling interests. Earnings per share increased substantially to EUR 2.59 (previous year: EUR 0.89).

**Application of Profits:**

**Proposal to Raise Dividend**

In view of the positive business results, the appropriation of distributable profit proposed jointly by the Board of Management and the Supervisory Board provides for an increase in the dividend to EUR 0.90. This means that, in line with the long-term dividend policy pursued by INDUS, around 50 % of the corporate profits are distributed to shareholders. This represents a dividend yield of approximately 4.1 % on the closing price at the end of the year.

## ■ Course of Business in the Segments

INDUS Holding AG's portfolio is divided into five segments: Construction/Infrastructure, Automotive Components/Engineering, Engineering, Medical Engineering/Life Science, and Metal/Metal Processing.

### [ Construction/Infrastructure ]

EUR millions	2010	2009
Sales	205.5	189.2
EBIT	27.9	28.1
EBIT Margin (in %)	13.6	14.9
Depreciation/ Amortization	5.0	4.8

#### Hard Winter at Year-end Pushes Segment Sales into Slightly Negative Territory

Despite the onset of a very cold winter toward the end of the year, sales in the principal construction trade developed more positively than expected in 2010. According to the German Construction Industry Federation, sales in the construction trade declined by a nominal 0.3% in 2010. Residential construction was the most important pillar of the construction sector in 2010. Sales increased by 6.6% in this segment. Incoming orders, too, increased further and were 9.8% higher than their previous year's level. The stabilization of income expectations in the course of the economic recovery, renewed investor interest in residential real estate, and persistently low interest rates revived residential construction.

Public construction, on the other hand, developed disappointingly: the commercial momentum from the economic stimulus programs turned out to be weaker than expected due to the annulment of the additionality criterion in the German Future Investments Act (ZulnvG), among other things. Sales declined by 2.2% in 2010. Incoming orders, too, showed a negative trend in 2010, falling 5.2% short of their previous year's level.

By way of contrast, commercial construction performed better than originally anticipated in 2010: although construction firms reported a decline of 4.3% in their sales, incoming orders increased by 6.0%.

#### Segment Sales Exceed Previous Year's Level: Margin Remains Far Above Industry Average

The Construction/Infrastructure segment encompassed nine operating units as of December 31, 2010. At EUR 205.5 million in the year under review, the segment's sales again exceeded the previous year's level. They therefore bucked the industry trend, despite the very cold winter which impacted earnings negatively in the first quarter in particular. EBIT decreased marginally to EUR 27.9 million (previous year: EUR 28.1 million). The EBIT margin, although reduced, remains at a highly creditable 13.6%, a pleasing result from the INDUS Group's companies following the exceptional situation in 2009. The "normalized" development in 2010 demonstrates the impact of the economic stimulus programs which are now coming to an end.

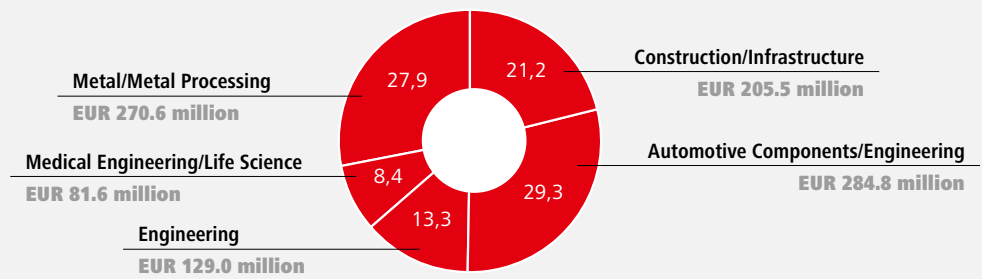
### [ Automotive Components/Engineering ]

EUR millions	2010	2009
Sales	284.8	199.3
EBIT	14.4	-8.4
EBIT Margin (in %)	5.1	-4.2
Depreciation/ Amortization	23.0	26.2

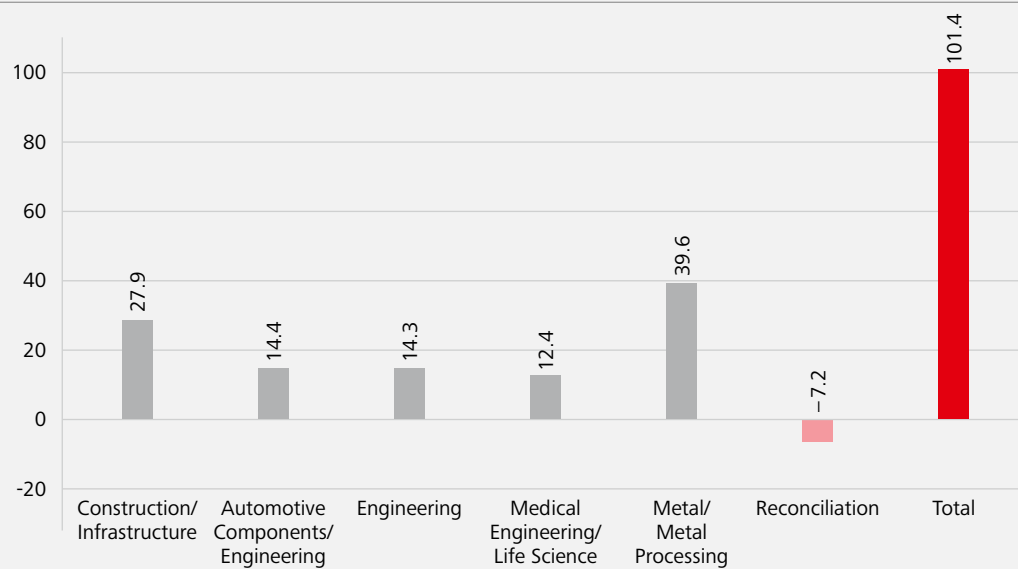
#### Sector Catches Up Rapidly, German Companies Can Enjoy Greater Benefits

The international automobile sector recovered more quickly than expected in 2010. It again picked up speed, particularly toward the end of the year. After the numbers of new vehicles sold had declined sharply in many countries in 2009 due to the financial crisis, automobile sales increased noticeably over the last twelve months as the recovery gathered

**[ Breakdown of sales 2010 by segments in % ]**



**[ EBIT 2010 by segments in EUR millions ]**



pace. All in all, more than 61.7 million cars were sold around the world in 2010, which represents an increase of 12 %. The engines of growth in the international automobile sector were, in particular, the four BRIC countries (Brazil, Russia, India, and China) and the US market.

The high-export German automobile manufacturers benefited particularly from the upturn with their attractive, CO<sub>2</sub>-efficient models. They were able to increase their market shares in many important regions. German companies accounted for around one-fifth of global automobile production. According to the German Association of the Automotive Industry, almost 2.92 million new vehicles were registered on the German domestic market in 2010. Although, as expected, the domestic market thereby remained below its very high 2009 level (–23 %), the high level in 2009 was generated primarily by the government's "cash for clunkers" program. The overall trend is upward: German manufacturers' domestic vehicle production in December 2010 was 18 % higher than the previous year's level at 413,500 units. In the year as a whole, domestic automobile production was 12 % higher at around 5.5 million new vehicles. The commercial vehicles market, too, is recovering gradually: 17 % more commercial vehicles were sold in Germany in 2010 and exports of commercial vehicles increased by 53 %.

#### **Automotive Components/Engineering Segment Achieves Swift Turnaround**

The segment encompassed eleven operating units as of December 31, 2010. Sales in the Automotive Components/Engineering segment recovered quickly in 2010 following their severe decline in 2008/2009. Thanks to the high level of global demand for German motor vehicles, the portfolio companies' sales increased to a record level of EUR 284.8 million (previous year: EUR 199.3 million). EBIT improved sharply to EUR 14.4 million, while the EBIT margin returned to an acceptable level for the time being of 5.1 %, following the dip in 2009. The EBIT margin is still far

from returning to its pre-crisis level, however, as earnings are coming under pressure from both low-margin orders and additional costs resulting from the abrupt increase in output. Within the segment, suppliers for series products are benefiting disproportionately from the growth in demand. In the first quarter, demand picked up so strongly that the substantial increase in output led to short-term productivity problems. Following necessary reductions in the workforce in 2009, an increasing level of temporary work and overtime was required at the beginning of 2010. In the course of the year, the regular workforce was then increased gradually as well. The main engines of growth were the premium manufacturers Daimler, BMW, and Audi. The EBIT figure takes account of amortizations resulting from impairment tests in the amount of EUR 1.7 million (previous year: EUR 5.8 million).

### **[ Engineering ]**

EUR millions	2010	2009
Sales	129.0	105.2
EBIT	14.3	12.4
EBIT Margin (in %)	11.1	11.8
Depreciation/ Amortization	1.9	2.3

#### **Industry Recovered Strongly, Recovery Proceeding at Different Speeds Depending on Sub-segment**

Incoming orders in the German engineering sector have recovered rapidly since the summer of 2009. According to the German Engineering Federation (VDMA), the industry increased its production by 8.8 % in 2010. The industry's sales increased to EUR 174 billion, while average capacity utilization came to 79.8 %. However, this average trend posted by the mechanical engineering industry still conceals

large differences at the specialist segment level. A number of mechanical engineering segments, such as construction and construction materials machinery or printing and paper technology, are recovering only hesitantly while others such as smelter and rolling mill facilities, power systems, electrical automation, and mining machinery have already exceeded their previous top levels, in some cases substantially.

All in all, incoming orders in the Engineering segment increased by 36 % in real terms in 2010. This means that the industry is also well positioned internationally: exports in 2010 amounted to EUR 123 billion, while the export ratio increased to 74.8 %. German exporters benefited in particular from China's growth. Sales in China climbed by almost a third to EUR 13.7 billion between January and November 2010. China had already overtaken the USA as German machine exporters' most important sales market in 2009.

#### **Engineering Segment with Delayed Recovery**

The Engineering segment encompassed seven operating units as of December 31, 2010. The segment as a whole was not so badly affected by the crisis, as its mixture of early- and late-cyclical companies had an equalizing effect. The portfolio companies benefited from the upturn in 2010 and increased their sales by some EUR 24 million to EUR 129.0 million. EBIT amounted to EUR 14.3 million (previous year: EUR 12.4 million). Although some companies operating in late-cyclical plant engineering are recovering only with a considerable delay, the EBIT margin of just under 11.1 % is only slightly below the result posted in 2009 (previous year: 11.8 %). To some extent, orders were accepted to safeguard employment in 2010 – with attendant adverse effects for the earnings ratios.

### **[ Medical Engineering/ Life Science ]**

EUR millions	2010	2009
Sales	81.6	76.9
EBIT	12.4	10.8
EBIT Margin (in %)	15.2	14.0
Depreciation/ Amortization	3.1	3.5

#### **Sector's Stable Growth Trend Sustained by Demographic Factors**

The medical engineering sector is one of the world's growth markets. Medical progress, the demographic trend in the industrialized nations with ever-increasing numbers of senior citizens, and broadened healthcare will ensure that it remains so in the long term. This means that the need for healthcare services, too, will continue to increase. Patients' willingness to invest more in their health is increasing inexorably. Companies in the medical engineering field remained innovative and fast-growing in 2010. According to the 2010 fall survey conducted by the German Medical Technology Association (BVMed), sales grew by some 5.5 % in 2010 (2009: around 3 %). The overall commercial trend in the sector was positive. The association noted, however, that the profit situation was partly impaired by the sharp increases in commodity prices and higher amounts receivable. In global terms, Germany is the third-largest market for medical engineering. Aside from a small number of major companies, the sector has a strong leaning toward SMEs. 95 % of the companies employ fewer than 250 staff.

#### **Segment Grows Continuously and Again Improves its Margin**

The Medical Engineering/Life Science segment encompassed three operating units as of December 31, 2010. The companies showed a constantly positive trend. The companies in the segment were not affected by the crisis. They increased their sales by

around 6 % to EUR 81.6 million in 2010 (previous year: EUR 76.9 million). Their earnings, too, improved to a disproportionate extent: earnings before income and taxes comfortably exceeded their previous year's level at EUR 12.4 million, with the EBIT margin rising to 15.2 % (previous year: 14.0 %). End consumer business, in particular, showed a disproportionate improvement, and this effect was accentuated by a recovery in corporate customer business. The highly gratifying trend shown by our portfolio companies in this segment indicates to us that healthcare and nursing care will be among the growth areas of the future.

### [ Metal/Metal Processing ]

EUR millions	2010	2009
Sales	270.6	195.7
EBIT	39.6	18.5
EBIT Margin (in %)	14.6	9.5
Depreciation/ Amortization	10.3	8.7

#### **Sector Recovers Strongly in 2010 Following Abrupt Downturn in 2009**

The global economic crisis had hit the German metal and electrical industry with full force in 2009. Production, which had peaked in August 2008, declined rapidly by almost 30 % in just six months, with incoming orders down by no less than 34 % in the same period. A collapse of this magnitude is unprecedented in the history of the Federal Republic of Germany. Then, in 2010, the metal and electrical industry, together with the automotive industry, was one of the main engines of growth for the German economy. Aggregate exports from Germany increased by more than 14 %. The industry's employers' federation Gesamtmetall nevertheless still sees room for improvement as of year-end: the pre-crisis level has yet to be reached, it says. In the production area only 70 % of the previous downturn had been recouped, and with incoming orders only 80 %.

#### **Companies in the Metal/Metal Processing Segment Prove to be Engines of Growth**

The Metal/Metal Processing Industry segment encompassed nine operating units as of December 31, 2010. As in the Automotive Components/Engineering segment, the companies in this segment were badly affected by the recession. Sales and earnings declined sharply in 2009 and reduced working hours were unavoidable at many companies. This made the surprisingly swift and vigorous recovery and sales growth at all our portfolio companies all the more gratifying. The INDUS subsidiaries' aggregate revenue amounted to EUR 270.6 million (previous year: EUR 195.7 million). Segment earnings increased to EUR 39.6 million and the EBIT margin improved to a record 14.6 % (previous year: 9.5 %). The medium-term effects of the ongoing increases in the cost of materials are not yet evident in the earnings figure. This means that with regard to earnings, the INDUS segment is well above the industry average and has reached a new all-time high.

#### **■ Employees**

#### **Employee Numbers Increase Sharply as a Result of the Buoyant Orders Position**

Our business depends on the specialist knowledge and loyal commitment of our employees. They identify very strongly with their companies. In our view, this is one of the major strengths of small and medium-sized companies. One of our most important objectives in the recent critical market phase, then, was to retain our regular workforce throughout the crisis and release as few staff as possible. This enabled us to keep important know-how within our companies.



In 2010, this approach paid off when the economy picked up again. In the course of the exceptional economic recovery, the workforce even increased considerably compared with 2009: from 5,371 in 2009 to its current level of 6,036 employees. In the Automotive Components/Engineering and Metal/

Metal Processing segments in particular, the INDUS portfolio companies hired many employees. The previous year's figures, moreover, did not include the employees of HAKAMA AG, which was acquired at the beginning of 2010.

### Employees

	2010	2009
Germany	4,772	4,549
Abroad	1,264	822
<b>Total</b>	<b>6,036</b>	<b>5,371</b>

### "Kapaflex" Program Ensures Flexibility of Staff Deployment

Even with the crisis behind it, INDUS is anxious to maintain or enhance the flexibility of its production and personnel costs. Our goal is to preserve flexible capacities averaging around 20 % in the Group. This means that even in growth and hiring phases, the increase in fixed costs should be kept as low as possible. For this purpose, INDUS has developed the "Kapaflex" program for its portfolio. It ensures the necessary responsiveness and flexibility for our company by combining various measures such as working time accounts, overtime vouchers, term labor contracts, contracting, and controllable insourcing and outsourcing potential. Not least by fully exploiting the leeway created by "Kapaflex," INDUS was successful in substantially maintaining its core workforce during the 2009 crisis. In the current upturn phase, INDUS will take care to maintain or enhance its flexibility.

### Training and Staff Development Ensure Specialist Competence

We attach great importance to the training of young people in technical and commercial occupations. The INDUS Group is currently providing 253 young people (previous year: 272) with occupational training. This means that the training ratio is 4.2 % (previous year: 5.1 %). The specialist and social competence of a company's employees is its most important capital. To encourage and promote this capital, the portfolio companies offer a range of training programs geared toward the individual skills of the employees. The ongoing training program's decentralized organization via the individual portfolio companies and their collaboration with local partners guarantees an expansion of practical expertise geared closely to the specific requirements. In 2010, some of our subsidiaries again received awards for their initiatives and personnel measures. A division of the Bamberg-based company OFA, for example, received the "Best Employer of 2011" award from a small and medium-sized businesses' federation.

## Financial and Assets Position

### Financial Position

#### Financial Management: Controlled by the Holding Company

Financial management is controlled centrally within the INDUS Group by the holding company. Essentially, financial management encompasses liquidity control, the procurement of loans, and the management of interest rate and currency risks. The objective of this centralized approach is to optimally utilize the traditionally high operational cash flow that is generated. INDUS takes care to ensure an optimum, broad-based blend of financial instruments and institutions so that its financing options can be purchased as cost-effectively as possible.

The Group uses various instruments, such as ABS (asset-backed securities) programs, factoring, promissory note bonds, and long-term bank loans, to conduct its financial management. These are spread over a variety of financial institutions.

We can invest flexibly at any time thanks to a comfortable liquidity base in combination with financing commitments from banks. In the financing area, INDUS attaches importance to long-term cooperative links with a multiplicity of German financial institutions. Stabilizing factors in the Group's long-term financing are a broad diversification of the credit volume and a decreasing straight-line redemption structure, plus concomitant use of the broadest possible range of financing instruments. To control the market price risks, the Group utilizes interest rate and currency derivatives which all have a risk-hedging effect.

#### Statement of Cash Flows

EUR millions	2010	2009
Operating cash flow	81.9	106.6
Cash flow from operating activity	54.3	77.1
Cash flow from investment activity	-38.4	-32.7
Cash flow from financing activity	-13.9	-39.1
Cash and cash equivalents at the end of the period	96.8	93.5

#### Liquidity: Debts Reduced Despite Financing of Growth

Operating cash flow fell from EUR 106.6 million to EUR 81.9 million due to the necessary financing of growth. With earnings after taxes in continuing operations amounting to EUR 48.8 million, the decrease results primarily from the necessary financing of inventories and from increased trade receivables caused by higher sales. The change of EUR 18.5 mil-

lion in provisions takes a multiplicity of effects into account which are dependent on the volume of business. Around EUR 6 million, for example, was accounted for by warranties, commissions, and sales bonuses/discounts, while a further EUR 3 million relates to increased costs incurred for the workforce (primarily higher vacation and working time accounts and extraordinary remuneration).

Cash flow from operating activities (cash inflow) accordingly fell from EUR 77.1 million to EUR 54.3 million. Cash flow from investing activities (cash outflow) increased from EUR –32.7 million to EUR –38.4 million. This was essentially due to the acquisition of 60 % of the shares in the Swiss company HAKAMA AG, the purchase of the remaining shares in OBUK Haustürfüllungen GmbH & Co. KG, and the investment in its subsidiaries' machinery and plant.

Cash flow from financing activities (cash outflow) showed a strongly positive trend due to the capital increase carried out in the fall. It amounted to EUR –13.9 million (previous year: EUR –39.1 million). In the year under review, INDUS redeemed loans amounting to EUR 97.7 million (previous year: EUR 107.4 million) and simultaneously reduced its volume of new loans by EUR 24.1 million to EUR 60.0 million (previous year: EUR 84.1 million). In addition, the sum of EUR 9.2 million was distributed to the shareholders as dividends. In spite of this, the year-end liquidity reserve of EUR 96.8 million exceeded that of year-end 2009 (previous year: EUR 93.5 million).

#### **Capital Expenditure: Increased Capital Expenditure on Property, Plant, and Equipment, and Acquisitions**

Capital expenditure totaled EUR 52.0 million (previous year: EUR 34.7 million) in the year under review.

EUR 14.1 million of this sum was invested in company acquisitions, EUR 33.3 million in property, plant, and equipment, and EUR 4.6 million in intangible assets. Capital expenditure on assets rose again in the 2010 fiscal year because INDUS acquired a new portfolio company and the remaining shares in an existing equity holding. As the market outlook improved, the previous year's tangible restraint surrounding modernization and expansion investments also dissipated. Capital expenditure on property, plant, and equipment related primarily to plant and machinery amounting to EUR 18.2 million, other equipment and factory and office equipment totaling EUR 8.1 million, and land and buildings amounting to EUR 2.8 million. Depreciation and amortization totaled EUR 43.6 million, slightly below the previous year's figure of EUR 45.8 million due to the restrained approach to capital investment that prevailed during the economic crisis.

#### **Other Financial Obligations**

INDUS primarily uses rental and leasehold agreements, operating leases for IT equipment, and company cars as off-statement-of-financial-position financing vehicles. Lease obligations totaled EUR 75.8 million (previous year: EUR 75.3 million) as of December 31, 2010. There were no other off-statement-of-financial-position financing vehicles which materially affected the Group's commercial position.

#### **Capital Expenditure**

EUR millions	2010	2009
<b>Capital Expenditure</b>	<b>52.0</b>	<b>34.7</b>
of which in:		
<b>Company Acquisitions</b>	<b>14.1</b>	<b>./. </b>
<b>Intangible Assets</b>	<b>4.6</b>	<b>5.3</b>
<b>Investment in property, plant, and equipment</b>	<b>33.3</b>	<b>29.4</b>
of which in:		
plant and machinery	18.2	15.9
other equipment, factory and office equipment	8.1	7.4
land and buildings	2.8	2.0
advance payments and plant under construction	4.3	4.1

## ■ Net Assets Position

### Assets Side: Upturn Leads to Increase in Inventories and Receivables

Noncurrent assets were around their previous year's level at EUR 565.1 million (previous year: EUR 564.1 million). Goodwill, too, remained constant at EUR 289.6 million. The same applies to intangible assets, which totaled EUR 17.1 million in both 2009 and 2010. Property, plant, and equipment increased to EUR 244.5 million as a result of capital expenditure that exceeded write-downs (previous year: EUR 238.9 million). For more details about capital expenditure in 2010, please see the "Capital Expenditure" section above. Financial investments, too, remained almost unchanged compared with 2009 at EUR 8.6 million (previous year: EUR 9.0 million). Shares valued using the equity method decreased to

EUR 1.3 million (previous year: EUR 4.6 million) due to the disposal of the shares in Cottano Vlieswerke GmbH, a 50 % investment of IMECO, to the long-term co-shareholder. Other noncurrent assets decreased to EUR 1.4 million (previous year: EUR 3.0 million). Deferred taxes increased slightly from EUR 2.0 million to EUR 2.7 million.

Current assets increased from EUR 349.3 million to EUR 407.9 million, primarily as a result of the sharp increase in inventories and receivables that flowed from the improved orders position. Even with higher working capital commitments, there was a year-on-year increase in cash and cash equivalents of EUR 3.3 million to EUR 96.8 million. Other current assets remained almost constant, while current income taxes totaled EUR 6.8 million (previous year: EUR 5.0 million).

### Statement of Financial Position Structure

EUR millions	2010	2009
<b>ASSETS</b>	<b>973.1</b>	<b>913.5</b>
Noncurrent assets	565.1	564.1
Current assets	407.9	349.3
<b>EQUITY AND LIABILITIES</b>	<b>973.1</b>	<b>913.5</b>
Equity	309.5	241.7
Noncurrent liabilities	375.3	413.2
Current liabilities	288.3	258.6

#### **Liabilities Side: Capital Increase Carried Out to Strengthen Equity Base**

Effective as from October 28, 2010, the Board of Management, with the approval of the Supervisory Board decided to implement a capital increase for cash from the authorized capital to the exclusion of the subscription rights of the existing shareholders. 1,837,002 no-par-value bearer shares with a rounded notional share in the capital stock of EUR 2.60 per share were offered for an issuing price of EUR 18.20 per share. The company's capital stock was thereby increased by EUR 4,776,205.22 from EUR 47,762,086.00 to EUR 52,538,291.22. The new shares are fully entitled to dividends from the profits for the 2010 fiscal year. INDUS Holding AG received EUR 33,433,436.40 from this capital increase. The new shares were acquired in their entirety by the insurance institution Versicherungskammer Bayern Versicherungsanstalt des öffentlichen Rechts, which subscribed for the shares as part of its long-term capital investment strategy.

#### **Equity Up by Approximately EUR 68 Million, Equity Ratio Increases to Nearly 32%**

Equity improved by EUR 67.8 million to EUR 309.5 million. INDUS thereby achieved an equity ratio of 31.8% as of December 31, 2010 (previous year: 26.5%), making this the sixth year in succession that INDUS has increased this ratio. Noncurrent liabilities fell to EUR 375.3 million (previous year: EUR 413.2 million), primarily as a result of the decrease in non-current financial liabilities which was caused by the level of new loans being well below the redemption payments made. Current liabilities increased overall, from EUR 258.6 million to EUR 288.3 million. This increase is attributable to the individual items in the statement of financial position as follows: higher current financial liabilities (up by EUR 11.5 million), increased trade accounts payable (up by EUR 8.0 million), increased current provisions (up by EUR 14.0 million), and increased current income taxes (up by EUR 3.2 million). Other current liabilities decreased by EUR 7.0 million.

#### **Interest-bearing Liabilities Reduced by Around 45 Million**

INDUS calculates net debt as the difference between noncurrent and current financial liabilities and cash and cash equivalents. As of December 31, 2010, net debt totaled EUR 379.4 million, which was lower than the 2009 figure (previous year: EUR 408.3 million). Of this amount, EUR 365.6 million consists of interest-bearing financial liabilities. EUR 13.8 million of the aforementioned amount is accounted for largely by a long-term hire purchase contract for real estate which, according to the prevailing accounting rules, must be classified as a finance lease contract. The ratio of net debt to equity (gearing) consequently improved to 122% (previous year: 169%). In this way, INDUS was able to reduce its liabilities despite the sharp increase in capital required as a result of the upturn and despite the acquisition of HAKAMA AG at the beginning of the year.

#### **Statement of Financial Position Ratios**

EUR millions	2010	2009
Total assets	973.1	913.5
Cash and cash equivalents	96.8	93.5
Equity	309.5	241.7
Equity ratio (in %)	31.8	26.5
Net debt	379.4	408.3
Gearing (in %)	122	169
Working Capital	257.1	211.3

Working capital is calculated by deducting trade accounts payable and prepayments received from inventories and trade accounts receivable. Working capital totaled EUR 257.1 million (previous year: EUR 211.3 million) as of December 31, 2010. This led to a disproportionate increase in working capital (+21.7% compared with 2009) in comparison with aggregate operating performance (+31.9% compared with 2009). This shows that the steps taken to reduce working capital as a reaction to the general economic and financial crisis have retained an impact even in the upturn.

## Position of INDUS Holding AG

### ■ Earnings Position

At EUR 4.3 million, sales at the holding company exceeded their previous year's level of EUR 3.4 million. These consist exclusively of the services performed by the holding company for the individual portfolio companies. There were no transactions with external third parties, as in the previous years. The negative balance of other operating income and expenses decreased from EUR –3.7 million to EUR –2.3 million. Personnel expenses increased from EUR 2.9 million to EUR 4.7 million as a result of higher performance-related compensation.

The annual result for 2010, which represented a significant improvement over 2009, was substantially affected by the sharp increase in income from non-current loans, which increased from EUR 30.8 million in the previous year to their current level of EUR 49.1 million. Thanks to the robust upturn, income from portfolio companies showed an equally gratifying trend, increasing by EUR 10.0 million to EUR 43.7 million. At EUR 5.6 million, interest income was only slightly below the previous year's level of EUR 6.4 million.

Depreciation and amortization of noncurrent intangible assets and property, plant, and equipment remained unchanged at EUR 0.3 million (previous year: EUR 0.3 million). Write-downs on financial assets fell sharply from EUR 40.7 million to EUR 28.7 million. This development reflects the revaluation of financial assets that had to be carried out in 2009 because of the poor overall economic situation. The lower expenses from loss transfer agreements amounting to EUR 4.0 million (previous year: EUR 9.3 million) are also a reflection of the recovery. Interest expenses decreased substantially, from EUR 24.9 million to EUR 22.4 million.

All in all, results from operating activities improved from EUR –7.6 million to EUR 40.1 million. Consequently, the statement of income showed an after-tax profit of EUR 32.4 million (previous year: EUR –7.6 million). This corresponds to earnings per share of EUR 1.74 (previous year: EUR –0.41).

### ■ Financial and Assets Position

INDUS Holding AG's total assets increased by EUR 8.8 million to EUR 922.4 million (previous year: EUR 913.6 million). Noncurrent assets increased by EUR 3.1 million to EUR 760.0 million (previous year: EUR 756.9 million). Within current assets, receivables and other assets increased by EUR 3.3 million to EUR 140.6 million (previous year: EUR 137.3 million). Cash and cash equivalents totaled EUR 21.6 million (previous year: EUR 19.2 million). This left current assets at EUR 162.3 million, EUR 5.8 million above their corresponding previous year's level of 156.5 million.

Equity amounted to EUR 503.2 million (previous year: EUR 484.4 million). This means that INDUS has again improved its equity ratio sharply, this time to EUR 54.6 % (previous year: EUR 53.0 %). This is the highest figure for many years, even though deferred tax liabilities had to be formed for the first time pursuant to the German Accounting Law Modernization Act (BilMoG) and offset against the revenue reserve. Liabilities decreased to EUR 371.2 million (previous year: EUR 424.5 million).

### ■ Employees

As of December 31, 2010, INDUS employed 18 staff members at the holding company (previous year: 17 staff members).



# Opportunity and Risk Report

## ■ General Assessment

### **No Risks Endangering Continued Existence of Company Discernible**

In the 2010 fiscal year, INDUS continued to pursue its proven long-term corporate strategy. The management intends to use the company's still comfortable liquidity situation, as well as the existing financing commitments from a variety of banks, to strengthen its portfolio further in 2011. In the existing portfolio there are attractive growth opportunities which we intend to exploit actively by making scheduled investments of some EUR 50 million in our portfolio companies in 2011. In addition, complementary and selective acquisitions are planned.

Sales revenues in the year under review were considerably higher than in the previous year at EUR 971.6 million. Consequently, the INDUS Group posted an operating EBIT margin of 10.4 %, which is back in its target corridor of 10 % to 12 %. The financing structure again improved: the equity ratio amounted to 31.8 % at Group level (previous year: 26.5 %) and 54.6 % at holding company level (previous year: 53.0 %). All in all, INDUS assesses the business situation as stable.

The Group's overall risk exposure consists of the aggregation of individual risks in all risk categories. The material potential risks for INDUS Holding AG's future development include, in particular, those resulting from a difficult overall economic situation which could affect many of the portfolio companies simultaneously. In the fiscal year just ended, no risks were identifiable that could materially influence the Group's continued existence either individually or in combination with other risks. From a current perspective, these are unlikely in the foreseeable future as well. Also in the medium term, INDUS will be able to avail itself of every conceivable option to seize opportunities that may arise in a buoyant economic environment.

## ■ Opportunity and Risk Management System

### **Company Operates and Maintains an Effective Risk Management System**

INDUS Holding AG and its portfolio companies are exposed to a multiplicity of risks as a result of their international activities. Entrepreneurial action is inextricably linked with risk-taking. At the same time, this enables the company to seize new opportunities and, thereby, defend and strengthen the position on the market occupied by itself and its portfolio companies. The incidence of risks can have adverse effects on the company's business activities and on its net worth, financial, and earnings position. INDUS Holding AG has therefore, in compliance with the usual industry standards prevailing and the statutory provisions, established a risk management system in order to detect potential risks and to observe and assess them in all functional areas.

The risk management system, as an integral part of the business, planning, accounting, and control processes, is integrated into INDUS Holding AG's information and communication system and is an essential part of INDUS Holding AG's management system. The structuring of the risk management system is the responsibility of the Board of Management, which ensures that risks are managed actively. INDUS Holding AG's risk management system is documented in the company's risk management manual.

The objective of the risk management system is to identify, take stock of, analyze, assess, control, and monitor risks systematically. The Board of Management examines and revises the company's risk register according to a regular schedule and as required by events. On this basis, the necessary risk control measures are defined and documented and their effectiveness, too, is monitored using the risk register.

The Board of Management subjects the risk management system's structure and functional method to internal audits according to a regular schedule and as required. The results of these audits, together with the remarks made by the external auditor within the scope of the audit of the annual financial statements, then flow into the systematic refinement of the risk management system. The monitoring of the risk position in the course of the year, the assessment of the effectiveness of the risk management system, and measures implemented to improve the risk management system's effectiveness are all documented once a year in the company's annual risk management report.

### **Close Dovetailing with the Portfolio Companies**

The fundamentals of the risk management system include the organizational integration of the opportunity and risk processes into everyday operations, an adequate management structure, a coordinated planning system, and detailed reporting and information systems. Accordingly, the risk management system involves the portfolio companies submitting to the holding company reports on the status of, and changes in, material risks, while strictly adhering to existing controlling processes. As a result, opportunities and risks are continuously reassessed by the INDUS Board of Management. In the process, both company-specific and external events and developments are analyzed and evaluated. Risks of significance for the Group as a whole which emerge suddenly are communicated to the responsible managers at the holding company directly by the portfolio companies' managing directors independently of the normal reporting lines.

### **Opportunity Management**

Opportunity management is closely linked to risk management at INDUS. At operating level, the managing directors of the individual portfolio companies analyze and control opportunities. These activities are based on comprehensive analyses of relevant markets and competitors and of various scenarios depicting the development of crucial cost drivers and success factors. Opportunities arise particularly due to the steady development of new products. This helps companies to enhance their strong positions on the respective niche markets.

The holding company exploits opportunities by analyzing the portfolio continuously and then optimizing it. The resolute parallel development of the portfolio companies and the acquisition of new companies constitute one of the central growth opportunities for INDUS. In this area, the holding company has its eye in particular on optimizing and expanding its portfolio by adding fast-growing companies that generate stable returns on markets of the future.

## **■ Discussion of Individual Risks**

### **Business Environment and Sector Risks**

The portfolio companies' business activities basically involve a close interrelation between the development of business and the development of the overall economic environment. In addition to the risks inherent in the economic cycle, increases in energy and raw materials prices constitute risks for the development of the individual portfolio companies and the Group as a whole. INDUS avoids becoming dependent on individual sectors thanks to its well-balanced investment portfolio consisting of five segments. The portfolio companies' high degree of specialization and strong positions within their respective niche markets reduce both their sector risks and the general economic risk for those companies. A basic economic and sector-specific risk naturally remains in extreme situations.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. 55.3% of its total sales are generated in Germany (previous year: 58.5%) The Group's development is, therefore, affected strongly by the economic trend in Germany. In recent years, this dependency on the German market has decreased slightly thanks to the strategic expansion of international business. The regional diversification of operational activities thereby additionally reduces the economic risk for INDUS.

#### **Risks Associated with Corporate Strategy**

Risks associated with corporate strategy arise mainly from faulty assessments of the acquired portfolio companies' respective future business and market development. The company's long-term success depends mainly on the careful analysis of acquisition targets and the holding company's management of its investment portfolio. In order to minimize risks associated with corporate strategy, the holding company employs an extensive array of tools to analyze the market in each sector, as well as its own quantitative analysis tools.

INDUS counters potential risks associated with faulty assessments of business operations by monitoring both markets and competitors closely and by holding regular strategic reviews with the portfolio companies' managing directors, major customers, and suppliers. All the portfolio companies submit reports on their current development of business and individual risk situations on a monthly basis. The short and medium-term budgets for each of the portfolio companies and aggregated for the holding company constantly provide a comprehensive overview of the risk situation at each portfolio company and the Group as a whole. Any reengineering measures which may be required at the subsidiaries are guided and supported by the holding company.

#### **Performance Risks**

Besides risks associated with corporate strategy, INDUS and its portfolio companies are exposed to performance risks consisting primarily of procurement risks, production risks, and sales risks. The portfolio companies need raw materials and supplies sourced from various suppliers to manufacture their products. Given the wide diversification of the INDUS Group's overall portfolio, supply risks are of subordinate importance as regards their potential impact on the Group. Purchase prices of raw materials and energy sources can vary considerably. Depending on the situation prevailing on the market, it may not always be possible for the portfolio companies to pass the resulting burdens on to their customers quickly and in full. The managers with operational responsibility are in constant contact with the suppliers and customers. This enables them to react to any price and volume risks which may arise on procurement and sales markets. INDUS additionally limits risks by means of commodity hedges. As of December 31, 2010, the nominal value of the commodity hedges totaled EUR 9.8 million (previous year: EUR 3.1 million).

The portfolio companies' production plants undergo a permanent optimization process. INDUS makes use of a variety of monitoring and control systems for this purpose. In this way, potential production risks can be detected early and the company can react to them appropriately. INDUS' strategic objective is to internationalize its manufacturing operations on the basis of a cost-benefit analysis and, thereby, to capitalize on further potential cost advantages.

### Personnel Risks

The INDUS Group's long-term success depends largely on its employees' expertise and commitment. Potential risks arise primarily from the recruitment and development of staff and from the fluctuation of employees in key positions. INDUS limits these risks with a comprehensive spectrum of targeted basic and advanced training measures as well as a motivational remuneration system that includes a performance-linked incentive system. The totality of these measures makes INDUS and its portfolio companies attractive employers, leading to a proactive mitigation of risks associated with employee turnover, demographic trends, and the skills drain.

### IT Risks

The basis of a modern work environment is a secure and effective IT infrastructure. The growth in networking between different IT systems and the need for them to be available permanently place high demands on the information technologies being used. INDUS mitigates risks associated with computer crashes, network failure, unauthorized access to data, and data abuse by regularly investing in hardware and software, deploying virus scanners and firewall systems, and using effective access controls. These measures are continuously monitored by internal and external experts. To the best of our current knowledge, the company is not exposed to any material IT risks.

### Financial Risks

The financial risks consist primarily of the liquidity risk, the default risk, the interest rate risk, and the foreign currency risk. The financing of the individual portfolio companies is controlled centrally by the holding company. Basically, the individual portfolio companies finance themselves via their operating income. Transfers to or from the holding company are made depending on the liquidity situation. The

holding company keeps a suitable level of liquidity reserves so that it can take action at any time and so that adequate financing for the portfolio companies is ensured.

Moreover, its widely diversified financing structure, which is spread over 15 banks, keeps it from being dependent on individual lenders. As a result, from our current perspective, the company is unlikely to be exposed to a liquidity risk, despite the ongoing turmoil in the banking sector. Default risk is clearly limited by the widely diversified portfolio and the autonomy of the portfolio companies, which focus their activities on diverse markets that they serve with a variety of products. The investment portfolio, which is designed for the long term, is financed with matching maturities by the holding company by means of revolving borrowing and the avoidance of concentration risks. There is no credit collateralization. The agreed covenants constitute no commercial risk from a current standpoint. INDUS uses a mix of fixed-interest and variable financing, with the latter being converted to fixed-interest financing arrangements via interest rate swaps. A change in interest rates would hardly affect the earnings situation at all, as the aforementioned instruments almost completely hedge the interest rate risks. This is because changes in the interest rates of variable-interest financial liabilities and derivative financial instruments offset each other. As of December 31, 2010, the nominal value of the hedged interest rate risks totaled EUR 191.7 million (previous year: EUR 178.3 million).

Foreign currency risks are increasing in line with the growth of the individual portfolio companies' international activities and as a result of financing transactions concluded with our Swiss portfolio com-

panies. INDUS mitigates these risks by hedging the transactions congruently with forward exchange contracts and suitable option transactions. As of December 31, 2010, the nominal volume of the hedged currency risks totaled EUR 13.0 million (previous year: EUR 15.3 million).

### **Legal Risks**

INDUS Holding AG and its portfolio companies are exposed to numerous legal risks. These risks relate primarily to the fields of competition law, antitrust law, and fiscal law. There are also risks which arise from the individual portfolio companies' operations in connection with warranty claims triggered by customer complaints. Efficient quality management minimizes this risk, but it cannot be ruled out completely. For this reason, EUR 16.3 million in provisions for warranties due to obligations from selling or procurement were carried in the statement of financial position in 2010 (previous year: EUR 10.7 million).

Neither INDUS Holding AG nor any of its portfolio companies is exposed to risks resulting from the outcome of legal or arbitration proceedings which, based on our current perspective, would have a material adverse effect on the Group's economic situation.

### **Other Risks**

Making responsible use of natural resources plays an important role at INDUS Holding AG. The individual portfolio companies' manufacturing processes are constantly optimized with a view to minimizing the burden they place on the environment, especially with regard to energy consumption. Moreover, the Group's entire workforce is urged to abide by the environmental regulations within their fields of activity and to submit suggestions for improved rules that go above and beyond the established standards. Any

loss or damage arising from potential environmental risks is insured with sufficient coverage. No environmental risks to the holding company or any of its portfolio companies are currently identifiable.

Based on its strategy of pressing ahead with diversification by continuously enlarging its investment portfolio, the Group carried EUR 289.6 million in goodwill on its statement of financial position (previous year: EUR 289.6 million). IAS 36 stipulates that it must be subjected to an impairment test at least once a year. If impairment is established, the corresponding goodwill must undergo unscheduled amortization. In the year under review, unscheduled amortization amounting to EUR 1.7 million was carried out (previous year: EUR 5.8 million).

### **Internal Control and Risk Management System in Relation to the (Group) Accounting Process (Report in Accordance with Sec. 289 Para. 5 and Sec. 315 Para. 2 Item 5 HGB)**

The scope and form of INDUS Holding AG's accounting-related internal control system (ICS) are at the discretion of and are the responsibility of the Board of Management. The Supervisory Board monitors the accounting process and the effectiveness of the ICS.

The workability and effectiveness of the ICS at the portfolio companies are assessed by the Controlling division at INDUS Holding AG and by the auditors of the Group companies' financial statements. At INDUS Holding AG itself, the workability and effectiveness of the ICS are assessed by the Board of Management. To perform these tasks, those carrying out the respective assessment and auditing work have comprehensive information, audit, and access rights.

The ICS contains the principles, procedures, and measures which are aimed at safeguarding proper accounting and is developed and enhanced continuously. The ICS is structured in such a way that the consolidated financial statements of INDUS Holding AG are prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and with the provisions of German commercial law as per Sec. 315a Para. 1 of the German Commercial Code (HGB), which must additionally be observed. The individual financial statements are prepared in accordance with the provisions of German commercial law stipulated by the HGB. The structure of the ICS provides the highest possible level of certainty with regard to goal attainment. Regardless of its structure, however, the ICS cannot give any absolute assurances that significant errors in the accounts will be prevented or detected.

The Group accounting and management report preparation processes are overseen by the responsible staff members in the Controlling division at INDUS Holding AG. Changes in the law, accounting standards and/or other official proclamations are assessed for their relevance to and impact on the accounting process. Any resultant changes in the accounting processes are depicted in centrally available procedural instructions and in the systems used for accounting purposes. The accounting guideline that currently prevails in the Group is communicated to all employees of INDUS Holding AG and of the portfolio companies who are involved in the accounting process. These elements, together with the financial statements calendar valid throughout the Group, constitute the basis of the financial statements preparation process.

The portfolio companies prepare their financial statements in accordance with the stipulations of the Group accounting guideline. At all of the portfolio companies, the reporting and consolidation processes are carried out by means of a standardized IT system which is made available in a centralized procedure by INDUS Holding AG. This process of standardized and proper Group accounting is supported by procedural instructions and standardized reporting formats. In some cases, external service providers are hired additionally – e. g. to assess pension obligations.

In order to prevent risks in the accounting process, the ICS encompasses preventive and probing internal control procedures. These include, in particular, IT-supported and manual coordination procedures, the separation of functions, and the “four eyes” principle.

By implementing appropriate processes, the Controlling division at INDUS Holding AG ensures that the Group accounting guideline’s specifications are complied with uniformly throughout the Group. The employees who are involved in the accounting process receive regular training. The portfolio companies are supported by central contact persons throughout the entire accounting process.

The Board of Management at INDUS Holding AG and the managing directors of the portfolio companies are responsible for full across-the-board compliance with the accounting guidelines and procedures which are valid throughout the Group. Furthermore, they ensure that their accounting-related processes and systems function properly and in line with the given time schedule.

## Start of 2011, Outlook

### Events After the Reporting Date

No events that were of material significance to INDUS Holding AG's earnings, financial, or net assets position occurred after the 2010 fiscal year came to an end.

### ■ Forecast Report: Opportunities and Risks

#### Likely Development of the Group: General Economic Conditions to Improve Further in 2011

The German federal government estimates that the German economy has another successful year ahead of it. At present, the government is expecting gross domestic product (GDP) in real terms to increase by 2.3 % in 2011. This means that the German economy is growing noticeably more robustly than the euro-zone average. The dynamism of growth is nevertheless likely to be slightly lower overall than in the previous year as a result of the weaker global economic momentum. If gross domestic product really does increase by more than 2 % in 2011, Germany will have overcome the most severe postwar recession within a period of two years. None of the other most seriously affected countries is likely to achieve this.

It is particularly pleasing that rather than being dependent solely on exports, the upturn is also increasingly being driven by private consumption. Since last year, the real disposable incomes of private households have posted their biggest increase since 2001. Factors contributing to this development are the positive labor market trend, the moderate development of prices, and governmental measures. This

is reinforcing the recovery of the domestic economy. Last year, private consumption increased noticeably and contributed 0.3 percentage points to overall economic growth. For 2011, the German federal government is anticipating an increase of 1.6 % in real terms in private consumer spending. The increasing propensity to consume is also explained by the recent more pronounced increase in wages and salaries and the expected fall in unemployment, according to the German government's annual economic report, to around 2.9 million – the lowest level since 1992.

This estimate is in line with predictions made by other experts. The expert advisory board on macro-economic developments, the German Institute for Economic Research, and the German Federal Employment Agency are assuming that the average unemployment rate will be just below the three million mark. The forecasts of the German economic research institute RWI likewise suggest that less use of reduced working hours plus the creation of new jobs will lead to increased private consumer spending in 2011. Low interest rates are also having a stimulating effect. At the same time, though, the institute warns that the increase in contributions to the statutory healthcare and unemployment insurance schemes could have a dampening effect on the economy. According to the institute, this is accentuated by the cost-cutting package which is increasing the tax burden, slashing some social benefits, and allowing for only a cautious increase in public consumption. The expansion will be slower than in 2010, it says. The institute sees risks in the public debt crisis in Europe. The RWI also makes reference to the persistence of the real estate crisis in the USA.



## Industry Representatives Confident About 2011

Some of the developments within the sub-markets with relevance for INDUS are assessed differently by the individual industry associations with regard to their dynamics. Overall, however, the statements all demonstrate confidence:

A decrease of 1 % in sales is expected in the construction trade by the German **Construction Industry** Federation in 2011. The federation forecasts that public construction, in particular, will show a decline. Sales, it pointed out, had already declined by 1–2 % in 2010 despite the economic stimulus programs. This normalization will continue in 2011 due to the municipal authorities' weak financial position. In addition, the German federal government's economic stimulus programs are coming to an end. The situation in commercial construction, too, is unstable.

The German **automotive industry** is expecting its exports to grow by more than 4.4 million vehicles. Domestic production is expected to increase again, possibly hitting a new record high of 5.8 million vehicles. The suppliers, too, should benefit from this.

The German **Engineering** Federation (VDMA) expects to see further growth in 2011 and is assuming that German machinery production will increase by around 10 %.

The companies in the **medical engineering** segment are looking forward to 2011 with cautious optimism. According to a survey conducted by the industry association BVMed in fall 2010, 48 % are expecting higher profits than in the year under review, while 17 % expect profits to decrease.

The **metal and electrical industry** is confident that it will have evened out the steep decline in production that followed the economic and financial crisis by the end of 2011. At the same time, industry representatives are warning against regulating flexible labor market elements such as temporary work which proved their worth in the crisis.

## Sales and Earnings Forecast: Increase in Sales and Stable Earnings

For the 2011 and 2012 fiscal years, INDUS is aiming for sales well in excess of EUR 1 billion and proportionate EBIT growth compared with sales. Despite greater cost pressure, we are aiming to return our EBIT margin to the target range of above 10 % in 2011. If the current stable economic trend persists, we are assuming that 2012 will bring a further improvement in our sales and earnings. In the medium term, we are striving to establish the EBIT margin permanently in our target corridor of 10 % to 12 %.

INDUS is assuming that in 2011, all its segments will stabilize at the positive levels achieved in 2010 or improve on them slightly.

We are assuming that growth in our Construction/Infrastructure segment will be becalmed in 2011 because the high-margin orders from the economic stimulus programs are gradually coming to an end. The persistent restraint in investing activity, particularly in residential and commercial construction, will again become more evident. Despite this, we are aiming to keep sales and EBIT at their high 2010 levels.

Following the unprecedented catching-up performance in the Automotive Components/Engineering segment, we are assuming that volumes will again increase in 2011 and are aiming for a disproportionately large improvement in earnings. As the extraordinary burdens caused by the abrupt run-up of capacities are diminishing and the capital expenditure made in 2010 is taking effect, an improvement in the EBIT margin should be feasible.

In the Engineering segment we are cautiously optimistic. The restraint in capital expenditure shown in plant construction still persists to some extent. Due to the current developments in Asia, we are also expecting abrupt curtailments in demand for machinery and plant. We therefore see moderate growth potential for companies in this INDUS segment in 2011. We are nevertheless assuming that we will be able to stabilize results at their positive 2010 level.

In line with the economic experts' positive expectations for consumption in 2011, INDUS is also assuming that demand in the Medical Engineering/Life Science segment will increase. Our objective is to maintain our good margin and repeat the sales growth we achieved in 2010.

In the Metal/Metal Processing segment, we are anticipating a normalization of demand in 2011. Parallel to that, increasingly high material costs and rising wages and salaries will become evident, with the result that the exceptional earnings situation of the last fiscal year will no longer be attainable.

### **In the Development of its Portfolio, INDUS is Again Putting its Faith in Internal and External Growth**

INDUS is putting its faith in internal and external growth in 2011. In doing so, we are paying particular attention to the strengthening of our current portfolio. In the current year, we intend to invest more than EUR 50 million in the Group for the purpose of enhancing our portfolio companies' earning power. This capital investment will flow into expansions, new products and machinery, and the establishment of new production capacities. We also want to strengthen our subsidiaries by making strategic acquisitions where we believe that it makes sense. In this respect, we support our managing directors in the localities in the event of possible acquisitions of smaller companies or parts of companies which are then integrated and managed at subsidiary level.

At the same time, we will continue to put our faith in the expansion of our portfolio by making selective acquisitions, preferably in the existing segments Construction/Infrastructure and Logistics, Medical Engineering, Healthcare, and Consumer Goods. We also see interesting prospects in the areas of energy and environmental technology, automation technology, measuring technology, and control engineering. Our strong liquidity position and the financing commitments we have received from banks make it possible for us at any time to acquire attractive SMEs that would be suitable for our Group.

As well as implementing growth-oriented measures, we are going to continue with our optimization efforts in respect of the existing portfolio and, as and when required, subject portfolio companies to reengineering.

### Operating With Sound Judgment

We are not going to change our basically cautious corporate strategy on the way to achieving our growth targets. In the debt area, we have our sights set firmly on a further reduction in our net debt in 2011.

In the past few weeks, the first signs of the market hesitancy that justify our cautious strategy have become discernible. In China, the recent extremely robust growth has been cautiously curtailed. The danger of inflation, moreover, is increasing substantially, with the result that the central banks are currently rethinking their investment-friendly interest rate policies. Appalling environmental catastrophes such as the events in Japan in mid-March 2011 are leading to a partial loss of important economic key players. Although the energy policy debate which has recently flared up again can have a positive influence on environmentally friendly energy generation, it would generally make energy more expensive, including in the medium term. The politically induced consequences cannot yet be assessed conclusively for INDUS.

Bergisch Gladbach, Germany, April 14, 2011

The Board of Management



Helmut Ruwisch



Jürgen Abromeit



Dr. Wolfgang Höper



Dr. Johannes Schmidt



# CONSOLIDATED **FINANCIAL STATEMENTS**

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## Consolidated Statement of Income

EUR '000	Notes	2010	2009*
<b>Sales</b>	[1]	<b>971,585</b>	<b>766,399</b>
Other operating income	[2]	19,598	23,278
Own work capitalized	[3]	2,959	4,508
Change in inventories	[3]	18,254	-17,971
Cost of materials	[4]	-461,988	-336,985
Personnel expenses	[5]	-265,128	-227,753
Depreciation and amortization	[6]	-43,596	-45,780
Other operating expenses	[7]	-139,971	-109,164
Income from shares accounted for using the equity method		155	335
Other financial result	[8]	-432	190
<b>Operating result (EBIT)</b>		<b>101,436</b>	<b>57,057</b>
Interest income		1,890	1,354
Interest expenses		-29,279	-28,930
Net interest	[9]	-27,389	-27,576
<b>Earnings before taxes</b>		<b>74,047</b>	<b>29,481</b>
Taxes	[10]	-25,254	-12,586
Income from discontinued operations	[11]	-1,850	-5,485
<b>Earnings after taxes</b>		<b>46,943</b>	<b>11,410</b>
of which allocable to non-controlling shareholders		-343	-624
of which allocable to INDUS shareholders		46,600	10,786
Diluted earnings per share in EUR	[12]	2.59	0.89
Basic earnings per share in EUR		2.59	0.89

\* Previous year's figures adjusted

## Reconciliation to overall result

EUR '000	2010	2009*
<b>Earnings after taxes</b>	<b>46,943</b>	<b>11,410</b>
of which due to adjustments under IAS 8	-	-
Currency translation adjustment	-3,412	-413
Change in the market values of derivative financial instruments	514	-1,114
Netting of deferred taxes	-81	176
<b>Income and expenses recognized directly in equity</b>	<b>-2,979</b>	<b>-1,351</b>
<b>Total income and expenses recognized in equity</b>	<b>43,964</b>	<b>10,059</b>
of which non-controlling interests	343	624
of which allocable to INDUS shareholders	43,621	9,435

\* Previous year's figures adjusted

The netting of deferred taxes in equity relates solely to the change in market values of derivative financial instruments.

# Consolidated Statement of Financial Position

EUR '000	Notes	Dec. 31, 2010	Dec. 31, 2009*
<b>ASSETS</b>			
Goodwill	[13]	289,573	289,573
Intangible assets	[13]	17,071	17,116
Property, plant, and equipment	[13]	244,460	238,888
Financial assets	[14]	8,552	8,994
Shares accounted for using the equity method	[14]	1,324	4,578
Other noncurrent assets	[15]	1,415	3,010
Deferred taxes	[16]	2,747	1,989
<b>Noncurrent assets</b>		<b>565,142</b>	<b>564,148</b>
Cash and cash equivalents		96,840	93,506
Accounts receivable	[17]	117,617	99,267
Inventories	[18]	178,756	143,102
Other current assets	[15]	7,944	8,481
Current income taxes	[16]	6,790	4,975
<b>Current assets</b>		<b>407,947</b>	<b>349,331</b>
<b>Total assets</b>		<b>973,089</b>	<b>913,479</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital		206,329	172,930
Generated capital		101,484	67,048
Equity held by INDUS shareholders		307,813	239,978
Non-controlling interests in the equity		1,676	1,736
<b>Group equity</b>	[19]	<b>309,489</b>	<b>241,714</b>
Noncurrent financial liabilities	[20]	326,417	363,501
Provisions for pensions	[21]	15,541	15,994
Other noncurrent provisions	[22]	2,788	2,108
Other noncurrent liabilities	[23]	14,784	14,679
Deferred taxes	[16]	15,743	16,899
<b>Noncurrent liabilities</b>		<b>375,273</b>	<b>413,181</b>
Current financial liabilities	[20]	149,814	138,345
Trade accounts payable		36,053	28,019
Current provisions	[22]	43,882	29,892
Other current liabilities	[23]	51,225	58,209
Current income taxes	[16]	7,353	4,119
<b>Current liabilities</b>		<b>288,327</b>	<b>258,584</b>
<b>Total equity and liabilities</b>		<b>973,089</b>	<b>913,479</b>

\* Previous year's figures adjusted

## Consolidated Statement of Cash Flows

EUR '000	2010	2009*
<b>Income after taxes generated by continuing operations</b>	<b>48,793</b>	<b>16,895</b>
Depreciation/Write-ups		
of noncurrent assets (excluding deferred taxes)	44,309	45,915
due to gains (-)/losses (+) from the disposal of assets	347	436
Taxes	25,254	12,586
Net interest	27,389	27,576
Cash earnings of discontinued operations	-1,481	-4,051
Income from companies accounted for using the equity method	-155	-335
Other non-cash transactions	-3,819	1,583
Changes in provisions	14,383	-4,078
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not allocable to investing or financing activities	-51,875	36,990
Increase (+)/decrease (-) in trade accounts payable and other liabilities not allocable to investing or financing activities	4,183	-6,624
Income taxes received/paid	-25,995	-20,718
Dividends received	570	420
<b>Operating cash flow</b>	<b>81,903</b>	<b>106,595</b>
Interest paid	-29,496	-30,858
Interest received	1,890	1,354
<b>Cash flow from operating activities</b>	<b>54,297</b>	<b>77,091</b>
Cash outflow from investments in		
intangible assets	-5,169	-5,297
property, plant, and equipment	-34,159	-30,352
financial assets	-456	-1,251
shares in fully consolidated companies	-4,199	0
Cash inflow from the disposal of		
shares in fully consolidated companies	239	259
other assets	5,325	3,956
Cash flow from investing activities of discontinued operations	-6	-24
<b>Cash flow from investing activities</b>	<b>-38,425</b>	<b>-32,709</b>
Capital increase	33,399	0
Dividends paid to shareholders	-9,185	-14,696
Dividends paid to non-controlling shareholders	-403	-22
Cash inflows from the assumption of debt	60,025	84,122
Cash outflows from the repayment of debt	-97,724	-107,446
Financing of discontinued divisions	0	-1,084
<b>Cash flow from financing activities</b>	<b>-13,888</b>	<b>-39,126</b>
Net cash change in financial facilities	1,984	5,256
Changes in cash and cash equivalents caused by currency exchange rates	1,350	459
Cash and cash equivalents at the beginning of the period	93,506	87,791
<b>Cash and cash equivalents at the end of the period</b>	<b>96,840</b>	<b>93,506</b>
Cash transactions related to the sale of investments	600	818
plus financial liabilities sold	0	0
minus financial facilities sold	-361	-559
<b>Net sale proceeds</b>	<b>239</b>	<b>259</b>
Cash transactions related to the sale of investments	-4,199	0
plus financial liabilities assumed	0	
minus financial facilities purchased	0	0
<b>Net purchase price</b>	<b>-4,199</b>	<b>0</b>

\* Previous year's figures adjusted

Cash and cash equivalents include a limited-authorization account with a balance of EUR 436,000 (previous year: EUR 238,000). Investing and financing transactions amounting to EUR -886,000 (previous year: EUR -954,000) which had no impact on cash and cash equivalents are not part of the statement of cash.



# Consolidated Statement of Equity

Jan. 1 – Dec. 31, 2010 EUR '000	Opening balance Jan. 1, 2010	Dividend payment	Overall result	Capital increase	Closing balance Dec. 31, 2010
<b>2010</b>					
Subscribed capital	47,762	0	0	4,776	52,538
Capital reserve	125,168	0	0	28,623	153,791
<b>Paid-in capital</b>	<b>172,930</b>	<b>0</b>	<b>0</b>	<b>33,399</b>	<b>206,329</b>
Accumulated earnings	69,554	–9,185	46,600	0	106,969
Currency translation reserve	2,080	0	–3,412	0	–1,332
Reserve for the marked-to-market valuation of financial instruments	–4,586	0	433	0	–4,153
<b>Capital generated</b>	<b>67,048</b>	<b>–9,185</b>	<b>43,621</b>	<b>0</b>	<b>101,484</b>
<b>Equity held by INDUS shareholders</b>	<b>239,978</b>	<b>–9,185</b>	<b>43,621</b>	<b>33,399</b>	<b>307,813</b>
Interests allocable to non-controlling shareholders	1,736	–403	343	0	1,676
<b>Group equity</b>	<b>241,714</b>	<b>–9,588</b>	<b>43,964</b>	<b>33,399</b>	<b>309,489</b>

Jan. 1 – Dec. 31, 2009 EUR '000	Opening balance Jan. 1, 2010	Dividend payment	Overall result	Capital increase	Closing balance Dec. 31, 2010
<b>2009</b>					
Subscribed capital	47,762	0	0	0	47,762
Capital reserve	125,168	0	0	0	125,168
<b>Paid-in capital</b>	<b>172,930</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>172,930</b>
Accumulated earnings	73,464	–14,696	10,786	0	69,554
Currency translation reserve	2,493		–413	0	2,080
Reserve for the marked-to-market valuation of financial instruments	–3,648		–938	0	–4,586
<b>Capital generated</b>	<b>72,309</b>	<b>–14,696</b>	<b>9,435</b>	<b>0</b>	<b>67,048</b>
<b>Equity held by INDUS shareholders</b>	<b>245,239</b>	<b>–14,696</b>	<b>9,435</b>	<b>0</b>	<b>239,978</b>
Interests allocable to non-controlling shareholders	1,134	–22	624	0	1,736
<b>Group equity</b>	<b>246,373</b>	<b>–14,718</b>	<b>10,059</b>	<b>0</b>	<b>241,714</b>

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 exclusively on ongoing changes in marked-to-market valuation. There were no effects resulting from reclassification.

The dividend payment is based on a dividend of EUR 0.50 per no-par-value share bearing the number SIN 620010/ISIN DE 0006200108 (18,370,033 shares).

Non-controlling interests in equity relate to external shareholders in limited liability companies and corporations. The non-controlling interests in the capital of the limited partnerships are classified in accordance with IAS 32 as debt due to the theoretical retirability and therefore redeemability of the shares.

# Notes

## ■ General Information

INDUS Holding Aktiengesellschaft, based in Bergisch Gladbach, Germany, entered in the Cologne commercial register (HRB 46360), prepared its consolidated financial statements for the 2010 fiscal year from January 1, 2010, to December 31, 2010, in accordance with the International Financial Reporting Standards (IFRS) and the interpretation of such by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union (EU). The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are stated in thousands of euros (EUR '000). The consolidated financial statements are always 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 reporting date of INDUS Holding AG and are based on uniform accounting and valuation methods. 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. The basis for this is Directive No. 1606/2002 of the European Parliament and Council on the application of international accounting standards in the European Union. Information that must be included in the notes in accordance with the German Commercial Code (HGB) and goes beyond what is mandatory under IFRS is presented in the notes to the consolidated financial statements as well. The previous year's figures were adjusted in all relevant presentations in order to reflect the reclassification of discontinued operations and changes in the accounting methods. The financial statements were submitted by the Board of Management on March 15, 2011, and approved by the Supervisory Board on April 14, 2011.

## ■ Application and Impact of New and Revised Standards

### Change in Accounting Methods Following Adoption of IFRS 3 by the EU

All standards mandatory as of December 31, 2010, were taken into account. No use was made of the discretionary right to apply standards before they become mandatory.

The **mandatory standards** and interpretations for the fiscal year **2010**:

In January 2008, the International Accounting Standards Board (IASB) published the amended **IAS 27** and **IFRS 3**. They were integrated into European law by the EU in June/July 2009. The standards have a material impact on the presentation of company acquisitions, in particular with regard to the valuation of non-controlling interests, the treatment of gradual share acquisitions in the accounts, and the treatment of contingent purchase price payments and incidental acquisition costs. The standards were early adopted in the 2009 financial statements.

The application of the full goodwill method facilitates the consistent presentation of the severance payment claims of non-controlling shareholders at limited partnerships, as required by IAS 32. The fair value of the non-controlling interest is carried as a liability and, extending the statement of financial position, derivative goodwill attributable to the non-controlling shareholder is posted. Changes in the fair value of the liability are recognized in profit or loss in the period in which they are established. The full goodwill method can be applied on a case-by-case basis.

**IAS 27** covers rules concerning, among other things, the gradual acquisition and disposal of investments, taking into account the question of whether the transaction leads to the assumption or loss of control. If control is gained or lost, the shares must be measured at fair value. As long as control is exercised over the investment, all further transactions with the other shareholders must be recognized in equity.

When the IFRS standards were being improved, it was made clear that the disclosure of segment assets in accordance with **IFRS 8** no longer applies if no such disclosure is made in internal reporting. Accordingly, this disclosure is not made in these consolidated financial statements.

Due to their incorporation into European law, further standards and interpretations had to be applied to the INDUS consolidated financial statements for the first time in 2010. The resultant changes had no material impact on these consolidated financial statements.

Standards adopted by the EU up to December 31, 2010, **which were not early adopted in these financial statements:**

In 2010, a number of other IASB announcements whose application is mandatory in the subsequent financial statements were incorporated into European law. Their impact on the INDUS consolidated financial statements is still being assessed. They are not expected to have any material impact on the INDUS consolidated financial statements.

## ■ Consolidation Principles

Capital consolidation is carried out in accordance with the purchase method. In respect of business combinations, assets, liabilities, and contingent liabilities are measured at their fair values 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 values 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 through profit and loss.

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 the subsequent periods, the carrying amount of the holding company's investment is offset against the carrying amount of the subsidiaries' net equity.

Contingent purchase price payments are measured at their fair values at the time of acquisition. Changes in their amounts are recorded through profit and loss in the subsequent periods. Incidental acquisition costs incurred in acquiring the investment are not included in the purchase price allocation.

If minority shareholders have a right to tender as of the time of first-time consolidation and INDUS is unable to revoke this right, the fair value of the non-controlling interests is recorded as a purchase price liability in accordance with full goodwill reporting.

Receivables and liabilities as well as expenses and income between consolidated companies are offset against each other. Intercompany results are eliminated from inventories and noncurrent assets. 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. Monetary items are measured through profit and loss at their fair values as of the reporting date using the average spot exchange rate.

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, these financial statements are translated into euros using the exchange rate prevailing on the reporting date. Except for items recognized directly in equity, equity is carried at historical rates. Items in the statement of income are translated at average exchange rates and any resultant currency adjustments are recognized with no effect on the statement of income. The exchange rates used are shown in the following table:

1 EUR =		Exchange rate as of reporting date		Average exchange rate	
		2010	2009	2010	2009
Brazil	BRL	2.218	2.511	2.331	2.767
Canada	CAD	1.332	1.513	1.365	1.585
Switzerland	CHF	1.250	1.484	1.380	1.510
China	CNY	8.822	9.835	8.971	9.528
Czech Republic	CZK	25.061	26.473	25.284	26.435
Mexico	MXN	16.548	18.922	16.737	18.799
Poland	PLN	3.975	4.105	3.995	4.328
Serbia	RSD	106.089	96.487	103.520	94.425
Turkey	TRY	2.069	2.155	1.997	2.163
USA	USD	1.336	1.441	1.326	1.395
South Africa	ZAR	8.863	10.666	9.698	11.674

In the presentation of the development of property, plant, and equipment, provisions, and equity, the opening and closing balances are translated using the exchange rates prevailing on the reporting date, while changes during the year are translated using the average exchange rate. Any resultant exchange rate differences are reported separately with no effect on the statement of income.

## ■ Accounting and Valuation

**Goodwill** is examined at least once a year for impairment rather than being amortized on grounds of its indeterminate useful life. In the process, the value in use is generally used as the basis in accordance with the current plans prepared by the management. The planning premises take into account both current knowledge and historical developments. After the three-year planning period, future cash flows are projected using a growth rate of 1.0%. Cash flow series ascertained in this manner are discounted using a pre-tax capital cost rate of 8.0% (previous year: 8.5%). Goodwill is tested for impairment at the level at which this is reasonable from an economic point of view. In most cases, goodwill is attributed to the portfolio companies and their subsidiaries. These are the operating units which are listed in the notes. In the few cases in which there is a close trading relationship between these companies, they are combined to form operating units and goodwill is tested for impairment on this basis.

Purchased **intangible assets** are measured at cost and amortized using the straight-line method over their useful lives of three to ten years, provided that these are determinable. Internally generated intangible assets which fulfill the criteria of IAS 38 are capitalized at cost. Otherwise the expenses are recognized through profit and loss in the year in which they come into being. The assets are amortized upon commencement of their use, and this is done using the straight-line method over five to ten years.

**Property, plant, and equipment** are measured at cost less scheduled and, if applicable, non-scheduled depreciation. Depending on the actual structure of their useful lives, depreciation using both the straight-line and the declining-balance method is applied. If the reason for an impairment loss recognized in previous years has ceased to apply, a write-up is performed. Investment subsidiaries are recorded as liabilities and reversed over their useful lives. The cost of self-constructed property, plant, and equipment consists of the direct costs and appropriate allocations of relevant overheads, and interest is included in accordance with IAS 23. Expenses for maintenance and repairs are charged against income, unless they must be capitalized. Depreciation periods are based primarily on the following useful lives:

	Years
Buildings	20 to 50
Improvements	8 to 20
Technical equipment, plant, and machinery	5 to 15
Factory 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, with finance leases being recognized as assets. Fixed assets leased within the framework of finance leases are capitalized at the fair value or the lower net present value of the minimum lease installments and subjected to scheduled depreciation over the useful life or the shorter contractual term. The payment obligations resulting from the future lease installments are shown discounted under financial liabilities.

With sale-and-leaseback transactions, the accounting treatment of the transaction's result must use differentiated methods. The result is distributed over the term of the lease if the underlying transaction constitutes a finance lease or if the sale price is higher than the market value in an operating lease transaction.

Since January 1, 2009, borrowing costs have been capitalized only for **qualified assets**. Assets are deemed to be qualified if at least one year is required to produce them.

**Inventories** are measured at the lower of cost or net realizable value. Cost encompasses direct costs and proportional overheads. Overheads are generally allocated on the basis of actual capacity, if this basically corresponds to normal capacity.

Raw materials 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 level of their completion. The result of the contract is recognized not simply by the transfer of risk, but rather by the degree of completion. Revenue from the contract agreed with the customer and the anticipated costs of the contract are taken as the 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 yet certain, revenue is recognized only in the amount of the contractual costs that have been incurred.

**Financial instruments** are contracts which simultaneously 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 following four categories: "measured at fair value through profit or loss," "held to maturity," "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 option is not used.

The market values of financial instruments are determined on the basis of market information available on the reporting date or by using accepted valuation methods, such as the discounted cash flow method, and by confirmations from the banks carrying out the transactions. The interest rates employed are adjusted to the term and risk of the underlying financial instrument.

**Non-derivative financial instruments:** Loans and receivables, liabilities, and financial investments held to maturity are measured at amortized cost. Financial assets available for sale are stated at fair value. Changes in fair value are recognized in equity with no effect on profit or loss, taking deferred taxes into account. 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 investments and a fair value cannot be reliably determined at a reasonable cost. Associated companies in which the INDUS Group exercises significant influence (usually 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. In the subsequent measurement, the carrying amount is adjusted by the proportional changes in the associated company's equity.

**Receivables** and other assets are stated at net realizable value. Individual risks are taken into account with appropriate valuation allowances. General credit risks are recognized by means of valuation allowances for receivables which are based on past experience or more up-to-date knowledge. Generally, valuation allowances for receivables are recognized in separate accounts.

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

**Derivative financial instruments** are used at INDUS to hedge underlying transactions based on future cash flows. Derivatives employed as hedging instruments are primarily swaps, although forward contracts and suitable option transactions are also used. The prerequisite for hedge accounting is that the hedge between the underlying transaction and the hedge instrument is effective and that this is documented and continuously monitored.

The statement of documented hedges depends on the type of relationship in question. Where the fair values of statement of financial position items are being hedged (fair value hedges), the underlying transaction and the hedge transaction are recognized through profit or loss with counteracting effects. In the case of cash flow hedges, the change in the fair value is recorded in equity with no effect on income, taking all deferred taxes into account. This position is reversed with effect on income either upon completion of the underlying transaction, or when it is ascertained that the hedge is ineffective.

The **noncurrent assets available for sale** are classified as such if their carrying amounts are 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 objective steps have been taken for this purpose. Such assets are stated at the lower of the carrying amount or fair value less costs to sell. Scheduled amortization has been discontinued.

**Discontinued operations** are operations that can be isolated and either have been sold or are held for sale. Assets and debt of these operations are reclassified as assets and liabilities held for sale in the statement of financial position until the sale has been completed. They are measured based on the same principles as noncurrent assets held for sale. They are measured based on the principles applied to noncurrent assets held for sale. The result of this measurement, current income, and the sale proceeds are stated as "Income from discontinued operations." The previous year's figures in the statement of income are adjusted accordingly.

**Pensions:** There are several benefit plans with different characteristics, in part for former partners in acquired companies. All of the benefit plans stated in the accounts are closed.

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

In the case of defined benefit obligations, pensions and other benefits are calculated on termination of the employment contract in accordance with the projected unit credit method. Future obligations are measured based on the benefit claims earned pro rata up to the reporting date and, thereby, reflect the proportion of benefit obligations that has been recognized with an effect on income up to that date. The valuation takes account of assumptions about the future development of several different parameters, in particular increases in salaries and pensions.



For each pension plan, the projected benefit obligation is reduced by the fair value of the qualified plan assets. Actuarial gains and losses are not recognized if their cumulative value remains within 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 spread prospectively through profit and loss over the expected average remaining working lives of the employees participating in the plan. Periods of 1 to 15 years may be applied for this purpose.

**Other provisions** are calculated for existing legal or constructive obligations to third parties 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 if the outflow of resources is classified as long-term and the effect of this is significant. Individual provisions are formed for known loss and/or damage. Provisions for product warranties are calculated for the sales bearing a warranty and the relevant warranty period, based on past 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 rendered.

Uncertainties regarding income (**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 their entirety 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 statement of financial position and the corresponding tax bases of assets and liabilities in accordance with the balance sheet approach. Temporary differences arise when the realization of the asset or settlement of the liability leads to income or expenses that diverge from a fiscal point of view. Deferred taxes on goodwill are formed only to the extent that they are tax-deductible. This is generally the case for German limited partnerships. Deferred taxes must be calculated even if the realization of this goodwill, e.g. via the disposal of the respective limited partnership, is not planned. This leads to a permanent accrual of deferred tax liabilities at INDUS.

Deferred tax assets are recognized as soon as it is probable that sufficient taxable income against which the deductible temporary difference can be offset will be available. With tax loss carry-forwards, this is the case either when it is possible that sufficient taxable income will be available over a planning horizon of five years or nettable deferred tax liabilities exist in the corresponding amount.

Deferred taxes are measured using the tax rate valid for the periods in which the differences are expected to be reversed. Regardless of maturities, deferred taxes are not to be 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 position. Due to the predominantly long-term nature of the deferred taxes at INDUS, short-term fluctuations in tax rates are not taken into account. Germany's corporate income tax rate has been 15 % since the 2008 German corporate tax reform. Taking into consideration the average local trade tax assessment rate of 370 % and the solidarity surcharge of 5.5 %, the tax rate on earnings for companies based in Germany amounts to 28.8 % for all reporting periods. Foreign tax rates range from 10 % to 40 %.

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

**Share-based payment:** The stock appreciation rights granted within the framework of the long-term incentive program are classified as cash-settled share-based payment transactions. Proportional provisions measured at the fair value of the obligations entered into are formed for them. The provisions are accrued proportionally through profit and loss as personnel expenses over the respective term up until the likely exercise date.

**The statement of cash flows** is divided into the sections "Cash flows from operating activities," "Cash flows from investing activities," and "Cash flows from financing activities" in accordance with the provisions of IAS 7. Interest and dividends received are assigned to cash flows from operating activities. Financial facilities on hand are equivalent to the statement of financial position item "Cash and cash equivalents" and include demand deposits and cash on hand. Cash flows from operating activities are determined using the indirect method. Operating expenses and income with no effect on net cash are eliminated from cash flows from operating activities.

**Management estimates and assumptions:** 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, liabilities, and contingent liabilities, as well as on 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 through profit and loss.

The realization of statement of financial position items can be influenced by future events which cannot be controlled. This can relate to bad debt losses, the useful lives of intangible assets or property, plant, and equipment, or similar circumstances, as well as risks that have an inherently close relationship with commercial activities. The recognition of such items in the accounts is based on many years' experience and the assessment of current conditions.

Systemic uncertainties derive from statement of financial position items in respect of which anticipated future cash flow series are discounted. The course of such cash flow series depends on future events about whose trends assumptions must be made. This is the case when, in particular, assets are being tested for impairment in terms of their value in use, and when pension provisions are being calculated in accordance with the projected unit credit method.

Other relevant uncertainties result from items that must be measured on the basis of a range of possible future circumstances. This applies in particular to other provisions.

Thanks to the recovery in the global economy in the current fiscal year and the cautiously optimistic overall economic forecast, the forecasts are becoming less uncertain compared with the two previous years. While the consolidated financial statements were being prepared, the management was not aware of any new significant findings which might result in a material change in the valuation of statement of financial position items.

### Adjustment of Previous Year's Figures

The recording of discontinued operations in accordance with IFRS 5.34 still necessitates an adjustment of the previous year's figures in the statement of income, as shown below. The corresponding detailed information and disclosures in the notes relating to the previous year were also adjusted.

Adjustment to the previous year's statement of income EUR '000	2009 published	IFRS 5	2009 comparable
<b>Sales</b>	<b>769,512</b>	<b>-3,113</b>	<b>766,399</b>
Other operating income	23,605	-327	23,278
Own work capitalized	4,508	0	4,508
Change in inventories	-18,163	192	-17,971
Cost of materials	-338,139	1,154	-336,985
Personnel expenses	-231,471	3,718	-227,753
Depreciation	-46,061	281	-45,780
Other operating expenses	-109,724	560	-109,164
Income from shares accounted for using the equity method	335	0	335
Other financial result	190	0	190
<b>Operating result (EBIT)</b>	<b>54,592</b>	<b>2,465</b>	<b>57,057</b>
Interest income	1,357	-3	1,354
Interest expenses	-29,030	100	-28,930
Net interest	-27,673	97	-27,576
<b>Earnings before taxes</b>	<b>26,919</b>	<b>2,562</b>	<b>29,481</b>
Taxes	-12,179	-407	-12,586
Income from discontinued operations	-3,330	-2,155	-5,485
<b>Earnings after taxes</b>	<b>11,410</b>	<b>0</b>	<b>11,410</b>
of which non-controlling interests	-624	0	-624
of which allocable to INDUS shareholders	10,786	0	10,786
Diluted earnings per share in EUR	0.77	0.12	0.89
Basic earnings per share in EUR	0.77	0.12	0.89

The changes in accordance with IFRS 5 result from the disposal of Maschinenfabrik BERNER GmbH & Co. KG.

## ■ 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' financial and business policy for the benefit of the INDUS Group. This is always the case when more than 50 % of the voting rights in a portfolio company are held by the INDUS Group or when all the material opportunities and risks in relation to the company remain with the INDUS Group on grounds of other contractual constructs. Associated companies of which the financial 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 on which control over their finance and business policy is transferred. Companies which are sold are no longer included in the scope of consolidation as from the date on which the business is transferred. After the date on which the decision is made to divest the company in question, they are classified as "held for sale."

Number of companies included	Germany	Abroad	Total
<b>Fully consolidated subsidiaries</b>			
January 1, 2009	<b>99</b>	<b>23</b>	<b>122</b>
Additions	0	0	0
Disposals	6	0	6
December 31, 2009	<b>93</b>	<b>23</b>	<b>116</b>
Additions	1	2	3
Disposals	3	1	4
December 31, 2010	<b>91</b>	<b>24</b>	<b>115</b>
<b>Companies valued using the equity method</b>			
January 1, 2009	<b>1</b>	<b>2</b>	<b>3</b>
Additions	0	0	0
Disposals	0	0	0
December 31, 2009	<b>1</b>	<b>2</b>	<b>3</b>
Additions	0	0	0
Disposals	1	0	1
December 31, 2010	<b>0</b>	<b>2</b>	<b>2</b>

On December 31, 2010, this disclosure encompassed 33 fully limited liability companies which constitute a "unit company" with the related commercial partnership (December 31, 2009: 34 fully limited liability companies).

Additions to the scope of consolidation result from the acquisition or foundation of companies or from the assumption of the operating activities of previously non-consolidated portfolio companies.

Disposals from the scope of consolidation result from the sale of portfolio companies and from business combinations within the Group.

Five subsidiaries and one associated company which, due to their small size or low level of commercial activity, are of subordinate importance for the consolidated financial statements are recognized at amortized cost as per IAS 39 (Financial Instruments: Recognition and Measurement) because there is no active market and their fair values cannot be ascertained at reasonable cost. The inclusion of these companies in the consolidated financial statements would change both sales and earnings by less than 0.5 %.

The material operating companies are presented in the notes. A full list of shareholdings is submitted to the management of the electronic German Federal Gazette.

### **Call and Put Rights**

In some cases there are call and/or put options for non-controlling interests in fully consolidated companies. In all significant cases there are purchase price models which ensure that shares can be assessed objectively taking company-specific risk structures into account, thereby facilitating the exchange of non-controlling interests at fair value. As a rule, both of the contractual parties can exercise the options. In some cases, there are provisions to establish when the call or put option may be exercised for the first time.

### **Business Combinations**

Effective from January 1, 2010, INDUS Holding AG acquired a 60 % capital and voting rights stake in the Swiss company HAKAMA AG in Bättwil, near Basel, in order to expand its business activities in Switzerland. The previous owners will remain as managing directors of HAKAMA AG with their 40 % shareholding. In connection with the acquisition of the 60 % shareholding in HAKAMA AG, reciprocal call/put options were concluded for the remaining 40 % of the shares for both sides on essentially the same exercise terms. The options on both sides can be exercised for the first time as of December 31, 2014, or, if the non-controlling shareholders withdraw from the management prematurely, as of the date of their departure. The combination of the two options would lead to the immediate passing of the economic ownership of the shares embodied in the option. Accordingly, the company acquisition was presented as though 100 % of the shares had been acquired.

As of January 1, 2010, INDUS Holding AG acquired the remaining 25 % shareholding in OBUK Haustürrüllungen GmbH & Co. KG based in Oelde. It now holds 100 % of the shares in the company.

### **Disclosures on First-time Consolidation for the Current Fiscal Year**

The fair value of the entire consideration for the acquisition of HAKAMA AG as of the acquisition date amounted to EUR 5,631,000, of which EUR 4,199,000 was settled in cash and EUR 1,432,000 was accounted for by contingent purchase price liabilities. The latter result from the reciprocal call/put options referred to above. The contingent purchase price liabilities were measured at the present value of the due option price, which consists largely of a fixed price component.

The acquisition encompassed noncurrent assets totaling EUR 14,749,000 and current assets totaling EUR 3,559,000. In the process, cash funds were not acquired. The noncurrent liabilities taken on via the acquisition amounted to EUR 10,822,000 and the current liabilities likewise acquired totaled EUR 1,855,000.

After the date of acquisition, the contingent purchase price liability was adjusted to the prevailing circumstances in accordance with the option price rule and increased to EUR 769,000 as of the reporting date. HAKAMA AG contributed sales of EUR 20,607,000 and earnings of EUR 1,886,000 to the consolidated financial statements.

#### **Disclosures about the Previous Year**

In the 2009 fiscal year, there were neither any first-time consolidations of new companies nor increases in the level of non-controlling shareholdings.

#### **Disposals**

INDUS disposed of the operating activities of Maschinenfabrik BERNER GmbH & Co. KG effective as of May 1, 2010.

In the 2009 fiscal year, WFV Werkzeug-, Formen- und Vorrichtungsbau GmbH & Co. KG was sold to a holding company effective from December 31, 2009. WFV complements the purchaser's investment portfolio, with strategic effects and synergies generated by the purchase therefore playing a crucial role.

In addition, the sub-subsidiary Volker WITZEL GmbH Klima- und Wärmetechnik, which is of subordinate importance for the portfolio, was sold to the managing non-controlling shareholder in a management buyout effective from July 1, 2009.

In addition, the effects from the sale of the ongoing business activities of NEUTRASOFT GmbH & Co. KG to WILKEN NEUTRASOFT GmbH are included in the previous year's disclosures under IFRS 5.

The previous year's statement of income was adjusted. The details are included in the reconciliation shown above (see adjustment of previous year's figures).

Income and expenses attributable to discontinued operations in the fiscal years 2010 and 2009 were as follows:

## Disclosures in Accordance with IFRS 5

EUR '000	2010	2009
Sales	1,052	6,489
Expenses and other income	-1,370	-11,272
<b>Operating result</b>	<b>-318</b>	<b>-4,783</b>
Net interest	0	-179
<b>Earnings before taxes</b>	<b>-318</b>	<b>-4,962</b>
Taxes	50	794
Earnings after taxes from current operations	-268	-4,168
Income from deconsolidations	-1,582	-1,317
<b>Income from discontinued operations</b>	<b>-1,850</b>	<b>-5,485</b>
Tax expense/revenue from divestments	-274	72

The income from discontinued operations is predominantly apportioned to the INDUS shareholders.

## ■ Notes to the Consolidated Statement of Income

### [1] Sales

Sales include sales from services amounting to EUR 4,948,000 (previous year: EUR 3,124,000) and user charges amounting to EUR 346,000 (previous year: EUR 230,000). Sales also include EUR 69,418,000 in sales from customer-specific construction contracts (previous year: EUR 61,422,000). In the 2009 fiscal year, EUR -3,113,000 in sales was reclassified to income from discontinued operations. As a result, sales in the previous year were reduced from EUR 769,512,000 to EUR 766,399,000.

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

### [2] Other Operating Income

EUR '000	2010	2009
Income from the release of accruals	3,356	5,679
Release of valuation allowances	1,226	1,457
Income from currency translation	2,391	1,504
Insurance compensation for disposals of property, plant and equipment	1,726	730
Income from rental and lease agreements	852	732
Income from asset disposals	813	848
Transfer to earnings/release of deferrals carried as liabilities	570	1,004
Income from the subsequent valuation of non-controlling interests in partnerships	333	1,726
Refund of reduced working hours allowances	0	3,698
Other operating income	8,331	5,900
<b>Total</b>	<b>19,598</b>	<b>23,278</b>



Income from currency translation amounting to EUR 2,391,000 (previous year: EUR 1,504,000) was offset by expenses of EUR –2,164,000 (previous year: EUR –1,674,000). Currency differences included in income therefore amounted to EUR 227,000 (previous year: EUR –170,000). Income from the subsequent valuation of non-controlling interests in limited partnerships is offset by corresponding expenses amounting to EUR –414,000 (previous year: EUR –178,000).

### [3] Own Work Capitalized

EUR '000	2010	2009
Other own work capitalized	1,715	2,696
Own work capitalized in accordance with IAS 38	1,244	1,812
<b>Total</b>	<b>2,959</b>	<b>4,508</b>

Furthermore, EUR 7,103,000 in research and development expenses were recognized as part of the expenses for the period (previous year: EUR 6,817,000).

### Changes in Finished Goods and Work in Process

EUR '000	2010	2009
Work in process	14,128	–5,963
Finished goods	4,126	–12,008
<b>Total</b>	<b>18,254</b>	<b>–17,971</b>

### [4] Cost of Materials

EUR '000	2010	2009
Raw materials and goods for resale	–408,992	–300,977
Purchased services	–52,996	–36,008
<b>Total</b>	<b>–461,988</b>	<b>–336,985</b>

### [5] Personnel Expenses

EUR '000	2010	2009
Wages and salaries	–222,308	–190,817
Social security	–39,697	–35,190
Pensions	–3,123	–1,746
<b>Total</b>	<b>–265,128</b>	<b>–227,753</b>

Personnel expenses do not include the interest accretion to transfers to pension provisions. These amounted to EUR –888,000 and were recognized as part of net interest (previous year: EUR –863,000).

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

EUR '000	2010	2009
Depreciation of property, plant, and equipment and intangible assets	-37,095	-34,146
Scheduled amortization of value-added within the Group	-4,843	-5,858
Impairment losses from first-time consolidations	-1,658	-5,776
<b>Total</b>	<b>-43,596</b>	<b>-45,780</b>

Unscheduled amortizations resulting from first-time consolidations relate to impairment expenses for property, plant, and equipment caused by decreases in the planned future earning power of business areas. In the previous year, write-downs on goodwill were carried out. Unscheduled amortizations from first-time consolidation are broken down by segment in the segment report. Furthermore, unscheduled depreciation was posted under property, plant, and equipment in the amount of EUR 0 (previous year: EUR 83,000).

#### **[7] Other Operating Expenses**

EUR '000	2010	2009
Operating expenses	-46,191	-37,496
Selling expenses	-55,462	-43,006
Administrative expenses	-26,783	-23,667
Other expenses	-11,535	-4,995
<b>Total</b>	<b>-139,971</b>	<b>-109,164</b>

#### **[8] Financial Result**

EUR '000	2010	2009
Write-downs of financial assets	-713	-135
Income from financial assets	281	325
<b>Total</b>	<b>-432</b>	<b>190</b>

**[9] Net Interest**

EUR '000	2010	2009
Interest and similar income	1,890	1,354
Interest and similar expenses	-28,754	-29,307
<b>Interest from operations</b>	<b>-26,864</b>	<b>-27,953</b>
IFRS interest: market value of interest-rate swaps	839	-223
IFRS interest: non-controlling interests	-1,364	600
<b>IFRS interest</b>	<b>-525</b>	<b>377</b>
<b>Total</b>	<b>-27,389</b>	<b>-27,576</b>

Although some interest rate derivatives are highly effective hedges from a commercial point of view, they are not accounted for as hedges on purely formal grounds. As a result, we have adjusted the change in the market values of these interest rate derivatives in the item "IFRS interest: market values of interest rate swaps" with effect on income.

The item "IFRS interest: non-controlling interests" includes income after taxes to which non-controlling interests in limited partnerships are entitled. For reasons of consistency, this is included in net interest income, as IAS 32 stipulates that the corresponding non-controlling shareholders' capital must be shown under other liabilities.

In the current fiscal year, interest expenses were reduced by the sum of capitalized borrowing costs totaling EUR 241,000 (previous year: EUR 472,000). This was based on a financing cost rate of 5 %.

**[10] Taxes**

EUR '000	2010	2009
Non-recurrent taxes	-3,790	-409
Current taxes	-23,599	-13,297
Deferred taxes	2,135	1,120
<b>Total</b>	<b>-25,254</b>	<b>-12,586</b>

The non-recurring taxes result predominantly from external tax audits. The deferred taxes include EUR -1,582,000 for capitalized loss carryforwards (previous year: EUR 4,038,000) and EUR 3,717,000 from temporary differences (previous year: EUR -2,916,000). The temporary differences from 2010 include conforming changes totaling EUR 3,418,000 resulting from the external tax audits (caused primarily by prolongation of the fiscal useful lives for the value added in the supplementary tax balance sheets) which largely compensate for the non-recurring taxes.

**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 on their respective markets. Synergies play a secondary role with regard to acquisitions. Each company is responsible for its own results, supported if necessary by the holding company's resources.

INDUS focuses its acquisitions above all on German limited partnerships. The acquisition of a limited partnership has the following fiscal consequences:

The value added from the purchase price allocation for tax purposes is deductible as write-downs from supplementary tax balance sheets, distributed over the respective useful life. This means that the tax assessment base is reduced by the write-downs. Even for companies with buoyant earnings, this can result in a tax loss with corresponding tax savings, in trade tax at limited partnerships and in corporate income tax at INDUS Holding. There are no longer any positive effects on earnings resulting from the recognition of deferred taxes in accordance with the temporary concept as per IFRS. Deferred tax assets on tax loss carryforwards are capitalized in the Group only if sufficient taxable income can be generated in the five-year planning period.

Trade tax is due at the level of the limited partnerships. An offsetting of tax gains and losses between limited partnerships is not permitted for trade tax. The taxable earnings after trade tax are ascribed to INDUS Holding AG and then subjected to corporate income tax. For the operating companies, no tax group contracts have been concluded with limited liability companies. These matters are dealt with in the item "No offsetting of income for independent subsidiaries."

#### Reconciliation from Expected to Actual Tax Expenses

EUR '000	2010	2009
<b>Earnings before income taxes</b>	<b>74,047</b>	<b>29,481</b>
Expected tax expenses 28.8 %	21,326	8,490
<b>Reconciliation</b>		
Goodwill amortization, corporate entities	0	72
Capitalization of deferred tax loss carryforwards	1,477	-4,038
Non-recurring actual and deferred taxes	372	409
Equity measurement of associated companies	-45	-96
Structural effects of divergent local tax rates	-307	-220
divergent national tax rates	144	476
Tax losses of INDUS Holding AG	-1,332	1,498
No offsetting of income for autonomous subsidiaries	2,214	3,043
Foreign withholding tax on tax-free dividends	0	34
Effects of the interest deduction ceiling on INDUS Holding AG	1,356	1,667
Other non-deductible expenses or tax-free income	736	1,553
Use of actual tax loss carryforwards	-687	-302
<b>Actual tax expenses</b>	<b>25,254</b>	<b>12,586</b>
as a percentage of earnings	34,1	42,7

Based on a corporate income tax rate of 15 %, taking into account an average trade tax assessment rate of 370 % and the 5.5 % solidarity surcharge, the income tax rate for domestic companies is 28.8 %.

#### **[11] Income from Discontinued Operations**

In both fiscal years, income from discontinued operations includes the income after taxes attributable to Maschinenfabrik BERNER GmbH & Co. KG as of May 1, 2010. In the previous year, the earnings of WILKEN NEUTRASOFT GmbH, WFV Werkzeug-, Formen- und Vorrichtungsbau GmbH & Co. KG, and Volker WITZEL GmbH Klima- und Wärmetechnik were included as well.

#### **[12] Ergebnis je Aktie**

Earnings per share amount to EUR 2.59 (previous year: EUR 0.89). The weighted average number of shares in 2010 was 18,676,200 (previous year: 18,370,033). Please turn to note [19] for further details.

EUR '000	2010	2009
Earnings attributable to INDUS shareholders	46,600	10,786
– Earnings attributable to discontinued operations	– 1,850	– 5,485
<b>Earnings attributable to continuing operations</b>	<b>48,450</b>	<b>16,271</b>
Weighted average number of shares (thousands)	18,676	18,370
Earnings per share, continuing operations (in EUR)	2.59	0.89
Earnings per share, discontinued operations (in EUR)	– 0.10	– 0.30

The earnings taken as the basis are derived from the earnings of the INDUS shareholders, adjusted to exclude income from discontinued operations. In the event of the authorized capital being utilized, dilutions will arise in the future.

## ■ Notes to the Consolidated Statement of Financial Position

### [13] Development of Intangible Assets and Property, Plant, and Equipment

Cost in 2010 EUR '000	Opening balance Jan. 1, 2010	Changes in the scope of consoli- dation	Additions	Disposals	Transfers	Currency translation	Closing balance Dec. 31, 2010
<b>Goodwill</b>	<b>328,851</b>	<b>-2,230</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>326,621</b>
Capitalized development costs	12,638	0	1,446	0	0	0	14,084
Property rights, concessions and other intangible assets	86,623	98	3,183	456	3,212	0	92,660
<b>Total intangible assets</b>	<b>99,261</b>	<b>98</b>	<b>4,629</b>	<b>456</b>	<b>3,212</b>	<b>0</b>	<b>106,744</b>
Land and buildings	162,592	8,242	2,761	470	2,613	0	175,738
Plant and machinery	286,844	-5,170	18,158	5,001	1,581	0	296,412
Other equipment, factory and office equipment	98,106	-938	8,104	2,267	-2,108	0	100,897
Advance payments and work in process	4,472	0	4,251	278	-5,298	148	3,295
<b>Total property, plant, and equipment</b>	<b>552,014</b>	<b>2,134</b>	<b>33,274</b>	<b>8,016</b>	<b>-3,212</b>	<b>148</b>	<b>576,342</b>

Cost in 2009 EUR '000	Opening balance Jan. 1, 2009	Changes in the scope of consoli- dation	Additions	Disposals	Transfers	Currency translation	Closing balance Dec. 31, 2009
<b>Goodwill</b>	<b>340,675</b>	<b>-11,555</b>	<b>0</b>	<b>270</b>	<b>0</b>	<b>0</b>	<b>328,851</b>
Capitalized development costs	10,596	0	2,042	0	0	0	12,638
Property rights, concessions and other intangible assets	85,801	-1,251	3,254	1,179	-2	0	86,623
<b>Total intangible assets</b>	<b>96,397</b>	<b>-1,251</b>	<b>5,296</b>	<b>1,179</b>	<b>-2</b>	<b>0</b>	<b>99,261</b>
Land and buildings	159,453	-19	2,028	1,090	2,220	0	162,592
Plant and machinery	277,297	-4,607	15,855	7,618	5,917	0	286,844
Other equipment, factory and office equipment	95,730	-866	7,369	4,770	643	0	98,106
Advance payments and work in process	10,483	0	4,146	1,375	-8,778	-4	4,472
<b>Total property, plant, and equipment</b>	<b>542,963</b>	<b>-5,492</b>	<b>29,398</b>	<b>14,853</b>	<b>2</b>	<b>-4</b>	<b>552,014</b>

Amortization in 2010	Opening balance Jan. 1, 2010	Changes in the scope of consolidation	Additions	Disposals	Transfers	Currency translation	Closing balance Dec. 31, 2010
EUR '000							
<b>Goodwill</b>	<b>39,278</b>	<b>-2,230</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,048</b>
Capitalized development costs	2,815	0	1,389	0	0	0	4,204
Property rights, concessions and other intangible assets	79,330	-441	3,860	11	-2,751	-20	85,469
<b>Total intangible assets</b>	<b>82,145</b>	<b>-441</b>	<b>5,249</b>	<b>11</b>	<b>-2,751</b>	<b>-20</b>	<b>89,673</b>
Land and buildings	44,126	-1,394	7,189	174	318	-31	49,398
Plant and machinery	198,602	-7,339	22,589	0	4,192	278	209,938
Other equipment, factory and office equipment	70,398	-1,840	8,569	0	4,577	-4	72,546
Advance payments and work in process	0	0	0	0	0	0	0
<b>Total property, plant, and equipment</b>	<b>313,126</b>	<b>-10,573</b>	<b>38,347</b>	<b>174</b>	<b>9,087</b>	<b>243</b>	<b>331,882</b>

Amortization in 2009	Opening balance Jan. 1, 2009	Changes in the scope of consolidation	Additions	Disposals	Transfers	Currency translation	Closing balance Dec. 31, 2009
EUR '000							
<b>Goodwill</b>	<b>44,701</b>	<b>-10,500</b>	<b>5,346</b>	<b>0</b>	<b>269</b>	<b>0</b>	<b>39,278</b>
Capitalized development costs	1,835	0	980	0	0	0	2,815
Property rights, concessions and other intangible assets	77,202	-1,193	4,379	0	1,009	-49	79,330
<b>Total intangible assets</b>	<b>79,037</b>	<b>-1,193</b>	<b>5,359</b>	<b>0</b>	<b>1,009</b>	<b>-49</b>	<b>82,145</b>
Land and buildings	38,643	-12	5,558	0	83	20	44,126
Plant and machinery	187,045	-3,057	21,225	0	6,625	14	198,602
Other equipment, factory and office equipment	66,612	-554	8,573	0	4,082	-151	70,398
Advance payments and work in process	0	0	0	0	0	0	0
<b>Total property, plant, and equipment</b>	<b>292,300</b>	<b>-3,623</b>	<b>35,356</b>	<b>0</b>	<b>10,790</b>	<b>-117</b>	<b>313,126</b>

Intangible assets have determinable useful lives.

The change in the scope of consolidation related to additions under IFRS 3 and disposals under IFRS 5.

The residual carrying amount of capitalized finance leases in 2010 amounted to EUR 10,540,000 for land and buildings (previous year: EUR 0) and EUR 1,180,000 for plant and machinery (previous year: EUR 0).

In 2009, the only change in the scope of consolidation related to company disposals.



In the current year, the change in the scope of consolidation included reclassifications as per IFRS 5: goodwill (cost: EUR 2,230,000, amortization: EUR 2,230,000, residual carrying amount: EUR 0), intangible assets (cost: EUR 442,000, amortization: EUR 442,000, residual carrying amount: EUR 0), land and buildings (cost: EUR 2,509,000, amortization: EUR 1,394,000, residual carrying amount: EUR 1,115,000), plant and machinery (cost: EUR 7,820,000, amortization: EUR 7,339,000, residual carrying amount: EUR 481,000), and other factory and office equipment (cost: EUR 1,935,000, amortization: EUR 1,839,000, residual carrying amount: EUR 96,000).

When the depreciation and amortization from the fixed asset schedule and the statement of income in 2009 are being coordinated, the reclassification of these shown in the "Adjustment of previous year's figures" must be included.

**[13]** The **residual carrying amounts of fixed assets** developed as follows:

EUR '000	31.12.2010	1.1.2010	1.1.2009
<b>Goodwill</b>	<b>289,573</b>	<b>289,573</b>	<b>295,974</b>
Capitalized development costs	9,880	9,823	8,761
Property rights, concessions and other intangible assets	7,191	7,293	8,599
<b>Total intangible assets</b>	<b>17,071</b>	<b>17,116</b>	<b>17,360</b>
Land and buildings	126,340	118,466	120,810
Plant and machinery	86,474	88,242	90,252
Other equipment, factory and office equipment	28,351	27,708	29,118
Advance payments and work in process	3,295	4,472	10,483
<b>Total property, plant, and equipment</b>	<b>244,460</b>	<b>238,888</b>	<b>250,663</b>

**[14]** **Financial Assets and Shares Accounted for Using the Equity Method**

EUR '000	2010	2009
Other investments	200	204
Other loans	8,352	8,790
Shares accounted for using the equity method	1,324	4,578
<b>Total</b>	<b>9,876</b>	<b>13,572</b>

The loans relate to loans originated 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. There were no defaults in either of the fiscal years. Of the change in the shares valued using the equity method, EUR 3,409,000 result from the sale of COTTANO Vlieswerk GmbH to the co-shareholder.

The following overview contains additional information on associated companies:

#### Associated companies

EUR '000	2010	2009
Purchase price of associated companies	17	2,857
Appropriated income in the period	155	335
<b>Key figures of the associated companies:</b>		
Assets	7,154	7,840
Liabilities	3,559	3,420
Capital	3,595	4,420
Revenue	14,081	19,449
Earnings	394	658
<b>Relations with associated companies:</b>		
Accounts receivable	511	499
Sales	1,048	1,175
Goods purchased	0	902

There were no valuation allowances for receivables from companies valued using the equity method.

#### [15] Other Assets

EUR '000	2010	2009
Other tax refund claims	1,450	1,235
Accrual of payments not relating to the period under review	2,281	1,646
Reinsurance premiums	896	2,377
Loans and other receivables	247	963
Positive swap market value	871	771
Sundry assets	3,614	4,499
<b>Total</b>	<b>9,359</b>	<b>11,491</b>
of which current	7,944	8,481
of which noncurrent	1,415	3,010

#### [16] Current Income Taxes

Capitalized current income taxes amounting to EUR 482,000 are noncurrent (previous year: EUR 571,000), and result primarily from capitalized corporate income tax credits. Of the current income tax liabilities, EUR 731,000 is accounted for by liabilities from income taxes (previous year: EUR 466,000) and EUR 6,622,000 by income tax provisions (previous year: EUR 3,653,000).

The origin of the **deferred tax assets and liabilities** is broken down by statement of financial position item as follows:

<b>2010</b> EUR '000	Assets	Liabilities	Balance
Goodwill of limited partnerships	1,839	–21,092	–19,253
Intangible assets	236	–2,401	–2,165
Property, plant, and equipment	2,027	–1,309	718
Other noncurrent assets	651	0	651
Receivables and inventories	1,299	–1,016	283
Other current assets	23	–251	–228
Long-term provisions	2,858	–288	2,570
Current liabilities	1,932	–1,461	471
Capitalization of losses carried forward	3,957	0	3,957
Netting-out of accounts	–12,075	12,075	0
<b>Deferred taxes in statement of financial position</b>	<b>2,747</b>	<b>–15,743</b>	<b>–12,996</b>

<b>2009</b> EUR '000	Assets	Liabilities	Balance
Goodwill of limited partnerships	2,237	–21,914	–19,677
Intangible assets	469	–2,270	–1,801
Property, plant, and equipment	2,335	–1,573	762
Other noncurrent assets	395	0	395
Receivables and inventories	0	–1,475	–1,475
Other current assets	0	–195	–195
Long-term provisions	793	–91	702
Current liabilities	1,548	–603	945
Capitalization of losses carried forward	5,434	0	5,434
Netting-out of accounts	–11,222	11,222	0
<b>Deferred taxes in statement of financial position</b>	<b>1,989</b>	<b>–16,899</b>	<b>–14,910</b>

Netting-out is undertaken for income tax which is due to the same tax authority. This relates mainly to the corporate tax of INDUS Holding AG and those of its German subsidiaries which are incorporated companies by law.

Deferred tax liabilities result mainly 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 – and goodwill of a fiscal nature – are tax-deductible. As goodwill is no longer amortized in accordance with IFRS, deferred taxes will henceforth be accrued in line with the amortization of fiscal goodwill as per the conditions set forth in IAS 12.21B. Deferred taxes must be recognized by the time the company is sold. As INDUS principally engages in long-term investments in subsidiaries, this item will be increased continuously.

The change in the balance of deferred taxes amounted to EUR 2,135,000 (previous year: EUR 1,122,000), was recognized through profit and loss in the statement of income, and results in other respects from adjustments with no effect on income within the framework of capital consolidation and reserves for the marked-to-market valuation of financial instruments.

Due to the lack of opportunities for realizing them, deferred tax assets of EUR 136,000 were not recognized (previous year: EUR 137,000).

The company believes that trade tax and corporate income tax losses carried forward amounting to EUR 28,513,000 (previous year: EUR 40,102,000) are realizable by means of current income. Aggregate losses carried forward totaling EUR 114,307,000 (previous year: EUR 116,711,000) which are unlikely to be realized in the next five years were not capitalized. The bulk of these were trade tax loss carryforwards resulting from the fiscal particularities prevailing at INDUS Holding AG, as explained in note [10]. Potential opportunities to realize such carryforwards in the future will accordingly be determined by the prevailing trade tax rate. The largest single item is the holding company's trade tax loss carryforward. The utilization of these loss carryforwards is not subject to any time limits.

Deferred tax assets totaling EUR 1,216,000 (previous year: EUR 1,350,000) were recognized in addition to the relevant deferred tax liabilities for companies which have recently suffered tax losses.

This means that when the specific tax rates are taken into account, capitalized loss carryforwards in the statement of financial position amount to EUR 3,957,000 (previous year: EUR 5,434,000). The impact this has on earnings is EUR 1,477,000 (previous year: EUR 4,038,000).

In the 2010 fiscal year, deferred taxes amounting to EUR –81,000 were accrued for the items recognized in equity which have no effect on income (previous year: EUR 176,000).

#### **[17] Accounts Receivable**

EUR '000	2010	2009
Accounts receivable from customers	112,172	88,382
Future accounts receivable from customer-specific construction contracts	4,934	10,386
Accounts receivable from associated companies	511	499
<b>Total</b>	<b>117,617</b>	<b>99,267</b>

In the year under review, EUR 287,000 in accounts receivable from customers were shown under noncurrent assets as they had maturities of over one year (previous year: EUR 388,000).

The accounts receivable from customer-specific construction contracts amounting to EUR 138,000 have long-term maturities (previous year: EUR 1,246,000). Further information on construction contracts is contained in the following table:

## Completion of Contracts

EUR '000	2010	2009
Costs incurred including prorated income	30,361	43,444
Advance payments received	29,441	34,984
Construction contracts with a positive balance	4,934	10,386
Construction contracts with a negative balance	4,014	1,926
Contingent liabilities	15,219	8,785

Construction contracts with a balance on the liabilities side are reported under other liabilities. No major collateral was retained.

The accounts receivable include **valuation allowances** amounting to EUR 5,508,000 (previous year: EUR 4,884,000). They developed as follows:

EUR '000	2010	2009
<b>Valuation allowances as of January 1</b>	<b>4,884</b>	<b>5,744</b>
Currency translation	31	-1
Changes in the scope of consolidation	-20	-9
Additions	2,144	1,715
Utilization	-304	-1,096
Reversals	-1,227	-1,469
<b>Valuation allowances as of December 31</b>	<b>5,508</b>	<b>4,884</b>

## [18] Inventories

EUR '000	2010	2009
Raw materials and supplies	63,455	51,797
Unfinished goods	57,100	40,355
Finished goods and goods for resale	56,488	50,148
Prepayments to third parties for inventories	1,713	802
<b>Total</b>	<b>178,756</b>	<b>143,102</b>

The value of the inventories' carrying amounts was adjusted downward by EUR 12,046,000 (previous year: EUR 9,497,000), of which EUR 5,393,000 is comprised of reductions in fair value (previous year: EUR 2,151,000). No inventories were pledged as collateral for liabilities.

## [19] Equity

### Subscribed Capital

The capital stock amounted to EUR 52,538,291.22 as of the reporting date. The capital stock is divided into 20,207,035 no-par-value shares. The shares are in the name of the bearer and each grants the bearer one 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 SDAX and CDAX.

According to Item 4.3 of the articles of incorporation, 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 14,328,626.00 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash (Authorized Capital I) by June 30, 2014. In the event of a capital increase, shareholders must be granted a subscription right. Subject to the approval of the Supervisory Board, however, the Board of Management is empowered to exclude fractional amounts from shareholder subscription rights and to determine other details of the capital increase.

According to Item 4.4 of the articles of incorporation, subject to the approval of the Supervisory Board, the Board of Management is authorized to increase the company's capital stock additionally by up to EUR 4,776,211.78 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash and/or kind (Authorized Capital II) by June 30, 2014. Subject to the approval of the Supervisory Board, the Board of Management is empowered to decide on the disapplication of shareholder subscription rights and to determine other details of the capital increase:

- if the issue amount for the new shares is not significantly below the stock market price of company shares of the same type at the time when the issue amount is determined, as defined by Sec. 203 Paras. 1 and 2, Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG). This authorization to disapply shareholder subscription rights shall be valid only if the shares to be issued within the framework of the capital increase account for a proportion of the company's existing capital stock which is no higher than 10% at the time when this authorization comes into effect. This maximum amount for the disapplication of subscription rights must take into account the proportional amount of the capital stock accounted for by shares issued or sold to the disapplication of subscription rights during the term of this authorization under the direct or analogous application of Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act. Also to be taken into account are shares which were or must be sold during the term of this authorization on the basis of bonds with conversion rights or options issued in accordance with this stipulation.
- in the event of a capital increase against contributions in kind for the purpose of acquiring companies, parts of companies, or investments in companies.

On October 28, 2010, the Board of Management resolved to increase capital stock by EUR 4,776,205.22 to EUR 52,538,291.22 by issuing 1,837,002 new bearer shares and making partial use of Authorized Capital II. The Supervisory Board approved this decision with its resolution dated October 28, 2010. The capital increase has been effected and was entered in the commercial register on November 2, 2010. Authorized Capital II therefore now totals EUR 4,776,211.78.

Furthermore, the Annual Shareholders' Meeting held on July 1, 2010, authorized the company in accordance with Sec. 71 Para. 1 Item 8 of the German Stock Corporation Act (AktG) to buy back a maximum of 1,837,003 shares, corresponding to approximately 10% of the current number of no-par-value shares and therefore to around 10% of the company's current capital stock, in the period until June 30, 2015. The authorization can be exercised in full or in part and either once or several times. However, no more than 10% of the company's capital stock as per the time of the resolution that was acquired on the basis of this empowerment, including shares already purchased and owned by the company and shares attributable to the company under Sec. 71d Sentence 3 and Sec. 71e Para. 1 Sentence 1 of the German Stock Corporation Act (AktG), may be bought back.

### 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 Aktiengesellschaft's additional paid-in capital. As of the reporting date, the equity ratio was 31.8 % (previous year: 26.5 %).

### Shares of Non-controlling Shareholders

Interests held by non-controlling shareholders essentially consist of the non-controlling interests in the limited liability companies WEIGAND Bau GmbH and SELZER-REMPEL Automotiva Ltda. Interests held by non-controlling shareholders in limited partnerships, as well as limited liability companies consolidated using the full goodwill method as a result of particular option contracts, are shown under other liabilities [23]. This relates in particular to SELZER Fertigungstechnik GmbH & Co. KG, Helmut RÜBSAMEN GmbH & Co. KG and HAKAMA AG.

### Application of Profits

The Board of Management will propose to the Annual Shareholders' Meeting that the following dividend payments be made:

Payment of a dividend of EUR 0.90 per no-par-value share. For 20,207,035 shares, this corresponds to a payment of EUR 18,186,331.50.

### Managing Capital

INDUS Holding AG manages its capital in order to increase its return on equity. The ratio of equity to interest-bearing total capital, consisting of interest-bearing debt and equity, is constantly optimized to the same end. Interest-bearing capital comprises provisions for pensions and financial liabilities, less cash and cash equivalents, and amounts to EUR 394,932,000 (previous year: EUR 424,334,000). Taking equity in the statement of financial position into account, total capital comes to EUR 704,421,000 (previous year: EUR 666,048,000). Relative to total interest-bearing capital employed, the equity ratio increased from 36.3 % in 2009 to 43.9 % in 2010.

INDUS Holding AG is not subject to any other legally mandatory capital requirements, with the exception of the minimum capital rules stipulated in stock corporation law. Furthermore, INDUS Holding AG has entered into obligations to maintain a minimum equity ratio at the stock corporation in connection with loan agreements. This enables it to keep receiving funds on reasonable terms. In the last fiscal year, the company by far exceeded the minimum equity ratio required.



**[20]** Information on **financial liabilities** and the related derivatives is contained in the following tables:

Information on contractual repayment obligations/ remaining terms EUR '000	Dec. 31, 2010 Carrying amount for period under review	Repayment obligation		
		1 year	1 to 5 years	Over 5 years
Liabilities to banks in the Group's currency EUR	378,247	93,498	221,496	63,253
in Swiss francs	11,182	3,972	5,544	1,666
in other currencies	5,593	308	4,561	724
Finance leases	13,817	1,644	4,952	7,221
ABS financing	43,892	43,892	0	0
Promissory note bonds	23,500	6,500	17,000	0
<b>Total financial liabilities</b>	<b>476,231</b>	<b>149,814</b>	<b>253,553</b>	<b>72,864</b>
Derivatives/interest-rate swaps Nominal values	191,684	37,624	121,725	32,335

Information on contractual repayment obligations/ remaining terms EUR '000	Dec. 31, 2009 Carrying amount for period under review	Repayment obligation		
		1 year	1 to 5 years	Over 5 years
Liabilities to banks in the Group's currency EUR	408,306	81,497	248,352	78,457
in Swiss francs	22,134	11,461	8,872	1,801
in other currencies	2,805	286	1,381	1,138
ABS financing	38,601	38,601	0	0
Promissory note bonds	30,000	6,500	23,500	0
<b>Total financial liabilities</b>	<b>501,846</b>	<b>138,345</b>	<b>282,105</b>	<b>81,396</b>
Derivatives/interest-rate swaps Nominal values	178,283	29,846	115,155	33,282

Finance lease contracts relating to real estate and machinery which essentially came into being as a result of the acquisition of HAKAMA as an asset deal are shown under financial liabilities.

As of the reporting date, EUR 49,251,000 in accounts receivable (previous year: EUR 43,379,000) were transferred within the framework of ABS financing because they could not be retired due to the remaining default risk. In connection with this, financing arrangements amounting to EUR 43,892,000 (previous year: EUR 38,601,000) which had been classified as collateralized debt in the consolidated financial statements were recognized in the statement of financial position.

Financial facilities from the sale of accounts receivable are stated as part of financial liabilities with short maturities and adjusted interest rates.

Remaining fixed-interest period EUR '000	Risk-free going interest rates	Weighted interest rate based on the carrying amount	Financial Liabilities			Derivatives: interest-rate swaps	
			Nominal volume/historical cost	Carrying amount as of Dec. 31, 2010	Carrying amount as of Dec. 31, 2009	Nominal value as of Dec. 31, 2010	Nominal value as of Dec. 31, 2009
< 1 year	0.77 %	2.45 %	345,496	252,571	256,359	33,418	9,706
1 to < 2 years	1.33 %	5.00 %	66,106	28,957	28,383	4,405	11,329
2 to < 3 years	1.79 %	5.40 %	60,767	27,001	34,825	10,700	5,119
3 to < 4 years	2.18 %	5.34 %	82,208	53,522	29,920	24,710	10,417
4 to < 5 years	2.52 %	4.40 %	28,407	14,912	62,660	24,717	28,533
> 5 years	3.63 %	4.95 %	119,405	99,268	89,699	93,734	113,179
<b>Total</b>			<b>702,389</b>	<b>476,231</b>	<b>501,846</b>	<b>191,684</b>	<b>178,283</b>
<b>Market values</b> of original and derivative financial instruments				456,978	482,785	–9,378	–10,396

**[21] Disclosure in Accordance with IAS 19: Statement of Financial Position and Statement of Income**

Statement of Income EUR '000	2010	2009	Other divergence
Current service cost	238	237	1
Interest cost	888	863	25
Income from plan assets	–70	–77	7
Recognized actuarial gain or loss	98	0	98
Service cost subject to retrospective settlement	0	0	0
<b>Cost of defined benefit obligation</b>	<b>1,154</b>	<b>1,023</b>	<b>131</b>
+ defined contribution plan cost	2,676	1,910	766
= cost of pension commitments for the period carried on the statement of income	3,830	2,933	897

Statement of Financial Position Valuation EUR '000	2010	2009	Other divergence
Present value of benefit obligations financed by provisions	17,273	15,765	1,508
Present value of funded benefit obligations	2,451	1,587	864
<b>DBO: accumulated benefit obligation</b>	<b>19,724</b>	<b>17,352</b>	<b>2,372</b>
Market value of plan assets	–2,451	–1,587	–864
<b>Net obligation</b>	<b>17,273</b>	<b>15,765</b>	<b>1,508</b>
Unrecognized actuarial result	–1,732	229	–1,961
<b>Closing balance: amount carried on the statement of financial position as of December 31</b>	<b>15,541</b>	<b>15,994</b>	<b>–453</b>
Pension obligation expenses	1,154	1,023	131
Pension payments	–743	–833	90
Change in the scope of consolidation	–864	–360	0
<b>Opening balance: amount carried on the statement of financial position as of January 1</b>	<b>15,994</b>	<b>16,164</b>	
<b>Underlying assumptions:</b>			
Discount rate	4.50 %	5.25 %	
Salary trend	2.00 %	2.00 %	
Pension trend	1.50 %	1.50 %	
Expected income from plan assets	4.00 %	4.25 %	

Interest expenses are stated in the item "Net interest." The anticipated income from plan assets essentially corresponds to actual income. The change in the scope of consolidation in 2009 resulted from the disposal of WFV Werkzeug-, Formen- und Vorrichtungsbau GmbH & Co. KG.

In the current fiscal year, preconditions for the further netting-out of amounts carried in the statement of financial position were created based on the pledging of reinsurance contracts.

Fund assets consist solely of reinsurance policies. Plan assets developed as follows:

#### Development of Plan Assets

EUR '000	2010	2009
<b>Assets as of January 1</b>	<b>1,587</b>	<b>1,565</b>
Expected return on plan assets	70	77
Ongoing employer contributions	238	44
Pensions paid	-176	-76
Reclassification of pension plans	0	0
Change in the scope of consolidation	0	0
Other	732	-23
<b>Assets as of December 31</b>	<b>2,451</b>	<b>1,587</b>

In addition, further reimbursement claims amounting to EUR 740,000 (previous year: EUR 1,627,000) are shown in the statement of financial position.

The following table provides an overview of the development of pension obligations, the fair values of plan assets, and the benefit obligation exceeding the assets for the year under review and the four preceding years. No material adjustments based on experience that do not result from changes in actuarial assumptions have been made to pension obligations or assets.

#### Development of Key Figures

EUR '000	2010	2009	2008	2007	2006
Defined benefit obligation (DBO)	19,724	17,352	17,776	16,497	16,565
Market value of plan assets	-2,451	-1,587	-1,565	-1,587	-1,375
Benefit obligation	17,273	15,765	16,211	14,910	15,190
Unrecognized actuarial gain/loss	-1,732	229	-47	214	-397
<b>Closing balance: amount carried on the statement of financial position as of December 31</b>	<b>15,541</b>	<b>15,994</b>	<b>16,164</b>	<b>15,124</b>	<b>14,793</b>

## [22] Provisions

2010 EUR '000	Opening balance Jan. 1, 2010	Change in scope of consolidation	Amount utilized	Reversal	Additions/ new accruals	Currency adjustments	Closing balance Dec. 31, 2010
Sales and purchasing obligations	10,676	-5	7,114	1,330	13,940	122	16,289
Personnel expenses	9,545	316	7,489	217	10,207	166	12,528
Other provisions	11,779	-926	5,667	1,875	14,486	56	17,853
<b>Total</b>	<b>32,000</b>	<b>-615</b>	<b>20,270</b>	<b>3,422</b>	<b>38,633</b>	<b>344</b>	<b>46,670</b>

2009 EUR '000	Opening balance Jan. 1, 2009	Change in scope of consolidation	Amount utilized	Reversal	Additions/ new accruals	Currency adjustments	Closing balance Dec. 31, 2009
Sales and purchasing obligations	12,771	-43	8,556	2,050	8,556	-2	10,676
Personnel expenses	10,220	-19	7,755	451	7,523	27	9,545
Other provisions	13,588	-426	5,454	3,061	7,132	0	11,779
<b>Total</b>	<b>36,579</b>	<b>-488</b>	<b>21,765</b>	<b>5,562</b>	<b>23,211</b>	<b>25</b>	<b>32,000</b>

The allocations to provisions for pensions [21] include interest accretions totaling EUR 888,000 (previous year: EUR 863,000). In addition, EUR 561,000 in interest has been included in the provisions in the current year.

Liabilities from sales activities include provisions for warranties based on legal or de facto obligations, obligations for customer bonuses and rebates, as well as estimated values for anticipated invoices. Provisions for personnel expenses are formed for personnel credit hours, service anniversaries, partial retirement, 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 were no significant expected reimbursements in relation to obligations recognized as per IAS 37.

## [23] Other Liabilities

EUR '000	2010	Current	Noncurrent	2009	Current	Noncurrent
Accounts payable to outside shareholders	13,567	4,534	9,033	24,641	17,607	7,034
Accounts payable for personnel	10,729	10,729	0	7,994	7,994	0
Accrual of non-recurrent payments	5,788	5,788	0	5,442	5,442	0
Accrual of payments not relating to the period under review	5,453	2,974	2,479	7,181	3,038	4,143
Advance payments received	3,193	3,193	0	3,062	3,062	0
Construction contracts with a negative balance	4,014	4,014	0	1,926	1,926	0
Investment subsidies	2,536	282	2,254	2,817	285	2,532
Derivative financial instruments	8,029	8,029	0	9,131	9,131	0
Sundry other liabilities	12,700	11,682	1,018	10,694	9,724	970
<b>Total</b>	<b>66,009</b>	<b>51,225</b>	<b>14,784</b>	<b>72,888</b>	<b>58,209</b>	<b>14,679</b>

At companies in which external shareholders who can tender their shares to INDUS at any time by cancellation or on the basis of option agreements hold stakes, the claim of the non-controlling shareholders to severance payment is reported at EUR 9,033,000 (previous year: EUR 17,336,000) under accounts payable to external shareholders.

## ■ Information on the Significance of Financial Instruments

### Financial Instruments: Assets

EUR '000	2010	Measured by other standards*	Financial instruments IFRS 7	2009	Measured by other standards*	Financial instruments IFRS 7
Financial assets	8,552		8,552	8,994		8,994
Cash and cash equivalents	96,840		96,840	93,506		93,506
Accounts receivable	117,617	4,934	112,683	99,267	10,386	88,881
Other assets	9,359	1,450	7,909	11,491	1,235	10,256
<b>Total financial instruments</b>			<b>225,984</b>			<b>201,637</b>

\* IAS 11, IAS 12 and IAS 20

### Financial Instruments: Equity and Liabilities

EUR '000	2010	Measured by other standards*	Financial instruments IFRS 7	2009	Measured by other standards*	Financial instruments IFRS 7
Financial liabilities	476,231		476,231	501,846		501,846
Trade accounts payable	36,053		36,053	28,019		28,019
Other liabilities	66,009	12,338	53,671	72,888	10,185	62,703
<b>Total financial liabilities</b>			<b>565,955</b>			<b>592,568</b>

\* IAS 11, IAS 12, and IAS 20

### Financial Instruments by Valuation Categories

2010 EUR '000	Carrying amount	Market value	Net gains/losses
Measured at fair value through profit and loss for trading purposes	871	871	100
designated instrument	–	–	–
Held-to-maturity financial investments	–	–	–
Loans and receivables	224,913	225,259	–1,377
Available-for-sale financial assets	200	200	–672
<b>Financial instruments: assets</b>	<b>225,984</b>	<b>226,330</b>	<b>–1,949</b>
Measured at fair value through profit and loss for trading purposes	8,029	8,029	–1,102
designated instrument	–	–	–
Financial liabilities measured at their residual carrying amounts	557,926	538,453	55
<b>Financial instruments: equity and liabilities</b>	<b>565,955</b>	<b>546,482</b>	<b>–1,047</b>

2009 EUR '000	Carrying amount	Market value	Net gains/ losses
Measured at fair value through profit and loss for trading purposes	771	771	–71
designated instrument	–	–	–
Held-to-maturity financial investments	–	–	–
Loans and receivables	200,662	201,189	–825
Available-for-sale financial assets	204	204	–63
<b>Financial instruments: assets</b>	<b>201,637</b>	<b>202,164</b>	<b>–959</b>
Measured at fair value through profit and loss for trading purposes	9,131	9,131	–331
designated instrument	–	–	–
Financial liabilities measured at their residual carrying amounts	583,437	564,233	–41
<b>Financial instruments: equity and liabilities</b>	<b>592,568</b>	<b>573,364</b>	<b>–372</b>

Available-for-sale financial assets consist primarily of long-term financial investments which have no price quoted on an active market and of which the fair value cannot be determined reliably. They are accounted for at acquisition cost in accordance with IAS 39.46c.

Net gains and losses on loans and receivables, as well as financial liabilities, accounted for at their residual carrying amounts largely originate from valuation allowances (EUR –1,789,000; previous year: EUR –949,000), income from payments received, and currency translation. Net gains and losses on available-for-sale financial assets correspond to these financial investments' contribution to Group earnings.

Net gains and losses on financial instruments recognized at fair value take into account the change in the market values of interest rate, currency, and raw materials hedges which do not meet the formal requirements of hedge accounting.

In both fiscal years, the market values of derivatives at fair value through profit and loss were measured using only market-related valuation methods. These correspond to the level 2 procedures in accordance with IFRS 7.27A.b. There are therefore no effects from the changeover of valuation methods in accordance with level 1 (quoted prices) or level 3 (valuation procedures without observable market data).

Total interest income and expenses for financial instruments not measured at fair value through profit and loss amount to EUR –26,073,000 (previous year: EUR –27,562,000).

## ■ Types and Scope of Risks Resulting from Financial Instruments

### Principles of Financial Risk Management

In keeping with the philosophy of INDUS Holding AG, the financing of individual companies within the portfolio is centrally controlled, while the assessment and management of operating risks is the responsibility of the portfolio companies and their management. In principle, those risks which have an impact on the Group's cash flow are hedged. Such risks are hedged using non-derivative and derivative financial instruments, with the latter being transacted solely for hedging purposes.

### Risk Management and Financial Derivatives

The INDUS Group operates 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 in accordance with the definition in IFRS 7. The basic principles of the financial policies are established each year by the Board of Management and monitored by the Supervisory Board.

### Liquidity Risk

Basically, the individual portfolio companies finance themselves from their operating results. Transfers to INDUS Holding AG are made depending on the particularities of the liquidity situation. The holding company has adequate reserves of liquidity to ensure that it can act quickly at any time. Loans are widely diversified, thereby preventing the company from becoming dependent on individual lenders. The level of available liquidity and firm financing commitments enable the company to take advantage of acquisition opportunities at any time. As financing is planned with a long-term perspective and risk clusters associated with the revolving refinancing of the existing financial requirement were identified and eliminated in the past, the financing risk is limited.

The following cash outflows, which are incorporated into the INDUS Group's long-term financial planning, were determined in consideration of the conditions for financial instruments determined as of the reporting date:

### Cash Outflow

EUR '000	1 year	1 to 5 years	Over 5 years
Financial liabilities	168,548	285,700	80,864
Interest rate derivatives	4,586	9,354	1,137
Trade accounts payable	36,053	0	0
Other liabilities	42,917	12,530	0
<b>Total financial instruments</b>	<b>252,104</b>	<b>307,584</b>	<b>82,001</b>

Cash flows consist of principal payments and their respective interest. They also include interest payments on derivatives with a positive market value which act as commercial hedges for the financial liabilities. The accumulated payment flows from financial liabilities and interest rate derivatives result in the payment flow from corresponding fixed-term loans.



## Default Risk

In the financing area, contracts are concluded only with counterparties of first-class credit standing. In the operational area, the portfolio companies are responsible for ongoing decentralized risk monitoring. Default risks are taken into account by means of adequate valuation allowances. The maximum default risk corresponds to the stated value of loans and receivables originated by the company, while for derivatives it is equal to the sum total of their positive market values.

Corporate risk is widely diversified as INDUS Group companies are autonomous and they all develop and offer a variety of products on different markets.

A concentration of default risks arising from business relationships exists in the Automotive Components/Engineering segment and results from the segment's oligopolistic customer structure. The overall portfolio of trade accounts receivable shows that eight customers (previous year: twelve) each accounted for more than 1 % of the Group's sales. This amounts to 30 % of the unsettled items in the consolidated financial statements (previous year: 30 %). The proportion of the Group's sales accounted for by its top ten customers amounted to approximately 30 % (previous year: 20 %).

On the reporting date, as in the previous year, there were no non-overdue accounts receivable from customers and associated companies which would have been overdue without renegotiation.

Furthermore, there are accounts receivable from customers and associated companies which are overdue but have had no valuation allowances carried out for them. There are generally no major payment defaults with due dates of up to three months, since overdue payments largely result from timing differences in their booking. Since trade accounts receivable were not subjected to valuation allowances and were not overdue, there were no indications as of the cutoff date that the debtors may not be able to meet their payment obligations.

## Accounts Receivable from Customers and Associated Companies

EUR '000	2010	2009
Amount carried in the statement of financial position*	112,969	89,270
+ valuation allowances contained therein	5,508	4,884
= gross value of accounts receivable before valuation allowances	118,477	94,154
of which as per reporting date		
– neither impaired nor overdue	87,203	71,472
– not impaired and overdue by the following periods:		
less than 3 months	21,896	14,830
3 to 6 months	1,380	1,224
6 to 9 months	614	415
9 to 12 months	599	228
over 12 months	520	363

\* Excluding accounts receivable from construction contracts in accordance with IAS 11

### **Interest Rate Risk**

INDUS Holding AG ensures and coordinates the financing and liquidity of all of the portfolio companies. The main focus is on the financing of its long-term investment portfolio. Accordingly, financing arrangements with adequate maturities are obtained for the acquisition of investments. The means employed include fixed-rate and variable-rate financing instruments, which are converted to fixed-rate instruments by way of interest rate swaps.

Changes in interest rates might affect the market value of financial instruments and their cash flows. These effects are calculated by performing a sensitivity analysis which involves shifting each of the relevant interest rate structure curves by 100 basis points in parallel. The effects are calculated for the fixed conditions of the financial instruments in the portfolio as of the reporting date.

Changes in market values have an impact on the presentation of the net worth and financial and earnings position, depending on the valuation categories of the underlying financial instruments. Changing the interest rate level by  $\pm 100$  basis points changes the market values of all financial instruments by approximately  $\pm$  EUR 11.9 million (previous year:  $\pm$  EUR 14.2 million). The market values of the interest rate derivatives change by approximately  $\pm$  EUR 4.0 million (previous year:  $\pm$  EUR 5.2 million), of which  $\pm$  EUR 1.4 million (previous year:  $\pm$  EUR 2.0 million) would be recognized under equity with no effect on income due to hedges which have been concluded. The impact on net interest would amount to  $\pm$  EUR 2.6 million (previous year:  $\pm$  EUR 3.2 million). The effects on earnings and equity are reversed in subsequent periods until the derivatives' final maturities.

Since, from a commercial point of view, interest rate risks are almost completely hedged, changes in the interest rates of variable-interest financial liabilities and derivative financial instruments would offset each other. This means that future cash flows will not be significantly affected.

### **Currency Risk**

Currency risks basically result from the operating activities of the Group companies and financing transactions between the foreign portfolio companies and the respective proprietary companies. Risk analyses are carried out on a net basis, while hedges are concluded by the portfolio companies on a case-by-case basis in accordance with the philosophy of commercial autonomy. The instruments employed are forward exchange contracts and suitable options.

Currency risks have an effect on the presentation of the net worth and the financial and earnings position when financial instruments are denominated in currencies other than the functional currency of the Group company in question. Risks arising from the currency translation of financial statements to the Group currency are not taken into consideration. Since currency hedges are not formally accounted for as hedges, this does not have an impact on provisions for the marked-to-market valuation of financial instruments.

Assuming that the exchange rates of all foreign currencies were to rise by 10 % against the euro as of the reporting date, net income from currency translation would increase by EUR 3.1 million (previous year: EUR +2.1 million). This is due primarily to loans taken out by INDUS Holding AG in Swiss francs amounting to EUR +2.3 million (previous year: EUR +2.3 million) and forward contracts in US dollars amounting to EUR +0.4 million (previous year: EUR +0.3 million).

## ■ Hedge Accounting

### Hedging Activities

Currency hedges as of the reporting dates related almost entirely to US dollars (USD) and Swiss francs (CHF) and had a nominal volume of EUR 13.0 million (previous year: EUR 15.3 million). In 2010 these hedges had a positive market value of EUR 139,000 (previous year: EUR 156,000).

Commodity hedges have been concluded with a nominal volume of EUR 1.8 million (previous year: EUR 3.1 million). These hedges had a market value of EUR 665,000 in 2010 (previous year: EUR 460,000).

The Group maintained interest rate hedges with a nominal volume of EUR 191,684,000 (previous year: EUR 178,283,000). They had market values amounting to EUR –9,378,000 (previous year: EUR –10,396,000). Further details on terms and maturities are included in the report on financial liabilities.

## ■ Segment Reporting

As from the current fiscal year, the segment assets will no longer be reported because this information was gathered solely for the consolidated financial statements. Its disclosure is not required under IFRS 8, whose application is mandatory in the current year, if it is not reported continuously to the management. The previous year's figures were adjusted accordingly.

The classification of the segments corresponds to the current status of internal reporting. The information relates to the continuing activities.

The companies are allocated to the segments on the basis of their selling markets insofar as the bulk of their product range is sold in that market environment (Automotive Components/Engineering, Medical Engineering/Life Science). Otherwise they are classified by common features in their production structure (Construction/Infrastructure, Engineering, Metal/Metal Processing). The reconciliations contain the figures of the holding company, non-operational units not allocated to any segment, and consolidations.

The central control variable for the segments remains operating earnings (EBIT) as defined in the consolidated financial statements. The segment information has been ascertained in compliance with the reporting and valuation methods that were applied during the preparation of the consolidated financial statements.

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

### Primary Reporting Format: By Segments Reconciliation

Segment reporting in accordance with IFRS 8 2010 EUR '000	Automotive Compo- nents/Engi- neering	Medical Engineer- ing/Life Science	Construc- tion/Infra- structure	Engineering	Metal/ Metal Processing	Total segments	Recon- ciliation	Consoli- dated financial statements
External sales	284,766	81,570	205,472	128,956	270,582	971,346	239	971,585
Internal sales	22,492	3,568	7,740	7,076	23,663	64,539	-64,539	0
<b>Sales</b>	<b>307,258</b>	<b>85,138</b>	<b>213,212</b>	<b>136,032</b>	<b>294,245</b>	<b>1,035,885</b>	<b>-64,300</b>	<b>971,585</b>
<b>Segment earnings (EBIT)</b>	<b>14,355</b>	<b>12,395</b>	<b>27,870</b>	<b>14,310</b>	<b>39,640</b>	<b>108,570</b>	<b>-7,134</b>	<b>101,436</b>
Earnings from equity valuation	0	0	155	0	0	155	0	155
<b>Depreciation/Amortization</b>	<b>-22,951</b>	<b>-3,100</b>	<b>-4,977</b>	<b>-1,930</b>	<b>-10,336</b>	<b>-43,294</b>	<b>-302</b>	<b>-43,596</b>
of which scheduled depreciation for wear and tear from first-time consolidation	-3,198	-50	-740	-31	-823	-4,842	0	-4,842
of which unscheduled depre- ciation for wear and tear from first-time consolidation	-1,658	0	0	0	0	-1,658	0	-1,658
<b>Capital expenditure</b>	<b>19,164</b>	<b>2,359</b>	<b>6,276</b>	<b>1,145</b>	<b>23,015</b>	<b>51,959</b>	<b>83</b>	<b>52,042</b>
of which company acquisitions	0	0	0	0	14,139	14,139	0	14,139
shares accounted for using the equity method	0	0	1,324	0	0	1,324	0	1,324
Additional information: EBITDA	37,306	15,495	32,847	16,240	49,976	151,864	-6,832	145,032

Segment reporting in accordance with IFRS 8 2009 EUR '000	Automotive Compo- nents/Engi- neering	Medical Engineer- ing/Life Science	Construc- tion/Infra- structure	Engineering	Metal/ Metal Processing	Total segments	Recon- ciliation	Consoli- dated financial statements
External sales	199,320	76,869	189,231	105,233	195,680	766,333	66	766,399
Internal sales	13,012	3,076	7,608	6,088	20,126	49,910	-49,910	0
<b>Sales</b>	<b>212,332</b>	<b>79,945</b>	<b>196,839</b>	<b>111,321</b>	<b>215,806</b>	<b>816,243</b>	<b>-49,844</b>	<b>766,399</b>
<b>Segment earnings (EBIT)</b>	<b>-8,435</b>	<b>10,790</b>	<b>28,078</b>	<b>12,389</b>	<b>18,458</b>	<b>61,280</b>	<b>-4,223</b>	<b>57,057</b>
Earnings from equity valuation	0	320	15	0	0	335	0	335
<b>Depreciation/Amortization</b>	<b>-26,175</b>	<b>-3,451</b>	<b>-4,820</b>	<b>-2,342</b>	<b>-8,665</b>	<b>-45,453</b>	<b>-327</b>	<b>-45,780</b>
of which scheduled depreciation for wear and tear from first-time consolidation	-3,735	-46	-1,027	-133	-917	-5,858	0	-5,858
of which unscheduled depre- ciation for wear and tear from first-time consolidation	-5,776	0	0	0	0	-5,776	0	-5,776
<b>Capital expenditure</b>	<b>17,402</b>	<b>1,664</b>	<b>6,350</b>	<b>2,342</b>	<b>6,894</b>	<b>34,652</b>	<b>42</b>	<b>34,694</b>
of which company acquisitions	0	0	0	0	0	0	0	0
shares accounted for using the equity method	0	3,409	1,169	0	0	4,578	0	4,578
Additional information: EBITDA	17,740	14,241	32,898	14,731	27,123	106,733	-3,896	102,837

## Reconciliation

EUR '000	2010	2009
<b>Segment earnings (EBIT)</b>	<b>108,570</b>	<b>61,280</b>
Areas not allocated, incl. holding company	-6,991	-3,400
Consolidations	-143	-823
Net interest	-27,389	-27,576
<b>Earnings before taxes</b>	<b>74,047</b>	<b>29,481</b>

## Secondary Reporting Format: By Regions

The regionalization of sales is based on the selling markets. The further classification of the diverse foreign activities by country is not expedient as no country outside of Germany accounts for 10% of Group sales.

The noncurrent assets, less deferred taxes and financial instruments, relate to the domiciles of the respective companies. Further differentiation is not expedient as the majority of the companies are domiciled in Germany.

2010 EUR '000	Germany	Abroad	Group
Sales revenues with third parties	537,708	433,877	971,585
Noncurrent assets, less deferred taxes and financial instruments	485,758	66,669	552,427

2009 EUR '000	Germany	Abroad	Group
Sales revenues with third parties	448,573	317,826	766,399
Noncurrent assets, less deferred taxes and financial instruments	500,770	49,385	550,155

Due to INDUS's diversification policy there were no individual product or service groups and no individual customers that accounted for more than 10% of sales.

## Other Disclosures

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

## Pledged Assets

EUR '000	2010	2009
Land charges	32,377	31,094
Pledged receivables (ABS financing)	49,251	43,379
Other collateral	387	326
<b>Total collateral</b>	<b>82,015</b>	<b>74,799</b>

### Contingent Liabilities

EUR '000	2010	2009
Liabilities from the issuance and transfer of bills	0	160

### Other Financial Obligations

Other financial obligations from rental, tenancy, and operating lease agreements are reported as the sum totals of the amounts which fall due by the earliest cancellation date:

### Maturities

EUR '000	2010	2009
Up to 1 year	11,113	10,624
1 to 5 years	26,707	23,081
Over 5 years	37,933	41,605
<b>Total</b>	<b>75,753</b>	<b>75,310</b>

Purchase obligations for fixed assets amount to EUR 6,459,000 (previous year: EUR 6,242,000), of which EUR 5,969,000 (previous year: EUR 5,546,000) was for property, plant, and equipment, and EUR 490,000 (previous year: EUR 696,000) 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 contain regular purchase options. The exercise price for the option at the end of the lease period is not expected to be substantially lower than the market value.

Lease installments in the year under review amounted to EUR 13,113,000 (previous year: EUR 11,281,000).

Payments due from **finance leases** in the future are shown below:

EUR '000	Up to 1 year	1 to 5 years	Over 5 years	Total
Lease installments	1,895	6,475	7,480	15,850
Interest component	393	1,096	544	2,033
Carrying amount/present value	1,502	5,379	6,936	13,817

For the corresponding assets (property, plant, and equipment), there are usually favorable purchase options which, to the best of our current knowledge, are also exercised. The purchase prices are fixed and there are no price adjustment clauses. The interest rates on which the contracts are based are between 2.5 % and 5.8 %. There are neither contingent lease installments nor lease installments from sub-leases. In the previous year, there were no material finance leases.

### Average Number of Employees in the Fiscal Year

	2010	2009
Wage earners	4,141	3,470
Salaried employees	1,895	1,901
<b>Total</b>	<b>6,036</b>	<b>5,371</b>

## ■ Related Party Disclosures

### Members of Management in Key Positions and Affiliated Persons

In accordance with the structure of the INDUS Group, the members of management in key positions include the Supervisory Board (six members in 2010 and six members in 2009), the Board of Management at INDUS Holding AG (2010: four members, previous year: four members), and the managing directors of the operating units (2010: 57 individuals, previous year: 58 individuals). In the 2010 fiscal year, five managing directors held non-controlling interests in their respective companies (previous year: three). Their shares in earnings are included under non-controlling interests.

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 2010 fiscal year, payments of EUR 54,000 (previous year: EUR 54,000) were made within the framework of a defined contribution plan for members of the Board of Management.

### Overview of Compensation

2010 EUR '000	Period expense	Of which wages and salaries	Of which SARs*	Of which severance	Of which pensions
INDUS Holding AG					
Board of Management	212	212	–	–	–
Supervisory Board	2,995	2,859	136	–	–
Subsidiaries					
Managing directors	11,146	10,840	–	306	–
Family members	314	254	–	–	60
<b>Total</b>	<b>14,667</b>	<b>14,165</b>	<b>136</b>	<b>306</b>	<b>60</b>

2009 EUR '000	Period expense	Of which wages and salaries	Of which SARs*	Of which severance	Of which pensions
INDUS Holding AG					
Board of Management	176	176	–	–	–
Supervisory Board	1,649	1,649	–	–	–
Subsidiaries					
Managing directors	11,014	10,522	–	454	38
Family members	491	434	–	–	57
<b>Total</b>	<b>13,330</b>	<b>12,781</b>	<b>–</b>	<b>454</b>	<b>95</b>

\* SAR = stock appreciation rights

In the 2010 fiscal year, six family members of partners or managing directors were employed at the portfolio companies (previous year: seven individuals).

### Remuneration of the Supervisory Board

The Supervisory Board's compensation was determined anew by the Annual Shareholders' Meeting of INDUS Holding AG in July 2010. It is set down in Item 6.16 of the articles of incorporation. In addition to the reimbursement of his or her outlays incurred in the fulfillment of duties in the fiscal year ended, each Supervisory Board member receives basic compensation of EUR 30,000 plus an attendance fee of EUR 3,000 per meeting. The Chairman of the Supervisory Board receives

double the two above amounts, and his or her deputy receives 1.5 times these amounts. The members of the Supervisory Board have their VAT refunded if they are entitled to have it deducted as input tax at the company. There are no stock option programs or other securities-oriented incentive systems for the Supervisory Board. The new compensation rules were calculated using July 5, 2010 as the reporting date (when the amendment to the articles of incorporation was registered). The previous compensation rules (basic compensation plus variable depending on the dividend) were used to calculate the figures for the period from January 1, 2010 to July 5, 2010. In the 2010 fiscal year, the Supervisory Board's remuneration totaled EUR 212,000 (previous year: EUR 176,000). The Supervisory Board held four sessions in 2010 and five in 2009.

### **Remuneration of the Board of Management**

The intention of the German Management Board Remuneration Act (VorstAG) newly adopted in August 2009 is that listed companies should make greater use of incentives for sustainable corporate development when setting the compensation for their management board members in future. This obliges INDUS Holding AG to restructure the variable compensation components for the members of its Board of Management. The long-term incentive program was therefore established in the form of virtual stock options as of January 1, 2010. On the basis of a set target amount, the members of the Board of Management receive a set number of virtual stock options (stock appreciation rights) each year. Stock appreciation right (SAR) is the term used to describe the undertaking given by INDUS Holding AG to pay the beneficiaries an amount determined by the difference between the exercise price and the current stock market price when the option is exercised. The SAR's exercise price corresponds to the average closing price of the company's share in Xetra trading over the last 20 trading days before the option was issued. The exercise barrier is 112 % of the exercise price. At the same time, payment of the increase in value for the beneficiary is limited to a maximum of double the target amount initially agreed (cap). SARs are subject to the statutory blocking period of four years from the time when the tranche was allocated. The exercise period for each tranche is a maximum of two years as from the first year after the blocking period expires.

In the 2010 fiscal year, 169,160 SARs were granted at an exercise price of EUR 12.13 each (2010 tranche). The payout claims of all beneficiaries ensuing from this tranche are limited to an aggregate sum of EUR 630,000. At the time when they were granted, the fair value of the SARs totaled EUR 350,000. The pro rata temporis fair value of the SARs granted amounted to EUR 136,000 (previous year: EUR 0) as of the reporting date and is included in its entirety in personnel expenses and provisions. The fair values were determined using an acknowledged actuarial option price model taking account of the cap on the payout claims. An SAR corresponds to a virtual subscription right to an INDUS Holding AG share, but is not a share right and therefore not a (genuine) option to acquire INDUS Holding AG shares.

The short-term variable component of the compensation due to the Board of Management depends on the company's results and is determined based on the extent to which INDUS Holding AG meets its target for consolidated EBIT (earnings before interest and taxes). The variable component amounted to EUR 1,616,000 (previous year: EUR 327,000).

### **Other Relations**

Former members of the Board of Management received other emoluments in the amount of EUR 0 (previous year: EUR 13,000). In the 2010 fiscal year, the members of the Supervisory Board received EUR 7,000 (previous year: EUR 0) for services rendered to Group companies on personal account.



In addition, there were commercial relations with non-controlling shareholders and members of their families involving consulting (EUR 200,000; previous year: EUR 163,000), property and building leases (EUR 112,000, previous year: EUR 758,000), and other services (EUR 2,671,000; previous year: EUR 2,741,000). There were EUR 272,000 in outstanding accounts receivable from affiliated companies as of the reporting date (previous year: EUR 187,000). There were also EUR 450,000 in loans (previous year: EUR 500,000) with arm's length interest rates. In addition, non-controlling shareholders earned interest amounting to EUR 582,000 (previous year: EUR 722,000).

In order to provide clarity, information on business relations between associated companies is presented in the section on key figures [14, 17].

#### **Expenses Incurred in the Audit of the Holding Company's Financial Statements and the Consolidated Financial Statements**

Treuhand- und Revisions-AG Niederrhein was paid the following fees: EUR 187,000 (previous year: EUR 167,000) for the audit of the financial statements, EUR 5,000 (previous year: EUR 5,000) for other services involving opinions and valuations, EUR 5,000 (previous year: EUR 1,000) for tax consulting, and EUR 9,000 (previous year: EUR 39,000) for other services.

#### **German Corporate Governance Code**

In December 2010, 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 Aktiengesellschaft's website (<http://www.indus.de>).

#### **Disclosures Pursuant to Sec. 21 Para. 1 of the German Securities Trading Act (WpHG)**

The insurance institution Versicherungskammer Bayern Versicherungsanstalt des öffentlichen Rechts, Munich, Germany, notified us on November 3, 2010, in accordance with Sec. 21 Para. 1 of the German Securities Trading Act (WpHG) that its share of voting rights in INDUS Holding AG, Bergisch Gladbach, Germany (ISIN: DE 0006200108, SIN 620010) exceeded the thresholds of 3 % and 5 % of voting rights on October 28, 2010 and totaled 9.09 % on this date (equivalent to 1,837,002 voting rights).

#### **Application of Sec. 264, Para. 3, and Sec. 264b of the German Commercial Code (HGB)**

Those subsidiaries which make use of the exemption from the obligation to make disclosures to which they are entitled under Sec. 264 Para. 3 and/or Sec. 264b of the German Commercial Code have been flagged in the list of shareholdings as of December 31, 2010 filed in the electronic version of the commercial register.

Bergisch Gladbach, April 14, 2011  
INDUS Holding AG

The Board of Management



Helmut Ruwisch



Jürgen Abromeit



Dr. Wolfgang Höper



Dr. Johannes Schmidt



# FURTHER **INFORMATION**

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## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the holding company, and the Group management report includes a fair review of the development and performance of the business and the position of the Group and the holding company, together with a description of the principal opportunities and risks associated with the expected development of the Group and the holding company.

Bergisch Gladbach, April 14, 2011  
INDUS Holding AG

The Board of Management



Helmut Ruwisch



Jürgen Abromeit



Dr. Wolfgang Höper



Dr. Johannes Schmidt

## Proposed Appropriation of Distributable Profit

Management proposes to the Annual Shareholders' Meeting that the EUR 33,244,533.32 in distributable profit for fiscal year 2010 be appropriated as follows:

Payment of a dividend of EUR 0.90 per individual share certificate (20,207,035) on the capital stock of EUR 52,538,291,22	18,186,331.50 EUR
Transfer to other earnings reserves	13,952,240.00 EUR
Profit carried forward	1,105,961.82 EUR
Distributable profit	33,244,533.32 EUR

Bergisch Gladbach, April 14, 2011

The Board of Management



Helmut Ruwisch



Jürgen Abromeit



Dr. Wolfgang 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, 2010. 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.

Our audit has not led to any reservations.

In our opinion, based on the results of our audit, the consolidated financial statements 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 14, 2011

Treuhand- und Revisions-Aktiengesellschaft  
Niederrhein  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

(Kuntze)  
German CPA

(Oymanns by proxy)  
German CPA

## Balance Sheet of the Holding Company

EUR '000	Dec. 31, 2010	Dec. 31, 2009
<b>ASSETS</b>		
Intangible assets	4	12
Property, plant, and equipment	2,686	2,898
Financial assets	757,337	754,017
<b>Fixed assets</b>	<b>760,027</b>	<b>756,927</b>
Accounts receivable and other current assets	140,638	137,303
Cash on hand and bank balances	21,616	19,219
<b>Current assets</b>	<b>162,254</b>	<b>156,522</b>
Advance payments	98	106
<b>Total assets</b>	<b>922,379</b>	<b>913,555</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	503,179	484,447
Provisions	8,108	4,584
Liabilities	371,233	424,524
Nettable deferred tax liabilities	39,859	0
<b>Total assets</b>	<b>922,379</b>	<b>913,555</b>

## Income Statement of the Holding Company

EUR '000	2010	2009
Sales	4,261	3,443
Other operating income and expenses	-2,291	-3,702
Personnel expenses	-4,661	-2,921
Income from investments	43,710	33,690
Income from long-term loans classified as financial assets	49,060	30,790
Other interest and similar income	5,578	6,357
Depreciation and amortization of financial assets cost of the assumption of losses	-301	-326
Depreciation and amortization of financial assets	-28,741	-40,701
Cost of the assumption of losses	-4,035	-9,315
Interest and similar expenses	-22,440	-24,894
<b>Profit from operating activities</b>	<b>40,140</b>	<b>-7,579</b>
Taxes on income and other taxes	-7,705	21
<b>Net result</b>	<b>32,435</b>	<b>-7,558</b>
Profit carried forward	810	1,052
Transfer from retained earnings	0	16,500
<b>Distributable profit</b>	<b>33,245</b>	<b>9,994</b>

## Investments of the INDUS Holding AG

By Segment	Capital EUR million	INDUS stake in %
<b>[Construction/Infrastructure]</b>		
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	1.58	100
MIGUA Fugensysteme GmbH & Co. KG*, Wülfrath	1.85	100
OBUK Haustürfüllungen GmbH & Co. KG*, Oelde	0.29	100
REMKO GmbH & Co. KG Klima- und Wärmetechnik*, Lage	1.56	100
Schuster Klima Lüftung GmbH & Co. KG, Friedberg	1.05	100
WEIGAND Bau GmbH, Bad Königshofen im Grabfeld	1.00	80
WEINISCH GmbH & Co. KG, Oberviechtach	0.53	100
<b>[Automotive Components/Engineering]</b>		
AURORA Konrad G. Schulz GmbH & Co. KG*, Mudau	3.07	100
BILSTEIN & SIEKERMANN GmbH + Co. KG, Hillesheim	1.03	100
Emil FICHTHORN Metallwarenfabrik GmbH & Co. KG, Schwelm	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	85
SITEK-Spikes GmbH & Co. KG, Aichhalden	1.05	100
S.M.A. Metalltechnik GmbH & Co. KG*, Backnang	1.08	100
WIESAUPLAST Kunststoff und Formenbau GmbH & Co. KG*, Wiesau	1.76	100
<b>[Engineering]</b>		
ASS Maschinenbau GmbH*, Overath	0.54	100
M. BRAUN Inertgas-Systeme GmbH*, Garching	1.32	100
GSR Ventiltechnik GmbH & Co. KG*, Vlotho	0.57	100
HORN GmbH & Co. KG, Flensburg	1.05	100
NISTERHAMMER Maschinenbau GmbH & Co. KG, Nister	0.80	100
SEMET Maschinenbau GmbH & Co. KG, Brackenheim	0.80	100
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100

By Segment	Capital EUR million	INDUS stake in %
<b>[Medical Engineering/Life Science]</b>		
IMECO Einwegprodukte GmbH & Co. KG Vliesstoffvertrieb*, Hösbach	0.88	100
MIKROP AG*, Wittenbach/Switzerland	0.58 **	100
OFA Bamberg GmbH, Bamberg	1.50	100
<b>[Metal/Metal Processing]</b>		
BACHER AG, Reinach/Switzerland	3.20 **	100
BETEK Bergbau- und Hartmetalltechnik Karl-Heinz Simon GmbH & Co. KG, Aichhalden	1.56	100
HAKAMA AG, Bättwil near Basel/Switzerland	5.00 **	60
KÖSTER & Co. GmbH*, Ennepetal	2.57	100
MEWESTA Hydraulik GmbH & Co. KG, Münsingen	0.54	100
PLANETROLL GmbH & Co. KG, Munderkingen	0.54	100
Helmut RÜBSAMEN GmbH & Co. KG, Metalldrückerei-Umformtechnik, Bad Marienberg	0.53	89
Karl SIMON GmbH & Co. KG, Aichhalden	2.88	100
VULKAN INOX GmbH*, Hattingen	1.11	100

\* including subsidiaries

\*\* CHF in million

# Contact

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INDUS Group



## Financial Calendar

April 29, 2011	<b>Publication annual report and annual earnings press conference, Dusseldorf</b>
May 3, 2011	<b>Analysts' conference, Frankfurt/Main</b>
May 26, 2011	<b>Interim report on the first quarter 2011</b>
July 5, 2011	<b>Annual shareholders' meeting 2010, Cologne/Trade Fair</b>
August 25, 2011	<b>Interim report H1 2011</b>
November 22, 2011	<b>German Equity Forum, Frankfurt/Main</b>
November 24, 2011	<b>Interim report on the first three quarters 2011</b>

This annual report is also available in German. Both the English and the German versions of the annual report can be downloaded from the Internet at [www.indus.de](http://www.indus.de) under Investor Relations/Annual and Interim Reports. Only the German version of the annual report is legally binding.

### Disclaimer:

This annual report contains forward-looking statements based on assumptions and estimates made by the Board of Management of INDUS Holding AG. Although the Board of Management is of the opinion that these assumptions and estimates are accurate, they are subject to certain risks and uncertainty. Actual future results may deviate substantially from these assumptions and estimates due to a variety of factors. These factors include changes in the general economic situation, the business, economic and competitive situation, foreign exchange and interest rates, and the legal setting. INDUS Holding AG shall not be held liable for the future development and actual future results being in line with the assumptions and estimates included in this annual report. Assumptions and estimates made in this annual report will not be updated.

[www.indus.de](http://www.indus.de)