

**Speech held by Jürgen Abromeit on the occasion of the 2018 Annual Shareholders' Meeting
Cologne, 24 May 2018**

Ladies and gentlemen, dear guests, dear friends of INDUS! I would like to cordially welcome you here in Cologne. I hope you are all in a good mood. And I also hope that the fans of the Cologne soccer club have overcome the shock of the club's relegation.

Well, easy for me to say. INDUS is playing at the very top of the first league. We are the leading medium-sized buy-and-hold investment company in Germany. I am here today to give you an account of the fifth consecutive record year. Reaching this point is a remarkable achievement by all INDUS member companies. Staying in the first league is our challenge for the future.

Inspiration plays an extremely important role in this context. “[IN]spiring Progress” is therefore the title of this year's Annual Report, which is available to you in the foyer. In times of fast changing markets, in which small ideas may revolutionize entire industries, you need to come up with permanent innovation. In a world that is moving constantly, our portfolio companies must develop ideas that help them stay in the game successfully.

You will have seen a good example of this when making your way to this hall today – the Concept Cluster. Two handfuls of companies are developing innovative systems for the eBus of the future. More about this later.

When we speak of dynamic technological developments today – of self-driving cars, 3D-printed machine parts or remote surgery – we speak of inventions that change our lives to the positive in most cases. And hence we speak of the opportunities for all who are involved in these developments.

When it comes to resource efficiency, for instance, environmental technology made in Germany is in high demand. In the healthcare sector, we need developments that help us cope with the demographic change. Increasing mobility but also growing urbanization call for new infrastructure solutions. The future is designed virtually, new technologies change processes forever. Many industrial enterprises are becoming highly software-driven manufacturers.

This is why many people are worried about their jobs. But they forget that everybody will be needed also in the future, albeit in different roles, in new fields. Because there won't be any new ideas without people. And small and medium-sized enterprises are giving them the room they need to unfold their potential.

But these enterprises also need the right conditions to establish their innovations and new technologies in the market. The economic policies pursued to date – both in the EU and in Germany – do not live up to the upheavals in the digital world. Just take a look at the slow progress that has been made in supplying us with data highways. We have been caught in a traffic jam for years. If you read the coalition agreement, you will hardly find anything about Germany's small and medium-sized enterprises. The backbone that keeps our economy and, hence, our society alive, is carrying a heavy weight. Instead of making the country fit for regional competition, politicians are making life difficult for businesses by imposing rising taxes and levies, unnecessary regulations and high energy costs.

I don't even dare to think of effective promotion and subsidization, ladies and gentlemen. We would be happy to get some relief at least. For instance, when it comes to restricting Brussels' regulation frenzy, which is not only overburdening but even slowing us down. Take the EU Data Protection Regulation, for instance, which will come into force tomorrow. Mr Weichert has been torturing us with this for quite some time. It's no fun for anybody. Unnecessary red tape is increasingly putting a damper on innovativeness. The number of innovative SMEs has been on the decline for years. That's alarming and certainly not a good trend.

The current shortage of skilled labor – which is also the responsibility of policy-makers – is also slowing down growth. It's high time that these obstacles were eliminated. But unfortunately the division of labor between the state and the economy is no longer working.

Small and medium-sized enterprises will be left to their own devices for the time being. But they are doing quite well. Their order books are full, the economy is growing. But the question is: for how long? Some companies already project weaker sales. The Ifo Index has been on the decline for months. Industrial output in the rest of the eurozone is still growing only slowly. Italy is hardly competitive any more. French companies

are piling up more and more debts. But in my opinion, Brexit is the biggest risk. A hard Brexit would primarily affect the metals and automotive industries but also the mechanical engineering sector. As of today, it is entirely unclear what will happen after 30 March 2019. A look at the other side of the Atlantic shows that things are not better there. The very concept of world trade is now in question. Nobody can tell what else the US President is planning. I am curious to see what he will come up with next.

The great, responsible politicians and their parties who were able to stabilize systems are no longer able to do this today. Or they are no longer there at all. The world is changing rapidly and is full of uncertainties. And that makes us afraid, doesn't it? So what do we do about it? Do we complain or do we prefer to dream of old times that were so much better anyway?

I recently read an article by Hans Rosling that addressed these questions. I felt so much better afterwards. Do you know Hans Rosling? To be honest, I didn't know him before. Up to his death last year, he was Professor of International Health in Stockholm. When looking at the world, he refers to facts not to emotions. Many hard facts confirm that the world is, indeed, getting better all the time.

Over the past twenty years, the share of people living in extreme poverty has almost been halved. Today, almost 90 percent drink water from a protected source. 85 percent have access to electricity. Global child mortality is as low as four percent. And 86 percent of all people can read and write more or less well. Did you know that? Not so long ago, things were quite different.

The world seems threatening to us primarily because we always tend to see the negative everywhere. We hear it on the radio and read it in the newspapers every day. It is a fact that negative headlines sell better. But Mr Rosling is right – we are better off than ever before.

And the right inspiration can open up many opportunities – both privately and professionally. What does that mean for us, for INDUS? We are actively contributing to change. We focus on the potential our portfolio companies can develop for themselves. And this potential is diverse. But look for yourselves.

Film

This film shows the broad range of what our portfolio companies have to offer. But it also shows how we jointly changed INDUS over the past years.

Statement of accounts

Ladies and gentlemen, each of our portfolio companies has improved its competitiveness – with innovations and with investments, by increasing efficiency and by positioning themselves on a broader international basis. Last year, this was done very successfully. The INDUS Group closed the challenging year 2017 with what I think are excellent figures. I would like to explain some of the highlights to you. You all have the Annual Report, which is why I confine myself to what is most essential.

Sales revenues increased more strongly than expected in 2017 – by over 13.6 percent to EUR 1.64 billion. We had projected EUR 1.5 billion. The organic growth of a very good 10.5 percent deserves special mention. Sales revenues outside Germany were higher than in Germany for the first time.

The cost of materials increased at a slightly disproportionate rate and climbed by 15 percent to roughly EUR 746 million. This was not least due to higher commodity prices. Also, there was so much work to do that our portfolio companies hired external staff.

Personnel expenses picked up at a somewhat lower rate of 11.5 percent and reached roughly EUR 480 million. At the end of 2017, the holding company employed 30 people – this does not include the members of the Board of Management. The total headcount of the subsidiaries clearly exceeded 10,000 people for the first time. I would like to take this opportunity to thank all these employees very much.

Ladies and gentlemen, may I ask you to give all employees and the bosses of the portfolio companies – some of whom are here today – a big round of applause? Thank you very much. We will let them know and they will all be very happy.

The INDUS family is growing – as a result of the employees who join us in the context of the acquisitions made by our portfolio companies and because of our trainees and apprentices, who totaled 434 across the Group in 2017. Trainees and apprentices thus represent about 4.3 percent of the total headcount, which is a good ratio.

Other operating expenses increased by 12 percent to EUR 228 million, i.e. at a slightly lower rate than sales revenues. After deduction of the expense items, earnings before interest, taxes, depreciation and amortization (EBITDA) stood at roughly EUR 215 million, up 7.2 percent on the year 2016. New companies have joined us and the portfolio companies are making high investments. Consequently, depreciation and amortization were up by 11.4 percent on the previous year. As a result, EBIT rose by 5.5 percent to approximately EUR 153 million, which exceeded our forecast of between EUR 145 and 150 million. The Group's EBIT margin amounted to 9.3 percent. Adjusted for the effects of initial consolidation, the operating result stood at roughly EUR 164 million. The adjusted EBIT margin amounted to 10 percent. To be honest – it could have been even higher.

Two fundamental repositioning exercises in the Automotive Technology segment and the Metals Technology segment cost us a double-digit million euro amount. We told you about this already last year. It hurt but we mastered it well. The portfolio companies have tidied up and the biggest burdens are now behind us.

Moreover, our portfolio companies unexpectedly had to deal with another issue, namely with rising exchange rates. Since 2012, we have consolidated a total of 73 new entities, 46 of them abroad, in the context of COMPASS 2020. The Group hedges its dollar, pound and Swiss franc positions. As far as the other currencies such as the peso, real and rand are concerned, we do what makes sense and is acceptable. You know that we do not speculate. But there are always some residual risks. As our portfolio companies are becoming increasingly international, there will also be exchange rate effects in the future. This is something we have to accept. So much for that.

Net interest income declined to minus EUR 23.7 million. Interest expenses climbed from EUR 15 million to roughly EUR 15.7 million as a result of slightly higher financial liabilities. Earnings before taxes rose to approximately EUR 129 million. Tax expenses increased by EUR 3.1 million, while the tax rate picked up by close to one percentage point to 35.7 percent. To give you some background information: INDUS does not form taxable groups. As you know, this would not fit our business model. Losses that arose as a result of the before-mentioned repositioning exercises cannot be offset against profits generated by other companies.

Earnings after taxes reached roughly EUR 83 million, up 3.4 percent on 2016. Earnings per share amounted to EUR 3.37, up from EUR 3.27 in the previous year. Here, too, we have been able to improve.

Segments

The companies of the Group operate in five segments, which gives INDUS great stability. Representing 24 percent of the Group's total revenues, Automotive Technology is the leading segment, followed by Metals Technology with 23.5 percent. Mechanical engineering comes third with 22.9 percent. The relative share of the Construction/Infrastructure segment has increased to 20.1 percent. As you can see, these four segments have a similar size. Medical Engineering/Life Science accounts for 9.5 percent.

So what about the performance of the segments in the past year? Well, let's start with our problem children.

The Automotive Technology segment has to cope with difficult framework conditions. While sales revenues picked up by 5.9 percent to EUR 394 million, this primarily applied to suppliers to the major OEMs, where, as we know, only little money can be made. But even the upstream and downstream engineering companies, which have so far performed well, are feeling the OEM's cost-saving measures. This is something they have to and they will adjust to. Against this background, we integrated our Fichtorn investment into the internationally operating Selzer Group. As a result, the Automotive Technology segment now no longer has ten but nine entities. The repositioning exercise of a portfolio company, about which we informed you, is proceeding according to plan. It will be stabilized in 2018. The Automotive Technology segment's EBIT declined by EUR 5.6 million to EUR 14.7 million. The EBIT margin stood at 3.7 percent at the end of the year. To be honest, this is far from what we expect. In this segment, we will not make as much money as is possible in other areas also in the future. After completion of the repositioning exercise, we consider a margin of between 5 and 7 percent to be achievable, but this will remain a challenge, too.

The nine entities of the Metals Technology segment generated sales revenues of roughly EUR 386 million, a good 12 percent more than in the previous year. EBIT amounted to EUR 24.2 million – down by EUR 5.7 million on the previous year. This is equivalent to an EBIT margin of 6.3 percent. You know the reason – the

repositioning of a Swiss portfolio company was the most difficult in the history of INDUS. We will probably not be out of the woods here before mid-2018. But the company will bring this to a good end, it is well on track. The other eight portfolio companies of the Metals Technology segment have delivered a brilliant performance – this is something I want to make very clear. One company from this segment has developed – and changed – excellently under the INDUS roof. The following film will show you what INDUS understands by “develop”.

Film

Incidentally, BETEK, a subsidiary of SIMON, was awarded the title of Top Innovator in 2017. The “strong management team” is here today, I would like to welcome the three managing directors. Hello Dr. Thiele, hello Dr. Siemer, hello Mr Hilgert.

But let me go on. There’s another three segments. And they really stepped on the gas last year. The Construction/Infrastructure segment continues to benefit from the construction boom. The eleven portfolio companies increased their revenues by 20.4 percent – from approximately EUR 274 million to EUR 330 million. This is an excellent performance, which certainly was not easy to achieve. Some of them tested their capacity limits because of the boom. The operating result once again increased by an impressive 26 percent to close to EUR 50 million. The EBIT margin exceeded the very good level of the previous year and reached 15 percent. That’s fantastic, ladies and gentlemen.

The now 11 entities of the Mechanical Engineering segment also delivered a very great performance and generated record revenues, which climbed by 22.6 percent to EUR 375 million. That’s EUR 69 million more than in 2016. The operating result increased at an even higher rate of 29.2 percent and reached approximately EUR 54 million. The EBIT margin is no less impressive and reached a strong 14.3 percent in 2017. This is even more remarkable as the results of M+P INTERNATIONAL and the PEISELER Group were not included for the full year due to the initial consolidation. Capital expenditures in the Mechanical Engineering segment exceeded EUR 43 million in 2017. As you can see, ladies and gentlemen, these investments have truly paid off.

As in the previous year, the Medical Engineering/Life Science segment comprises five entities. This segment operates in an industry of the future, of which we expect strong growth. Revenues grew by 5.6 percent to over EUR 155 in 2017. All companies in this segment were able to further improve their operations. EBIT was up by 3 percent on the previous year and reached EUR 20.8 million. An EBIT margin of 13.4 percent makes us really satisfied. The integration processes at OFA have been completed, and NEA in the Netherlands is now well integrated into the corporate structure. Mikrop has moved into the new building in Serbia. Here, too, a lot is happening and this is good.

Ladies and gentlemen, the performance of nearly all INDUS companies deserves our respect. They generated excellent revenues and results in a quite difficult year characterized by some turbulence and high pressure, with some of them even testing their capacity limits. The two problem children have been transferred from intensive care to the regular ward. And let's not forget that even these companies did a great job in their situation to get back into calmer waters. In terms of German school grades, to me the year 2017 was a "two minus" at the bottom line, which means that there is still some room for improvement.

Financial position and net assets

So what about our financial position? As a result of the high net income for the year, equity capital increased by 4.5 percent to close to EUR 674 million. The equity ratio declined slightly to a still comfortable 40.8 percent, which is still above the target of 40 percent. A major reason are accounting changes of Swiss pension plans as well as the currency effects I already mentioned.

Total assets of the INDUS Group amounted to EUR 1.65 billion at the reporting date, up by 8.6 percent on the previous year.

Liabilities to banks total roughly EUR 345 million, which means we reduced them by about EUR 40 million compared to the previous year. By contrast, we increased the note loans by EUR 72 million to EUR 181 million. This makes sense to put our financing on an even broader basis and to include further partners such as insurance companies in addition to our banks. Moreover, we were able to secure long-term debt capital at favorable conditions.

Net debt increased by 5.9 percent to roughly 399 million. We were able to reduce our short-term financial liabilities by a strong 16.4 percent. The net-debt-to-equity ratio – also referred to as gearing – stands at 59 percent. At 1.9 years, the debt repayment period remained below the target range of 2 to 2.5 years. This is still very good. That's investment grade or – in terms of German school grades again – that's a "two plus".

Operating cash flow amounted to EUR 124 million, which was up by roughly EUR 10 million on 2016. Cash and cash equivalents totaled EUR 136 million at the end of the year, which was far too much to my taste. I would have preferred to invest part of this amount in a new hidden champion.

The INDUS Group invested some EUR 111 million in the reporting year, about 7 percent more than in the previous year. About one third of this was used for acquisitions. An amount of EUR 71 million was invested in property, plant and equipment – almost 20 percent more than last year.

Framework conditions and what they mean for INDUS

Ladies and gentlemen, so much for the – admittedly somewhat dry, but very good – figures. But the DNA of the INDUS Group is so much more than figures. As you know, this is my last speech in my capacity as CEO of the INDUS Group. I will briefly explain to you why I love INDUS so much and why saying good-bye is so difficult for me after ten wonderful years. Please forgive me for focusing on the positive, but this is something I learnt from Mr Rosling.

Needless to say, you can always do better. That's always possible. But let us be honest – all of us here, all our portfolio companies, the employees, the Board of Management, the Supervisory Board and you, dear shareholders, have done a really impressive job. We have been able to continuously increase the value of the INDUS Group over the past six years. The market capitalization has more than tripled and today stands at roughly EUR 1.5 billion.

But that's not all: INDUS has become a role model for the SME sector – with a clear strategy, a great philosophy and a unique culture. The latter is characterized by shared values and by mutual respect. These are no empty words – it is the truth.

We don't need a business barometer to know how the German economy is doing. We simply ask the managing directors of our 45 portfolio companies. Together with the grandchildren, there are 187 fully consolidated entities. This corporate network of like-minded players is absolutely unique in Germany, ladies and gentlemen.

And we need it. After all, the mega trends of mobility, urbanization and resource awareness open up new fields of business also for INDUS. These include medical engineering for the ageing society, innovative construction technology, public and private security but also intelligent logistic infrastructures, green tech as well as Industry 4.0 and digitization. Building on our knowledge, we want to develop these fields in the coming years together with our portfolio companies.

In doing so, we support our subsidiaries by making selective acquisitions, by promoting innovation with our Toolbox and financially through the INDUS development bank. The eBus Cluster is a good example for this – but also for the cooperation in the network. Participants from the INDUS Group include AURORA, the KIEBACK-SCHÄFER Group, SMA and M+P INTERNATIONAL. They aim to develop systems for the optimization of electric busses for local public transport. What does that mean exactly? The bus should run as long as possible on its battery. To achieve this, new heat pumps and an intelligent thermal management system are used, for instance, to optimize heating and cooling. In combination with light control, passengers are guided to their air-conditioned seating areas. This means that unused areas do not have to be heated or cooled, which reduces the power consumption. The partners in the cluster contribute specialist knowledge from the fields of information and communication technology as well motor vehicle engineering and energy management. The following film will give you an idea of the cooperation between the cluster partners.

Film

Ladies and gentlemen, last year INDUS portfolio companies from all segments worked on a total of twelve development bank projects. Three more projects were launched in the first quarter of this year. One of them is the 'seeing' robot. This smart handling system, for instance, can pick up workpieces that are muddled up in a box and insert them into a machine. Incidentally, the project is called "Griff in die Kiste", meaning something like "reaching into the box".

A key factor in the other projects is the digitization of products and services. Virtual reality technology is a good example. The interior of the eBus can be experienced in 3D. The air flows or the structure of the ceiling also become three-dimensionally visible. The virtual process for prototypes can save a lot of time and money in the future.

In the automation, measurement and control technology segment, which is another industry of the future, we have already been quite busy as far as acquisitions are concerned. IEF-Werner, for instance, one of the more recent additions to our portfolio, is an automation specialist. Most recently, the vibration experts from M+P INTERNATIONAL and the PEISELER Group have joined INDUS. As you can see, the overall character of the portfolio is changing gradually. This is a good sign, as it means that INDUS is moving – and we are moving in the right direction. So what about any upcoming acquisitions? If we identify good matches, they are usually too expensive. We are seeing company valuations increase by 25 to 30 percent, and this will not change in the near future.

What do we do in such a case? Quite simple: we don't buy. We do not pay unrealistic prices. We may well afford to stand aside for six months and watch the others do crazy things. We are not driven by anybody. When a family entrepreneur sells us his "baby", the prize is not the main thing. He knows that we will nurture and look after his company and will develop it in a good manner after the takeover. This also includes support in entering entirely new markets. It will therefore be important in the future that the Group companies position themselves even more internationally. Let me give you a few examples from last year. WIESAUPLAST established a company in Michigan, USA, ELTHERM is implementing projects in China, Israel and Morocco. HAUFF-Technik established a local subsidiary in Switzerland and opened a representative office in Singapore. And SELZER relocated its Chinese production facility to a new plant in Greater Shanghai. Twelve new international locations were thus added in 2017. Our portfolio companies today have a presence in a total of 30 countries.

Start to 2018 and forecast

The first months of 2018 have also shown that the INDUS strategy is successful. Nearly all portfolio companies had a great start. April was a really good month. Sales

revenues exceeded our expectations in the first four months. The operating result has returned to a level that is in line with our expectations – although rising material and energy prices and much higher collective wage agreements are already making themselves felt.

The investment program will remain ambitious also in 2018. At the beginning of the year, AURORA acquired electronics specialist Electronic Equipment. OFA Bamberg has taken over the operations of a trading firm for medical aids in southern Germany. And – what makes me particularly happy – another portfolio company acquired our youngest grandchild only yesterday – a renowned supplier of high-quality air-conditioning systems which generates very good margins.

We have earmarked an amount of initially EUR 50 million for acquisitions in the current fiscal year. In addition, our portfolio companies want to invest some EUR 88 million. International expansion and efficiency-increasing projects are on the agenda. These projects will address the costs and help make the portfolio companies resilient for the future. Over the past five years, many of our portfolio companies purchased and installed state-of-the-art production plants.

Ladies and gentlemen, we aim to increase our sales revenues to EUR 1.65 billion – or even better to EUR 1.70 billion – this year. The operating result, or EBIT, is expected to come in at between EUR 154 million and EUR 160 million – and please note that this does not include the planned acquisitions at the first and second tier. We are keeping an eye on the global political climate and are well prepared for the odd shower.

Dividend and agenda

Let's now turn to you, dear shareholders. I would like to thank you very much for your trust over the past years. I have always appreciated the great support we are getting from our shareholders. And if we are jointly successful, this also pays off for you. The Board of Management and the Supervisory Board propose an increased dividend of EUR 1.50 per share to the Annual Shareholders' Meeting. This means that, with retained profits of EUR 83.5 million, a total amount of approximately EUR 36.7 million will be distributed to the shareholders. The dividend will be paid next Tuesday.

The other items on the agenda were listed in detail in the invitation. Besides the usual resolutions regarding the corporate bodies and the election of the auditors, we propose this year to vote on a new authorization for the Board of Management to issue warrant and/or convertible bonds and on the creation of new conditional capital. This would entail an amendment of the articles of association. Moreover, we will adjust the deadlines for registration and the proof of eligibility for the Annual Shareholders' Meeting to meet applicable legal provisions.

Concluding words

I am about to conclude my speech, ladies and gentlemen. Next year, my much respected fellow Board member Dr. Johannes Schmidt will be standing here. In the past, he always enjoyed seeing me do all the work here on my own. Dr. Schmidt, would you please come over to answer a few questions.

Questions: ...

Answers: ...

Dear Dr. Schmidt, I have a captain's hat for you, so you will be able to safely navigate my beloved INDUS ship through the stormy sea together with the managing directors. You may well try it on to see what it feels like. In six weeks' time – that's how long I will remain in office – you may wear it every morning on your way to the office.

INDUS is excellently fitted out and has everything it needs: a great crew, large sails, precise navigation instruments and a good cargo. As of July, I will always take a close look at the coordinates. Next year, I will be sitting down there and be looking forward to hearing of your new adventures and conquests. I wish you fair winds and following seas!

Ladies and gentlemen, I will now hand over to Mr Späth again.