

## **Declaration on Management and Corporate Governance**

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

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

### **■ Corporate Governance Report**

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

### **Shareholders and the Annual Shareholders' Meeting**

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

### **Board of Management and Supervisory Board**

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

### **Board of Management**

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

### **Supervisory Board**

The Supervisory Board of INDUS Holding AG appoints the Board of Management, advises it in matters concerning company management, and monitors its management activities.

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

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

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

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

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

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

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

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

## ■ Compensation Report

The following compensation report is also part of the consolidated financial statements and the Group management report. The German Act on the Disclosure of Management Board Remuneration (VorstOG) provides for individualized disclosure of the compensation paid to the Board of Management's members for the year under review. It stipulates that this compensation should be itemized by fixed and performance-related components, as well as components with a long-term incentive effect. The disclosures being demanded can be withheld if the Annual Shareholders' Meeting has passed a resolution to that effect with a three-quarters majority of the capital stock represented when the resolution was passed. On July 1, 2006, the Ordinary Shareholders' Meeting of INDUS Holding AG resolved to withhold these disclosures for a period of five years as from the resolution date with 87.49% of the voting rights present.

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

The compensation system for the Board of Management was reviewed in 2009. With the help of external consultants, a benchmark analysis was carried out and changes discussed. At the 2010 Annual Shareholders' Meeting, the Supervisory Board gave a detailed presentation of the amended compensation system for future Board of Management contracts. The revised features now also contain a sustainability component. The new compensation system was applied for all

Board of Management contracts in the reporting year. The previous compensation system did not contain any components with a long-term orientation. It consisted of a fixed salary, plus a short-term incentive which depended on the commercial results achieved in the year in question. The system did not contain any kind of pension commitments.

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

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

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

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

## Supervisory Board

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

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

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

## Reportable Securities Transactions

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

## Transparency

INDUS provides the shareholders, shareholder associations, analysts, the media, and the interested public with information on the company's current business trend and situation in a regular and timely manner. The company serves these groups simultaneously while treating them equally. To this end, all significant information, consisting primarily of annual and interim reports, press releases and ad-hoc statements, analyst estimates, and a financial calendar, are pu-

blished on the company's website. To ensure that the consolidated financial statements and the interim reports are prepared with the necessary care, the annual report is published four months after the end of the fiscal year, and the interim reports are released two months after the end of the respective quarter. In the year under review, INDUS published three ad-hoc statements pursuant to Sec. 15 of the German Securities Trading Act (WpHG). They concerned changes to the forecast and the announcement of a capital increase. Important news about the company was published promptly via press releases.

### **Accounting and Audit of the Financial Statements**

Since the beginning of 2005, the consolidated financial statements have been prepared in compliance with the principles set forth in the International Financial Reporting Standards (IFRS). As before, the separate financial statements of INDUS Holding AG are prepared in accordance with the provisions of the German Commercial Code (HGB). The audit of the consolidated and separate financial statements was performed by Treuhand- und Revisions AG 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.

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

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

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

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

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

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

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

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

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

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

#### ***Code Item 5.3.2:***

The Supervisory Board had and still has no audit committee.

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

#### ***Code Item 5.4.6:***

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

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

**Code Item 7.1.2:**

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

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

Bergisch Gladbach, Germany, December 2010

For the Board of Management

For the Supervisory Board



**Helmut Ruwisch**  
(Chief Executive Officer)



**Jürgen Abromeit**  
(Responsible Member  
of the Management Board  
for Corporate Governance)



**Burkhard Rosenfeld**  
(Responsible Member  
of the Supervisory Board  
for Corporate Governance)