

INDUS maintains a portfolio of 39 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

Euro million	2010	2011
Sales	205.5	234.6
EBIT	27.9	37.4

## **Automotive Components/Engineering**

Euro million	2010	2011
Sales	284.8	334.7
EBIT	14.4	12.2

# Engineering

Euro million	2010	2011
Sales	129.0	145.6
EBIT	14.3	17.0

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A SOLID BASIS – A PROMISING FUTURE

Interview with Helmut Ruwisch and Jürgen Abromeit

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# Medical Engineering/Life Science

Euro million	2010	2011
Sales	81.6	84.8
EBIT	12.4	12.9

#### Metal/Metal Processing

Euro million	2010	2011
Sales	270.6	304.8
EBIT	39.6	37.2

# INDUS 2012: A Solid Basis – A Promising Future

INDUS has achieved an impressive result for the past fiscal year. For the first time in the Group's corporate history, sales have exceeded the billion mark with an EBIT margin of over 10 percent. The business model of serving as a holding company for small and mediumsized businesses appears to be working superbly. For the two members of the Board of Management, HELMUT RUWISCH and JÜRGEN ABROMEIT, this is not a coincidence, but rather the result of long-term thinking and dynamic activity. This is a route that INDUS will continue to pursue in the future.

# ININDUS is in an excellent position, both in terms of its operating business and economically. To what do you attribute this success?

**Helmut Ruwisch:** That's true, the particularly positive figures are something to be pleased about this year. Of course, we also profited from the positive developments in the economy. But we managed to successfully navigate through the crisis with the INDUS Group by actively spreading risk – in fact, compared to other companies, we actually came through it much better. This allowed our businesses to make better use of the momentum provided by the upturn. Of particular benefit to us was the fact that the portfolio companies reacted rapidly and consistently during the crisis on the basis of healthy SME principles, reduced costs, and improved processes. They also invested heavily – in R&D, in training, sales, and also in machinery and equipment. This increased their performance considerably following the crisis and they were able to successfully stand out among the competition.

# Many would be jealous of INDUS's balance sheet figures as well...

**Helmut Ruwisch:** Stable foundations have been very important to us at INDUS over the past years. We've been working on them each and every year, and have been very successful in this regard. Today our net debt is low and our Group equity ratio, at around 37%, is as high as it has ever been in our corporate history. The importance of a healthy capital structure has been demonstrated by the debt crisis that we are currently confronted with in Europe and the world.

We are also in a very good position in terms of financing. We use a wide mix of financing in conjunction with a broad network of banks. Moreover, we are not bound by the covenants that have caused so many difficulties in recent years. We have only taken out loans that are long term and unsecured. In fact, we have even dissolved some of them in positive periods in order to secure new agreements with longer terms and more favorable conditions.

# INDUS set the bar high in the last fiscal year. How do you hope to ensure this level of performance for the future?

**Jürgen Abromeit:** For the current year we have undertaken to keep to the high level of the previous year using the existing portfolio. But to achieve this, we will need to do more than just work hard in the current climate. Success won't just come about of its own accord. The government and debt crises have not yet been overcome, unfortunately, and they have considerable influence on the markets.



"Our Group equity ratio, at around 37%, is as high as it has ever been in our corporate history."

Helmut Ruwisch

# "Our goal is to represent a cross-section of the industrial segments that will be of relevance in the future."



Jürgen Abromeit

Economic forecasts for the current year range from expectations of a mild decline to cautious optimism. This is why we will remain vigilant, because we have noticed a trend toward a slowdown in parts of certain sectors. In the Engineering and Vehicles segments, we expect a stagnant market at best. On the other hand, we expect the positive developments in the Construction segment to continue. On the whole, however, we are in a good position thanks to our diversification, which means that we fully aim to continue taking advantage of our opportunities in 2012. Our goal is to develop ourselves further, both in terms of our portfolio and in our position. This means making further acquisitions, directly at a subsidiary level and subsidiaries' own subsidiaries.

**Helmut Ruwisch:** A mild slowdown in the market may even help us here, because experience shows that in weaker markets the prices for businesses tend to be more realistic. We are currently deliberately keeping liquidity at a high level. This should enable us to acquire one or two companies with average sales – provided that they meet our acquisition criteria. The restructuring and realignment in the banking sector, in no small part brought about by Basel III, has caused a slowdown in lending to financial investors. INDUS is not affected by this and is therefore in an excellent position.

#### Where do you look for the champions of and for tomorrow?

Jürgen Abromeit: Our goal is to represent a cross-section of the industrial segments that will be of relevance in the future. This is an important prerequisite for us to continue developing so dynamically in the medium and long term. Among the companies we are looking at currently are businesses in the Construction/Infrastructure and Logistics segments. Also of interest to us are the Energy and Environment as well as the Medical and Healthcare Engineering segments, which we only recently incorporated into our segment structure. We also see interesting opportunities in traditional automation technology, measurement technology, and control systems.

When we speak about businesses from segments of the future, we're mainly talking about high-quality specialists and niche market suppliers – "hidden champions" from the SME sector. Most of these companies supply major manufacturers with parts and intelligent solutions. Their extraordinary performance has made them key partners. We choose not to make use of advantages that may arise from having companies work together. INDUS's strength lies in the sheer scope of activities. That's the way it ought to stay in the future.

**Helmut Ruwisch:** The topic of "corporate succession" is generally one that provides us with good opportunities. There are a large number of companies looking for a sustainable solution for the continuation of their business activities. And that's exactly what we're here for. INDUS focuses on the long term. We place great value in the virtues of SMEs such as flat hierarchies, a strong focus on the employees, a high level of customer focus and innovation. Our goal is to continue the successful path the founders have taken while retaining the culture of each company.

# Dynamic growth, and that combined with regular dividend payments – INDUS must have happy shareholders...

**Helmut Ruwisch:** Happy is relative. Our shareholders too want to multiply their investment as far as possible. But I think that in recent years, we have managed to establish a reliable dividend policy, namely that our owners should always receive around half of the net profit for the year. And because we keep to this policy, INDUS now has a reputation as a reliable dividend share.

The fact that we were able to bring a strong anchor shareholder on board in 2010 – the Versicherungs-kammer Bayern – with a long-term capital investment strategy is proof of our share's attractiveness. Last year the VKB even increased its shareholding, thereby reinforcing its commitment to INDUS. In addition, a group of proxy holders has formed to collectively represent its shares and who also support our sustainable path.

#### So this means that INDUS will be continuing on its path in 2012?

**Helmut Ruwisch:** The foundation for positive development is in place. We've stocked up financially. Our liquid resources enable us to take advantage of opportunities quickly. And even if the sovereign debt crisis should intensify, we can continue to work relatively calmly. The crisis behind us has taught us to expect anything. INDUS is well prepared for a possible downturn, and we've already drawn up our plan B. Even in the midst of a crisis such as that in 2008/2009, we are able to handle a decline in sales of 20% or even 30% and still operate profitably. There are not many who can claim that.

Jürgen Abromeit: We will continue to maintain our portfolio and cautiously develop it further to ensure that the cross-section of companies continues to represent the top performers of the SME industrial segment. But we won't rush into any decisions regarding the latter, and certainly only if the price is right. The basic conditions must be fulfilled. And this is what makes INDUS special. We take a long-term approach instead of thinking in terms of annual cycles, or even in terms of quarters. Our shareholders have entrusted us with their money not only with the mandate to multiply it but also to invest it comparatively safely. The same applies of course to the loans that our banks provide us with. We want to earn and keep this trust in the long term.

Our most important goals continue to be the achievement of attractive returns and increasing the value of our Group. We achieve this by providing a stable economic background for our small and medium-sized companies, which enables them to operate independently and profitably. In doing so, we support small and medium-sized enterprises. After all, only profitable companies can offer jobs that will be secure in the future.

There are many ways to stay successful. Ours is to seize future opportunities while focusing on a goal – an approach that is both dynamic and robust. This has been INDUS's approach for many years. Over the last 26 years, we have become the leading holding company for small and medium-sized businesses within the German-speaking markets. Our portfolio is well positioned. This is why our companies managed the 2008 and 2009 crisis better than others. They are prepared for the future and were therefore in a better position to take advantage of the subsequent upturn. In 2012, we aim to continue the positive course of recent years and profitably build on our portfolio.



# **Dynamic** made by INDUS

# 1. Taking opportunities to the next level:

We recognize the opportunities that our portfolio companies present and take advantage of them together with the companies' management. This partnership also involves jointly overcoming boundaries.

- **2. Taking the shortest route:** We support our companies' strategies in keeping structures and processes streamlined and flexible. This helps them to stay agile and retain their focus on the customer.
- **3. Focusing on the tried and tested:** We retain the approaches taken by sound family businesses and expand upon their core expertise. In doing so, we preserve what made them so strong in times of crisis their identity.

# 4. Looking at businesses from a different per-

**Spective:** We support our companies in developing new capabilities. This is because we believe that you can only be fit for the future if you have creativity.

**5. Aiming towards future markets:** We constantly expand our portfolio so that it will continue to represent a cross-section of high-income industry sectors in the future to come. This strategy has served us very well for over 25 years.

# DEVELOPMENT ENERGY NEW TOTAL PROPERTY OF THE P

Dynamic made by INDUS Taking opportunities to the next level

Two days ago it was measurement devices, yesterday it was measurement results, today it's customer solutions

> When it comes to recording and examining data in automotive development, there's no getting past IPETRONIK these days. Practically every automotive manufacturer in the world makes use of the Baden-Baden based company's technology and services. IPETRONIK has more than 150 employees. Most of them work in development. The high level of engineering expertise in the measurement and testing technology division is the basis on which IPETRONIK is able to remain consistent in the top league of its segments.

> The company's success story began in 1989 as three engineers started out to build data loggers for BMW. These are devices that record measurement data in test vehicles and are then analyzed once the vehicles return from test drives. After some years it was apparent that the growth opportunities from simply remaining a supplier of measurement equipment were limited. Management moved towards providing system solutions and invested in employees and infrastructure. Supported by INDUS, the two managing directors Erich Rudolf and Andreas Wocke developed an ambitious development plan and an entirely new development center was designed and more than 2 million EUR had been invested at the Baden-Baden site as of 2011. IPETRONIK today is a full systems provider that encompasses the four divisions IPEmeasure, IPEmotion, IPEtec, and IPEngineering, providing a full range of services and products from measurement shareware to software, from testing stations to passenger vehicle part development and testing.

> Its distributors and sales offices are present at all the automotive industry's important development locations worldwide.



Peter Hansen during the winter testing in Finland



With its products and services, IPETRONIK is continuously entering new fields and meeting the sophisticated requirements of research, development, and testing in automobiles, all-terrain vehicles, off-highway vehicles, commercial transports, rail vehicles, aviation, space travel, and many other areas.



The Baden-Baden company headquarters newly acquired in 2011

# Many things are possible with strong core expertise

An Interview with the Expert Univ.-Prof. Dr. Dr. h. c. mult. Horst Wildemann

# In one previous phase businesses sought refuge in focusing on their core expertise, in another phase they focused on the strategy of diversification. Are these approaches just trends? Or do they make sense for certain businesses?

Focusing on your core business is very good for developing and expanding strategic competitive advantages. If, on the other hand, certain market entry barriers in established markets are too high for businesses, diversification allows you to expand your range of products and services to enter new markets. Entering a market early and providing innovative services can offer competitive advantages here. As I see it, the approaches are basically two sides of the same coin. Which approach is more suitable for a given company is more an issue related to the company's position, and primarily a matter of the competitive environment.

# How is a focus on core expertise a good strategy, specifically for SMEs?

SMEs generally have a limited capital budget. As many of them are not publicly listed, the equity is generally provided by the owner. The rest of it must be borrowed. This forces the company to concentrate on its strengths. It's here that the capital investment pays off most, because core expertise provides strategic competitive advantages and flexibility in pricing when facing the competition. Developing and expanding upon core

expertise ensures that value creation can be achieved sustainably. For German small and medium-sized businesses, concentrating on niche markets and a global presence in these niches seems to have become a successful model.

# What are the risks in specializing in this way? What mistakes can a business make?

One of the risks of specialization is that a business develops considerable dependencies. The dependency on medium-term and long-term market demand is apparent. If demand declines, the company may under certain circumstances lose a large part of its sales opportunities. The business can also become dependent on market partners such as suppliers and customers. The complexity of products and services is growing. An end product today consists of a variety of specialized services and products from network and value chain partners. Specializing is particularly worthwhile if all other market partners also apply the quality of their services or products and their reliability towards generating the end product or service. Other problems are information leakage and the businesses' lack of intimate awareness of the final product. Specializing too significantly results in company expertise, technological knowledge, and experience in other areas of the value chain being neglected.



Prof. Horst Wildemann teaches at the Technical University of Munich. He is an expert in just-in-time production and logistics, and his knowledge of the German and international automobile industry is well acknowledged

# "Core expertise is subject to dynamic development."

# What structural qualities do specialized companies have?

They make a point of standardizing their processes and overcoming the complexity of processes by specializing in their product or service. The streamlining of process structures is a predominant factor in achieving efficient value creation. Equally critical is the intensive cooperation with suppliers and customers as part of supply chain management, in order to optimally coordinate the various products and services incorporated into the value chain.

#### Are there studies on businesses that specialize?

Studies show that the proportion of R&D in specialized businesses is above average at around 4 to 5% of sales. This is a threshold value in the supply industry average. Studies indicate that a higher proportion of R&D spending by businesses also results in an improved market capitalization of the businesses. Investors associate rising R&D investment with hope that businesses may achieve temporary competitive advantages over the competition. However, simple figures cannot show how effectively R&D capital expenditure can be

converted into competitive advantages. There are a number of material factors in play that are difficult to quantify, such as the culture of innovation, knowledge management, and technology management.

# What is core expertise still worth in these days of rapid change?

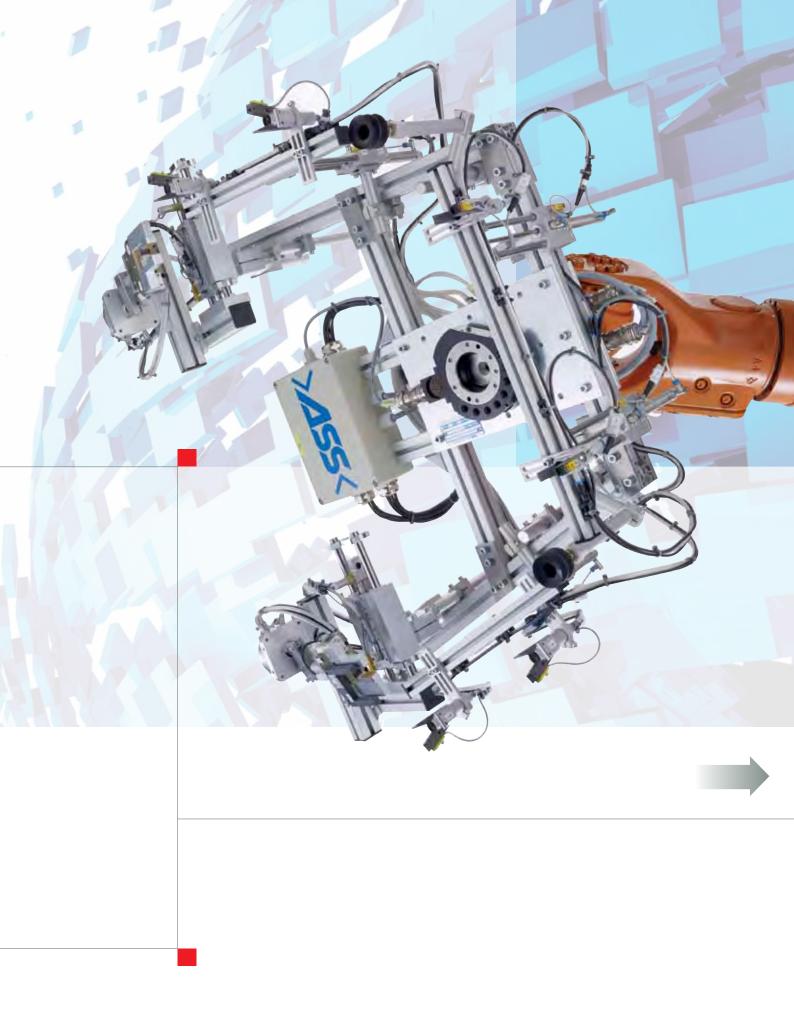
Even in times of rapid change, core expertise is still a decisive foundation on which businesses build their approach to value creation. It is a basis for the profitable management of products and services. Nevertheless, core expertise is never a rigid thing; it must be adapted and further developed under the pressure of the volatile environment and the ability of competitors to learn. Core expertise is therefore subject to dynamic development.

Univ.-Prof. Dr. Dr. h. c. mult. Horst Wildemann

# **Dynamic** made by INDUS **Taking the shortest route**

# What makes businesses fast

"Availability" and "reaction speed" are the key words when it comes to speed in ASS Maschinenbau's line of business. The company, based in the town of Overath in North Rhine-Westphalia, builds and delivers grip parts, robotic hands, and automation systems for specific industrial needs, for example in the plastics industry. ASS is a superb example of the art of German high-performance engineering and toolmaking – the customer describe their requirements and ASS supplies the concept and the solution.





#### Businesses today need to be able to react quickly to customer demands.

ASS achieves this not only by having the company create scope for flexibility in production but also by having the company use standardization to useful effect, thereby reducing complexity. This is where the "robotic hand construction kit" comes into play. ASS produces its robotic hands based on a principle of identical components, which means that one and the same component will be used in as many different engineering designs as possible. At present, the robotic hand construction kit, which is used by ASS or the customers themselves to construct custom-built robotic hands, comprises 1,500 parts.

This is also something that speeds things up at ASS, because the company is able to smoothly adapt to any customer needs, even in the course of implementation. If the customer wants a grip part, they get a grip part. If the customer wants a complete solution in the form of an automation system, that is exactly what they receive. Another of ASS's strengths is that the company is not limited to a single type of robot. ASS ensures that the selection of products that it offers remains open and flexible, enabling it to integrate all of the major robotics manufacturers. When selecting the robots and automation systems to be integrated, ASS bases its choices on customer requests and is not bound to a single manufacturer through any operational partnership.



"With our robotic hand construction kits and our flexible modular concepts we can keep up with any speed."







The robotic hand construction kit, which is used by ASS or the customers themselves to construct custom-built robotic hands, comprises

# 1.500

The company's speed is further increased by its close relationship to its partners – partners in the sense of both customers and suppliers. ASS provides its customers with step-by-step assistance in the implementation of its solution concepts. This fosters trust. Managing Director Reinhold Ziewers explains briefly. "Our advantage is being able to provide a variety of opportunities with the robotic hand construction kit. Together with our customers, we are constantly creating a whole range of new concepts. Of course we, like others, feel the pressure of competition. But then again, hard work is always an excellent way to move towards the future."

In recent years, the company has continuously increased its performance further and, with it, its success. Unlike in earlier times, all of the core areas of expertise such as control system engineering, the programming of robots, or the integration of technology are today performed internally. And Reinhold Ziewers' team has set itself new goals. Its agenda for 2012 includes the expansion of sales partnerships in order to improve service availability, bringing the company even closer to the customer.

## What makes businesses fast: AVAILABILITY

#### Der Rapid availability of parts:

The robotic hand construction kit with around 1,500 components and efficient production planning enables ASS to deliver practically all of its components within 24 hours.

#### Rapid availability of knowledge and service:

Using its expertise and with appropriate manpower, ASS is able to present a concept and solution for complex customer inquiries and problems, often within just a few days.

# Availability of resources in production:

The "Kapaflex" principle enables ASS to adapt its working processes flexibly to short-term demands, enabling peak workloads to be handled quickly and confidently.

**Dynamic** made by INDUS

# Focusing on the tried and tested

# "You shouldn't need to wait patiently. Once you reach 65, it should all be taken care of."



Detlef Köster

He couldn't be more relaxed when he looks at his life's work, although the running of his business has actually been in new hands for a long time now. Detlef Köster spent around 40 years turning his company into what it is today – an international company specializing in metal processing that is renowned in the industry. And even today, four years after the sale of the business to INDUS, so much seems to be just as it was before the sale of the company. In fact, it was not long ago that the former owner was asked by an uncertain employee if he had really sold the company.

Detlef Köster supports the management as an adviser, even if this was not actually his original intention. INDUS, the new owner, asked him at the end of the sales negotiations whether he would

like to continue applying his knowledge and contacts on behalf of the company. This turned into a consulting contract for three years, which has since been extended.

The collaboration with the new management, which has been on board since 2010, is going superbly. Another reason for this is that Detlef Köster is an ideal fit for his role – he is a consultant, not the owner. The decisions are made by those responsible for the company's success, namely the management. And it is the management that makes the best possible use of his experience. Listening to the new director Dr. Harald Schulz talk about the company, its strengths, and its path, you could swear that Detlef Köster was talking –and it sounds like common sense.





"We manufacture a niche product. It was our intention from the very start to be the technological market leader, rather than to lead the pack in terms of sales. The market is too strong for that," remarked the former owner, highlighting what made and makes KÖSTER so strong – technological innovation, quality and the gradual entry into markets.

Not forgetting the employees, of course. "I gave my employees the freedom to implement their own ideas from the start." But this was not without having laid down goals. He has strengthened the innovation factor by maintaining contact with universities. Whether Dortmund, Aachen, or Mannheim, the partnerships have helped the company move forward in many areas.

Detlef Köster took the decision to hand over the company when he reached 65. For him, it was important that he take this step as long as he was still fully capable. His two children did not want to take on the responsibility of the SME. The only way

was to sell. But to whom? He was certain that he didn't want to sell out to "locusts". Nor did he want to sell to the American competition – in part out of worry for his employees and his company's underlying concept.

His best friend, a successful entrepreneur, selected a solution that he was very satisfied with. He sold to INDUS. Detlef Köster followed this process and observed how things went after the sale. "I liked how it went and so I contacted INDUS in 2008." Less than three months later, both sides came out of the discussions happy.

Today, in 2012, the new generation of management has taken over control and is continuing to build on the old strengths of KÖSTER in the face of international competition.

**Dr. Harald Schulz** has been Managing Director of Köster & Co. GmbH since 2010. The Ennepetal-based company develops, produces, and sells bolt welding machinery, weld bolts, and cold working parts for joining technology in different industrial fields. "KÖCO" technology is mainly used in structures where large components need to be safely and securely joined together, for example in bridge engineering or in the construction of multi-story car parks, but also in the fireproofing industry, in machinery and power plant construction, and in ship and vehicle construction.

# Dr. Schulz, you have been managing KÖSTER since 2010. What influenced your decision at the time?

When I was changing positions, I was looking for something new. I was actively looking for a family company, because I hold the way they think in the long-term over generations in high esteem. The concept of INDUS, of continuing the SME culture even when changing owners, that is something I liked straight away.

# "I feel like his successor."



Dr. Harald Schulz

# Now that you say that so openly, it looks like you had experienced a different world entirely before KÖCO...

Before I spent many years as a managing director in the automotive supplier industry and vehicle construction. KÖSTER is something else though. We're a regional company, but we're at home throughout the world. We are a classic niche market provider – our bolts and welding equipment are used in the construction of bridges in India and in the building of power plants in Finland. At our international sales conference there were 40 partners from around the world sat at the table. That was quite impressive.

# And besides the international character, what else impressed you about the company?

I call it the 'KÖCO gene', this old sense of 'Made in Germany', a high level of product quality that is appreciated throughout the global market, a familiar and very experienced team, part of which has been on board for decades now. KÖCO products are always sought out by customers because the creation of such highly resilient weld seams is no trivial matter. We are now building upon the legacy technology of KÖCO, developing the company piece by piece, expanding into new applications, and entering new markets.

# Often the changeover between the former owner and the new managing director is somewhat difficult, to put it delicately...

That wasn't the case with us at all. It was in no small measure thanks to the founder and former owner Detlef Köster that I chose to take on the management of KÖCO. We quickly found that we were on the same wavelength. We have a very relaxed working relationship. Detlef Köster still has a master key and I call him sometimes to ask about the circumstances surrounding decisions that he made when he was active. I feel like his successor. This partnership is a positive signal for the employees too. They see how the old and the new work together.

# On the subject of the "new". New entries also bring with them new ideas. What are yours?

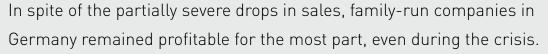
That was one of the main reasons INDUS got me - to develop KÖCO further and keep it profitable for the future. KÖCO turns 60 this year, and the old saying 'only those who change constantly will remain constant' applies more than ever. We need to see what the markets need. Customers in emerging markets have different needs to those in Western Europe, and we need to fend off imitation products from the Far East. To this end, we have developed products with new materials and new devices. We were heavily technology-driven before, and we still are today. What is new, however, are clear sales goals with business development measures, and systematic and strategic market handling that we implement in conjunction with our sales partners. Supported by INDUS, we are also currently investing around 4 million in new machinery and buildings. Our project to further develop the business on the basis of the gene is called 'KÖCO 2020'. And it's here that you see our roots again. We think eben like a real family business that's been running for decades.

# **Family Businesses**

# in Germany



# Resilient





# A sound capital basis

The great strength of family businesses lies in their equity resources. They are supported by a relationship with banks as traditional suppliers of borrowed capital.



# Loyal

Even if the sales figures of family businesses dropped around 10% in the last crisis, the managers held on to their employees for the most part.

Facts:	
Equity ratio	33.5 %
Return on equity	15.3 %
Return on assets	5.9 %
Export ratio	39.6 %
R&D expenditure	5.7 %



This shows that **SMEs are strong and that they are the bedrock of the German economy.** But at the same time, it is well established that more than 40,000 German SMEs (in total) are forced to **arrange succession.** Many of them still do not have a successor in sight.

0-95	of businesses
0-42	of sales
0-57	% of jobs

Source: 2011 study by the Federation of German Industries based on the 4,400 largest family businesses with sales of over EUR 50 million.

# PROTOTYPE PARTS



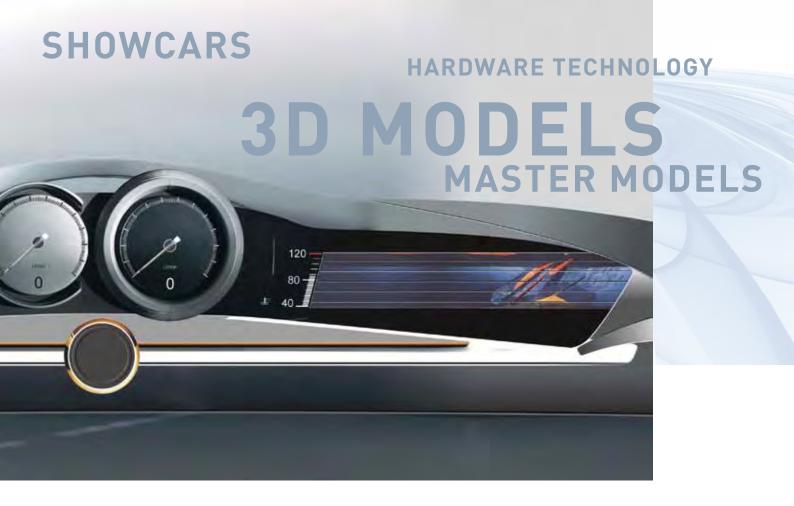






# Looking at businesses from a different perspective

"We make the automotive world of tomorrow tangible!"



Some dream of the new world, others shape it. Osnabrück-based model and mold maker Konrad SCHÄFER is one of the latter and plays in the champions league in that field. The company helps German and European manufacturers in the automotive and aviation industries to make their high-quality products even better with each step of development. Here in Osnabrück, the plans of the development departments of major automobile manufacturers take form, with real three-dimensional models made from plastic and aluminum on the basis of sketches and computer images – and all this five to ten years before they are ready for serial production.

The most important task of the young team of specialists at SCHÄFER is therefore to think ahead creatively. The ability to provide its customers with new ideas is more critical to success than in other segments. "Our market is fast-moving and the competition is intense. You can only assert yourself with the best of ideas," summarized manag-

ing director Jörg Kieback. The team at SCHÄFER must always be one step ahead of its customers, and this means offering them directions that they can head in. The great thing is, if the company is successful with its ideas, this means that it contributes towards shaping the reality of tomorrow.







At SCHÄFER, absolute precision in their work is a necessity, because mold and model construction is a very specialized field that has no tolerance for error and is subject to strict framework conditions. SCHÄFER takes a holistic approach here by offering its customers comprehensive solutions – from the conception and design through to the design engineering and model construction through to the measurement technology and final data collection. Creativity is also necessary – the ability to think about solutions for the future.



The Konrad Schäfer Group is among the most important development partners for the European automotive and aviation industries in the fields of mold and model construction.

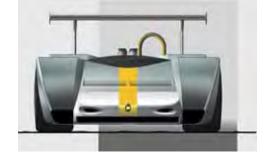
SCHÄFER's design expertise was only recently integrated into the service chain last summer with the acquisition of the renowned design studio G. Pollmann GmbH from Ingolstadt. "This enables us to actually perform every modeling step ourselves – from design through to the small series – the full pilot series process. This is of great interest to our customers."

The topics that the developers at SCHÄFER are examining at present are weight reduction and the use of carbon fiber as a material. The topic of manufacturers' modeling policy is something that is closely examined as a matter of strategy. The



# GERMANY AS A PLACE OF INNOVATION

The 2011 innovation indicator: When compared with industrialized states, Germany has risen to fourth place (2009: ninth place). The reason: Many companies invested heavily in research and development even during the financial and economic crisis. Science provides support: In Germany there are currently 86 academic chairs in total for entrepreneurship



most recent trade fair in Geneva confirmed once again that there is a trend towards individualization. VW alone has announced that 40 new models will be introduced onto the market in the near future. Another topic is that of electric vehicles. The question here is whether they will actually be introduced to the market in the numbers that are currently being stated.

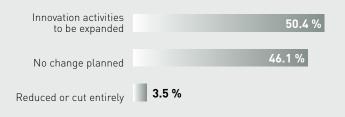
Whatever the future may hold, the 140 employees of SCHÄFER will have been thinking about the solutions of tomorrow long before tomorrow even comes around. And they will have contributed to shaping this tomorrow with their solutions. They are also looking to enter new product segments. In one of its most recent projects, SCHÄFER has even dared to explore a whole new field. After a long development process, the company will now be making 3D models for domestic devices.

"In the face of international competition our greatest strength lies in our technological expertise. This includes not only thinking about what we build but also about how we build it," said Jörg Kiebach. He then referenced a whole range of areas that make his business strong, such as the high quality of production, the excellent system of data control, and its certification in non-disclosure. SCHÄFER is ideally positioned for both the "what" and the "how". This means that the company can relax as it looks towards the future.

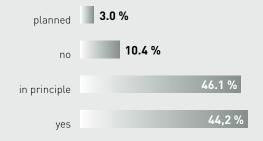
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(Businesses with over 250 employees were surveyed)

# How will your business' innovation develop in the course of the next 12 months?

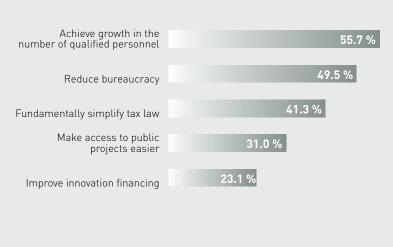


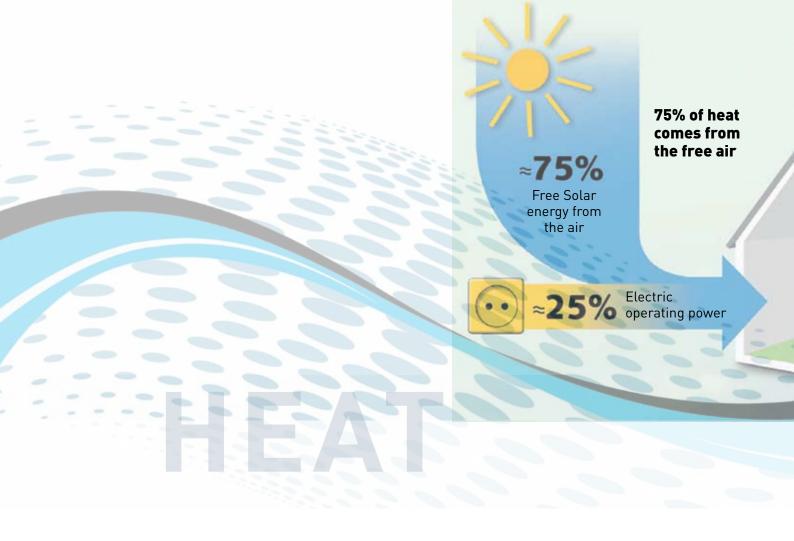
# Does your business manage innovation systematically?



# From your business's perspective, what is the current priority for innovation in Germany?

(up to three responses possible)





**Dynamic** made by INDUS

# Aiming towards future markets

Remko, based in the Westphalian town of Lage, has been supplying the market with efficient technology since 1976. The business was originally a specialist for heating technology, manufacturing mobile heaters, stationary heaters, de-humidifiers, and air conditioning equipment. Since 2007 it has been increasingly moving into a business field with a promising future – that of "new energies". **Its core product:** heat pumps. Managing director Hans-Dieter Remming knows his market well. He is convinced that the step into this segment is a step into a successful future.



Our products are based on demand. And that demand comes from the field of renewable energies.

SUN WIND

# Mr. Remming, how does a heat pump work? And what makes it so interesting?

The basic principle can be explained in a single sentence – it extracts heat from the ambient air (=energy) and uses it for providing heating and for warming water. We make use of the same 'inverter technology' in our pumps that we've been using for a long time in our traditional air conditioning technology. Our inverter heat pumps have two particular strengths: they can adapt their output specifically to the energy required, and they can be sold at an attractive price. Not only that, but they are also environmentally friendly. And as we know, that's a topic that will be relevant for the future to come.

# What do you mean by attractive price? The new energy sources are associated with their need for subsidization to remain competitive.

Compared to traditional heating systems, the higher cost of acquisition for a heat pump can be justified very quickly. They are also not dependent on oil or gas. Not forgetting that the alternative energies of solar power and wind energy are not always available in the same quantities everywhere, whereas in our area, everyone can use a heat pump to supply energy.





#### Which customers and buyers does Remko supply?

Since 2007 we have opted to use three-stage distribution. This has enabled us to increase our sales considerably, so it was the right decision to make. Our products are mainly sold through specialist heating wholesalers. For us, it's a great way to make ourselves known among the roughly 40,000 heater manufacturers out there.

For us, it's a great way to make ourselves known among the roughly

heater manufacturers out there.

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#### In which areas are you looking to grow in the future?

An interesting market for the future is the international stage. The proportion of our exports today is around 25%. This is something we can improve on and it's something we want to do better. Not only that, but we want to sell our heat pumps in future not only to private households, but also increasingly to industrial customers. While some devices require 10 to 15 kilowatts for their output, the requirements for industrial devices is 30 to 200 kilowatts. Having industrial customers will be very important to us.

#### What else are you planning as regards your development efforts?

To remain successful, we must produce in accordance with demand and the market. For this reason, we developed a hybrid heat pump last year that has additionally been fitted with a condensing boiler for oil or gas to handle peak loads. We are addressing the large renovation market with it, because such a heat pump can be easily fitted in a house after construction. It is estimated that 10 million heaters in Germany alone are in need of replacement, so it's a huge market. With the help of solutions such as these, we will continue to gain market share. And the law encourages the use of alternative energy – there are grants available for our heat pumps as well.

# Do you have something like a vision? Where will you be heading in the future?

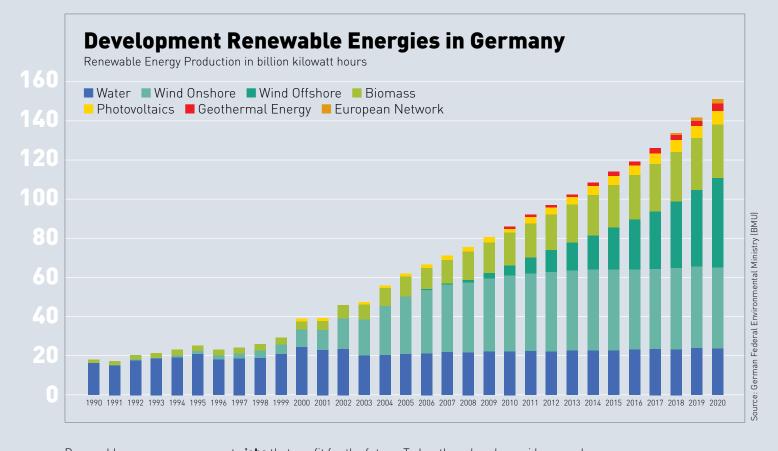
Our goal is to soon have a heat pump running self-sufficiently – for example using solar power technology. A key term in the energy sector at present is 'smart grid' – the ability of a household's energy supply or building technology to manage itself using intelligent control systems. In this regard I expect that we'll have an effective battery storage solution to power the pumps in the foreseeable future. And in light of the developments in the price of electricity, this is another topic of considerable interest.

# "The industry for new energies is booming."

# Towards a New **Era of Energy**

Germany is to become one of the most energy-efficient and environmentally friendly economies in the world – while maintaining competitive energy prices and a high standard of living. This is why the German government introduced seven new laws and one regulation over the course of the past year. The energy revolution has begun. And businesses are bracing themselves for it – electricity generated from renewable sources in 2011 jumped by 17%. With just under 122 billion kilowatt hours, it accounted for 20.0% of all electricity generated. This represents a three-fold increase in comparison to the year 2000.

The trend is apparent in every other sector, too -operating sustainably is an idea that is here to stay!



Renewable energy sources create **jobs** that are fit for the future. Today, they already provide around 340,000 people with work. This is more than twice the figure of 2004. In spite of uncertainty in the market, just under EUR 23 billion was **invested** in 2011 in facilities for the use of renewable energies. This shows that renewable energies are a growth driver for an increasingly strong economy. But most importantly: Renewable energies make an impressive contribution towards **protecting the environment.** In 2011, for example, greenhouse gas emissions were reduced by around 126 million tons.

# 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.

#### **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

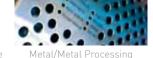
The metal and metal processing areas play a significant part in the base materials processing industry. It is mainly smaller and medium-sized companies which, thanks to the precision of their work and the quality of their products, create the conditions for high-quality end products. The reliability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











**BETOMAX** 

#### ветопах.

GmbH & Co. KG, Neuss

#### **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 2011 EUR mil	lions 48.8
Employees	185
Established	1963
INDUS company since	1991
Location	Neuss, Halle, Dielsdorf (CH)

www.betomax.de

# FS Kunststofftechnologie

GmbH & Co. KG, Reichshof/Hahn



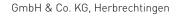
### **Sealants Made from Silicone and Acrylic**

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 2011 EUR millions	41.9
Employees	121
Established	1966
INDUS company since	1998
Location	Reichshof/Hahn

www.fs-kunststoff.de

#### **HAUFF-TECHNIK**





#### 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 2011 EU	R millions	36.3
Employees		144
Established		1955
INDUS company s	since	1986
Location	Herbrechtingen	, Landshausen

www.hauff-technik.de

# MIGUA Fugensysteme





#### **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 2011 EUR millions	13.0
Employees	61
Established	1928
INDUS company since	2005
Location	Wülfrath

www.migua.de

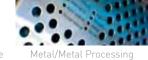


Construction/Infrastructure









Automotive Comp./Engineering

Medical Engineering/Life Science

#### REMKO GmbH & Co. KG OBUK Haustürfüllungen **OBUK**

Klima- und WärmetechniK, Lage



# **Individual Front Door Panels**

GmbH & Co. KG, Oelde

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 2011 EUR millions	23.7
Employees	161
Established	1980
INDUS company since	2007
Location	Oelde, Malacky (SK)

www.obuk.de

#### **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 2011 EUR millions	36.0
Employees	119
Established	1976
INDUS company since	1988
Location	Lage, Luvia (FIN)

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 2011 EUR millions	10.4
Employees	71
Established	1945
INDUS company since	2001
Location	Friedberg

www.klima-schuster.de

# WEIGAND Bau GmbH,

Bad Königshofen im Grabfeld



#### **Modern Pipeline and Cable Duct Construction**

WEIGAND concentrates on special underground con-struction 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 2011 EUR mi	illions 27.2
Employees	138
Established	1990
INDUS company since	2002
Location	Bad Königshofen im Grabfeld

www.weigandbau.de



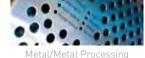




Engineering



Medical Engineering/Life Science



WEINISCH

GmbH & Co. KG, Oberviechtach



# Hochwertige Pulverbeschichtung von Metallen

WEINISCH beschichtet Elemente aus Aluminium und verzinktem Stahl für Hersteller von Fassaden-, Decken- und Wandelementen. Bei der Beschichtung genügt das Unternehmen hohen internationalen Gütestandards. Ein 2009 in Betrieb genommenes modernes Hochregallagersystem sorgt für eine effiziente Logistik. Mit seinem modernen Fuhrpark kann WEINISCH seine Kunden speditionsunabhängig flexibel beliefern. In seiner Nische besetzt das Unternehmen eine feste Position als ein Qualitätsführer

Revenue 2011 EUR millions	6,4
Employees	66
Established	1979
INDUS company since	2001
Location	Oberviechtach

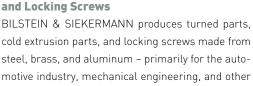
www.weinisch.de



### **BILSTEIN & SIEKERMANN**

Turned Parts, Cold Extrusion Parts,

GmbH + Co. KG, Hillesheim



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 knowhow and close commercial relationships with its customers

Revenue 2011 EUR millions	21.8
Employees	101
Established	1956
INDUS company since	2003
Location	Hillesheim

www.bsh-vs.com

## **AURORA Konrad G. Schulz**

GmbH & Co. KG, Mudau



### **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 2011 EUR millions	35.6
Employees	238
Established	1930
INDUS company since	1990
Location	Mudau, Istanbul (TR),
	Grand Rapids (USA)

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.

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70
1937
1996
Schwelm

www.fichthorn.de







Automotive Comp./Engineering







**IPETRONIK** 

GmbH & Co. KG, Baden-Baden



#### **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 2011 EUR mi	llions 30.5
Employees	147
Established	1989
INDUS company since	1999
Location	Baden-Baden, Livonia (USA),

www.ipetronik.com

#### **KIEBACK**

GmbH & Co. KG, Osnabrück



# **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 2011 EUR millions	8.5
Employees	77
Established	1985
INDUS company since	1998
Location	Osnabrück

www.kieback.de

### **REBOPLASTIC**



GmbH & Co. KG. Kalletal

# 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 2011 EUR millions	7.9
Employees	51
Established	1969
INDUS company since	1985
Location	Kalletal

www.reboplastic.de

### Konrad SCHÄFER

GmbH. Osnabrück



#### 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 2011 EUR million	ns 15.4
Employees	134
Established	1901
INDUS company since	2002
Location	Osnabrück, Mühlhausen

www.konrad-schaefer.de



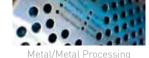




Automotive Comp./Engineering Enginee



Medical Engineering/Life Science



# SELZER Fertigungstechnik

SELZER
Systemorientierte Präzisionstechnik
für anspruchsvolle Anwender

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 2011 EUR millions	89.4
Employees	671
Established	1923
INDUS company since	2005
Location	Driedorf, Vinhedo (BR)

www.selzer-automotive.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 2011 EUR millions		74.7
Employees		1.212
Established		1990
INDUS company since		2000
Location	Backnang, Halle, Ea	est London (ZA)

www.sma-metalltechnik.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 2011 EUR millions	20.5
Employees	52
Established	1970
INDUS company since	1992
Location	Aichhalden

www.sitek.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 processer 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 2011 EUR	? millions	49.3
Employees		469
Established		1958
INDUS company since		1997
Location	Wiesau, San José	Iturbide (MEX)

www.wiesauplast.de







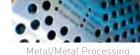
Automotive Comp./Engineering



Engineering







**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 2011 EUR millions	
Employees	87
Established	1983
INDUS company since	2002
Location	Overath, Livonia (USA)

www.ass-automation.com

### **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 2011 EUR millions	19.5
Employees	148
Established	1971
INDUS company since	1999
Location	Vlotho

www.ventiltechnik.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 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 2011 EU	IR millions	80.9
Employees		238
Established		1974
INDUS company	since	2002
Locations	Garching, Shar	nghai (RC),
	Stratham (USA), Witten	bach (CH),
	Mansfield (GB), Se	oul (ROK)

www.mbraun.de

#### HORN





# 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 2011 EUR mi	llions 16.6
Employees	183
Established	1944
INDUS company since	1991
Location	Flensburg, Sheffield (GB)
	Mumbai (IND), Shanghai (RC)

www.tecalemit.de





GmbH & Co. KG, Nister



Automotive Comp./Engineering



Engineering



Metal/Metal Processing

**NISTERHAMMER** 

Maschinenbau

# **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 2011 EUR millions	7.7
Employees	65
Established	1725/1956
INDUS company since	1997
Location	Nister

www.nisterhammer.de

# TSN Turmbau Steffens & Nölle

GmbH. Berlin

# 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 2011 EUR millions	9.3
Employees	53
Established	1893
INDUS company since	2004
Location	Berlin

www.turmbau-berlin.de



# **SEMET Maschinenbau**

GmbH & Co. KG, Brackenheim

# **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 2011 EUR millions	8.9
Employees	68
Established	1978
INDUS company since	1994
Location	Brackenheim, Mauer

www.semet-gmbh.de

# **IMECO Einwegprodukte**



GmbH & Co. KG Vliesstoffvertrieb, Hösbach

# **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 2011 EUR millions	26.5
Employees	188
Established	1984
INDUS company since	1999
Location	Hösbach, Königswalde,
	Lubań (PL)







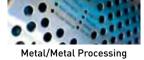
Automotive Comp./Engineering



Engineering



Medical Engineering/Life Science



#### **MIKROP**

AG, Wittenbach/Schweiz



# **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 2011 EUR millions	12.8
Employees	117
Established	1981
INDUS company since	2000
Location	Wittenbach (CH)

www.mikrop.ch

# **OFA Bamberg**

GmbH, Bamberg



# 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 2011 EUR millions	51.2
Employees	393
Established	1928
INDUS company since	2000
Location	Bamberg

www.ofa.de

# **BACHER**

AG, Reinach/Schweiz



# 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 2011 EUR millions	24.5
Employees	123
Established	1919
INDUS company since	2000
Location	Reinach (CH)

www.bacherag.ch

# **BETEK**

GmbH & Co. KG, Aichhalden



# **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 2011 EUR milli	ons 144.3
Employees	257
Established	1981
INDUS company since	1992
Location	Aichhalden, Atlanta (USA)

www.betek.de



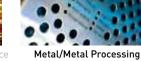




Automotive Comp./Engineering



eering Medical Engineering/Life Science



**HAKAMA** 

AG, Bättwil bei Basel/Schweiz

# Performance in Feinblech

# **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 2011 EUR millions	24.9
Employees	167
Established	1972
INDUS company since	2010
Location	Bättwil/Basel (CH)

www.hakama.ch

#### **KÖSTER**

& Co. GmbH, Ennepetal



# **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.

93
1952
2008
Ennepetal, Žacléř (CZ)

www.koeco.net

# MEWESTA Hydraulik



GmbH & Co. KG, Münsingen

# 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 2011 EUR millions	8.7
Employees	56
Established	1970
INDUS company since	1997
Location	Münsingen

www.mewesta.de

# **PLANETROLL**



GmbH & Co. KG, Munderkingen

# 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.

Location	Munderkingen
INDUS company since	1998
Established	1976
Employees	43
Revenue 2011 EUR millions	5.6

www.planetroll.de



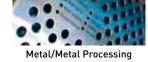




Automotive Comp./Engineering



Medical Engineering/Life Science



# **Helmut RÜBSAMEN**



GmbH & Co. KG,

Metalldrückerei-Umformtechnik,
Bad Marienberg

# **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 2011 EUR millions	40.0
Employees	257
Established	1960
INDUS company since	2003
Location	Bad Marienberg

www.helmut-ruebsamen.de

# **VULKAN INOX**

GmbH, Hattingen



# **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 rustresistant 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 2011 EUR millions	21,8
Employees	46
Established	1984
INDUS company since	2002
Location	Hattingen

www.vulkan-inox.de

#### Karl SIMON

GmbH & Co. KG, Aichhalden



## **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 toolmaking. 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 2011 EUR millions	45.5
Employees	212
Established	1918
INDUS company since	1992
Location	Aichhalden

www.simon.de











# Our Companies at a glance

Segments and sales

# Metal/Metal Processing

# 304.8 EUR million

BACHER AG

**BETEK** 

HAKAMA AG

Anneliese KÖSTER

MEWESTA Hydraulik

PLANETROLL

Helmut RÜBSAMEN

Karl SIMON

**VULKAN INOX** 

# Medical Engineering

# 84.8 EUR million

IMECO Einwegprodukte MIKROP AG OFA Bamberg

# Engineering

# 145.6 EUR million

ASS Maschinenbau

M. BRAUN Inertgas-Systeme

GSR Ventiltechnik

HORN

NISTERHAMMER Maschinenbau

SEMET Maschinenbau

TSN Turmbau Steffens & Nölle

# Construction/Infrastructure

# 234.6 EUR million

BETOMAX

FS Kunststofftechnologie

HAUFF-TECHNIK

MIGUA Fugensysteme

OBUK Haustürfüllungen

**REMKO** 

Max SCHUSTER

WEIGAND

WEINISCH

# Automotive Components/ Engineering

# 334.7 EUR million

AURORA Konrad G. Schulz

BILSTEIN & SIEKERMANN

Emil FICHTHORN Metallwarenfabrik

**IPETRONIK** 

KIEBACK

REBOPLASTIC

Konrad SCHÄFER

SELZER Fertigungstechnik

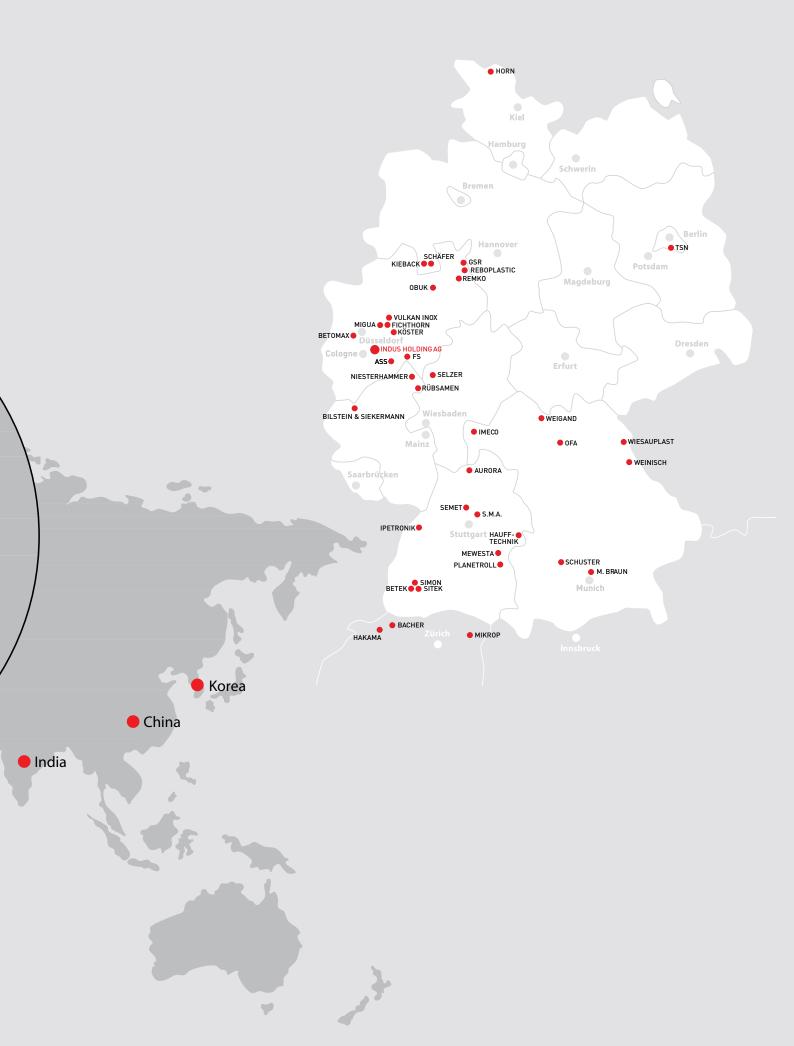
SITEK-Spikes

S.M.A.Metalltechnik

WIESAUPLAST

# Countries and Seats of INDUS-Group





# Financial Report 2011





EUR millions	2009	2010	2011
Sales	766.4	971.6	1,104.7
EBITDA	102.8	145.0	160.5
EBIT	57.1	101.4	111.6
EBT	29.5	74.0	88.6
Net income for the year	11.4	46.9	55.6
Total assets	913.5	973.1	1,040.2
Group equity	241.7	309.5	382.1
Net debt	408.3	379.4	311.2
Equity ratio in the Group (in %)	26.5	31.8	36.7
Equity of the holding company	484.5	503.2	568.7
Equity ratio of the holding company (in %)	53.0	54.6	56.4
Operating cash flow	106.6	81.9	130.2
Cash flow from operating activity	77.1	54.3	106.2
Cash flow from investing activity	-32.7	-38.4	-56.9
Cash flow from financing activity	-39.1	-13.9	-23.3
Cash and cash equivalents as per Dec. 31	93.5	96.8	123.1
Earnings per share,			
basic in acc. with IFRS (in EUR)	0.89	2.59	2.70
Cash flow per share (in EUR)	4.20	2.69	4.78
Dividend per share (in EUR)	0.50	0.90	1.00*
Average number of employees in the period	5,371	6,036	6,733
Investments (number as per Dec. 31)	40	40	39

 $<sup>^{*}\</sup>mbox{Subject}$  to the consent of the Annual Shareholders' Meeting on July 3, 2012

# 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 entre-

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 2011, our Group's workforce of around 6,700 generated sales of approximately EUR 1,105 million and EBIT of FUR 112 million.

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# **LETTER**TO THE SHAREHOLDERS



from left:
Dr. Wolfgang Höper
Helmut Ruwisch
Dr. Johannes Schmidt
Jürgen Abromeit

# Ladies and Gentlemen,

The past fiscal year was one of the most successful years in INDUS Holding AG's history. With Group sales of over EUR 1.1 billion and an operating result of around EUR 112 million, we have achieved new records with the Group. The prevailing circumstances played no small part in this, with the economy developing at a blazing pace through long periods of the past fiscal year following the strong economic recovery in 2010. The continued strength of the economy, particularly in Germany, was a surprise to many, given that 2011 was hardly a stranger to crises. Fukushima and its consequences, the unrest in North Africa, and the debt crises in the USA and Europe alone were enough to cause economic development to weaken.

# The extraordinary success of the past year is thanks to a great team.

Once more, the small and medium-sized niche companies in the INDUS Group were able to profit from the remarkable level of activity on the markets. The portfolio companies experienced positive development in all five segments. The Construction/Infrastructure segment was particularly successful in the past fiscal year. The expiry of stimulus programs set up during the economic crisis was seamlessly followed by a rise in demand in the commercial and residential construction sectors, the latter being stimulated by the growing fear of inflation in Germany. The Medical Engineering/Life Science segment again experienced above-average development. Business development was also good in the Engineering and Metal segments; a slowdown in business for these two segments became apparent in the last quarter of 2011. The same applies for the Automotive/Engineering segment.

We achieved the strong growth in sales and earnings for the 2011 fiscal year just with the existing portfolio. In most areas, we did not consider the price level for larger individual acquisitions to be appropriate over the past year. This was not the case within the portfolio companies, where we made four strategic acquisitions in order to secure or expand upon good market positions. The new acquisitions were integrated into existing portfolio companies, where they expand the breadth of expertise available to the Measurement and Control Technology, Prototype Design, and Engineering segments.

Our investors also expressed their praise for INDUS's success in its operating business in 2011; Versicherung-skammer Bayern, which as an anchor shareholder already held just under 10% of the shares, took advantage of a capital increase in 2011 to expand its shareholding even further. It now holds around 17% of the shares. As an institutional investor, VKB continues to support the long-term direction of our business model. We are very pleased about this continued expression of trust.

Although the economic environment continues to present more challenges, we have nevertheless set ambitious targets for 2012. INDUS once again hopes to achieve sales of over EUR 1 billion for the Group as a whole. In the current environment, however, INDUS's target of achieving an EBIT margin of 10% seems ambitious. At the same time, we wish to sustain the high level of capital expenditure. The large order backlog as of the beginning of the year attests to the feasibility of these figures. The Board of Management currently sees the Group's business perspectives as predominantly positive. Nevertheless, forecasts regarding overall and industry development for 2012 are subject to uncertainties. The risk of another economic downturn has particularly increased for the industrialized countries, given that the economic climate in the fourth quarter of 2011 had already lost a little of its luster. This is due to the sustained turbulence on the financial markets and the consequences of the sovereign debt crises. On the other hand, the majority of the emerging markets continue to show relatively solid growth, and this keeps the risk of a global recession in check.

We continue to consider acquisitions of further selected hidden champions in industrial growth markets for 2012. We see interesting investment opportunities in the areas of infrastructure, logistics and transport, medical and healthcare engineering, energy and environmental technology, automation technology, measuring technology, and control engineering. The Board of Management believes that identifying these leaders in relevant niche markets is its most important strategic task. In order to be able to act quickly at any given moment, we built up considerable liquidity reserves as of year-end, and these reserves also serve to hedge the high investment volume.

At this year's Annual Shareholders' Meeting on July 3, the Board of Management and the Supervisory Board will propose a dividend of EUR 1.00 per share. The proposal represents an increase of more than 10% on last year's dividend. So we are remaining consistent with our dividend policy of distributing around 50% of Group income while also taking into consideration the interests of shareholders, companies, and lender banks.

The extraordinary success of the past year is thanks to a great team. The Board of Management at INDUS Holding AG would therefore like to thank not only its executives, but also all of its employees within the portfolio companies for their extraordinary commitment. We thank you, dear shareholders, for your trust and support.

Bergisch Gladbach, Germany, April 2012

The Board of Management

Dr. Wolfgang Höper

Dr. Johannes Schmidt



# **Management Bodies**

# The Board of Management



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

Helmut Ruwisch (born 1947) was appointed Chairman of the Board of Management at INDUS Holding AG in 2002 after over 25 years in senior 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 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 (born 1960) 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/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 (born 1966) 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 15 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 (born 1961) 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.

# **The Supervisory Board**

# **Burkhard Rosenfeld**

Chairman of the Supervisory Board

Burkhard Rosenfeld 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 the end of 2008, and was elected as its Chairman in December 2009.

# Dr. Jürgen Allerkamp

Deputy Chairman of the Supervisory Board

Dr. Jürgen Allerkamp 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 is a businessman and CEO of the SCHLAU/ HAMMER Group, Porta Westfalica. He has been a member of INDUS Holding AG's Supervisory Board since 2007.

## **Personnel Committee**

Burkhard Rosenfeld Dr. Jürgen Allerkamp Dr. Egon Schlütter

#### Dr. Uwe Jens Petersen

Dr. Uwe Jens Petersen 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 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 is managing partner at the medium-sized mechanical engineering company Alfred H. Schütte GmbH & Co. KG in Cologne. He has been a member of the Supervisory Board since February 2010.



# **Report of the Supervisory Board**

# Ladies and Gentlemen,

INDUS Holding AG's broad portfolio and the strong position of the medium-sized portfolio companies in their respective markets paid off particularly well in 2011: the Indus Group can look back on an extremely successful fiscal year.

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 information about business and asset developments 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 compared all the information with the company's strategic planning.

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 2011, there were four regular meetings and one extraordinary meeting of the Supervisory Board; three resolutions were passed by circulation. Every member of the Board of Management and the Supervisory Board took part in each meeting. There was also full attendance at each committee meeting.

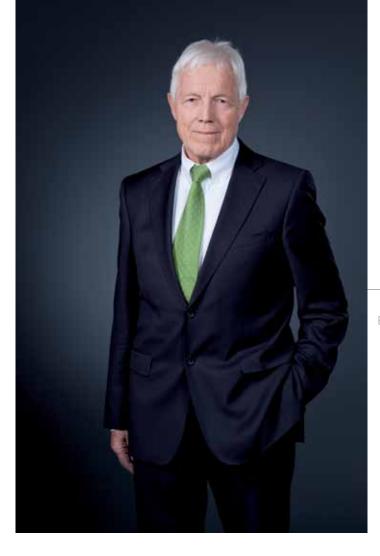
## Thematic Priorities of the Meetings

The priority at the first meeting on April 14 was the presentation and discussion of the 2011 annual financial statements as well as the related resolution. The Board of Management reported on the company's risk management and control system. The findings of the examination into the efficiency of the Supervisory Board's activities were also presented and discussed.

The second meeting on May 26 concentrated on the development of business in the first quarter. The Board of Management also presented a draft code of conduct for the Indus Group, which was approved. The agenda of the Annual Shareholders' Meeting in July 2011 was deliberated and agreed on.

On June 30, a resolution was passed by circulation regarding Board of Management transactions that require approval.





Burkhard Rosenfeld

At the meeting held on July 5, the Board of Management presented an updated forecast of the company's performance for the entire year. On the same day, the Supervisory Board also deliberated a countermotion to the agenda of the Annual Shareholders' Meeting that had been submitted at short notice.

On October 4, the Supervisory Board passed a resolution by circulation approving the strategic acquisition of the English company PCL by the portfolio company Horn GmbH & Co. KG.

At the fourth meeting on October 12, the Board of Management presented an updated projection for 2011 as a whole. The meeting also focused on deliberating and discussing INDUS Holding AG's auditing system.

On November 3, the Supervisory Board passed a resolution by circulation approving a cash capital increase excluding shareholder subscription rights. The necessary amendments to the articles of incorporation were also ratified.

The year's last meeting, held on December 8, concerned itself with the latest key figures for the 2011 fiscal year and the future development of business. The Supervisory Board approved the corporate plans for the 2012 fiscal year and noted the medium-term plans. 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 updated 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 also forms part of the corporate governance report for the fiscal year.

#### Work of the Committees

The Supervisory Board formed a Personnel Committee several years ago. It convened three times in the fiscal year. Its deliberations focused on measures related to the planned change of personnel on the Board of Management. The Personnal Committee then discussed the upcoming election of members to the Supervisory Board at the 2012 Annual Shareholders' Meeting.

#### 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 Tuesday, July 5, 2011, 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 awarded the annual financial statements an unqualified audit certificate. Moreover, the auditor confirmed that the risk management system complied with statutory regulations and that there are no identifiable risks that might jeopardize the company's continued existence. The interim financial reports were not subjected to a perusal or review.

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 19, 2012. 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 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 and concurs with the result ascertained by the auditor. It endorses the financial statements prepared by the Board of Management and approves the consolidated financial statements. The Supervisory Board concurs with the Board of Management's proposed appropriation of distributable profit.



The Supervisory Board would like to thank the members of the Board of Management and all of the managing directors of the portfolio companies for their hard work and commitment this past fiscal year. INDUS's success is down to teamwork: our local managing directors handle operating activities as entrepreneurs and set the foundation for our success. The Board of Management of INDUS Holding AG is committed to increasing the value of its portfolio by strategically developing its portfolio companies and making acquisitions. Last but not least, we would like to thank our shareholders for their trust in our company.

Bergisch Gladbach, Germany, April 2012

For the Supervisory Board

Burkhard Rosenfeld Chairman

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# **Company**

INDUS is a financial investor that maintains a portfolio of 39 successful companies from key segments of the SME sector in German-speaking countries. INDUS aims to constantly develop this portfolio further in the years to come.

# **Structure and Operating Activities**

### Position: INDUS – the listed holding company with a focus on SMEs

INDUS Holding AG is a financial investor with a long-term strategy. Since it was founded in 1985, INDUS has established itself as a specialist in the acquisition of small and medium-sized manufacturers in the German-speaking parts of Europe. The company began trading on the Frankfurt Stock Exchange in 1995. The share is traded in the Prime Standard market segment and is part of the SDAX index. The share is also registered for over-the-counter trading on the regional stock exchanges in Stuttgart and Düsseldorf. The operating companies are divided into five divisions: Construction/Infrastructure, Automotive Components/Engineering, Engineering, Medical Engineering/Life Science, and Metal/Metal Processing. These divisions were also the reportable segments according to IFRS in the 2011 fiscal year.

The company is run by a four-member Board of Management. On the reporting date, the holding company had 19 employees at the company's headquarters in Bergisch Gladbach, Germany. The Supervisory Board comprises six members. It monitors the Board of Management and advises it in matters related to the management of the company. The Supervisory Board has formed a personnel committee. Please see the Report of the Supervisory Board and the Corporate Governance section for detailed information about corporate governance and the collaboration between the Supervisory Board and the Board of Management at INDUS Holding AG.

# Legal Structure: Holding Company Holds Majority Stakes in SMEs

INDUS holds direct stakes in 39 small and medium-sized manufacturing companies. All of these companies are based in Germany or Switzerland. The legal domicile of INDUS Holding AG is Bergisch Gladbach, Germany. Tasks are allocated in a decentralized way between the individual portfolio companies and the holding company. Responsibility for the development of business operations lies entirely with the managing directors of the individual companies. This includes the central areas of production and sales, marketing and administration, and research and development. The holding company focuses on performing corporate functions such as finance, controlling, and accounting. The strategic goals and milestones of operational development are defined as part of annual planning by the companies' managing directors in conjunction with the holding company's experts. Please see the Declaration on Corporate Governance for details about the organizational structure of management and controlling at the holding company.

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Declaration on Corporate Governance → P. 22

# Organizational Structure: the Group is Decentralized

The subsidiaries operate independently and use their own funds to finance their operational activities, with the support of the holding company if needed. The holding company guides strategic and long-term capital expenditure and essentially performs a coaching function for local management. Please see the list of shareholdings in the Notes for a complete overview of the companies that belong to the Group.

# Fields of Business and Competitive Positions: Diversified Activities

INDUS holds stakes in financially healthy manufacturing companies with good long-term growth prospects. The Group's companies are active in a wide variety of fields and sales markets. This is part of INDUS Group's strategy. We aim to diversify risk to the greatest possible extent by investing in a range of activities. Please see the Economic Conditions section and the Segment Report for all significant information about the companies and the divisions to which they are allocated, as well as information on the development of the individual branches of industry.

From a regional perspective, the domestic market still plays a significant role for the majority of our portfolio companies. Thanks to increasing exports, the proportion of the entire INDUS Group's sales generated abroad reached 45.7% in the year under review (2010: 44.7%). In line with the decentralized structure of the Group, most of the independent portfolio companies are domiciled throughout Germany, Switzerland, and Western Europe. As part of their internationalization, some portfolio companies have also established sites outside Europe. Important production facilities are located in Brazil, South Africa, China, India, North America, and Mexico.

# Acquisitions: Strategic Complementary Acquisitions Totaling Approximately EUR 20 Million in Sales Made in the Year under Review

INDUS Holding AG did not make any significant acquisitions to expand its portfolio in 2011, as the prospective prices for the options that were of interest to us were unacceptable. This was not the case for the subsidiaries: A total of four strategic acquisitions were made in order to secure and expand the solid position of the portfolio companies. The acquisitions were made in fields which expand the breadth of expertise available to the Measurement and Control Technology, Prototype Design, and Engineering segments. The companies acquired by the INDUS portfolio companies HORN, SCHÄFER, and SEMET represent approximately EUR 17 million in total sales. More details about the acquisitions can be found in the Business Combinations section of the Notes to the Consolidated Financial Statements.

# Legal and Economic Factors: Diversification Spreads Risks

Due to the diversified structure of the Group, the success of the INDUS companies depends on a wide range of factors. Emerging markets, particularly the BRIC group of countries, are playing an increasingly important role in the business of several subsidiaries due to their high export ratio. The growth rate of the global economy is also a significant factor. The various material costs also play an extremely important role, as they account for almost 50% of sales. Changes in wages and salaries also have a significant impact on the expenses of the companies in the INDUS Group. Increases in expenses generally result from collective bargaining agreements and adjusting salaries to match general market developments.

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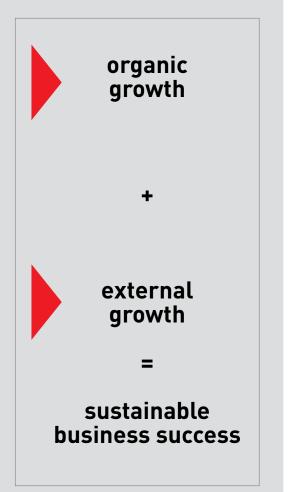
# **Strategy**

# To strengthen the portfolio by

- → actively guiding/supporting
- → investing in innovation

# To expand the portfolio with selective acquisitions

- in existing areas of business to complement offering
- in additional areas with a promising outlook
- in attractive future-oriented fields of business



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

On December 31, 2011, the capital stock of INDUS Holding AG came to EUR 57,792,116.42. It is divided into 22,227,737 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 %

The insurer Versicherungskammer Bayern Versicherungsanstalt des öffentlichen Rechts has held a 17.36 % voting rights stake in INDUS Holding AG since November 2011.

# **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 monitor voting rights in cases where 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 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 purely editorial amendments to the articles of incorporation 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 14,328,626.00 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. 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 also has the power 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 11,940,519.61 through the one-time or multiple issuance of new

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bearer shares in exchange for contributions in cash and/or kind (Authorized Capital II) until and including July 4, 2016. Subject to the approval of the Supervisory Board, the Board of Management is empowered to determine other details of the capital increase and to exclude shareholder subscription rights. This authorization is governed by Item 4.4 of the articles of incorporation. According to an ad-hoc announcement made on Thursday, November 3, 2011, the Board of Management made use of this authorization and effected a capital increase for cash amounting to EUR 5,253,825.20 to the exclusion of subscription rights (further details in the Financial and Assets Position section). Authorized Capital II therefore now totals EUR 6,686,694.41.

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 8.3% of the current number of no-par-value shares and therefore to 8.3% 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 company's capital stock has been conditionally increased by up to EUR 26,269,145.61, divided into 10,103,517 no-par-value bearer shares or – insofar as the company's articles of incorporation allow for the issue of registered shares at the time of issuance – registered shares (Contingent Capital). The contingent capital increase will only be performed insofar as option or convertible bonds are issued or guaranteed on the basis of the authorization resolution from the Annual Shareholders' Meeting of July 5, 2011 until July 4, 2016, and the holders of option or conversion rights exercise their conversion rights and/or those with option or conversion obligations fulfill these obligations.

Please see the company's articles of incorporation for more details about the authorizations. The articles of incorporation are permanently available on the website of INDUS Holding AG.

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

In the event of a material change in the composition of the Supervisory Board and the company's business approach (change of control), the members of INDUS Holding AG's Board of Management have a special right to terminate their employment contracts within one year. In such cases, the company will pay members of the Board of Management a severance payment covering their full compensation through the end of their employment contracts. The severance payment will be at least equal to the total compensation for one fiscal year, including all fixed and variable remuneration components and benefits in kind. If the Board of Management is dismissed within a year after a change of control without good reason as defined in Sec. 626 of the German Civil Code (BGB), the company will pay members of the Board of Management a severance payment covering the full compensation which they would have received through the end of their employment contracts. The severance payment will be at least equal to the total compensation for two fiscal years, including all fixed and variable remuneration components and benefits in kind.

# **Corporate Management, Objectives, and Strategy**

# Internal Corporate Management System: Individual Companies Largely Responsible for Themselves

INDUS Holding AG's management system is based on regular strategic discussions with a multi-year 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, detailed short and medium-term planning scenarios, including individual profitability targets, are agreed for each of the portfolio companies on the basis of refined strategies. Because of this, the annual planning for each company essentially forms the basis for INDUS Holding AG's corporate targets. The portfolio companies' individual plans are aggregated together to form the Group's overall plan in a bottom-up process.

INDUS monitors the performance of each company in comparison to the budget on the basis of monthly figures. Other indicators are also used, such as incoming orders and the order backlog. An efficient controlling system monitors compliance with these scenarios and goals, thereby enabling the early detection of deviations from plans and, if necessary, the discussion of suitable corrective measures with the companies' managing directors. The managing directors of the companies also observe and analyze their markets and their specific competitive environment, and report any significant changes to the Board of Management.

The key performance indicators used to manage the holding company are primarily the EBIT margin; the return on sales, equity, and total capital; and the net cash flow.

# Objectives and Strategy: Building up a Valuable Portfolio by Investing in Industrial Hidden Champions

INDUS makes long-term investments in small and medium-sized manufacturing companies. INDUS primarily invest in sectors in which it has considerable experience. The objective is to continuously increase the value of the investment portfolio and consistently generate appropriate returns. The widely diversified range of activities reduces risk exposure during times of crisis. The foundation for this strategy is the acquisition of majority stakes in successful small and medium-sized industrial companies and their ongoing further development. INDUS only acquires companies which are active in interesting niche markets and occupy a leading position within those markets. The company sees itself as the leading contact for succession planning for small and medium-sized companies in German-speaking countries.

The acquisitions focus on companies which can prove that they are successful manufacturers, who already have a stable business model with high-growth products. Because of this, INDUS does not even consider acquiring start-ups, companies undergoing restructuring, or "mature" companies on a downwards trend.

Exit strategies are not involved in purchase decisions, because the principle of "buy and hold" is an essential part of INDUS's corporate strategy and philosophy. Another of INDUS's corporate objectives is keeping the performance of the portfolio as consistent as possible. Therefore, in legitimate individual cases, subsequent disposal is conceivable – if, for example, the original operating environment and market conditions change fundamentally for a portfolio company after years of success and it would not make financial sense to continue.

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INDUS aims for as much diversification as possible within its five segments. This is how it minimizes risks. If INDUS acquires stakes in companies in the same industry, it makes sure that these companies serve different markets or customers.

#### Investment Criteria and Portfolio Composition: Identifying Hidden Champions

The Board of Management only makes 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 opportunity-risk profile is not jeopardized.

During the course of an acquisition, INDUS carefully analyzes the company's situation in its sector. The business model's sustainable stability is the most crucial factor. Operating within an attractive niche, both the company and the sector in question should have long-term growth potential. With all of its acquisitions, INDUS pursues the objective of holding a majority stake. We also believe 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.

# **Acquisition Criteria of INDUS Holding AG**

- → Stable business model with a successful product range
- → Broad customer spectrum
- → Niche position
- → Sales between EUR 20 and 100 million
- → EBIT margin of around 10% or more
- → Clearly positive net cash flow
- → Equity ratio above 30 %
- → Low levels of liabilities to banks

INDUS shareholders invest in a broad and diversified corporate portfolio that is hardly vulnerable to market fluctuations. Using this as its basis, INDUS is aiming for sustainable growth, a regular EBIT margin of between 10 and 12% and the appreciation of the company's value. INDUS regularly passes on the companies' operating success to investors by paying them a dividend (target: 50% of the holding company's profit).

# Corporate Management: INDUS Puts its Faith in Internal and External Growth

INDUS's objective is to continue growing. In order to achieve this, the Group is committed to internal organic growth on the basis of the existing portfolio. INDUS helps its portfolio companies with their business development and supports their growth plans by opening up new markets and new target groups. INDUS also makes investments and acquisitions in the form of strategic complementary purchases at sub-subsidiary level to enhance our subsidiaries' positions in a sustainable fashion.

The Group also focuses on purchasing hidden champions in industrial growth markets. INDUS sees interesting investment opportunities in the areas of infrastructure, logistics and transport, medical and healthcare technology, energy and environmental technology, automation technology, measuring technology, and control engineering. INDUS's Board of Management believes that identifying these niche market leaders is its most important strategic task.

In its corporate history spanning more than 20 years, the INDUS Group has built up a broad network. Its contacts at banks, insurance providers, M&A institutions, consultancies, law firms, and auditing companies ensure that it has a steady inflow of potential acquisitions. INDUS values its good reputation. The Group is a well-respected financial investor in industrial SMEs because it accompanies and develops its portfolio companies as a reliable long-term partner.

# Non-financial Performance Indicators

Non-financial performance indicators play a major role in a business's success. A reputation as a reliable business partner is extremely important. SME founders looking for a buyer who will stay with them for the long term trust INDUS because its business strategy for purchasing, holding, and developing small and medium-sized hidden champions has proven its worth over the company's 25 year history. INDUS's investors also see it as a reliable partner. They also appreciate INDUS's high level of transparency, which comes from trading on the Deutsche Börse Prime Standard SDAX. The management team has many years of experience from holding management positions in industry and the banking system. This allows INDUS to bring its own expertise to bear when evaluating business developments in the relevant industries and act as a sounding board for companies' managing directors.

# **Research and Development**

### Subsidiaries Conduct R&D Independently

Because INDUS is a financial investor with no R&D activities of its own and the companies in the INDUS Group are active in a wide range of markets and sectors, there is little point in a report about the research and development activities of the Group as a whole. However, continuous research and development work clearly constitutes the foundation for the portfolio companies' establishment of successful positions in their respective niche markets.

The goals of these R&D activities, which are managed independently by the individual portfolio companies, 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 accounts show that spending on R&D investment amounted to EUR 7.7 million in 2011 (previous year: EUR 7.1 million).

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# **Sustainability**

# **Code of Conduct Approved**

INDUS is committed to the principles of sustainable business management. The holding company and the portfolio companies foster a culture of fair and respectful interaction with employees, suppliers, and business partners. They support the protection of the environment and the world's resources and recognize their responsibility to society. Our employees are obliged to comply with legislation and ethical standards at all times. For this reason, INDUS approved its first Group-wide code of conduct at the beginning of 2011. The purpose of this is to provide the employees of the holding company and the portfolio companies with ethical guidelines for their conduct. The guideline is available on INDUS's company website (www.indus.de/investoren\_und\_presse-corporate\_governance.html).

Responsible corporate governance is a major priority for INDUS Holding AG. It is an important part of how the company sees itself. INDUS considers constancy and sustainability to be fundamental business ethics. INDUS's portfolio companies also independently assume their responsibility as a part of society – actively and in their own regions. They commit themselves to supporting cultural and social projects in their immediate vicinity.

Making responsible use of natural resources is extremely important for INDUS. 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.

# CO, Reduction Target Defined

For the 2011 reporting year, INDUS will again participate in the Carbon Disclosure Project (CDP 2012), which was launched by major institutional investors (www.cdproject.net/). The CDP project involves a systematic assessment of the opportunities and risks related to climate change, and the concrete measures derived from them, for the reporting companies. In addition, the companies' total global  $\mathrm{CO_2}$  emissions are calculated ( $\mathrm{CO_2}$  footprint). In the 2009 and 2010 fiscal years, the INDUS Group merely stated its  $\mathrm{CO_2}$  emissions. However, the INDUS Group has now set itself a concrete annual reduction target of 2% for its specific  $\mathrm{CO_2}$  emissions (measured in tons of  $\mathrm{CO_2}$  per EUR million in gross earnings) for 2011 and every subsequent year. The CDP will provide information about whether the target was reached in 2011, but its assessment will not be available until the middle of 2012.

# **Employees**

# Flat Hierarchies, Close Identification with the Company, and Readiness to Take Responsibility

INDUS Holding AG's success depends largely on its employees' technical and personal skills. Because of the small size of the team, interdisciplinary qualifications and a team-oriented approach are extremely important. INDUS is quick to give its employees responsibility and accountability. Short decision-making processes and flat hierarchies are the hallmarks of INDUS's corporate structure. INDUS Holding AG had 15 employees at the end of the fiscal year (excluding members of the Board of Management). Twelve of these were full-time employees, while three were part time.

www.indus.de/investoren\_und\_ presse-corporate\_governance.html

www.cdproject.net/

#### Companies Committed to Improving Their Employees' Skills

The professional and social skills of a company's employees are 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 that expertise is enhanced in line with specific requirements.

The portfolio companies are responsible for conducting qualitative and quantitative personnel management independently. As part of the general planning between INDUS and the portfolio companies, INDUS is solely responsible for ensuring flexibility in production and personnel expenses, depending on the company in question. The companies are expected to have flexible capacities of approximately 20% on average.

On average throughout the year, companies in the INDUS portfolio had a total of 6,733 employees (previous year: 6,036).

# **Corporate Governance**

# Board of Management and Supervisory Board Committed to the Principles, Four Well-Founded Deviations

The conduct of the management and monitoring bodies of INDUS Holding AG is governed by the principles of good and responsible corporate governance. The Board of Management reports on the company's management in this declaration – simultaneously for the Supervisory Board – in accordance with Item 3.10 of the German Corporate Governance Code and in accordance with Sec. 289a Para. 1 of the German Commercial Code (HGB).

INDUS's actions are geared toward long-term success. These behavioral maxims have shaped INDUS 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 and have followed the recommendations of the German Corporate Governance Code for many years. In December 2011, they jointly submitted the statement of compliance necessitated by Sec. 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the company's website at www.indus.de. The declaration of conformity explains why INDUS diverges from the recommendations in four cases.

# Declaration of Conformity with the German Corporate Governance Code

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:

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#### Code Item 3.8

No deductible was or is 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 this 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 an adverse effect on their quality.

# **Supervisory Board**

The Supervisory Board of INDUS Holding AG appoints the Board of Management, advises it in matters concerning company management, and monitors its management activities. Information on the focal points of Supervisory Board activity last year is available in 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.

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 the 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 the diversity of the Board's composition, and these factors are weighed up in the interests of the company. The Supervisory Board welcomes the GCGC Commission's objective of promoting the appointment of women to managerial positions and supervisory boards, and has set itself the goal of recruiting more qualified women for these positions. The Supervisory Board also undertakes to search explicitly for suitable female candidates whenever it makes proposals for appointments in the future. The Supervisory Board always pays attention to the specialist mix, a combination of representatives from industry and financial circles, and a range of different age groups among its members.

# Working Methods and Composition of the Supervisory Board and the Committees

The Supervisory Board of INDUS Holding AG formed a 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 approval for 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 present proposals on these points and submit them to the full Supervisory Board for a resolution.

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Meetings of the committee 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 committee require a simple majority if nothing to the contrary is provided for by law. The execution of decisions by the Supervisory Board and its committee is incumbent upon the Chairman of the Supervisory Board.

## The 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 portfolio 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 E. 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.

## Collaboration between the Board of Management and Supervisory Board

The composition of the Board of Management, the Supervisory Board, and the personnel committee is described in the Management Bodies section. 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 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, the risk situation, risk management, and compliance. The Board of Management provides the Supervisory Board with the semi-annual and quarterly reports so that they can be discussed prior to publication. Deviations from targets and planning in the company's course of business are also explained, as are the Group's strategic approach and development. Decisions of material significance for the Group require Supervisory Board approval according to the rules of procedure.

# **Avoiding Conflicts of Interest**

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 should have been immediately reported to the Supervisory Board.

# **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 compensation paid to the Board of Management's members. It stipulates that this compensation should be itemized by fixed and performance-related components, as well as components with a long-term incentive effect.

# Since 2010, the Compensation System Complies with the German Act on the Appropriateness of Management Board Remuneration (VorstAG)

The compensation system for the Board of Management was reviewed in 2009 and presented to the 2010 Annual Shareholders' Meeting by the Supervisory Board. The revised features now also contain a sustainability component. The new compensation system was applied for all Board of Management contracts in 2010. The system does not contain any additional pension commitments. In conformity with the law, the compensation system now consists of three elements: fixed salary, short-term incentive, and long-term incentive. The variable elements account for some 40% of compensation. 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 reached is between 50% and 125%, the bonus factor increases by two percentage points for each percentage point of growth. If the target reached is 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 contractually agreed target amount determines the number of virtual stock options. 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 2011 fiscal year, 116,475 stock appreciation rights (SARs) were granted at an exercise price of EUR 23.35 each (2011 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 326,000 (previous year: EUR 136,000) as of the reporting date and is included in its entirety in personnel expenses and provisions.

The members of the Board of Management received the following direct compensation in 2011:

EUR '000	Basic salary	Variable Compensation	Virtual Stock options	Total
Helmut Ruwisch	522	448	114	1,084
Jürgen Abromeit	330	303	40	673
Dr. Wolfgang Höper	261	253	40	554
Dr. Johannes Schmidt	327	303	40	670
Total	1,440	1,307	234	2,981
Previous year	1,379	1,480	136	2,995

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EUR 54,000 was converted into pension entitlements (previous year: EUR 54,000). There were and are no payment or pension commitments of any other kind; the basic salary also includes taxable benefits in kind. There are no pension obligations for former board members or their dependents.

# **Supervisory Board**

The Supervisory Board's compensation 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. In the 2011 fiscal year, the Supervisory Board's remuneration totaled EUR 374,000 (previous year: EUR 212,000). In the year under review, Supervisory Board members received EUR 0,000 (previous year: EUR 7,000) for advisory services rendered in person to Group companies.

The members of the Supervisory Board received the following compensation in 2011:

EUR	Fixed compensation	Attendance fee	VAT	Total
Burkhard Rosenfeld	60,000	48,000	20,520	128,520
Dr. Jürgen Allerkamp	45,000	31,500	14,535	91,035
Dr. Ralf Bartsch	30,000	15,000	8,550	53,550
Dr. Uwe Jens Petersen	30,000	15,000	8,550	53,550
Dr. Egon Schlütter	30,000	24,000	10,260	64,260
Carl Martin Welcker	30,000	15,000	8,550	53,550
Total	225,000	148,500	70,965	444,465

### **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 2011. Should any such dealings occur, they will be disclosed in prompt announcements on the company's website. According to the notifications received, the direct and indirect ownership of shares or share derivatives by members of the Board of Management and the Supervisory Board did not exceed the threshold value of 1% of the issued shares either in any individual case or in total.

# **Transparency**

INDUS provides 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 two ad-hoc statements pursuant to Sec. 15 of the German Securities Trading Act (WpHG). They were related to the announcement of a capital increase. Important news about the company was published promptly via press releases.

#### Shareholders and the Annual Shareholders' Meeting

Shareholders and potential investors can find information about the company's current position online at any time. The shareholders of INDUS Holding AG also 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. Around 500 people attended last year's Annual Shareholders' Meeting, which was held in Cologne on July 5, 2011.

#### 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 Niederrhein, 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

## The INDUS Share

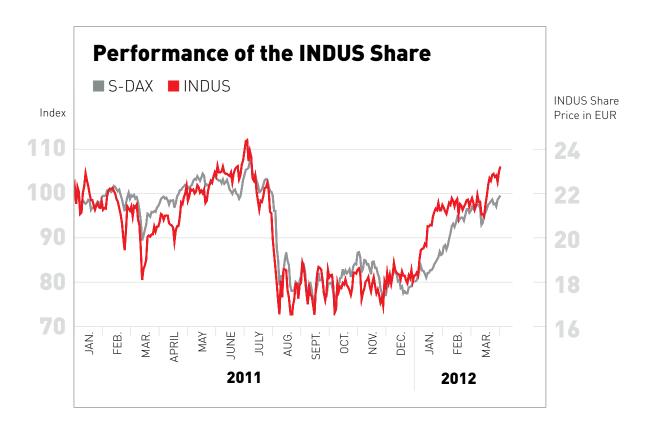
The performance of the INDUS share in the past fiscal year was largely in line with that of the SDAX and DAX benchmark indices. Despite an excellent fiscal year and the sales and earnings forecast being revised upwards at the middle of the year, the INDUS share price fell by 15.8% overall in 2011 (DAX: -15.6%, SDAX: -15.7%).

#### Share Price: Volatile Performance due to Political Unrest and Euro Crisis

2011 was dominated by a series of crises. The capital markets were shaped by the possible consequences of the Japanese nuclear catastrophe and the political unrest in North Africa in the first half of the year, while the sovereign debt crisis in the eurozone emerged as the dominant topic of conversation from summer 2011 onwards. The capital markets reacted to these events with widespread downturns in share prices. By the middle of the year, the INDUS share had made up for the collapse in its price due to the Japanese tsunami disaster in the first half of 2011 and reached its high for the year, EUR 24.90, on July 5. The confident statements made at the Annual Shareholders' Meeting about the company's performance during the fiscal year and the confirmation of sales and profit forecasts had a positive impact on the share price. Share prices generally began to fall again in the second half due to the market uncertainty triggered by the European debt crisis. INDUS was not able to escape this trend, despite the strength of its positive economic forecast. As of year-end 2011, the share price was EUR 18.86.

## Share Liquidity: Approximately 2.6 Million Shares Traded OTC and on Regional Stock Markets

Stock market trading of the INDUS share increased slightly once again in 2011. An average of approximately 40,168 shares were traded every day during the fiscal year (annual average for 2010: 38,479 shares). German regional stock markets remain an important part of stock market trading: approximately 14% of sales (corresponding to approximately 1.5 million shares in 2011) were generated on these platforms. Sales also came from sources other than stock exchanges. According to Bloomberg's information system, approximately 1.1 million shares were traded directly between buyers and sellers, in addition to the 9.4 million shares that were traded on stock exchanges. On the reporting date, the share took 58th place in free market capitalization and 67th in stock market turnover in the joint ranking system of Deutsche Börse Frankfurt's SDAX and MDAX indices (previous year: 56th and 70th places). At the end of 2011, the market capitalization of INDUS Holding AG amounted to EUR 419.2 million (previous year: EUR 444.35 million).



## Capital Measures: Capital Increase of 10 %

On Thursday, November 3, 2011, 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 2010 Annual Shareholders' Meeting. The subscription price of the approximately 2 million shares comprised the weighted average price from the last five trading days before the ad-hoc statement less a share parcel markdown of 2.5%. In return, Versicherungskammer Bayern (VKB) pledged to subscribe for all the new shares for an issue price of EUR 18.40 per share. The new shares are fully entitled to share in the profits for the 2011 fiscal year. They were registered without a prospectus for trading in the regulated market (Prime Standard) of the Frankfurt and Düsseldorf stock exchanges. Further details about the capital increase can be found in the Assets Position section.

## Shareholder Structure: Anchor Shareholder VKB Uses Capital Increase to Top Up its Shareholding

By subscribing for the new shares as part of its long-term capital investment strategy, VKB increased its stake in INDUS Holding AG from around 9.1% to approximately 17.4%. The Board of Management is confident that the capital increase gives INDUS the equity and liquidity foundation that it needs for continued corporate development. This will open up additional opportunities for INDUS Holding AG to acquire new portfolio companies.

Apart from the notification from Versicherungskammer Bayern, as of the reporting date there was one further notification from an investor indicating an increase above the reportable threshold. The Board of Management and Supervisory Board of INDUS Holding AG were informed on March 3, 2011, that several private shareholders had decided to form a group to represent each other. The spokesman for this group of proxy shareholders is Hans Joachim Selzer, Driedorf, Germany. According to the group, it holds around 7.8% of INDUS shares relative to current equity.

Including the new shares, 22,227,737 shares are now in circulation. The share's free float as of year-end was around 74.8%. The shares are widely strewn with, as far as is known, 45% held by private and 55% by institutional investors.

#### The INDUS Share: Key Figures

2009	2010	2011
0.00	0.50	0.70
0.89	2.59	2.70
4.20	2.69	4.78
0.50	0.90	1.00 *
4.2	4.1	5.3**
9.2	18.2	22.2
13.54	24.39	24.90
7.90	11.98	16.85
12.00	21.99	18.86
220.44	444.35	419.22
39,282	38,479	40,168
100	90.9	74.8
	0.89 4.20 0.50 4.2 9.2 13.54 7.90 12.00 220.44 39,282	0.89     2.59       4.20     2.69       0.50     0.90       4.2     4.1       9.2     18.2       13.54     24.39       7.90     11.98       12.00     21.99       220.44     444.35       39,282     38,479

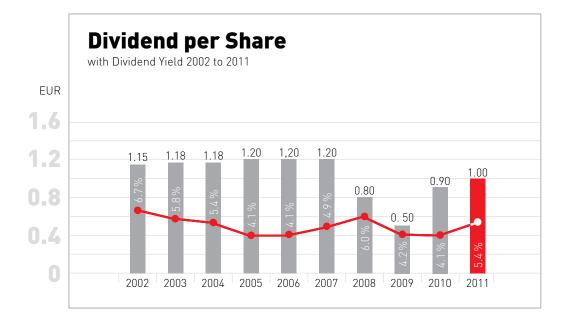
<sup>\*</sup> Subject to the consent of the Annual Shareholders' Meeting on July 3, 2012

<sup>\*\*</sup> Basis: closing prices in XETRA trading on 2011 reporting date

#### Distribution: Proposed Dividend of EUR 1.00 per Share

The distribution of a dividend is dependent on the balance sheet profit of INDUS Holding AG based on the German Commercial Code (HGB). As of December 31, 2011, the balance sheet profit of the holding company came to EUR 47.6 million, enough for a dividend to be distributed. INDUS practices a sustainable dividend policy. The company wants shareholders to benefit from its success by paying out dividends whenever possible. The distribution policy generally provides for 50% of the profits being paid out to shareholders and 50% being reinvested. INDUS will follow this rule again with this year's dividend proposed to the Annual Shareholders' Meeting, resulting in a likely distribution sum of EUR 22.2 million.

The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting that a dividend of EUR 1.00 per share be distributed. With the increase of 10 cents (up 11% compared with the previous year), the Board of Management and the Supervisory Board are taking the excellent income trend into account. The dividend yield once again falls within the long-term average of 4% to 6%.



## Research: Analysts Recommend Buying the INDUS Share

All of the five banks and investment companies which currently 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 following the publication of the preliminary findings for 2011 in March 2012 ranged between EUR 24 and EUR 27. This means that all 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.

www.indus.de/investoren\_ und\_presse.html

## **Analyst Coverage of INDUS Holding AG**

Bankhaus LampeMarch 2012→ Buy, Target price EUR 24CommerzbankMarch 2012→ Add, Target price EUR 25Independent ResearchMarch 2012→ Buy, Target price EUR 27WestLBMarch 2012→ Buy, Target price EUR 26WGZMarch 2012→ Buy, Target price EUR 27

## Dialog with the Capital Market: Wide Range of Investor Relations Activities

The primary objective of INDUS Holding AG's investor relations work is to provide interested parties with transparent, timely, and comprehensive information on all of the company's events of relevance to the capital market. We focus on engaging shareholders, analysts, financial journalists, and shareholder associations in dialog. The Board of Management 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.

2011	Capital Market Events
January 13	Roadshow, Vienna
March 17	Roadshow, Frankfurt am Main
March 22	Roadshow, Zurich
March 29	Roadshow, Frankfurt am Main
April 12	Roadshow, Düsseldorf
April 29	Annual earnings press conference Presentation of the 2010 Annual Report, Düsseldorf
May 3	Analysts' conference, Frankfurt am Main
May 10 and 11	Roadshow, Hamburg and Munich
September 6	Zurich capital market conference
November 16	WestLB Germany Conference, Frankfurt am Main
November 22	German Equity Forum, Frankfurt am Main
November 24	Roadshow, Vienna
November 28	Cologne Investor Forum
November 30	Roadshow, Cologne
December 1 and 2	Roadshow, Stuttgart and Zurich

#### Company

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In addition to regularly publishing up-to-date information about INDUS – including interim reports – the Board of Management also held a number of one-to-one conversations. It was also regularly available for interviews and questions on publication of the quarterly reports.

As in the previous year, the main forum for dialog with private investors was the Annual Shareholders' Meeting in Cologne. In addition, the Investor Relations department answered many written and verbal questions.

Investors can find the information they need in the company's statutory reports and an electronic newsletter containing information about the latest developments.

INDUS has been a member of the German investor relations association DIRK ("Deutscher Investor Relations Verband e.V.") since 2009, thereby underlining its commitment to 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 2012 fiscal year.

INDUS Share Data	
WKN/ISIN	620010/DE0006200108
Stock exchange code	INH.DE
Share class	No-par-value bearer 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
Capital stock	EUR 57,792,116.42
Number of shares on Dec. 31	22,227,737
First trading day	September 13, 1995
Last capital increase	November 3, 2011

## **General Conditions**

Just two years after the economic crisis, 2011 saw the German economy recover to pre-crisis levels in almost every sector. However, the intensification of the European and US debt crisis means many companies are worried about a new downturn in 2012.

# Board of Management's Overall Assessment of the General Conditions in 2011

The global economy continued to recover in the 2011 calendar year. However, it lost momentum as the year went on, particularly in the fourth quarter. This downturn was, on the one hand, due to cyclical reasons and a normal reaction to the significant recovery in the previous year. On the other, it was also attributable to saving and consolidation measures taken in most of the industrialized nations. Growing uncertainty about the spreading sovereign debt crisis in a variety of industrialized nations and the possible impact on the banking sector had a dampening effect at the end of 2011.

## **Economic Conditions**

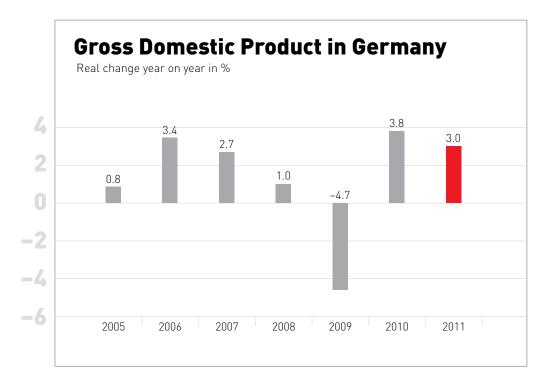
#### Real Economy Improves Overall in 2011

The global economic upswing slowed over the course of 2011. This decline is primarily due to slower growth in the industrialized nations. The majority of emerging markets, on the other hand, continued to enjoy relatively solid growth. According to the European Economic Advisory Group at CESifo (EEAG), global GDP grew by 3.8% in 2011.

The eurozone's GDP grew by 1.6% on average in 2011. The economy was buoyed considerably by significant corporate investment at the beginning of the year, but slowed dramatically as the year went on.

A cool-off was seen in the US. The persistently difficult situation on the labor market, a consistently weak real estate sector, and pressure to cut spending in public budgets had a noticeable effect on the country's economic performance. The US economy grew by just 1.7% in 2011. The Japanese economy was, of course, significantly impacted by the natural disaster and its consequences. By contrast, the BRIC group of countries enjoyed high levels of growth for the most part in 2011.

The German economy grew by 3.0% in 2011 according to the German Federal Statistical Office, far outstripping the eurozone and the USA. This was primarily due to the good order situation in the industrial sector. German industrial companies benefited considerably from strong overseas demand as well as a stable domestic economy. However, the uncertainty on the financial markets may well have had a negative impact on consumption and investment in Germany and prevented it from posting even better figures.



#### Financial Markets: Intensifying Debt Crisis Triggers Considerable Uncertainty

Share prices plummeted across the world in August 2011 and the banking system came under real pressure again for the first time since the crisis at the end of 2008. The intensification of the global sovereign debt crisis has led to ongoing uncertainty on the capital market since then. Banks' equity suffered when it became necessary to write off a large part of some government bonds. As a result, the amount of credit on offer was reduced and lending as a whole became more restrictive.

Despite this turbulence, the German equity market remained stable. However, the fact that small and medium-sized companies (which INDUS targets) were in such a good financial position led to price levels that were extremely high from INDUS's perspective. Because of this, INDUS only made use of some smaller strategic purchase opportunities which arose at subsidiary level in 2011.

## **Sector-specific Conditions**

In the sectors with relevance for INDUS, the economic trend was positive across all business segments, albeit with a degree of gradation: the construction industry showed the greatest dynamism, followed by the metal industry.

## Construction/Infrastructure: Residential and Commercial Real Estate in High Demand

The German construction industry continued to perform extremely well in 2011. According to the German Construction Industry Federation, the sector posted a nominal sales increase of 12.5% for the year as a whole – the best improvement since the beginning of the 90s. The order situation improved notably in commercial construction and particularly in residential construction, while public construction was weaker (2011: sales +5.8%, incoming orders –3.9%). Residential construction benefited from the uncertainty on the financial markets. Low interest rates continue to encourage investors to put their capital into material assets. Both

sales and incoming orders improved significantly in the construction sector (2011: 17.7% and 20.9% respectively). Commercial construction also saw greater levels of investment: sales and incoming orders went up considerably (2011: 13.9% and 13.0% respectively).

#### Automotive Components/Engineering: Car Production Ramped Up across the World

Global automobile production increased by 6% in 2011 to in excess of 65 million units. The American, Chinese, Russian, and Brazilian markets even managed double-digit growth rates. The Western European market was largely stable and shrank by just 1% to 12.8 million units. The global growth is largely due to German car makers, which produced 5.9 million vehicles – an increase of 6% compared to the previous year. They benefited from increased export levels and a rise in new car registrations.

#### Engineering: Almost Back to Pre-Crisis Levels

Increased capital expenditure on equipment in 2011 led to high growth rates across pretty much the whole global engineering sector. Only Japan's production is expected to decrease slightly, due to the natural disaster and its consequences. Preliminary figures suggest that production increased by 15% in China and 13% in the USA. The German engineering sector had a high number of incoming orders in 2011. Orders from Germany and abroad jumped up at the beginning of the year before slowing slightly from the summer months on. Engineering production increased by 12% overall in 2011, falling short of the original forecast of 14% due to a weak December. Capacity utilization exceeded the long-term average once again. The German large-scale plant engineering sector also improved.

#### Medical Engineering/Life Science: Demand for Consumer Goods

According to a survey conducted by the industry association BVMed, sales growth among its members in the medical engineering sector was stable in 2011 at 5.3%. This sector's performance is strongly influenced by healthcare policies, legislation, and demographic changes, as well as general consumer sentiment, particularly as regards non-prescription medicine. In 2011, consumer spending rose by 1.4% in real terms in Germany (previous year: +0.6%). However, this was largely due to the strong demand for motor vehicles. Durable goods and consumables benefited from this only slightly. Consumer sentiment remained largely intact, largely due to the positive labor market and positive macroeconomic developments. Disposable income increased by 3.3% last year. According to preliminary figures, the savings ratio fell from 11.3% of disposable income to 10.9% in 2011. The performance of the retail sector is further proof of the positive consumer sentiment. The German Retail Federation reported sales growth of 2.4% year on year in 2011.

#### Metal/Metal Processing:

The growth of the metal and electronics industry lost a considerable amount of momentum at the end of 2011. According to the employers' federation Gesamtmetall, production in the fourth quarter of 2011 was actually 2.9% lower than in the previous quarter. According to Gesamtmetall, production increased by 13.2% in 2011 after an improvement of 15.3% in 2010. The companies made significant additions to their core workforces: 196,000 of the 216,000 regular jobs that were lost had been restored by December. Earnings also went up noticeably in 2011, but were not quite back to pre-crisis levels.

## Earnings, Financial, and Assets Position

INDUS enjoyed considerable organic growth in its operational business in 2011. Sales improved by around 14% to EUR 1.1 billion. Earnings also grew, largely in line with sales. EBIT increased by approximately EUR 10 million (10%) to EUR 111.6 million. Once again, INDUS hit its target by achieving an EBIT margin of greater than 10%.

# Board of Management's Summary Assessment of the Company's Economic Performance and Meeting of Targets

Operating activities improved considerably once again in the 2011 reporting year due to the strong performance of the sectors and markets that are important for INDUS and the efficient structure of its portfolio companies in the wake of the economic crisis. The aggregate operating performance, sales and EBIT of INDUS Holding AG all grew by double digits. INDUS also continued to significantly improve its financial position. Net debt was reduced to EUR 311.2 million from EUR 379.4 million at the end of the previous year. Equity went up by EUR 72.9 million to EUR 382.1 million. As in previous years, this led to another significant improvement in the equity ratio, which reached a new record high at 36.7% (previous year: 31.8%).

INDUS's statement of cash flows is yet more proof of its strength and stability: Operating cash flow went up from EUR 81.9 million in the previous year to EUR 130.2 million in 2011, an increase of almost EUR 50 million. Cash flow from operating activities recorded even stronger growth, and was almost twice as high as it was in 2010, increasing from EUR 54.3 million to EUR 106.2 million.

This means that INDUS Group did not simply meet its targets for 2011; it outstripped them. INDUS primarily measures its success using financial targets. For this reason, the Board of Management takes a close look at the cash flow and earnings of the portfolio when evaluating the company's performance. The operating targets announced to the capital market in 2011 were confirmed or revised upwards slightly in the statutory publications throughout the year. The Group's forecast of increasing its sales to over EUR 1 billion was achieved in 2011. INDUS has a continuous EBIT margin target of between 10% and 12% on average across the Group. This target was also met in 2011.

The Board of Management ensured that the Group remained competitive in terms of its operational structure. For this reason, INDUS made some strategic investments on behalf of the portfolio companies in 2011 in order to exploit growth potential in the portfolio. The Group achieved an additional EUR 17 million in sales with these acquisitions.

The Board of Management will continue this general course in 2012, subject to the considerable uncertainty surrounding the wider German and global economy.

#### Note on Accounting and Reporting Financial Data

All business figures in this management report are fully comparable with figures from other periods. EBIT is earnings before interest and income taxes. The graphics and tables show IFRS figures for the years 2010 and 2011. There have been no significant changes to the accounting and valuation methods since 2004. The only alterations made were to reflect changes in legislation. The financial statements include 118 fully consolidated subsidiaries and 2 companies valued using the equity method.

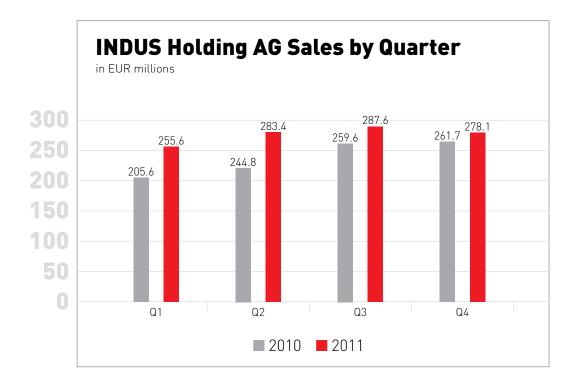
Amendments to IFRS did not have any significant impact on the company's financial reporting. Relatively few voting rights are granted under IFRS. Applying IFRS had little impact on the assets, financial and earnings position of INDUS. When it comes to important balance sheet items, INDUS's voting rights policy guarantees the greatest possible continuity in terms of valuation. All voting rights were used in unchanged form in the 2011 fiscal year, making a complete year-on-year comparison possible. Further information about the consolidation principles can be found in the Notes to the Consolidated Financial Statements.

Consolidation principles → P. 74

## **Sales and Earnings Position**

#### Sales

INDUS Holding AG's business made very good progress in 2011. Consistently high demand caused sales to grow considerably in the first three quarters of 2011: from EUR 255.6 million in the first quarter to EUR 283.4 million in the second quarter, followed by EUR 287.6 million in the third quarter of 2011. The fourth quarter generated EUR 278.1 million in sales, a slightly lower figure that was in line with the downturn in the economy.



INDUS Holding AG's Group sales grew by approximately 14% in 2011 to EUR 1,104.7 million (previous year: EUR 971.6 million). By passing the billion euros sales mark, INDUS reached its forecast for the 2011 fiscal year that was announced at the beginning of the year. Foreign sales rose to EUR 504.8 million (previous year: EUR 433.9 million), while domestic sales totaled EUR 599.9 million (previous year: EUR 537.7 million). Foreign sales therefore made up 45.7% of total sales in the year under review (previous year: 44.7%).

## **Earnings Position**

#### Consolidated Statement of Income of INDUS Holding AG

	0044	
EUR '000	2011	2010
Sales	1,104.7	971.6
Other operating income	20.4	19.6
Own work capitalized	5.2	3.0
Change in inventories	21.2	18.3
Cost of materials	-548.4	-462.0
Personnel expenses	-294.5	-265.1
Depreciation and amortization	-48.9	-43.6
Other operating expenses	-149.8	-140.0
Income from shares accounted for using the equity method	0.2	0.2
Other financial result	1.5	-0.4
Operating result (EBIT)	111.6	101.4
Net interest	-23.0	-27.4
Earnings before taxes	88.6	74.0
Taxes	-33.0	-25.3
Income from discontinued operations	0	-1.8
Earnings after taxes	55.6	46.9
of which allocable to non-controlling shareholders	-0.2	-0.3
of which allocable to INDUS shareholders	55.4	46.6

The earnings position had changed as follows as of the reporting year: Other operating income remained on a par with 2010 at EUR 20.4 million (previous year: EUR 19.6 million). This item is mostly made up of income from the release of provisions, currency translation, release of valuation allowances, insurance benefits received and income from rents and leases. Own work capitalized amounted to EUR 5.2 million (previous year: EUR 3.0 million). Change in inventories increased slightly to EUR 21.2 million (previous year: EUR 18.3 million) following a larger volume of business than in 2010.

Net interest → P. 89

Taxes

The cost of materials increased with the orders situation to EUR 548.4 million (previous year: EUR 462.0 million). The cost of materials ratio (cost of materials/total sales) was higher than in the previous year at 49.6 % (previous year: 47.6 %), largely as a result of a considerable increase in the price of raw materials. This item also includes purchased services – such as temporary work – worth EUR 76.1 million (previous year: EUR 62.0 million). Even though personnel expenses increased in absolute terms by EUR 29.4 million from EUR 265.1 to EUR 294.5 million, the ratio of personnel expenses to total sales decreased to 26.7 % (previous year: 27.3 %). This shows that the portfolio companies are maintaining strict management of their personnel-related fixed costs in the wake of the crisis.

EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) came to EUR 160.5 million for the year (previous year: EUR 145.0 million).

Depreciation and amortization totaled EUR 48.9 million (previous year: EUR 43.6 million). This includes write-downs due to impairment testing which came to EUR 7.6 million (previous year: EUR 1.7 million). They relate to the Automotive Components/Engineering segment. Other operating expenses increased by 6.9% to EUR 149.7 million (previous year: EUR 140.0 million), largely due to variable expenses, which depend on sales, such as packaging and delivery costs.

Operating earnings (Earnings Before Interest and Tax, EBIT) rose by 10% overall to EUR 111.6 million (previous year: EUR 101.4 million). The profit margin (EBIT/total sales) based on sales was 10.1% (previous year: 10.4%).

Net interest improved significantly in 2011 to EUR –23.0 million compared to EUR –27.4 million in 2010; the interest included in these figures which was actually paid (corresponding to the item "Interest from operations") fell once again, from EUR –26.9 million in 2010 to EUR –22.9 million in 2011. This is due to the company's reduced debt level, as well as the good credit standing that INDUS has built up in recent years. This allows the company to agree favorable long-term interest rates for its loans. The "IFRS interest" item shows market valuations of interest rate swaps and non-controlling interests with no effect on cash flow (see Item 9 of the Notes to the Consolidated Financial Statements for details).

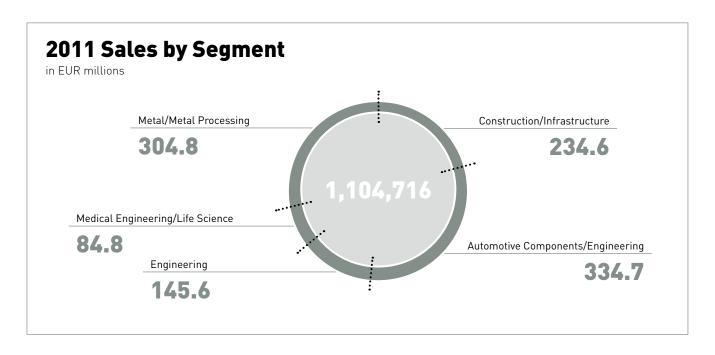
Earnings Before Tax (EBT) increased by around 20% to EUR 88.6 million due to the improved operating result and the equally impressive upturn in the financial result (previous year: EUR 74.0 million).

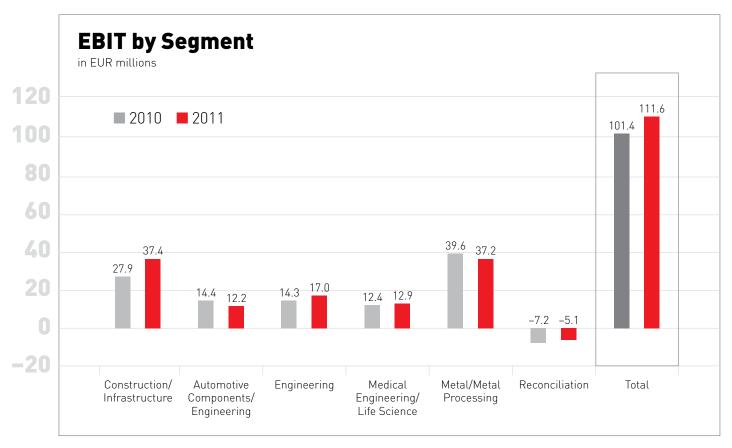
Including non-recurring and deferred taxes, the tax ratio was 37.1% (previous year: 34.2%), while tax expenses came to EUR 32.9 million in absolute terms (previous year: EUR 25.3 million). The proportion of current taxes paid remained practically identical to the previous year's level of 31.9% (corresponding to EUR 23.6 million) at 32.7% (corresponding to EUR 29.0 million). Further information about taxes and details about the company's tax expenses can be found under Item 10 of the Notes to the Consolidated Financial Statements.

Consolidated net income after taxes increased by around 19% from EUR 46.9 million in 2010 to EUR 55.6 million. Of this sum, EUR 55.4 million (previous year: EUR 46.6 million) is attributable to INDUS Holding AG shareholders. Earnings per share improved to EUR 2.70 (previous year: EUR 2.59 million).

## **Segment Report**

INDUS Holding AG's portfolio is divided into five segments: Construction/Infrastructure, Automotive Components/Engineering, Engineering, Medical Engineering/Life Science, and Metal/Metal Processing. Please see the Economic Conditions section for details about the economic performance in individual sectors.





## **Construction/Infrastructure**

EUR millions	2011	2010
Sales	234.6	205.5
EBIT	37.4	27.9
EBIT Margin (in %)	15.9	13.6
Depreciation/Amortization	5.2	5.0

#### Private residential construction and public construction remain the growth drivers

The segment encompasses nine operating units; they represent the wide range of supplier companies involved in the construction industry - from reinforcements and construction materials through to air conditioning and heating technology and accessories for private residential construction. Traditional construction companies are not represented.

The INDUS portfolio companies in the Construction segment achieved a significant increase in sales as a result of their good market position and the excellent performance of Germany's construction industry; they generated sales of EUR 234.6 million, about 14 % more than in the same period of the previous year (EUR 205.5 million). All of the segment companies posted higher sales. The margin improvement trend already evident at mid-year continued. Earnings before interest and taxes (EBIT) improved by 34% from EUR 27.9 million in 2010 to EUR 37.4 million. The EBIT margin in the segment reached an absolute peak of 15.9% in 2011 after hitting 13.6% in 2010. This very good result was also, however, partially influenced by one-time effects

## **Automotive Components/Engineering**

EUR millions	2011	2010
Sales	334.7	284.8
EBIT	12.2	14.4
EBIT Margin (in %)	3.6	5.1
Depreciation/Amortization	28.3	23.0

## Strong Orders Situation and Many New Projects

The segment encompasses 12 operating units, which cover the entire value chain of the automotive industry with their solutions: From designing and model construction through to pilot and small-scale production, testing and measurement solutions through to solutions for specialized vehicles and serial production of components for major German car manufacturers, with three major foreign locations.

The companies in the Automotive Components/Engineering segment benefited last year from sustained high demand for German premium brands as well as their export strength and improved their sales. All portfolio companies generated EUR 334.7 million total in sales after recording EUR 284.8 million in 2010. This considerable increase is due to the large number of new projects related to orders for developing environmentally friendly cars as well as healthy global demand.

This led to high start-up costs. Some companies also exceeded capacity, leading to additional costs and quality issues. Owing to cautious earnings forecasts for this segment, INDUS made impairment write-downs as a precautionary measure totaling EUR 7.6 million (previous year: EUR 1.7 million). These write-downs relate to goodwill as well as impairment losses caused by decreases in the planned future earning power of the portfolio company WIESAUPLAST. Earnings before interest and taxes (EBIT) fell accordingly to EUR 12.2 million (previous year: EUR 14.4 million). The EBIT margin fell from 5.1% in the same period of the previous year to 3.6%. EBIT would have come to EUR 19.8 million with an operating EBIT margin of 5.9% if impairments that had a negative impact on the result were not included.

## **Engineering**

EUR millions	2011	2010
Sales	145.6	129.0
EBIT	17.0	14.3
EBIT Margin (in %)	11.7	11.1
Depreciation/Amortization	2.2	1.9

#### Peak Economic Performance Achieved by Year-End

The segment encompasses eight operating units in a wide range of submarkets: from the development of robotic gripping systems and valve technology through to facilities for clean room systems and the construction of radio towers.

The Engineering segment performed in line with the industry as a whole in 2011. Business picked up considerably in the first three quarters before demand tailed off slightly towards the end of the year. However, sales grew considerably year-on-year once again, improving by approximately 13% to EUR 145.6 million (previous year: EUR 129.0 million). Earnings before interest and taxes (EBIT) also increased by a disproportionately high 19% to EUR 17.0 million (same period of the previous year: EUR 14.3 million). The EBIT margin improved to 11.7% (previous year: 11.1%).

## Medical Engeneering/Life Science

EUR millions	2011	2010
Sales	84.8	81.6
EBIT	12.9	12.4
EBIT Margin (in %)	15.2	15.2
Depreciation/Amortization	2.8	3.1

#### **Stability Due to Good Consumer Climate**

The Medical Engineering/Life Science segment is made up of three companies. They produce orthotic devices and medical compression products, develop lenses and sell non-woven products for surgical purposes.

The Medical Engineering/Life Science segment generated sales of EUR 84.8 million in 2011, approximately 4% higher than in the comparison period, reflecting the good consumer climate (previous year: EUR 81.6 million). The segment companies achieved earnings before interest and taxes (EBIT) of EUR 12.9 million, another 4% increase on the EUR 12.4 million in the previous year. 2011's EBIT margin was 15.2%, identical to the previous year.

## **Metal/Metal Processing**

EUR millions	2011	2010
Sales	304.8	270.6
EBIT	37.2	39.6
EBIT Margin (in %)	12.2	14.6
Depreciation/Amortization	10.1	10.3

#### High Capacity Utilization Yields Stable Earnings

The segment encompasses nine operating units and serves a large number of special customers. The segment provides an extremely wide range of solutions, from providing supplies for railway technology, through to producing carbide tools for road construction and mining, manufacturing housings for laboratory diagnostics, blasting agents for the steel industry or bolt welding technology for bridges.

The companies in the Metal/Metal Processing segment performed extremely well in the first part of 2011 before losing some momentum in the fourth quarter of 2011. Sales in the 2011 fiscal year were up by around 13% year-on-year at EUR 304.8 million (previous year: EUR 270,6 million). However, Earnings before interest and taxes (EBIT) fell to EUR 37.2 million, a decrease of 6% from the previous year's figure of EUR 39.6 million. The EBIT margin reached 12.2%, which was still within the INDUS target range of 10% to 12% despite falling short of the extraordinarily high 14.6% posted in 2010. The earnings situation displayed the effects of significantly higher purchase prices for raw materials since the beginning of the year.

## **Financial and Assets Position**

## Principles and Objectives of the Finance and Liquidity Management System

Financial management within the INDUS Group is controlled centrally by the holding company. Financial management primarily encompasses liquidity control, the procurement of capital, and the management of interest rate and currency risks. The holding company is committed to broad diversification in terms of its choice of financial instruments and the financial institutions that it works with. This is how it diversifies risks and optimizes costs. As an association of independent companies, INDUS does not engage in cash pooling.

The Group uses various instruments, such as ABS (asset-backed securities) programs, factoring and promissory note bonds to conduct its financial management in accordance with the holding company. These are spread over a variety of financial institutions.

INDUS can invest flexibly at any time thanks to a comfortable liquidity base in combination with financing commitments from banks. In the financing area, INDUS makes use of its long-term cooperative links with a number of German financial institutions. Stabilizing factors in the Group's long-term financing are a broad diversification of the credit volume and a broad 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.

The finance and liquidity management strategy has three objectives: optimizing costs and earnings, limiting risk and ensuring that the company has sufficient liquidity reserves. Liquidity control is a particular priority: It is the prerequisite for ensuring that the Group can meet its payment obligations at any time and exploit acquisition opportunities without having to depend on banks (see also the Risk Report section).

Risk limitation extends to all financial risks that could endanger the continued existence of INDUS as a going concern. The main source of financing is cash flow from operating activities, or operating cash flow. Borrowed funds are normally only raised by INDUS Holding AG. The Group Treasury take special care to manage the use of funds for the benefit of the subsidiaries and the investment of cash and cash equivalents.

Another primary objective of the finance and liquidity management system is optimizing working capital. This releases liquid assets. Debt level remains low, performance indicators such as Statement of Financial Position Structure and Return on Capital optimized. INDUS make sure not to have a negative impact on operating activities when taking measures to optimize working capital in the portfolio companies. INDUS Holding AG draws up individual targets with each individual company and advises the portfolio companies on how to achieve their targets. The portfolio companies are responsible for working capital management and implementation.

Risk Report

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#### **Financing Analysis**

INDUS uses operating cash flow and short-term and long-term financing to cover its capital requirements. The main components are long-term unsecured credit agreements, promissory note bonds and factoring programs. The Group also uses a small number of financing instruments not listed in the statement of financial position, such as operating leases. Their total extent is in line with INDUS's volume of business.

There was little overall change to financing instruments and obligations not listed in the statement of financial position in 2011. INDUS primarily uses rental and leasehold agreements and finance leases for IT equipment, and company cars not listed in the statement of financial position. Lease obligations totaled EUR 80.3 million (previous year: EUR 75.8 million) as of December 31, 2011.

Liabilities to banks totaled EUR 404.6 million as of the reporting date (previous year: EUR 395.0 million); the vast majority (around 95%) are in euros. Around 3% of the credit volume is in Swiss francs. There are a small number of loans in other foreign currencies, primarily the US dollar. As at year-end 2011, these comprised liabilities were worth EUR 5.3 million (previous year: EUR 5.6 million). Financial liabilities include finance leases totaling EUR 12.7 million (previous year: EUR 13.8 million) related to real estate and machinery, the majority of which came about as part of the acquisition of HAKAMA as an asset deal.

As regards its financial liabilities, INDUS sells accounts receivable on a rolling basis to increase diversification in terms of financing instruments. The agreements with WestLB expired in April 2011, causing financial liabilities from ABS financing to fall from EUR 43.9 million in the previous year to EUR 0. A new instrument with similar terms was arranged in 2012 with Helaba. As of year-end 2011, a one-off temporary sale of accounts was performed with a volume of EUR 23.6 million, which was recorded as an off-balance-sheet item due to the evaluation of opportunities and risks.

Furthermore, there are promissory notes totaling EUR 17.0 million, which will mature on an annual basis in equal tranches of around EUR 6.5 million. There are also unused lines of credit totaling EUR 27.3 million (previous year: EUR 22.4 million).

INDUS is obliged to maintain a minimum equity ratio in the holding company under credit agreements; the required ratio was exceeded considerably in the past fiscal year.

#### Rating

INDUS Holding AG does not have its credit standing evaluated by rating agencies like Standard & Poor's or Moody's. As of yet, creditors have not required these ratings. This also saves INDUS a considerable amount of time and money. The overwhelming majority of financing banks give INDUS an "Investment Grade" rating.

#### Statement of Cash Flows

#### Statement of Cash Flows of INDUS Holding AG

Euro millions	2011	2010
Operating cash flow	130.2	81.9
Interest	-24.0	-27.6
Cash flow from operating activities	106.2	54.3
Cash outflow from investments	-59.0	-44.0
Cash inflow from the disposal of assets	2.1	5.6
Cash flow from investing activities	-56.9	-38.4
Capital increase	37.1	33.4
Dividends paid to shareholders	-18.2	-9.2
Dividends paid to non-controlling shareholders	-0.3	-0.4
Cash inflows from the assumption of debt	96.8	60.0
Cash outflows from the repayment of debt	-138.7	-97.7
Cash flow from financing activities	-23.3	-13.9
Net cash change in financial facilities	26.0	2.0
Changes in cash and cash equivalents caused		
by currency exchange rates	0.3	1.3
Cash and cash equivalents at the beginning of the period	96.8	93.5
Cash and cash equivalents at the end of the period	123.1	96.8

#### Operating cash flow increases by 60 %, cash flow from operating activities by 95 %

The Group's financial position developed very well in the year under review. With earnings after taxes in continuing operations amounting to EUR 55.6 million (previous year: 48.8 million), cash flow improved, largely due to the good results and the disproportionately low increase in current assets. Cash inflow from depreciation and amortization went up from EUR 44.3 million to EUR 48.9 million in 2011. Only EUR 26.6 million in liquid resources was required to finance additional current assets in 2011, compared to EUR 51.9 million in the previous year. This reduced increase in capital commitments, combined with a higher volume of trade accounts payable totaling EUR 19.2 million (previous year: EUR 4.2 million) had a positive effect on operating cash flow, which improved by around 60% from EUR 81.9 million in 2010 to EUR 130.2 million. The cost of interest paid decreased once again in 2011. It amounted to EUR 25.5 million (previous year: EUR 29.5 million), while interest received totaled EUR 1.5 million (previous year: EUR 1.9 million).

Cash flow from operating activities (proceeds) therefore reached a record high of EUR 106.2 million in the year under review (previous year: EUR 54.3 million).

Cash flow from investing activities (cash outflow) went up by EUR 18.5 million to EUR -56.9 million (previous year: EUR -38.4 million), largely due to increased investment in property, plant, and equipment and the acquisition of some small sub-subsidiaries. Capital expenditure for intangible assets remained practically unchanged at EUR 3.9 million (previous year: EUR 5.2 million, while capital expenditure for property, plant, and equipment totaled

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Cash Flow Statement  $\rightarrow$  P. 71

EUR 40.9 million (previous year: EUR 34.2 million); EUR 1.0 million was used for financial assets, compared to EUR 0.5 million in the previous year. EUR 13.2 million went into the acquisition of shares (previous year: EUR 4.2 million). Please see the Capital Expenditure section for further details.

Cash flow from financing activities (cash outflow) came to EUR -23.3 million (previous year: EUR -13.9 million), mostly due to the increased repayment of financial liabilities of EUR -138.7 million (previous year: EUR -97.7 million) and the dividend payment in the 2011 fiscal year (EUR -18.2 million in 2011, EUR -9.2 million in 2010).

As of year-end 2011, INDUS had a high level of liquidity in its overall financing. Liquid resources totaled EUR 123.1 million (previous year: EUR 96.8 million). Please see the Consolidated Financial Statements for a detailed statement of cash flows.

#### **Net Assets Position**

#### **Consolidated Statement of Financial Position**

EUR millions	Dec. 31, 2011	Dec. 31, 2010
ASSETS		
Noncurrent assets	575.3	565.1
Property, plant, and equipment	570.1	560.9
Accounts receivable	5.2	4.2
Current assets	464.8	407.9
Cash and cash equivalents	123.1	96.8
Accounts receivable	118.9	132.3
Inventories	222.8	178.8
EQUITY AND LIABILITIES		
Noncurrent liabilities	755.2	684.8
Equity	382.1	309.5
Liabilities	373.1	375.3
thereof provisions	18.5	18.3
thereof current liabilities and income taxes	354.6	357.0
Current liabilities	284.9	288.3
	47.0	43.9
thereof provisions		1017
thereof provisions thereof liabilities	237.9	244.4

INDUS Group's net asset and capital structure changed significantly once again in 2011 to the benefit of equity. Total assets came to EUR 1,040.2 million (previous year: EUR 973.1 million). The change in assets was largely due to the increase in inventories (EUR +44 million) as a consequence of the economic recovery and a rise in cash and cash equivalents (EUR +26.3 million). The increase in total assets was reflected almost entirely in equity (EUR +72.6 million).

#### Assets: High Totals for Cash and Cash Equivalents and Inventories

Noncurrent assets were EUR 10.2 million higher on the 2011 reporting date than in the previous year due to the EUR 5.2 million increase in goodwill and a rise in intangible assets (EUR +2.0 million) resulting from the purchases made in 2011. At EUR 245.5 million, property, plant, and equipment was almost on the same level as the previous year's figure of EUR 244.5 million. Financial assets were up slightly (EUR +0.7 million). Shares valued using the equity method rose by a small amount (EUR +0.2 million). The change in other noncurrent assets was also insignificant (EUR +0.9 million), as was also the case for deferred taxes (EUR +0.2 million).

Current assets increased by EUR 56.9 million overall. This strong growth is primarily due to a rise in cash and cash equivalents (EUR +26.3 million) and higher inventories (EUR +44.0 million). Accounts receivable decreased from EUR 117.6 million to EUR 108.4 million, an indication of the slight decrease in demand in the fourth quarter. Other current assets remained practically the same at EUR 7.1 million (previous year: EUR 7.9 million), while current income taxes totaled EUR 3.4 million (previous year: EUR 6.8 million).

#### Equity Ratio Increases to Record High of 36.7%

Equity improved by EUR 72.6 million or around 24% to EUR 382.1 million (previous year: EUR 309.5 million). The equity ratio improved for the seventh time in a row to 36.7% (previous year: 31.8%). This was spurred by the good annual result and the capital increase in autumn 2011.

Effective as from Thursday, November 3, 2011, 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. 2,020,702 nopar-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 18.40 per share. The company's capital stock was thereby increased by EUR 5,253,825.20 from EUR 52,538,291.22 to EUR 57,792,116.42. The new shares are fully entitled to dividend payments for the 2011 fiscal year. INDUS Holding AG received EUR 37.1 million 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.

Noncurrent liabilities declined slightly overall in 2011 from EUR 375.3 million to EUR 373.1 million. Current liabilities also fell, from EUR 288.3 million to EUR 284.9 million. Even though current financial liabilities were down significantly as of the 2011 reporting date at EUR 111.7 million (previous year: EUR 149.8 million), this positive effect of approximately EUR 38 million was largely balanced out by the changes in other liabilities. These changes were as follows: higher trade accounts payable (EUR +10.0 million), higher current provisions (EUR +3.1 million), a rise in other current liabilities (EUR +19.1 million) and increased current income taxes (EUR +2.4 million)

## Statement of Financial Position Key Figures: Net Debt Down by Around EUR 68 Million

INDUS calculates working capital by deducting trade accounts payable and prepayments received from inventories and trade accounts receivable. Working capital totaled EUR 268.5 million (previous year: EUR 253.1 million) as of December 31, 2011.

Net debt, calculated as the difference between noncurrent and current financial liabilities in relation to cash and cash equivalents, totaled EUR 311.2 million on December 31, 2011, a decrease of EUR 68.2 million compared to the previous year (December 31, 2010: EUR 379.4 million). EUR 11.7 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) improved to 81% (previous year: 122%). Despite an increase in the amount of capital required due to the buoyant orders situation and the acquisitions in the Group, INDUS was still able to improve on its statement of financial position ratios.

The ratio of net debt to EBITDA was 1.9 (previous year: 2.6).

## Capital Expenditure

Capital expenditure totaled EUR 58.3 million (previous year: EUR 52.0 million) in the year under review. EUR 12.0 million of this sum was invested in company acquisitions, EUR 41.9 million in property, plant, and equipment, and EUR 4.4 million in intangible assets. Even though growth slowed over the course of the year, INDUS was able to implement the majority of its investment program announced at the beginning of the year.

Capital expenditure focused on property, plant and equipment. This related primarily to plant and machinery amounting to EUR 19.3 million, other equipment and factory and office equipment totaling EUR 10.0 million, and land and buildings amounting to EUR 4.1 million.

Depreciation and amortization of EUR 48.9 million was up on the previous year (EUR 43.6 million). Depreciation and amortization of intangible assets and property, plant, and equipment increased to EUR 38.0 million from EUR 37.1 million in the previous year due to increased capital expenditure.

EUR millions	2011	2010
Capital Expenditure	58,3	52,0
of which in:		
Company acquisitions	12,0	14,1
Capital expenditure in intangible assets	4,4	4,6
Capital expenditure in property, plant, and equipment	41,9	33,3
of which in:		
Land and buildings	4,1	2,8
Plant and machinery	19,3	18,2
Other equipment, factory, and office equipment	10,0	8,1
Advance payments and work in process	8,5	4,2
Depreciation/Amortization	48,9	43,6
of which in:		
Scheduled depreciation and amortization of assets	3,3	4,8
Depreciation and amortization of assets	7,6	1,7
Property, plant, and equipment, and intangible assets	38,0	37,1

## Annual Financial Statements of INDUS Holding AG (short form)

The following tables contain the annual financial statements of INDUS Holding AG in short form. The complete annual financial statements and management report are available in a separate report.

#### **Earnings Position**

#### Statement of Income of INDUS Holding AG (short form)

EUR '000	2011	2010
Sales	4,3	4,3
Other operating income and expenses	2,9	-2,3
Personnel expenses	-4,8	-4,7
Income from investments	43,3	43,7
Income from long-term loans classified as financial assets	54,2	49,1
Other interest and similar income	8,0	5,6
Depreciation and amortization of intangible assets	-0,3	-0,3
Depreciation and amortization of financial assets	-30,3	-28,7
Cost of the assumption of losses	-3,4	-4,0
Interest and similar expenses	-19,5	-22,4
Profit from operating activities	54,5	40,1
Taxes on income and other taxes	-8,0	-7,7
Net result	46,5	32,4
Profit carried forward	1,1	0,8
Distributable profit	47,6	33,2

The earnings of INDUS Holding AG are dominated by income from financial assets and noncurrent loans.

Sales in the holding company came to EUR 4.3 million in 2011, the same level as the previous year. This results exclusively from 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 balance of other operating income and expenses improved from EUR –2.3 million to EUR 2.9 million. This item includes write-ups resulting from the annual impairment test. Personnel expenses of EUR 4.8 million increased slightly compared to 2010 as a result of higher performance-related compensation.

Income from portfolio companies remained stable at EUR 43.3 million (previous year: EUR 43.7 million). Income from noncurrent loans recorded a more significant increase, reaching EUR 54.2 million against EUR 49.1 million in the previous year. At EUR 8.0 million, interest income was also up on the previous year's figure of EUR 5.6 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 of EUR 30.3 million increased slightly from EUR 28.7 million in 2010. This item includes the impairments resulting from the impairment test. Expenses from loss transfer agreements came to EUR 3.4 million (previous year: EUR 4.0 million). Interest expenses again decreased substantially, from EUR 22.4 million to EUR 19.5 million.

In total, the profit from operating activities improved by around 36% from EUR 40.1 million to EUR 54.5 million. After taxes, the statement of income reports a profit for the year of EUR 46.5 million (previous year: EUR 32.4 million). This corresponds to weighted earnings per share of EUR 2.26 (previous year: EUR 1.74).

#### **Financial and Assets Position**

## Statement of Financial Position of INDUS Holding AG (short form)

ELID III	Dec. 31, 2011	D 01 0010
EUR millions	Dec. 31, <b>ZUII</b>	Dec. 31, 2010
ASSETS		
Intangible assets	0.2	0.0
Property, plant, and equipment	2.4	2.7
Financial assets	753.0	757.3
Fixed assets	755.6	760.0
Accounts receivable and other current assets	224.7	140.5
Cash on hand and bank balances	28.6	21.6
Current assets	253.3	162.3
Advance payments	0.1	0.1
Total assets	1,009.0	922.4
EQUITY AND LIABILITIES		
Equity	568.7	503.2
Provisions	5.0	8.1
Liabilities	395.3	371.2
Nettable deferred tax liabilities	40.0	39.9
Total assets	1,009.0	922.4

INDUS Holding AG's total assets increased by EUR 86.6 million to EUR 1,009.0 million (previous year: EUR 922.4 million). Fixed assets fell by EUR 4.4 million to EUR 755.6 million (previous year: EUR 760.0 million) due to write-downs on property, plant, and equipment and financial assets. Within current assets, receivables and other assets increased by EUR 84 million to EUR 224.7 million (previous year: EUR 140.7 million). The rise was primarily due to increased accounts receivable from associated customers. Cash and cash equivalents totaled EUR 28.6 million (previous year: EUR 21.6 million). This left current assets at EUR 253.3 million, EUR 91.0 million above their corresponding previous year's level of 162.3 million.

Equity amounted to EUR 568.7 million (previous year: EUR 503.2 million). This means that INDUS has again improved its equity ratio sharply, this time to 56.4% (previous year: 54.6%), the highest it has been in many years. Liabilities increased to EUR 395.3 million (previous year: EUR 371.2 million).

#### **EMPLOYEES**

As of December 31, 2011, INDUS employed 19 staff members (previous year: 18) at the holding company.

## **Events after the Reporting Date**

## Significant 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 2011 fiscal year came to an end.

## **Opportunity and Risk Report**

Using a professional opportunity and risk management system, INDUS makes every effort to identify and exploit opportunities ahead of time without ignoring the risks involved. A systematic opportunity and risk management system has been a part of INDUS's corporate governance for many years.

## **Opportunities and Risk Management**

# Opportunity Management: Holding Company Supports Portfolio Companies by Injecting Expertise

The business policy of INDUS Holding AG focuses on continuously improving the value of its portfolio through the acquisition of so-called hidden champions and their ongoing further development. The company makes use of opportunities to purchase profitable companies with a promising future. INDUS uses an effective opportunity management system to capitalize on these opportunities, and continuously observes relevant and interesting markets and analyzes its growth opportunities. INDUS places particular emphasis on expanding its portfolio by adding fast-growing companies that generate stable returns on markets of the future.

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. They work closely together with customers and suppliers to analyze new areas of application for their technologies in the short, medium, and long term. Product innovations by the companies' customers play a major role in developing their business. New products frequently require innovative production processes. This allows the portfolio companies to bring their expertise to bear.

As a holding company, INDUS Holding AG helps the portfolio companies to manage opportunities in two ways. First, it works together with the managing directors to analyze and define new business opportunities every year as part of the strategic annual planning. Second, it guarantees the financing required to make use of the identified opportunities.

## Macroeconomic Opportunities: Emerging Markets Extremely Important

The companies in the INDUS portfolio are primarily benefiting from positive macroeconomic developments in the manufacturing sector. Because the portfolio companies mainly produce capital goods, private demand is of secondary importance. In light of the Group-wide export ratio of 45.7%, more weight should be given to sales in domestic markets. However, it is expected that growth will be driven primarily by emerging markets in the future. The global presence and strengthening of INDUS's portfolio companies make a contribution towards exploiting these opportunities in the relevant markets. The companies also act together on occasion when opening up new regional markets.

## Sector-Specific Opportunities: Issues like Sustainability and Demographic Change Hold New Potential for Companies

INDUS's hidden champions have considerable development expertise and an extensive service level. Environmental protection and energy efficiency are relevant in all industrial sectors, and they will remain important issues in the future. Energy prices and environmental standards will continue to increase over the long term. For this reason, INDUS expects investment in sustainable and energy-efficient production processes to rise. INDUS believes this will result in promising opportunities, particularly for companies in the Automotive Components/Engineering, Engineering, and Metal Processing segments. The Construction/Infrastructure segment will also benefit from strong domestic demand for construction in the medium term, triggered by worries over inflation and a growing trend towards investment in bricks and mortar. Home ownership is relatively low in Germany compared to other countries. For this reason, we expect a significant catch-up effect to take hold for several years. Over the medium to long term, INDUS believes there will be consistently good growth opportunities for the Medical Engineering/Life Science segment owing to demographic changes and consistently high demand for health products.

# Opportunities Associated with Corporate Strategy: INDUS Monitors New Branches of Industry

The most significant strategic opportunities for INDUS's business come from acquiring and holding portfolio companies. The investment team at INDUS Holding AG constantly identifies potential investments and analyzes them thoroughly. In addition to its five segments, INDUS is also devoting more resources to analyzing the areas of infrastructure, logistics and transport, medical and healthcare technology, energy and environmental technology, automation and measuring technology, and control engineering in order to identify interesting acquisition opportunities outside the existing markets.

INDUS believes it is in a special position on the market as it has a wealth of experience in purchasing small and medium-sized hidden champions. INDUS has an excellent reputation in the SME sector because it acquires companies to develop instead of focusing on an exit strategy. Potential buyers often approach INDUS exclusively to make solid succession plans for their company.

Thanks to its extensive track record, consistent performance, and sound financing policy, INDUS can be relied on to have the financing needed to purchase new companies without having to depend on banks. This puts the Group in a position to make use of opportunities that emerge in the acquisition market and negotiate sales without the involvement of third parties in just a few weeks. Please see the Financial Position section for more details about the company's financing policy.

#### Risk Management System: Continuously Maintained and Developed by INDUS

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 assets, 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.

As an integral part of the business, planning, accounting, and control processes, the risk management system is integrated into INDUS Holding AG's information and communication system. It 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 is also monitored using the risk register. The Supervisory Board is regularly informed about the company's risk situation.

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 over 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.

## Reporting Processes: 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 reports on the status of, and changes in, material risks to the holding company. 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.

#### Insurance: Professional Management by the Holding Company

The holding company takes out central insurance policies to cover risks related to natural hazards, work stoppages, liability, product liability, and transport damage for all portfolio companies. Managing these insurance policies centrally guarantees low premiums and extensive cover for the companies.

#### **Discussion of Individual Risks**

#### **Overview**

Business risks (according to the assessment of the Board of Management)	Probability of occurring	possible financial impact	Risk situation for 2012 in com- parison to the previous year
Business environment and sector risks	probable	significant	worse
Risks associated with corporate strategy	possible	significant	same
Performance risks	possible	significant	same
Personnel risks	possible	moderate	better
IT risks	possible	moderate	same
Financial risks	possible	significant	worse
Legal risks	possible	moderate	same
Other risks	possible	significant	same

#### **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. 54.3% of its total sales are generated in Germany (previous year: 55.3%). 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 also 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 the portfolio companies' strategic positioning through its own close monitoring of markets and competitors and by holding regular strategic reviews with the portfolio companies' managing directors. All the portfolio companies submit standardized reports on their current business developments 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. Reengineering measures 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 costs on to their customers quickly and in full. The operations managers are in constant contact with suppliers and customers. This enables them to react promptly 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, 2011, the nominal value of the commodity hedges totaled EUR 1.4 million (previous year: EUR 1.8 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's 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

INDUS'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 commensurate remuneration. The manageable team of 15 employees allows INDUS to tailor responsibilities and development opportunities to individual requirements. The company offers employees flexible working hours and the possibility of working from home in order to promote a healthy worklife balance. The employees appreciate this positive corporate culture. One sign of this appreciation is the length of time that employees stay with the holding company on average, which was in excess of eight years on the reporting date. All these measures make INDUS an attractive employer, leading to a proactive mitigation of risks associated with employee turnover, demographic trends, and 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 interest rate risk, the foreign currency risk, and the default risk. 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.

Its widely diversified financing structure, which is spread over more than ten banks, keeps it from being dependent on individual lenders. As a result, from our current perspective, the bank-related default risks that the company is exposed to are limited, despite the ongoing turmoil in the banking sector. The largest single liability is around 13%. The investment portfolio, which is designed for the long term, is financed with matching maturities by the holding company by means of revolving borrowing. 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, which are converted to fixed-interest financing arrangements via fully effective micro hedge interest rate swaps. A change in interest rates during the term 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, 2011, the nominal value of the interest rate hedges totaled EUR 196.3 million (previous year: EUR 191.7 million).

Default risk related to debtors 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 portfolio companies also maintain their own effective systems for monitoring debtor risks and report any risks to the holding company on a monthly basis.

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 companies. INDUS mitigates these risks by hedging the transactions congruently with forward exchange contracts and suitable option transactions. As of December 31, 2011, the nominal value of the currency hedges totaled EUR 14.8 million (previous year: EUR 13.0 million); the portfolio companies account for the majority. Please see the Notes to the Consolidated Financial Statements for more details about the hedges.

#### 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 and product liability claims triggered by customer complaints. Efficient contract and quality management minimizes this risk, but it cannot be ruled out completely. The holding company provides the companies in the Automotive/Engineering segment with consulting services to support their contract management. In order to provide an adequate level of risk provisioning, provisions of EUR 20.8 million were carried in the statement of financial position in 2011 for warranties due to obligations from selling or procurement, obligations for customer bonuses and rebates, as well as estimated values for anticipated invoices (previous year: EUR 16.3 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 their impact 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 294.8 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 be written down. In the year under review, impairment losses of EUR 7.6 million were recorded (previous year: EUR 1.7 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)

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 pronouncements are assessed for their relevance to and impact on the accounting process. Any resultant changes in the accounting processes are incorporated into centrally available procedural instructions and into the systems used for accounting purposes. The Group's current accounting guideline is communicated to all employees at INDUS Holding AG and 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 responsibilities, and dual signatories. These controls and instruments are constantly developed whenever weaknesses are identified to exclude possible future risks.

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 are completed in line with the given time schedule.

## Board of Management's General Assessment of the Opportunities and Risk Situation

## No Risks Endangering Continued Existence of Company Discernible, Growth Opportunities for 2012

In the 2011 fiscal year, INDUS continued to pursue its proven long-term corporate strategy. Management intends to make greater use of our extremely comfortable liquidity situation, as well as the existing financing commitments from a variety of banks, to expand the portfolio selectively in 2012. There are attractive growth opportunities in the existing portfolio, which we intend to exploit actively by making scheduled investments of some EUR 60 million in our portfolio companies in 2012. Furthermore, INDUS is planning complementary, carefully chosen acquisitions in its target markets.

Sales revenues in the year under review were considerably higher than in the previous year at EUR 1,104.7 billion. Consequently, the Group posted an operating EBIT margin of 10.1%, which is in its target range of 10% to 12%. The financing structure also improved considerably. INDUS reduced its net debt significantly, from EUR 379.4 million to EUR 311.2 million at the end of 2011. On the reporting date, the equity ratio amounted to 36.7% at Group level (previous year: 31.8%) and 56.4% at the holding company (previous year: 54.6%). All in all, the Board of Management considers the 2012 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, as well as financial risks from possible further problems in the sector. In the fiscal year just ended, the Board of Management identified no risks 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.

## **Forecast Report**

INDUS is confident about the current fiscal year. Even though the economic environment is becoming more challenging and beset by uncertainty, INDUS intends to keep the sales of all of its portfolio companies as close as possible to the previous year's level in 2012. The company also intends to continue expanding its portfolio.

#### **Future Conditions**

### General economy expected to be stable in 2012

Forecasts regarding overall and industry development for 2012 are subject to uncertainties. The risk of another economic downturn has particularly increased for the industrialized countries, given that the economy had already begun to slow down in the fourth quarter of 2011. This is due to the sustained turbulence on the financial markets and the consequences of the sovereign debt crisis. On the other hand, the majority of the emerging markets continue to show relatively solid growth, despite the noticeable slow down, and this keeps the risk of a global recession in check.

According to a World Bank estimate, global GDP is set to rise by 2.5% in 2012. The general consensus remains that the majority of the growth in the world economy will continue to come from emerging markets, particularly in Asia. GDP is expected to decline slightly in the eurozone in 2012 due to the pressure to cut spending in public budgets and cautious corporate investment. INDUS believes that Germany's GDP will grow by just 0.5% in 2012, with the possibility of negative growth rates in the first quarter. The German federal government is still forecasting an increase of 0.7%. The macroeconomic recovery in the USA is expected to accelerate slightly in 2012. Growth in the industrial sector appears to still be relatively robust, and there are signs of improvement coming from the labor market which may provide a boost for private consumption. Emerging markets will continue to drive the growth of the global economy in 2012. China's GDP is expected to grow by 8.4%. Solid growth rates are also forecast for the other countries in the BRIC group.

# Expected Performance of the Sectors Relevant for INDUS: Mixed Results from German Industry

Trade associations are forecasting different levels of dynamism for the submarkets that are relevant for INDUS, but expect performance to be positive overall: The German construction industry, which is served by the majority of the portfolio companies in the Construction/Infrastructure segment, will remain in a good position in 2012. The German Construction Industry Federation expects sales growth of 2.5% in 2012.

The global **automobile market** will remain on course for moderate growth in 2012. Global production of passenger vehicles and light commercial vehicles it is expected to increase slightly. Production is forecast to pick up slightly in the USA and enjoy above average expansion in Japan due to pent-up demand. China's growth is being restricted by state measures to curb trading. Production in the Western European and German automotive industry is likely to stagnate at 2011 levels.

**Engineering** began 2011 with excellent forecasts, yet failed to meet expectations. Production went up by just 12.1%, instead of the anticipated 14%. Volumes improved by EUR 24 billion to EUR 187 billion. This is due to decreased demand, the uncertainty in Europe and the plateauing Chinese economy. By December 2011, production had already fallen by 1.9%. Demand plummeted as a result of the debt crisis, but it was also dampened in China, by far the world's largest emerging export market. It is important to note that the engineering sector reached its economic high point at the end of 2011 after an unprecedented recovery. This performance is also being taken into account by industry representatives, who are not expecting any growth in 2012. However, they interpret the current situation as the sector temporarily catching its breath rather than being in the grip of an economic downturn.

Industry representatives are cautiously optimistic about the market for **medical engineering and life science.** Demographic changes are continuing unabated, and these expectations are underlined by the trend towards ever improving healthcare in the Western world. This forecast appears realistic in light of the improved consumer climate in the first few months of 2012. Consumer sentiment was stable overall in February 2012. Income expectations increased considerably despite economic expectations and consumers' propensity to buy taking a slight hit. In a recently published annual forecast, the German Society for Consumer Research (Gesellschaft für Konsumforschung) announced that it expects consumption to increase by 1% in real terms this year.

Companies in the **metal and electrical industry** expect production growth rates to fall off considerably to a maximum of 4% in 2012. The fourth quarter of 2011 was 2.9% weaker than the third quarter. Bottom lines are coming under increased pressure from high material and energy prices. The prices of important steel varieties were 5% to 18% higher on average in 2011 than in the previous year. However, steel prices appear to be returning to normal in 2012 due to the economic downturn in the fourth quarter of 2011. Energy prices, on the other hand, continue to rise unabated: fuel oil was 28% more expensive in the fourth quarter than 12 months prior, while natural gas was almost 18% higher and electricity went up by almost 8%.

Company General Conditions Earnings, Financial, and Assets Position Events after the Reporting Date Opportunity and Risk Report Forecast Report

# Board of Management's Overall Assessment of the Future Development of Business

#### Objectives and Approach 2012 and 2013: Staying on Path

INDUS has two main objectives for the 2012 and 2013 fiscal years: continue to support the growth of the portfolio companies, and continue to expand the Group by acquiring new companies if suitable opportunities arise. INDUS will continue to strengthen its position on the equity market as the leading company for SME investments in German-speaking countries.

The development of INDUS Holding AG's operations and business in 2012 will very much depend on the impact of the financial crisis on its key markets in Europe and emerging markets. It is currently too early to estimate exactly what effect the financial crisis will have. For this reason, it is extremely difficult to make any confident predictions about how the economy will perform in 2013. INDUS took the uncertainty of the situation into account before drawing up the following statements.

#### Anticipated Business Situation: Ambitious Target of Maintaining the High Levels Seen in 2011

The Board of Management is still overwhelmingly positive about the business prospects of the SMEs in the Group. Demand for capital goods is expected to be brisk in 2012 and 2013, particularly in the strategically important export markets in Asia and the emerging markets. INDUS should also benefit in the medium to long term from the positive economic trend in emerging markets. Germany's economic recovery, on the other hand, slowed considerably at the end of 2011, to the extent that some subsectors were already trending downwards in the fourth quarter. The decreased demand was particularly noticeable in the automobile manufacture and metal processing sectors. INDUS expects Germany's economy to shrink slightly in the first half of 2012 before a mild recovery around the middle of the year, leading to only slight economic growth for Germany in 2012.

INDUS once again hopes to achieve sales in line with the 2011 figure of EUR 1.1 billion for the Group as a whole (excluding acquisitions). The company's high order backlog at the beginning of the year indicates that it will achieve this objective. The cost of materials is expected to remain high, largely due to the continued upwards trend in energy prices; prices for raw materials should go down slightly in line with the mild decrease in demand, but INDUS still expects the cost of materials ratio to be almost 50 %. The company is also forecasting a considerable increase in personnel costs in 2012 on the basis of current salary demands. This will have an impact in both 2012 and 2013. INDUS believes it will be able to make up for the anticipated 2% to 3% increase in the Group's personnel expense ratio partly by implementing further cost saving measures.

Depreciation and amortization are expected to be up slightly in 2012 compared to the 2011 figure. Due to growing cost pressure and the dwindling economy, however, INDUS's target of achieving an EBIT margin of 10 % seems ambitious. INDUS assumes that this scenario will be the same in 2013.

INDUS Holding AG believes this is a best case scenario, based on the Board of Management's assumption that the sovereign debt crisis will not trigger any major turmoil on the capital markets. So far, the economic trend of the first few months of 2012 is in line with the company's planning. In light of the uncertainty surrounding the economic performance of the eurozone over the rest of the year, the second half of the year remains very much up in the air. Some economic institutes are now even forecasting a mild recession for Germany in 2012; if this does come to pass, INDUS would have to revise its forecasts.

#### Expected Performance of the Segments in 2012: Business Outlook Largely Stable

INDUS does not expect the sales and earnings of the **Construction/Infrastructure** segment to change in 2012. Even though the high-margin orders from the economic stimulus programs have come to an end and public construction is currently anemic, residential construction is booming. Because of this, INDUS expects to keep sales and EBIT at their high 2011 levels.

Sales are expected to drop slightly in the **Automotive Components/Engineering** segment in 2012, while pressure on prices is expected to intensify. INDUS believes operating EBIT margins (excluding impairments) will be on a par with the previous year. Segment earnings should be just down from 2011.

In light of the developments in the fourth quarter of 2011, INDUS does not expect sales and earnings to drop any further in the **Engineering** segment in 2012. The company anticipates that material prices will remain stable or drop slightly in 2012, while expenses for wages and salaries may go up.

However, INDUS expects demand to go up slightly in the **Medical Engineering/Life Science** segment in response to demographic trends. This segment's impressive result should be easy to improve, and the segment companies are expected to deliver sales growth on a par with 2011.

INDUS expects demand to drop off slightly in the **Metal/Metal Processing** segment in 2012. However, the order situation at the beginning of the year indicates that sales and earnings will remain at an impressive level.

It is difficult to make truly confident forecasts about the performance of each segment beyond the current fiscal year. Generally speaking however, all segments are in a healthy enough position for the companies to continue to operate profitably despite challenging conditions.

Company General Conditions Earnings, Financial, and Assets Position Events after the Reporting Date Opportunity and Risk Report Forecast Report

#### Anticipated Financial and Assets Position: Key Figures Remain Stable

INDUS expects to have a good level of operating cash flow in 2012 due to stable income and earnings. The volume of business will fall slightly, meaning inventories could be decreased. Capital expenditure in property, plant and equipment and intangible assets is expected to total around EUR 60 million in 2012 (excluding acquisitions). The majority of the funds will be used for investments in innovation and rationalization investments. INDUS intends to maintain this level for the medium term in future years. Furthermore, the company remains on the lookout for interesting acquisition opportunities which it can use to expand its portfolio and enter more future-oriented segments.

To this end, the company built up considerable liquidity reserves as of year-end 2011, which now total EUR 123.1 million, also as a result of the capital increase in November 2011. The equity ratio is expected to remain stable in 2012 and 2013 (currently 36.7%). The company intends to finance its planned acquisitions, maintenance investments and purchases of strategically interesting activities on the level of the portfolio companies from its current cash flow and available cash and cash equivalents.

The repayments due over the course of the year are already covered by new loans agreed for a volume of sixty to seventy million euros; all of the loan agreements are long-term in nature (i.e. an average term of 6 to 8 years). INDUS intends to maintain its current statement of financial position ratios for the long term. Having a healthy financial position increases the company's flexibility and ability to realize value-adding medium and long-term opportunities to benefit its shareholders.

Bergisch Gladbach, April 19, 2011 INDUS Holding AG

The Board of Management

Helmut Ruwisch

Dr. Wolfgang Höper

Dr. Johannes Schmidt

Jürgen**,**Abromeit

# CONSOLIDATEDFINANCIAL STATEMENTS

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Notes

## **Consolidated Statement of Income**

EUR '000	Notes	2011	2010
Sales	[1]	1.104,716	971.585
Other operating income	[2]	20,366	19,598
Own work capitalized	[3]	5,160	2,959
Change in inventories		21,198	18,254
Cost of materials	[4]	-548,386	-461,988
Personnel expenses	[5]	-294,522	-265,128
Depreciation and amortization	[6]	-48,876	-43,596
Other operating expenses	[7]	-149,729	-139,971
Income from shares accounted for using the equity method		184	155
Other financial result	[8]	1,501	-432
Operating result (EBIT)		111,612	101,436
Interest income		1,506	1,890
Interest expenses		-24,541	-29,279
Net interest	[9]	-23,035	-27,389
Earnings before taxes		88,577	74,047
Taxes	[10]	-32,942	-25,254
Income from discontinued operations	[11]	0	-1,850
Earnings after taxes		55,635	46,943
of which allocable to non-controlling shareholders		-216	-343
of which allocable to INDUS shareholders		55,419	46,600
Basic earnings per share in EUR		2.70	2.59
Diluted earnings per share in EUR		2.70	2.59

# Statement of Income and Accumulated Earnings

EUR '000	2011	2010
Earnings after taxes	55,635	46,943
Currency translation adjustment	54	-3,412
Change in the market values of derivative financial instruments	-1,999	514
Netting of deferred taxes	316	-81
Income and expenses recognized directly in equity	-1,629	-2,979
Total income and expenses recognized in equity	54,006	43,964
of which non-controlling interests	216	343
of which allocable to INDUS shareholders	53,790	43,621

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 D	ec. 31, 2011	Dec. 31, 2010
ASSETS			
Goodwill	(13)	294,831	289,573
Intangible assets	(13)	19,046	17,071
Property, plant, and equipment	(13)	245,453	244,460
Financial assets	(14)	9,268	8,552
Shares accounted for using the equity method	[14]	1,508	1,324
Other noncurrent assets	(15)	2,276	1,415
Deferred taxes	(16)	2,956	2,747
Noncurrent assets		575,338	565,142
Cash and cash equivalents		123,107	96,840
Accounts receivable	(17)	108,422	117,617
Inventories	(18)	222,778	178,75
Other current assets	(15)	7,148	7,944
Current income taxes	(16)	3,374	6,790
Current assets		464,829	407,947
Total assets		1,040,167	973,089
EQUITY AND LIABILITIES Paid-in capital		243,464	206,329
Generated capital		137,088	101,484
Equity held by INDUS shareholders		380,552	307,813
Non-controlling interests in the equity		1,543	1,676
Group equity	[19]	382,095	309,489
Noncurrent financial liabilities	(20)	322,604	326,417
Provisions for pensions	(21)	16,281	15,541
Other noncurrent provisions	(22)	2,256	2,788
Other noncurrent liabilities	(23)	12,899	14,784
Deferred taxes	(16)	19,106	15,740
Noncurrent liabilities		373,146	375,273
Current financial liabilities	(20)	111,679	149,814
Trade accounts payable		46,056	36,053
Current provisions	(22)	47,015	43,882
Other current liabilities	(23)	70,336	51,22
Current income taxes	(16)	9,840	7,350
Current liabilities		284,926	288,327
Total equity and liabilities		1,040,167	973,089

## **Consolidated Statement of Cash Flows**

EUR '000	2011	2010
Income after taxes generated by continuing operations	55,635	48,793
Depreciation/Write-ups		
of noncurrent assets (excluding deferred taxes)	48,876	44,309
due to gains (–)/losses (+) from the disposal of assets	-268	347
Taxes	32,942	25,254
Net interest	23,035	27,389
Cash earnings of discontinued operations	0	-1,481
Income from companies accounted for using the equity method	-184	-155
Other non-cash transactions	188	-3,819
Changes in provisions	2,157	14,383
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not allocable to investing or financing activities	-26,598	-51,875
Increase (+)/decrease (-) in trade accounts payable and other liabilities not allocable to investing or financing activities	19,151	4,183
Income taxes received/paid	-24,733	-25,995
Dividends received	31	570
Operating cash flow	130,232	81,903
Interest paid	-25,500	-29,496
Interest received	1,506	1,890
Cash flow from operating activities	106,238	54,297
Cash outflow from investments in		
intangible assets	-3,948	-5,169
property, plant, and equipment	-40,863	-34,159
financial assets	-988	-456
shares in fully consolidated companies	-13,180	-4.199
Cash inflow from the disposal of	10,100	.,,
shares in fully consolidated companies	0	239
other assets	2,050	5,325
Cash flow from investing activities of discontinued operations	0	-6
Cash flow from investing activities	-56,929	-38,425
Capital increase	37,135	33,399
Dividends paid to shareholders	-18,186	-9,185
Dividends paid to sind-chotders  Dividends paid to non-controlling shareholders	-349	-403
Cash inflows from the assumption of debt	96,757	60,025
Cash outflows from the repayment of debt	-138,706	-97,724
Cash flow from financing activities	-23,349	-13,888
Net cash change in financial facilities	25,960	1,984
Changes in cash and cash equivalents caused by currency exchange rates	307	1,350
Cash and cash equivalents at the beginning of the period	96,840	93,506
Cash and cash equivalents at the beginning of the period	123,107	96,840
Cash transactions related to the sale of investments	0	600
plus financial liabilities sold	0	0
minus financial facilities sold	0	-361
Net sale proceeds	0	239
Cash transactions related to the sale of investments	-13,514	-4,199
plus financial liabilities assumed	-54	0
minus financial facilities purchased	388	0
Net purchase price	-13,180	-4,199

Cash and cash equivalents include a limited-authorization account with a balance of EUR 442,000 (previous year: EUR 436,000). Investing and financing transactions amounting to EUR 935,000 (previous year: EUR –886,000) which had no impact on cash and cash equivalents are not part of the statement of cash flows.

## **Consolidated Statement of Equity**

Equity held by INDUS shareholders	239,978	-9,185	43,621	33,399	307,813
Capital generated	67,048	-9,185	43,621	0	101,484
of financial instruments	-4,586	0	433	0	-4,150
Reserve for the marked-to-market valuation			<u>,                                      </u>		,
Currency translation reserve	2,080	0	-3,412	0	-1,332
Accumulated earnings	69,554	-9,185	46,600	0	106,96
Paid-in capital	172,930	0	0	33,399	206,32
Capital reserve	125,168	0	0	28,623	153,79
Subscribed capital	47,762	0	0	4,776	52,53
EUR '000	Jan. 1, 2010	payment	income	increase	Dec. 31, 201
Jan. 1 – Dec. 31, 2010	Opening balance	Dividend	Recognized expenses and	Capital	Closin balanc
Number of shares in circulation	20,207,035	0	0	2,020,702	22,227,73
Group equity	309,489	-18,535	54,006	37,135	382,09
Interests allocable to non-controlling shareholders	1,676	-349	216	0	1,54
Equity held by INDUS shareholders	307,813	-18,186	53,790	37,135	380,55
Capital generated	101,484	-18,186	53,790	0	137,08
of financial instruments	-4,153	0	-1,683	0	-5,83
Reserve for the marked-to-market valuation	-1,332	0	54	0	-1,27
Accumulated earnings Currency translation reserve	106,969 -1,332	-18,186 0	55,419 54	0	144,20 -1,27
Paid-in capital	206,329	0	0	37,135	243,46
Capital reserve	153,791	0	0	31,881	185,67
Subscribed capital	52,538	0	0	5,254	57,79
EUR '000	balance Jan. 1, 2011	Dividend payment	expenses and income	Capital increase	balanc Dec. 31, 201
Jan. 1 – Dec. 31, 2011	Opening		Recognized		Closing

Further details about the capital increase can be found in note [19]. The cost of raising capital as part of the capital increase came to EUR 46,000 (previous year: EUR 41,000) and was treated as a deduction from the capital reserve with no effect on income.

-403

0

-9,588

343

0

43,964

0

33,399

1,837,002

1,676

309,489

20,207,035

1,736

241,714

18,370,033

Interests allocable to non-controlling shareholders

**Group equity** 

Number of shares in circulation

The dividend payment is based on a dividend of EUR 0.90 per no-par-value share bearing the number SIN 620010/ ISIN DE 0006200108 (20,207,035 shares).

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.

### **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 fiscal year from January 1, 2011 to December 31, 2011 in accordance with International Financial Reporting Standards (IFRS) and the interpretation of such by the International Financial Reporting Interpretations Committee (IFRIC) as applicable in 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 generally 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 financial statements were prepared by the Board of Management on March 15, 2012, and approved by the Supervisory Board on April 19, 2012.

#### **Application and Impact of New and Revised Standards**

All standards mandatory as of December 31, 2011 were taken into account. No use was made of the discretionary right to apply standards before they become mandatory.

# The mandatory standards and interpretations applied for the first time for the fiscal year: 2011

The following standards and interpretations were applied for the first time in the 2011 fiscal year:

- → 2010 Improvements to the International Financial Reporting Standards minor changes to a number of IFRS (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 18, IAS 27, IAS 34, IFRIC 13) and ensuing amendments (EU Directive: EU 149/2011)
- → IFRS 1:Limited Exemption from Comparative IFRS Disclosures for First-time Adopters (EU 574/2010)
- → IAS 24: Amendments as regards International Accounting Standard (IAS) 24 and International Financial Reporting Standard (IFRS) 8 (EU 632/2010)
- → IAS 32: Financial Instruments: Presentation (EU 1293/2009)
- → IFRIC 14: Prepayments of a Minimum Funding Requirement (EU 633/2010)
- $\rightarrow$  IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (EU 662/2010)

The guidelines to be applied for the first time in the 2011 fiscal year have no material impact on the presentation of the net assets, financial, and earnings position in INDUS's consolidated financial statements.

# Standards adopted by the EU up to December 31, 2011 which were not applied early in these financial statements:

In 2011, other IASB announcements whose application will be mandatory in future financial statements were integrated into European law by the EU. The impact on the INDUS consolidated financial statements is still being assessed at the time of writing. They are not expected to have any material impact on the INDUS consolidated financial statements.

The pending amendments to IAS 19 (Employee Benefits), which have not yet been adopted by the EU, may result in material changes. One of the changes expected from the 2013 fiscal year onwards is that the corridor method will no longer be used. Actuarial gains or losses will be recognized in equity with no effect on income. How much impact this has will be largely dependent on the going interest rates when the consolidated financial statements are prepared. The value reported for provisions for pensions will be changed to the value specified in [21] "Net obligation", while equity will be changed by the item "Unrecognized actuarial result" reported in [21] while taking into account the applicable deferred taxes.

#### **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. Instead, they are recognized as expenses in the period of acquisition.

If minority shareholders have a right to tender as of the time of the first-time consolidation and INDUS is unable to revoke this right, the purchase price acquisition for interests held by non-controlling shareholders that are eligible are calculated at fair value.

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.

	Exchange rate as of reporting date		Average	exchange rate	
	1 EUR=	2011	2010	2011	2010
Brazil	BRL	2.416	2.218	2.327	2.331
Canada	CAD	1.322	1.332	1.376	1.365
Switzerland	CHF	1.216	1.250	1.233	1.380
China	CNY	8.159	8.822	8.996	8.971
Czech Republic	CZK	25.788	25.061	24.590	25.284
Great Britain	GBP	0.835	0.861	0.868	0.858
Mexico	MXN	18.051	16.548	17.288	16.737
Poland	PLN	4.458	3.975	4.121	3.995
Serbia	RSD	105.070	106.089	102.434	103.520
Turkey	TRY	2.443	2.069	2.338	1.997
USA	USD	1.294	1.336	1.392	1.326
South Africa	ZAR	10.483	8.863	10.097	9.698

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: 8.0 %).

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 subsidies 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. 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 payments and subjected to scheduled depreciation over the useful life or the shorter contractual term. The payment obligations resulting from the future leasing rates 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** are 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 debts 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 when 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 carryforwards, 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 remuneration:** The virtual stock options (stock appreciation rights) granted as part of the long-term incentive program are classified as "share-based remuneration with cash settlement". Proportional provisions are formed for these and measured at the fair value of the commitments. These proportional provisions are formed and recorded in profit and loss as personnel expenses over the period leading up to the probable 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 and cash-generating units 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 and comparable obligations.

Thanks to the ongoing recovery in the global economy and the continued cautiously optimistic overall economic forecast, the uncertainty of the forecasts is decreasing compared with previous years. While these 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.

#### **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 generally the case if the INDUS Group holds more than 50% of the voting rights in a portfolio company or contractual provisions stipulate that the INDUS Group retains all of the main opportunities and risks associated with the company. 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
Fully consolidated subsidiaries			
January 1, 2010	93	23	116
Additions	1	2	3
Disposals	3	1	4
Dec. 31, 2010	91	24	115
Additions	2	2	4
Disposals	0	2	2
December 31, 2011	93	24	117
Companies valued using the equity method			
January 1, 2010	1	2	3
Additions	0	0	0
Disposals	1	0	1
Dec. 31, 2010	0	2	2
Additions	0	0	0
Disposals	0	0	0

On December 31, 2011, this disclosure encompassed 33 fully limited liability companies which constitute a "unit company" with the related commercial partnership (December 31, 2010: 33 fully limited liability companies).

Additions to the scope of consolidation result from acquisitions or the foundation of new companies, or from the assumption of the operating activities of portfolio companies that had not previously been consolidated.

Disposals from the scope of consolidation result from the sale of investments and from business combinations within the Group aus Veräußerung von Beteiligungen sowie, as well as the sale of portfolio companies in the previous year.

Eight subsidiaries and one investment 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 for them and their fair values cannot be ascertained at a reasonable cost. Including these companies in the consolidated financial statements would not change sales or earnings by more 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.

In some cases, there are call and/or put options for some non-controlling interests in fully consolidated companies. In all major cases, purchase price models ensure that the 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, provisions establish when the call and/or put option may be exercised for the first time.

#### **Business Combinations**

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

Effective October 1, 2011, Horn GmbH & Co. KG acquired a 100% stake in Pneumatic Components Limited (PCL), which is domiciled in Sheffield, UK, as well as in their three subsidiaries. PCL was included in the consolidated financial statements for the first time in October 2011.

PCL is the worldwide market leader in analog and digital systems for tire-filling technology and related activities. Along with the corporate headquarters in Sheffield, there are additional subsidiaries in the USA, India, and China. The units will be managed by HORN in Flensburg. The Sheffield site will also be maintained. PCL and HORN complement each other in terms of product ranges, market presentation, and market access. Considerable potential also exists with regard to development, purchasing, and product optimization.

The acquisition costs came to EUR 11,842,000 and were paid in cash. Funds totaling EUR 279,000 were acquired. Noncurrent assets include goodwill amounting to EUR 5,982,000, which is not tax-deductible. Goodwill represents inseparable assets such as staff expertise and positive expectations for future income, as well as synergistic effects arising from the aforementioned opportunities. In the 2011 fiscal year, PCL contributed sales of EUR 2,631,000 and earnings of EUR 133,000 to consolidated sales and income. Had its first-time consolidation taken place on January 1, 2011, the consolidated financial statements to December 31, 2011, would have included sales of EUR 10,906,000 and earnings of EUR 1,884,000 from PCL. The gross value of the assumed contractual accounts receivable totaled EUR 1,673,000, largely in line with their fair value.

Further information on first-time consolidation is contained in the following table.

Acquisitions: Pneumatic Components Ltd. EUR '000	Carrying amounts at time of addition	Assets added due to first-time consolidation	Additions consolidated statement of financial position
Noncurrent assets	1,647	9,641	11,288
Current assets	4,128	120	4,248
Total assets	5,775	9,761	15,536
Noncurrent liabilities	0	-1,058	-1,058
Current liabilities	-2,636	0	-2,636
Total liabilities	-2,636	-1,058	-3,694

Subsidiaries acquired a number of smaller units to round off the portfolio. Effective June 1, 2011, Semet Maschinen-bau GmbH & Co. KG acquired RI MAC Maschinen & Anlagen GmbH (RI MAC) based in Mauer, Germany. Primarily synergies in the construction and production areas in fundamentally different sales markets played a role in the acquisition of the company. HORN acquired the tank truck metering division of Hectronic GmbH, Bonndorf, Germany on December 1. This division adds systems for the calibrated, temperature-compensated release of liquid substances from tank trucks to the portfolio. The Kieback- Schäfer Group zudemacquired Pollman design studio on July 1, 2011 in order to build on the Group's design expertise.

The acquisition costs came to a total of EUR 1,671,000 and were paid in cash. Funds totaling EUR 109,000 were acquired. Noncurrent assets include goodwill amounting to EUR 850,000, which is not tax-deductible. Goodwill represents inseparable assets such as staff expertise and positive expectations for future income, as well as synergies from construction and production. In the 2011 fiscal year, these unitsGesellschaften contributed sales of EUR 3,495,000 and earnings of EUR –382,000 to consolidated sales and income. Had the first-time consolidation taken place on January 1, 2011, the consolidated financial statements to December 31, 2011, would have included sales of EUR 5,226,000 and earnings of EUR –574,000 from the companies. The gross value of the assumed contractual accounts receivable totaled EUR 533,000, largely in line with their fair value.

Other acquisitions: EUR '000	Carrying amounts at time of addition	Assets added due to first-time consolidation	Additions consolidated statement of financial position
Noncurrent assets	225	1,394	1,619
Current assets	1,059	201	1,260
Total assets	1,284	1,595	2,879
Noncurrent liabilities	0	-58	-58
Current liabilities	-1,107	0	-1,107
Total liabilities	-1,107	-58	-1,165

#### Disclosures about the Previous Year

Effective from January 1, 2010, INDUS Holding AG acquired a 60% ownership and voting rights stake in the Swiss company HAKAMA AG in Bättwil near Basel and expanded its business activities to Switzerland in the process. 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 option agreements were concluded for the remaining 40% of the shares with essentially identical exercise conditions for both sides. The options can be mutually exercised for the first time as of December 31, 2014 or, in the case of an earlier departure of non-controlling shareholders from management, at the time of departure. The combination of the two options provides for the immediate passing of the economic ownership of the shares embodied in the option. Accordingly, the company acquisition is presented as if 100% of the shares had been acquired.

The fair value of the entire consideration transferred for the acquisition of HAKAMA AG amounted to EUR 5,631,000 at the time of acquisition, of which EUR 4,199,000 was cash and EUR 1,432,000 was made up of contingent purchase price obligations. The latter results from the aforementioned reciprocal call/put option agreements. The contingent purchase price obligations were measured at the present value of the option price to be paid, which consists primarily of a fixed-price component.

The company acquisition included noncurrent assets of EUR 14,749,000 and current assets of EUR 3,559,000. No financial resources were acquired. The company acquisition entailed the assumption of noncurrent liabilities of EUR 10,822,000 and current liabilities of EUR 1,855,000. These noncurrent liabilities primarily involve finance leases.

The contingent purchase price obligation was adjusted after acquisition to reflect the current situation 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.

#### **Disposals**

In the **previous year,** INDUS sold the operating activities of BERNER GmbH & Co. KG effective as of May 1, 2010. The company was allocated to the Engineering segment.

Income and expenses attributable to discontinued operations in the fiscal years 2011 and 2010 were as follows:

EUR '000	2011	2010
Sales	0	1,052
	<del>-</del>	
Expenses and other income	0	-1,370
Operating result	0	-318
Net interest	0	0
Earnings before taxes	0	-318
Taxes	0	50
Earnings after taxes from current operations	0	-268
Income from deconsolidations	0	-1,582
Income from discontinued operations	0	-1,850
Tax expense (+)/revenue (-) from divestments	0	-274

#### Notes to the Statement of Income

#### [1] Sales

Sales include sales from services amounting to EUR 2,835,000 (previous year: EUR 4,948,000) and user charges amounting to EUR 285,000 (previous year: EUR 346,000). Sales also include EUR 81,043,000 in sales from customerspecific construction contracts (previous year: EUR 69,418,000).

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

#### [2] Other Income

EUR '000	2011	2010
	7 517	2.25/
Income from the release of accruals	7,517	3,356
Income from currency translation	1,504	2,391
Release of valuation allowances	1,419	1,226
Insurance compensation	620	1,726
Income from rental and lease agreements	791	852
Income from asset disposals	560	813
Transfer to earnings/release of deferrals carried as liabilities	518	570
Income from the subsequent valuation of non-controlling interests	1,047	333
Other operating income	6,390	8,331
Total	20,366	19,598

Income from currency translation amounting to EUR 1,504,000 (previous year: EUR 2,391,000) was offset by expenses of EUR -1,134,000 (previous year: EUR -2,164,000). Currency differences included in income therefore amounted to EUR 370,000 (previous year: EUR 227,000). Income from the subsequent valuation of non-controlling interests recorded in liabilities is offset by corresponding expenses amounting to EUR 0,000 (previous year: EUR -414,000).

#### [3] Own Work Capitalized

EUR '000	2011	2010
Other own work capitalized	4,149	1,715
Own work capitalized in accordance with IAS 38	1,011	1,244
Total	5,160	2,959

Furthermore, EUR 7,747,000 in research and development expenses were recognized as part of the expenses for the period (previous year: EUR 7,103,000).

#### Changes in Inventories

EUR '000	2011	2010
Work in process	14,580	14,128
Finished goods	6,618	4,126
Total	21,198	18,254

#### [4] Cost of Materials

EUR '000	2011	2010
Raw materials and goods for resale	-472,310	-399,958
Purchased services	-76,076	-62,030
Total	-548,386	-461,988

#### [5] Personnel Expenses

EUR '000	2011	2010
Wages and salaries	-247,127	-222,308
Social security	-44,301	-39,697
Pensions	-3,094	-3,123
Total	-294,522	-265,128

Personnel expenses do not include the interest accretion to transfers to pension provisions. These amounted to EUR –868,000 and were recognized as part of net interest (previous year: EUR –888,000).

#### [6] Depreciation and Amortization

EUR '000	2011	2010
Depreciation of property, plant, and equipment and intangible assets	-38,010	-37,095
Scheduled amortization from first-time consolidations	-3,255	-4,843
Impairment losses from first-time consolidations	-7,611	-1,658
Total	-48,876	-43,596

Amortization was carried out for cash-generating units in the Automotive Components/Engineering segment due to decreases in earning power. (Wiesauplast Group, Fichthorn and Reboplastic, previous year: Wiesauplast Group). The write-downs relate to impairments losses of EUR –6,037,000 on property, plant, and equipment (previous year: EUR –1,658,000) and write-downs on goodwill.

#### [7] Other Operating Expenses

EUR '000	2011	2010
Operating expenses	-50,992	-46,191
Selling expenses	-60,798	-55,462
Administrative expenses	-29,252	-26,783
Other expenses	-8,687	-11,535
Total	-149,729	-139,971

#### **Operating Expenses**

EUR '000	2011	2010
Land and buildings: leases and occupancy costs	-16,661	-16,496
Machinery and plant: leases and maintenance	-17,418	-14,607
Energy, supplies, tools	-11,119	-9,716
Other operating expenses	-5,794	-5,372
Total	-50,992	-46,191

#### **Selling Expenses**

EUR '000	2011	2010
Shipping, packaging, and provisions	-30,375	-25,934
Vehicle, travel, and entertaining costs	-12,881	-11,430
Marketing and trade fairs	-8,642	-9,250
Accounts receivable and guarantees	-7,104	-7,268
Other selling expenses	-1,796	-1,580
Total	-60,798	-55,462

#### **Administrative Expenses**

EUR '000	2011	2010
Consulting and fees	-9,326	-9,482
IT, office, and communication services	-9,739	-8,606
Insurance	-3,696	-3,453
Human resources	-3,512	-2,670
Other administrative costs	-2,979	-2,572
Total	-29,252	-26,783

#### Other Expenses

EUR '000	2011	2010
2011 000		2010
Cost of currency translation	-1,134	-2,164
Transfer to provisions	-1,998	-2,502
Subsequent valuation of purchase price for limited partnerships	0	-414
Disposal of fixed assets	-292	-1,160
Miscellaneous	-5,263	-5,295
Total	-8,687	-11,535

#### [8] Financial Result

Total	1,501	-432
Income from financial assets	1,501	281
Write-downs of financial assets	0	-713
EUR '000	2011	2010

#### [9] Net Interest

EUR '000	2011	2010
Interest and similar income	1,506	1,890
Interest and similar expenses	-24,449	-28,754
Interest from operations	-22,943	-26,864
IFRS interest: market value of interest-rate swaps	336	839
IFRS interest: non-controlling interests	-428	-1,364
IFRS interest	-92	-525
Total	-23,035	-27,389

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 partnershipsvon Personengesellschaften are entitled whose shareholdings are reported under liabilities at fair value in accordance with IAS 32. The proportion of earnings attributed to non-controlling shareholders is recognized as part of net interest for the purpose of consistency.

In the current fiscal year, interest expenses were reduced by the sum of capitalized borrowing costs totaling EUR 315,000 (previous year: 241,000). This was based on a financing cost rate of 5%.

#### [10] Taxes

Total	-32,942	-25,254
Deferred taxes	-2,305	2,135
Current taxes	-28,971	-23,599
Non-recurrent taxes	-1,666	-3,790
EUR '000	2011	2010

The non-recurring taxes result predominantly from external tax audits. The deferred taxes include EUR –866,000 for capitalized loss carryforwards (previous year: EUR –1,582,000) and EUR –1,439,000 from temporary differences (previous year: EUR 3,717,000).

The temporary differences in 2010 include EUR 3,418,000 in adjustments resulting from tax audits (primarily as a result of extending the tax-related useful lives for the value added in the supplementary tax balance sheets), which practically balanced out the non-recurring taxes.

#### **Special Tax Aspects**

INDUS Holding AG's business model is based on the idea of building up a portfolio of small and medium-sized niche enterprises which hold leading positions on their respective markets. Synergies play a subordinate role when INDUS Holding AG acquires subsidiaries. Each company is responsible for its own results, supported if necessary by the holding company's resources.

INDUS focused 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 only if sufficient taxable income can be generated in the five-year planning period.im Konzern

Trade tax is due at the level of the limited partnerships. Offsetting 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. This situation is reflected in the following overwiew in the item "No offsetting of income for independent subsidiaries."

#### Reconciliation from Expected to Actual Tax Expenses

EUR '000		2011	2010
Earnings before income taxes		88,577	74,047
Expected tax expenses	28.8 %	25,510	21,326
Reconciliation			
Capitalization or impairment of deferred tax loss carryforwards		867	1,477
Non-recurring actual and deferred taxes		1,665	372
Equity measurement of associated companies		-53	-45
Structural effects of			
divergent local tax rates		-156	-307
divergent national tax rates		166	144
Tax losses of INDUS Holding AG		-198	-1,332
No offsetting of income for autonomous subsidiaries		2,558	2,214
Foreign withholding tax on tax-free dividends		0	0
Effects of the interest deduction ceiling on INDUS Holding AG		1,027	1,356
Other non-deductible expenses or tax-free income		2,322	736
Actual use of tax loss carryforwards		-766	-687
Actual tax expenses		32,942	25,254
as a percentage of earnings		37,2	34,1

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 the previous year, income from discontinued operations included the income after taxes attributable to Maschinen-fabrik Berner GmbH & Co.

#### [12] Earnings per Share

Earnings per share amount to EUR 2.70 per share (previous year: EUR 2.59 per share). The weighted average number of shares in the current year was 20,543,819 (previous year: 18,676,200). Please turn to note [19] for further details.

EUR '000	2011	2010
Earnings attributable to INDUS shareholders	55,419	46,600
– Earnings attributable to discontinued operations	0	-1,850
Earnings attributable to continuing operations	55,419	48,450
Number of shares in circulation (thousands)	20,544	18,676
Earnings per share, continuing operations (in EUR)	2.70	2.59
Earnings per share, discontinued operations (in EUR)	-	0.10

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 contingent/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 2011	Opening balance	Additions in the scope					Currency	Closing balance
	Jan. 1,	of consoli-			Dis-		trans-	Dec. 31,
EUR '000	2011	dation		Additions	posals	Transfers	lation	2011
Goodwill	326,621	6,832		0	0	0	0	333,453
Capitalized development costs	14,084	0		1,165	0	0	0	15,249
Property rights, concessions and other intangible assets	92,660	2,068		3,218	-554	35	0	97,427
Total intangible assets	106,744	2,068		4,383	-554	35	0	112,676
Land and buildings	175,738	1,452		4,098	-1,024	635	0	180,899
Plant and machinery	296,412	1,275		19,286	-4,861	1,593	0	313,705
Other equipment, factory and	,							
office equipment	100,897	408		10,004	-3,845	313	0	107,777
Advance payments and work								
in process	3,295	0		8,453	-567	-2,576	0	8,605
Total property, plant,					40.00	.=	_	
and equipment	576,342	3,135		41,841	-10,297	-35	0	610,986
Cost in 2010	Opening balance	Additions in the scope	Disposals in the scope				Currency	Closing balance
EUR '000	Jan. 1, 2010	of consoli- dation	of consoli- dation	Additions	Dis- posals	Transfers	trans- lation	Dec. 31, 2010
Goodwill	328,851	0	-2,230	0	0	0	0	326,621
Capitalized development costs	12,638	0	0	1,446	0	0	0	14,084
Property rights, concessions and								
other intangible assets	86,623	540	-442	3,183	-456	3,212	0	92,660
Total intangible assets	99,261	540	-442	4,629	-456	3,212	0	106,744
Land and buildings	162,592	10,751	-2,509	2,761	-470	2,613	0	175,738
Plant and machinery	286,844	2,650	-7,820	18,158	-5,001	1,581	0	296,412
Other equipment, factory and								
office equipment	98,106	997	-1,935	8,104	-2,267	-2,108	0	100,897
Advance payments and work								
in process	4,472	0	0	4,251	-278	-5,298	148	3,295
Total property, plant,								
and equipment	552,014	14,398	-12,264	33,274	8,016	3,212	148	576,342

Amortization in 2011  EUR '000	Opening balance Jan. 1, 2011	Additions	Transfers	appre- ciation in value	Currency translation	Closing balance Dec. 31, 2011
Goodwill	37,048	1,574	0	0	0	38,622
Capitalized development costs	4,204	1,725	0	0	0	5,929
Property rights, concessions and other						
intangible assets	85,469	2,900	-554	-104	-10	87,701
Total intangible assets	89,673	4,625	-554	-104	-10	93,630
Land and buildings	49,398	10,641	-753	-15	-109	59,162
Plant and machinery	209,938	22,957	-4,529	0	-38	228,328
Other equipment, factory and						
office equipment	72,546	8,995	-3,460	-6	-32	78,043
Advance payments and work						
in process	0	84	-84	0	0	0
Total property, plant,						
and equipment	331,882	42,677	-8,826	-21	-179	365,533

Amortization in 2010	Opening	Disposals			00000	-	Closing balance
	balance Jan. 1.	in the scope of consoli-			appre- ciation	Currency	Dec. 31,
EUR '000	2010	dation	Additions	Transfers	in value	translation	2010
Goodwill	39,278	-2,230	0	0	0	0	37,048
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	2,751	-11	-20	85,469
Total intangible assets	82,145	-441	5,249	2,751	-11	-20	89,673
Land and buildings	44,126	-1,394	7,189	-318	-174	-31	49,398
Plant and machinery	198,602	-7,339	22,589	-4,192	0	278	209,938
Other equipment, factory and							
office equipment	70,398	-1,840	8,569	-4,577	0	-4	72,546
Advance payments and work							
in process	0	0	0	0	0	0	0
Total property, plant,							
and equipment	313,126	10,573	38,347	9,087	-174	243	331,882

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 came to EUR 10,330,000 for property and building leases (previous year: EUR 10,540,000) and EUR 870,000 for plant and machinery leases (previous year: EUR 1,180,000).

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

EUR '000	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Goodwill	294,831	289,573	289,573
Capitalized development costs	9,320	9,880	9,823
Property rights, concessions and other intangible assets	9,726	7,191	7,293
Total intangible assets	19,046	17,071	17,116
Land and buildings	121,737	126,340	118,466
Plant and machinery	85,377	86,474	88,242
Other equipment, factory and office equipment	29,734	28,351	27,708
Advance payments and work in process	8,605	3,295	4,472
Total property, plant, and equipment	245,453	244,460	238,888

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

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Other investments	648	200
Other loans	8,620	8,352
Shares accounted for using the equity method	1,508	1,324
Total	10,776	9,876

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.

The following overview contains additional information on associated companies:

EUR '000	2011	2010
Purchase price of associated companies	17	17
Appropriated income in the period	184	155
Key figures of the associated companies:		
Assets	10,066	7,154
Liabilities	5,949	3,559
Capital	4,117	3,595
Revenue	17,915	14,081
Earnings	885	394
Relations with associated companies:		
Accounts receivable	452	511
Sales	1,215	1,048
Goods purchased	0	0

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

#### [15] Other Assets

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Other tax refund claims	1,614	1,450
Accrual of payments not relating to the period under review	2,149	2,281
Reinsurance premiums	1,025	896
Loans and other receivables	272	247
Positive swap market value	215	871
Sundry assets	4,149	3,614
Total	9,424	9,359
of which current	7,148	7,944
of which noncurrent	2,276	1,415

#### [16] Current Income Taxes

Capitalized **current income taxes** amounting to EUR 411,000 are noncurrent (previous year: EUR 482,000), and result primarily from capitalized corporate income tax credits. Of the current income tax liabilities, EUR 703,000 is accounted for by liabilities from income taxes (previous year: EUR 731,000) and EUR 9,136,000 by income tax provisions (previous year: EUR 6,622,000).

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

<b>2011</b> EUR '000	Assets	Liabilities	Balance
Goodwill of limited partnerships	3,808	-22,503	-18,695
Intangible assets	399	-3,369	-2,970
Property, plant, and equipment	4,633	-4,851	-218
Other noncurrent assets	526	-947	-421
Receivables and inventories	1,092	-421	671
Other current assets	35	-62	-27
Long-term provisions	2,590	-254	2,336
Current liabilities	1,737	-1,807	-70
Capitalization of losses carried forward	3,244	0	3,244
Netting-out of accounts	-15,108	15,108	0
Deferred taxes in statement of financial position	2,956	-19,106	-16,150

2010			
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
Deferred taxes in statement of financial position	2,747	-15,743	-12,996

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 is explained in the following tables:

#### Development of deferred taxes

EUR '000	1.1.2011	Statement of Income	Neutral	Dec. 31, 2011
Trade tax	3,738	-706	0	3,032
Corporate tax	219	-7	0	212
Capitalization of losses carried forward	3,957	-713	0	3,244
Other deferred taxes in statement of financial position	-16,953	-1,592	-849	-19,394
Deferred taxes in statement of financial position	-12,996	-2,305	-849	-16,150

EUR '000	1.1.2010	Statement of Income	Neutral	Dec. 31, 2010
Trade tax	4,208	-470	0	3,738
Corporate tax	1,226	-1,007	0	219
Capitalization of losses carried forward	5,434	-1,477	0	3,957
Other deferred taxes in statement of financial position	-20,344	3,612	-221	-16,953
Deferred taxes in statement of financial position	-14,910	2,135	-221	-12,996

#### **Neutral Changes in Deferred Taxes**

EUR '000	2011	2010
Reserve for marked-to-market valuation of financial instruments	316	-81
Currency translation reserve	-88	-120
Change in scope of consolidation	-1,077	-20
Total	-849	-221

The capitalized deferred taxes were based on trade tax and corporate income tax losses carried forward amounting to EUR 24,375,000 (previous year: EUR 28,513,000).

Other losses carried forward amounting to EUR 128,885,000 (previous year: EUR 114,307,000) 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 Group, 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.

Due to the lack of opportunities for realizing them, deferred tax assets of EUR 950,000 were not recognized (previous year: EUR 136,000). Deferred tax assets totaling EUR 1,036,000 (previous year: EUR 1,216,000) were recognized in addition to the relevant deferred tax liabilities for companies which have recently suffered tax losses.

#### [17] Accounts Receivable

EUR '000	Dec. 31, 2011	Dec. 31, 2010
Accounts receivable from customers	101,573	112,172
Future accounts receivable from customer-specific construction contracts	6,397	4,934
Accounts receivable from associated companies	452	511
Total	108,422	117,617

In the year under review, EUR 299,000 in accounts receivable from customers were shown under noncurrent assets as they had maturities of over one year (previous year: EUR 287,000).

The accounts receivable from customer-specific construction contracts amounting to EUR 181,000 have long-term maturities (previous year: EUR 138,000). Further information on construction contracts is contained in the following table:

EUR '000	2011	2010
Costs incurred including prorated income	29,363	30,361
Advance payments received	33,713	29,441
Construction contracts with a positive balance	6,397	4,934
Construction contracts with a negative balance	10,747	4,014

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 -4,637,000 (previous year: EUR -5,508,000). They developed as follows:

EUR '000	2011	2010
Valuation allowances as of January 1	5,508	4,884
Currency translation	-1	31
Changes in the scope of consolidation	65	-20
Additions	2,351	2,144
Utilization	-1,867	-304
Reversals	-1,419	-1,227
Valuation allowances as of December 31	4,637	5,508

#### [18] Inventories

Total	222,778	178,756
Prepayments for inventories	2,264	1.713
Finished goods and goods for resale	69,668	56,488
Unfinished goods	67,770	57,100
Raw materials and supplies	83,076	63,455
EUR '000	Dec. 31, 2011	Dec. 31, 2010

The value of the inventories' carrying amounts was adjusted downward by EUR 14,297,000 (previous year: EUR 12,046,000), of which EUR 5,998,000 is comprised of reductions in fair value (previous year: EUR 5,393,000). No inventories were pledged as collateral for liabilities.

#### [19] Group Equity

#### **Subscribed Capital**

The capital stock came to EUR 57,792,116.42 on the reporting date. It is divided into 22,227,737 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.

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. 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 also has the power to determine the further details of the capital increase.

Following the decision of the Annual Shareholders' Meeting on July 5, 2011, the Board of Management is authorized to increase the company's capital stock additionally by up to EUR 11,940,519.61 through the one-time or multiple issuance of new bearer shares in exchange for contributions in cash and/or kind (Authorized Capital II) until Monday, July 4, 2016 (inclusive), according to Item 4.4 of the articles of incorporation, and subject to the approval of the Supervisory Board. Subject to the approval of the Supervisory Board, the Board of Management is empowered to determine other details of the capital increase and to exclude shareholder subscription rights:

- 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 shares issued with subscription rights excluded due to this empowerment and in accordance with Sec. 203 Para. 1, Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG) may not exceed 10% of the company's capital stock either at the time when this empowerment comes into force or, if this value is smaller, when it 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 bonds with conversion rights issued during the term of this authorization, insofar as this occurs under the direct or analogous application of Sec. 186 Para. 3 Sentence 4 of the German Stock Corporation Act.
- in the event of a capital increase against contributions in kind for the purpose of acquiring companies, parts of companies, or investments in companies. The shares issued without subscription rights due to this empowerment may not exceed 10% of the company's capital stock either at the time when this empowerment comes into force or, if this value is smaller, when it is exercised.
- in order to exempt fractional amounts from shareholder subscription rights.

On November 3, 2011, the Board of Management resolved to increase capital stock by EUR 5,253,825.20 to EUR 57,792,116.42 by issuing 2,020,702 new bearer shares at an issue price of EUR 18.40 to the exclusion of subscription rights and making partial use of Authorized Capital II. The Supervisory Board approved this decision with its resolution dated November 3, 2011. The capital increase has been effected and was entered in the commercial register on November 11, 2012. By resolution of the Supervisory Board of November 3, 2011, Item 4 (Capital Stock and Shares) of the articles of incorporation was amended accordingly.

Authorized Capital II therefore now totals EUR 6,686,694.41.

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 company's capital stock has been conditionally increased by up to EUR 26,269,145.61, divided into 10,103,517 no-par-value bearer or - insofar as the company's articles of incorporation allow for the issue of registered shares at the time of issuance - registered shares (Contingent Capital). The contingent capital increase will only be performed insofar as the owners of bonds with warrants or convertible bonds that were issued or quaranteed by INDUS Holding Aktiengesellschaft or its direct or indirect majority-owned holdings by July 4, 2016, and stemming from the authorization resolution from the Ordinary Shareholders' Meeting on July 5, 2011, exercise their option or conversion rights, or the owners of warrants from bonds with warrants or convertible bonds that were issued or guaranteed by INDUS Holding AG or its direct or indirect majority-owned holdings by July 4, 2016, and stemming from the authorization resolution from the Ordinary Shareholders' Meeting on July 5, 2011, fulfill their option or conversion obligation and insofar as the contingent capital is required in accordance with the conditions of options and/or convertible bonds.

#### 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 36.7 % (previous year: 31.8%).

#### 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 Automotiva do Brasil. Interests held by non-controlling shareholders in limited partnerships and limited liability companies, for which the economic ownership of the corresponding non-controlling interests had already been passed on under reciprocal option agreements, and corporations consolidated according to the full goodwill method as a consequence of certain option contracts, von in Folge bestimmter Optionsverträge nach der Full Goodwill Methode konsolidierter Kapitalgesellschaften 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 1.00 per no-par-value share. For shares, this corresponds, with 22,227,737 shares, a payment of EUR 22,227,737.00. The full text of the dividend proposal is published separately.

#### **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 327,457,000 (previous year: EUR 394,932,000). Taking equity in the statement of financial position into account, total capital comes to EUR 709,552,000 (previous year: EUR 704,421,000). Relative to total interest-bearing capital employed, the equity ratio amounts to 53.9% (previous year: 43.9%).

NDUS 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] Financial Liabilities

Information on Financial Liabilities and the Related Derivatives is Contained in the Following Tables:

Information on contractual repayment obligations/ remaining terms	Dec. 31, 2011 Carrying amount for	Re	Repayment obligation		
EUR '000	period under review	1 year	1 to 5 years	Over 5 years	
Liabilities to banks					
in the Group's currency EUR	386,146	95,085	227,713	63,348	
in Swiss francs	13,127	8,148	3,307	1,672	
in other currencies	5,285	331	4,677	277	
Finance leases *	12,725	1,615	5,434	5,676	
ABS financing	0	0	0	0	
Promissory note bonds	17,000	6,500	10,500	0	
Total financial liabilities	434,283	111,679	251,631	70,973	
Derivatives/interest-rate swaps – Nominal values	196,269	36,324	129,685	30,260	

Information on contractual repayment obligations/ remaining terms	Dec. 31, 2010 Carrying amount for	Re	epayment obliga	tion
EUR '000	period under review	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
Total financial liabilities	476,231	149,814	253,553	72,864
Derivatives/interest-rate swaps – Nominal values	191,684	37,624	121,725	32,335

<sup>\*</sup> Financial liabilities also include finance leases related to real estate and machinery, the majority of which came about as part of the acquisition of HAKAMA as an asset deal.

Remaining fixed- interest period		Weighted _	Financial Liabilities			Derivatives: interest-rate swaps	
EUR '000	Risk-free going interest rates	interest rate based on the carrying amount	Nominal volume/ historical cost	Carrying amount as of Dec. 31, 2011	Carrying amount as of Dec. 31, 2010	Nominal value as of Dec. 31, 2011	Nominal value as of Dec. 31, 2010
<1 year	0.00%	3.06%	361,936	227,885	252,571	3,692	33,418
1 to < 2 years	0.14%	5.51%	60,196	20,303	28,957	7,983	4,405
2 to <3 years	0.36%	5.38 %	82,208	43,645	27,001	20,888	10,700
3 to < 4 years	0.61%	4.27 %	28,407	12,908	53,522	19,783	24,710
4 to <5 years	0.87%	4.86 %	37,113	26,151	14,912	59,036	24,717
> 5 years	1.99%	4.76%	126,614	103,391	99,268	84,887	93,734
Total			696,474	434,283	476,231	196,269	191,684
Market values of or	riginal						
and derivative finan	cial instrume	ents		413,310	456,978	-10,251	-9,378

IAs of the reporting date, EUR 0 in accounts receivable (previous year: EUR 49,251,000) 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 0 (previous year: EUR 43,892,000) 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.

#### [21] Disclosure in Accordance with IAS 19: Statement of Financial Position and Statement of Income

Statement of Income EUR '000	2011	2010	Change
Current service cost	287	238	49
Interest cost	868	888	-20
Income from plan assets	-89	-70	-19
Recognized actuarial gain or loss	91	98	-7
Service cost subject to retrospective settlement	0	0	0
Cost of defined benefit obligation	1,157	1,154	3
+ defined contribution plan cost	2,805	2,676	129
= cost of pension commitments for the period carried on the statement of income	3,962	3,830	132

Statement of Financial Position Valuation EUR '000	2011	2010	Change
Present value of benefit obligations financed by provisions	17,120	17,273	-153
Present value of funded benefit obligations	1,996	2,451	-455
DBO: accumulated benefit obligation	19,116	19,724	-608
Market value of plan assets	-1,996	-2,451	455
Net obligation	17,120	17,273	-153
Unrecognized actuarial result	-839	-1,732	893
Closing balance: amount carried on the statement			
of financial position as of December 31	16,281	15,541	740
Pension obligation expenses	1,157	1,154	3
Pension payments	-872	-743	-129
Change in the scope of consolidation	455	-864	1,319
Opening balance: amount carried on the statement			
of financial position as of January 1	15,541	15,994	
Underlying assumptions:			
Discount rate	5.00%	4.50%	
Salary trend	2.50%	2.00%	
Pension trend	1.75%	1.50%	
Expected income from plan assets	4.00%	4.00%	

Interest expenses are stated in the item "Net interest." The anticipated income from plan assets essentially corresponds to actual income.

The changes from netting-out transactions are the result of pledges from reinsurance policies or beneficiaries waiving entitlements to the benefit of the company.

Plan assets consist solely of reinsurance policies. Plan assets developed as follows:

EUR '000	2011	2010
Assets as of January 1	2,451	1,587
Expected return on plan assets	89	70
Ongoing employer contributions	46	238
Pensions paid	-139	-176
Netting out/Other	-451	732
Assets as of December 31	1,996	2,451

The statement of financial position also includes reimbursement claims totaling EUR 1,025,000 (previous year: EUR 740,000). Due to the restrictions of IAS 19.58(b), EUR 543,000 was not recognized as assets (previous year: EUR 508,000).

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	2011	2010	2009	2008	2007	2006
Defined benefit obligation (DBO)	19,116	19,724	17,352	17,776	16,497	16,565
Market value of plan assets	-1,996	-2,451	-1,587	-1,565	-1,587	-1,375
Benefit obligation	17,120	17,273	15,765	16,211	14,910	15,190
Unrecognized actuarial gain/loss	-839	-1,732	229	-47	214	-397
Closing balance: amount carried on the statement of financial position as of December 31	16,281	15,541	15,994	16,164	15,124	14,793

#### [22] Provisions

<b>2011</b> EUR '000	Opening balance Jan. 1, 2011	Change in scope of consolidation	Amount utilized	Reversal	Additions/ new accruals	Currency adjustments	Closing balance Dec. 31, 2011
Sales and purchasing							
obligations	16,289	229	-11,165	-2,432	17,863	31	20,815
Personnel expenses	12,528	193	-9,406	-269	10,843	31	13,920
Other provisions	17,853	183	-8,551	-4,865	9,955	-39	14,536
Total	46,670	605	-29,122	-7,566	38,661	23	49,271
2010 EUR '000	Opening balance Jan. 1, 2010	Change in scope of consolidation	Amount utilized	Reversal	Additions/	Currency adjustments	Closing balance Dec. 31, 2010
EUR UUU	Jan. 1, 2010	Consolidation	utitized	Reversal	new acciuats	aujustinents	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

The allocations to provisions for pensions [21] include interest accretions totaling EUR 868,000 (previous year: EUR 888,000). In addition, EUR 405,000 in interest has been included in the provisions (previous year: EUR 561,000).

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	Dec. 31, 2011	Current	Noncurrent	Dec. 31, 2010	Current	Noncurrent
Accounts payable to outside sharehol-						
ders	13,043	4,994	8,049	13,567	4,534	9,033
Accounts payable for personnel	12,450	12,450		10,729	10,729	
Accrual of non-recurrent payments	7,946	7,946		5,788	5,788	
Accrual of payments not relating to the						
period under review	4,058	2,570	1,488	5,453	2,974	2,479
Advance payments received	5,947	5,947		3,193	3,193	
Construction contracts with a negative						
balance	10,747	10,747		4,014	4,014	
Investment subsidies	3,016	270	2,746	2,536	282	2,254
Derivative financial instruments	10,153	10,153		8,029	8,029	
Customer credit notes	4,608	4,608		3,231	3,231	
Sundry other liabilities	11,267	10,651	616	9,469	8,451	1,018
Total	83,235	70,336	12,899	66,009	51,225	14,784

Accounts payable to outside shareholders included EUR 8,049,000 (previous year: EUR 9,033,000) in severance payment entitlements for non-controlling shareholders, who could tender their shares to INDUS due to termination of the articles of incorporation or on the basis of option agreements.

#### Information on the Significance of Financial Instruments

#### Financial Instruments: Assets

EUR '000	2011	Measured by other standards*	Financial instruments IFRS 7	2010	Measured by other standards*	Financial instruments IFRS 7
Financial assets	9,268		9,268	8,552		8,552
Cash and cash equivalents	123,107		123,107	96,840		96,840
Accounts receivable	108,422	6,229	102,193	117,617	4,934	112,683
Other assets	9,424	1,614	7,810	9,359	1,450	7,909
Total financial instruments			242,378			225,984

<sup>\*</sup> IAS 11, IAS 12

#### Financial Instruments: Equity and Liabilities

EUR '000	2011	Measured by other standards*	Financial instruments IFRS 7	2010	Measured by other standards*	Financial instruments IFRS 7
Financial liabilities	434,283		434,283	476,231		476,231
Trade accounts payable	46,056		46,056	36,053		36,053
Other liabilities	83,235	21,709	61,526	66,009	12,338	53,671
Total financial liabilities			541,865			565,955

<sup>\*</sup> IAS 11, IAS 12 and IAS 20

#### Financial Instruments by Valuation Categories

<b>2011</b> EUR '000	Carrying amount	Market value	Net gains/ losses
Measured at fair value through profit and loss			
for trading purposes	215	215	-656
designated instrument	-	-	-
Held-to-maturity financial investments	-	-	-
Loans and receivables	241,515	242,872	-1,165
Available-for-sale financial assets	648	648	1,282
Financial instruments: assets	242,378	243,735	-539
Measured at fair value through profit and loss			
for trading purposes	10,153	10,153	-2,124
designated instrument	-	-	-
Financial liabilities measured at their residual carrying amounts	531,712	510,727	115
Financial instruments: equity and liabilities	541,865	520,880	-2,009

2010	Carrying	Market	Net gains/
EUR '000	amount	value	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
Financial instruments: assets	225,984	226,330	-1,949
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
Financial instruments: equity and liabilities	565,955	546,482	-1,047

DAvailable-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 –1,640,000; previous year: EUR –1,789,000), 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–27B. 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 –21,986,000 (previous year: EUR –26,073,000).

#### 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 are made between INDUS Holding AG and the portfolio companies depending on the liquidity situation. INDUS Group has adequate reserves of cash and cash equivalents to ensure that it can act quickly at any time (Current year: EUR 123.1 million, previous year: EUR 96.8 million) There are also unused lines of credit totaling EUR 27.3 million (previous year: EUR 22.4 million).

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. The long-term financial planning, which includes tranches and revolving new lines of financing, limits the financing risk.

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**

Total financial instruments	240,724	333,272	110,278
Other liabilities	59,913	10,153	0
Trade accounts payable	46,056	0	0
Interest rate derivatives	3,454	6,457	782
Financial liabilities	131,301	316,662	109,496
EUR '000	1 year	1 – 5 years	Over 5 years

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 twelve customers (previous year: eight) each accounted for more than 1% of the Group's sales. This amounts to around 40% 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 27%. (previous year: 30%)

Am Bilanzstichtag existieren wie im Vorjahr keine nicht überfälligen Forderungen an Kunden und assoziierte Unternehmen, die ohne neue Verhandlungen überfällig gewesen wären.

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	2011	2010
Amount carried in the statement of financial position*	102,324	112,969
+ valuation allowances contained therein	4,637	5,508
= gross value of accounts receivable before valuation allowances	106,961	118,477
of which as per reporting date		
– neither impaired nor overdue	75,894	87,203
– not impaired and overdue by the following periods:		
less than 3 months	20,768	21,896
3 to 6 months	1,866	1,380
6 to 9 months	1,267	614
9 to 12 months	382	599
over 12 months	773	520

 $<sup>^{*}</sup>$  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 the Group. The main focus is on financing the long-term development of its 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 +/-100 basis points changes the market values of all financial instruments by approximately + EUR 15.5 million or - EUR 7.9 million (previous year: +/- EUR 11.9 million). The market values of the interest rate derivatives change by approximately +/- EUR 5.6 million (previous year: +/- EUR 4.0 million), of which +/- EUR 4.6 million (previous year: +/- EUR 1.4 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 +/- EUR 1.0 million (previous year: +/- EUR 2.6 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 transactions 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 0.6 million (previous year: EUR +3.1 million). This is due primarily to loans taken out by INDUS Holding AG in Swiss francs amounting to EUR +0.5 million (previous year: EUR +2.3 million) and forward contracts in US dollars amounting to EUR +0.1 million (previous year: EUR +0.4 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 17.6 million (previous year: EUR 13.0 million). These hedges had a market value of EUR –95,000 (previous year: EUR 139,000).

Commodity hedges have been concluded with a nominal volume of EUR 1.4 million (previous year: EUR 1.8 million). These hedges had a market value of EUR –254,000 (previous year: EUR 665,000).

The Group maintained interest rate hedges with a nominal volume of EUR 196,269,000 (previous year: EUR 191,684,000). They had market values amounting to EUR –10,251,000 (previous year: EUR –9,378,000). Further details on terms and maturities are included in the report on financial liabilities.

#### **Segment Reporting**

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**

Segment reporting in accordance with IFRS 8	Automotive Compo-	Medical Enginee-	Construc-		Metal/	T		Consoli- dated
<b>2011</b> EUR '000	nents/En- gineering	Science	tion/Infra- structure	Engineering	Metal Pro- cessing	segments	Reconci- liation	financia statements
External sales	334,683	84,810	234,644	145,595	304,825	1,104,557	159	1,104,716
Internal sales	32,436	3,681	8,462	7,405	28,841	80,825	-80,825	(
Sales	367,119	88,491	243,106	153,000	333,666	1,185,382	-80,666	1,104,71
Segment earnings (EBIT)	12,188	12,926	37,372	17,016	37,170	116,672	-5,060	111,612
Earnings from equity valuation	0	0	184	0	0	184	0	184
Depreciation/Amortization	-28,296	-2,765	-5,230	-2,211	-10,104	-48,606	-270	-48,87
of which scheduled depreciation from first-time								
consolidation	-2,265	-56	-451	-172	-311	-3,255	0	-3,25
of which unscheduled depreciation from first-time								
consolidation	-7,611	0	0	0	0	-7,611	0	-7,61
Capital expenditure	19,706	3,262	5,901	14,499	14,488	57,856	403	58,25
of which company acquisitions	0	0	0	12,035	0	12,035	0	12,03
shares accounted for using							_	
the equity method	0	0	1,508	0	0	1,508	0	1,50
Additional information: EBITDA	40,484	15,691	42,602	19,227	47,274	165,278	-4,790	160,48
Additional information: Goodwill	68,180	43,485	100,246	50,985	31,935	294,831	0	294,83
Segment reporting	Automotive	Medical						Consoli
in accordance with IFRS 8	Compo-	Enginee-	Construc-		Metal/			date
2010 EUR '000	nents/En- gineering	ring/Life Science	tion/Infra-	Engineering	Metal Pro- cessing	Total segments	Reconci-	financia statement
EUR UUU	gineering	Science	Structure	Engineering	cessing	Segments	lidtion	Statement
External sales	284,766	81,570	205,472	128,956	270,582	971,346	239	971,58
Internal sales	22,492	3,568	7,740	7,076	23,663	64,539	-64,539	
Sales	307,258	85,138	213,212	136,032	294,245	1,035,885	-64,300	971,58
Segment earnings (EBIT)	4/055							
Foundation for the Control of the Co	14,355	12,395	27,870	14,310	39,640	108,570	-7,134	101,43
Larnings from equity valuation	1 <b>4,355</b>	<b>12,395</b>	<b>27,870</b> 155	<b>14,310</b>	<b>39,640</b>	<b>108,570</b> 155	<b>-7,134</b>	<b>101,43</b>
· · ·					· · · · · · · · · · · · · · · · · · ·			15
Earnings from equity valuation  Depreciation/Amortization  of which scheduled depreciation from first-time	- <b>22,951</b>	-3,100	155	-1, <b>930</b>	-10,336	155 <b>-43,294</b>	- <b>302</b>	15 <b>-43,59</b>
Depreciation/Amortization of which scheduled depreciation from first-time consolidation	0	0	155	0	0	155	0	15 <b>-43,59</b>
Depreciation/Amortization  of which scheduled depreciation from first-time consolidation of which unscheduled depreciation from first-time	-22,951 -3,198	-3,100 -50	155 <b>-4,977</b> -740	-1,930 -31	-10,336 -823	155 -43,294 -4,842	- <b>302</b>	-43,59 -4,84
Depreciation/Amortization  of which scheduled depreciation from first-time consolidation of which unscheduled depreciation from first-time consolidation	-3,198 -1,658	-3,100 -50	155 -4,977 -740	-1,930 -31	-10,336 -823	155 -43,294 -4,842 -1,658	0 -302 0	-43,59 -4,84 -1,65
Depreciation/Amortization  of which scheduled depreciation from first-time consolidation of which unscheduled depreciation from first-time consolidation  Capital expenditure	-3,198 -1,658 <b>19,164</b>	-3,100 -50 0 2,359	155 -4,977 -740 0 6,276	-31 0 1,145	-823 0 23,015	155 -43,294 -4,842 -1,658 51,959	0 -302 0	-43,59 -4,84 -1,65 <b>52,04</b>
Depreciation/Amortization  of which scheduled depreciation from first-time consolidation of which unscheduled depreciation from first-time consolidation  Capital expenditure of which company acquisitions	-3,198 -1,658 <b>19,164</b>	-3,100 -50	155 -4,977 -740	-1,930 -31	-10,336 -823	155 -43,294 -4,842 -1,658	0 -302 0	-43,59 -4,84 -1,65 <b>52,04</b>
Depreciation/Amortization  of which scheduled depreciation from first-time consolidation of which unscheduled depreciation from first-time consolidation  Capital expenditure	-3,198 -1,658 <b>19,164</b>	-3,100 -50 0 2,359	155 -4,977 -740 0 6,276	-31 0 1,145	-823 0 23,015	155 -43,294 -4,842 -1,658 51,959	0 -302 0	-43,59 -4,84 -1,65 <b>52,04</b> 14,13
Depreciation/Amortization  of which scheduled depreciation from first-time consolidation of which unscheduled depreciation from first-time consolidation  Capital expenditure of which company acquisitions shares accounted for using	-22,951 -3,198 -1,658 19,164	0 -3,100 -50 0 2,359	155 -4,977 -740 0 6,276	0 -1,930 -31 0 1,145	0 -10,336 -823 0 23,015 14,139	155 -43,294 -4,842 -1,658 51,959 14,139	0 -302 0 0 83	-43,59 -4,84

#### Reconciliation

EUR '000	2011	2010
Segment earnings (EBIT)	116,672	108,570
Areas not allocated, incl. holding company	-4,526	-6,991
Consolidations	-534	-143
Net interest	-23,035	-27,389
Earnings before taxes	88,577	74,047

#### **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.

Noncurrent assets, less deferred taxes and financial instruments, are based on the domiciles of the respective companies. Further differentiation is not expedient as the majority of the companies are domiciled in Germany.

<b>2011</b> EUR '000	Germany	Abroad	Group
Sales revenues with third parties	599,894	504,822	1,104,716
Noncurrent assets, less deferred taxes and financial instruments	482,127	78,711	560,838

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

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**

Total collateral	35,829	82,015
Other collateral	1,094	387
Pledged receivables (ABS financing)	0	49,251
Land charges	34,735	32,377
EUR '000	2011	2010

#### Other Financial Obligations

Obligations from guarantees came to EUR 15,422,000 (previous year: EUR 14,577,000). Most of these are external obligations which INDUS Holding AG assumed in connection with the business activities of the portfolio companies. Currently, it is extremely unlikely that the beneficiaries would utilize the guarantees.

#### 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:

EUR '000	2011	2010
Up to 1 year	13,698	11,113
1 to 5 years	32,645	26,707
Over 5 years	34,004	37,933
Total	80,347	75,753

Purchase obligations for fixed assets amount to EUR 13,320,000 (previous year: EUR 6,459,000), of which EUR 13,230,000 (previous year: EUR 5,969,000) was for property, plant, and equipment, and EUR 90,000 (previous year: EUR 490,000) 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.

Operating lease installments in the year under review amounted to EUR 14,578,000 (previous year: EUR 13,113,000).

The following overview shows amounts from **finance leases** payable in the future.

2011				
EUR '000	1 year	1 – 5 years	Over 5 years	Total
Lease installments	1,950	6,283	6,185	14,418
Interest component	350	965	372	1,687
Carrying amount/present value	1,600	5,318	5,813	12,731
2010				
EUR '000	1 year	1 – 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

Favourable purchase options generally exist for the corresponding assets (property, plant, and equipment), which, as far as we know, will also be exercised. The purchase prices are fixed and there are no price adjustment clauses. The agreements are based on interest rates ranging between 2.5% and 5.8%. There are no rental payments, contingent or otherwise, from subleases.

#### Average Number of Employees in the Fiscal Year

Region	2011	2010
Germany	5,330	4,775
Abroad	1,403	1,261
Total	6,733	6,036
Туре	2011	2010
Wage earners	4,646	4,141
Salaried employees	2,087	1,895
Total	6,733	6,036

#### **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 2011 and six members in 2010), the Board of Management at INDUS Holding AG (2011: four members, previous year: four members), and the managing directors of the operating units (2011: 64 individuals, previous year: 57 individuals). In the 2011 fiscal year, seven managing directors held non-controlling interests in their companies (previous year: five). 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 2011 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.

#### **Compensation Overview**

<b>2011</b> EUR '000	Period expense	Of which wages and salaries	Of which SARs*	Of which severance	Of which pensions
INDUS Holding AG					
Board of Management	374	374	0	0	0
Supervisory Board	2,981	2,747	234	0	0
Subsidiaries	0	0	0	0	0
Managing directors	11,839	11,828	0	11	0
Family members	558	558	0	0	0
Total	15,752	15,507	234	11	0

<b>2010</b> 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		0	0
Supervisory Board	2,995	2,859	136	0	0
Subsidiaries					
Managing directors	11,146	10,840		306	0
Family members	314	254		0	60
Total	14,667	14,165	136	306	60

<sup>\*</sup> SAR = stock appreciation rights

In the 2011 fiscal year, ten family members of partners or managing directors were employed at the portfolio companies (previous year: six individuals).

#### Remuneration of the 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. The Supervisory Board held five sessions in 2011 and four in 2010.

#### 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 remuneration for their management board members in future. This obliged INDUS Holding AG to restructure the variable remuneration 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 twice 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.

116,475 SARs were issued in the 2011 fiscal year (previous year: 169,160) at an exercise price of EUR 23.35 (previous year: EUR 12.13). The payout claims of all beneficiaries ensuing from this tranche are limited to an aggregate sum of EUR 630,000 (previous year: EUR 630,000). At the time when they were granted, the fair value of the SARs totaled EUR 350,000 (previous year: EUR 350,000). The pro rata temporis fair value of the SARs granted amounted to EUR 326,000 as of the reporting date (previous year: EUR 136,000). A provision for this amount was formed in the annual financial statements. Personnel expenses include the EUR 234,000 change in fair value before discounting (previous year: EUR 136,000). 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.

For the 2011 fiscal year, the compensation paid to the members of the Board of Management of INDUS Holding Aktiengesellschaft comprises fixed basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program) and stock-based compensation in the form of virtual stock options (long-term incentive program). The following amounts were paid to each member of the Board of Management.

EUR '000	Basic salary	Variable Compensation	Virtual Stock options	Total
Helmut Ruwisch	522	448	114	1,084
Jürgen Abromeit	330	303	40	673
Dr. Wolfgang Höper	261	253	40	554
Dr. Johannes Schmidt	327	303	40	670
Total amount	1,440	1,307	234	2,981
Previous year	1,379	1,480	136	2,995

#### Other Relations

In the 2011 fiscal year, the members of the Supervisory Board received EUR 0 (previous year: EUR 7) 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 111,000; previous year: EUR 200,000), property and building leases (EUR 112,000, previous year: EUR 112,000), and goods and services (EUR 3,753,000; previous year: EUR 2,671,000). There were EUR 529,000 in outstanding accounts receivable from affiliated companies as of the reporting date (previous year: EUR 272,000). There were also EUR 294,000 in loans (previous year: EUR 450,000) with arm's length interest rates. Non-controlling shareholders earned interest totaling EUR 409,000 (previous year: EUR 582,000).

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 210,000 (previous year; EUR 187,000) for the audit of the financial statements, EUR 5,000 (previous year: EUR 5,000) for other services involving opinions and valuations, EUR 22,000 (previous year: EUR 5,000) for tax consulting, and EUR 45,000 (previous year: EUR 9,000) for other services.

#### German Corporate Governance Code

In December 2011, 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)

Mr. Hans Joachim Selzer, Germany, notified us on March 1, 2011, in accordance with Sec. 21 Para. 1 of the German Securities Trading Act (WpHG) that his share of voting rights in INDUS Holding AG, Bergisch Gladbach, Germany exceeded the thresholds of 3% and 5% of voting rights on February 28, 2011, and totaled 8.53% on this date (equivalent to 1,723,808 voting rights). Pursuant to Sec. 22 Para. 1 No. 6 of the German Securities Trading Act (WpHG), he is entitled to 8.53% (corresponding to 1,723,808 voting rights). Pursuant to Sec. 22 Para. 1 No. 1 of the German Securities Trading Act (WpHG), he is also entitled to 1.83% (corresponding to 370,033 voting rights).

Pursuant to Sec. 21 Para. 1 of the German Securities Trading Act (WpHG), the insurance institution Versicherung-skammer Bayern Versicherungsanstalt des öffentlichen Rechts, Munich announced on November 21, 2011, that its voting rights stake in INDUS Holding AG, Bergisch Gladbach, Germany exceeded the 10% and 15% threshold on November 11, 2011, and came to 17.36% on that day (corresponding to 3,857,704 voting rights).

According to the disclosure of Bayrischer Versicherungsverband Versicherungsaktiengesellschaft, Munich, Germany, made on November 30, 2011, 2.34% of the voting rights (corresponding to 520,702 voting rights) were allocated to this company on November 25, 2011.

#### 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 by December 31, 2011 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 filed in the electronic version of the commercial register.

Bergisch Gladbach, Germany, April 19, 2011 INDUS Holding AG

The Board of Management

Helmut Ruwisch

Dr. Wolfgang Höper

Dr. Johannes Schmidt

# FURTHER INFORMATION

## **Responsibility Statement**

To the best of our knowledge, and in accordance with the applicable accounting principles as of December 31, 2011, the consolidated financial statements give a true and fair view of the assets, financial, and earnings position of the Group, and the management report for the 2011 fiscal year includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bergisch Gladbach, April 19, 2012 INDUS Holding AG

The Board of Management

Helmut Ruwisch

Jürgen Abromei

Dr. Wolfgang E. Höpe

Dr.-Ing. Johannes Schmidt

## **Dividend Proposal**

The following proposal will be submitted to the Annual Shareholders' Meeting regarding the appropriation of the balance sheet profit for the 2011 fiscal year to the amount of EUR 41,630,896.51:

Payment of a dividend of EUR 1.00 per no-par-value share (22,227,737)	
to the capital stock of EUR 57,792,116.42	22,227,737.00 EUR
Transfer to other revenue reserves	23,500,000.00 EUR
Earnings carried forward	1,903,159.51 EUR
Balance sheet profit	47,630,896.51 EUR

Bergisch Gladbach, April 19, 2012

The Board of Management

Helmut Ruwisch

Jürgen Abromeit

Dr. Wolfgang E. Höpe

Dr.-Ing. Johannes Schmidt

Responsibility Statement
Dividend Proposal
Report of the Independent Auditors
Investments of the INDUS Holding AG
Seven-years Overview
Contact/Impress
Financial Calendar

# Report of the Independent Auditors

We have audited the consolidated financial statements prepared by INDUS Holding Aktiengesellschaft, Bergisch Gladbach – consisting of the consolidated income statement, reconciliation to overall result, consolidated balance sheet, consolidated statement of changes in equity, consolidated 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 19, 2012

Treuhand- und Revisions-Aktiengesellschaft Niederrhein Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

(Kuntze)(ppa. Oymanns)WirtschaftsprüferWirtschaftsprüfer

# **Investments of the INDUS Holding AG**

By Segmentes	Capital EUR millions	INDUS stake in %
Construction/Infrastructure		
BETOMAX GmbH & Co. KG, Neuss*	3.21	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*	1.82	100
OBUK Haustürfüllungen GmbH & Co. KG, Oelde*	0.29	100
REMKO GmbH & Co. KG Klima- und Wärmetechnik, Lage	1.56	100
Max SCHUSTER Wärme • Kälte • Klima GmbH & Co. KG, Neusäß	1.05	100
WEIGAND Bau GmbH, Bad Königshofen	1.00	80
WEINISCH GmbH & Co. KG, Oberviechtach	0.53	100
Automotive Components/Engineering		
AURORA Konrad G. Schulz GmbH & Co. KG, Mudau*	3.04	100
BILSTEIN & SIEKERMANN GmbH + Co. KG, Hillesheim	1.03	10
Emil FICHTHORN Metallwarenfabrik GmbH & Co. KG, Hattingen	0.65	10
IPETRONIK GmbH & Co. KG, Baden-Baden*	0.56	10
KIEBACK GmbH & Co. KG, Osnabrück	0.57	100
REBOPLASTIC GmbH & Co. KG, Kalletal	0.80	100
Konrad SCHÄFER GmbH, Osnabrück*	1.50	10
SELZER Fertigungstechnik GmbH & Co. KG, Driedorf-Roth*	7.75	8!
SITEK-Spikes GmbH & Co. KG, Aichhalden	1.05	100
S.M.A.Metalltechnik GmbH & Co. KG, Backnang*	1.03	100
WIESAUPLAST Kunststoff und Formenbau GmbH & Co. KG, Wiesau	1.75	100
Engineering		
ASS Maschinenbau GmbH, Overath*	0.54	100
M. BRAUN Inertgas-Systeme GmbH, Garching*	1.38	100
GSR Ventiltechnik GmbH & Co. KG, Vlotho*	0.57	100
HORN GmbH & Co. KG, Flensburg*	4.13	10
NISTERHAMMER Maschinenbau GmbH & Co. KG, Nister	0.80	10
SEMET Maschinenbau GmbH & Co. KG, Meimsheim*	0.83	10
TSN Turmbau Steffens & Nölle GmbH, Berlin*	0.53	10

By Segmentes	Capital EUR millions	INDUS stake in %
Medical Engineering/Life Science		
IMECO Einwegprodukte GmbH & Co. KG Vliesstoffvertrieb, Hösbach*	0.85	100
MIKROP AG, Wittenbach/Switzerland*	0.87**	100
OFA Bamberg GmbH, Bamberg	1.50	100
Metal/Metal Processing		
BACHER AG, Reinach/Switzerland*	3.20**	100
BETEK GmbH & Co. KG, Aichhalden	1.56	100
HAKAMA AG, Bättwil/Switzerland	5.00**	60
Anneliese KÖSTER GmbH & Co. KG, Ennepetal*	0.60	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	2.90	100
VULKAN INOX GmbH, Hattingen*	1.15	100

<sup>\*</sup> including subsidiaries \*\* CHF in million

# Seven-years Overview

EUR '000	2005	2006	2007	2008	2009	2010	2011
Consolidated Statement of Income							
Sales	731,886	846,015	915,031	920,100	766,399	971,585	1,104,7
of which domestic	468,939	524,403	551,313	541,295	448,573	537,708	599,89
of which abroad	262,947	321,612	363,718	378,805	317,826	433,877	504,82
Personnel expenses	200,937	225,213	236,922	241,793	227,753	265,128	294,52
Personnel expenses ratio							
(Personnel expenses as % of sales)	27.5	26.6	25.9	26.3	29.7	27.3	26
Cost of materials	326,376	393,279	433,032	441,067	336,985	461,988	548,38
Cost of materials ratio (Cost of materials as % of sales) 6	44.6	46.5	47.3	47.9	44.0	47.5	49
EBITDA	125,036	146,745	143,091	133,412	102,837	145,032	160,48
Depreciation/Amortization	42,698	61,168	40,685	43,086	45,780	43,596	48,87
EBIT	82,338	85,577	102,406	90,326	57,057	101,436	111,6
	11.3	10.1	11.2	9.8	7.4	10.4	10
EBIT margin (EBIT as % of sales)	11.3						
	45,319	61,810	77,409	59,982	29,481	74,047	88,57
ЕВТ			77,409 50,943	59,982 27,865	29,481 11,410	74,047 46,943	
EBIT margin (EBIT as % of sales)  EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)	45,319	61,810					88,57 55,63 2.7
EBT  Net income for the year (earnings after taxes)	45,319 22,264	61,810 29,109	50,943	27,865	11,410	46,943	55,63
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position	45,319 22,264	61,810 29,109	50,943	27,865	11,410	46,943	55,63
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets	45,319 22,264 1.24	61,810 29,109 1.73	50,943	27,865 1.78	11,410 0.89	46,943 2.59	55,66 2.7 313,87
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets	45,319 22,264 1.24 290,926	61,810 29,109 1.73 282,241	50,943 2.74 303,753	27,865 1.78 313,334	11,410 0.89 306,689	46,943 2.59 306,644	55,66 2.5 313,85 245,48
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment	45,319 22,264 1.24 290,926 215,776	61,810 29,109 1.73 282,241 226,791	50,943 2.74 303,753 239,381	27,865 1.78 313,334 250,663	11,410 0.89 306,689 238,888	46,943 2.59 306,644 244,460	313,8° 245,4° 123,10°
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment  Cash and cash equivalents	45,319 22,264 1.24 290,926 215,776 133,564	61,810 29,109 1.73 282,241 226,791 92,664	50,943 2.74 303,753 239,381 77,617	27,865 1.78 313,334 250,663 87,791	11,410 0.89 306,689 238,888 93,506	46,943 2.59 306,644 244,460 96,840	313,8° 245,4° 123,10° 222,7°
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment  Cash and cash equivalents  Inventories	290,926 215,776 133,564 137,250	61,810 29,109 1.73 282,241 226,791 92,664 158,437	50,943 2.74 303,753 239,381 77,617 161,351	27,865 1.78 313,334 250,663 87,791 172,047	11,410 0.89 306,689 238,888 93,506 143,102	46,943 2.59 306,644 244,460 96,840 178,756	313,8° 245,4° 123,10 222,7° 108,4°
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment  Cash and cash equivalents  Inventories  Accounts receivable	290,926 215,776 133,564 109,501	282,241 226,791 92,664 158,437 108,129	50,943 2.74 303,753 239,381 77,617 161,351 115,543	27,865 1.78 313,334 250,663 87,791 172,047 104,546	306,689 238,888 93,506 143,102 99,267	306,644 244,460 96,840 178,756 117,617	313,8° 245,4° 123,10 222,7° 108,4°
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment  Cash and cash equivalents  Inventories  Accounts receivable  Other assets	290,926 215,776 133,564 109,501	282,241 226,791 92,664 158,437 108,129	50,943 2.74 303,753 239,381 77,617 161,351 115,543	27,865 1.78 313,334 250,663 87,791 172,047 104,546	306,689 238,888 93,506 143,102 99,267	306,644 244,460 96,840 178,756 117,617	313,8° 245,4° 123,10 222,7° 108,4° 26,5°
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment  Cash and cash equivalents  Inventories  Accounts receivable  Other assets  Equity and liabilities	290,926 215,776 133,564 137,250 109,501 34,377	282,241 226,791 92,664 158,437 108,129 32,161	50,943 2.74 303,753 239,381 77,617 161,351 115,543 33,668	27,865 1.78 313,334 250,663 87,791 172,047 104,546 37,164	306,689 238,888 93,506 143,102 99,267 32,027	46,943 2.59 306,644 244,460 96,840 178,756 117,617 28,772	55,60 2.1
EBT  Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment  Cash and cash equivalents  Inventories  Accounts receivable  Other assets  Equity and liabilities  Equity	290,926 215,776 133,564 137,250 109,501 34,377	282,241 226,791 92,664 158,437 108,129 32,161 204,560	50,943 2.74 303,753 239,381 77,617 161,351 115,543 33,668	27,865 1.78 313,334 250,663 87,791 172,047 104,546 37,164	11,410 0.89 306,689 238,888 93,506 143,102 99,267 32,027	306,644 244,460 96,840 178,756 117,617 28,772	313,8° 245,4° 123,10 222,7° 108,4° 26,5° 382,0°
Net income for the year (earnings after taxes)  Earnings per share, basic as per IFRS (in EUR)  Statement of Financial Position  Assets  Intangible assets  Property, plant, and equipment  Cash and cash equivalents Inventories  Accounts receivable  Other assets  Equity and liabilities  Equity  Provisions	290,926 215,776 133,564 137,250 109,501 34,377 197,011 54,521	61,810 29,109 1.73 282,241 226,791 92,664 158,437 108,129 32,161 204,560 47,368	50,943 2.74 303,753 239,381 77,617 161,351 115,543 33,668 234,130 50,862	27,865 1.78 313,334 250,663 87,791 172,047 104,546 37,164 246,373 52,743	11,410 0.89 306,689 238,888 93,506 143,102 99,267 32,027 241,714 47,994	306,644 244,460 96,840 178,756 117,617 28,772 309,489 62,211	313,81 245,41 123,10 222,71 108,42 26,50 382,00 65,55

EUR '000	2005	2006	2007	2008	2009	2010	2011
Group equity ratio (Equity/total assets) as %	21.4	22.7	24.7	25.5	26.5	31.8	36.7
Noncurrent financial liabilities	362,359	419,924	386,568	378,413	363,501	326,417	322,604
Current financial liabilities	182,381	99,625	131,410	147,841	138,345	149,814	111,679
Net debt (noncurrent and current financial							
liabilities – cash and cash equivalents)	411,176	426,885	440,361	438,463	408,340	379,391	311,176
Net debt/EBITDA	3.3	2.9	3.1	3.3	4.0	2.6	1.9
Trade accounts payable	26,185	33,908	33,286	28,109	28,019	36,053	46,056
Advance payments and production orders							
received with balances on the liabilities side	9,724	6,511	8,925	7,209	4,988	7,207	16,694
Working capital (inventories + trade accounts							
receivable – trade accounts payable – advance							
payments – production orders with balance on liabilities side)	210,842	226,147	234,683	241,275	209,362	253,113	268,450
Gearing (net debt/equity)	2.10,042	2.1	1.9	1.8	1.7	1.2	0.8
Ocal mg (net debt/equity)	2.1	2.1	1.7	1.0	1.7	1.2	0.0
Capital expenditure	114,906	66,199	77,804	56,275	34,694	52,042	58,259
Statement of Cash Flows							
Statement of Cash Flows							
	81,013	86,549	108,047	107,309	106,595	81,903	130,232
Operating cash flow	81,013 53,179	86,549 61,314	108,047 82,136	107,309 80,667	106,595 77,091	81,903 54,297	130,232 106,238
Operating cash flow Cash flow from operating activities				. ,			106,238
Operating cash flow Cash flow from operating activities Cash flow from investing activities	53,179	61,314	82,136	80,667	77,091	54,297	106,238 -56,929
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities	53,179 -99,061	61,314 -53,297	82,136 -73,410	80,667 -55,507	77,091 -32,709	54,297 -38,425	106,238 -56,929
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow per share (in EUR)	53,179 -99,061 -29,267	61,314 -53,297 -48,419	82,136 -73,410 -23,615	80,667 -55,507 -14,853	77,091 -32,709 -39,126	54,297 -38,425 -13,888	106,238 -56,929 -23,349
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities	53,179 -99,061 -29,267	61,314 -53,297 -48,419	82,136 -73,410 -23,615	80,667 -55,507 -14,853	77,091 -32,709 -39,126	54,297 -38,425 -13,888	106,238 -56,929 -23,349
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow per share (in EUR) Other performance indicators	53,179 -99,061 -29,267	61,314 -53,297 -48,419	82,136 -73,410 -23,615	80,667 -55,507 -14,853	77,091 -32,709 -39,126	54,297 -38,425 -13,888	106,238 -56,929 -23,349 4.78
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow per share (in EUR)  Other performance indicators XETRA year-end price (in EUR)	53,179 -99,061 -29,267 2.96	61,314 -53,297 -48,419 3.41	82,136 -73,410 -23,615 4.52	80,667 -55,507 -14,853 4.39	77,091 -32,709 -39,126 4.20	54,297 -38,425 -13,888 2.69	106,238 -56,929 -23,349 4.78
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow per share (in EUR)  Other performance indicators  XETRA year-end price (in EUR)  Average number of shares	53,179 -99,061 -29,267 2.96 29.45 18,000,000	61,314 -53,297 -48,419 3.41 29.60 18,000,000	82,136 -73,410 -23,615 4.52 24.25 18,154,180	80,667 -55,507 -14,853 4.39 13.37	77,091 -32,709 -39,126 4.20 12.00 18,370,033	54,297 -38,425 -13,888 2.69 21.99 18,676,200	106,238 -56,929 -23,349 4.78 18.86 20,543,819
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow per share (in EUR)  Other performance indicators  XETRA year-end price (in EUR)  Average number of shares  Number of shares at year-end	53,179 -99,061 -29,267 2.96 29.45 18,000,000	61,314 -53,297 -48,419 3.41 29.60 18,000,000	82,136 -73,410 -23,615 4.52 24.25 18,154,180 18,370,033	80,667 -55,507 -14,853 4.39 13.37 18,370,033 18,370,033	77,091 -32,709 -39,126 4.20  12.00 18,370,033 18,370,033	54,297 -38,425 -13,888 2.69 21.99 18,676,200 20,207,035	106,238 -56,929 -23,349 4.78 18.86 20,543,819 22,227,737
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow per share (in EUR)  Other performance indicators  XETRA year-end price (in EUR)  Average number of shares  Number of shares at year-end  Market capitalization	53,179 -99,061 -29,267 2.96 29.45 18,000,000 18,000,000 530,100	61,314 -53,297 -48,419 3.41 29.60 18,000,000 18,000,000 532,800	82,136 -73,410 -23,615 4.52 24.25 18,154,180 18,370,033 445,473	80,667 -55,507 -14,853 4.39 13.37 18,370,033 18,370,033 245,607	77,091 -32,709 -39,126 4.20  12.00 18,370,033 18,370,033 220,440	54,297 -38,425 -13,888 2.69 21.99 18,676,200 20,207,035 444,353	106,238 -56,929 -23,349 4.78 18.86 20,543,819 22,227,737 419,215
Operating cash flow Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow per share (in EUR)  Other performance indicators XETRA year-end price (in EUR)	53,179 -99,061 -29,267 2.96 29.45 18,000,000	61,314 -53,297 -48,419 3.41 29.60 18,000,000	82,136 -73,410 -23,615 4.52 24.25 18,154,180 18,370,033	80,667 -55,507 -14,853 4.39 13.37 18,370,033 18,370,033	77,091 -32,709 -39,126 4.20  12.00 18,370,033 18,370,033	54,297 -38,425 -13,888 2.69 21.99 18,676,200 20,207,035	106,238 -56,929 -23,349

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#### Financial Calendar

April 24, 2012	Publication annual report and annual earnings press conference, Dusseldorf
April 25, 2012	Analysts' conference, Frankfurt/Main
May 24, 2012	Interim report on the first quarter 2011
July 3, 2012	Annual shareholders' meeting 2010, Cologne/Trade Fair
July 4, 2012	Dividend distribution
August 30,2012	Halbjahresbericht 2012
November 13, 2012	German Equity Forum, Frankfurt/Main
November 29, 2012	Interim report on the first three quarters 2011

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 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.



# Financial Report 2011

