



Press Release

## **Construction/Infrastructure reaches new records – Automotive Technology weighs on Group as a whole**

- **Continued increase in revenues**
- **Construction/Infrastructure segment reaches new records**
- **Automotive Technology segment clearly adversely affected**
- **Acquisition of MESUTRONIC in June**
- **Sale of minority interest planned for the second half of 2019**

Bergisch Gladbach, 13 August 2019 – The INDUS Group continued to grow in the first half of the year. In a challenging economic environment, the Group companies were able to increase their sales revenues by 3.8% to EUR 876.5 million (previous year H1: EUR 844.7 million). Three quarters of this revenue growth was organic.

The performance of the Construction/Infrastructure segment, which is heading for record revenues and earnings in 2019, is particularly pleasing. The situation in the Automotive Technology segment has deteriorated. The declining sales of the major automobile manufacturers are having a significant impact on suppliers. As a result of continuously decreasing revenues combined with high repositioning expenses, EBIT in this segment fell by EUR 9.4 million. This had an adverse impact on the earnings situation of the Group as a whole. At EUR 66.5 million, earnings before interest and taxes (EBIT) were down EUR 9.7 million on the previous year (EUR 76.2 million). The EBIT margin stood at 7.6% at the half-year stage (previous year 9.0%). Earnings per share stood at EUR 1.52, compared to EUR 1.76 in the prior year period.

In the first half of 2019, operating cash flow increased by a strong EUR 46.8 million year-on-year to EUR 24.4 million. This is mainly attributable to much lower working capital growth, which reflects the first successes of the program initiated by the holding company to promote operational excellence and reduce the portfolio companies' working capital. The changed accounting for leases contributed EUR 10.2 million to the improvement in operating cash flow. The INDUS Group companies employed an average of 10,710 people in the first six months of 2019 (previous year: 10,579).

A look at the individual segments reveals a diversified picture: The Construction/Infrastructure and Engineering segments again generated strong revenue growth of over 10% in the first six months of the year. Compared to the same period of the previous year, the Construction/Infrastructure segment's revenues increased by 18.9% to EUR 190.9 million. Most of this growth is attributable to air-conditioning equipment. Earnings before interest and taxes increased by a disproportionate 20.9% to EUR 27.8 million and thus marked a new record.

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The Engineering segment also grew strongly by EUR 25.2 million (+13.8 %) to EUR 207.5 million. This growth was mainly driven by the segment's major plant manufacturers. The order books of these portfolio companies are well filled and capacity utilization is secured well into next year. Smaller companies in this segment are meanwhile experiencing a slowdown in demand. At EUR 22.8 million, EBIT were slightly above the previous year's EUR 22.6 million. The fact that EBIT did not grow at the same rate as revenues is attributable to important large-scale projects that generated lower margins. The segment companies have been able to win projects with higher earnings contributions for the future. MESUTRONIC is a new investment which joined the Engineering segment in June 2019. MESUTRONIC is one of the market leaders in metal and contaminant detection systems.

In the first half of 2019, the Metals Technology segment recorded a slight decline in revenues of -1.2% to EUR 213.6 million, which was attributable to carbide tools and mining. At EUR 16.3 million, earnings before interest and taxes (EBIT) were down EUR 6.2 million on the exceptionally high level of the previous year. As the segment relies very much on exports, the international market trend had a strong influence.

The smallest segment, Medical Engineering / Life Science, showed a very pleasant performance. The portfolio companies were able to increase their revenues by almost 5% to EUR 81.5 million in the first six months of 2019. Earnings before interest and taxes (EBIT) rose by 8.3% to EUR 9.1 million. The segment's EBIT margin climbed to 11.2% (previous year: 10.8%).

Automotive Technology, the fourth-largest segment, continues to suffer from the declining sales of the major automobile manufacturers. The OEMs were unable to maintain their forecasts of the beginning of the year. This has resulted in a growing reluctance to make investments, now also among "pre- and post-series" companies. Consequently, sales revenues in the Automotive Technology segment declined by 6.7 % to EUR 183.4 million. At EUR -5.1 million, earnings before interest and taxes (EBIT) were far below the previous year. The companies in this segment have not yet been able to offset the effects of the difficult market situation and the persistent high cost pressure by implementing cost-cutting measures. The two known repositioning cases among series production suppliers are proceeding according to plan, but have a significant impact on earnings. "As this segment is directly dependent on developments in the automotive market, we no longer expect to see any improvements by the end of the year," says Dr. Johannes Schmidt, Chairman of the Board of Management of the INDUS Group.

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Against the current background, the Board of Management now projects earnings before interest and taxes (EBIT) of between EUR 152 million and EUR 158 million for the full year, instead of the previously planned EUR 156 million to EUR 162 million, with the revenue forecast remaining unchanged. This forecast already includes the sale of a minority interest announced in July. “We are countering the economic slowdown by further improving cost structures and continuing our initiatives for operational excellence throughout the Group”, says Johannes Schmidt. “We also make sure that important future and innovation projects are continued with high intensity.”

The full interim report of INDUS Holding AG for the period ended 30 June 2019 is available for download [here](#).