

Internal control and risk management system with regard to the financial accounting process

Pursuant to Section 289 (5) of the German Commercial Code (HGB) in the version applicable after coming into force of the German Accounting Law Reform Act (Bilanzrechtsmodernisierungsgesetz - BilMoG), the management reports published by capital market-oriented corporations have to describe the major features of their internal control and risk management systems with regard to the accounting process. Pursuant to Section 175 (2) sentence 1 of the German Stock Corporation Act (AktG) in the version pursuant to BilMoG, the explanatory report by the Management Board to the Annual General Meeting refers to these statements, too.

At the time of the preparation of the management report of INDUS Holding AG, the former law was still applicable which means that it was not mandatory to include any statements on the internal control and risk management system with regard to the accounting process. However, the Management Board provides the following explanations as a precautionary step:

Being an international company, INDUS Holding AG is subject to several risks arising from the activities pursued in the segment of INDUS Holding AG. The occurrence of risks may have adverse effects on the business activity as well as on the company's net worth, financial and earnings position. This is the reason why INDUS Holding AG has established a control and risk management system in compliance with industry standards and legal regulations in order to perceive potential risks and monitor and assess them across all functions.

As an integral component of the company's business, planning, accounting and control processes, the control and risk management is included in the information and communication system of INDUS Holding AG and it is an important part of the management system of INDUS Holding AG. The control and risk management of INDUS Holding AG is based on a systematic process of risk detection, evaluation and management for the entire group. The responsibility for the design of the control and risk management lies with the Management Board which also ensures pro-active monitoring of risks.

Within the framework of the internal control and risk management, INDUS Holding AG uses well-established controlling tools across the group. In the process, INDUS Holding AG uses financial and non-financial performance indicators. With regard to the financial performance indicators, target-performance analyses are used above all to determine the achievement of the objectives of the business activity of INDUS Holding AG. Monitoring the project costs and the degree of deviation from the planning as a performance indicator are of special importance in this context. These performance indicators are audited together with the quantitative and qualitative non-financial performance indicators.

INDUS Holding AG monitors these indicators within the framework of the integrated project management and controlling. The Management Board of INDUS Holding AG receives

regular reports on this matter and, if necessary, also extraordinary reports. Reporting includes comprehensive analyses of all projects taking all performance indicators into account.

The risk management system is monitored by INDUS Holding AG's risk officer who is responsible for the ongoing monitoring of the risks captured within the framework of the annual group-wide risk inventory. An annual risk report is prepared on the basis of the risk inventory. Risks occurring in the course of the year are advised to the risk officer, included in the risk management system and assigned to a risk manager. Risks are stated on a group-wide basis and evaluated systematically according to uniform standards. Evaluations may result in the formation of appropriate provisions, where necessary.

Within the framework of the control and risk management system, INDUS Holding AG also monitors any impairment of its investments in subsidiaries, taking both qualitative and quantitative factors into account on an ongoing basis.

Accounts receivable are subject to regular monitoring for impairment. Where deemed appropriate, the credit worthiness of debtors is checked before the first delivery with the help of credit bureaus; this initial check is followed by regular reviews. Additional checks will be made as soon as there are any indications of a change in creditworthiness. Appropriate write-downs will be carried out as necessary.

Bergisch Gladbach, June 2009



The Management Board