Entrepreneurial Value Creation

MUTARES

ANNUAL REPORT 2019

MUTARES AT A GLANCE

		2019	2018
Dividend per share	in EUR	1.00	1.00
Revenues	EUR million	1,015.9	865.1
EBITDA	EUR million	79.2	49.1
Adjusted EBITDA	EUR million	7.5	4.5
Net income for the year	EUR million	16.7	12.0
Return on equity	in %	7 %	6 %
Total assets	EUR million	848.5	630.8
thereof cash	EUR million	79.7	108.1
thereof equity	EUR million	208.2	208.1
thereof non-current financial liabilities[1]	EUR million	115.5	23.8
Earnings per share[2]	in EUR	1.37	0.96
Shares[3]	Number	15,234,417	15,234,417
Countries	Number	22	16
Portfolio companies	Number	13	10
Employees worldwide[4]	Number	6,505	4,782
Transactions[5]	Number	10	6

[1] Contain lease liabilities of EUR 118.9 million due to the first-time application of IFRS 16
[2] Basic and diluted
[3] Circulating; Total number of shares 15,496,292, of which own shares 261,875 (2018: 261,875)
[4] Average
[5] Closed 7; Signed 3

IMPRINT & CONTACT

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Mutares SE & Co. KGaA
Registered and Commercial Register of the Company: Munich, AG Munich, HRB 250347
Chairman of the Supervisory Board: Volker Rofalski

General partner: Mutares Management SE
Registered and Commercial Register of the Company: Munich, AG Munich, HRB 242375
Management Board: Robin Laik (Chairman), Mark Friedrich, Dr. Kristian Schleede, Johannes Laumann
Chairman of the Supervisory Board: Prof. Dr. Micha Bloching

Concept, Layout

Kirchhoff Consult AG, Hamburg, Germany

Disclaimer

The translation of this document was prepared for convenience purposes only. The German original version prevails.

MISSION STATEMENT

We are where there are upheavals, changes and New beginnings in companies. These changes arenot convenient, but require action and courage. With the knowledge of the technical and economicchallenges on site, we want to create a stable path ofgrowth and thus sustainable success ofouracquired companies. We create this together with our employees whohave many years of experience in their area andprovide intensive on-site support, find weak spots andoptimize the processes. For over 10 years we see ourselves as partner who analyzes, challenges but also tackles and implements at the same time. We expect full commitment from our investments – just as we are fully committed to our investments. Because only together can we develop the full potential.

COMPANY PROFILE

Mutares focuses on the acquisition of small and medium-sized companies or parts of groups. We aim at leading these companies to stable and profitable growth through intensive operational. Our transaction teams at six European locations identify suitable companies. After the acquisition, our dedicated operational team, together with the management of the portfolio companies, develops a comprehensive improvement programme spanning the entire value chain and its implementation. Our objective is to return the company to sustainable and long-term success and to subsequently support its value, including through strategic add-on acquisitions.

Extensive industry and turnaround experience, combined with transaction-side and operational support, build the foundation for mastering the challenges involved in developing our portfolio companies.

REVENUES BY SEGMENT

Segment structure

EUR million	2019	2018
Automotive & Mobility	450.4	437.0
Engineering & Technology	482.0	298.6
Goods & Services	83.5	48.7
Others (deconsolidated investments)	0.0	80.9
Total	**1,015.9**	**865.1**

CONTENT

MUTARES SE & CO. KGaA
Founded in 2008, Mutares acquires mid-sized companies that are headquartered in Europe to develop them long-term-oriented and sustainably.

MUTARES GROUP
As of 31 December 2019, the Mutares Group comprised 13 operating companies.

THE PORTFOLIO COMPANIES
The portfolio companies operate independently and are managed on their own reporting responsibility. They are integrated into the Mutares Group reporting.

→ www.mutares.com

FINANCIAL YEAR 2019

AT A GLANCE

FEBRUARY

Mutares expands to **the Nordics** with the first acquisition of the year: the platform investment Donges Group acquires the Finnish **Normek Oy** as a strategic add-on to its steel construction and façade solutions business, with revenues of EUR 45.8 million.

EUR 45.8 million
revenues

MARCH

The Mutares holding Donges Group signs a purchase agreement for the **acquisition of FDT FlachdachTechnologie GmbH & Co. KG**, based in Mannheim and **active throughout Europe**, and takes over the company in the same month. FDT is an established supplier of flat roof systems and is an excellent addition to the Donges product portfolio with total revenues of EUR 50.3 million.

EUR 50.3 million
revenues

MAY

The Annual General Meeting approves the actions of the Management Board and Supervisory Board and again approves a **dividend of EUR 1.00 per share** and the proposal to convert Mutares AG into an SE & Co. KGaA. Furthermore, **Johannes Laumann** was appointed to the Management Board of Management SE, as **Chief Investment Officer**.

EUR 1.00
Dividend

Highest transaction volume of the year

JUNE

The month of June saw the **highest transaction volume** of the year: Mutares completes the **acquisition of TréfilUnion SAS** (revenues of EUR 29.3 million) from ArcelorMittal in France. The company's product portfolio for the Goods & Services segment includes steel wires and ropes for the construction and automotive industries.

Mutares closes the **acquisition of Plati Elettroforniture S.p.A.** in Italy, announced in May 2019, with annual revenues of EUR 28.6 million, from the Chinese Deren Group. The company complements the Automotive & Mobility segment.

Mutares acquires the **keeeper Group** from Wrede Industrieholding. The keeeper Group is one of the largest European suppliers of innovative and high-quality plastic household products and strengthens the Goods & Services segment with sales of around EUR 58.6 million.

The existing platform investment Norsilk is integrated into the Donges Group to further improve the product offering and distribution network.

Change of legal form completed

JULY

Successful completion of the sixth transaction in the current year: **Mutares acquires Kirchhoff GmbH & Co. KG**, a traditional family-owned company for high-quality automotive engineering, which has successfully established itself as an automotive supplier in Europe, with a total annual turnover of EUR 89.9 million.

The Donges Group continues its growth and success and signs an agreement to **acquire Ruukki Building Systems Oy**, a subsidiary of the SSAB Group. The add-on acquisition strengthens Donges Group's market position in Northern Europe, with annual revenues of approximately EUR 130 million, and opens up further capacity in Eastern Europe.

Mutares completes the change of legal form into an SE & Co. KGaA. The executive board of Mutares Management SE is represented by Robin Laik, Mark Friedrich, Dr. Kristian Schleede and Johannes Laumann. After successfully building up the Donges Group, Johannes Laumann strengthens the M&A activities, as Chief Investment Officer (CIO), on the board.

Office Helsinki

AUGUST

Mutares expands to Finland and establishes **Mutares Nordics** with an office in Helsinki. With its own local M&A team Mutares aims to strengthen its investment activities in the Nordic countries.

OCTOBER

Mutares organizes the **first Capital Markets Day** in Frankfurt am Main with more than 80 investors, analysts and media representatives.

First Capital Markets Day

DECEMBER

Mutares acquires Q Logistics (now renamed to BEXity), Austria's leading logistics company with revenues of EUR 212.8 million from the Austrian Federal Railways (ÖBB). This is the first transaction with a state-owned vendor company.

Mutares signs an agreement to **acquire the Italian business of the Tekfor Group** (now renamed to PrimoTECS), a well-known manufacturer of automotive components with sales of approximately EUR 120 million.

Donation to children's hospice

The tenth transaction of the year is the agreement to **acquire the German paper napkin business of the Finnish Metsä Tissue Corporation**, one of the world's leading paper napkin manufacturers with a turnover of approximately EUR 45 million, as a strategic add-on for the keeeper Group.

For Christmas **Mutares donates to the outpatient children's hospice in Munich** and takes over a family sponsorship.

MESSAGE FROM THE MANAGEMENT BOARD

Dear Shareholders,

This annual report for the financial year 2019 is a special one, as it was largely prepared during the current corona pandemic.

For this reason, please allow us to begin our foreword by expressing our sincere thanks to all employees of Mutares SE & Co. KGaA, the portfolio companies and the auditor, who, despite the restrictive working conditions, prepared the annual financial statements as well as the consolidated financial statements and thus this annual report on schedule and in the usual high quality.

Let us first look at the pleasing financial year 2019, before we come to the effects of the current corona pandemic on our business.

For us, the financial year 2019 of Mutares SE & Co. KGaA was marked by the growth and further development of the Group: On the one hand, we created the framework for further growth in terms of structure and personnel, and on the other hand, our investment teams in Munich, Paris, Milan, London and Helsinki ensured that, with ten transactions, seven of which were concluded in the financial year 2019, we exceeded the threshold of EUR 1.5 billion in consolidated revenue on an annualized basis and are now aiming for EUR 2.0 billion.

In addition, we have further professionalized our capital market presence and organized Mutares' first Capital Markets Day, which was very well received by investors, analysts and press representatives.

At the beginning of 2020, Mutares' first fully placed bond issue proved that the issuer Mutares and its business model are recognized and firmly established on the capital market.

We are convinced that our business approach, which combines the strategic management of the holding company, regional investment teams with access to attractive investment opportunities, and locally deployed, in-house teams of experts as part of an active investment management, is instrumental in driving value growth within the Group and offers us significant opportunities even under possibly adverse economic conditions.

Record year for acquisitions

In 2019, we continued to focus on companies and parts of the Group with significant potential for operational improvement. Mutares is characterized by a deep operational approach with its own teams of experts who work locally in the portfolio companies, implementing carve-out measures, turnaround and improvement programs and growth strategies together with the local employees.

With this approach, we were able to convince in ten transactions in 2019 and with TréfilUnion, Plati, keeeper, KICO, BEXity and PrimoTECS we were able to win six new platforms and a total of four strategic acquisitions for the Donges Group and the keeeper Group. On an annuliazed basis, the acquisitions led to inorganic growth in Group sales of around EUR 800 million. With the aim of further growth and value-oriented portfolio management, attractive purchase candidates and exit opportunities will continue to be identified and evaluated by our investment teams, our participations companies and the Management Board in the financial year 2020.

Positioning for further growth

In 2019, we have again positioned the Mutares Group for further growth.

With the registration in July of the change in legal form to a SE & Co. KGaA, which was resolved by the Annual General Meeting on 23 May 2019, we have shaped the legal framework of our Group for further growth in a future-oriented manner. Together with the members of the Supervisory Board, we hold more than 40% of the shares in Mutares SE & Co. KGaA, thus ensuring the desired structural stability for the sustainable development of the Company.

At the same time, Dr. Wolf Cornelius left the Management Board of Mutares AG as part of a mutually agreed rejuvenation of the Management Board, and Johannes Laumann was appointed CIO (Chief Investment Officer) on the Management Board of Mutares Management SE. We would like to thank Dr. Wolf Cornelius warmly for his many years of outstanding performance and are pleased that he has since been supporting the Group with his experience as a senior advisor.

In 2019, we pursued a value-oriented buy-and-build strategy for selected portfolio companies and were able to expand the Donges Group and keeeper Group with targeted acquisitions. Through such acquisitions, which we call add-ons, portfolio companies have already successfully acquired new customer groups, new markets and complementary technologies and strengthened their market positions. Through our in-depth operational approach and increased use of buy-and-build strategies, we aim to achieve consistent, significant value growth for Mutares and our shareholders.

Financial results 2019 with record sales and marked by growth through acquisitions

The high level of acquisition activity in the financial year 2019, unprecedented in our Company's history, resulted in consolidated sales exceeding the billion-euro threshold for the first time. The Mutares Group achieved consolidated sales of EUR 1,015.9 million in 2019, an increase of 17.4% (previous year: EUR 865.1 million) and EBITDA of EUR 79.2 million (previous year: EUR 49.1 million).

As is well known, the Adjusted EBITDA figure, which is used to measure the operating performance of our investments in a more transparent manner and a better assessment of operational profitability, differs significantly along the three phases that investments usually go through during their membership of the Mutares Group (realignment, optimization and earnings contribution/harvesting). Notwithstanding the high number of acquisitions in 2019, which are in the "realignment" phase with mostly still negative profitability, the Adjusted EBITDA of Mutares Group in 2019 was EUR 7.5 million, an increase of approximately 67% (previous year: EUR 4.5 million).

The positive operating development and the expansion of the consulting business for the rapidly growing portfolio resulted in a net profit of Mutares SE & Co. KGaA for the financial year 2019 of EUR 22.5 million, which is also a key indicator for the variable compensation of all Mutares employees.

Shareholder participation in Mutares' success

In 2019, we again allowed our shareholders to participate in the Company's success with an attractive dividend yield of around 11.1% (based on the year-end closing price for 2018) and, as part of our long-term sustainable dividend policy, distributed EUR 1.00 per share for the second year in succession. This dividend for the financial year 2018 , which was approved by the Annual General Meeting at the joint proposal of the Management Board and the Supervisory Board, amounted to a total payout of EUR 15.2 million and was paid out at the end of May 2019.

In addition, the Mutares share price rose 36% in the calendar year 2019, well above the industry average, supported by continued intensive capital market communication and the first Capital Markets Day of Mutares in Frankfurt in October 2019, which met an extremely positive response.

Outlook 2020

With two further transactions, including the purchase of the Italian Nexive business of PostNL with sales of over EUR 200 million, the closing of which we cannot yet foresee against the background of the Corona pandemic, as well as an acquisition for the Balcke-Dürr Group and the successful placement of a bond with a volume of EUR 50.0 million, we have already had a good start into 2020.

However, the COVID-19 pandemic then led to a very abrupt impact on the daily lifes and the global economy towards the end of the first quarter of 2020. To contain the corona virus, public life was drastically restricted, first in China, then in Europe and increasingly in large parts of the rest of the world. These restrictions lead to production stops, disruption of (international) supply chains and a collapse in demand. It is not yet possible to make a serious assessment of the effects of these restrictions on economic development in Europe and the world. The ifo Institute estimates depending on the length of the closure measures a contraction of up to 21 percentage points for German economic output alone. Governments in Europe have already announced or implemented far-reaching economic and financial policy measures to cushion the negative impact on companies and jobs.

Together with our entire Management team and the workforces of our portfolio companies, we immediately took extensive measures to protect the health of our employees and to limit the expected negative economic effects. We would like to express our sincere thanks to all those who, are currently trying to continue the operational activities of Mutares Group as far as possible under the pandemic conditions of the respective countries.

At this point in time, we are not yet able to make reliable estimates of the impact of the COVID-19 crisis on the Mutares Group. We must assume that we will see a significant drop in consolidated profitability of the existing companies. However, we will have additional opportunities in the area of M&A, especially on the buy side, in the second half of the year at the latest. Mutares' net profit for the year comes from various sources, namely on the one hand from revenues from the consulting business and on the other hand from dividends from portfolio companies and exit proceeds from the sale of investments. Even in an operationally difficult year for various portfolio companies, we consider ourselves fundamentally in a position to achieve a sufficiently high net income for the year to be able to continue our long-term sustainable dividend policy. Against this background, we continue to see the opportunity to achieve a sufficiently high net profit for the current financial year 2020, which is marked by the Corona pandemic, to be able to continue this long-term sustainable dividend policy of Mutares Group with a dividend of EUR 1.00 per share without cutbacks in order to allow shareholders to participate in the business success.

We would like to thank our shareholders for the trust they have placed in us and our employees for their extraordinary commitment, especially in these difficult times.

Cordially
the Management Board of Mutares Management SE,
General partner of Mutares SE & Co. KGaA

Munich, 8 April 2020

Robin Laik, CEO   Mark Friedrich, CFO   Dr. Kristian Schleede, CRO   Johannes Laumann, CIO

F.l.:
Mark Friedrich
Dr. Kristian Schleede
Robin Laik
Johannes Laumann

OUR BUSINESS MODEL

01

Acquisition

After acquisition, Mutares initiates an extensive operational improvement programme within the portfolio companies. The projects jointly defined with the company are implemented by Mutares consultants in close cooperation with the employees on site.

02

Realignment

Mutares develops its company successfully in strategic and operational terms until the long-term reorganization is achieved: Specialists support optimisation projects on the ground, including investments in the development of innovative products, adapting and reorganization sales and production with a long-term perspective.

On completion of the improvement programme, the company will have re-established itself as an independent, profitable company in its respective market. With the help of active investment management by Mutares, the company is continuously evaluated with a view to new business opportunities and supported in their development. In addition, Mutares then defines and implements measures to promote organic growth.

03

Optimization

Another option for the growth phase involves additional development through focused, strategic acquisitions (the buy-and-build approach). Mutares reviews the company for further business opportunities and strengthens its development during the growth phase through focused strategic add-ons to enter new markets or bring in new products or promising technologies. For these add-on acquisitions, the strategic fit is crucial, therefore no pre-defined deal criteria.

04

Harvesting

The objective of Mutares is to actively promote the realization of the company's value potential, thereby establishing the basis for a profitable sale of the company to ensure the sustainable development of the portfolio in the long term.

GROWTH

EXIT

OUR BUSINESS MODEL

Mutares' business approach includes acquisition, restructuring, repositioning and development as well as the sale of medium-sized companies in situations of upheaval.

Mutares has specialized in identifying, analyzing and exploiting existing market opportunities when acquiring its portfolio companies. As part of the acquisition, the company focuses more on the existing value potential than on one specific sector. Accordingly, the Group's operating companies are active in a wide variety of industries and pursue different business models. It is characteristic of potential takeover targets that already in the transaction phase, earnings improvement potential in the company is clearly identifiable, which can be raised within one to two years through suitable strategic and operational optimizations.

Mutares has a long-term commitment to the group companies and is specialized in the acquisition of companies with development potential. Mutares has transaction experience from around 55 acquisitions and sales of companies and is therefore able to execute transactions professionally and quickly. Mutares also has the necessary long-term investment and management experience in various industries to realize the potential of its portfolio companies by actively supporting the upcoming change phases as a reliable companion. The aim is to create independent and dynamically operating medium-sized companies with a competitive, profitable business model and to develop them further through organic and inorganic growth.

Value creation approach

The Mutares team has extensive in-house operational industrial and restructuring experience. After the acquisition of a company, the range of services includes operational support and assistance with strategic acquisitions up to the sale of the company.

OUR STRATEGY

Mutares has been internationally successful on the market for corporate takeovers for many years.

In its capacity as an active investor, Mutares focuses mainly on 100% acquisitions of small and medium-sized companies in special situations with the aim of guiding these companies to profitable and sustainable growth through intensive operational cooperation as well as a buy-and-build strategy. To do this, Mutares, together with the management of the respective company, identifies potential for improvement. Consultants from Mutares then work together with the respective holding to boost profitability by providing operational support, organic growth and further expanding the business on the back of strategic add-on acquisitions. The objective is to increase the economic success of the company on a sustainable basis. Acquisitions of portfolio companies are completed and developed under the Mutares umbrella with a long-term strategic vision. With offices in Munich, Paris, Milan, London, Helsinki and since April in Frankfurt am Main, as well as portfolio companies with activities in Europe, North Africa, North and South America and Asia, the Mutares Group is a truly global enterprise. When considering portfolio acquisitions, Mutares does not confine itself to one specific sector, but focuses on the following industries:

- Automotive & Mobility
- Engineering & Technology
- Goods & Services

The current portfolio of Mutares SE & Co. KGaA includes – with the closed acquisition of PrimoTECS end of January 2020 – fourteen corporate investments.

OUR IDENTITY

Mutares creates value by transforming risks and opportunities into sustainable business success.

OUR MISSION

is to be the European market leader in turnaround investment with a focus on medium-sized companies and to deliver a leading dividend yield to shareholders.

OUR VISION

is to be "first in mind, first in choice" for European medium-sized companies in the private equity world.

OUR GOAL

lies in the passion to transform companies into sustainable growth and future-proof businesses.

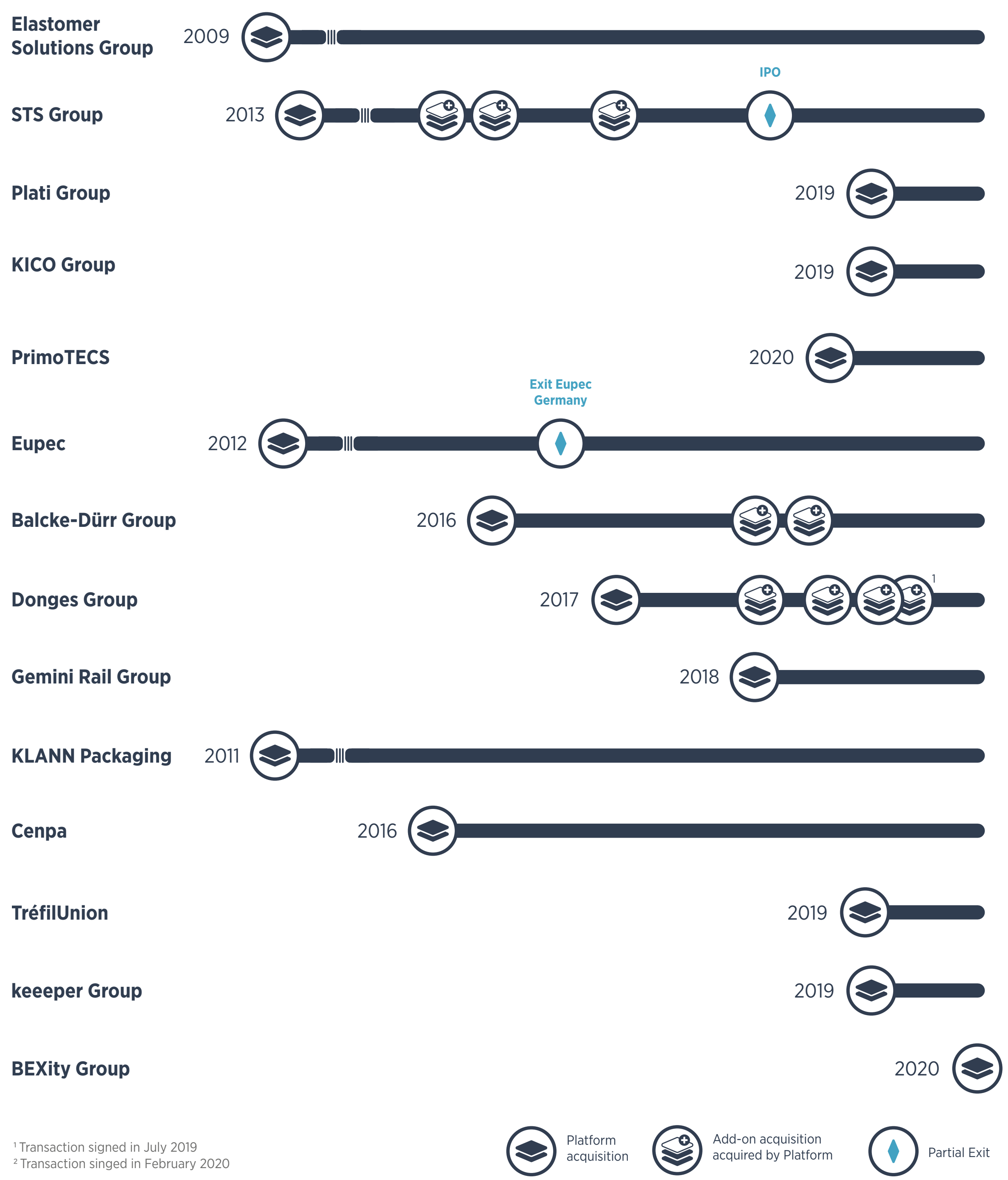
OUR VALUES

Entrepreneurship
Integrative Management
Sustainability
Personal Integrity

ACTIVE DEVELOPMENT OF OUR PORTFOLIO

	Portfolio company	Industry	Acquisition	HQ	Phase
	AUTOMOTIVE & MOBILITY				
	Elastomer Solutions Group	Automotive supplier of rubber mouldings	2009		Harvesting
	STS Group	System supplier of components for the commercial vehicle- and automotive industry	2013		Harvesting
	Plati Group	Manufacturer of wire and cable harnesses	2019		Realignment
	KICO Group	System supplier of high-quality automotive technology	2019		Realignment
	PrimoTECS	Supplier of components for various products in engine, transmission and driveline sectors, supporting mobility.	2020		Realignment
	ENGINEERING & TECHNOLOGY				
	Eupec	Supplier of coatings for oil and gas pipelines	2012		Harvesting
	Balcke-Dürr Group	Leading supplier of components for increasing energy efficiency and reducing environmental impact for the industry	2016		Harvesting
	Donges Group	Full-range provider of steel structures, roof and facade systems	2017		Optimization
	Gemini Rail Group	Engineering, maintenance and modernization services for rail vehicles	2018		Optimization
	GOODS & SERVICES				
	KLANN Packaging	Manufacturer of high-quality packaging solutions	2011		Harvesting
	Cenpa	Producer of coreboard	2016		Optimization
	TréfilUnion	Manufacturer of iron wire and prestressing steel	2019		Realignment
	keeeper Group	Manufacturer of high-quality plastic and paper household products	2019		Realignment
	BEXity Group	Provider of transport and logistics services	2019		Realignment

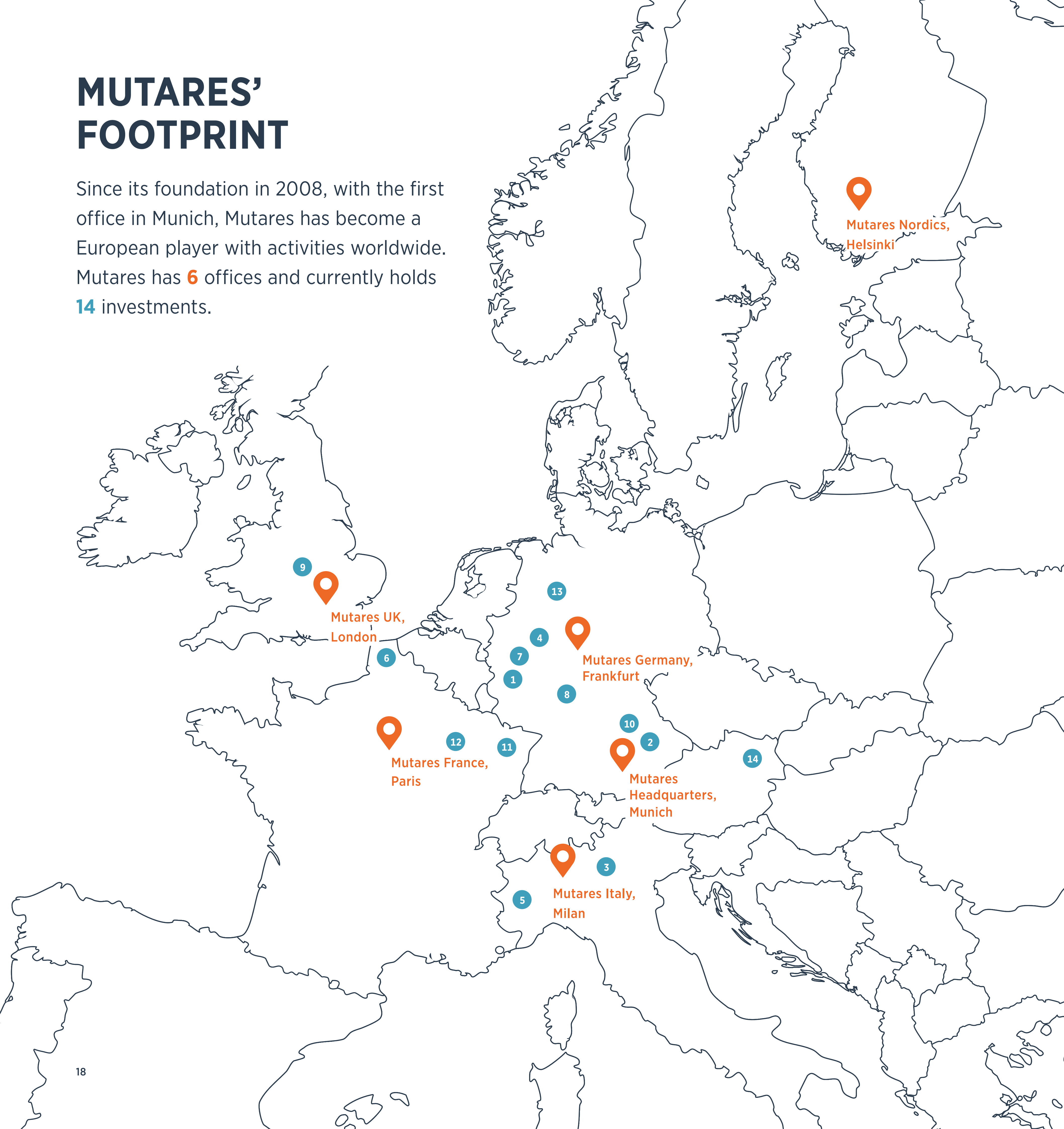
Our portfolio companies successfully apply a buy-and-build approach

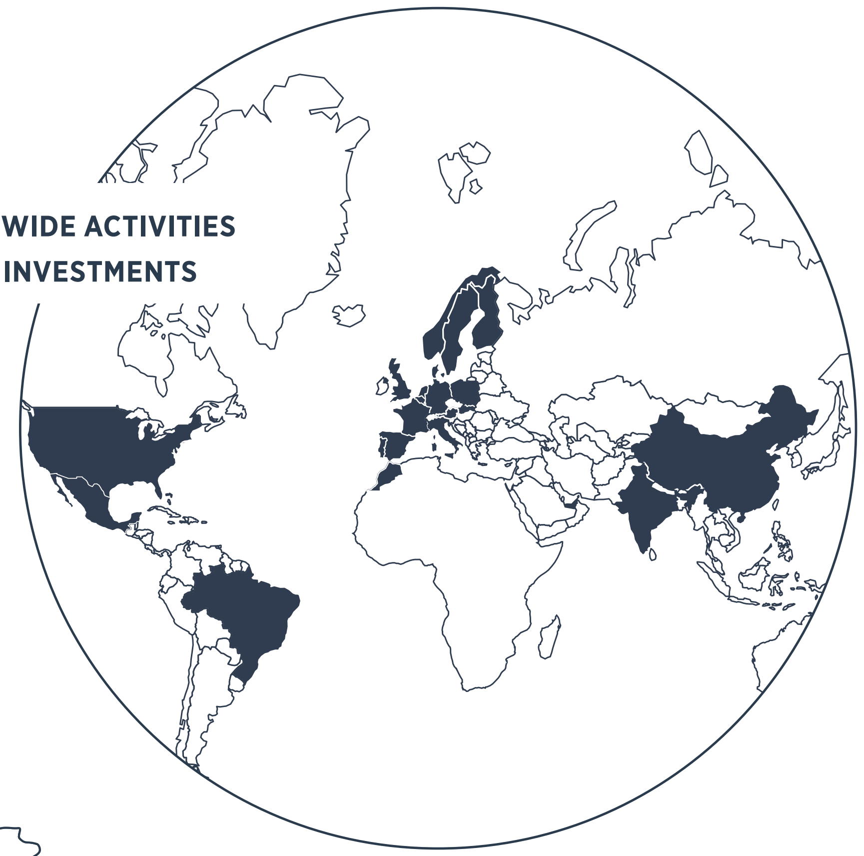


[1] Transaction signed in July 2019
[2] Transaction singed in February 2020

MUTARES' FOOTPRINT

Since its foundation in 2008, with the first office in Munich, Mutares has become a European player with activities worldwide. Mutares has **6** offices and currently holds **14** investments.





INVESTMENTS

1. Elastomer Solutions Group (Wiesbaum, Germany)
2. STS Group (Hallbergmoos, Germany)
3. Plati Group (Madone, Italy)
4. KICO Group (Halver, Germany)
5. PrimoTECS (Villar Parosa, Italy)
6. EUPEC (Gravelines, France)
7. Balcke-Dürr Group (Düsseldorf, Germany)
8. Donges Group (Frankfurt am Main, Germany)
9. Gemini Rail Group (Wolverton, UK)
10. KLANN Packaging (Landshut, Germany)
11. Cenpa (Schweighouse-sur-Moder, France)
12. TréfilUnion (Commercy, France)
13. keeeper Group (Stemwede, Germany)
14. BEXity Group (Vienna, Austria)

01 Acquisition

After acquisition, Mutares initiates an extensive operational improvement programme within the portfolio companies. The projects jointly defined with the company are implemented by Mutares consultants in close cooperation with the employees on site.

Christoph Großekämper
Head of M&A DACH

TRANSACTION FOCUS

In selecting its acquisition targets, Mutares focuses on three sectors: Automotive & Mobility, Engineering & Technology, as well as Goods & Services. Mutares invests throughout Europe in companies and corporate spin-offs meeting the following characteristics:

CRITERIA FOR PLATFORM ACQUISITIONS

- **Established market position** (products, brand, customer base)
- **Potential for operational improvement** along the entire value chain
- Revenues of **EUR 50–500 million**
- Economically challenging situations or **special situations** (e.g. a short-term liquidity shortage, a planned restructuring or reorganisation).
- Focus of activities in **Europe**

Mutares acquires companies that are in transition and use these platform investments for a buy-and-build strategy. The focus of the activities lies within Europe and revenues between EUR 50 and 500 million serve as a benchmark for the size of the company.

In the vast majority of cases, we proactively cover the markets with our offices in Munich, Paris, Milan, London, Helsinki and Frankfurt. Our M&A specialists are extensively networked and work closely with external consultants and lawyers.

In addition to the original deal sourcing, the acquisition process includes extensive due diligence with our own internal operating staff as well as the negotiation of conditions up to the closing of the transaction.

> "Our competence is our strenght during acquisition – the management of the targeted company recognizes our potential and the added-value that we bring. That's why it is so important to personally exchange and be on site at an early stage."

Katerina Zenz
M&A Associate

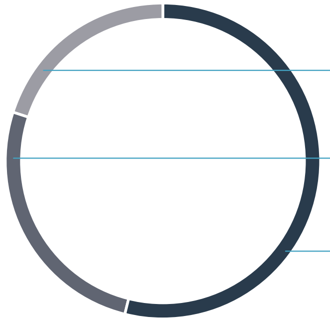
02

Realignment

Mutares develops its company successfully in strategic and operational terms until the long-term reorganisation is achieved: Specialists support optimization projects on the ground, including investments in the development of innovative products, adapting and reorganizing sales and production with a long-term perspective.

On completion of the improvement programme, the company will have re-established itself as an independent, profitable company in its respective market. With the help of active investment management by Mutares, the company is continuously evaluated with a view to new business opportunities and supported in their development. In addition, Mutares then defines and implements measures to promote organic growth.

Distribution of employees



"When we come to the company, it is important to emphasize our common strategy and thus give local employees the opportunity to get more involved and develop new potential."

Tobias Wilmes
Director
(Project Management Office)

"We have set ourselves the goal of advancing the topic of digitization and sustainability in IT, both, within our holding and at our subsidiaries. The use of the most modern systems and applications, as well as the use of cloud technologies for efficient and secure business processes, is the core of our IT architecture."

Nicolas Pütz
Associate Director (IT)

An experienced team of operational managers support the turnaround of our portfolio companies. Our diversified team of employees has extensive experience and a sustainable track record in the successful implementation of restructuring and improvement measures.

An essential part of these measures is the 100-day plan. It comprises the essential changes that were analytically identified and conceptually developed during this period. Together with the management, the detailed plan is mastered as part of the turnaround of the company. Typically, we plan in a time horizon of 12–18 months for the stabilization and restructuring of our companies. Mutares generates annualized revenues of approximately EUR 25 million (first revenue pillar for the holding company) with this valuable management performance of the operational staff for the portfolio companies.

03

Optimization

Another option for the growth phase involves additional development through focused, strategic acquisitions (the buy-and-build approach). Mutares reviews the company for further business opportunities and strengthens its development during the growth phase through focused strategic add-ons to enter new markets or bring in new products or promising technologies. For these add-on acquisitions, the strategic fit is crucial, therefore no pre-defined deal criteria.

"The success of a business is closely linked to the performance of its purchasing organization. To ensure such performance, the definition of the strategy must be driven through vision and also emotions. The increasing complexity and challenges of the market are finally changing the relation customer/supplier into partnership. Transparency is key and serves as pillar for a sustainable approach of the business."

Mathieu Purrey
Principal (Purchasing)

Transaction history

After the successful completion of the realignment, Mutares sets the course for the further development of the investment. The acquired company is now independently profitable again and can concentrate on growth and organic value enhancement. The company is then at a crossroads (exit as the second pillar of income for the holding):

1. Ideally, a restructured and profitable company serves as a platform for our buy-and-build strategy, which has already been sustainably proven at STS Group, Donges Group and Balcke-Dürr Group. As Mutares, we support the acquisition of further potential in terms of geography, market expansion or product innovation. The buy-and-build strategy serves to create added value for the company in the shortest possible time and a sustainable increase in value for us and thus our shareholders. The holding period of the company until the exit can be >5 years due to the necessary integration of the investments.

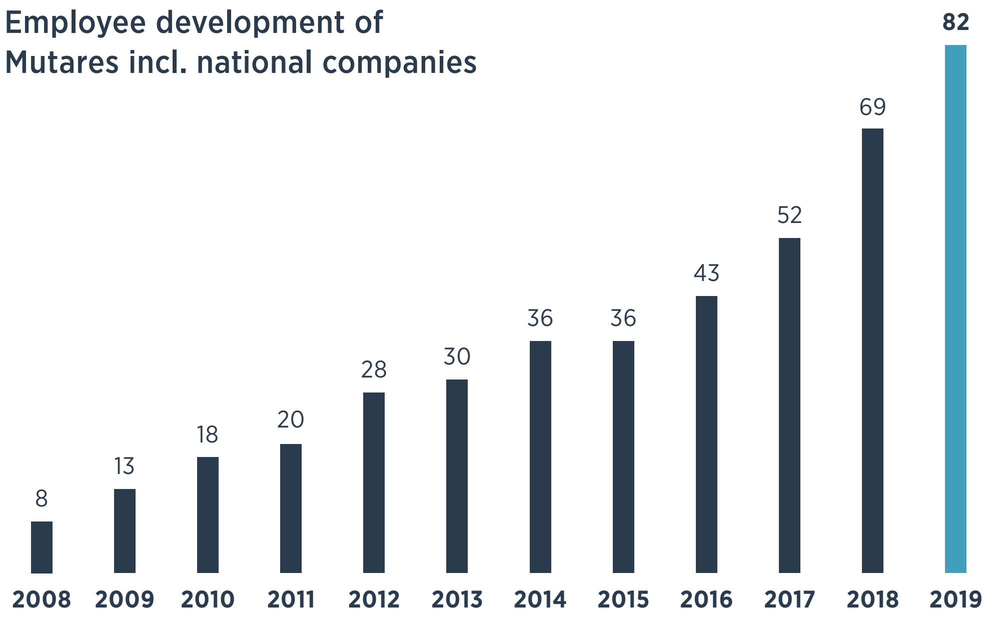
2. If, after successful restructuring, we see the possibility of maximum added value for us and our shareholders in the form of a quick exit, we will carry this out in an orderly manner and with external support from consultants. The holding period of the company until the exit will then be significantly shorter and generally <3 years.

04

Harvesting

The objective of Mutares is to actively promote the realization of the company's value potential, thereby establishing the basis for a profitable sale of the company to ensure the sustainable development of the portfolio in the long term.

Employee development of Mutares incl. national companies



"Our goal is to rekindle entrepreneurship in the companies and to take the helm as a team."

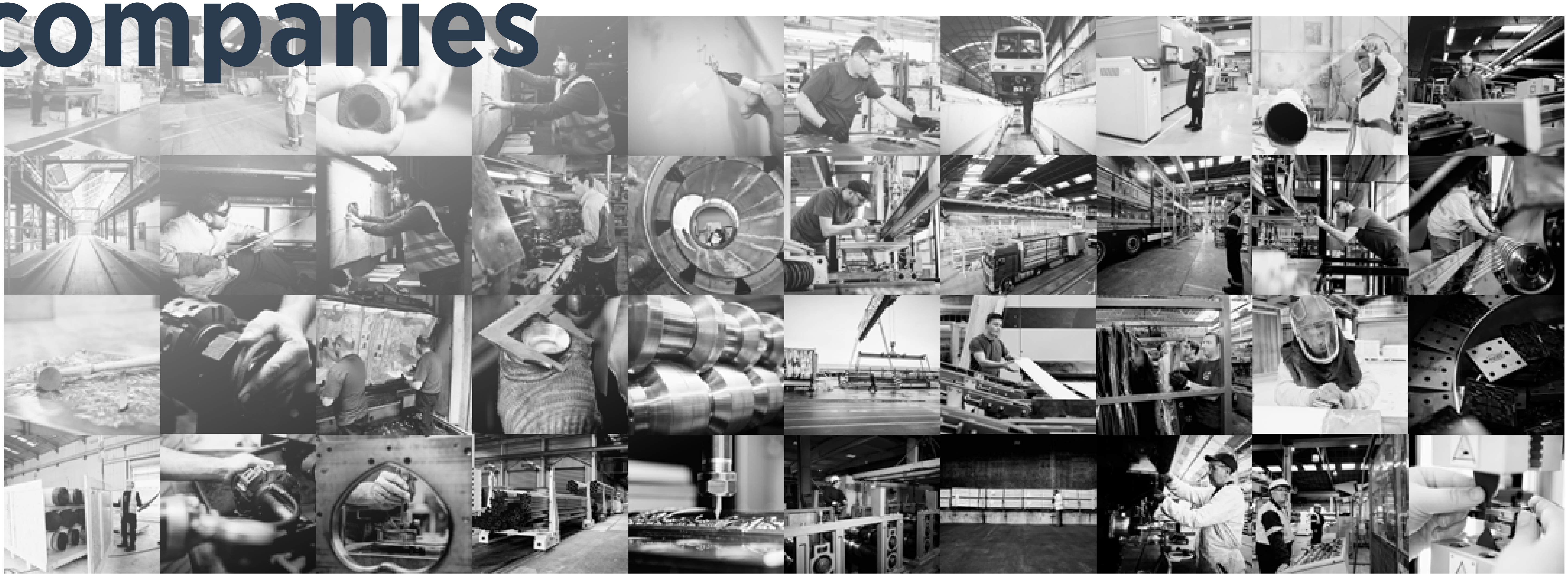
Markus Zillner
Manager (Marketing & Sales)
with an employee of the
participation on site

In addition to the exits described above, harvesting also refers to the increase in value within the holding period. As soon as there is sustainable profitability, the company is usually also in a position to pay dividends (third pillar of income for the holding company).

The three pillars of income described above underpin Mutares' business success and ensure the holding company's stable, sustainable profitability and resulting ability to pay dividends.

Svenja Blöcker
HR Manager

Our portfolio companies



Automotive & Mobility

Our portfolio companies in the Automotive & Mobility segment operate in the commercial vehicle and passenger car supply business. They have plants and employees around the world and supply prominent international commercial vehicle and passenger car manufacturers. Segment growth has so far been driven succesfully both by organic growth and by strategic acquisitions. In 2018, this segment recorded the first IPO of a Mutares portfolio company.

Engineering & Technology

In the Engineering & Technology segment, Mutares brings together companies that enjoy a significant competitive advantage thanks to their excellent construction expertise and experience. Our holdings in this segment serve customers in the energy and chemical industries, public infrastructure, sports infrastructure and the rail sector.

Goods & Services

Our portfolio companies in the Goods & Services segment stand out thanks to their clearly defined positioning in their home markets. Their position and competetive edge result from specialized products and services with which our portfolio companies supply their customers in various industries.

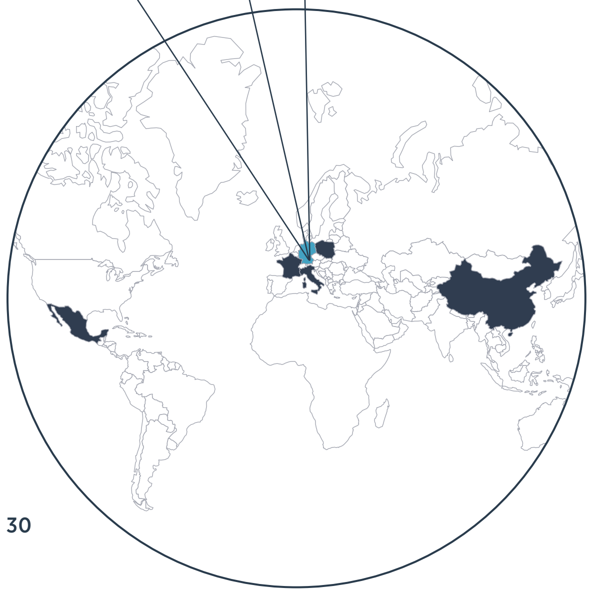
AUTOMOTIVE & MOBILITY

System supplier of components for the commercial vehicle- and automotive industry

approx.
2,500
Employees

In the
portfolio since
2013

approx.
EUR million
360
revenues 2019



HEADQUARTERS
HALLBERGMOOS, GERMANY

Company profile STS Group

STS Group was founded in 1934 and now operates 13 plants and four development centres in seven countries in Europe, North and South America and China. Today, the company is a globally active and preferred system supplier of solutions for acoustics, thermal, structure and cladding in interior and exterior applications for commercial vehicles and automotive industries. STS Group covers the entire value chain from semi-finished products to assembled and painted systems, i.e. is vertically integrated along the entire value chain, from the idea to the deliverable product system, and can control the entire manufacturing process.

Its established customer base includes the world's largest and most important truck and automotive OEMs from Europe, the US and China. STS Group, which is listed on the Frankfurt Stock Exchange (ISIN: DE000A1TNU68), employs around 2,500 people globally and achieved consolidated sales of approx. EUR 360 million in 2019. Mutares, as majority shareholder, continues to hold a strategic stake of over 60%.
→ www.sts.group

TRANSACTIONS

- 2017 – STS Group acquires Brazilian plant from Autoneum Group (SUI)
- 2017 – STS Group acquires the truck supply business of Plastic Omnium (FRA)
- 2016 – STS Group acquires two plants from Mecaplast (LUX)
- 2015 – STS Group builds a plant in Poland as greenfield project
- 2013 – Mutares acquires STS (100%) from Autoneum Group (SUI)

Strategy

STS Group's aim is to achieve sustainable growth through the targeted expansion of its activities in Europe and by offering systems based on the bundling of key Group technologies. This aim is reflected in STS' four strategic pillars market leadership, technology leadership, customer proximity and operational excellence. Benefitting from a sustainable research and development strategy, its products offer solutions for automotive megatrends, such as systems for reducing weight and noise emissions of vehicles, independent of the powertrain. In addition, STS Group aims at further expanding the already solid position in China and opening up the US market, as following the first US order the Group was awarded recently.

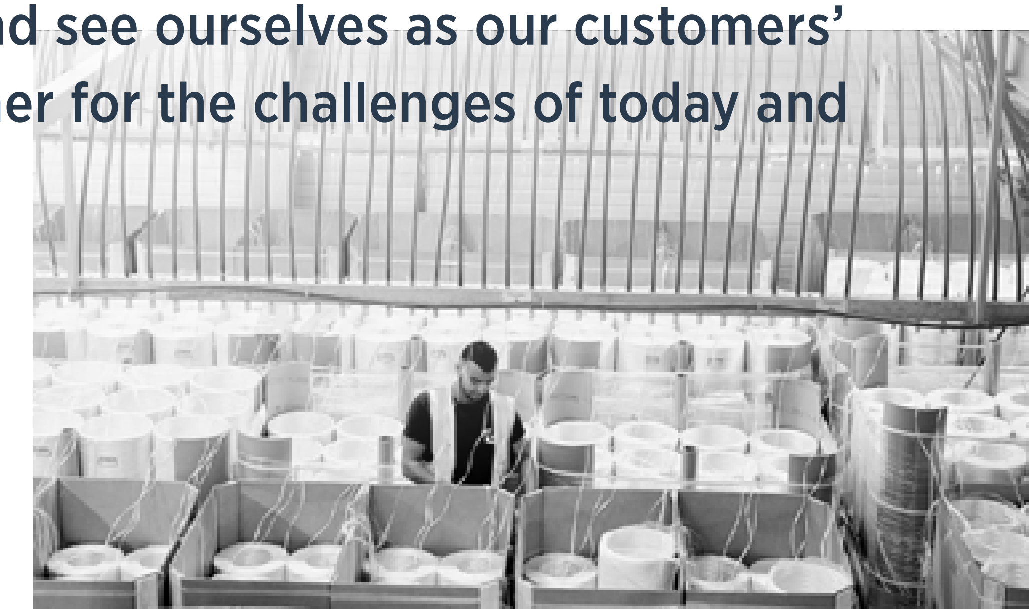
INDUSTRIES

- Components for light, medium and heavy commercial vehicles
- Passenger cars (small to medium-sized series)
- Agricultural vehicles

PRODUCT SELECTION

- Truck driver cabs (interior & exterior)
- Boot lids
- Headliners
- Interior trim
- Loading surface
- Storage systems

"We want to be the world's preferred supplier of acoustic and plastic solutions for transportation systems when it comes to design, comfort and efficiency. With our innovative system solutions, we make a relevant contribution to the mobility concepts of tomorrow and see ourselves as our customers' preferred partner for the challenges of today and tomorrow."



Provision of glass fibers for the manufacture of SMC (Sheet Molding Compound)

AUTOMOTIVE & MOBILITY

Automotive supplier of rubber mouldings

approx.
450
Employees

In the portfolio since
2009

approx. EUR million
36
revenues 2019

Company profile Elastomer Solutions Group

Founded in 1974, Elastomer Solutions is a 100% owned subsidiary of Mutares and a leading manufacturer of rubber and thermoplastic components based in Germany. At production sites in Slovakia, Portugal, Morocco and Mexico, Elastomer manufactures 1k and 2k parts made of rubber and thermoplastic materials, such as eyelets for doors, tailgates, dashboard, hatches, pedal covers, battery covers, seals and bumpers. The group supplies customers in the automotive industry worldwide and has established itself as a specialist for complex technical parts. Elastomer covers the entire value chain from development to the sale of finished parts. In 2019, the company employed around 450 people and achieved sales of EUR 36 million.
→ www.elastomer-solutions.com

HEADQUARTERS
WIESBAUM, GERMANY

Strategy

Since the takeover by Mutares, Elastomer Solutions has been pursuing a sustainable, organic growth strategy. In the course of this, the production sites in Morocco and Mexico were established as greenfield projects. In view of the developments and trends in the global automotive market and the world economy, Elastomer Solutions has completed a program to increase the efficiency of the Group in 2019 and, at the same time, successfully achieved continuous growth in new business, including for injection-molded components.

INDUSTRIES

- Vehicle components

PRODUCT SELECTION

- 1k and 2k components made of rubber and thermoplastic materials such as grommets (doors and boot lids, dashboards, service panels), pedal covers, battery covers, engine parts, seals, fenders

TRANSACTIONS

- 2014 – Elastomer establishes a plant in Mexico
- 2012 – Elastomer establishes a plant in Morocco
- 2009 – Mutares takes over Elastomer Solutions from Diehl Group (GER)

Rubber pedal covers are produced with and without a metal composite

AUTOMOTIVE & MOBILITY

Manufacturer of wire and cable harnesses

In the portfolio since
2019

approx. EUR million
30
revenues (annualized)

approx.
700
Employees

HEADQUARTERS
MADONE, ITALY

Company profile Plati Group

Plati Group is an established international supplier of cable harnesses, special cables and connectors with headquarters in Italy and two production sites in Poland and Ukraine. The company serves a broad customer base including producers of household and consumer electronics as well as customers from the automotive, healthcare and telecommunications industries. With the most important industry-specific certifications, such as ISO 9001:2015 and IATF 16949:2016, Plati manufactures customer-specific and often safety-relevant products for electronic applications. With approx. 700 employees, Plati achieved annualised revenues of approx. EUR 30 million.
→ www.plati.it

Strategy

Following the successful completion in 2019 of the simplification of logistics processes, the reduction of loss-making products and a strong improvement in work organisation and productivity, the focus since then has been on growth. Plati Group develops its business along the six sales markets automotive, consumer goods, industry, electronic devices, healthcare and telecommunications. Against the background of a technological upheaval in the automotive industry and the increasing electrification of mobility, Plati is excellently positioned and considers the markets for vehicle wiring harnesses and also for medical electronics, to be very attractive and promising for its own product range.

PRODUCT SELECTION

- Wiring harnesses
- External and internal cables
- Plug connector
- LVDS and FFC cables
- Connectors
- Overmoulded PVC cables

TRANSACTIONS

- 2019 – Acquisition of Plati (80%) by Mutares from Deren Group (CHN)

Manufacturing harness and various cables

AUTOMOTIVE & MOBILITY

System supplier of high-quality automotive technology

Company profile Kirchhoff GmbH & Co. KG (KICO)

KICO is a leading supplier for the international automotive industry and rich in tradition. In addition to its headquarters in Germany, KICO operates two other production sites in Poland and Mexico. The company has been developing, industrializing and manufacturing market-oriented, competitive safety components for passenger cars for decades. The products meet the elevated requirements of the European automotive industry and range from active and passive hinge, active aerodynamic, closing and mechatronic systems such as electric seat back adjustment and soft top locking systems to connecting elements. As a Tier 1 supplier, KICO mainly serves automotive OEMs and, thanks to its high flexibility and in-depth know-how, can offer its customers tailor-made solutions with the expected highest product and delivery quality. KICO employs around 800 people with annual sales of approximately EUR 90 million.

→ www.kico.de

In the portfolio since **2019**

approx. **800** Employees

approx. EUR million **90** revenues 2019

HEADQUARTERS
HALVER, GERMANY

Strategy

KICO positions itself as a preferred strategic partner with a high degree of connectivity and expertise for customers in the automotive industry. As a provider of methodical expertise, KICO aims to further expand its market position in the areas of closure systems and hinges and to consolidate the market position already achieved in the still young product area of aerodynamic systems. As a new portfolio company of Mutares, KICO focuses on the promotion of operational excellence to further strengthen the basis for future value creation.

TRANSACTIONS

2019 – Acquisition (100%) by Mutares from the owning family

Tailor-made solutions are produced on modern production and assembly lines

AUTOMOTIVE & MOBILITY

Supplier of components for various products in engine, transmission and driveline sectors, supporting mobility

Company profile PrimoTECS

PrimoTECS is part of the Mutares portfolio since 2020. The company manufactures components for use in electric, hybrid and conventional drives at two production sites in northern Italy. The company has established itself as a well-known, profitable supplier in the automotive sector, as well as in the truck industry and related sectors. The system supplier generates sales of approximately EUR 120 million with its approx. 670 employees.

→ primotecs.com

In the portfolio since **2020**

approx. EUR million **120** revenues 2019

approx. **670** Employees

HEADQUARTERS
VILLAR PEROSA, ITALY

Strategy

With the new name PrimoTECS introduced in February, which stands for mobility, transmissions, engine components and solutions, the company focuses on the further development of its current business, the use of the know-how it has acquired and the intensification of cooperation with customers, supported by the Mutares-own operative consulting team.

TRANSACTIONS

2020 – Acquisition (100%) by Mutares from Tekfor Group (GER)

Quality control check of parts after forging

BALCKE DÜRR

ENGINEERING & TECHNOLOGY

Leading supplier of components for increasing energy efficiency and reducing environmental impact for the industry

approx.
650
Employees

approx.
EUR million
165
revenues 2019

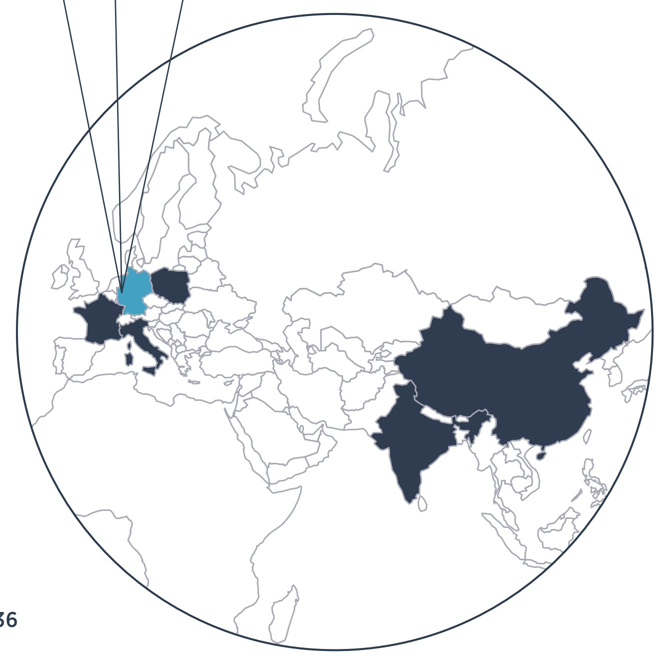
In the
portfolio since
2016

Company profile Balcke-Dürr Group

With more than 130 years of experience, the Balcke-Dürr Group offers innovative solutions to increase energy efficiency and reduce emissions for utilities and the chemical industry, ranging from standard modules to complete thermal systems. Balcke-Dürr's experienced engineers are specialized in solutions that meet the highest safety and sustainability requirements. The product portfolio includes heat exchangers, filter systems for flue gas cleaning and maintenance services. At its production sites in Germany, Italy and China as well as its seven service, engineering and sales centers in Germany, Italy, Poland, India and France, the Group employed approximately 650 people in 2019 and generated consolidated sales of approximately EUR 165 million. In December 2019, the Balcke-Dürr Group initiated the vertical integration of the former independent Mutares investment La Meusienne with the aim of raising cost, sales and quality synergies.
→ www.balcke-duerr.com

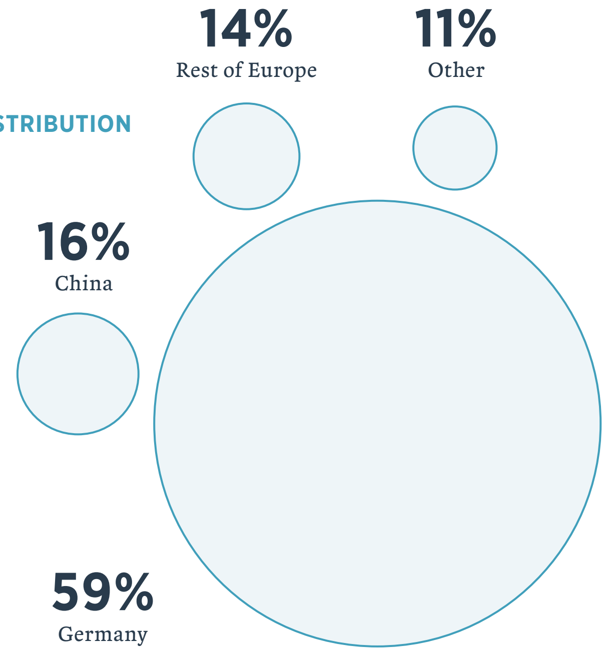
Strategy

In 2020, Balcke-Dürr Group focuses on three strategic objectives: First, the group intends to strengthen its position in the nuclear energy market, second, to expand its business of decommissioning services of nuclear power plants in Germany and third, to step up its activities for clients of the chemical industry. Extensions to the product portfolio are also being examined, as is inorganic growth through acquisitions, e.g. in the original cooling division, which will continue to be an important pillar of the Balcke-Dürr Group beyond 2020.



HEADQUARTERS
DÜSSELDORF, GERMANY

REVENUES DISTRIBUTION BY COUNTRY



TRANSACTIONS

- 2020 – Acquisition of Loterios Srl
- 2019 – Integration of La Meusienne
- 2018 – Acquisition of the heat exchanger division of STF
- 2018 – Acquisition of KSS Consulting
- 2016 – Acquisition of Balcke-Dürr Group by Mutares from SPX Group (USA)

INDUSTRY

- Industrial services
- Industrial plants and machinery
- Air conditioning, heating, climate

PRODUCT SELECTION

- Turbine condensers
- Air preheaters

SERVICES

- Design and engineering
- Production
- Installation and commissioning
- Life-cycle services

"The realignment of Balcke-Dürr was consistently pursued and completed in 2019. In 2020, the company aims to broaden its relevant market, both in terms of new areas of application for our existing range of products and services and strategic acquisitions."

Welding work on a feedwater preheater for a nuclear power plant

DONGES GROUP

ENGINEERING & TECHNOLOGY

Full-range provider of steel structures, roof and facade systems

Company profile Donges Group

Following five strategic acquisitions, the Donges Group is one of the leading full-service providers of steel bridges, structural steel engineering, roof and façade systems in Europe. With the excellently positioned brands Donges SteelTec, FDT, Kalzip, Normek, Norsilk[1] and Nordec[2], (formerly Ruukki Building Systems), the Group provides solutions for the construction of individual and sustainably designed buildings worldwide.

Today, the product portfolio of Mutares' 100% shareholding includes steel construction, roof and façade solutions for a wide range of requirements, as well as wood products for building cladding. With these, Donges Group serves architects, planners, building developers, general contractors and building owners, the public sector, as well as craftsmen and processing companies. Donges Group employs more than 800[3] people at 14 production sites in Europe and in sales offices globally and achieves annualised group sales of approx. EUR 365 million.

→ www.donges-group.com

approx. **800** Employees[3]

approx. EUR million **365** revenues (annualized)[4]

In the portfolio since **2017**

Strategy

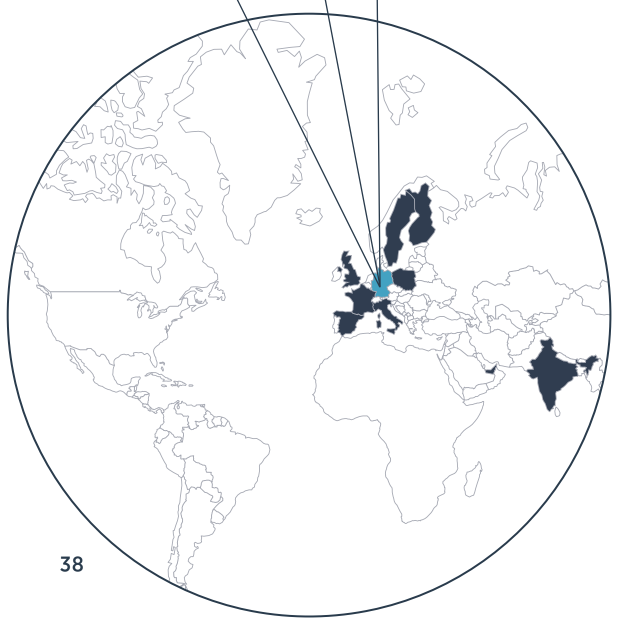
After signing of the fifth add-on acquisition (Ruukki), Donges is aiming at further growth and strengthening of its very good position in the European market. Core initiatives of this strategic target are the realization of synergies through the joint processing of the existing customer portfolio and existing sales channels, as well as the development of Northern European markets in the areas of facade solutions and steel construction.

INDUSTRIES

- Building supplier and building work
- Heavy engineering and bridge building
- Production of prefabricated buildings and systems
- General contractor
- Timber and Woods

PRODUCT SELECTION

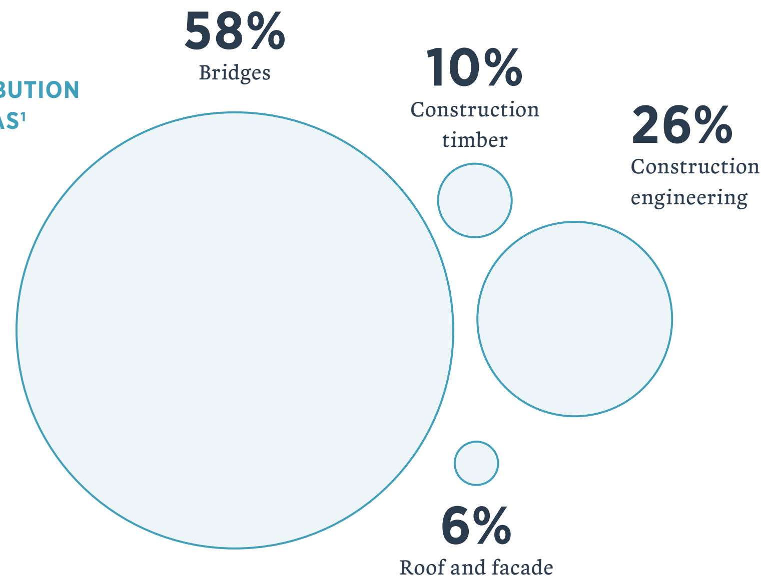
- Steel bridges and structural engineering
- Glass and thermal façades
- Roof and façade systems made of aluminium
- System solutions for green roofs
- Construction timber for exterior and interior use



HEADQUARTERS
FRANKFURT, GERMANY

[1] Norsilk, a French manufacturer of wood panelling and flooring, which was previously managed as an independent platform in the Goods & Services segment was integrated into the Donges Group in 2019
[2] Closing of the transaction is subject to approval by the competition authority
[3] Employees exclusive Nordec
[4] Including Nordec

REVENUES DISTRIBUTION BY BUSINESS AREAS[1]



TRANSACTIONS

- 2019 – Donges Group signs acquisition of Nordec (Ruukki Building Systems) from SSAB[1]
- 2019 – Donges Group acquires Normek from private individual and fund company
- 2019 - Donges Group acquires FDT flat roof technology from private individual
- 2018 – Donges SteelTec acquires Kalzip Group from Tata Steel Europe, becoming Donges Group
- 2017 – Acquisition of Donges SteelTec (100%) by Mutares from Mitsubishi Hitachi Power Systems Europe

[1] incl. Nordec

"We deliver solutions for innovative and future-oriented buildings and want to be the first choice of our customers in our market segments for steel structures and building envelope products."

Construction of a highway bridge

EUPEC PIPE COATINGS

ENGINEERING & TECHNOLOGY

Supplier of coatings for oil and gas pipelines

TRANSACTIONS

- 2016 – Partial exit of subsidiary Eupec Germany resulting in multiple of approx. 17x capital invested over holding period[1]
- 2012 – Acquisition of EUPEC Group by Mutares from Korindo Group (IDN)

[1] Capital multiplier of 17x on the invested Capital over the holding period for Mutares

Company profile Eupec

Eupec is a leading manufacturer of pipeline coatings globally. The company is headquartered in Northern France and a 100% subsidiary of Mutares. Its product portfolio includes line pipe coatings, concrete weight coatings, custom coatings, field joint solutions and reel to reel line pipe coating. With more than 50 years of experience, Eupec is a trusted and renowned specialist for pipeline coatings and full-service provider. Eupec is the unique coating company worldwide able to cover a full scope of coating from line pipe to field joint, including bends. The company serves a diverse customer base of globally active oil and gas companies from Western and Central Europe, for projects in the North Sea, Africa and the Middle East. Eupec is the only coating company worldwide that is able to cover the full range of cover coating from conduit to field connection, including sheets. Eupec employs around 70 people and generated sales in 2019 of approximately EUR 14 million.

→ www.eupec-pipecoatings.com

In the portfolio since **2012**

approx. **70** Employees

approx. EUR million **14** revenues 2019

HEADQUARTERS
GRAVELINES, FRANCE

Strategy

Since the takeover by Mutares, Eupec has successfully completed a turnaround program and sold its German subsidiary resulting in a capital multiple of ca. 17x for Mutares.

Today, the company follows a growth strategy including continued penetration of its market segment that showed significant results in 2019. Operationally, one key project involved boosting productivity at the pipe coating plants. For 2020, Eupec will continue to position itself as a successful niche supplier in a global market. The company plans to explore strategic alternatives for its further development in 2020.

INDUSTRIES

- Industrial services
- Building suppliers

PRODUCT SELECTION

- Pipeline coatings for oil and gas applications
- Anti-buoyancy coatings
- Heat insulation

Heated pipe before application of epoxy powder

Gemini RAIL GROUP

ENGINEERING & TECHNOLOGY

Engineering, maintenance and modernization services for rail vehicles

Company profile Gemini Rail Group

The Gemini Rail Group has been a 100% subsidiary of Mutares since 2018. Gemini Rail specialises in the modernisation, conversion and wheelset overhaul of rail vehicles. With its in-house team of specialized engineers, the company offers turnkey solutions for train refurbishment, modernization and external project management. Under the GemECO brand, Gemini Rail has established itself as the technologically leading retrofitter for hybrid drive systems of rail vehicles. In the UK, Gemini Rail is the second largest OEM-independent supplier and counts British railway operating and ownership companies and railway OEMs among its customers. In 2019, the company employed around 260 people and generated sales of EUR 80 million.

→ www.geminirailgroup.co.uk

Strategy

After the complete spin-off from the former parent company and establishment as an independent company in 2019, Gemini Rail has adapted the cost structure to the future order situation, strengthened the management qualitatively and thus already generated positive results within the framework of a restructuring programme. Within the optimization phase, Gemini Rail is now concentrating on the implementation of a newly defined market strategy and the further development of its product portfolio, particularly referring to GemECO, where the company has been able to establish itself as a pioneer in the conversion of rail vehicles to hybrid drive systems with the first orders received.

approx. EUR million **80** revenues 2019

In the portfolio since **2018**

approx. **260** Employees

HEADQUARTERS
WOLVERTON, ENGLAND

INDUSTRIES

- Industrial services for railway vehicles and components

Replacing the air conditioning technology on a train of the type 156

TRANSACTIONS

- 2018 – Acquisition from Knorr-Bremse

GOODS & SERVICES

Manufacturer of high-quality packaging solutions

Company profile KLANN Packaging

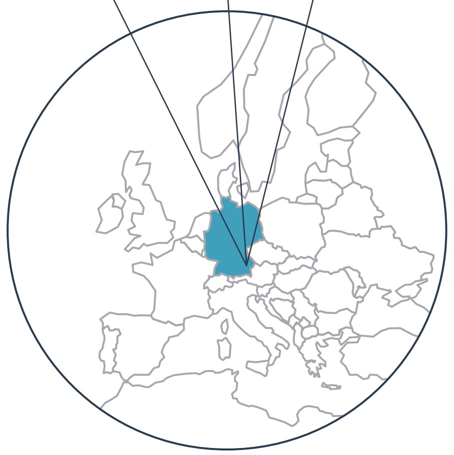
Headquartered in Landshut, Germany, KLANN develops and produces high-quality promotion and sales packaging made of printed tinplate. The company is a 100% holding of the Mutares Group. KLANN distinguishes itself through its expertise in the development and production of high-quality and visually appealing packaging with a special colour intensity and special embossing techniques. Its established customer base includes well-known manufacturers of branded goods and trading companies from various sectors such as the spirits and food industries. KLANN is certified according to ISO 9001:2015 and complies with the BRC Global Standard for Packaging. In 2019, the company genereated sales of EUR 11 million and employed around 90 people.

→ www.klann.de

In the portfolio since
2011

approx. EUR million
11
revenues 2019

approx.
90
Employees



HEADQUARTERS
LANDSHUT, GERMANY

Strategy

KLANN follows a differentiation strategy and positions itself as a reliable supplier of an exquisite, premium product portfolio with attractive, high-quality tinplate packaging. The aim is to further diversify the customer base and the markets served.

PRODUCT SELECTION

- Decorative and tin boxes for applications in the food, spirits and luxury goods segment

TRANSACTIONS

- 2011 – Acquisition of Klann Packaging (100%) by Mutares from Huber Group

Due to its characteristics, tin plate is an excellent migration barrier, making tin cans a highly popular outer packaging material for the food industry

GOODS & SERVICES

Producer of coreboard

PRODUCT SELECTION

- Hygienic white, grey and brown coreboard (120–300g/m²)
- Industrial coreboard (300–600g/m² with 210–600 Joule strength)
- Other customer-specific tailor-made product solutions

Company profile Cenpa

Cenpa is among the leading independent coreboard mills in Western Europe. It is a 100% portfolio company of the Mutares Group. With more than 140 years of experience, the company produces coreboard for the European packaging and hygienic market. Using two paper machines, its product portfolio ranges from coreboard made from virgin pulp to coreboard made from recycled wastepaper. Cenpa serves customers in the hygienic tissue, the industrial core market as well as packaging industry, mainly in Central Europe. As an independent paper mill, Cenpa is able to work closely with its customers and offer tailor-made product solutions from development to test phase. This full-service strategy enables its customers to achieve excellent production quotas. Cenpa benefits from its central location in Europe, a multi-lingual workforce and advantages from near-by supply of sustainable steam for its production.

→ www.cenpa.fr

In the portfolio since
2016

approx. EUR million
27
revenues 2019

approx.
90
Employees

HEADQUARTERS
SCHWEIGHOUSE-SUR-MODER, FRANCE

Strategy

Cenpa focuses operatively on two strategic key pillars: sales and innovation. Regarding sales, the company reinforces partnerships with top clients, expands to new geographies. Plus, it recently qualified for the renown FSC certification. Regarding innovation, Cenpa developed in 2019 new, technically demanding products and started to market these specialities to its clients. Additionally, the mill invested in a new drying section for one of its paper machines and is currently looking into the production of green energy.

INDUSTRY

- Paper production

TRANSACTIONS

- 2016 – Acquisition (100%) by Mutares from Sonoco Group (USA)

Cutting and packaging area of finished paper rolls

TrefilUnion

GOODS & SERVICES
Manufacturer of iron wire and prestressing steel

Company profile TréfilUnion

TréfilUnion is an established and renowned expert in processing and finishing highly specialized steel wire applications. Its product portfolio comprises high and low carbon wire, spring steel wire, lacquered and galvanized wire, prestressing steel wire and prestressing strands. With close to 100 employees and more than 100 years of experience, efficient production methods and strategically relevant certifications, TréfilUnion is serving customers in the mechanical engineering, packaging, automotive as well as construction industry. With two sites in France, the company generated approx. EUR 29 million in revenues in 2019.
→ www.trefilunion.com

Strategy

TréfilUnion is the specialist supplier of prestressing steel products, focusing on product specialities for steel wire, like coloured wires, welding wires or coppered steel wire. Being a new company in the portfolio, TréfilUnion has defined an optimization program accompanied by Mutares that includes both modernization and sales initiatives to support its positioning. One of the underlying strategic pillars is the so-called Green wire policy which aims at more sustainability, that means seeking to eliminate environmentally polluting processes from production as much as possible and integrating a sustainable development approach.

In the portfolio since **2019**

approx. EUR million **29** revenues 2019

approx. **100** Employees

TRANSACTIONS

2019 – Acquisition (100%) by Mutares from ArcelorMittal (Luxembourg)

HEADQUARTERS
COMMERCY, FRANCE

Labeled products ready for shipment to the customer

keeeper

GOODS & SERVICES
Manufacturer of high-quality plastic and paper household products

Company profile keeeper Group

The keeeper Group, a former family-run company with a tradition of over 30 years, is one of the leading European suppliers of innovative and high-quality household products made of plastic and paper. With four product lines for kitchen, household, storage and children, the group serves renowned customers from the DIY, food retail, wholesale and furniture retail sectors in approx. 35 countries. keeeper caters for regional particularities and meets global standards. End of 2019, keeeper Group signed an agreement for taking over Metsä Tissue's German business, which produces and sells high-quality paper napkins, and thus, strategically extended its portfolio of household products. With more than 680 employees, keeeper Group generates annualized revenues of more than EUR 100 million.
→ www.keeeper.com

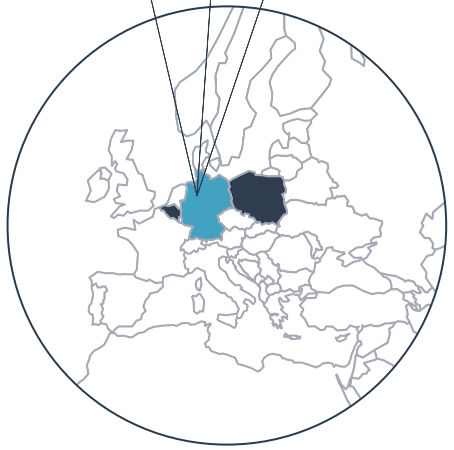
Strategy

keeeper Group is a brand and quality supplier of plastic and paper household products. The group sells its products via B2B and B2C channels under its customers' own brands and under the keeeper brand, which has been awarded with the German Brand Award. keeeper's operational focus is on the development of new products and the opening up of new markets and distribution channels, such as e-commerce. With the acquisition of Metsä Tissue's tableware business in Germany, keeeper Group diversifies its offering and presents itself as a promising growth story in Mutares' portfolio.

In the portfolio since **2019**

approx. EUR million **100** revenues (annualized)

approx. **680** Employees



TRANSACTIONS

2020 – keeeper Group acquires Metsä Tissue's German napkin business
2019 – Acquisition of the keeeper Group (100%) by Mutares from Wrede Industrieholding

HEADQUARTERS
STEMWEDE, GERMANY

Children's products are also sold with various licenses, including Disney

GOODS & SERVICES

Provider of transport and logistics services

Company profile BEXity Group

BEXity is the market leader for cross-border transport and logistics services in the Austrian market. The company has been a 100% holding of Mutares Group since December 2019. BEXity stands out for its nationwide network in Austria and is active in the general cargo as well as the charter and warehousing sector. BEXity serves a diversified portfolio of well-known customers from the food, pharmaceutical and fast-moving consumer goods industries.

Thanks to decades of experience and highly qualified staff, BEXity can guarantee reliable and high-quality transport services. BEXity was the first logistics company in Austria to establish Next-Day-Delivery (24 hours from collection) in general cargo logistics and continues to set the industry benchmark for delivery quality. By connecting the transport logistics locations to the rail network, BEXity enables ecological and sustainable transport. BEXity has around 600 employees and achieved sales of around EUR 210 million in 2019.

→ www.bexity.com

Strategy

BEXity is the logistics partner for business customers and provides both customized and standard solutions in transport logistics and warehousing. The logistics specialist plans to strengthen its transport logistics network within the framework of partnerships in Europe. Based on the unique selling propositions of high delivery quality and ecological transport, the company is implementing a market offensive and aims to reinforce solutions for individual customer and specific industries, such as white goods, building materials, food and fast-moving consumer goods.

approx.
600
Employees

approx.
EUR million
210
revenues 2019

In the
portfolio since
2019

HEADQUARTERS
VIENNA, AUSTRIA

TRANSACTIONS

2019 – Mutares buys BEXity (100%) from the Austrian Federal Railways Holding ('ÖBB') (AUT)

BEXgreen
The green line for sustainable solutions made possible by e-mobility and rail enables less polluting transports.

"BEXity is aware of its origins and sees Austria as the starting point of its activities. Our position as a leading provider in our home market is an ideal starting point for the implementation of a successful future strategy."

Transportation of goods

MUTARES ON THE CAPITAL MARKET

- Share above industry average with +41% price increase
- Mutares' first Capital Markets Day meets great approval
- Dividend of EUR 1.00 per share for 2018 distributed (dividend yield of 11%)
- Dividend proposal for 2019 of EUR 1.00 per share

New Management Board member responsible for capital markets and transactions

The change in legal form of Mutares AG to an SE & Co. KGaA, which was resolved by the Annual General Meeting, took place upon entry in the commercial register in July 2019 in order to create the structural conditions for further competitive growth. As part of this change of legal form, Mutares Management SE joined the company as a general partner with unlimited liability. She is represented by Robin Laik (CEO), Mark Friedrich (CFO), Dr. Kristian Schleede (CRO) and the newly appointed Johannes Laumann (CIO), responsible for investor relations and transactions.

Stock market year 2019 unimpressed by political and economic uncertainties

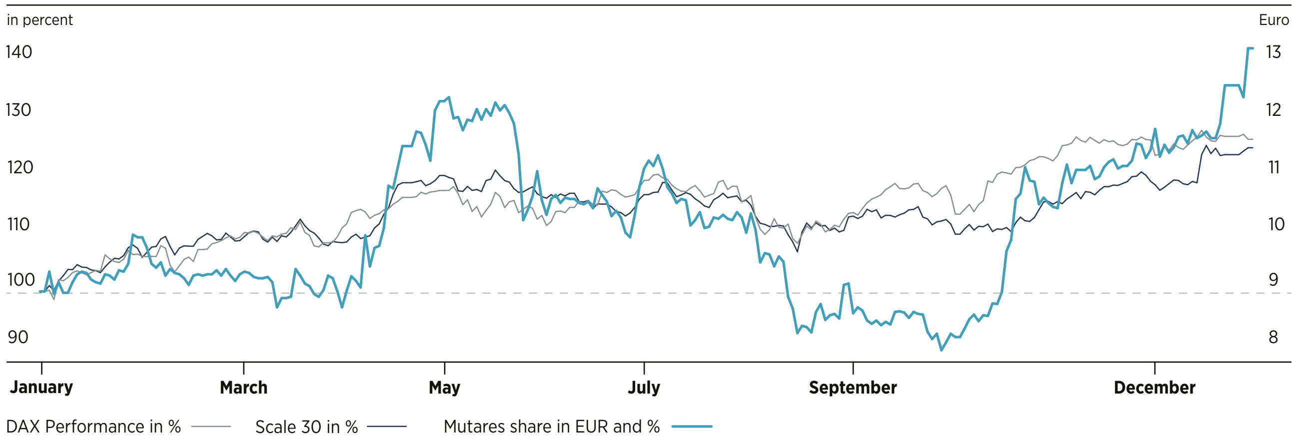
The international stock markets developed extremely positively in 2019, despite economic and political risks such as a global recession or protectionist trends in leading economies. Prices benefited globally from the ongoing expansionary monetary policy of central banks and closed in positive territory. At the same time, real economic development was disappointing, with gross domestic product (GDP) in the euro zone growing by 0.6%, compared with economic growth in the USA at 2.3%. Against this backdrop, US equities led the way with an average price gain of 31.6% over the year, followed by European equities with +24.6%.[1]

Mutares share 2019 outperforms the indices

Mutares shares closed the 2019 stock market year at EUR 12.72, up 40.7% on the closing price of the previous year (EUR 9.04). They thus outperformed both the DAX 30 index (+22.9%) and the Scale 30 index for growth stocks (+24.1%), which includes Mutares shares. For investors in the Mutares share, there was an above-average pre-tax return of +51.8 % (DAX 30: +25.5%, Scale 30: +24.1%) taking into account the dividend of EUR 1.00 per share paid in May 2019.

The successful implementation of the growth strategy in the financial year 2019 with 10 acquisitions, the intensified capital market communication with the Mutares Capital Markets Day held for the first time and the sustainable and attractive dividend policy strengthened investor confidence.

Price development including benchmark indices



[1] Based on the respective MSCI indices in EUR

Mutares share one of the most liquid shares in the scale segment

The shares of Mutares are part of the Scale 30 selection index of Deutsche Börse, which tracks the performance of the 30 most liquid shares in the Scale segment. Measured by the average daily XETRA trading volume of the segment, the Mutares share was one of the four most liquid shares in the Scale segment in financial year 2019 with an average of approximately 34,000 shares traded per day (2018: approximately 62,000, as a result of the IPO of the subsidiary STS Group AG in the first half of 2018).[2]

Sustainable and attractive dividend policy

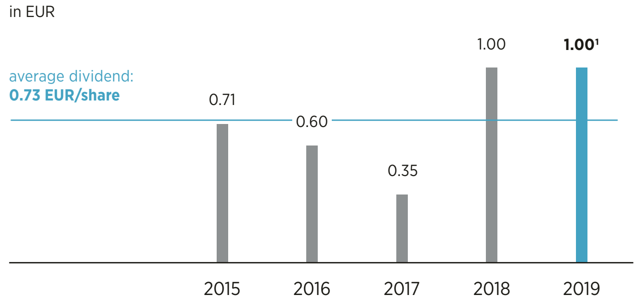
Mutares continues to pursue an attractive dividend policy based on continuity and sustainability with the aim of allowing shareholders to participate appropriately in the Company's success. As a result of the positive business development in 2018, Mutares was again able to distribute a dividend of EUR 1.00 per share to its shareholders, following the resolution by the Annual General Meeting on 23 May 2019. Based on the year-end closing price for 2019, the Mutares share thus offered an exceptionally high dividend yield of 11.1%. The Management Board reaffirms that Mutares will continue to maintain its sustained ability to pay dividends and aims to achieve an attractive dividend level. The Management Board and the Supervisory Board will therefore propose to the Annual General Meeting on 18 May 2020 the distribution of a dividend of EUR 1.00 per share from the 2019 balance sheet profit. This corresponds to a total dividend payout of EUR 15.2 million.

Key figures of the Mutares share

		2016	2017	2018	2019
Number of shares	million units	15.5	15.5	15.5	**15.5**
Thereof own shares	million units	–	–	0.3	**0.3**
Market capitalization	EUR million	176.8	247.9	140.1	**197.1**
Closing price	EUR	11.41	16.00	9.04	**12.72**
Highest price	EUR	18.73	16.15	21.00	**13.06**
Lowest price	EUR	10.70	11.50	8.58	**8.15**
Trading volume (daily average)	piece	6,080	17,867	61,710[3]	**33,897**
dividend per share	EUR	0.35	1.00	1.00	**1.00[4]**
Dividend yield	%	3.1	6.3	11.1	**11.1**
Dividend distribution	EUR million	5.4	15.2	15.2	**15.2[5]**

All figures correspond to XETRA prices
[3] Exceptionally increased average trading volume in the first half of 2018 due to the IPO of Mutares subsidiary STS Group AG
[4] Proposal of the administration
[5] Assuming the dividend proposal is accepted

Development of dividend per share



	2015	2016	2017	2018	2019
Total dividends paid out in EUR million	9.3	5.4	15.2	15,2	**15.2[2]**
Dividend yield at the closing price of the financial year	3.4%	3.1%	6.3%	11.1%	**11.1%**

[1] Proposal of the administration
[2] Assuming the proposed dividend

[2] According to XETRA oderbook-turnover: source: https://www.deutsche-boerse-cash-market.com/resource/blob/1727766/c581e2dcb295e41c3d6118015a8b3356/data/Monthly_Turnover_Statistics.20191231.xls, called up on 23 January 2020

Directors' Dealings

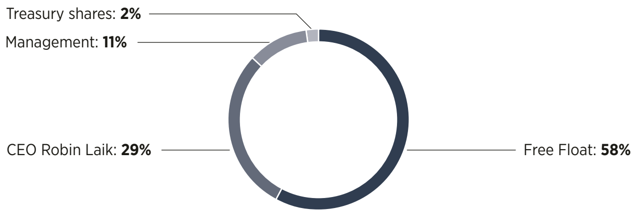
During the reporting period, members of the Management Board and the Supervisory Board acquired additional shares in the amount of approximately EUR 1.4 million and reaffirmed their confidence in the strategy and outlook for Mutares SE & Co. KGaA's growth value.

Broad shareholder structure

The number of Mutares shareholders continued to increase in 2019. At the end of the reporting period, around 7923 shareholders were entered in the share register introduced in 2018 (previous year: 5776 shareholders).

The main shareholder with around 29% is still Robin Laik, CEO and founder of Mutares. Members of the Management Board and Supervisory Board hold a total of around 11% of the shares. The free float, as defined by Deutsche Börse, comprises around 58% of the shares, including institutional investors, family offices, major individual shareholders and asset managers, as well as private investors. Mutares itself holds 2% of the share capital.

Shareholdings by investor



At around 85%, the largest proportion of outstanding shares is held by German investors, followed by investors from Luxembourg with around 4% and Switzerland with more than 3%. Investors from Ireland account for around 3% of the shares held, with France accounting for around 1.8%. The shareholder structure will be further internationalized in the current financial year to reflect the global orientation of the Mutares portfolio.

Master data of the Mutares share

Symbol	MUX
WKN	A2NB65
ISIN	DE000A2NB650
Index Membership	Scale 30
Transparency level	Scale
Market segment	Open Market
Stock exchanges	Xetra, Frankfurt, Berlin, Düsseldorf, Munich, Stuttgart, Tradegate
Sector	Shareholdings
Number of shares	15,496,292 (thereof 261,875 treasury shares)
Class of shares	Registered shares
Designated sponsors	Hauck & Aufhäuser, Pareto, Mainfirst (as of June 2020)

Investor Relations

Mutares SE & Co. KGaA maintains a regular, constructive and transparent dialogue with all interest groups such as institutional investors, private investors, financial analysts and media representatives. In 2019, Mutares further expanded its financial communications activities such as participation in conferences, roadshows and its own formats. In addition, the management of Mutares SE & Co. KGaA was in continuous contact with the press, investors and financial analysts.

The highlight in financial communications in the past financial year was Mutares' first Capital Markets Day, which took place on 22 October 2019 in Frankfurt am Main. CEO Robin Laik, CFO Mark Friedrich and CIO Johannes Laumann as well as a portfolio manager gave more than 80 investors, analysts and media representatives an insight into Mutares' business model and approach, the overarching portfolio management as well as the current development of two of the largest investments and outlined the next strategic steps of Mutares and its portfolio.

In the 2019 reporting year, Mutares SE & Co. KGaA continued to inform capital market participants well beyond the minimum standards of the "Scale" over-the-counter segment of the Frankfurt Stock Exchange. For example, the company reported quarterly in German and English on the basis of IFRS accounting and held accompanying conference calls and webcasts with the Mutares Management Board for investors and analysts.

After the end of the reporting period, at the end of January 2020, Mutares succeeded in fully placing its first bond. The issue amounted to EUR 50 million with a maturity of four years and a coupon of 6% on the 3-month Euribor. The issue was aimed exclusively at institutional investors. Under ISIN NO0010872864, the bond has also been traded for private investors on the Oslo and Frankfurt stock exchanges since February 2020.

Further relevant information on the share and bond is available to interested investors at www.mutares.de/investor-relations.

Investor Relations in the financial year 2019

January 2019	Unicredit/Kepler Cheuvreux German Corporate Conference, Frankfurt am Main
February 2019	ODDO BHF German Conference, Frankfurt am Main
	CF&B Midcap Event, Paris
April 2019	Annual Report 2018 and conference call
	CF&B Midcap Event, Paris
May 2019	Spring Conference, Frankfurt am Main
	MKK – Munich Capital Market Conference, Munich
June 2019	Prior Capital Market Conference, Frankfurt am Main
	Dr. Kalliwoda Capital Markets Conference, Warsaw
	CF&B Midcap Event, Paris
September 2019	Equity Forum Fall Conference, Frankfurt am Main
	ZKK – Zurich Capital Market Conference, Zurich
	CF&B Midcap Event, Amsterdam
	Baader Investment Conference, Munich
October 2019	Roadshow, Stockholm
	CF&B Midcap Event, Paris
	Roadshow, Amsterdam
	Roadshow, Brussels
	1st Mutares Capital Market Day, Frankfurt am Main
	Roadshow Zurich
November 2019	German Equity Forum, Frankfurt/Main
	Dr. Kalliwoda Capital Markets Conference, Lugano

Attractive dividend of EUR 1.00 per share proposed once again

After the strong financial year 2019, both operationally and transactional, with a record annual result of EUR 22.5 million in the individual financial statements (2018: EUR 20,063,898), the Management Board intends to let the shareholders of Mutares participate in the Company's success this year as well and to propose a dividend of EUR 1.00 per share (2018: EUR 1.00) to the Annual General Meeting. The total payout of EUR 15.2 million (2018: EUR 15.2 million) corresponds to a payout ratio of 67.5% of net profit for the year and thus to Mutares' goal of maintaining its ability to pay dividends on a sustainable basis, thus enabling a continuously attractive dividend policy.

Financial calendar 2020

9 April 2020	Publication of the Annual Report 2019 & conference call
14 May 2020	Press release for the 1st quarter 2020 & conference call
18 May 2020	Annual General Meeting
11 August 2020	Publication of the Half Year Report 2020 & conference call
10 November 2020	Press release for the 3rd quarter 2020 & conference call
16 to 18 November 2020	German Equity Forum

[6] Benelux: Belgium, Netherlands, Luxembourg
[7] Alpine region: Austria, Switzerland, Liechtenstein

4 REASONS TO INVEST IN THE MUTARES SHARE

Private equity investing in European SMEs with growth potential

The Mutares share offers the opportunity to participate directly and with a flexible term in a value-oriented investment approach in the otherwise illiquid, non-public private equity business. As an investment company listed in the Scale segment of the Frankfurt Stock Exchange, Mutares is a representative of the so-called “Listed Private Equity” and thus enables its shareholders to participate indirectly in the development and growth of private, medium-sized companies. In contrast to conventional private equity investments, such an equity investment has the advantage that the acquired shares are liquid and can be traded on the capital market at any time. In 2019 the Mutares share ranked among the top 4 most liquid stocks in its stock market segment, the scale segment of the Frankfurt Stock Exchange.

Attractive dividend policy

Mutares pursues a sustainable dividend capacity and an attractive dividend policy. The aim is to enable shareholders to participate directly and continuously in the success of Mutares. The basis for this is the multinational M&A approach with deal sourcing via six offices in Munich, Paris, Milan,London, Helsinki and Frankfurt which allows to balance regional fluctuations in the transaction markets to ensure a constant deal flow. On the other hand, the use of in-house consulting teams in the newly acquired portfolio companies generates predictable and stable earnings for the Mutares holding, which already form the basis for an annual dividend. In addition, there may also be income from investments already operating profitably and proceeds from the successful sale of portfolio companies.

Experienced teams of specialists in M&A and in-house consulting

Mutares’ business model is based on the acquisition of usually 100% of the shares of medium-sized companies in situations of upheaval as a so-called “platform investment”. These investments are characterised by the challenging situation of the acquired companies. Mutares’ success in these investments is based on the many years of experience of the highly qualified Mutares specialists in dealing with and solving such situations – rather than on a specific phase of the market cycle. For its approach Mutares uses the expertise of in-house teams in M&A and operational performance consulting. Mutares’ goal is to realize the value and growth potential of its portfolio companies.

Transparency and active investor relations

With its activities in the area of capital market communication, Mutares aims to achieve the highest possible degree of transparency. Mutares actively seeks dialogue with investors, analysts and the financial and business press. Quarterly reporting and accompanying telephone conferences, regular participation in conferences and roadshows at leading European financial centers, as well as numerous one-on-one meetings are integral parts of Mutares Investor Relations. The aim of all these measures is to keep investors and capital market participants informed about the development of the company and its portfolio companies. Sound research by analysts from Hauck & Aufhäuser and Pareto reaches an international and broad circle of existing and potential new investors.

WE CREATE SUSTAINABLE VALUE

Mutares sees itself as an investor who actively supports its portfolio companies in defining and implementing extensive turnaround and optimization programs with the goal of aligning the company for long-term growth. Sustainable management is therefore an integral part of our business activities. In doing so, it is our goal to strike a balance between all stakeholder groups' interests while taking into account environmental issues. Green technologies, resource-saving production methods and energy from renewable sources are the key to a holistic approach. We also ensure that our portfolio companies comply with and implement environmental, social and corporate/governmental values and standards. In addition to the measures taken within the portfolio companies, Mutares is also aware of its responsibility for sustainability and has consequently opted for holistic ESG integration.

ENVIRONMENTAL

Mutares implements continuous measures to consolidate the reduction of its carbon footprint. All flights of Holding employees in 2019 were compensated with the test winner atmosfair, which thus supports projects for renewable energies, alternative power generation and forest reforestation:

"atmosfair operates its projects according to the rules of the Clean Development Mechanism (CDM), which are anchored in the Kyoto Protocol, and additionally the 'Gold Standard' established by international environmental organisations. Independent organizations approved by the United Nations (e.g. TÜV) monitor the actual CO_2 reduction of the projects."[1]

Mutares also pays attention to the compliance and implementation of ecological standards in its investments. In total, 36% of Mutares' portfolio is ISO 14001:2015 certified – the highest standard for preventing environmental damage.

[1] Source quote: atmosfair.de

SOCIAL

Mutares is aware of its social responsibility, initiation for participation example of humanity as essential fixed points of the general and of our value framework. Mutares supports among other things the selfless and important work of numerous helpers of the Ambulant Children's Hospice Munich. As a company that has always been deeply connected to the city of Munich and its people, we take on a family sponsorship. At the same time, we would like to send an important signal of humanity that goes far beyond the pecuniary aspect of our commitment. Our portfolio companies are also socially committed; the Donges Group for example supports the charitable association Aid Kenya Watoto e. V., founded in the Rhineland, and thus the work for deaf children in Kenya. In addition to supporting the ones in need, Mutares is naturally keen to create a socially fair environment for its own employees. We pay attention to regulated working hours, adequate wages, fair conditions at the workplace and diversity, as well as training and further education opportunities. Compliance with occupational safety and health protection is strengthened by the introduction of a "zero accident" safety culture. In the past year, for example, Kalzip GmbH set an internal company record of more than 1,000 accident-free days.

ENVIRONMENTAL MEASURES AT PORTFOLIO COMPANIES

KLANN PACKAGING

maintains a tinplate recycling rate of approx. **95%.**

BALCKE-DÜRR GROUP

(as well as other portfolio companies) has achieved a reduction in energy consumption through an extensive **LED retrofit program** and a renewal of the complete heating and hot water supply in the production plant.

TRÉFILUNION

focuses on the production of **"green wire"** with the aim of increasing the recycling of wire waste as well as environmentally friendly production and packaging.

GEMINI RAIL GROUP

has launched a new product line **"GemECO"** with a focus on hybrid conversion for existing rolling stock.

STS GROUP

is working to integrate its **QHSE[1]-policy** into the employee culture with programs aimed at addressing environmental impacts and supporting climate change initiatives.

CENPA

was awarded the **FSC "Forest Stewardship Council" certificate** in 2020, an environmental label that rewards companies with outstanding traceability of their production and helps to promote responsible management of the world's forests.

[1] Quality, health, environmental and occupational safety

GOVERNANCE

We take corporate responsibility and pay attention to the impact of our business activities. In this sense, we have established a compliance system, which was initiated with a code of conduct that focuses on all areas Mutares considers relevant. There are individual guidelines for, among other things, anti-corruption, capital market compliance, terrorism financing and money laundering, and data protection. The implemented policy management software ensures that employees have access to the relevant policies at the right time. In addition, it offers protection of informants through an anonymous e-mail service that is available to all employees and thus promotes transparency.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders of Mutares SE & Co. KGaA,

Satisfaction with what has been achieved, uncertainty about short and medium term developments in the current situation of the Corona pandemic and confidence that the Mutares Group business model will remain successful in the long term despite this uncertainty – this is how the current state of mind of the Supervisory Board of your Company can be described.

But before we take a closer look at the present and the future, let us first report on the activities of the Supervisory Board in the financial year 2019 in accordance with our duties

Change of legal form of Mutares AG to a partnership limited by shares (KGaA) on 24 July 2019 while maintaining the identity of the company

First of all, reference should be made to the change in legal form of Mutares AG to a partnership limited by shares (KGaA), which preserves the company's identity and was completed with its entry in the commercial register on 24 July 2019.

Mutares thus completed the conversion resolved by the Annual General Meeting on 23 May 2019 at the joint proposal of the Management Board and Supervisory Board of Mutares AG, with the aim of maintaining the ability of the Company's executive bodies to act and make decisions quickly in the future.

Mutares now operates under the name Mutares SE & Co. KGaA; the general partner Mutares Management SE took over the management and representation of Mutares SE & Co. KGaA from its Management Board upon completion of the change in legal form.

For further details of the change of legal form, please refer to the Company's annual report.

The change of legal form, which preserves the Company's identity, requires that the acting Supervisory Board of Mutares SE & Co. KGaA not only provides information in this report about its own work since the existence of this body from the time of the completed change of legal form, i.e. from 24 July 2019, but also about the work of the Supervisory Board of Mutares AG in office until the change of legal form.

The fulfillment of this obligation is generally facilitated by the fact that the two bodies are identical (cf. our comments on personnel below). However, the range of rights and obligations of the Supervisory Board of Mutares SE & Co. KGaA has changed compared to the former rights and obligations of the Supervisory Board of Mutares AG as a result of the change in legal form; against this background, the following reporting for the two bodies is presented separately, where this appears relevant for reasons of clarity.

Personalia

The current four members of the Supervisory Board of Mutares SE & Co. KGaA – Prof. Dr. Micha Bloching, Dr. Lothar Koniarski, Dr. Axel Müller and Volker Rofalski – have served as members of the Supervisory Board of Mutares SE & Co. KGaA since the completion of the change of legal form on 24 July 2019. They had previously been elected by the Annual General Meeting of Mutares AG on 23 May 2019, for a term of office until the end of the Annual General Meeting in 2024 as the mandate of the Supervisory Board of Mutares SE & Co. KGaA; since with the change of legal form the mandate of the Supervisory Board of Mutares AG legally ends.

The composition of the Supervisory Board of Mutares SE & Co. KGaA corresponds to the last composition of the Supervisory Board of Mutares AG before the conversion; this also applies to the position of Volker Rofalski as Chairman and Dr. Axel Müller as Deputy Chairman of the respective body.

Even before the change in legal form, at the end of 31 March 2019, the deputy chairman of the Supervisory Board of Mutares AG, Dr. Ulrich Hauck, resigned from the Supervisory Board and joined the Management Board of STS Group AG, in which Mutares Group holds a majority stake, as CFO on 1 April 2019; he was succeeded as deputy chairman of the Supervisory Board by Dr. Axel Müller on 9 April 2019.

In addition, the departure of Dr. Ulrich Hauck also necessitated changes in the Audit Committee of the Supervisory Board of Mutares AG, which was newly formed on 1 January 2019; until 31 March 2019, this Audit Committee consisted of the three members Dr. Ulrich Hauck (Chairman), Dr. Axel Müller and Volker Rofalski, and thereafter of the two members Dr. Axel Müller (Chairman) and Volker Rofalski. Upon completion of the change in legal form, the Supervisory Board of Mutares SE & Co. KGaA again established an Audit Committee of the Supervisory Board with the same members.

At the time of the change in legal form, Dr. Wolf Cornelius, a long-standing member of the Executive Board of Mutares AG, terminated his position on the Executive Board of the Mutares Group by mutual agreement. We would like to express our sincere thanks to him for his outstanding services to this Company over so many years; we are pleased that he will continue to actively support the Mutares Group as Senior Adviser.

The incumbent members of the Supervisory Board have known the four board members of Mutares Management SE, who now manage Mutares SE & Co. KGaA, for many years. Robin Laik, Mark Friedrich and Dr. Kristian Schleede were already board members of Mutares AG and Johannes Laumann had previously been entrusted with management tasks in the Mutares Group for many years.

Thanks to the continuity of the Mutares Group's management team on the Management Board and Supervisory Board side, the change in the Company's legal form has not led to any impairment of the trusting and close cooperation between the Supervisory Board and the Management Board, for which the Supervisory Board of Mutares SE & Co. KGaA would like to express its sincere thanks to the Management Board of Mutares Management SE.

Report on the activities of the Supervisory Board of Mutares AG for the period from 1 January 2019 until the change of legal form takes effect on 24 July 2019

In the 2019 reporting year, the Supervisory Board of Mutares AG fully performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure until the change of legal form of the Company to Mutares SE & Co. KGaA took effect on 24 July 2019. It met three times in this reporting period, each time in the presence of all the members of the Supervisory Board; with the exception of the discussion of personnel issues, at least one of the members of the Management Board of Mutares AG was always present. In addition, the Supervisory Board of Mutares AG also prepared and dealt with resolutions by means of telecommunications in the reporting period and passed resolutions in this way or by circulation.

In particular, the Supervisory Board of Mutares AG accompanied the Management Board of Mutares AG in the reporting period in the expansive development of the Mutares Group on the basis of a timely exchange of information and dealt in detail with the situation of the Company. To this end, the Supervisory Board was regularly informed by the Management Board about current developments, outlook, strategy and the associated opportunities and risks, transaction status, assets, financial and earnings situation and was involved in the relevant decision-making processes. The reports of the management board discussed developments and the status of the Company and the Group companies, important strategic decisions – in particular the transformation of the corporate governance of Mutares AG into an SE & Co. KGaA structure and the M&A activities – as well as prospects for the future development of the Mutares Group. This also included information about deviations of the actual development from previously reported company targets and deviations of the actual business development from the Company's planning. In addition, the Management Board of Mutares AG regularly and comprehensively informed the Supervisory Board of Mutares AG about key issues of operational management; in the reporting period, these included the introduction of group-wide compliance guidelines, significant litigation and IR activities.

Outside of meetings, the Management Board of Mutares AG also informed the members of the Supervisory Board of Mutares AG regularly and promptly about current business, updated key financial figures and matters of particular importance. The Management Board of Mutares AG presented all documents of the Company which the Supervisory Board of Mutares AG wished to inspect in the course of fulfilling its statutory duties, and answered all questions asked in this context to the full satisfaction of the Supervisory Board of Mutares AG.

The Supervisory Board of Mutares AG was thus directly involved at an early stage in all decisions of fundamental importance to the Company and discussed these in detail with the Management Board. Where the approval of the Supervisory Board of Mutares AG was required by law, the articles of association or the rules of procedure for management decisions or measures, the members of the Supervisory Board of Mutares AG approved these after intensive examination and discussion; this applies in particular to transactions within the framework of the strategy adopted by the Management Board of Mutares AG to acquire companies in transitional situations and to strengthen such platform investments in the course of restructuring and further development, if necessary also through complementary acquisitions.

The Supervisory Board of Mutares AG regularly reviewed its activities for efficiency. Against this background, it established an audit committee as of 1 January 2019.

In the reporting period, the Supervisory Board of Mutares AG was not informed of any conflicts of interest and no compliance violations were reported.

In addition to several informal votes, including those with the auditor, the audit committee of the Supervisory Board of Mutares AG met once during the reporting period to review the annual financial statements and consolidated financial statements of Mutares AG for the financial year 2018 and, as a result of the review, proposed their approval to the Supervisory Board.

Report on the activities of the Supervisory Board of Mutares SE & Co. KGaA for the period after the change of legal form took effect on 24 July 2019 until 31 December 2019

The Supervisory Board of Mutares SE & Co. KGaA has fully performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure from its formation with the change of legal form taking effect on 24 July 2019 until 31 December 2019. It met twice, each time in the presence of all members of the Supervisory Board and at least one member of the Management Board of the managing Mutares Management SE (hereafter "Management Board"); in addition, resolutions of the Supervisory Board of Mutares SE & Co. KGaA were prepared, discussed and adopted in this way or by way of circulation by means of telecommunications.

In particular, the Supervisory Board of Mutares SE & Co. KGaA accompanied the Management Board in the operational development of the Group on the basis of a timely exchange of information and regularly dealt in detail with the situation of the Company. To this end, the Supervisory Board of Mutares SE & Co. KGaA received regular reports from the Management Board on current developments in the Company and the Group companies, as well as their net assets, financial position and results of operations, and discussed this information in detail with the Management Board. This also included information about deviations of the actual development from previously reported company targets and deviations of the actual business performance from the company's planning. In addition, the Management Board provided regular and comprehensive information on key issues of operational management; in the period under review, these included IT structure, human resources, risk management, major legal disputes and IR activities.

Outside of meetings, the Management Board also informed the members of the Supervisory Board of Mutares SE & Co. KGaA regularly and promptly about current business, updated financial figures and matters of particular importance. The management board presented all company documents that the supervisory board of Mutares SE & Co. KGaA wished to inspect in the course of fulfilling its statutory duties, and answered all questions asked in this context to the full satisfaction of the Supervisory Board of Mutares SE & Co. KGaA.

The Supervisory Board of Mutares SE & Co. KGaA also conducted a tender for the audit of the financial statements for the financial year 2020 – beginning in the fourth quarter of 2019 – under the leadership of the Audit Committee. At the meeting of the Supervisory Board on 7 April 2020, the full Supervisory Board resolved, at the proposal of the Audit Committee, to propose to the Annual General Meeting that Deloitte be retained as the Company's previous auditor, since the invitation to tender revealed that Deloitte had submitted an audit concept that was at least equivalent to that of other applicants, both in terms of technical aspects and cost, and that, in light of the current pandemic situation, a voluntary rotation of the auditor did not appear appropriate.

The Supervisory Board of Mutares SE & Co. KGaA regularly reviews its activities for efficiency. Against this background, it already established an Audit Committee when it was constituted.

In the reporting period, the Supervisory Board of Mutares SE & Co. KGaA was not informed of any conflicts of interest and no compliance violations were reported.

The Audit Committee of the Supervisory Board of Mutares SE & Co. KGaA met once during the reporting period, in addition to several informal votes. Topics included a review of the process of preparing the annual financial statements and the consolidated financial statements of the Company for the financial year 2018 together with the auditor and the finance department, as well as the preparation of the tender for the audit of the annual financial statements and the consolidated financial statements for the financial year 2020 described above.

Audit of the annual and consolidated financial statements for the financial year 2019

Deloitte GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Mutares SE & Co. KGaA (prepared in accordance with the German Commercial Code (HGB)) and the consolidated financial statements of Mutares SE & Co. KGaA (prepared voluntarily in accordance with IFRS), both as of 31 December 2019, prepared by the managing director Mutares Management SE as the general partner. The financial statements and the consolidated financial statements were each issued with an unqualified audit opinion.

At its meeting on 8 April 2020, which was held exceptionally by means of telecommunications against the background of the current corona pandemic, the Supervisory Board of Mutares SE & Co. KGaA discussed and examined in detail the annual financial statements and consolidated financial statements of Mutares SE & Co. KGaA for the financial year 2019; the audit reports of the auditor were available to the Supervisory Board in each case. Both the Management Board and the undersigned auditors of Deloitte GmbH Wirtschaftsprüfungsgesellschaft were present at the meeting, were thus available to provide detailed explanations of both sets of financial statements and answered all questions of the Supervisory Board of Mutares SE & Co. KGaA to its complete satisfaction. As a final result of its own audits, the Supervisory Board of Mutares SE & Co. KGaA – following the proposal of the Audit Committee – determined that there were no objections to either set of financial statements. The supervisory board of Mutares SE & Co. KGaA agrees with the respective management report of the general partner. The Supervisory Board of Mutares SE & Co. KGaA thereupon – following the recommendation of the Audit Committee – approved both the financial statements of Mutares SE & Co. KGaA and the consolidated financial statements of Mutares SE & Co. KGaA. At the same time, it resolved, in agreement with the Management Board, to propose to the General Meeting of the Company that the annual financial statements of Mutares SE & Co. KGaA for the financial year 2019 be adopted in accordance with § 286 para. 1 sentence 1 of the German Stock Corporation Act (Aktiengesetz).

The Supervisory Board of Mutares SE & Co. KGaA is satisfied with the results of the financial year 2019 and would like to thank the Management Board and all employees of the Mutares Group for their excellent performance and great commitment – especially in the current difficult pandemic situation.

Proposal for the appropriation of profits

In accordance with the German Stock Corporation Act (Aktiengesetz), the dividend payable to shareholders is based on the net profit for the year reported in the annual financial statements of Mutares SE & Co. KGaA, which are prepared in accordance with the German Commercial Code.

The Supervisory Board of Mutares SE & Co. KGaA follows the proposal for the appropriation of profits made by the general partner Mutares Management SE and has also resolved to propose to the Annual General Meeting of Mutares SE & Co. KGaA that the net profit of Mutares SE & Co. KGaA as of 31 December 2019 of EUR 27,350,598 to the shareholders in the amount of EUR 15,496,292 (excluding treasury shares), which corresponds to a dividend of EUR 1.00 per share entitled to participate in the profits, and to distribute the remaining amount of EUR 11,854,306 be carried forward to new account. The amount to be distributed will be reduced, if applicable, by the partial amount that would be attributable to the treasury shares held by the Company at the time of the resolution on the appropriation of profits.

The proposed dividend continues the sustainable long-term dividend policy of the Mutares Group.

Outlook

All of us are currently going through very difficult economic and personal times. In the current corona pandemic, the Supervisory Board of Mutares SE & Co. KGaA is accompanying the Management Board particularly closely in coping with the huge operational challenges and is impressed by the energy, commitment and confidence with which the Management Board and all employees of the Mutares Group are facing these challenges. And we, the Supervisory Board of Mutares SE & Co. KGaA, are also convinced – in line with the assessment of the Management Board in its management report on the consolidated financial statements – that the Mutares Group – despite the current very difficult operating issues at many portfolio companies – will ultimately be able to successfully overcome this crisis situation and, as a specialist in turnaround situations, may even open up some additional opportunities.

The Supervisory Board of Mutares SE & Co. KGaA,

Volker Rofalski
Chairman of the Supervisory Board

Munich, April 2020

OUR SUPERVISORY BOARD

VOLKER ROFALSKI

CHAIRMAN OF THE SUPERVISORY BOARD

Volker Rofalski, born in 1970, is a member of the Supervisory Board since 2008. He was elected Chairman of the Supervisory Board in 2018.

He is active in private equity and venture capital. He is shareholder and CEO of the only natural munich GmbH. Prior to this, he was founder and member of the Executive Board of the trade platform TradeCross AG in Munich. Furthermore, he co-founded the first internet-based platform for capital markets in Germany, Webstock AG.

He graduated in 1996 from University of Augsburg with a diploma in Business Administration and Management.

DR. AXEL MÜLLER

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Axel Müller, born in 1957, has been a member of the Supervisory Board since 2018. From 1985 to 2010, Dr. Axel Müller held numerous management positions at STADA Arzneimittel AG in the areas of Marketing and Communication, Strategy and M&A as well as Operations; most recently as a member of the Executive Board since 2010, he was responsible for Production and Development. Dr. Axel Müller has been an independent management consultant since 2014. After several years as Senior Advisor at Arthur D. Little, he became Associate Partner at Fidelio Healthcare Partners in 2018. Since April 8, 2019, he is vice chairman of the Supervisory Board.

Dr. Axel Müller is a licensed pharmacist; after completing his pharmaceutical studies at the Johannes-Gutenberg University in Mainz in 1980, he worked there for several years as a research assistant and received his doctorate in pharmaceutical technology.

DR. LOTHAR KONIARSKI

MEMBER OF THE SUPERVISORY BOARD

Dr. Lothar Koniarski, born in 1955, has been a member of the Supervisory Board since 2018. He is CEO at ELBER GmbH and has been CEO of DV Immobiliengruppe from 1995 to 2017. Dr. Lothar Koniarski held several management positions in various industrial enterprises. From 2005 to 2013, Dr. Lothar Koniarski was a member of the DIHK Finance and Tax Committee in Berlin. Since 2003 he is Chairman of the finance and tax committee of the Chamber of Industry and Commerce Regensburg. Since 2013 he is member of the Supervisory Board of CANCOM SE where he was appointed Chairman in 2016. In addition, he serves as Chairman of the Supervisory Board of the SBF AG and is member of the Board of Administration at Alfmeier SE.

Dr. Lothar Koniarski studied Business Administration at the University of Regensburg. After his graduation, he worked as scientific assistant at the University of Regensburg.

PROF. DR. MICHA BLOCHING

MEMBER OF THE SUPERVISORY BOARD

Prof. Dr. Micha Bloching, born in 1968, has been a member of the Supervisory Board since 2008. From 2008 until 2018 he held the position of the chairman of the Supervisory Board.

Prof. Dr. Micha Bloching worked as a lawyer and tax advisor in different law firms in Munich. He was partner in an international law firm and now runs his own business in Munich. In addition, he lectures business law at the University of Applied Science in Augsburg.

Prof. Dr. Micha Bloching did his law studies and state examinations in Heidelberg and holds a PhD (“Dr. iur.”) of the University of Heidelberg.

The Mutares Supervisory Board

The Supervisory Board consists of up to five members elected in accordance with the provisions of the German Stock Corporation Act. The members of the Supervisory Board are appointed at the Annual General Meeting. The term of office of members of the Supervisory Board is determined by the Annual General Meeting. Dr. Lothar Koniarski and Dr. Axel Müller were elected members of the Supervisory Board of Mutares AG for the first time on 20 July 2018. The terms of office of the members end at the end of the Annual General Meeting 2024.

OUR MANAGEMENT

ROBIN LAIK

CEO

Robin Laik, born in 1972, is the co-founder and CEO of Mutares since 1 February 2008.

Robin Laik began his professional career at ELA Medical GmbH and Porges GmbH (formerly L'Oreal Group). In 2004 he entered the Bavaria Industries Group AG where he became a member of the executive board in July 2006. He held the position of CFO until July 2007. Before, he had several management positions in finance within ESCADA AG, including head of M&A of the ESCADA group. Since January 2018 Robin Laik also holds the position of Chairman of the Supervisory Board of the STS Group.

Robin Laik studied Business Administration at the University of Augsburg, from which he graduated in 1995 with a diploma.

MARK FRIEDRICH

CFO

Mark Friedrich, born in 1978, has been with Mutares since 2012. He entered as Head of Finance and was appointed CFO of the Mutares in April 2015.

Mark Friedrich was certified as tax advisor in 2009 and as a public accountant in 2011. Prior to leaving Ernst & Young GmbH, he worked as an authorized officer.

Mark Friedrich studied Business Economics at the University of Tuebingen from which he graduated in 2005 with a diploma. Prior to this he studied Business Administration at the Europe University in Frankfurt/Oder and the Free University in Berlin.

DR. KRISTIAN SCHLEEDE

CRO

Dr. Kristian Schleede, born in 1958, joined Mutares in 2010 as member of the executive board. After serving as CFO until 2015 he took over the position as CRO (Chief Restructuring Officer). His focus lies on the optimization and strategic development of portfolio companies.

Prior to his current position, he held several top line management functions in industrial and service companies such as Danzas, Dussmann KGaA, Swisslog Management AG and Kienle+Spiess Group. Before, he had worked several years in consulting at McKinsey & Company. Additionally, Dr. Kristian is a member of the Supervisory Board of the STS Group.

Following his studies of mechanical engineering at the renowned RWTH Aachen University, Dr. Kristian Schleede received his PhD in the field of plastics processing. Additionally, he graduated with a diploma as IFRS/IAS Accountant at the Controller Academy/Ernst & Young in Zurich.

JOHANNES LAUMANN

CIO

Johannes Laumann, born in 1983, joined Mutares in 2016. In May 2019, he was appointed a member of the Executive Board at Mutares Management SE. As Chief Investment Officer (CIO) he is responsible for M&A and Investor Relations.

Prior to joining Mutares, he held various management positions at Ernst & Young GmbH, Porsche Consulting GmbH and Atlas Copco's Oil & Gas Division.

Johannes Laumann studied business law and international management at the University of Pforzheim and the Business School in Copenhagen.

GROUP MANAGEMENT REPORT

1. BASIC INFORMATION ON THE GROUP

1.1 Business model and organization

Mutares SE & Co. KGaA, Munich (hereinafter referred to as "the Company" or "Mutares"), was formed from Mutares AG, Munich, by way of a change of legal form. At the Annual General Meeting held in Munich on 23 May 2019, a resolution was passed to change the legal form of Mutares AG into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA), with Mutares Management SE joining as general partner. The change of form was completed with the entry in the commercial register on 24 July 2019.

Mutares' business approach includes the acquisition, restructuring and development of companies in transitional situations as platform investments. Companies with the following characteristics are particularly interesting for Mutares as platform investments:

- Spin-offs from larger corporations
- Revenues of EUR 50–500 million
- Established market position (products, brand, customer base)
- Focus on activities in Europe
- Economically challenging or upheaval situation (e.g. pending restructuring or reorganization)

Mutares is committed to its investments in the long term and sees itself as a responsible shareholder who actively supports the upcoming change phases as a reliable companion – based on its extensive, long-term experience. The goal is to create independent and dynamic medium-sized companies with a competitive, profitable and growing business model out of the companies that were unprofitable when they were taken over. A prerequisite for this is therefore that the potential for profit improvement in the company is already clearly identifiable in the takeover phase, which can be raised within one to two years through suitable strategic and operational optimization.

Mutares management has extensive in-house operational industrial and restructuring experience. After the acquisition of a company, Mutares' range of services includes operational support, the expansion of activities through add-on acquisitions and the sale of investments. Core aspects of Mutares' restructuring and development approach are

- After acquisition, Mutares always initiates a comprehensive operational improvement program in the subsidiaries, in addition to cash management, in particular by using its own operational Mutares team (in-house consulting). The implementation of the projects defined in this program is carried out in close cooperation and in close collaboration with the respective subsidiary.
- With this deployment of specialists to support the optimization projects and with the tapping of financial resources for investments in the development of innovative products, in sales and in (production) facilities, Mutares intends to continue to develop its investments strategically and operationally successfully until the long-term realignment.
- Once a platform investment has been operationally stabilized, internal growth is often accelerated by broadening the product portfolio or by opening up new markets. Mutares also systematically seeks opportunities for inorganic growth. With this in mind, the platform is strategically complemented by add-on acquisitions in order to implement the planned growth strategy faster.
- A sale of the value-enhanced investment should ideally take place within a period of three to seven years after acquisition.

Mutares does not limit itself after completion of the improvement program to the mere holding/managing and performance monitoring in the investments. Acquired companies are continuously improved and supported in implementing the improvement program with the help of active investment management, which also includes regular reviews of the restructuring and development progress (so-called "audits").

To implement a focused buy-and-build approach, Mutares regularly reviews add-on acquisitions and thus drives the sustainable development of the portfolio and the achievement of ambitious growth targets. The strategic addition of add-on acquisitions is intended to complement the investment in areas such as technology, product offering or country coverage.

Mutares is present in the strategic core markets of Germany, France, Italy, United Kingdom and Scandinavia with its own offices.

As of 31 December 2019, Mutares SE & Co. KGaA's portfolio contained 13 operating investments or investment groups (previous year: ten), which are divided into three segments:

- Automotive & Mobility
  Elastomer Solutions Group
  STS Group
  Plati Group
  KICO Group

- Engineering & Technology
  Balcke-Dürr Group
  Donges Group
  Gemini Rail Group
  EUPEC

- Goods & Services
  Cenpa
  KLANN Packaging
  TréfilUnion
  keeeper Group
  BEXity Group

With the completion of the acquisition of PrimoTECS (formerly Tekfor S.p.A.) in Italy on 31 January 2020, the Automotive & Mobility segment was further strengthened. The purchase agreement for this transaction was signed on 19 December 2019.

1.2 Research and development

Product-related research and development is carried out in particular in the technology-based investments of the Mutares Group. As in the previous year, a single-digit million amount was invested in research and development in the financial year 2019. Research and development services at the portfolio company STS accounted for the majority of this amount.

[1] In the previous year, Norsilk and La Meusienne were still shown as separate investments. Norsilk, a French manufacturer of wood panelling and flooring, previously managed as an independent platform in the Goods & Services segment, has been integrated into the Donges Group in 2019. In December 2019, the Balcke-Dürr Group initiated the vertical integration of the formerly independent subsidiary La Meusienne with the aim of leveraging cost, sales and quality synergies.

Innovative products are a cornerstone of STS' strategy and should contribute to the medium-term goals of profitable and sustainable growth. The development of new products for the commercial vehicle and automotive industries is a long-standing competence of the Group. The integrated know-how of injection moulding, composite materials and insulation materials based on felt production gives the Group the exceptional ability to combine structural, aesthetic, acoustic and thermal solutions. The four research and development centers in France, Italy and China have successfully networked their competencies and work closely together. Methods, processes and organizations have been standardized and harmonized. As in the previous year, around 80 people were employed in the STS Group's research and development centers in the year under review.

The innovation process has again proven its high level of performance in the financial year 2019. It comprises the monitoring of technological development, the creativity management, the selection of ideas, the proof of concept and the creation of prototypes.

The expertise of the STS Group's research and development teams and well-equipped laboratories and prototyping facilities worldwide will enable STS to provide innovative and reliable solutions to these new opportunities.

In the period under review, development costs of EUR 0.6 million were capitalized by STS Group (previous year: EUR 1.2 million).

2. ECONOMIC REPORT

2.1 General economic and industry-related conditions for the financial year 2019

WORLD

According to the economic report of the Munich-based ifo Institute ("ifo Economic Forecast Winter 2019", published on 19 December 2019), the global economy has continued to cool down in 2019 following a slowdown in economic growth in the previous year. However, the global economy was still in an upswing in 2019: real gross domestic product for 2019 rose by 2.6% year-on-year (2018: 3.2%).

Last year, declining industrial production was offset by robust service and consumer spending. International trade in goods, which had declined in the previous year, recovered towards the end of 2019. Overall, the over-utilization of the global economy declined and the existing macroeconomic output gap was closed in the second half of 2019.

Due in particular to lower crude oil prices, the inflation rate in the financial year 2019 declined overall as well as in the advanced economies and, for the latter, was significantly lower than in the previous year (2.0%) at 1.5% in 2019.

EUROPE

According to the economic report of the Munich-based ifo Institute ("ifo Economic Forecast Winter 2019", published on 19 December 2019), the economy of the euro zone, which is important for the business activities of the Mutares Group, continued to grow in 2019, but lost momentum compared to the previous year. Real gross domestic product in the euro zone grew by 1.9% in 2018 and fell to 1.2% in 2019. This was due in particular to political uncertainties – such as those related to the trade conflict between the USA and China or Brexit – which led to weaknesses in foreign trade. This was offset by strong consumer spending in 2019.

While the economies of Spain and France performed comparatively well in 2019, the slowdown in the euro zone as a whole is mainly explained by the weaker performance of Italy and Germany. The ifo Institute sees the reasons for the weaker development in Germany as a significant decline in exports, which must probably also be seen in connection with the existing challenges and transformation processes in the automotive industry. The reduced momentum also led to a slowdown in the labor market and to a stagnating rather than further declining unemployment rate in the second half of 2019. Against the background of the positive wage trend and the employment dynamics of recent years, private consumer spending nevertheless increased considerable and the consumer economy remains robust.
The inflation rate in the euro zone fell to 1.0% in 2019 due to falling energy prices. However, core inflation adjusted for these developments was 1.5% in 2019 and was driven by inflation in food and services.

The expansionary monetary policy continued internationally in 2019 and was extended again in the euro zone, so that financing conditions remained favourable.

As Mutares specializes in the acquisition of low-profit companies in Europe, the economic environment in the financial year 2019 continued to be favourable.

CAPITAL INVESTMENT SECTOR

According to the Federal Association of German Private Equity and Venture Capital Companies (BVK) ("Der Deutsche Beteiligungskapitalmarkt 2019", as of February 2020), the development in the private equity industry was very positive in 2019 following a strong previous year. Investments of the German-based private equity companies reached EUR 14.3 billion (previous year: EUR 12.0 billion).

After a moderate level of EUR 4.3 billion in 2018, the volume of investment disposals in 2019 was again below the previous year's level at EUR 2.3 billion. However, the exit channels that are important for Mutares, namely sales to strategic investors or other private equity companies (45% and 32% respectively), accounted for the majority of the total exit volume.

2.2 Business performance in the financial year 2019

Mutares' business performance in 2019 was marked by the following significant events:

- **Expansion of the Donges Group**
  In the Engineering & Technology segment, the Donges Group continued its expansion: Following the acquisition of Kalzip in 2018, the acquisitions of Normek and FDT were successfully completed in 2019.

  Normek is a company for steel building construction and façade solutions in Finland and is mainly active on the Finnish and Swedish markets. This extends and complements the product portfolio and sales channels of the Donges Group. Normek generated revenues of EUR 45.8 million in 2019 and employs around 200 people.

  FDT Flachdach Technologie GmbH & Co. KG, with its subsidiaries in France and Belgium, is a supplier of flat roof systems. FDT has generated revenues of EUR 50.3 million for the entire year 2019 and employs around 170 people. The transaction complements the product offering, creates synergies and supports the Donges Group's strategy to establish itself as a leading European player in the steel construction, roofing and façade systems market. The transaction results in a gain from bargain purchase of EUR 6.9 million, which is reported under other income.

  In addition, **Norsilk**, a French manufacturer of wood panelling and flooring, previously managed as an independent platform within the Goods & Services segment, was integrated into the Donges Group. In this way, Donges Group is aiming for further growth in the French market and the mutual use of existing distribution channels in Europe.

  With the signing of the agreement to take over **Ruukki Building Systems Oy** in July 2019, further expansion in Scandinavia was pushed forward. The acquisition is expected to be completed by the end of April 2020.

- **Completion of five platform investments**
  In the reporting period, the Automotive & Mobility and Goods & Services segments were strengthened and further developed by a total of five successfully completed platform investments (plus the acquisition of PrimoTECS signed in 2019 but not closed until the beginning of the financial year 2020):

At the end of May 2019, Mutares acquired all shares in **TréfilUnion** SAS, based in Commercy (France). The company has two plants in France and produces steel wire and rope for a customer portfolio diversified by industry. TréfilUnion generated revenues of EUR 29.3 million for the full year 2019 and strengthens the Goods & Services segment as a new platform investment. The transaction resulted in a gain from bargain purchase in the amount of EUR 35.0 million, which is reported under other income.

Mutares acquired 80% of the shares in **Plati** Elettroforniture S.p.A., Bergamo (Italy), and its subsidiaries from the Chinese Deren Group at the beginning of June 2019. The company generated revenues of EUR 29.6 million in 2019 and employs around 700 people. The product portfolio includes cable harnesses, automotive cables, connectors, PVC extrusion and electromechanical assemblies. The transaction resulted in a gain from bargain purchase of EUR 0.0 million, which is reported under other income.

In June 2019 Mutares acquired all shares in **keeeper** GmbH in Stemwede and its subsidiaries. The group is a supplier of plastic household products in Europe with a total annual turnover in 2019 of EUR 58.6 million and around 440 employees. As a new platform investment keeeper Group strengthens the segment Goods & Services. With two production sites in Germany and Poland and a sales office in Belgium, the group serves renowned customers in the areas of DIY stores, food retailing, wholesale and furniture in about 35 countries worldwide. The transaction resulted in a gain from a bargain purchase of EUR 28.3 million, which is reported under other income.

In July 2019 Mutares completed the acquisition of all shares in Kirchhoff GmbH & Co. KG, Halver, including its subsidiaries in Germany and abroad, and Mesenhöller Verwaltungs GmbH, Halver, ("KICO"). **KICO** develops and manufactures components for passenger cars and is allocated to the Automotive & Mobility segment. The product portfolio includes hinges, locking systems and mechatronic systems. For the full year 2019, the company thus generated revenues of EUR 89.8 million and employs around 800 people in Germany and Poland. The transaction resulted in a gain from a bargain purchase of EUR 4.1 million, which is reported under other income.

At the end of December 2019 Mutares successfully completed the acquisition of the business of Q Logistics GmbH, a logistics subsidiary of Österreichische Bundesbahnen-Holding Aktiengesellschaft (ÖBB). The company, renamed to **BEXity**, is a provider of cross-border transport logistics and warehousing services with a nationwide network in Austria. The company is active in the general cargo, charter and warehousing sectors and serves customers from various industries, including the food, pharmaceutical and fast-moving consumer goods industries. In the financial year 2019, BEXity generated total revenues (including the subsidiary in the Czech Republic) of around EUR 212.8 million and employs a total of around 600 people. The transaction resulted in a gain from a bargain purchase in the amount of EUR 28.3 million, which is reported under other income.

As a result of the very active acquisition activity in the financial year 2019, the run-rate revenue of Mutares Group calculated as of the balance sheet date on a full year basis without the influence of COVID-19 amounts to approximately EUR 1.5 billion.

- **Attractive, long-term dividend policy**
  In April 2019, the Mutares Management Board decided on an attractive long-term dividend policy. Against this background, the Management Board and Supervisory Board had proposed a dividend of EUR 1.00 per share for the financial year 2018, unchanged from the previous year, for distribution to shareholders, which was approved by the Annual General Meeting with 99.99%.

- Mutares' net profit for the year comes from various sources, namely on the one hand from revenues from the consulting business and on the other hand from dividends from portfolio companies and exit proceeds from the sale of investments. Even in an operationally difficult year for various portfolio companies, Mutares sees itself in principle in a position to achieve a sufficiently high net profit for the year to be able to continue its long-term sustainable dividend policy. Against this background, the management board continues to see the opportunity to achieve a sufficiently high net profit for the current financial year 2020, which is characterized by the Corona pandemic, to be able to continue this long-term sustainable dividend policy of Mutares Group with a dividend of EUR 1.00 per share without sacrifices, in order to allow shareholders to participate in the business' success.

- **Annual General Meeting resolves to change the legal form to an SE & Co. KGaA structure**
  On 23 May 2019, the Annual General Meeting approved the management proposal and resolved to change the legal form of Mutares AG to Mutares SE & Co. KGaA while preserving its identity. The resolved change of legal form was implemented upon entry of the change of legal form in the commercial register on 24 July 2019. The change of legal form has no material effect on these consolidated financial statements, but it does secure a forward-looking position for further growth.

2.3 Reports from the portfolio companies

In the financial year 2019, the Mutares Group generated revenues of EUR 1,015.9 million (previous year: EUR 865.1 million) and an EBITDA of EUR 79.2 million (previous year: EUR 49.1 million). Adjusted EBITDA (as defined below in connection with the presentation of financial performance indicators) amounted to EUR 7.5 million (previous year: EUR 4.5 million).

For financial year 2020, the Management Board originally expected consolidated revenues of well over EUR 1.5 billion. Mutares has already had a good start into 2020 with two further transactions, including the purchase of the Italian Nexive business from PostNL with sales of over EUR 200 million, the closing of which is not yet foreseeable against the background of the Corona pandemic, as well as the purchase of Loterios for the Balcke-Dürr Group and the successful placement of a bond with a volume of EUR 50.0 million.

However, the COVID-19 pandemic then led to a very abrupt impact on the daily life and the global economy towards the end of the first quarter of 2020. To contain the corona virus, public life was drastically restricted, first in China, then in Europe and increasingly in large parts of the rest of the world. These restrictions lead to production stoppages, disruption of (international) supply chains and a collapse in demand. It is not yet possible to make a serious assessment of the effects of these restrictions on economic development in Germany, Europe and the world. Depending on the length of the closure measures, the ifo Institute ("ifo express service", published on 1 April 2020) estimates a contraction of up to 21 percentage points for German economic output alone. Governments in Europe have already announced or implemented far-reaching economic and financial policy measures to cushion the negative impact on companies and jobs.

Mutares, together with the entire management team and the workforces of the portfolio companies, immediately took extensive measures to protect the health of the employees and to limit the expected negative economic effects. At this point in time neither the management of the portfolio companies nor the board of directors can make reliable estimates of the impact of the COVID-19 crisis on the individual company and Mutares Group. However, it can be assumed that a collapse in the consolidated profitability of the portfolio companies will be observed, but that additional opportunities will also open up for Mutares in the area of M&A, especially on the buying side.

Against this background, the following explanations deal with the developments of the individual investments in the Mutares Group in the completed financial year 2019 and their expectations for the further business development as of the balance sheet date, i.e. before the outbreak of the Corona pandemic.

As of 31 December 2019, the Group comprized thirteen operating investments, which are divided into the three segments mentioned above:

Automotive & Mobility segment

No.	Participation	Industry	Headquarters	Acquisition
1	**STS** Group	System supplier of components for the commercial vehicle- and automotive industry	Hallbergmoos/DE	07/2013, partial exit of about 35% in 2018
2	**Elastomer Solutions** Group	Automotive supplier of Rubber mouldings	Wiesbaum/DE	08/2009
3	**Plati** Group	Manufacturer of wire and cable harnesses	Madone/IT	06/2019
4	**KICO** Group	System supplier for automotive technology	Halver/DE	07/2019

In the global commercial vehicle market, which is particularly relevant for the STS Group, the downward trend in the second half of the year intensified in 2019.[2] According to the German Association of the Automotive Industry (VDA), almost 3.5 million commercial vehicles over six tons total weight were sold worldwide, around 2.0% less than in the previous year. Overall, the international markets for heavy commercial vehicles developed unevenly in the past financial year:[3]

While Western Europe and the USA reached the highest level for more than ten years according to the VDA, China's volume in 2019 was slightly below the previous year's level at 1.0%. In a strong environment, the truck market in North America grew considerable by around 8.0%, but already declined again in the fourth quarter of 2019. With a continuous market recovery and high double-digit growth of over 34.0%, Brazil made an impressive comeback in the past financial year. At 30.0%, sales in India collapsed due to more difficult financing conditions, causing the global commercial vehicle market to contract for the full year 2019.[4]

According to the VDA, 2019 was a challenging year for the passenger car market relevant to the segment's other investments: while Europe was able to surpass the previous year, sales figures in the USA and China fell.[5]

In the USA, the light vehicle market (passenger cars and light trucks) closed 2019 with a decline of just under 1.0%. With a total market share of 72.0%, the important light truck segment was unable to compensate for the 11.0% decline in passenger car sales with a plus of 3.0%. The Chinese passenger car market recorded a decline in unit sales of almost 10.0% in the past financial year. China's weaker overall economic growth is thus reflected disproportionately in the passenger car market. According to the ifo Institute in Munich, tax advantages for vehicle purchases in China ended in 2019 and new emissions regulations came into force with the aim of having a 25% share of electric vehicles in China by 2025, measured against the number of all Chinese car sales.[7]

According to ACEA, new passenger car registrations in the European Union rose by 1.2% in 2019 to a total of more than 15.3 million units, marking the sixth consecutive year of growth. The European market started from a weak base, burdened by the introduction of the WLTP test in September 2018. Registrations in the fourth quarter of 2019, especially in December, led to growth for the full year.[8]

[2] https://lmc-auto.com/news-and-insights/global-truck-market/
[3] https://www.vda.de/de/presse/Pressemeldungen/20200123-nutzfahrzeugmaerkte-in-westeuropa-und-usa-mit-starkem-jahr-2019.html
[4] https://www.vda.de/de/presse/Pressemeldungen/20200123-nutzfahrzeugmaerkte-in-westeuropa-und-usa-mit-starkem-jahr-2019.html
[5] https://www.vda.de/de/presse/Pressemeldungen/200116-Europ-Pkw-markt-2019-leicht-im-plus.html
[6] https://www.vda.de/de/presse/Pressemeldungen/200116-Europ-Pkw-markt-2019-leicht-im-plus.html
[7] https://www.ifo.de/sites/default/files/2020-01/sd-2019-24-wollmershaeuser-etal-konjunkturprognose-winter-2019-12-19_0.pdf
[8] https://www.acea.be/press-releases/article/passenger-car-registrations-1.2-in-2019-21.7-in-december

The increase in revenues in the Automotive & Mobility segment to EUR 450.4 million (previous year: EUR 437.0 million) is attributable to the first-time consolidation of the new platform investments. The segment EBITDA for the financial year 2019 amounts to EUR 13.6 million (previous year: EUR 10.5 million). This includes gains from bargain purchases from the two acquisitions (KICO and Plati) of EUR 4.1 million and positive effects from the first-time application of IFRS 16 of EUR 9.2 million. Adjusted EBITDA, on the other hand, was negatively impacted by the still negative contributions from the new acquisitions and thus declined considerably year-on-year to EUR 15.6 million (previous year: EUR 17.6 million).

STS Group

STS Group, headquartered in Hallbergmoos, is a system supplier for the automotive industry and develops plastic and acoustic components in a total of 17 plants and four development centers worldwide. The customer portfolio includes manufacturers of commercial vehicles, passenger cars and electric vehicles.

The financial year 2019 was characterized by a weak environment in the Chinese and European automotive sector. In particular, the commercial vehicle and passenger car markets in Italy and France, which are important for STS, were characterized by a downward trend. The Chinese market recovered in the fourth quarter, while the European commercial vehicle market bottomed out towards the end of the financial year.

Major milestones in the STS strategy were achieved in financial 2019: To further expand the market position in China, a third production facility was successfully commissioned in April 2019. In addition, numerous new projects were acquired. STS has also further established itself in the steadily growing electric vehicle market. Most recently, the financial year was concluded with a major order for the US market.

Due to the current developments regarding the spread of the coronavirus, management considers the market environment for STS Group to be extremely challenging. At present, various plants have been closed or production has been significantly reduced. The effects of COVID-19 on these markets cannot be reliably estimated at present. Also, the Chinese plants have resumed production and are currently operating at high capacity. Against this background, the management assumes that revenues in financial year 2020 will be lower than in the previous year. Extensive cost-cutting measures have already been initiated. Nevertheless, a declining Adjusted EBITDA margin is expected for STS Group.

Also due to the current developments regarding the spread of the coronavirus and the lack of income due to plant closures, STS is not able to fully cover its liquidity requirements for the coming months from existing cash and cash equivalents and firm loan commitments. The first measures to be taken, to face this situation, are the adjustments of capacities, which essentially involve short-time work, and cost-cutting measures. To safeguard liquidity, action plans have also been drawn up to obtain additional local financing supported by government subsidies, liquidity assistance from customers, legally permitted deferrals of payments and, if necessary, the injection of additional liquidity by Mutares in return for assets. The continued existence of the subgroup as a going concern depends on the successful implementation of the above measures, as STS may otherwise not be in a position to realize its assets and settle its liabilities in the normal course of business, which indicates the existence of a material uncertainty that could cast significant doubt on the company's ability to continue as a going concern and that poses a risk to its continued existence. However, the management is confident and assumes that it is highly probable that these measures can be implemented and thus the continuation of the company's business activities can be secured.

Elastomer Solutions Group

Elastomer Solutions, a manufacturer of rubber and thermoplastic components for the automotive industry based in Wiesbaum (Germany) with production sites in Portugal, Slovakia, Morocco and Mexico, generated revenues in the financial year 2019 that were slightly higher than in the previous year. The usual decline in revenues in the industry did not occur in 2019 due to the company's geographical positioning and customer portfolio.
In response to the decline in profitability in the financial year 2018, the management initiated a comprehensive action plan for all locations and business units and implemented it successfully

and according to the plan in the financial year 2019. This eliminated quality and output problems and reduced logistics expenses, which caused substantial losses in the financial year 2018, particularly at the Slovakian location. In addition, the scope of direct and indirect personnel was adjusted. As a result of the measures mentioned above, the operating result for the financial year 2019 was raised to a clearly positive level as planned. Financing the growth of the Elastomer Solution Group is challenging. As of the balance sheet date, Elastomer expected a further increase in the positive operating result for the financial year 2020 through the continued consistent implementation of efficiency-enhancing measures, with revenues increasing significantly due to the start of series production. However, in view of current developments in connection with the spread of the coronavirus and, in particular, the decline in demand due to temporary plant closures in the European automotive industry and potential difficulties with the supply chain afterwards, it is likely that this original forecast by management will be missed and that revenues and operating result will remain below the initially planned level.

Plati Group

Mutares acquired 80% of Plati Elettroforniture S.p.A., Bergamo (Italy) and its subsidiaries from the Chinese Deren Group in June 2019. The product portfolio of the group includes cable harnesses, special cables and connectors. Immediately after the acquisition, Mutares began implementing the restructuring program at the company's headquarters in Italy and at its two production sites in Poland and Ukraine. The program focuses on simplifying logistics processes, streamlining the product portfolio to eliminate loss-making products. In addition, the number of suppliers as well as personnel costs and overheads are to be reduced. In 2020, the focus will be on further optimizing costs and winning new orders. These efforts will be significantly hampered by current developments in connection with the spread of the coronavirus. As a result, the successes of the restructuring program are not expected to materialize to the extent originally planned as early as the financial year 2020. Originally, revenues in 2020 were expected to increase significantly compared to the full year 2019. However, in view of current developments and in particular the temporary plant closures in the European automotive industry and potential difficulties with the supply chain afterwards, it is likely that this forecast will not be met and that revenues and operating profit will remain below the initially planned level.

Kico Group

Mutares completed the acquisition of Kirchhoff GmbH & Co. KG, Halver, including its subsidiaries in Germany, Poland and Mexico ("KICO") in July 2019. KICO develops, industrializes and manufactures safety components for passenger cars as a supplier to the automotive industry. The product portfolio includes hinges, locking systems and mechatronic systems. Following the acquisition, Mutares has initiated a program of measures that is primarily focused on implementing operational excellence and optimizing working capital. Among other things, the profitability of the product portfolio is to be increased and product quality is to be improved. In the new product area of aerodynamic systems, the high level of complexity encountered in the industrialization process had a negative impact on KICO's operating result in financial year 2019. As expected at the time of the takeover, one-off expenses – such as a social plan in Germany – had a negative impact on earnings. As of the balance sheet date, for the financial year 2020, KICO was already expecting a balanced operating result,on the basis of the initiated programme of measures, with revenues significantly higher than the level for the whole of 2019. However, in view of current developments in connection with the spread of the coronavirus and in particular the temporary plant closures in the European automotive industry, as well as potential difficulties with the supply chain afterwards, it is likely that this forecast will not be met and that revenues and operating result will remain below the previously planned level. In the past, the company has been financed to a significant extent by debt. KICO's liquidity is very tight due to the current effects of plant closures by important customers. With the help of professional advisors, KICO has therefore begun to apply for financing in the context of government support, and the management is confident that it will be able to complete this financing in the second quarter of the financial year 2020. However, should it not be possible to implement this and maintain the existing bank financing and credit insurance with suppliers, KICO is dependent on the development of new sources of financing. This indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and which constitutes a risk that could jeopardize its continued existence. However, the management is confident and assumes that it is highly probable that these measures can be implemented and thus the continuation of the company's business activities can be secured.

Engineering & Technology segment

No.	Participation	Industry	Headquarters	Acquisition
1	**Balcke-Dürr** Group	Leading supplier of components for increasing energy efficiency and reducing environmental impact for the industry	Düsseldorf/ DE	12/2016
2	**Donges** Group	Full-range provider of steel structures, roof and facade systems	Darmstadt/ DE	11/2017
3	**Gemini Rail** Group	Engineering, maintenance and modernization services for rail vehicles	Wolverton/ UK	11/2018
4	**EUPEC**	Supplier of coatings for oil and gas pipelines	Gravelines/ FR	01/2012

The Engineering & Technology segment achieved revenues of EUR 482.0 million in financial year 2019 (previous year: EUR 298.6 million), making it the largest segment of the Mutares Group. The full year effect for Kalzip and Gemini, which were acquired in the course of the previous year, contributed EUR 109.9 million to the increase in revenues and the add-on acquisitions Normek and FDT, which were completed in the reporting period, contributed EUR 75.4 million. The decline in EBITDA to EUR –3.8 million (previous year: EUR 24.0 million) is largely attributable to the EUR 22.9 million higher profits from bargain purchases in the previous year, the acquisition of Normek and FDT in the financial year 2019 and, in the previous year, in particular, the acquisitions of Kalzip and Gemini. In contrast, Adjusted EBITDA rose to EUR 4.7 million (previous year: EUR –0.4 million), also benefiting from positive effects from the first-time application of IFRS 16 in the amount of EUR 9.1 million.

Balcke-Dürr Group

With more than 130 years of experience, the Balcke-Dürr Group, headquartered in Düsseldorf, Germany, offers power generators, power plant constructors and chemical industry product solutions and services ranging from standard modules to complete thermal systems. In 2018, the Balcke-Dürr Group, acquired by Mutares in 2016, launched a growth and active buy-and-build strategy. The Group thus positioned itself as a system supplier for the entire life cycle in the power plant sector. In financial 2019, the focus lay on integrating the Italian acquisitions. The development of the business with services for the decommissioning of nuclear power plants in Germany progressed more slowly than originally planned. Nevertheless, the Balcke-Dürr Group generated revenues in financial year 2019 that were noticeably higher than in the previous year, achieving a visibly positive operating result as planned. In December 2019, the Balcke-Dürr Group initiated the vertical integration of the formerly independent Mutares holding La Meusienne with the aim of leveraging cost, sales and quality synergies.

La Meusienne's revenues declined significantly in financial 2019, mainly due to the streamlining of the product range. In this context, products with negative margins were removed from the range and the production of higher-value products was increased. These measures made it possible to achieve a balanced operating result. As of the balance sheet date, the Balcke-Dürr Group management expected an extraordinary increase in revenues, taking into account the integration of La Meusienne, for the financial year 2020 with an increase in Adjusted EBITDA to a clearly positive level. However, due to current developments in connection with the spread of the coronavirus and partial plant closures, particularly in Italy, and short-time work in Germany, it is likely that this forecast will not be met and that revenues and operating result will remain below the level planned to date. In addition, the restrictions on freedom of travel and the closure of borders pose a challenge to the company's contract partners in terms of maintaining sufficient personnel.

Donges Group

Donges Group, headquartered in Darmstadt, Germany, with its brands Donges SteelTec, FDT, Kalzip, Normek and Norsilk, is a full-range supplier of steel bridges, steel building construction, roof and façade systems.

Following the stabilization of Donges SteelTec GmbH, which was acquired by Mutares in 2017, in the financial year 2018, the management concentrated on the strategic development of the company towards becoming a full-service provider. With the acquisitions of Kalzip based in Koblenz (Germany) in the financial year 2018, Normek based in Vantaa (Finland) and FDT based in Mannheim (Germany) and the integration of Norsilk based in Honfleur (France) in the financial year 2019, the Donges Group has successfully expanded geographically and product-wise. At Kalzip, the restructuring that began immediately after the takeover in the last quarter of the financial year 2018 was successfully continued: Personnel measures were agreed with employee representatives, which significantly reduced the company's cost base, particularly in the second half of the financial year 2019. Following the acquisition of FDT and Normek, a cost reduction programme was set up in both companies, covering all areas of the value chain, and a programme was launched throughout the Donges Group to identify and realize sales synergies. The aim is to realize both regional and product-related synergies.

In the financial year 2019, the Donges Group's revenues increased exceptionally compared with the previous year, mainly due to the consolidation of the new acquisitions. At the same time, the Donges Group still posted a negative Adjusted EBITDA, also due to expansion costs and one-off costs. For the financial year 2020, management expected a significant increase in revenues as of the balance sheet date due to the full-year effect of the consolidation of the new acquisitions and the expected completion of the acquisition of the Finnish Ruukki Buildings Systems – for which the purchase agreement has already been signed in the financial year 2019. The operating result should reach a clearly positive level due to the cost reduction and synergy measures initiated. However, the spread of the coronavirus and the subsequent measures have already led to the closure of individual construction sites and are expected to cause a significant drop in demand in at least some of the relevant markets in the second quarter of 2020. In addition, the restrictions on freedom of travel and the closure of borders pose a challenge to the company's contract partners in terms of maintaining sufficient personnel. It is therefore likely that the original forecast will not be met and that revenues and operating profit will remain below the planned level.

GEMINI RAIL GROUP

Gemini Rail Group, based in Wolverton (United Kingdom), offers its customers engineering & maintenance services for rail vehicles on the British and Irish railway market. The Group's customers include train owners and operators as well as rail vehicle original equipment manufacturers (OEM's).

Modernization orders for equipping trains for the disabled had a positive impact on capacity utilization at the Wolverton and Birmingham locations in financial 2019. In addition to processing the order backlog, Gemini focused on implementing an efficiency enhancement program to improve production productivity in financial 2019. A significant milestone in the realignment was the closure of the original third production site. As part of the transformation, Gemini Rail Group is now focusing on the implementation of a redefined market strategy and the further development of the product portfolio. Under the GemECO brand, the company has already been able to secure its first orders for the conversion of rail vehicles to hybrid drive systems and thus sees itself as a pioneer for these drive systems in the UK.

As planned, revenues in the financial year 2019 were considerably higher than in the financial year 2018 as a whole, despite the postponement of individual orders by customers. Profitability was positively influenced by the implementation of measures to increase efficiency on the one hand and by income from the reversal of provisions on the other. For the financial year 2020, the management had planned revenues as of the balance sheet date to be significantly lower than those of the financial year 2019 due to the slowdown in the special economic situation resulting from the disabled-friendly conversion, while profitability remained positive. However, in view of current developments in connection with the spread of the coronavirus and potential plant closures, including in the UK, as well as the possible occurrence of sickness-related staff shortfalls, it is likely that this forecast will not be met and, in particular, that revenues will fall more sharply and profitability will also be below the previously planned level.

EUPEC

Eupec Pipecoatings France, based in Gravelines (France), is a supplier of pipeline coatings with three sites in northern France. Eupec mainly serves customers in the oil and gas industry.

In the financial year 2019, Eupec continued to pursue the strategic projects started in the previous year: one major project is to increase the productivity of the pipe coating line and thus further improve its competitiveness. On the cost side, as expected, there has been a Europe-wide increase in energy costs. The projects and investments that have been initiated, coupled with the promotion of a culture of continuous improvement, partially compensate for the increase. At the end of 2019, a significant order for 2020 was won, which will contribute significantly to capacity utilization. In financial 2019, Eupec generated revenues slightly below the previous year's level with a slightly negative operating result. As of the balance sheet date, the management expected the market situation to ease in 2020, resulting in a significant increase in revenues and a simultaneous increase in profitability to a clearly positive operating result. However, against the background of current developments in connection with the spread of the coronavirus and in particular the fall in oil prices, as well as the associated uncertainty for major investments and the subsequent decline in demand, it is likely that this forecast will not be met and that revenues and operating result will remain below the level planned to date.

Goods & Services segment

No.	Participation	Industry	Headquarters	Acquisition
1	**Cenpa**	Producer of coreboard	Schweighouse/FR	05/2016
2	**KLANN Packaging**	Manufacturer of packaging solutions	Landshut/DE	06/2011
3	**TréfilUnion**	Manufacturer of iron wire and prestressing steel	Commercy/FR	05/2019
4	**keeeper** Group	Manufacturer of high-quality plastic and paper household products	Stemwede/DE	06/2019
5	**BEXity** Group	Provider of transport and logistics services	Wien/AT	12/2019

Revenues of the Goods & Services segment amount to EUR 83.5 million in financial year 2019 (previous year: EUR 48.7 million). Three platform investments strengthened the segment: TréfilUnion, keeeper and BEXity. TréfilUnion and keeeper contributed revenues of EUR 46.1 million in the reporting period. BEXity is not yet included in revenues due to the closing of the transaction at the end of the financial year. EBITDA amounted to EUR 79.5 million (previous year: EUR 2.9 million), benefiting from the gains from bargain purchases of EUR 91.6 million in connection with the three transactions mentioned above and the effect of the first-time application of IFRS 16 of EUR 1.5 million. Adjusted EBITDA in financial year 2019 was affected by the negative contribution of the new investments on the one hand and the negative effects on the operating results of Cenpa and KLANN due to the declines in revenues on the other, and amounted to EUR –7.3 million (previous year: EUR +3.7 million).

Cenpa

The market environment of Cenpa, a manufacturer of coreboard from Schweighouse in Alsace (France), was characterized in financial year 2019 by a strongly intensifying competitive situation and the expected rise in energy costs. Cenpa countered these negative market influences by developing new products and expanding its geographical sales markets to Eastern Europe. Nevertheless, the company recorded a considerable decline in revenues and a slightly negative operating result, and was therefore unable to achieve its goal of a discernible increase in revenues and a positive operating result. As of the balance sheet date, the management assumed that the competitive situation would weaken in the financial year 2020, while at the same time the measures initiated would take effect, so that revenues could be increased considerably and the operating result even extraordinarily compared to the financial year 2019. However, against the background of the current development in connection with the spread of the coronavirus, it is likely that this forecast will not be met and that revenues and operating result will remain below the previously planned level, in particular due to a possible closure of the plant by the authorities, a high rate of employee absences and higher costs for the procurement of recovered paper.

KLANN Packaging

KLANN develops and produces high-quality promotion and sales packaging made of printed tinplate at its headquarters in Landshut and sees itself as a supplier of a high-quality premium product portfolio.

Measures introduced by the management to reduce the costs for temporary employees and suppliers had a significant impact in financial year 2019, with a positive effect on the company's cost base. However, delayed and unrealized customer orders led to a considerable decline in revenues with negative effects on the operating result. In particular, the Brexit-related loss of customers in the United Kingdom has not yet been fully offset by new business. As a result, it has not been possible to achieve the plan to maintain revenues at the level of 2018. As of the balance sheet date, the company expected revenues to be back at the level of the financial year 2018 and a considerable positive operating result for the financial year 2020. However, against the background of current developments in connection with the spread of the coronavirus and a potential decline in market demand, it is likely that this forecast will not be met and that revenues and operating result will remain below the previously planned level.

Tréfilunion

Following the acquisition of TréfilUnion, a manufacturer of iron wire and prestressing steel with two plants in France, at the end of May 2019, a Mutares team of experienced restructuring consultants, together with the newly appointed local management, developed a comprehensive programme of measures to realign the company. The action plan is designed to stabilize production, increase output and product quality, while reducing material purchasing and personnel costs. As expected, TréfilUnion's Adjusted EBITDA was still extremely negative in the financial year 2019. The restructuring measures initiated are expected to have a positive impact in 2020. Nevertheless, in its forecast at the balance sheet date, management expected a significant increase in revenues (on a full-year basis) and a significantly negative operating result for the financial year 2020, as the full-year effect of the measures would not be visible until 2021. However, against the background of the current developments in connection with the spread of the coronavirus, in particular due to the closure of the plants by the authorities, which has already been ordered, it is likely that further negative effects will be added to this and that revenues will not increase significantly as a result, and that profitability will be additionally burdened.

keeeper Group

keeeper is a manufacturer of innovative household products with headquarters in Stemwede (Germany) and subsidiaries in Poland and Belgium. Immediately after the takeover, a Mutares team took up work on site and developed an action plan in close cooperation with the keeeper management: Besides the necessary reduction of costs, the focus is also on reducing the diversity of the product portfolio. Furthermore, all production activities will be successively transferred to the Polish subsidiary in 2020 as part of the completed redundancy plan. The operating result of keeeper was still recognizably negative in the financial year 2019, but according to the management's assessment as of the balance sheet date, it should be increased to a clearly positive level in the financial year 2020. However, against the background of current developments in connection with the spread of the coronavirus and the expected decline in demand, it is likely that this forecast will not be met and that revenues and profitability will remain below the previously planned level.

In December 2019, keeeper has already taken a first step in its buy-and-build strategy with the signing of the acquisition of Metsä's napkin business (closing in February 2020) in Germany, which is to be consistently continued in 2020. This will lead to an increase in keeeper Group revenues in the financial year 2020 compared to the full year 2019.

BEXity

At the end of December 2019 Mutares successfully completed the acquisition of the business of Q Logistics, a logistics subsidiary of Österreichische Bundesbahnen-Holding Aktiengesellschaft (ÖBB). The acquired business will continue under the new name BEXity. BEXity is a provider of cross-border transport logistics- and warehousing services with a nationwide network in Austria. In the area of contract logistics, the company serves customers from various industries, including the food and pharmaceutical industries. The subsidiary European Contract Logistics in the Czech Republic was also acquired. Since January 2020, a Mutares team has been working with the management to develop a restructuring plan, the main aim of which is to stabilize sales and reduce costs, particularly in the areas of personnel and materials. However, it is likely that its implementation will be significantly hampered by current developments in connection with the spread of the coronavirus and, in particular, a possible decline in demand.

3. SITUATION OF THE GROUP INCLUDING NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Mutares Group acquires low-performing companies as platform investments and provides operational support for its investments as part of active restructuring and reorganization management. This business model involves regular changes in the scope of consolidation, which have a significant impact on Mutares' consolidated financial statements. In 2019, the first-time consolidations described above had a significant impact on the items of the consolidated statement of profit and loss and the consolidated statement of financial position. The operating profit of the Mutares Group develops in line with the business performance of the individual investments and is also influenced by the timing of the acquisition of new investments and the resulting profits from bargain purchases.

3.1 Earnings situation

The unprecedented high level of acquisition activity in the history of Mutares in the financial year 2019 resulted in the billion euro threshold in consolidated revenues being exceeded for the first time: The Mutares Group generated consolidated **revenues** of EUR 1,015.9 million in 2019, an increase of 17.4% (previous year: EUR 865.1 million). The increase is largely due to changes in the scope of consolidation: Due to the first-time consolidation of the platform investments acquired in the course of the financial year 2019, revenues increased by EUR 97.6 million and by a further EUR 75.4 million due to the add-on acquisitions from the Donges Group; the companies acquired in the course of the previous year 2018 contributed a full twelve months in the financial year 2019, resulting in an increase in revenues of EUR 109.9 million. In contrast, the companies deconsolidated in the course of the previous year 2018 resulted in a total decrease of EUR 80.9 million in the financial year 2019. With regard to the revenues of continuing investments, which were part of the Mutares Group for a full twelve months, both in the financial year 2019 and in the previous year, we refer to the above comments on the portfolio companies.

With regard to the breakdown of revenues by segment, we refer to the above comments on the portfolio companies.

Revenues are broken down by geographical markets based on the location of the registered office of the supplying or service providing unit as follows:

EUR million	2019	2018
Europe	916.8	772.3
Germany	297.6	236.7
France	301.8	353.5
Italy	128.8	123.2
United Kingdom	81.7	14.0
Poland	43.9	20.6
Rest of Europe	62.9	24.3
China	57.8	56.1
Rest of world	41.3	36.6

As in the previous year, **other income** of EUR 119.1 million in financial 2019 (previous year: EUR 107.4 million) is due in particular to consolidation effects: The acquisitions in financial year 2019 led to a profit from bargain purchase of EUR 102.6 million (previous year: EUR 32.3 million). In addition, the deconsolidation of subsidiaries in the previous year led to income of EUR 40.9 million.

The **cost of materials** for financial 2019 amounts to EUR 622.6 million (previous year: EUR 532.4 million). The cost of materials ratio (in relation to revenues) thus improved slightly from 62% to 61%.

Personnel expenses for the financial year 2019 amount to EUR 291.8 million (previous year: EUR 244.7 million). The increase reflects the increased number of employees due to the high transaction activity of Mutares. Furthermore, an increase of EUR 3.9 million resulted from higher costs for severance payments and social plans.

Other expenses of EUR 137.5 million (previous year: EUR 146.4 million) include positive effects from the progress made in implementing restructuring measures at various portfolio companies. In addition, the first-time application of the new leasing regulations of IFRS 16 resulted in other expenses being reduced by EUR 19.8 million. In contrast, other expenses included EUR 3.5 million from the onward charging of Mutares Management SE, including EUR 3.3 million for the remuneration of the management board members from the conversion date. In the previous year, the settlement of a long-standing legal dispute also led to a one-off expense of EUR 5.5 million.

As a result, the **EBITDA** of the Mutares Group for the financial year 2019 amounts to EUR 79.2 million (previous year: EUR 49.1 million).

The Group's investments differ according to market, business model and progress in the restructuring cycle, so that the Group EBITDA is naturally subject to fluctuations. As a result, only very limited conclusions can be drawn from the consolidated EBITDA of the Mutares Group as to the actual operating performance of the Group or individual portfolio companies.

To improve transparency, Mutares uses the **Adjusted EBITDA** as a performance indicator. Adjusted EBITDA (as defined below in the presentation of financial performance indicators) amounts to EUR 7.5 million (previous year: EUR 4.5 million).

The portfolio companies included in the Mutares Group on the balance sheet date contributed EUR 13.1 million to this figure (previous year: EUR 21.0 million).

The reconciliation from reported EBITDA to Adjusted EBITDA is as follows:

EUR million	2019	2018
EBITDA	79.2	**49.1**
Income from bargain purchases	–102.6	–32.3
Restructuring and other non-recurring expenses	31.0	28.6
Deconsolidation effects	0.0	–40.9
Adjusted EBITDA	7.5	**4.5**

With regard to gains from bargain purchases and deconsolidation effects, we refer to the above comments on business performance and the reports from the portfolio companies.

Restructuring and other non-recurring expenses for the financial year 2019 include expenses for severance payments and social plans totaling EUR 17.2 million, particularly in connection with the restructuring plans of the newly acquired companies in the Engineering & Technology and Automotive & Mobility segments. Also included are expenses of EUR 4.2 million from the valuation of an earn-out agreement in connection with a company sold in the financial year 2017 and consulting fees for the restructuring of various subsidiaries of the Group totaling EUR 4.9 million.

Restructuring and other non-recurring expenses in the previous year include non-recurring expenses in connection with the liquidation and deconsolidation (EUR 15.9 million) of an investment. At EUR 10.8 million, expenses for severance payments and social plans result primarily from the Engineering & Technology segment, where they are mainly attributable to the restructuring plans of the newly acquired participations (EUR 8.4 million). This item also includes special effects of the IPO, legal and consulting costs, severance costs and fees for Transition Service Agreements ("TSA") from STS (EUR 6.9 million) as well as expenses in connection with the settlement of a legal dispute by Mutares (EUR 5.5 million). Also included are other one-time expenses in connection with the IPO of STS Group AG and the conversion to IFRS at Mutares SE & Co. KGaA (EUR 1.6 million) as well as expenses for severance payments and social plans (EUR 2.5 million) at various subsidiaries of the Mutares Group. This was offset by income from earn-out agreements from investments sold in 2017 totaling EUR 11.2 million and from the settlement agreement with the sellers of Balcke-Dürr of EUR 5.8 million.

The **consolidated net income for the year** amounts to EUR 16.7 million (previous year: EUR 12.0 million).

Other comprehensive income includes actuarial losses of EUR 3.1 million (previous year: gains of EUR 1.6 million) in connection with the measurement of provisions for pensions at portfolio companies. Other comprehensive income also includes exchange rate differences of EUR 1.3 million (previous year: EUR –0.9 million).

3.2 Assets and financial position

The **total assets** of the Mutares Group as of 31 December 2019 was EUR 848.5 million (previous year: EUR 630.8 million). The increase is mainly due to the consolidation of the newly acquired investments and the first-time recognition of rights of use from the first-time application of the new leasing regulations of IFRS 16.

Non-current assets rose from EUR 210.2 million as of 31 December 2018 to EUR 399.2 million as of 31 December 2019, primarily due to increases in property, plant and equipment (EUR +43.1 million) and intangible assets (EUR +17.3 million), which also resulted in particular from the first-time consolidation of the newly acquired investments. The valuation of rights of use in accordance with the new leasing regulations amounts to EUR 119.8 million (previous year: EUR 0.0 million).

EUR 33.2 million of the increase in **current assets** to EUR 449.3 million (previous year: EUR 420.6 million) resulted from higher inventories and EUR 30.8 million from higher other financial assets, particularly in connection with the acquisition of BEXity.

Cash and cash equivalents amounted to EUR 79.7 million as of 31 December 2019 (previous year: EUR 108.1 million). This is offset by current liabilities to banks and loans as part of the balance sheet item current financial liabilities in the amount of EUR 57.5 million (previous year: EUR 66.4 million) as of 31 December 2019, which mainly result from loan liabilities and from the disclosure of "non-genuine" factoring. The **net cash position** as of 31 December 2019 thus amounts to EUR 22.2 million (previous year: EUR 41.7 million).

Equity amounted to EUR 208.2 million as of 31 December 2019 (previous year: EUR 208.1 million). The consolidated net profit of EUR 16.7 million increased equity in 2019, while the dividend payment to the shareholders of the parent company, the shareholders of Mutares AG[9], of EUR 15.2 million (previous year: EUR 15.2 million) had an opposite effect. The equity ratio as of 31 December 2019 was 24.5% (previous year: 33.0%). Much of the decline is due to the balance sheet extension resulting from the first-time application of the new leasing regulations. For information on the acquisition of treasury shares pursuant to section 160 (1) no. 2 of the German Stock Corporation Act (AktG), please refer to the notes to the consolidated financial statements of Mutares SE & Co. KGaA.

[9] The dividend was paid out before the effective date of the change in legal form of Mutares AG to Mutares SE & Co. KGaA.

Non-current liabilities of EUR 235.4 million (previous year: EUR 93.1 million) include non-current provisions of EUR 99.5 million (previous year: EUR 60.3 million), of which EUR 87.3 million (previous year: EUR 47.0 million) primarily comprise pension provisions of the portfolio companies. Their increase is mainly due to the acquisition of FDT. Long-term leasing liabilities resulting from the first-time application of the new leasing regulations amount to EUR 95.2 million (previous year: EUR 2.1 million).

Other financial liabilities of EUR 115.1 million (previous year: EUR 122.4 million) are largely attributable to liabilities to banks and loans (EUR 67.1 million; previous year: EUR 74.6 million).

Liabilities to former shareholders, i.e., former owners of the investments, within other financial liabilities primarily result from the STS subgroup (EUR 5.6 million; previous year: EUR 6.8 million), the Plati subgroup (EUR 3.7 million; nominal amount: EUR 5.6 million).) and KLANN Packaging GmbH, where a partial amount of liabilities to former shareholders in the amount of EUR 2.0 million could be amicably released in 2019 against payment of EUR 0.5 million; the difference is reported under other income.

The **cash flow from operating activities** in financial year 2019 amounts to EUR –10.7 million (previous year: EUR –11.1 million). This is due to: a consolidated net income for the year of EUR 16.9 million (previous year: EUR 12.0 million), including non-cash expenses and income totaling EUR 46.9 million (previous year: EUR 45.7 million), changes in the balance sheet items of working capital (trade working capital and other working capital) with a reduction of EUR 12.5 million (previous year: EUR 20.9 million) and effects from interest and taxes of EUR 7.9 million (previous year: EUR 1.7 million).

The **cash flow from investing activities** in the financial year 2019 of EUR +44.4 million (previous year: EUR –3.1 million) results primarily from proceeds from the disposal of property, plant and equipment and assets held for sale (EUR 40.3 million; previous year: EUR 3.3 million). Payments for investments in property, plant and equipment and intangible assets (EUR –31.4 million; previous year: EUR –23.7 million) had an opposite effect. Additions to the consolidated group resulted in a net increase in cash and cash equivalents of EUR 32.6 million (previous year: EUR 19.4 million). Furthermore, inflows and outflows from disposals from the consolidated group of EUR +2.9 million (previous year: EUR –2.5 million) had an effect here.

The cash flow from financing activities of EUR –62.5 million (previous year: EUR +23.4 million) results in particular from net payments for (financial) loans and leasing and factoring liabilities of EUR 40.2 million (previous year: EUR 3.3 million). As in the previous year, the dividend to the shareholders of the parent company, the shareholders of Mutares AG10, amounted to EUR 15.2 million. Payments received in connection with the IPO of STS Group AG, with which Mutares sold around 35% of this portfolio company in the previous year, increased cash flow from financing activities by EUR 46.9 million (net) in the previous year. As a result, cash and cash equivalents amounted to EUR 79.7 million as of 31 December 2019 (previous year: EUR 108.1 million).

As of the balance sheet date, the unused credit lines amount to a mid-single-digit million amount, as in the previous year, and are largely attributable to available factoring lines.

Mutares SE & Co. KGaA issued a senior secured bond with a nominal volume of EUR 50.0 million and a term until 14 February 2024 (see following explanations in the forecast report).

The Management Board assumes that the Group will continue to be in a position to meet its payment obligations on time at all times in the future.

3.3 Management board's assessment of the course of business

The benchmark for success in the Mutares Group is essentially the progress of restructuring and development of the investments and completed M&A transactions, which contribute to an increase in value in the Group following a successful turnaround and further development of the investments depending on the situation.

The Management Board is very satisfied with the progress made in restructuring and development at some of the subsidiaries, but still sees potential for improvement at other subsidiaries, in some cases significantly. In particular, the Management Board views the development at Donges Group, Elastomer Solutions Group and Gemini Rail Group as positive. The Management Board also considers the implementation of restructuring measures at Plati Group and keeper Group to be very promising.

[10] The dividend was paid out before the effective date of the change in legal form of Mutares AG to Mutares SE & Co. KGaA.

With regard to transaction activities in the financial year 2019, the Management Board is extremely satisfied due to the large number of acquisitions. It views the large number of platform acquisitions, which offer new potential for the future, as well as the promising add-on acquisitions of the Donges Group as positive.

The Management Board is satisfied overall with the course of the financial year 2019.

3.4 Financial and non-financial performance indicators

The key financial performance indicators of the Mutares Group are

- Revenues
- the operating result (EBITDA = earnings before interest, taxes, depreciation and amortization);
- the Adjusted EBITDA (see below);
- the net cash position (cash and cash equivalents minus current liabilities to banks and loans) and
- the cash flow from operating activities.

Gains from bargain purchases are recognized immediately in the year of the transaction. By contrast, restructuring and other non-recurring expenses such as expenses from the valuation of assets and liabilities in connection with liquidation and deconsolidation or legal and consulting fees (e.g. in connection with an IPO) may also be incurred in subsequent periods. In view of the associated regularly significant non-operational volatility of Group EBITDA, the Management Board introduced an additional performance measure in the form of EBITDA adjusted for non-recurring effects in the previous year for reasons of transparency – referred to in internal management and reporting as "adjusted EBITDA". The basis for the calculation is the reported Group EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for gains from favorable acquisitions ("bargain purchase"), restructuring and other non-recurring expenses and deconsolidation effects. This provides a more transparent presentation of operating developments and enables a better assessment of operating profitability.

With regard to the development of the individual financial performance indicators, we refer to the comments above in the comments on the results of operations (3.1) and net assets and financial position (3.2).

With regard to the forecasts made in the management report of the previous year for the financial year, the actual development is as follows:

- Contrary to the forecast at the time, **revenues** in the Automotive & Mobility segment with the STS Group and Elastomer Solutions Group investments existing at the time of the forecast showed a significant decline and in the Engineering & Technology segment a significant year-on-year increase due to the full-year effect of the consolidation of Kalzip at Donges Group and La Meusienne at Balcke-Dürr Group. Contrary to the forecast, revenues in the Goods & Services segment fell significantly. With regard to the main factors influencing this, particularly those arising from transaction activities, we refer to our comments above.

- In terms of **EBITDA**, the previous year's forecast of achieving EBITDA at approximately the same level as in the financial year 2018 was exceeded. With regard to the key influencing factors, particularly with regard to the profits from bargain purchases, we refer to our comments above.

- Compared to the financial year 2018 and in line with the previous year's forecast, **Adjusted EBITDA** shows an extraordinary increase, although it is burdened by the expected negative earnings contributions from the numerous new acquisitions made during the financial year.

- The **net cash position** has decreased considerably compared to 31 December 2018 (previous year's forecast: significant). With regard to the main factors influencing this, we refer to our above comments on the individual cash flow components as well as the short-term liabilities to banks and loans; at the same time, we refer to the raising of a bond for EUR 50.0 million in February 2020.

- **Cash flow from operating activities** developed positively for the most part in line with the forecast in the existing investments, but was burdened by the numerous new acquisitions with their expected operating losses and significant restructuring costs. We refer to our comments above with regard to the main factors influencing this development.

The Mutares Group is managed on the basis of financial performance indicators. Accordingly, no further comments are made on the non-financial performance indicators used in individual cases.

3.5 Subsequent events

With regard to the subsequent events, we refer to the explanations in the notes to the consolidated financial statements of Mutares SE & Co. KGaA.

4. FORECAST, OPPORTUNITIES AND RISK REPORT

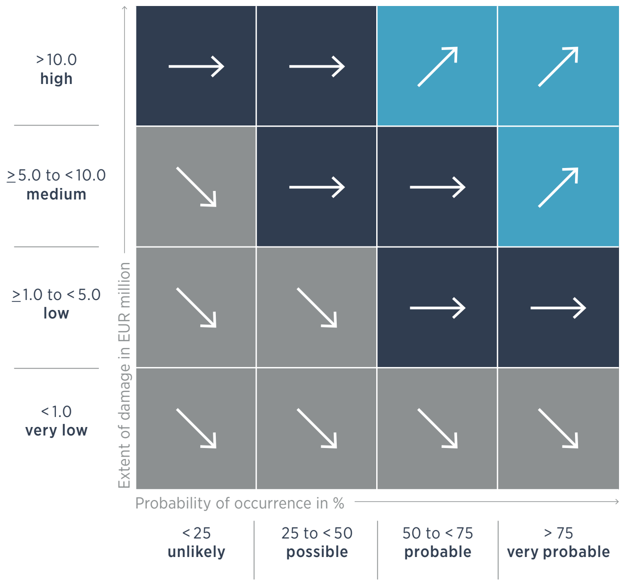
4.1 Risk management and internal control system

Mutares' business activities, like any other entrepreneurial activity, are associated with opportunities and risks. We define "risk" as possible future developments or events that could lead to a negative forecast or target deviation for the Group. Conversely, "opportunities" can lead to a positive forecast or target deviation.

RISK MANAGEMENT SYSTEM

Risk management as the totality of all organizational regulations and measures for early risk identification and adequate handling of the risks of our entrepreneurial activities is of great importance in our Group and plays a central role in our business model. The Board of Management has therefore installed a systematic, multi-stage risk management system and anchored it in the organization. The risk management process is used to identify, assess and report actual and potential risks:

Relevant risks are identified by a combination of bottom-up and top-down analyses based on defined risk areas. The risks identified in this way are assessed on the basis of two key dimensions, namely their monetary impact (extent of damage) and their expected probability of occurrence. A distinction is made in risk assessment between gross and net assessment: Measures already taken can reduce the gross risk, both in terms of the monetary impact and in terms of the possible occurrence of the risk. The net risk then represents the amount of loss and probability of occurrence, taking into account the loss mitigation measures already initiated by the reporting date. The risk classes, as a result of this assessment, can be presented in a risk matrix:



Risk category
Effect on the asset, financial and earnings Situation

high medium low

The identified risks are actively managed in order to achieve the risk reduction targeted by the company. The management of risks that have only a minor influence on the Group is the responsibility of the operationally responsible management in the respective investment.

Mutares has installed a standardized reporting process for reporting actual and potential risks: According to this process, quarterly reports are submitted by the operating portfolio companies to the group headquarters and are assessed together with the risk analysis of the Mutares holding company. In the event of particularly significant new risks or significant changes in existing risk positions, immediate reporting (ad hoc) is also carried out. This has proven to be particularly useful in the light of current developments in connection with the spread of the coronavirus. The risk management process is regularly reviewed, evaluated and continuously optimized by the Management Board.

Risk management is also flanked by the following activities: All critical contract components, business developments and liability risks are subjected to a rigorous examination and regularly followed up in the reviews of the subsidiaries and in the meetings of the Management Board and Supervisory Board. Standardized reporting by all portfolio companies on a monthly basis gives the Management Board a comprehensive picture of the entire portfolio. In addition, Mutares works closely together with the experienced restructuring managers of the portfolio companies, who check the compliance with the internal guidelines on site in the respective subsidiaries and develop concrete steps for their implementation together with Mutares. The Management Board controls the business development of the portfolio companies in regular reviews and is informed about the revenues, earnings and liquidity situation of all investments on the basis of the implemented reporting system. If necessary, Mutares maintains sufficient free personnel and financial capacities to be able to react flexibly and appropriately.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS PART OF THE FINANCIAL REPORTING PROCESS

The internal control and risk management system within the framework of the financial reporting process is intended to ensure timely, uniform and correct accounting for all business transactions and operations. The aim of the internal control system for the consolidation of the subsidiaries included in the consolidated financial statements is to ensure that legal standards, accounting regulations and internal instructions on accounting are complied with. Any changes therein are continuously analyzed with regard to their relevance and effects on the consolidated financial statements and taken into account accordingly. The Group's finance department actively supports all business units and Group companies, both in drawing up uniform guidelines and work instructions for accounting-relevant processes and in monitoring operational and strategic goals. In addition to defined controls, the internal control system includes system and manual coordination processes, the separation of executive and controlling functions, and compliance with guidelines and work instructions.

The Group companies are responsible for compliance with the applicable guidelines and accounting-related processes and for the proper and timely preparation of the financial statements. The Group companies are supported in the accounting process by central contact persons at the Group parent company.

The listed portfolio company STS Group AG has its own risk management and control system.

CHANGED ASSESSMENT OF RISKS AFTER THE END OF THE REPORTING PERIOD

On 11 March 2020, the WHO declared the infection caused by SARS-CoV-2 (hereinafter "COVID-19" or "coronavirus") to be a pandemic. In some cases, the course of the disease is severe, even fatal. In its risk assessment of 15 March 2020, the Robert Koch Institute currently estimates the overall risk to the health of the population in Germany to be high. The situation in Germany and other countries is characterized by a high level of dynamism and a great deal of uncertainty and confusion. Meanwhile, the number of cases in Germany and other parts of the world continue to rise.

To contain the coronavirus, public and economic life was drastically restricted, first in China, then in Europe and increasingly in other parts of the rest of the world. These restrictions lead to production stoppages, disruption of (international) supply chains and a collapse in demand. It is not yet possible to make a serious assessment of the effects of these restrictions on economic development in Germany, Europe and the world. Depending on the duration of the closure measures, the ifo-Institute ("ifo express service", published on 1 April 2020) estimates a contraction of up to 21 percentage points for German economic output alone.

Governments in Europe have already announced or implemented far-reaching economic and financial policy measures to cushion the negative impact on businesses and jobs. At the national level, these include in particular making short-time work compensation more flexible, tax liquidity support (e.g. deferral of tax payments or reduction of advance payments) and other measures to provide liquidity to affected companies (e.g. expansion of existing liquidity support such as the KfW Entrepreneur Loan). At the European level there are also initiatives of the European Commission and the European banking supervisory authorities. The extent to which these measures are able to mitigate the negative effects on economic development cannot be assessed at present.

4.2 Opportunities and risks of future development

The table shows the risks discussed below and classifies them into the risk classes defined above (low/medium/high) on the basis of the two key dimensions (extent of damage and probability of occurrence).

Due to current developments in connection with the spread of the coronavirus and in particular the high degree of uncertainty regarding future economic developments, significant effects on individual risks may arise. For this reason, the classification into risk classes made by the Management Board on the balance sheet date is compared with a re-evaluation based on the changed assessment of risks after the end of the reporting period. For reasons of caution, the Management Board assumes various increases in the risk classes, as it is not yet possible to assess the extent to which the economic and financial policy measures that have been promised will be able to mitigate the negative effects on economic development. Furthermore, it is not yet possible to predict how quickly the coronavirus pandemic will end and whether and how quickly the previous business conditions will be restored.

At this point in time, we are not yet able to make reliable estimates of the impact of the coronavirus crisis on the Mutares Group. We have to assume that the Mutares Group will see a collapse in the consolidated profitability of the existing companies, but that Mutares will also see additional opportunities in the area of M&A, especially on the buying side, in the second half of 2020 at the latest.

		Risk class as of the balance sheet date	**Re-evaluation: Risk class at the issue date**
Future economic conditions	Economic development	Medium	High
	Geopolitical development	Medium	High
Opportunities and risks inherent in business models	Increased competition	Medium	Medium
	Risks from the acquisition process	Medium	Medium
	Failure of restructuring successes	Medium	High
	Diversification of the portfolio	Low	Low
Other risk areas and significant individual risks	Legal opportunities and risks	Medium	Medium
	Financial risks and financing risks	High	High
	Sales and distribution risks	Medium	High
	supply chain risks	Medium	High
	Personnel risks	Low	Medium
	IT risks and data security	Low	Low
	Tax risks	Low	Low

The order in which the following explanations are presented does not reflect the Management Board's assessment of the extent of damage and/or probability of occurrence. Furthermore, the now explicit presentation of the risk classes does not in principle mean that there has been any change in the risk positions compared with the previous year. In addition to the presentation of the risks, the following section also includes information on opportunities (where relevant).

FUTURE ECONOMIC CONDITIONS

Economic development

Following a decline in the rate of global economic growth in 2018, it also slowed down in 2019. According to the December 2019 forecast of the Munich-based ifo Institute ("ifo Economic Forecast Winter 2019", published on 19 December 2019), growth rates should stabilize at the current level and rise slightly again in the medium term, remaining within the range of the multi-year average.

However, due to the spread of the coronavirus, the ifo Institute paints a considerable different picture in its current economic forecast ("ifo Economic Forecast Spring 2020", published on 18 March 2020): According to this, the global economy is collapsing as a result of the coronavirus pandemic; according to current estimates, the German economy could shrink by 1.5% in 2020 and global growth could slow to just 0.1%. The ifo Institute expressly points out that the downward risk in the forecast is considerable due to the current lack of clarity.

In the case of the existing investments in the portfolio, this development makes ongoing restructuring and optimization more difficult.

Geopolitical development

A major risk is posed by Brexit, which has now been completed but whose effects have not yet been conclusively regulated. The failure to conclude a free trade agreement between Great Britain and the EU could have negative effects on procurement and sales markets. The loss of suppliers due to transport difficulties could lead to an increase in prices if individual suppliers take advantage of this bottleneck. For Group companies operating in the UK, such as Gemini, the Brexit should not have any direct impact beyond a country-specific economic risk.

In addition, the still high level of debt of the Chinese corporate sector by international standards could pose a risk to financial stability and thus substantially dampen economic sentiment. In addition, a renewed escalation of the trade dispute between the USA and China could result in a significant risk for the global economy and thus for the growth prospects of our portfolio companies. On the other hand, the purchase of materials may become more favorable if major trading partners increasingly turn to other markets besides the USA or China. Recently, however, developments have indicated that the trade dispute is easing.

Finally, geopolitical implications could arise from current developments in relation to the spread of coronavirus. Some countries have already massively restricted freedom of movement and closed borders to contain it. In this context, further protectionist political measures are conceivable, which represent a further risk to the Group's economic development, but the extent and scope of which are not yet foreseeable.

OPPORTUNITIES AND RISKS INHERENT IN BUSINESS MODELS

The success of our business model, consisting of the acquisition and restructuring of companies, depends to a large extent on our ability to identify suitable investment opportunities, to acquire these companies on favourable terms and to support them through active investment management. The selection of suitable managing directors and investment managers is essential in this respect. The acquisition of companies in upheaval and special situations, without succession arrangements or with below-average profitability or restructuring needs, holds a high potential for value enhancement. If the acquired companies can be successfully further developed, there is a possibility that their value will increase at an above-average rate. To this end, depending on the respective corporate strategy, the strengths and weaknesses of the Group companies in their respective market environment are analyzed in a targeted manner in order to make use of identified opportunities and optimization potential for them. Finally, Mutares must succeed in either selling the portfolio company at an attractive price or in receiving dividends from profitable subsidiaries.

Increased competition

Strategic reorientations of large groups lead to a stable supply of acquisition opportunities, which could be particularly high due to additional opportunities in the second half of 2020 at the latest due to the current uncertain economic development. Price expectations on the seller's side are generally still high but could also be depressed by the current economic development. The fundamental attractiveness of the market segment "companies in transition" has also led to increased competition. The market entry of funds as competitors has been observed, particularly in France. In addition to the growing number of direct competitors, strategists, particularly from China, are increasingly entering the market segment with the aim of expanding their business. However, Mutares successfully relies on its reliability and competence as an experienced restructuring expert for repositioning.

Risks from the acquisition process

The acquisition of investments in transitional and special situations involves considerable tax, legal and economic risks, even if a detailed analysis of the company (due diligence) has been carried out prior to the acquisition. Liabilities, obligations and other burdens of the respective target company that were not known or identifiable at the time of acquisition despite the due diligence carried out may have a significant adverse effect on the Mutares Group. This applies in particular if Mutares issues portfolio guarantees to the sellers. The Mutares Group frequently acquires loss-making parts of companies from larger groups, where the sellers demand guarantees for a certain period of time that the sold company will be maintained. In such cases, even if the seller provides substantial financial resources for a reorganization or restructuring in return, the Mutares Group's net assets, financial position and results of operations may be materially adversely affected.

For fundamental considerations and in order to minimize the effects of insolvency of group companies, no profit transfer or cash pooling agreements are concluded within the Mutares Group. In individual cases, following detailed examination, commitments are made or extended to Group companies to take advantage of business opportunities, growth or working capital financing, guarantees, sureties, credits or similar. The utilization of guarantees and sureties or the default of loans may have negative consequences for the Mutares Group's net assets, financial position and results of operations.

In order to reduce the extent of possible risks, Mutares also uses a corporate structure in which the operating risks of each individual investment are separated by a legally independent company (intermediate holding company). This is to ensure that the sum of any risks that may arise cannot exceed the previously assessed maximum risk. As a rule, this corresponds to the purchase price paid, plus further financing measures, less the returns from the operating activities of the respective company received over the holding period.

Failure of restructuring successes

Provided that the investments are successfully developed as planned, Mutares has a high potential for value enhancement. In individual cases, Mutares may also acquire investments whose restructuring is more difficult than assumed in the previous due diligence. Even if the portfolio companies are carefully and conscientiously selected, it cannot be ruled out that the success Mutares strives for from the upheaval situation may not occur in individual cases, or not quickly enough, or that the economic or political conditions in the countries important for the portfolio companies may deteriorate. For example, significant changes in energy policy may have a negative impact on the business models of individual investments in the Mutares Group. Furthermore, the currently not yet assessable consequences of the spread of the coronavirus on the economic development should be mentioned in this context.

If the attainable market position, earnings potential, profitability, growth opportunities or other key success factors are misjudged, this will have consequences for the company's operational development and thus for the return on investment. Furthermore, it cannot be ruled out that the ability to restructure may be misjudged or that risks may not be recognized or misjudged previous to an acquisition. It is therefore possible that the value of investee companies will decline, that the measures introduced will not be successful and that, for a variety of reasons, Mutares will not break even. This would have the consequence that portfolio companies would have to be resold below their acquisition price or, in the worst case, would ultimately have to file for insolvency. In this case Mutares would suffer a total loss of the capital invested, i.e. lose all the financial resources that the Group has used for the acquisition, ongoing management and, if necessary, financing of this company. Sellers could also attempt to assert claims against Mutares.

Diversification of the portfolio

Mutares is not limited to specific industries or regions when selecting investments. The focus is on medium-sized companies or parts of companies in the European economic area that are in situations of upheaval. The focus lays on the existing segments. This may lead to a concentration of investments within one industry or region, exposing the Company to industry or regional risk. Mutares endeavors to minimize these risks by means of a diversified investment portfolio, thereby limiting the risks of individual investments, industries or regions from economic fluctuations. However, diversification of the investment portfolio can only reduce risks that are limited to specific industries or regions. Economic developments and the development of the financial markets as a whole, however, occur across industries and regions. Their influence on business success can only be reduced to a limited extent by diversification.

OTHER RISK AREAS AND SIGNIFICANT INDIVIDUAL RISKS

Legal opportunities and risks

On the one hand, in individual cases commitments from the purchase agreements or business plans communicated previous to a transaction may not be met, and on the other hand, legal cases taken over may prove to be much more positive or critical than originally assumed as the investments progress over time. Both can result in legal disputes, the probable outcome of which cannot always be clearly estimated.

In connection with contracts for the sale of investments, Mutares, as seller, may issue guarantees from which the buyer may make claims against it or which may lead to legal disputes. The issuance of guarantees can be a distinguishing feature in the competition for potential investments if competitors are unable to issue guarantees due to their own statutes. A possible claim under the guarantees issued may in individual cases have a significant negative impact on the financial position and performance of the Mutares Group.

Risk from lifting the corporate veil

The Mutares Group often operates in foreign jurisdictions. There is a risk that, due to the more restrictive legal systems abroad compared to Germany, there may be increased liability risks, for example in the form of lifting the corporate veil. In France, where several of the investments have their economic focus, there are, for example, rulings on lifting the corporate veil in relation to the status of employee (so-called “co-employeur” or “employeur conjoint”), which extends the obligations of an employer to its parent company. Finally, the argumentation in favor of employee status has been clarified by case law. Mutares has structured its employee engagement in such a way as to avoid, as far as possible, a break-through liability. However, it cannot be excluded that a claim will nevertheless be asserted.

Obligations from acquisitions

Mutares SE & Co. KGaA and one of its direct subsidiaries have signed a settlement agreement with the sellers of Balcke-Dürr GmbH and other subsidiaries, under which the guarantee issued by Mutares SE & Co. KGaA to ensure the fulfillment of indemnification obligations will increase and be limited again to an amount of EUR 5.0 million and will then be reduced to EUR 0 over the period until 31 December 2021. At the present time, it is still not expected that any claims will be made under this guarantee. The further guarantee issued by Mutares SE & Co. KGaA to secure the temporary financing of affiliated companies no longer applies and was replaced by a guarantee to make net dividends received until 30 December 2020 available again as financing if required. Both guarantees with regard to the above-mentioned circumstances remain limited to a total of EUR 10.0 million.

Mutares SE & Co. KGaA has made a commitment to the seller of keeeper GmbH for a limited period of time until 30 December 2020 to provide up to EUR 1.5 million in financial resources if this should be necessary to avoid insolvency. This obligation will increase if Mutares SE & Co. KGaA receives repayments on an acquired loan or dividends. As of 31 December 2019, the obligation therefore amounted to EUR 2.4 million. To the extent that this financing obligation has not yet been met in the event of insolvency despite the condition, Mutares SE & Co. KGaA has undertaken to indemnify the seller against claims by third parties in connection with this insolvency, whereby this obligation is limited in amount to the financing contribution not yet made and is limited in time to twelve months after completion of the acquisition. In addition, Mutares has undertaken to indemnify the seller in the event of a claim in connection with an earlier financing commitment and earlier guarantees, whereby this obligation is limited to an amount of EUR 3.5 million. This obligation ends no later than five years after the completion of the acquisition.

In addition, Mutares is obliged to pay a purchase price for the acquisition of the shares in La Meusienne S.A.S., which is determined on the basis of the working capital at the time of transfer of economic ownership. Mutares and the seller of these shares are in disagreement over the interpretation of the purchase agreement and the actual facts and circumstances of the completion of the acquisition. The seller is claiming an amount of EUR 1.7 million; however, based on the legal and factual situation, we do not currently assume an obligation to pay.

In connection with the acquisition of the transport logistics and warehouse business of Q Logistics GmbH, Mutares SE & Co. KGaA has undertaken to indemnify the seller in the event of claims by third parties in connection with legal relationships taken over and in the event of insolvency of BEXity GmbH. The Vendor's claim for indemnification is limited in time and amount to EUR 9.0 million until 30 December 2021, to EUR 6.0 million until 30 December 2022 and to EUR 3.0 million until 30 December 2023. The aforementioned liability limits increase by profit distributions from BEXity GmbH and decrease by loans granted under a financing line and not yet repaid by Mutares SE & Co. KGaA.

Mutares SE & Co. KGaA has undertaken to the seller of the paper serviette business acquired from keeeper tableware GmbH to indemnify the seller for a period of four years after the closing date in February 2020 from certain claims of the employees assigned to the paper serviette business. The indemnification is limited to EUR 10 million for the first two years, reduced by any funds that Mutares SE & Co. KGaA has made available to keeeper tableware GmbH. In the third year, the maximum exemption amount is reduced to EUR 7.5 million and in the fourth year to EUR 5.0 million.

In connection with an irrevocable offer to acquire a majority stake of 80% in Nexive's mail and parcels business in Italy, Mutares SE & Co. KGaA has declared to be liable for obligations arising from the purchase agreement in the amount of up to EUR 5.0 million from the closing of the transaction. The purchase agreement was signed on 23 February 2020. The closing of the acquisition is expected in the second quarter of the financial year 2020.

As a matter of principle, the Management Board does not expect any obligations from company acquisitions to be claimed. However, in connection with the currently unforeseeable negative impact on economic development due to the spread of the coronavirus, the probability of a claim is generally increasing.

Obligations from the sale of companies

In connection with the sale of all shares in A+F Automation und Fördertechnik GmbH by a direct subsidiary, Mutares SE & Co. KGaA issued a directly enforceable guarantee for the fulfillment of certain obligations of the direct subsidiary towards the acquirer regarding possible warranty claims, possible specific indemnification claims and possible specific cost reimbursement claims. The absolute suretyship was limited in time with respect to regular warranty claims, with the exception of fundamental warranties, until 30 September 2019 (no use was made of it) and is limited in time with respect to these fundamental warranty claims until 31 December 2020 and with respect to indemnification claims until 31 December 2022 as well as unlimited in time with respect to reimbursement of costs. With regard to the regular warranty claims, with the exception of fundamental warranty claims, the amount of these claims is limited to EUR 4.0 million, with regard to the cost reimbursement claims to an amount of EUR 50 k and otherwise with regard to all claims together limited to the basic purchase price.

In addition, Mutares SE & Co. KGaA co-guaranteed the fulfillment of the obligations of the seller, a direct subsidiary of Mutares SE & Co. KGaA, in the event of claims under normal warranty obligations upon the sale of all shares in BSL. This guarantee is limited in amount to EUR 0.5 million and in time to 18 months after completion of the sale in November 2018.

Legal disputes

Mutares is sued by some of the former employees of the Artmadis Group in France. One lawsuit concerns liability arising from alleged employee employment, while the other concerns alleged liability under company law. Mutares will defend itself in full against all claims that it considers unfounded.

Mutares is also sued by four former employees of its former subsidiary Pixmania SAS in France. The lawsuit is based on an alleged employee position. Mutares considers the lawsuits to be unfounded and is defending itself in full.

The maximum risk from these two lawsuits amounts to approximately EUR 30 million. However, the Management Board does not expect any claims to be asserted; accordingly, provisions have been made for defence costs in the mid-six-figure range for these lawsuits.

Other commitments

One company from the Engineering & Technology segment is jointly and severally liable as an investor in a civil law partnership under joint ventures or consortium agreements with a maximum term of 2029. As of the balance sheet date, this liability relates to projects with a total contract value of approximately EUR 272 million (previous year: EUR 208 million). The subsidiaries' own share in this liability amounts to EUR 106.7 million (previous year: EUR 88.8 million). On the basis of the ongoing credit assessments of the ARGE and consortium partners, we do not assume that any claims will be made on the shares of other companies. With the exception of the amounts recorded as provisions for anticipated losses or within the scope of loss-free valuation, we also do not anticipate any utilization of our own shares.

There are further guarantees, warranties, commitments and obligations totaling EUR 27.4 million (previous year: EUR 12.8 million).

FINANCIAL RISKS AND FINANCING RISKS

Price change, default and liquidity risk

Fluctuations in prices, sales and demand, including supply bottlenecks on the part of customers and suppliers, as well as general fluctuations on the raw material and capital markets, can have a negative impact on the Mutares Group's assets and earnings situation. This risk has increased in connection with the spread of the coronavirus and the resulting economic effects. Mutares counteracts the risks at the level of the portfolio companies by continuous and timely monitoring of the business results and the project progress, among other things with the help of indicators (e.g. cash on hand and cash flow development), in order to be able to take countermeasures at an early stage. To this end, a central management information system (MIS) was introduced in 2010 in addition to extensive on-site reviews, which enables the timely monitoring of performance in the portfolio companies. The level of cash and cash equivalents is monitored on a weekly basis. However, there is still a risk that the management information system does not provide the necessary information sufficiently, too late or incorrectly, thus leading to incorrect decisions being made.

The main risks lie in the correct quantification of the future prospects and the restructuring costs of the portfolio companies, in the provision of appropriate financing and in the provision of the appropriate human resources by Mutares. This risk is best limited by a focused due diligence process and subsequently monitored continuously. The current uncertainty about the further economic development in connection with the spread of the coronavirus makes the necessary quantification considerably more difficult.

With regard to trade receivables, the Group is exposed to the risk of a loss if one of the parties does not meet its contractual obligations. To hedge this risk, the Mutares Group partially takes out credit default insurance. In addition, business relations are only to be entered into with creditworthy contracting parties and, if appropriate, with the provision of collateral in order to reduce the risk of loss arising from non-fulfillment of obligations. Nevertheless, additional bad debt losses cannot be ruled out, particularly in connection with the negative effects of the spread of the coronavirus on the economic performance of customers of the Mutares companies.

Financing risks

The Management believes that the future development of the Mutares Group is to a not inconsiderable extent dependent on financing risks, which could have a significant impact on the Mutares Group's net assets, financial position and results of operations.

A change in the credit rating of individual Mutares investments may make it more difficult or less favorable to obtain financing or to obtain guarantees and sureties, or may make it more difficult or more expensive. In addition, financing lines generally include covenants and other obligations, the breach of which may give the financing partner the right to terminate the agreement and thus have a negative impact on the financial position.

Investments with existing financing in the form of credit, loan, leasing, surety, guarantee or factoring agreements at the time of acquisition are exposed to the risk that the financing partners will terminate these financing agreements at short notice or provide them with deteriorated conditions in the event of a change of ownership. In addition, if the company's development lags behind plan, the repayment of (loan) liabilities may be delayed or not possible in full. Mutares tries to counter this risk by contacting financing partners before or shortly after the takeover and usually also by providing detailed information on the current financial situation and the restructuring program of the investment. There is always the risk that the financing partner cannot be fully convinced by the restructuring program and that the financing partner will terminate the financing. The same can happen if agreed covenants are breached.

Financing arrangements entered into may involve an interest rate risk, which can be hedged by suitable instruments (e.g. interest rate swaps, options) after examination of the individual case.

Access to external financing is an essential prerequisite, especially for investments that continue to grow with a new strategy after successful restructuring. Despite a generally positive financing environment at present and the liquidity available on the credit and capital markets due to the current expansionary monetary policy of the European Central Bank, it may not always be possible to secure such financing.

Sales and distribution risks

The adjustment of the product and customer portfolio for negative contribution margins is part of the restructuring process. The loss of important, profitable customers or the delay of, in particular, larger incoming orders can have a negative impact on the net assets, financial position and results of operations of those portfolio companies whose business has a high concentration of a few large customers or projects. The same applies to sales markets that are characterized by high competitive pressure, which affects the contribution margins and margins of Mutares' investments. Finally, problems with customers that have arisen with one investment can also have a negative impact on other investments of the Group, especially those in the same segment. In the current development in connection with the spread of the coronavirus and the resulting negative effects on economic development, the Management Board sees an intensification of the above-mentioned risks.

This is countered by actively cultivating relationships with customers and a systematic sales structure and work at the level of the respective subsidiary. Particularly for customers who account for a large share of the revenues of the respective portfolio company, the aim is to conclude longer-term contracts, which should make it easier to plan. The intensive cultivation of relationships can lead to better opportunities for orders or major contracts, especially if the past orders have been processed to the satisfaction of both sides.

SUPPLY CHAIN RISKS

Procurement risks

In the area of purchasing, the Group companies are exposed to risks such as supplier default, delayed or poor-quality deliveries and price fluctuations, especially for raw materials. Specific procurement risks may arise as a result of production stoppages caused by the spread of the coronavirus. Mutares counteracts these risks by establishing a procurement management system and strict monitoring of the respective suppliers. At the time of preparation of this report, we do not see any significant developments here that could endanger the business operations of individual portfolio companies.

Production risks

The individual subsidiaries of the Mutares Group are exposed to various production risks. There is a risk that after the acquisition of a company, the optimization measures implemented by Mutares may have no effect or only a delayed effect, and that cost savings may not be implemented or only with a delay. In addition, quality problems and delays in new and further development of products may lead to a loss of orders and customers at individual subsidiaries, which may have a negative impact on the net assets, financial position and results of operations of the respective company. Mutares addresses such risks through the deployment of personnel and close monitoring of production processes. Due to the spread of the coronavirus and the necessary resulting legislative measures, there is an increased risk of production stoppages or state-imposed plant closures. These risks are mitigated by Mutares with state subsidies or stringent cash and production management before, during and after the special situation "Coronavirus".

Trade credit insurance

In the past, it has been observed that trade credit insurers subject their exposures to intensive scrutiny, particularly in the event of changes of ownership (and especially those in the context of asset deals), with the risk of a deterioration in insurance conditions or a termination of cover commitments. For some subsidiaries, this may result in increased liquidity requirements due to the requirement for advance payments from suppliers. At the same time, risks may arise from increased bad debt losses if these cannot be sufficiently covered by taking out trade credit insurance. Mutares counteracts these risks in its portfolio companies by means of a tight creditor and debtor management adapted to the circumstances, or attempts to reach an agreement with the seller in the purchase contract, provided that the seller remains the main supplier after the takeover.

Personnel risks

The acquisition and sale of companies as well as restructuring and strategic development require a high degree of professional competence and management experience from the people involved. Mutares has to ensure, within the framework of its business model, that it has access to sufficiently qualified personnel. For this reason, regular management reviews and interviews for recruitment are carried out to develop the management team qualitatively and quantitatively. Through careful selection of personnel, a high degree of independence of the restructuring managers deployed and a highly variable, strongly performance-related remuneration, Mutares offers an attractive working environment for entrepreneurially oriented individuals. The recruitment of qualified personnel is also a key success factor in the subsidiaries. Especially in the partly rural regions of our investments, the lack of staffing can be a risk in achieving the targets. This effect is intensified if there are other major employers in the region.

IT risks and data security

The business and production processes and the internal and external communication of companies are based to a large extent on information technologies. The data protection requirements resulting from the new basic data protection regulation are constantly increasing and changing, especially with regard to the confidentiality, availability and integrity of personal data. It is particularly important to ensure secure protection against unauthorized access, for example to sensitive information on potential transactions, the portfolio companies or economic information of the Mutares Group. There is a risk that a hacker attack could result in unauthorized access due to weaknesses in the Mutares Group network. A significant disruption or failure of the systems used can lead to impairment of business and production systems, up to and including complete loss of data.

For this reason, the preparation, monitoring and training of IT documentation on the hardware used, software licenses, the network and security guidelines, including access and data protection security concepts, is an integral part of risk provisioning in the Mutares Group. The IT structures and data flows in the Mutares Group are largely standardized. In order to prevent potential breakdowns, data loss, data manipulation and unauthorized access to the IT network, Mutares SE & Co. KGaA uses up-to-date, industry-specific standard software from well-known providers on a case-by-case basis. If necessary, this is supplemented by group-specific in-house developments, which are subject to continuous quality control. Back-up systems, mirrored databases and a defined contingency plan secure the data stock and guarantee availability. The IT systems are protected by special access and authorization concepts as well as effective and continuously updated anti-virus software.

In the course of an extensive audit and as part of a project carried out, the business processes of Mutares SE & Co. KGaA were recorded, evaluated and transferred to a data protection management system in 2019 as part of DSGVO and GDPR compliance. All employees of Mutares SE & Co. KGaA were provided with detailed guidelines and work instructions on data protection, data security and general IT security. In addition, a new project was set up at Mutares SE & Co. KGaA for 2020 to further modernize the IT infrastructure of Mutares SE & Co. KGaA.

Newly acquired Group companies are faced with the challenge of removing the existing IT systems from the IT landscape of the former parent company in a timely and cost-effective manner and without system failures. Such changeover phases are also subject to the risks described above. Mutares generally pursues the approach of subjecting the group companies to technical modernization as part of the carve-out, replacing outdated systems and hardware and thereby increasing the IT security standard. As part of the IT due diligence, risks are recorded and evaluated and measures for their elimination are defined. The goal is always the use of state-of-the-art systems and applications and the use of cloud technologies for efficient and secure business processes.

Tax risks

Due to the constantly changing tax legislation worldwide, it cannot be ruled out that there may be negative effects on the Mutares Group's net assets, financial position and results of operations. In order to counteract potential tax risks, changes in tax legislation are continuously monitored and, due to their complexity, are usually reviewed with the assistance of external tax advisors and lawyers.

General statement on the opportunity and risk situation

On the basis of the information currently available to us from our systematic, multi-level risk management system, no risks are identifiable which, either individually or in combination, could endanger the continued existence of the Mutares Group. This holds true also in light of the comments given on the situation of STS and KICO in the reports from the portfolio companies above. However, it is fundamentally possible that future results may differ from the current expectations of the Management Board. In particular, the further course of the current corona pandemic and its economic effects cannot be validly estimated at the time of preparation of this group management report; however, in the opinion of the Management Board, the positive going concern forecast for the Mutares Group is not affected by this. Through the issue of a bond for EUR 50.0 million in February 2020, the Management Board has additional financial resources at its disposal.

4.3 Forecast report

Mutares has clearly exceeded the expectation expressed in the previous year's forecast report for the financial year 2019 that at least five new acquisitions (including add-on transactions) would be made in the reporting period, with a total of ten new acquisitions. For a comparison of the previous year's management report forecasts for the financial year with the actual development of the Mutares Group's key financial performance indicators, we refer to the above statements.

The business development of the Mutares Group will continue to be significantly influenced by the acquisitions and revenues of investments on the one hand and is dependent on the development in the existing portfolio companies on the other. The placement of a bond in the amount of EUR 50.0 million in the first quarter of 2020 should, against the background of the high volatility of the group EBITDA due to the business model described above, secure the liquidity of the group in the long term and at the same time further promote the expansive development of the Mutares Group.

At this point in time, we are not yet able to make reliable estimates of the impact of the coronavirus crisis on the Mutares Group. Due to the high degree of uncertainty regarding the future economic development, the forecast is therefore subject to greater uncertainty than usual.

The forecast for the development of the Mutares Group is based on the assumptions that

- the transactions signed to date will also be executed and the Group will also remain unchanged in its composition at the time of preparation;
- the global spread of coronavirus will slow down or peak in the second quarter of 2020, manufacturing companies will fully resume production in the second quarter of 2020 and gradually return to pre-coronavirus levels by the end of 2020, and exit restrictions in Europe will also be gradually lifted during the second quarter of 2020;
- the growth rate in Europe in financial year 2020 will decrease considerbaly compared to the level of the past year 2019, but there will be a “V-shaped” course of the growth rate in financial year 2020;
- inflation is rising slightly and the oil price remains at the current very low level;
- central banks and governments worldwide are implementing the measures they have announced to stabilize and stimulate demand;
- the interest rate level in the major currency areas worldwide remains at the current low level and
- existing trade conflicts do not escalate further and no new trade conflicts between economic areas relevant from the Group’s perspective are initiated.

The Mutares Group will continue to evaluate potential new acquisitions and add-on opportunities on an ongoing basis and will continue to develop in terms of company size and business attractiveness. The Management Board also expects, due to the established “Mutares” brand, that the acquisition business in the target segment of “companies in special situations” will develop positively due to the continuing economic uncertainties and changes, despite further intensifying competition. The Management Board is aiming for transaction volumes in 2020 to be at least at the level of the financial year 2019. However, it is not foreseeable whether transaction activity will be negatively or even positively affected by current developments in connection with the spread of the coronavirus.

Considering the acquisitions completed and signed by today and the plans for the individual segments, taking into account the comments made that the original budgets are unlikely to be achieved due to current developments in connection with the spread of the coronavirus, the Management Board expects an extraordinary increase in **revenues** in financial year 2020 due to the acquisitions completed and signed until today. All three segments should contribute to this.

Taking into account the acquisitions of the current financial year 2020 completed by the time of preparation, the (reported) **EBITDA** is expected to reach a clearly positive level again, in particular due to the profits from bargain purchase arising in this context.

Adjusted EBITDA and **cash flow from operating activities** are expected to be negatively impacted by the negative effects of the spread of the coronavirus on economic development and thus the progress of restructuring at the individual subsidiaries. Accordingly, the Management Board expects both performance indicators to decline compared with the financial year 2019.

Due to the cash inflow in connection with the issue of the bond in February 2020, the Management Board expects a **net cash position** that will increase compared to the 2019 reporting date.

Munich, 8 April 2020

Mutares Management SE,
General partner of Mutares SE & Co. KGaA

The Management Board

Robin Laik	Mark Friedrich
Dr. Kristian Schleede	Johannes Laumann

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF PROFIT AND LOSS

From 1 January to 31 December 2019

EUR million	Note	2019	2018
Revenues	6	1,015.9	865.1
Change in inventories		–3.9	0.1
Other income	7	119.1	107.4
Cost of material	8	–622.6	–532.4
Personnel expenses	9	–291.8	–244.7
Other expenses	10	–137.5	–146.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**79.2**	**49.1**
Depreciation and amortization expenses		–53.0	–29.7
Earnings before interest and taxes (EBIT)		**26.2**	**19.4**
Financial income	11	1.5	0.5
Financial expenses	11	–11.0	–5.1
Profit before tax		**16.7**	**14.8**
Income tax expense/income	12	0.0	–2.8
Net income		**16.7**	**12.0**
Of which attributable to:			
Shareholders of the parent company		20.8	14.7
Non-controlling interest		–4.1	–2.7
Earnings per share in EUR (basic)	**14**	**1.37**	**0.96**
Earnings per share in EUR (diluted)	**14**	**1.37**	**0.96**
Other comprehensive income			
Net income	**13**	**16.7**	**12.0**
Other comprehensive income		**–1.8**	**0.7**
Items reclassified to profit or loss in future if certain conditiones are met			
Currency translation differences		1.3	–0.9
Items not subsequently reclassified to profit or loss			
Actuarial gains/losses	37	–3.1	1.6
Total comprehensive income	**13**	**14.9**	**12.7**
Of which attributable to:			
Shareholders of the parent company		19.4	15.5
Non-controlling interest		–4.5	–2.8

Mutares has applied the new standard IFRS 16 for the first time since 1 January 2019. For the transition the modified retrospective approach was applied, according to which the previous year's figures are not adjusted. See the explanatory notes in the section on accounting policies under note 52.

2. CONSOLIDATED BALANCE SHEET

As at 31 December 2019

ASSETS

EUR million	Note	31 Dec. 2019	31 Dec. 2018
Intangible assets	16	58.7	41.4
Property, plant and equipment	17	176.4	133.3
Right of use assets (RoU assets)	18	119.8	0.0
Trade and other receivables	23	0.4	0.6
Other financial assets	21	16.6	16.9
Income tax receivables	12	0.0	0.5
Other non-financial assets	22	3.5	4.1
Deferred tax assets	12	23.8	13.3
Non-current contract assets	20	0.0	0.1
Non-current assets		**399.2**	**210.2**
Inventories	19	134.0	100.8
Current contract assets	20	29.1	15.7
Trade and other receivables	23	142.6	147.0
Other financial assets	21	39.3	8.5
Income tax receivables	12	2.1	3.1
Other non-financial assets	22	22.2	17.8
Cash and cash equivalents	25	79.7	108.1
Assets held for sale	24	0.3	19.6
Current assets		**449.3**	**420.6**
Total assets		**848.5**	**630.8**

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2019	31 Dec. 2018
Share capital	26	**15.2**	15.2
Capital reserves	27	**37.3**	36.8
Retained earnings	28	**134.9**	129.4
Other components of equity	29	**−2.1**	−0.7
Share of equity attributable to shareholders of the parent company		**185.3**	**180.7**
Non-controlling interests	30	**22.9**	27.4
Total equity		**208.2**	**208.1**
Trade payables	34	**2.2**	1.0
Other financial liabilities	35	**20.3**	21.7
Lease liabilities	36	**95.2**	2.1
Provisions for pensions and other post-employment benefits	37	**87.3**	47.0
Other provisions	38	**12.2**	13.3
Deferred tax liabilities	12	**15.1**	6.4
Non-current contract liabilities	20	**3.1**	1.6
Non-current liabilities		**235.4**	**93.1**
Trade payables	34	**157.7**	110.9
Other financial liabilities	35	**94.8**	100.7
Lease liabilities	36	**23.7**	4.8
Provisions	38	**35.7**	33.5
Income tax liabilities	12	**2.6**	2.9
Other liabilities	39	**58.9**	46.2
Current contract liabilities	20	**31.5**	30.6
Current liabilities		**404.9**	**329.6**
Total equity and liabilities		**848.5**	**630.8**

Mutares has applied the new standard IFRS 16 for the first time since 1 January 2019. For the transition the modified retrospective approach was applied, according to which the previous year's figures are not adjusted. See the explanatory notes in the section on accounting policies under note 52.

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1 January 2018 to 31 December 2019

	Equity attributable to owners of the parent						
EUR million	Share capital	Capital reserve	Retained earnings	Other equity components	Total	Non-controlling interest	Total equity
As at 1 Jan. 2018 (before adjustment IFRS 9, 15)	**15.5**	**36.5**	**112.6**	**1.8**	**166.4**	**–0.9**	**165.5**
Adjustment IFRS 9	0.0	0.0	–0.1	0.0	–0.1	0.0	–0.1
Adjustment IFRS 15	0.0	0.0	0.4	0.0	0.4	0.0	0.4
As at 1 Jan. 2018 (after adjustment IFRS 9, 15)	**15.5**	**36.5**	**112.9**	**1.8**	**166.7**	**–0.9**	**165.8**
Net income for the year	0.0	0.0	14.7	0.0	14.7	–2.7	12.0
Other comprehensive income after income taxes	0.0	0.0	0.0	0.8	0.8	–0.1	0.7
Total comprehensive income	**0.0**	**0.0**	**14.7**	**0.8**	**15.5**	**–2.8**	**12.7**
Purchase of treasury stock	–0.3	0.0	–2.7	0.0	–3.0	0.0	–3.0
Dividends paid	0.0	0.0	–15.2	0.0	–15.2	0.0	–15.2
Equity-settled share-based payment	0.0	0.3	0.0	0.0	0.3	0.0	0.3
Reclassifications due to business disposals during the financial year	0.0	0.0	2.0	–3.3	–1.3	1.3	0.0
Minority interest transactions	0.0	0.0	22.9	0.0	22.9	29.8	52.7
Costs of minority interest transactions	0.0	0.0	–5.2	0.0	–5.2	0.0	–5.2
As at 31 Dec. 2018	**15.2**	**36.8**	**129.4**	**–0.7**	**180.7**	**27.4**	**208.1**
As at 1 Jan. 2019 (before adjustment IFRIC 23)	**15.2**	**36.8**	**129.4**	**–0.7**	**180.7**	**27.4**	**208.1**
Adjustment IFRIC 23	0.0	0.0	–0.4	0.0	–0.4	0.0	–0.4
As at 1 Jan. 2019 (after adjustment IFRIC 23)	**15.2**	**36.8**	**129.0**	**–0.7**	**180.3**	**27.4**	**207.7**
Net income for the year	0.0	0.0	20.8	0.0	20.8	–4.1	16.7
Other comprehensive income after income taxes	0.0	0.0	0.0	–1.4	–1.4	–0.4	–1.8
Total comprehensive income	**0.0**	**0.0**	**20.8**	**–1.4**	**19.4**	**–4.5**	**14.9**
Dividends paid	0.0	0.0	–15.2	0.0	–15.2	0.0	–15.2
Equity-settled share-based payment	0.0	0.5	0.0	0.0	0.5	0.0	0.5
Minority interest transactions	0.0	0.0	0.3	0.0	0.3	0.0	0.3
As at 31 Dec. 2019	**15.2**	**37.3**	**134.9**	**–2.1**	**185.3**	**22.9**	**208.2**

Mutares has applied the new standard IFRS 16 for the first time since 1 January 2019. For the transition the modified retrospective approach was applied according to which the previous year's figures are not adjusted. See the explanatory notes in the section on accounting policies under note 52.

4. CONSOLIDATED CASH FLOW STATEMENT

From 1 January to 31 December 2019

EUR million	Note	2019	2018
Net income	13	**16.7**	12.0
Bargain purchase gains (–) from business combinations	5	**–102.6**	–32.3
Gains from deconsolidations (–)	5	**0.0**	–40.9
Depreciation and amortization of intangibles and non-current assets	16, 17	**53.0**	29.7
Gain (–)/loss (+) from the disposal of non-current assets	16, 17	**–0.5**	–0.1
Other non-cash expenses (+)/income (–)		**3.2**	–2.1
Interest expenses (+)/interest income (–)	11	**9.5**	4.6
Income tax expense (+)/income (–)	12	**0.0**	2.8
Income tax payments (–)	12	**–1.6**	–5.7
Increase (–)/decrease (+) in inventories	19	**20.1**	13.0
Increase (–)/decrease (+) in trade receivables	23	**34.4**	39.0
Increase (+)/decrease (–) in trade payables	34	**–1.9**	–31.2
Variations in trade working capital		**52.6**	**20.8**
Increase (–)/decrease (+) in contract assets	20	**–9.2**	–15.8
Increase (–)/decrease (+) in other receivables	21, 22	**2.9**	–3.3
Increase (+)/decrease (–) in provisions	37, 38	**–15.2**	–9.1
Increase (+)/decrease (–) in contract liabilities	20	**0.9**	30.6
Increase (–)/decrease (+) in other liabilities	35, 39	**–19.5**	–2.3
Variations in other working capital		**–40.1**	**0.1**
Currency translation effects		**–0.8**	0.0
Cash flow from operating activities		**–10.7**	**–11.1**
Proceeds (+) from the disposal of property, plant and equipment	16	**20.7**	3.3
Disbursements (–) for investments in property, plant and equipment	16	**–26.2**	–18.0
Proceeds (+) from disposal of intangible assets	17	**0.0**	0.3
Disbursements (–) for investments in intangible assets	17	**–5.2**	–5.7
Proceeds (+) from disposal of assets held for sale	24	**19.6**	0.0
Payments (–) for additions to the consolidation group	5	**–2.4**	–1.2
Proceeds (+) from additions to consolidation group	5	**35.0**	20.6
Proceeds (+) from disposals from the consolidation group	5	**2.9**	6.0
Payments (–) for disposals from the consolidation group	5	**0.0**	–8.5
Interest received (+)	11	**0.0**	0.1
Cash flow from investing activities		**44.4**	**–3.1**

EUR million	Note	2019	2018
Proceeds (+) from equity contributions by non-controlling shareholders	30	0.0	52.1
Disbursement (–) in connection with payments received from equity contributions by non-controlling shareholders	30	0.0	–5.2
Dividends paid (–) to shareholders of the parent company	28	–15.2	–15.2
Proceeds (+) from (financial) loans	35	22.4	27.1
Repayments (–) of (financial) loans	35	–22.5	–27.0
Derecognition (–) of (financial) loans from changes in consolidated group	36	–15.9	0.0
Proceeds (+)/payments (–) from factoring	35	–24.1	–3.4
Interest paid (–)		–7.1	–2.0
Disbursements (–) for the acquisition of treasury shares to non-controlling interests	33	0.0	–3.0
Cash flow from financing activities		**–62.5**	**23.4**
Change in cash and cash equivalents		**–28.7**	**9.2**
Effect of currency translation on cash and cash equivalents		0.3	0.0
Cash and cash equivalents at the beginning of the period		108.1	98.9
Cash and cash equivalents at the end of the period	25	79.7	108.1

Mutares has applied the new standard IFRS 16 for the first time since 1 January 2019. For the transition the modified retrospective approach was applied, according to which the previous year's figures are not adjusted. See the explanatory notes in the section on accounting policies under note 52.

A. BASICS AND GENERAL INFORMATION

1. Reporting entity

Mutares SE & Co KGaA, Munich (hereinafter referred to as "the Company" or "Mutares"), was formed from Mutares AG, Munich, by way of a change of legal form. At the Annual General Meeting held in Munich on 23 May 2019, a resolution was passed to change the legal form of Mutares AG into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA), with Mutares Management SE joining as general partner. The change of form was completed with the entry in the commercial register on 24 July 2019.

The Company is domiciled in Munich and is entered in the Commercial Register, Section B, at the Local Court under 250347. The registered office and the headquarters of the Company is Arnulfstrasse 19, 80335 Munich.

Mutares' business approach includes the acquisition, restructuring and development of companies in transitional situations as platform investments. Companies with the following characteristics are particularly interesting for Mutares as platform investments:

- Demerger
- Turnover of EUR 50–500 million
- Established market position (products, brand, customer base)
- Focus on activities in Europe
- Economically challenging or upheaval situation (e.g. pending restructuration or redevelopment)

Mutares is committed to its investments in the long term and sees itself as a responsible shareholder who actively supports the upcoming change phases as a reliable companion – based on its extensive, long-term experience. The goal is to create independent and dynamic medium-sized companies with a competitive, profitable and growing business model out of the companies that were unprofitable when they were taken over. A prerequisite for this is therefore that the potential for profit improvement in the company is already clearly identifiable in the takeover phase, which can be raised within one to two years through suitable strategic and operational optimization.

Mutares management has extensive in-house operational industrial and restructuring experience. After the acquisition of a company, Mutares' range of services includes operational support, the expansion of activities through add-on acquisitions and the sale of investments. Core aspects of Mutares' restructuring and development approach are:

- After the takeover, Mutares always initiates a comprehensive operational improvement program in the subsidiaries, in addition to cash management, in particular by using its own operational Mutares team (in-house consulting). The implementation of the projects defined in this program is carried out in close cooperation and in close collaboration with the respective subsidiary.
- With this deployment of specialists to support the optimization projects and with the development of financial resources for investments in the development of innovative products, in sales and in (production) facilities, Mutares is in a position to further develop its investments strategically and operationally successfully up to the long-term realignment.
- Once a platform investment has been operationally stabilized, internal growth is often accelerated by broadening the product portfolio or opening up new markets. Mutares also systematically seeks opportunities for inorganic growth. With this in mind, the platform is strategically complemented by add-on acquisitions in order to implement the planned growth strategy faster.
- A sale of the value-enhanced investment should ideally take place within a period of three to seven years after acquisition.

Mutares does not limit itself after the completion of the improvement program to mere holding/managing and performance monitoring in the investments. Acquired companies are continuously improved and supported in implementing the improvement program with the help of active investment management, which also includes regular reviews of the restructuring and development progress (so-called "audits").

To implement a focused buy-and-build approach, Mutares regularly reviews add-on acquisitions and thus drives the sustainable development of the portfolio and the achievement of ambitious growth targets. The strategic addition of add-on acquisitions is intended to complement the investment in areas such as technology, product offering or country coverage.

Mutares is present in the strategic core markets of Germany, France, Italy, United Kingdom and Scandinavia through its own offices.

As of 31 December 2019, Mutares SE & Co. KGaA's portfolio contained 13 operating investments or investment groups (previous year: ten)[1], which are divided into three segments:

- Automotive & Mobility:
  Elastomer Solutions Group
  STS Group
  Plati Group
  KICO Group
- Engineering & Technology:
  Balcke-Dürr Group
  Donges Group
  Gemini Rail Group
  EUPEC
- Goods & Services
  Cenpa
  KLANN Packaging
  TréfilUnion
  keeeper Group
  BEXity Group

With the completion of the acquisition of PrimoTECS (formerly Tekfor S.p.A.) in Italy on 31 January 2020, the Automotive & Mobility segment was further strengthened. The purchase agreement for this transaction was signed on 19 December 2019.

2. Basis of preparation of the financial statements

The shares of Mutares SE & Co. KGaA are traded on the open market (sub-segment: Scale). Mutares SE & Co. KGaA is therefore not required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). To meet its growing international presence and the information needs of German and international investors, Mutares SE & Co. KGaA voluntarily prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union.

The Company's financial year is the calendar year. The consolidated financial statements of Mutares for the financial year 2019, consisting of the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB). The term IFRS also includes all International Accounting Standards (IAS) still in force as well as all interpretations and amendments of the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly International Financial Reporting Interpretations Committee (IFRIC) – and the former Standing Interpretations Committee (SIC).

The consolidated financial statements were prepared in accordance with the historical cost principle. This does not apply to selected financial instruments and share-based payments, which are measured at fair value. A corresponding explanation is provided in the context of the respective accounting and valuation methods.

Historical cost is generally based on the fair value of the consideration paid in exchange for the asset.

Fair value is the amount that would be received or paid in an orderly transaction between market participants on the transaction date to sell an asset or transfer a liability. It is irrelevant to the price whether it is directly observable or is determined using a valuation method.

If the fair value is determined using a valuation technique, it is to be classified in one of the following three categories depending on the observable parameters available and the significance of the parameters for a valuation as a whole:

- Level 1: Input parameters are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed on the measurement date.
- Level 2: Input parameters are prices other than those quoted in Level 1 that are either directly observable or can be derived indirectly for the asset or liability.
- Level 3: Input parameters are parameters not observable for the asset or liability.

[1] In the previous year, Norsilk and La Meusienne were still shown as separate investments. Norsilk, a French manufacturer of wood paneling and flooring, previously managed as an independent platform in the Goods & Services segment, has integrated Mutares into the Donges Group in 2019. In December 2019, the Balcke-Dürr Group initiated the vertical integration of the formerly independent subsidiary La Meusienne with the aim of leveraging cost, sales and quality synergies.

As a rule, the Group classifies assets and liabilities as current if they are expected to be realized or settled within twelve months of the balance sheet date. If assets and liabilities have both a current and a non-current portion, they are divided into their maturity components and reported as current and non-current assets or liabilities in accordance with the balance sheet classification scheme.

The consolidated statement of comprehensive income is prepared using the nature of expense method. Mutares SE & Co. KGaA prepares and publishes its consolidated financial statements in euros (EUR). Unless otherwise indicated, all figures are generally presented in millions of euros (EUR million). Deviations of up to one unit (million, %) are due to rounding differences caused by technical calculations.

All IAS/IFRS and all interpretations (SIC/IFRIC) that were mandatory for 31 December 2019 and have been adopted by the European Union and entered into force as of 31 December 2019 have been taken into account.

The consolidated financial statements are prepared on a going concern basis.

3. Estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that affect reported amounts and related disclosures. The estimates and discretionary decisions relate primarily to purchase price allocations in the context of business combinations (above all, determining the fair value of acquired assets and liabilities and estimating contingent purchase price components), deconsolidation due to loss of control, assessing the recoverability of intangible assets and trade receivables, the uniform determination of useful lives for property, plant and equipment and intangible assets throughout the Group, and the recognition and measurement of pension plans/pension provisions, income taxes and deferred tax assets on loss carryforwards.

The assumptions underlying the discretionary decisions and estimates are based on the currently available knowledge. In particular, expected future business developments and the circumstances prevailing at the time of preparation of the consolidated financial statements are taken into account. The future development of the business environment, which is assumed to be realistic, is also taken into account. If the general conditions that arise differ from the premises or if developments occur that differ from the underlying assumptions and are beyond the control of management, the amounts that arise may differ from the originally expected estimates. The estimates are based on past experience and other assumptions that are deemed to be correct under the given circumstances. The estimates and assumptions are continually reviewed. Changes in estimates are only taken into account in this period if the change affects only one period. Revisions to estimates that affect both the current and subsequent reporting periods are recognized in this and subsequent periods.

3.1. ESTIMATES

In the context of company acquisitions, estimates are generally made with regard to determining the fair value of the acquired assets and liabilities. Land and buildings are generally valued according to standard land values or, like technical equipment and machinery, by an independent expert, while marketable securities are carried at their fair value. If intangible assets exist, depending on the type of asset and the difficulty of determining its value, either an independent external expert is consulted or the fair value is calculated internally using an appropriate valuation method, which is generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, different valuation techniques are used, which can be differentiated according to cost, market price and net present value-oriented methods.

The total amount of net assets acquired from the business combinations in the financial year 2019, for which the determination of fair value was subject in part to estimation uncertainty, was EUR 110.8 million (previous year: EUR 32.5 million).

The fair value of contingent consideration related to business combinations and disposals that are subsequently measured at fair value using Level 3 fair value measurements is determined in accordance with generally accepted valuation techniques based on discounted cash flow analyses. The main input parameters are expectations of future cash flows and discount rates. The accounting treatment of business combinations for which the measurement period of IFRS 3.45 has not yet expired is therefore still partly provisional.

Mutares uses actuarial models to model retirement benefit plans and pension provisions. For this purpose, estimates are required and made with regard to the discount rate, remuneration and life expectancy, among other things. Changes in market and economic conditions can lead to differing probabilities of current developments in the above parameters. Differences in key parameters are calculated using sensitivity analyses. Details of the estimates made are contained in the relevant explanations on pension plans/pension provisions in Note 37.

As set out in paragraphs 54.4 and 54.5 Mutares estimates the expected useful life of property, plant and equipment and intangible assets with finite useful lives and reviews annually for impairment, as required, and additionally for intangible assets with indefinite useful lives. If the respective assets do not generate cash inflows that are largely independent of other cash inflows, the impairment test is performed at the level of the cash-generating unit to which the assets to be tested are allocated. The recoverable amount of the cash-generating unit must be estimated. This corresponds to the higher of fair value less costs to sell and value in use. The determination of the recoverable amount regularly involves making estimates regarding the forecast and discounting of future cash flows.

Management believes that the estimates made with regard to the expected useful life and recoverability of certain assets, the assumptions regarding macroeconomic conditions and developments in the industries in which Mutares operates, and the estimate of the present value of future payments are appropriate. Nevertheless, changed assumptions or changed circumstances may make corrections necessary. These may lead to additional impairments or even reversals of impairments in the future if the developments expected by Mutares cannot be fully realized. Details of the estimates made can be found in the relevant notes on assets in paragraph 16 and paragraph 17.

Some leases in the Mutares Group include renewal and termination options. In determining the term of leases, Mutares considers all relevant facts and circumstances that provide an economic incentive to exercise or not exercise renewal or termination options. Any changes to the term of the lease are only taken into account during the term of the agreement if there is sufficient certainty that renewal or termination options will be exercised or not exercised. This generally leads to a revaluation of the leasing liability and a corresponding adjustment of the right of use without affecting income.

3.2. JUDGEMENTS

Management has made judgments in the process of applying the accounting policies that have an effect on the consolidated financial statements. The exercise of judgement described below also involves estimates.

Mutares makes discretionary decisions in accordance with IFRS 15 in determining the amount and timing of revenue from contracts with customers. For contracts that are settled over a period of time, both the cost-to-cost and the output method are used, depending on the assessment of whether Mutares provides a true and fair view of the performance of the contract. For period-based services, performance is fulfilled at the time the service is rendered. In the case of contracts that are to be fulfilled at a specific point in time, revenue recognition is based on the transfer of control over the goods. As a rule, the assessment of the transfer of control is based on the agreed Incoterms.

The Mutares companies are obliged to pay income taxes. Assumptions are required to determine tax liabilities. There are transactions and calculations for which the final tax liability cannot be determined conclusively during the normal course of business. The Group measures the amount of provisions for expected tax payments on the basis of estimates as to whether and in what amount additional taxes will be due. If the final taxation of these transactions differs from the initial assumption, this will have an effect on the actual and deferred taxes in the period in which the taxation is finally determined. Details of the discretionary decisions made can be found in the notes on income taxes in Note 12.

For the recognition of deferred tax assets on loss carryforwards, Mutares estimates future taxable income and the timing of its future realization and therefore reversal of deferred tax assets. Estimates of projected operating income, the result of reversing taxable temporary differences and realistic tax policies are used. Due to the uncertainty of future developments of the respective companies, Mutares must make reasonable assumptions regarding deferred tax assets on loss carryforwards. Accordingly, deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which they can be utilized. Details of the discretionary decisions made can be found in the explanations on deferred tax assets on loss carryforwards in Note 12.6.

In connection with the loss of control of subsidiaries and the resulting obligation to deconsolidate, Mutares assesses whether or not control continues to exist. In doing so, taking into account all relevant facts and circumstances, it is assessed whether Mutares continues to have the practical ability to unilaterally determine the relevant activities of the Company. Details of the outcome of the estimates made in connection with the loss of control of subsidiaries and the resulting obligation to deconsolidate are set out in the explanations on deconsolidations in Note 5.2.

In the balance sheet presentation of leases, Mutares regularly uses the incremental borrowing rate to calculate the present value of the lease liabilities in order to discount the valuation-relevant lease payments in the absence of availability of the interest rate on which the lease is based. This interest rate is determined for each lease in terms of term and currency-specific risk equivalent and basically consists of three components. These generally comprise corresponding reference interest rates, company-specific credit risk premiums and contract-specific adjustments. Mutares derives the reference interest rates from government bonds with equivalent maturities using a database. The company-specific credit risk premiums are determined using synthetic ratings based on capital market data. Contract-specific adjustments are implicitly taken into account.

B. COMPOSITION OF THE GROUP

4. Consolidated companies

FULLY CONSOLIDATED COMPANIES

As of 31 December 2019, the scope of consolidation of Mutares SE & Co. KGaA includes 108 (previous year: 77) fully consolidated companies in addition to the parent company. Of these, 43 (previous year: 37) companies are domiciled in Germany and 65 (previous year: 40) companies abroad.

As of 31 December 2019, the scope of consolidation includes all major holding companies as well as the following operating units and national companies:

Automotive & Mobility segment

No.	Participation	Description
1	**Elastomer Solutions** Group	Elastomer Solutions GmbH, Wiesbaum, and its subsidiaries
2	**STS** Group	STS Group AG, Hallbergmoos, and its subsidiaries
3	**Plati** Group	Plati Elettroforniture S.p.A. Madone, Italy and its subsidiaries
4	**KICO** Group	Kirchhoff GmbH & Co KG, Halver, and its subsidiaries

Engineering & Technology segment

No.	Participation	Description
1	**Balcke-Dürr** Group	Balcke-Dürr GmbH, Düsseldorf, and its subsidiaries
2	**Donges** Group	Donges Steeltec GmbH, Darmstadt, and its subsidiaries
3	**Gemini Rail** Group	Gemini Rail Services UK Ltd, Wolverton/United Kingdom; Gemini Rail Technology UK Ltd, Birmingham/ United Kingdom
4	**EUPEC**	Eupec Pipecoatings France S.A.S., Gravelines/France

Goods & Services segment

No.	Participation	Description
1	**Cenpa**	Cenpa S.A.S., Schweighouse/France
2	**KLANN Packaging**	KLANN Packaging GmbH, Landshut
3	**TréfilUnion**	TréfilUnion S.A.S., Commercy/France
4	**keeeper** Group	keeeper GmbH, Stemwede, and its subsidiaries
5	**BEXity** Group	BEXity GmbH, Vienna, Austria, and its subsidiary in the Czech Republic

National subsidiaries

No.	Company	Description
1	**Mutares France**	Mutares France S.A.S., Paris/France
2	**Mutares Italy**	Mutares Italy Srl, Turin/Italy
3	**Mutares UK**	Mutares UK Ltd, London/United Kingdom
4	**Mutares Nordics**	Mutares Nordics Oy, Vantaa/Finland

Details of the scope of consolidation are contained in the list of shareholdings, which forms part of these notes to the consolidated financial statements as Annex .

5. Changes in the consolidation scope

5.1. ACQUISITION OF SUBSIDIARIES

The acquisitions of subsidiaries in the two relevant reporting periods are listed below.

a. Acquisitions of subsidiaries in financial year 2019

Acquisition of Normek Oy and other subsidiaries

On 28 February 2019, Donges SteelTec GmbH completed the acquisition of 100% of the shares in Normek Oy, based in Vantaa, Finland, and its subsidiaries in Finland and Sweden ("Normek"). Normek is a company for steel building construction and façade solutions in Finland and is mainly active on the Finnish and Swedish markets. This will expand and complement the product portfolio and distribution channels of the Donges Group.

The purchase price amounts to EUR 1.5 million and is due in three tranches (at the time of transfer of economic ownership and further payments in June 2019 and January 2020). In addition, bank liabilities of the seller and Normek Oy in the amount of approximately EUR 0.3 million were repaid as part of the acquisition. In addition, a liability of the seller to Normek Oy in the amount of approximately EUR 4.2 million was assumed. Acquisition-related incidental costs for the transaction were only incurred to a negligible extent. These are reported in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 5.7 million, resulting in a gain on bargain purchase of EUR 0.0 million.

The following table shows the results of the purchase price allocation and the calculation of goodwill:

EUR million	Fair Value
Intangible assets	8.6
Property, plant and equipment	1.8
Right of use assets (RoU assets)	3.9
Other non-current assets	5.2
Non-current assets	**19.4**
Inventories	0.5
Receivables and other current assets	9.6
Other current assets	1.5
Current assets	**11.6**
Deferred tax liabilities	–1.7
Other non-current liabilities	–3.6
Non-current liabilities	**–5.2**
Current liabilities	**–20.1**
Net assets	**5.7**
Bargain purchase	**0.0**
Consideration	**5.7**

The fair value of the acquired receivables based on a gross receivable amount of EUR 5.5 million was EUR 5.5 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.0 million.

The consolidated financial statements for the financial year 2019 include revenue of EUR 37.1 million and earnings after tax of EUR –7.4 million from the acquired company. If the companies had already been acquired on 1 January 2019, they would have contributed revenues of EUR 45.8 million and earnings after tax of EUR –6.6 million to the Group's earnings in the financial year 2019.

Acquisition of FDT Flachdach Technologie GmbH & Co KG and other subsidiaries

In addition, Donges SteelTec GmbH completed the acquisition of 100% of the shares in FDT Flachdach Technologie GmbH & Co KG, including its subsidiaries in France and Belgium, and B F S GmbH, based in Mannheim ("FDT"), on 19 March 2019. FDT is a supplier in the German market for flat roof systems. The transaction complements the product offering, creates synergies and supports the Donges Group's strategy to establish itself as a leading European player in the steel construction, roof and facade systems market.

The symbolic purchase price for the acquisition of the companies amounted to EUR 2.00. Acquisition-related ancillary costs for the transaction were incurred only to an insignificant extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 6.9 million, resulting in a gain of EUR 6.9 million from a bargain purchase, which is included in other income.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	1.6
Property, plant and equipment	17.5
Right of use assets (RoU assets)	0.7
Other non-current assets	3.6
Non-current assets	**23.4**
Inventories	14.0
Receivables and other current assets	3.7
Other current assets	10.7
Current assets	**28.4**
Deferred tax liabilities	–3.8
Other non-current liabilities	–32.7
Non-current liabilities	**–36.5**
Current liabilities	**–8.4**
Net assets	**6.9**
Bargain purchase	**6.9**
Consideration	**0.0**

The fair value of the acquired receivables, based on a gross receivable amount of EUR 3.5 million, was EUR 3.5 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.0 million.

The consolidated financial statements for the financial year 2019 include revenue of EUR 38.3 million and earnings after tax of EUR –5.4 million from the acquired company. If the companies had already been acquired on 1 January 2019, they would have contributed revenues of EUR 50.3 million and earnings after tax of EUR –10.1 million to the Group's earnings in the financial year 2019.

Acquisition of TréfilUnion S. A. S.

By agreement dated 31 May 2019 and closing of the transaction on the same day, Mutares acquired all shares in TréfilUnion S. A. S., based in Commercy (France). The company, which has two plants in France, produces steel wire and rope for a customer portfolio diversified by industry and strengthens the Goods & Services segment as a new platform investment.

The consideration for the acquisition of the company amounted to EUR 0.0 million. Acquisition-related incidental costs for the transaction were incurred only to an insignificant extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 35.0 million, resulting in a gain on bargain purchase of EUR 35.0 million, which is included in other income.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	0.0
Property, plant and equipment	11.3
Right of use assets (RoU assets)	0.4
Other non-current assets	0.0
Non-current assets	**11.7**
Inventories	9.0
Receivables and other current assets	7.6
Other current assets	19.3
Current assets	**35.9**
Deferred tax liabilities	–0.3
Other non-current liabilities	–1.8
Non-current liabilities	**–2.1**
Current liabilities	**–10.5**
Net assets	**35.0**
Bargain purchase	**35.0**
Consideration	**0.0**

The fair value of the acquired receivables, based on a gross receivable amount of EUR 6.2 million, was EUR 6.2 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.0 million.

The consolidated financial statements for the financial year 2019 include revenue of EUR 15.8 million and earnings after tax of EUR –8.6 million from the acquired company. If the company had already been acquired on 1 January 2019, they would have contributed revenues of EUR 29.3 million and earnings after tax of EUR –12.7 million to the Group's earnings in the financial year 2019.

Acquisition of Plati Elettroforniture S.p.A. and other subsidiaries

Mutares successfully completed the acquisition of 80% of the shares of Plati Elettroforniture S.p.A., Bergamo (Italy) and its subsidiaries on 7 June 2019. The product portfolio includes wire harnesses, automotive cables, connectors, PVC extrusion and electromechanical assemblies. Following the acquisition, Elastomer and Plati within the Automotive & Mobility segment will benefit from each other's sales and operational expertise.

The symbolic purchase price for the acquisition was EUR 1. A capital increase of EUR 1.0 million through Mutares was also agreed in the course of the acquisition. Acquisition-related incidental costs for the transaction were only incurred to an insignificant extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 1.4 million. In relation to Mutares' 80% share, a gain from a bargain purchase of EUR 0.0 million was recorded.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	0.7
Property, plant and equipment	5.9
Right of use assets (RoU assets)	0.2
Other non-current assets	0.6
Non-current assets	**7.4**
Inventories	5.0
Receivables and other current assets	4.4
Other current assets	3.0
Current assets	**12.4**
Deferred tax liabilities	–0.7
Other non-current liabilities	–4.2
Non-current liabilities	**–4.9**
Current liabilities	**–13.5**
Net assets	**1.4**
Non-controlling interests (NCI)	**–0.4**
Bargain purchase	**0.0**
Consideration	**1.0**

The fair value of the acquired receivables, based on a gross receivable amount of EUR 4.4 million, was EUR 4.4 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.0 million.

The consolidated financial statements for the financial year 2019 include sales revenues of EUR 15.4 million and earnings after tax of EUR –2.9 million from the acquired company. If the companies had already been acquired on 1 January 2019, they would have contributed revenues of EUR 28.6 million and earnings after tax of EUR –6.0 million to the Group's earnings in the financial year 2019.

Acquisition of keeeper GmbH and other subsidiaries

Mutares acquired all shares in keeeper GmbH in Stemwede and its subsidiaries in Poland and Belgium on 20 June 2019. The company is a supplier of plastic household products in Europe and strengthens the Goods & Services segment as a new platform investment. With two production sites in Germany and Poland and a sales office in Belgium, the Group serves renowned customers in the areas of DIY stores, food retailing, wholesale and furniture in around 35 countries worldwide.

The symbolic purchase price for the acquisition was EUR 1. Acquisition-related incidental costs for the transaction were only incurred to an insignificant extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 28.3 million, resulting in a gain on bargain purchase of EUR 28.3 million, which is included in other income.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	1.7
Property, plant and equipment	17.4
Right of use assets (RoU assets)	4.8
Other non-current assets	1.7
Non-current assets	**25.7**
Inventories	12.1
Receivables and other current assets	5.2
Other current assets	6.2
Current assets	**23.5**
Deferred tax liabilities	–1.4
Other non-current liabilities	–4.2
Non-current liabilities	**–5.6**
Current liabilities	**–15.3**
Net assets	**28.3**
Bargain purchase	**28.3**
Consideration	**0.0**

The fair value of the acquired receivables, based on a gross receivable amount of EUR 5.2 million, was EUR 5.2 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.0 million.

The consolidated financial statements for the financial year 2019 include sales revenues of EUR 30.3 million and earnings after taxes of EUR –6.1 million from the acquired company. If the companies had already been acquired on 1 January 2019, they would have contributed revenues of EUR 58.6 million and earnings after tax of EUR –16.1 million to the Group's earnings in the financial year 2019.

Acquisition of Kirchhoff GmbH & Co KG and other subsidiaries

On 16 July 2019 Mutares completed the acquisition of all shares in Kirchhoff GmbH & Co KG, Halver, including its subsidiaries in Germany and abroad, and Mesenhöller Verwaltungs GmbH, Halver, ("KICO"). The Group develops and manufactures components for passenger cars and is therefore allocated to the Automotive & Mobility segment. The product portfolio includes hinges, locking systems and mechatronic systems.

The purchase price for the shares amounts to EUR 1.0 million. Acquisition-related incidental costs for the transaction were only incurred to an insignificant extent. These are reported in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 5.1 million, resulting in a gain from a bargain purchase of EUR 4.1 million, which is included in other income.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	6.1
Property, plant and equipment	11.8
Right of use assets (RoU assets)	3.0
Other non-current assets	0.2
Non-current assets	**21.1**
Inventories	11.9
Receivables and other current assets	2.7
Other current assets	1.2
Current assets	**15.8**
Deferred tax liabilities	–2.8
Other non-current liabilities	–4.4
Non-current liabilities	**–7.2**
Current liabilities	**–24.6**
Net assets	**5.1**
Bargain purchase	**4.1**
Consideration	**1.0**

The fair value of the acquired receivables, based on a gross receivable amount of EUR 2.1 million, was EUR 2.1 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.0 million.

The consolidated financial statements for the financial year 2019 include revenues of EUR 36.2 million and earnings after tax of EUR –7.8 million from the acquired company. If the companies had already been acquired on 1 January 2019, they would have contributed revenues of EUR 89.8 million and earnings after tax of EUR –6.9 million to the Group's earnings in the financial year 2019.

Acquisition of the business of Q Logistics GmbH

On 30 December 2019 Mutares successfully completed the acquisition of the business of Q Logistics GmbH, a logistics subsidiary of Österreichische Bundesbahnen-Holding Aktiengesellschaft (ÖBB), by way of an asset deal. The company, renamed to BEXity, is a provider of cross-border transport logistics and warehousing services with a comprehensive network in Austria. The company is active in general cargo and charter and serves customers from various industries, including the food, pharmaceutical and fast moving consumer goods industries, and is strengthening the Goods & Services segment.

The purchase price for the shares amounts to EUR 0,1 million. Acquisition-related incidental costs for the transaction were incurred only to an insignificant extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 28.4 million, resulting in a gain on bargain purchase of EUR 28.3 million, which is included in other income.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	5.7
Property, plant and equipment	2.3
Right of use assets (RoU assets)	18.6
Other non-current assets	3.1
Non-current assets	**29.7**
Inventories	0.8
Receivables and other current assets	31.5
Other current assets	0.6
Current assets	**32.9**
Deferred tax liabilities	–0.2
Other non-current liabilities	–23.1
Non-current liabilities	**–23.2**
Current liabilities	**–11.0**
Net assets	**28.4**
Bargain purchase	**28.3**
Consideration	**0.1**

The measurement of the acquired net assets and thus the accounting recognition of the business combination may still change within the one-year period in accordance with IFRS 3, in particular due to the provisional planning used in part in the measurement.

The fair value of the acquired receivables, based on a gross receivable amount of EUR 2.9 million, was EUR 2.8 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.1 million.

Due to the completion of the transaction at the end of the financial year 2019, the consolidated financial statements for the financial year 2019 do not yet contain any revenues and earnings after taxes from the acquired company. If the companies had already been acquired on 1 January 2019, they would have contributed revenues of EUR 212.8 million and earnings after taxes of EUR –24.0 million to the Group's earnings in the financial year 2019.

For all of the above acquisitions, the comparison of the acquisition costs of the acquired companies and the revalued net assets resulted in a gain on bargain purchase, which is reported in the statement of comprehensive income under other income. The favorable acquisition price for Mutares and the resulting bargain purchase is due to the efforts of the seller to realign its business activities. While the acquired market segments appear unattractive to other investors, the acquisition is lucrative for Mutares, as companies in transitional situations fit into the strategic orientation of the Group. Mutares Group sees its opportunities in its extensive operational industrial and restructuring experience, which will help to put the acquired companies on a stable path of profitable growth.

The purchase price allocations for the business combinations presented have not yet been completed at this time. The measurement of the acquired net assets and thus the accounting treatment of the business combinations may still change accordingly within the one-year period of IFRS 3.

b. Acquisitions of subsidiaries in the financial year 2018

Foundation of Balcke-Dürr Nuklear Service GmbH and subsequent acquisition of KSS Consulting GmbH & Co KG

With effect from 1 August 2018, Balcke-Dürr Kraftwerks-Service GmbH (later renamed Balcke-Dürr Nuklear Service GmbH), an indirect subsidiary of Mutares SE & Co. KGaA, acquired all shares in KSS Consulting GmbH & Co. KG ("KSS Consulting"). With this acquisition, the manufacturer of power plant components and specialist for energy efficiency in industry is strengthening its position in the promising field of dismantling nuclear powerplants. The acquisition of KSS Consulting expands Balcke-Dürr's service offering to include radiation protection and decontamination. This enables the Group to act as a system supplier to its business partners in the future.

The consideration for the acquisition of the companies amounted to EUR 29 k. Acquisition-related incidental costs for the transaction were only incurred to an insignificant extent. These are recorded in the statement of comprehensive income under other expenses.

The consolidated financial statements for the financial year 2018 include sales revenues of EUR 0.1 million and earnings after tax of EUR –0.8 million from the acquired company.

Acquisition of Kalzip GmbH and other subsidiaries

Effective 2 October 2018, Donges SteelTec GmbH, a subsidiary of Mutares SE & Co. KGaA, acquired 100% of the shares in Kalzip GmbH and other subsidiaries ("Kalzip") from companies of the Tata Steel Europe Group. Kalzip is a global supplier of aluminium building envelopes, producing roof and facade systems on modern roll forming lines and has sites in Germany, France, Spain, Italy, England, Singapore, India, USA and Dubai. In the newly created group, the combination of steel and roof facade construction enables the complementary transfer of knowledge of both technology areas and the positioning as a full-service solution provider. The expansion of the product portfolio and improved market access directly to clients and architects should contribute to an increase in competitiveness.

The initial consideration for the acquisition of the company was EUR 0.5 million in cash. The fair value of the total consideration amounts to EUR 1.8 million. Of this, a partial amount of EUR 1.3 million has not yet been cash-effective and is reported under other financial liabilities as of the balance sheet date. Acquisition-related incidental costs for the transaction in the amount of EUR 0.2 million are recognized in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 12.7 million, resulting in a bargain purchase of EUR 10.9 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	0.5
Property, plant and equipment	8.1
Other non-current assets	1.5
Non-current assets	**10.1**
Inventories	9.8
Receivables and other current assets	10.6
Other current assets	6.8
Current assets	**27.2**
Deferred tax liabilities	0.0
Other non-current liabilities	–16.0
Non-current liabilities	**–16.0**
Current liabilities	**–8.6**
Net assets	**12.7**
Bargain purchase	**10.9**
Consideration	**1.8**

The fair value of the acquired receivables, based on a gross receivable amount of EUR 9.3 million, was EUR 8.1 million at the time of acquisition. Accordingly, the best possible estimate made at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 1.2 million.

The consolidated financial statements for the financial year 2018 include revenue of EUR 10.9 million and earnings after tax of EUR –5.3 million from the acquired company. If the companies had already been acquired on 1 January 2018, they would have generated revenue of EUR 52.6 million and earnings after tax of EUR –9.4 million to the Group result in the financial year 2018.

Acquisition of selected assets of STF S.p.A.

On 16 October 2018, Balcke-Dürr GmbH, a subsidiary of Mutares SE & Co. KGaA, through STF Balcke-Dürr S.r.l. acquired for this purpose, agreed to acquire selected assets of Salvatore Trifone and Figli S.p.A. which qualifies as a business combination. The additional know-how in the product areas heat exchangers, condensers and preheaters promises additional sales opportunities in all market segments. The operating business was contributed to the existing Balcke-Dürr Italiana S.r.l. as of 31 December 2018.

As a result of the resulting expanded product portfolio and improved market access, the company expects higher growth rates in sales and earnings in the future. As part of the transaction, Balcke-Dürr also acquired various framework agreements in the nuclear sector and deepens its market penetration in the Mediterranean region.

The consideration for the acquisition amounts to EUR 1.0 million. Of this amount, EUR 0.2 million had been paid by the balance sheet date, EUR 0.6 million is included in other financial liabilities and EUR 0.2 million in obligations to employees were assumed. Acquisition-related incidental costs for the transaction were only incurred to an insignificant extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 4.5 million, resulting in a bargain purchase of EUR 3.5 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	1.5
Property, plant and equipment	3.1
Other non-current assets	0.0
Non-current assets	**4.6**
Inventories	1.0
Receivables and other current assets	0.0
Other current assets	0.0
Current assets	**1.0**
Deferred tax liabilities	–0.9
Other non-current liabilities	0.0
Non-current liabilities	**–0.9**
Current liabilities	**–0.2**
Net assets	**4.5**
Bargain purchase	**3.5**
Consideration	**1.0**

The consolidated financial statements for the financial year 2018 include sales revenues of EUR 0.4 million and earnings after taxes of EUR –0.9 million from the acquired business operations.

Acquisition of Gemini Rail Group

On 31 October 2018, Mutares SE & Co. KGaA, through its direct subsidiary Mutares Holding-25 AG, acquired 100% of the shares in each of Knorr-Bremse RailServices UK (KBRS) and Kiepe Electric Ltd. (Kiepe) were acquired by Knorr-Bremse. The companies have since been renamed to Gemini Rail Services UK Ltd. and to Gemini Technology UK Ltd.

The product range offered includes structured and innovative services such as overhaul and turnkey repair services, refurbishment programs, design and project management for rail vehicle owners and operators in the UK and Ireland. With this acquisition Mutares continues the market development through its recently established London office. In addition, the acquisition represents an important milestone in Mutares' development as the companies together form an ideal platform investment where Mutares' operational advisory team will support local management in realizing value potential.

The consideration for the acquisition of the companies amounted to EUR 1 and GBP 1 respectively, and only insignificant acquisition-related incidental costs were incurred. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 15.3 million, resulting in a bargain purchase in the same amount.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase, which was recorded under other income:

EUR million	Fair Value
Intangible assets	4.9
Property, plant and equipment	5.3
Other non-current assets	5.6
Non-current assets	**15.8**
Inventories	18.8
Receivables and other current assets	14.3
Other current assets	16.7
Current assets	**49.8**
Deferred tax liabilities	–0.4
Other non-current liabilities	–10.0
Non-current liabilities	**–10.4**
Current liabilities	**–39.9**
Net assets	**15.3**
Bargain purchase	**15.3**
Consideration	**0.0**

The fair value of the acquired receivables, based on a gross receivable amount of EUR 14.6 million, was EUR 13.7 million at the time of acquisition. Accordingly, the best possible estimate at the time of acquisition for contractual cash flows that are not expected to be collectible was EUR 0.9 million.

The consolidated financial statements for the financial year 2018 include revenue of EUR 14.0 million and earnings after tax of EUR –8.3 million from the acquired companies. If the companies had already been acquired on 1 January 2018, they would have contributed revenue of EUR 76.9 million and earnings after tax of EUR –18.7 million to the Group's earnings in the financial year 2018.

5.2. DECONSOLIDATION OF SUBSIDIARIES

a. Deconsolidation of subsidiaries in 2019

No subsidiaries were deconsolidated in the reporting period.

b. Deconsolidation of subsidiaries in 2018

Deconsolidation of the Artmadis Group

Due to continuing economic difficulties, Artmadis S.A.S. was subjected to the "Redressement Judiciaire" proceedings at the request of the management and by court order dated 22 May 2018. This is a restructuring procedure in which the management is assisted by administrators appointed by the court. Subsequently, the company was offered for sale to interested parties. In the absence of a suitable offer, the court ordered the liquidation of the company. As a result of the loss of control, the Group, consisting of Artmadis S.A.S. and its subsidiary, was deconsolidated in the first half of 2018. As in the consolidated financial statements for the year ended 31 December 2017, the accounting for the first half of 2018 was based on the assumption that the company will continue as a going concern.

Deconsolidation of Zanders GmbH

Significant increases in raw material prices had a important negative impact on Zanders' profitability in the fourth quarter of the financial year 2017 and the first half of 2018. Price increases were implemented, but the margin losses could not be fully offset. Accordingly, in view of the threat of insolvency, the management filed for insolvency proceedings at the end of June 2018 and planned to continue the restructuring process in the context of a self-administration procedure. As a result, a provisional insolvency administrator was appointed by the court, who reviewed the actions of the Zanders management subject to approval for the purpose of preserving the assets. The company and its subsidiary were deconsolidated as of 30 June 2018 due to the resulting loss of control. The court finally opened insolvency proceedings in the regular proceedings for the assets of the company with its decision of 1 September 2018.

Sale of BSL Pipes & Fittings

By agreement dated 23 November 2018, Mutares sold BSL Pipes & Fittings (BSL) and its loan receivables from BSL to a Luxembourg investor for a total purchase price of EUR 2.0 million. Mutares had acquired the company in 2015 from the French group Génoyer and the restructuring program that had been implemented enabled a successful sale.

The disposal of net assets, the consideration paid and the gains on deconsolidation are shown below:

EUR million	Fair Value
Intangible assets	1.0
Property, plant and equipment	28.9
Other non-current assets	0.6
Non-current assets	**30.5**
Inventories	36.0
Receivables and other current assets	18.4
Other current assets	6.9
Current assets	**61.3**
Deferred tax liabilities	0.0
Other non-current liabilities	–71.2
Non-current liabilities	**–71.2**
Current liabilities	**–67.7**
Disposal of net assets	**–47.1**
Profits/losses from deconsolidations	**41.0**
Consideration	**–6.1**

The consideration is composed of payments received of EUR 2.0 million and the disposal of cash and cash equivalents of EUR 8.1 million.

C. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

6. Revenue from contracts with customers

In accordance with IFRS 8, the development of revenue by segment and region is presented in the notes to the consolidated statement of profit and loss under segment reporting.

7. Other income

Other income is composed as follows:

EUR million	2019	2018
Bargain Purchase Income	102.6	32.3
Income from reversal of expected credit loss (ECL)	1.7	1.5
Income from other self-produced assets	1.6	2.3
Other capitalized self-produced assets	1.6	1.5
Income from raw material and waste recycling	1.6	1.1
Currency Translation	1.1	1.2
Income from the disposal of fixed assets	1.0	0.4
Non-periodic income	0.6	0.9
Income from the release of provisions	0.6	0.1
Income from renting and leasing	0.1	0.3
Gains from deconsolidation	0.0	40.9
Valuation of earn-out Agreements	0.0	11.2
Settlement agreements with previous owners	0.0	5.8
Miscellaneous other income	6.6	7.9
Other operating income	**119.1**	**107.4**

The bargain purchase income is presented in detail in Note 5.1 “Acquisitions of subsidiaries”.

8. Cost of materials

The breakdown of the cost of materials is as follows:

EUR million	2019	2018
Cost of raw materials, consumables and supplies	484.6	441.0
Cost of purchased services	138.0	91.4
Cost of materials	**622.6**	**532.4**

9. Personnel expenses

Personnel expenses are broken down as follows:

EUR million	2019	2018
Wages and salaries	232.9	192.8
Social security contributions and pension contributions	58.9	51.9
Personnel expenses	**291.8**	**244.7**

In the financial years 2019 and 2018, personnel expenses for share-based payments, the service cost relating to defined benefit obligations and personnel expenses for defined contribution plans were recognized. For further details, please refer to the explanations in the respective notes (Note 32 “Conditional capital and share-based payment” and Note 37 “Retirement benefit plans/pension provisions”).

10. Other expenses

The breakdown of other expenses is as follows:

EUR million	2019	2018
Selling expenses	25.1	22.2
Legal and consulting expenses	24.6	27.7
Maintenance and servicing	20.5	17.5
Rent, leases and licence fees	13.8	26.9
Advertising and travel expenses	12.9	10.6
Administration	12.8	10.1
Damage claims, guarantee and warranty	6.2	4.1
Basic levies and other taxes	4.7	3.5
Expenses from subsequent measurement of earn-out receivables	4.2	0.0
Expenses for general partners	3.5	0.0
Expenses from expected credit loss	2.7	2.1
Fleet	2.6	3.2
Costs of dispute settling	0.0	5.5
Miscellaneous expenses	3.9	13.0
Other operating expenses	**137.5**	**146.4**

Due to an adjustment of the estimate regarding the realizability of the corresponding receivable, an earn-out receivable of EUR 4.2 million was written down in the reporting period.

11. Financial result

The breakdown of the financial result is as follows:

EUR million	2019	2018
Other interest and similar income	1.5	0.5
Financial income	**1.5**	**0.5**
Interest expenses from the unwinding of discount on provisions	1.4	1.5
Interest expenses from the unwinding of discount on finance liabilities	2.2	1.0
Interest expenses from factoring	0.9	0.8
Interest expenses from finance leases	0.0	0.1
Interest expenses from leasing liabilities	4.3	0.0
Other interest and similar expenses	2.2	1.7
Financial expenses	**11.0**	**5.1**
Financial result	**–9.5**	**–4.6**

The items reported last year under "Interest expense from finance leases" are reported in the reporting period under "Interest expense from lease liabilities" in accordance with IFRS 16.

12. Income taxes

12.1. INCOME TAXES AND TAX RECONCILIATION

The income taxes recognized in the consolidated statement of comprehensive income break down as follows:

EUR million	2019	2018
Current income tax		
Tax expense for the current period	–4.1	–6.8
Adjustments for income tax expense of previous periods	–0.1	–0.3
Deferred taxes		
Income from deferred taxes	13.1	6.8
Expense from deferred taxes	–8.9	–2.6
Income tax expense/ income	**0.0**	**–2.8**

The following table shows a reconciliation of the differences between the tax expense expected in the respective financial year (i.e. earnings before income tax multiplied by the expected tax rate) and the reported tax expense. The income tax rates applicable to Mutares SE & Co. KGaA as the parent company are applied to the consolidated net income, taking into account a corporate income tax rate of 15.0% (previous year: 15.0%) plus solidarity surcharge of 5.5% (previous year: 5.5%) and a trade tax rate of 17.2% (previous year: 17.2%), resulting in a total income tax rate of approximately 33.0% (previous year: approximately 33.0%).

The income tax rates applicable to the Group companies range between 8.75% and 33.3% (previous year: 19.0% and 33.3%).

EUR million	2019	2018
Profit before tax	**16.7**	**14.8**
Domestic tax rate of the parent company (in %)	33.0	33.0
Tax expense at the domestic tax rate of the parent company	**–5.5**	**-4.9**
Increases/ deductions due to		
Use of unrecognized loss carryforwards	0.4	3.5
Unrecognized deferred taxes on temporary differences and loss carryforwards	–19.8	–15.5
Subsequently recognized deferred taxes on temporary differences and loss carryforwards	0.2	0.3
Other non-deductible expenses including withholding tax	–9.7	–3.1
Tax benefits	0.3	0.5
Tax effect on appreciation of negative difference	33.8	10.9
Tax rate differences	–1.6	1.9
Tax-exempt income	1.6	3.5
Additional payments and refunds of taxes for previous years	–0.1	–0.3
Change in the valuation allowance for deferred tax assets	–0.4	0.0
Other effects	0.8	0.4
Reported income taxes expense	**0.0**	**–2.8**

12.2. DEFERRED TAXES RECOGNIZED IN EQUITY AND OTHER COMPREHENSIVE INCOME

EUR million	2019	2018
Deferred taxes recognized directly in equity	0.0	0.0
Deferred taxes recognized in other comprehensive income	1.1	–0.7
Deferred taxes on the revaluation of the defined benefit obligation	1.1	–0.7
Total	**1.1**	**–0.7**

12.3. CURRENT TAX ASSERT AND LIABILITIES

The current tax assets and liabilities are composed as follows:

Tax assets

EUR million	31 Dec. 2019	31 Dec. 2018
Tax assets with a remaining term of more than 1 year		
Income tax receivables	0.0	0.5
Tax assets with a remaining term of less than 1 year		
Income tax receivables	2.1	3.1
Tax assets	**2.1**	**3.6**

Tax liabilities

EUR million	31 Dec. 2019	31 Dec. 2018
Tax liabilities with a remaining term of less than 1 year		
Income tax liabilities	2.6	2.9
Tax liabilities	**2.6**	2.9

12.4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are composed as follows:

EUR million

	Deferred taxes at beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions/ disposals	Exchange rate differences	Modifications in income tax rates	Deferred taxes at close
Goodwill	0.0	0.0	0.0	–0.2	0.0	0.0	–0.2
Other intangible assets	–6.0	2.2	0.0	–5.9	0.0	0.3	–9.4
Property, plant and equipment	4.3	–1.4	0.0	–10.5	0.0	0.0	–7.6
Non-current financial assets	0.0	–0.1	0.0	–0.2	0.0	0.0	–0.4
Financial assets at fair value through profit or loss	0.0	0.0	0.0	–1.0	0.0	0.0	–1.0
Financial assets available for sale (AfS)	–6.2	–0.3	0.0	–0.4	0.0	0.0	–6.9
Inventories	–1.4	–1.9	0.0	0.8	0.0	0.0	–2.5
Trade receivables	–3.6	2.7	0.0	0.8	0.0	0.3	0.2
Current financial assets	0.7	0.0	0.0	–0.7	0.0	0.0	0.0
Other assets and receivables	–0.5	–1.4	0.0	0.7	0.0	0.0	–1.2
Non-current financial lease liabilities	–0.1	4.9	0.0	3.8	0.0	0.0	8.5
Non-current financial liabilities	0.3	–3.0	0.5	2.8	0.0	–0.4	0.3
Pension obligations	3.0	0.1	0.6	4.8	0.0	–0.3	8.2
Currency translation differences from foreign business	0.0	3.0	0.0	0.0	0.0	0.0	3.0
Long-term provisions	–2.1	–1.7	0.0	4.6	0.0	0.0	0.8
Trade liabilities	0.1	0.7	0.0	–0.2	0.0	0.0	0.7
Current liabilities from finance leases	0.0	0.6	0.0	–0.6	0.0	0.0	0.0
Current financial liabilities	4.2	0.0	0.0	–1.4	0.0	0.0	2.8
Short-term provisions	3.1	–1.1	0.0	–0.6	0.0	0.0	1.4
Other current liabilities	0.1	0.3	0.0	0.2	0.0	0.0	0.6
Subtotal	**–4.1**	**3.6**	**1.1**	**–3.3**	**0.0**	**-0.1**	**–2.8**
Tax losses	9.1	1.0	0.0	1.2	0.0	0.0	11.3
Other deferred taxes	1.9	–0.4	0.0	–1.4	0.0	0.0	0.1
Total	**6.9**	**4.2**	**1.1**	**–3.5**	**0.0**	**–0.1**	**8.7**

12.5. TEMPORARY DIFFERENCES

No deferred taxes are recognized for so-called “outside basis differences”, i.e. differences between the IFRS equity value of an investment and the taxable carrying amount, amounting to EUR 235.3 million (previous year: EUR 110.0 million), as the Company can control the timing of the reversal and a reversal is not expected in the foreseeable future.

In addition, no deferred taxes are recognized for temporary differences in the amount of EUR 0.5 million (previous year: EUR 2.2 million), as it is not probable that taxable profits will be available for future offsetting.

12.6. UNUSED TAX LOSSES AND UNUSED TAX CREDITS

Deferred tax assets of EUR 8.6 million (previous year: EUR 3.5 million) were recognized for existing corporation tax and trade tax loss carryforwards and other tax credits.

Deferred tax assets of EUR 7.6 million (previous year: EUR 0.9 million) were recognized for unused tax losses and tax credits in respect of Group companies that generated a negative result in the current or previous period. Deferred tax assets were recognized since, based on the relevant business plans, it is considered probable that there will be future taxable profits to offset these unused tax losses and tax credits. This is particularly the case when companies have incurred start-up costs or it is assumed that the restructuring measures will result in positive earnings in the foreseeable future.

Deferred tax assets of EUR 1.3 million (previous year: EUR 0.0 million) were recognized as part of purchase price allocations.

In addition, no deferred tax assets are recognized for corporate and trade tax loss carryforwards and other tax credits of EUR 404.6 million (previous year: EUR 169.4 million), as there are legal or economic restrictions on their future use.

Of the unused tax losses and tax credits, EUR 29.7 million are subject to a time limitation of less than 5 years (previous year: EUR 6.2 million).

12.7. UNCERTAIN TAX LIABILITIES/ASSETS

There were no uncertain tax positions in the reporting period.

In addition, the application of IFRIC 23 did not have any material impact on the consolidated financial statements, as it did not change the measurement of the tax liabilities or assets recognized in the balance sheet. With respect to the valuation of pension obligations in connection with an acquisition, STS Group has set up a risk provision in the amount of EUR 0.4 million.

IFRIC 23 addresses the accounting for current and deferred tax liabilities where there is uncertainty about the income tax treatment. Such uncertainties may arise if the application of the applicable tax law to a specific transaction is not clear and therefore depends on the interpretation of the tax authorities. However, Mutares SE & Co. KGaA is not aware of such interpretation at the time of preparing the financial statements. IFRIC 23 requires that an entity considers these uncertainties in accounting for tax liabilities or assets only when it is probable that the related tax amounts will be paid or recovered. It is assumed that the tax authorities will exercise their right to review declared amounts and have full knowledge of all related information. In such cases, Mutares SE & Co. KGaA always considers the tax situation individually and measures it at the most probable amount.

13. Consolidated net income and total comprehensive income

The consolidated net income of EUR 16.7 million (previous year: EUR 12.0 million) includes non-controlling interests of EUR –4.1 million (previous year: EUR –2.7 million).

The total comprehensive income of EUR 14.9 million (previous year: EUR 12.7 million) includes non-controlling interests of EUR –4.5 million (previous year: EUR –2.8 million), which mainly result from STS Group AG.

14. Earnings per share

Earnings per share are as follows:

		2019	2018
Net income for the year after taxes attributable to the shareholders of Mutares	EUR million	**20.8**	14.7
Weighted average number of shares for calculating earnings per share			
Basic	Number	**15,234,417**	15,341,379
Diluted	Number	**15,234,417**	15,341,379
Earnings per share			
Basic	EUR	**1.37**	0.96
Diluted	EUR	**1.37**	0.06

The stock options issued as part of share-based compensation have no effect on the dilution of earnings per share. For share-based payment, we refer to our comments under Note 32 below.

15. Segment information

According to IFRS 8, operating segments are to be defined on the basis of internal reporting on Group areas, which is regularly reviewed by the company's chief operating decision maker with regard to decisions on the allocation of resources to these segments and the assessment of their profitability. Information reported to the Management Board as the chief operating decision maker for the purpose of allocating resources to the Group's operating segments and assessing their performance relates to the products and services that are manufactured or provided. The Management Board has decided to structure its reporting accordingly. No business segments have been aggregated to arrive at the level of the Group's reportable segments.

In order to drive further growth and to develop the portfolio in a targeted manner, Mutares is segmenting its investments into the following three segments as of the beginning of the financial year 2019:

- Automotive & Mobility
  Elastomer Solutions Group
  STS Group
  Plati Group
  KICO Group

- Engineering & Technology
  Balcke-Dürr Group
  Donges Group
  Gemini Rail Group
  EUPEC

- Goods & Services
  Cenpa
  KLANN Packaging
  TréfilUnion
  keeeper Group
  BEXity Group

In contrast, in the financial year 2018 Mutares' business activities were bundled into five different segments:

- Automotive
- Engineering & Technology
- Construction & Infrastructure
- Wood & Paper
- Consumer Goods & Logistics

The now three segments each consist of several legal entities. The allocation of the legal units to the segments is clear; there are therefore no so-called Zebra companies. All three segments generate income and expenses as defined by IFRS 8.5.

Reporting and management of the individual segments is carried out in accordance with IFRS. The accounting policies of the reportable segments generally also apply to transactions between reportable segments and correspond to the Group accounting policies described in Note 54. Sales between segments are charged at market prices.

Since mid-2018, the Management Board, as the chief operating decision maker, has also measured the success of the segments using a key performance indicator adjusted for non-recurring effects, which is referred to as "adjusted EBITDA" in internal management and reporting. The basis for the calculation of these alternative performance measures is the reported Group EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for transaction-related income (bargain purchases), restructuring and other one-off expenses and deconsolidation effects. This alternative performance measure is intended to make the operating developments within the segments transparent and enable the chief operating decision maker to assess the operating profitability of the individual segments.

The reconciliation from reported EBITDA to the control parameter of Adjusted EBITDA is as follows:

EUR million	2019	2018
EBITDA	**79.2**	**49.1**
Income from bargain purchases	**–102.6**	–32.3
Restructuring and other non-recurring expenses	**31.0**	28.6
Deconsolidation effects	**0.0**	–40.9
Adjusted EBITDA	**7.5**	4.5

With regard to transaction-related income (bargain purchases), we refer to the comments in Note 5.1 on the acquisition of subsidiaries, and with regard to the deconsolidation effects, we refer to the comments in Note 5.2 on the deconsolidation of subsidiaries.

Restructuring and other non-recurring expenses for the financial year 2019 include severance payments and social plans totaling EUR 17.2 million, particularly in connection with the restructuring plans at the newly acquired companies in the Engineering & Technology and Automotive & Mobility segments. Also included are expenses from the valuation of an earn-out agreement in connection with an investment of EUR 4.2 million sold in financial year 2017 and consulting fees for the restructuring of various investments of the Group totaling EUR 4.9 million.

Restructuring and other one-off expenses in the previous year include one-off expenses from the valuation of Artmadis' assets and liabilities in connection with the liquidation and deconsolidation (EUR 15.9 million). At EUR 10.8 million, expenses for severance payments and social plans result primarily from the Engineering & Technology segment, where they are mainly related to the restructuring plans of the newly acquired subsidiaries (EUR 8.4 million). In addition, special effects of the IPO, legal and consulting costs, severance costs and fees for Transition Service Agreements ("TSA") from STS (EUR 6.9 million) as well as expenses in connection with the settlement of a lawsuit at Mutares SE & Co KGaA (EUR 5.5 million) are included here. In addition, other one-time expenses in connection with the IPO of STS Group AG and the conversion to IFRS at Mutares SE & Co. KGaA (EUR 1.6 million) as well as expenses for severance payments and social plans (EUR 2.5 million) at various subsidiaries of the Mutares Group are included. This was offset by income from earn-out agreements from the investments in A+F Automation und Fördertechnik GmbH (EUR 2.6 million) and the GeesinkNorba Group (EUR 8.6 million) sold in the financial year 2017 and from the settlement agreement with the sellers of Balcke-Dürr (EUR 5.8 million).

	Segments									
EUR million	Automotive & Mobility		Engineering & Technology		Goods & Services		Corporate/ Consolidation		Mutares-Group	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenues	**450.4**	437.0	**482.0**	298.6	**83.5**	48.7	**0.0**	0.0	**1,015.9**	784.2
Cost of Material	**–262.0**	–252.0	**–311.0**	–190.8	**–49.7**	–26.7	**0.0**	0.0	**–622.6**	–469.5
Personnel expenses	**–130.6**	–115.0	**–125.9**	–82.3	**–22.2**	–11.3	**–13.0**	–12.5	**–291.7**	–221.2
Other operating expenses	**–62.2**	–71.2	**–53.4**	–46.7	**–23.2**	–8.6	**1.3**	–2.4	**–137.5**	–128.9
EBITDA	**13.6**	10.5	**–3.8**	24.0	**79.5**	2.9	**–10.2**	–16.1	**79.2**	21.4
Adjusted EBITDA	**15.6**	17.5	**4.7**	–1.0	**–7.3**	3.3	**–5.5**	–6.5	**7.5**	13.3
Timing of revenue recognition										
Transferred at a point in time	**190.1**	131.8	**333.1**	178.2	**83.5**	48.7				
Over period	**260.3**	305.1	**148.9**	120.4	**0.0**	0.0				

The classification into the three segments mentioned above was made at the beginning of the financial year 2019. The Management board as the chief operating decision maker has also been managing on this basis since the beginning of the financial year 2019. Accordingly, the investments deconsolidated in the course of the financial year 2018 were not allocated to the segments shown above. The reconciliation to the statement of comprehensive income for the financial year 2018 is therefore as follows:

Reconciliation to the statement of comprehensive income 2018

EUR million	Current portfolio	deconsolidated units	Comprehensive income statement 2018
Revenues	784,2	80,9	865,1
Cost of Material	–469.5	–62.9	–532.4
Personnel expenses	–221.2	–23.5	–244.7
Other operating expenses	–128.9	–17.5	–146.4
EBITDA	21.4	27.8	49.1
Adjusted EBITDA	14.5	–10.0	4.5

The non-current assets of the units are broken down geographically according to where the assets are located as follows:

EUR million	2019	2018
Europe	192.0	146.1
Germany	52.7	31.1
France	74.8	68.1
Italy	25.0	25.0
Other	39.4	21.9
Rest of world	46.5	33.2

The non-current assets of the segments comprise intangible assets, property, plant and equipment and other non-current non-financial assets.

In the financial year 2019, revenues from one customer in the Automotive & Mobility segment amounted to EUR 102.0 million (previous year: EUR 108.3 million) and thus more than 10% of total third-party revenues in the Mutares Group.

Revenue breaks down according to the location of the registered office of the supplying or service providing unit as follows:

EUR million	2019	2018
Europe	916.8	772.3
Germany	297.6	236.7
France	301.8	353.5
United Kingdom	128.8	123.2
Italy	81.7	14.0
Poland	43.9	20.6
Rest of Europe	62.9	24.3
China	57.8	56.1
Rest of world	41.3	36.6

Revenue for each group of comparable products and services is not disclosed because the necessary information is not available and the cost of preparing it is excessive.

The reconciliation of the reported segment results to profit before tax is as follows:

EUR million	2019	2018
Total segment EBITDA	89.4	65.1
Corporate/consolidation	–10.2	–16.1
Depreciation	–53.0	–29.7
Financial result	–9.5	–4.6
Profit before tax	**16.7**	**14.8**

D. NOTES ON ASSETS

16. Intangible assets

The development of other intangible assets is as follows:

EUR million	Internally generated intangible rights and assets	Software	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Historical cost					
As at 1 Jan. 2018	**24.9**	**11.8**	**11.8**	**1.1**	**49.6**
Changes in consolidated group	2.5	−7.5	1.0	2.5	−1.5
Reclassification	−14.4	0.2	14.4	0.2	0.4
Additions	0.8	4.3	0.1	0.5	5.7
Disposals	0.0	−0.2	−0.1	−0.2	−0.5
Currency translation effects	0.0	0.0	0.1	0.0	0.1
As at 31 Dec. 2018	**13.8**	**8.6**	**27.3**	**4.1**	**53.8**
Changes in consolidated group	0.2	1.8	22.3	0.1	24.2
Reclassification	−12.8	1.2	11.6	−1.2	−1.2
Adjustments due to change in accounting policies	0.0	−1.8	0.0	0.0	−1.8
Additions	1.1	0.7	0.3	3.1	5.2
Currency translation effects	0.0	0.0	0.2	0.1	0.3
As at 31 Dec. 2019	**2.3**	**10.5**	**61.7**	**6.2**	**80.7**

EUR million	Internally generated intangible rights and assets	Software	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Accumulated amortization and impairment					
As at 01.01.2018	**−2.8**	**−7.9**	**−3.2**	**0.0**	**−13.9**
Changes in consolidated group	0.0	6.9	0.6	0.0	7.5
Reclassification	1.3	0.0	−1.3	0.0	0.0
Amortization	−1.7	−1.3	−3.0	−0.1	−6.1
Impairment	0.0	0.0	−0.1	0.0	−0.1
Disposals	0.0	0.1	0.1	0.0	0.2
As at 31 Dec. 2018	**−3.2**	**−2.2**	**−6.9**	**−0.1**	**−12.4**
Reclassification	3.0	0.0	−2.6	0.0	0.4
Amortization	−0.4	−1.6	−5.6	−1.6	−9.2
Impairment	0.0	−0.7	0.0	0.0	−0.7
As at 31 Dec. 2019	**−0.6**	**−4.5**	**−15.2**	**−1.7**	**−22.0**
Net carrying amounts					
As at 1. Jan. 2018	22.1	3.9	8.6	1.1	35.7
As at 31 Dec. 2018	10.6	6.4	20.4	4.0	41.4
As at 1. Jan. 2019	10.6	6.4	20.4	4.0	41.4
As at 31 Dec. 2019	**1.7**	**6.0**	**46.5**	**4.5**	**58.7**

The finance leases accounted for by Mutares until 31 December 2018 were reclassified to the balance sheet item “rights of use” following the first-time adoption of IFRS 16 on 1 January 2019. The effect can be seen in the line ‘Adjustments due to change in accounting policy’.

Intangible assets of EUR 24.4 million were acquired as part of the acquisitions made during the reporting period. In the previous year, this figure was EUR 4.4 million, mainly due to the lower transaction volume.

Intangible assets of EUR 6.8 million were acquired as part of the Automotive & Mobility segment’s two platform investments, with EUR 5.3 million attributable to customer relationships. The platform investments of the Goods & Services segment resulted in acquired intangible assets of EUR 7.4 million, of which EUR 3.0 million are attributable to customer relationships. Add-on acquisitions in the Engineering & Technology segment resulted in intangible assets of EUR 10.2 million, of which EUR 6.7 million are attributable to acquired customer relationships.

In the period under review, research and development expenses recognized as expenses amounted to EUR 1.8 million (previous year: EUR 1.8 million).

With regard to intangible assets pledged as collateral as of 31 December 2019, see Note 35.

Intangible assets with indefinite useful lives

As of 31 December 2019, one Group company in the Engineering & Technology segment had intangible assets with indefinite useful lives of EUR 2.9 million (previous year: EUR 2.9 million). This is a brand acquired as part of a business combination. The useful life was estimated to be unlimited, as management has no plans to change the brand name and the asset can therefore be used by the company indefinitely.

The relief from royalty method was used to value the brand at the time of initial recognition on 31 December 2016. This method is based on the assumption that if the company did not own the brand, it would be willing to enter into a license agreement. Under this hypothetical licensing transaction, the licensee would have to pay royalties to the licensor. The value of the trademark can therefore be estimated as the present value of all future royalty payments in a hypothetical licensing transaction. In such transactions, royalties are usually determined by applying a royalty rate to sales of the product or products bearing the trademark. The recoverable amount is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a three-year period. The discount rate used for the cash flow projections is 8.4% (2018: 8.3%). Cash flows beyond the three-year period were extrapolated using a growth rate of 1.0% (2018: 1.0%). As in the previous year, the impairment test carried out in the financial year 2019 did not result in any need for unscheduled depreciation.

In addition, intangible assets with indefinite useful lives were acquired in the Engineering & Technology (EUR 1.7 million), Goods & Services (EUR 1.2 million) and Automotive & Mobility (EUR 1.1 million) segments as part of acquisitions in the reporting period. These are all brands. The relief from royalty method was also applied to the valuation of these brands. The discount rates used range from 7.2% to 12.8%. Cash flows after the three-year period were extrapolated using a growth rate of 1.0%.

Impairment of intangible assets

In the financial year 2019, an impairment of EUR 0.7 million was recognized for the reporting and consolidation tool of a subsidiary of the Automotive & Mobility segment, which is being replaced by another system.

17. Property, plant and equipment

The development of property, plant and equipment is as follows:

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Historical cost					
As at 1 Jan. 2018	**353.6**	**736.5**	**41.8**	**6.3**	**1.138.2**
Changes in consolidated group	–265.6	–535.3	–15.8	–2.7	–819.4
Assets held for sale	–19.6	0.0	0.0	0.0	–19.6
Reclassification	0.8	2.4	–0.3	–3.3	–0.4
Additions	0.9	8.3	2.4	8.1	19.7
Disposals	–0.3	–3.3	–0.5	0.0	–4.1
Currency Translation effects	–0.3	0.1	0.1	0.0	–0.1
As at 31 Dec. 2018	**69.5**	**208.7**	**27.7**	**8.4**	**314.3**
Changes in consolidated group	34.3	28.2	4.6	0.9	68.0
Assets held for sale	–0.3	0.0	0.0	0.0	–0.3
Reclassification	0.6	4.5	0.4	–4.4	1.1
Adjustments due to change in accounting policies	0.0	–7.0	–1.1	0.0	–8.1
Additions	2.6	11.3	3.4	8.9	26.2
Disposals	–19.9	–2.4	–0.4	–1.4	–24.1
Currency translation effects	0.1	0.1	0.0	0.0	0.2
As at 31 Dec. 2019	**86.9**	**243.4**	**34.6**	**12.4**	**377.3**

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Accumulated depreciation and impairment					
As at 1 Jan. 2018	**–265.0**	**–671.3**	**–31.2**	**–0.1**	**–967.6**
Changes in consolidated group	256.2	536.1	15.1	0.1	807.5
Reclassification	0.0	–0.4	0.4	0.0	0.0
Depreciation	–5.3	–13.0	–2.2	0.0	–20.5
Impairment	–1.0	–1.9	–0.1	0.0	–3.0
Disposals	0.1	2.4	0.2	0.0	2.7
Currency translation effects	0.0	–0.1	0.0	0.0	–0.1
As at 31 Dec. 2018	**–15.0**	**–148.2**	**–17.8**	**0.0**	**–181.0**
Reclassification	0.0	0.0	–0.4	0.0	–0.4
Adjustments due to change in accounting policies	0.0	2.4	0.1	0.0	2.5
Depreciation	–4.7	–17.7	–3.4	0.0	–25.8
Impairment	–0.1	–0.9	0.0	0.0	–1.0
Disposals	2.5	1.6	0.4	0.0	4.5
Currency Translation effects	0.2	0.0	0.1	0.0	0.3
As at 31 Dec. 2019	**–17.1**	**–162.8**	**–21.0**	**0.0**	**–200.9**
Net carrying amounts					
As at 1. Jan. 2018	88.6	65.2	10.6	6.2	170.6
As at 31 Dec. 2018	54.5	60.5	9.9	8.4	133.3
As at 1. Jan. 2019	54.5	60.5	9.9	8.4	133.3
As at 31 Dec. 2019	**69.8**	**80.6**	**13.6**	**12.4**	**176.4**

The finance leases accounted for by Mutares until 31 December 2018 were reclassified to the balance sheet item "rights of use" following the first-time adoption of IFRS 16 on 1 January 2019. The effect can be seen in the line 'Adjustments due to change in accounting policy'.

Property, plant and equipment of EUR 68.0 million was acquired as part of the acquisitions made during the reporting period. With regard to property, plant and equipment acquired in the course of business combinations, we also refer to the comments above (point 5.1 "Acquisitions of subsidiaries").

With regard to property, plant and equipment pledged as collateral as of 31 December 2019, see Note 35.

Impairment of property, plant and equipment

Impairment losses on property, plant and equipment in the financial year 2019 mainly relate to the Automotive & Mobility segment. Due to the ongoing difficult economic conditions, one of the segment's investments underwent a review of the recoverable amount for several cash-generating units (CGUs) in the financial year 2019. One of these CGUs is still an independent plant. The review resulted in the recognition of an impairment loss of EUR 0.8 million (previous year: EUR 1.1 million), which was allocated to technical equipment and machinery. The discount factor used to determine the value in use was 14.17% p.a. (previous year: 13.4% p.a.). The value in use of the CGU amounted to EUR 4.3 million as of 31 December 2019 (previous year: EUR 5.5 million).

In the financial year 2018, an impairment loss of EUR 1.4 million was recognized on property, plant and equipment of a subsidiary that has since been deconsolidated, as the recoverable amount was below the carrying amount.

18. Right of use assets (RoU assets)

Mutares has leases for the rental of buildings, office space, technical equipment and machinery and other equipment, factory and office equipment, vehicles and, to a minor extent, software.

The following table shows the first-time adoption effect as of 1 January 2019 and the changes in the rights of use recognized by the Group.

EUR million	Intangible assets	Land and buildings	Vehicle fleet	Technical and office equipment and machinery	Total
Changes in rights of use recognized in the balance sheet					
As at 1 Jan. 2019	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Rights of use from initial application	1.7	45.7	3.3	11.9	62.6
Additions	0.2	60.9	4.1	6.5	71.7
Disposals	0.0	-0.2	-0.1	0.0	-0.3
Currency translation effects	0.0	0.5	0.0	0.0	0.5
Change due to revaluation or contractual adjustment	0.0	1.2	0.0	0.0	1.2
As at 31 Dec. 2019	**1.9**	**108.1**	**7.3**	**18.4**	**135.7**
Accumulated depreciation					
As at 1 Jan. 2019	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Ongoing amortization	-0.3	-10.6	-2.0	-3.4	-16.3
Disposals	0.0	0.2	0.2	0.0	0.4
As at 31 Dec. 2019	**-0.3**	**-10.4**	**-1.8**	**-3.4**	**-15.9**
Net carrying amounts					
As at 1 Jan. 2019	0.0	0.0	0.0	0.0	0.0
As at 31 Dec. 2019	**1.6**	**97.7**	**5.5**	**15.0**	**119.8**

The additions of EUR 71.7 million are strongly influenced by the various transactions in the financial year 2019.

The leases entered into by the Group are generally subject to restrictions. These result from termination or subletting restrictions.

Some leases also include an option to purchase the underlying leased asset in full at the end of the lease or to extend the lease for another term.

In some cases, the leasing relationship is associated with corresponding maintenance, servicing and/or insurance obligations.

Please refer to Note 36 for explanations regarding the corresponding lease liabilities.

19. Inventories

Inventories break down as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Raw materials, consumables and supplies	**54.0**	43.7
Work in progress	**46.1**	32.3
Finished goods and goods for resale	**31.0**	21.9
Prepayments on inventories	**2.9**	2.9
Inventories	**134.0**	**100.8**

Inventories recognized as an expense amount to EUR 484.0 million (previous year: EUR 441.0 million).

For information on inventories pledged as collateral as of 31 December 2019, see Note 35.

The impairment of inventories to the lower net realizable value recognized in the statement of comprehensive income amounts to EUR 1.6 million (previous year: EUR 13.5 million).

The reversals of impairment losses on inventories recognized in the statement of comprehensive income amount to EUR 1.6 million (previous year: EUR 2.3 million) and result from changes in economic conditions that indicate an increase in net realizable value.

20. Contract balances

The contractual balances are composed of contractual assets and contractual liabilities and are broken down by maturity as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Non-current receivables from contracts with customers	**0.4**	0.6
Current receivables from contracts with customers	**139.4**	146.6
Non-current contract assets	**0.0**	0.1
Current contract assets	**29.1**	15.7
Non-current contract liabilities	**3.1**	1.6
Current contract liabilities	**31.5**	30.6

The contract assets as of the balance sheet date result mainly from long-term projects that meet the criteria for revenue recognition over a specific period. The contract assets represent the legal entitlement from deliveries and services rendered in excess of the payments received. In the Engineering & Technology segment, the contract assets mainly relate to services with revenue recognition over a specific period of time in the area of plant construction and bridge building, and in the Automotive & Mobility segment in the area of series production. The contractual liabilities as of 31 December 2019, result mainly from advance payments received from customers in connection with long-term construction contracts.

The change in contract balances in the financial year 2019 is the result of ongoing business activities and the associated changes in project progress and settlements. In the current reporting period, revenues of EUR 12.3 million were realized from contracts with customers, which were included in contract liabilities at the beginning of the period. Contractual liabilities of EUR 0.8 million, which were reported under non-current contractual liabilities at the beginning of the period, were reclassified to current contractual liabilities as of 31 December 2019.

A total transaction price of EUR 196.0 million has been allocated to the performance obligations not or not fully met as of 31 December 2019. Management assumes that EUR 124.6 million of this amount will be recognized as revenue in 2020 and EUR 71.4 million in subsequent periods. The outstanding performance obligations mainly relate to long-term construction contracts from the Balcke-Dürr Group and the Donges Group as well as obligations from the manufacture of series tools from the Automotive & Mobility segment. In accordance with IFRS 15, the transaction price is not disclosed for performance obligations with a maximum term of one year.

21. Other financial assets

The other financial assets are as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Receivables from company acquisitions	**31.6**	0.0
Receivables from earn-out agreements	**4.4**	11.2
Cash and term deposits	**6.5**	8.7
Security deposits	**4.3**	3.6
Retentions from recourse Factoring	**4.1**	0.0
Creditors with debit balances	**0.8**	0.9
Supplier bonuses	**0.5**	0.7
Miscellaneous financial assets	**3.7**	0.3
Other financial assets	**55.9**	**25.4**

Receivables from company acquisitions and earn-out receivables are described in Note 41 “Fair value measurement”.

22. Other non-financial assets

The other non-financial assets are as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
VAT receivables	**12.3**	9.3
Accrued income	**6.4**	3.9
Other tax assets	**6.0**	6.7
Miscellaneous other assets	**1.0**	2.0
Other non-financial assets	**25.7**	**21.9**

With regard to other assets pledged as collateral as of 31 December 2019, see Note 35.

23. Trade accounts receivable and other receivables

Trade receivables and other receivables break down as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Trade and other receivables	**145.1**	153.1
Less expected credit losses	**–5.3**	–5.9
Other receivables	**3.2**	0.4
Trade and other receivables	**143.0**	**147.6**

Trade and other receivables are non-interest-bearing and, with the exception of receivables of EUR 0.4 million, have a term of less than one year.

Since the beginning of the financial year 2018, Mutares has recorded impairment losses for general credit risks using the expected loss model in accordance with IFRS 9.5.5. The impairment losses are initially recorded in allowance accounts unless it can be assumed that the receivable will be wholly or partially uncollectible when the reason for the impairment arises. In such cases, the carrying amount of the receivables is written down directly through profit or loss.

For the determination of impairment losses, please refer to Note 42.1.

Impairment losses of EUR 1.0 million (previous year: EUR 1.0 million) were recognized for trade receivables measured at fair value with no effect on profit or loss.

For information on receivables pledged as collateral as of 31 December 2019, see Note 35.

The expected credit losses for trade and other receivables have developed as follows:

EUR million	2019	2018
As at 1 Jan.	**5.9**	**7.3**
Additions	**2.6**	2.1
Use	**–1.5**	–1.9
Reversals	**–1.7**	–1.5
Currency translation	**0.0**	–0.1
As at 31 Dec.	**5.3**	**5.9**

Assignment of trade receivables

Companies in the Mutares Group sell trade receivables to factoring companies in return for recourse rights. These trade receivables are not derecognized from the balance sheet, as Mutares retains substantially all risks and rewards associated with ownership. This is primarily the credit risk. The amounts received from the sale of trade receivables are reported as other financial liabilities. Depending on the agreement with the respective factoring company, customers settle the corresponding open items directly to Mutares company, which then passes on the amounts received to the factoring companies. The carrying amount of trade receivables not derecognized as of the balance sheet date is EUR 29.8 million (previous year: EUR 50.7 million). The corresponding liabilities amounted to EUR 23.6 million (previous year: EUR 47.0 million) on the balance sheet date. Due to the short-term nature of the trade receivables sold and the associated liabilities, the fair value approximates the carrying amount. The net position of this amounts to EUR 6.2m (previous year: EUR 3.8m).

Mutares also sold trade receivables with a book value of EUR 33.3 million (previous year: EUR 6.6 million) to third parties on the basis of factoring agreements, for which no significant risks remain for Mutares. The receivables were thus derecognized in accordance with IFRS 9.3.2.6(a). Retentions in connection with these assigned receivables amount to EUR 5.6 million (previous year: EUR 0.8 million) and are recorded under other non-current financial assets. Due to the short-term nature of the trade receivables sold, the fair value approximates the carrying amount. In the event of late payment by the customer, Mutares is exposed to a remaining payment risk of EUR 0.0 million (previous year: EUR 0.0 million) vis-à-vis the factoring company. The amounts to be repaid to the factoring company would be considered short-term and represent the maximum risk of loss for Mutares.

24. Non-current assets held for sale

As of the reporting date, non-current assets held for sale amounted to EUR 0.3 million and relate to a piece of land owned by KICO of an investment from the Automotive & Mobility segment in Poland. The transaction was highly probable as of 31 December 2019.

In the previous year, the premises of Donges SteelTec GmbH (Engineering & Technology segment) were reported under non-current assets held for sale. The Company sold this site in the financial year 2019 as part of a sale-and-leaseback transaction and subsequently leased it back. The transaction was highly probable at the balance sheet date of 31 December 2018. In connection with the measurement at fair value less costs to sell based on the contractual negotiations, an impairment loss of EUR 0.4 million was recognized, which was reported in the statement of comprehensive income under depreciation and amortization.

25. Cash and cash equivalents

Cash and cash equivalents are as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Bank balance	75.3	102.8
Cash equivalents	4.3	5.3
Cash balance	0.1	0.0
Cash and cash equivalents	**79.7**	**108.1**

As of 31 December 2019, cash and cash equivalents of EUR 4.1 million were restricted (previous year: EUR 2.9 million).

With regard to cash and cash equivalents pledged as collateral as of 31 December 2019, see Note 35.

E. NOTES ON EQUITY AND LIABILITIES

The individual components of equity and their development for the financial years 2018 and 2019 are presented in the consolidated statement of changes in equity.

26. Share capital

The subscribed capital of the parent company Mutares SE & Co. KGaA is fully paid up and, as in the previous year, consists of 15,496,292 registered shares with a notional value of EUR 1.00 each as of 31 December 2019. With regard to the shares in circulation, we refer to the information provided in Note 33 “Acquisition of treasury shares”.

27. Capital reserves

The capital reserve amounted to EUR 37.3 million as of 31 December 2019 (previous year: EUR 36.8 million). The increase results from the recognition of share-based payments (see the explanations under Note 32 below).

The capital reserve thus consists of the premium on the issue of shares in the parent company of EUR 36.1 million (previous year: EUR 36.1 million) and the recognition of share-based payments of EUR 1.2 million (previous year: EUR 0.7 million).

28. Retained earnings

By resolution of the Annual General Meeting on 23 May 2019, a partial amount of EUR 15.2 million of the Company’s net retained profits under commercial law as at 31 December 2018 was distributed in the form of a dividend of EUR 1.00 per no-par value share entitled to dividend.

The Management Board and Supervisory Board will propose a dividend of EUR 1.00 per share for the financial year 2019 to the Annual General Meeting. This corresponds to a total amount of EUR 15.2 million in relation to the shares in circulation on the balance sheet date.

29. Other components of equity

The other components of equity include the reserve from foreign currency translation and the revaluation reserve for pension obligations. The development in the 2018 and 2019 financial years is shown in total in the consolidated statement of changes in equity. The following table shows details of the development:

	Other components of equity				
EUR million	Actuarial gains/ losses	Currency adjustment	Total	Non-controlling interest	Attributable to the shareholders of the parent company
As at 1 Jan. 2018	**3.1**	**–0.9**	**2.2**	**–0.4**	**1.8**
Other comprehensive income after income taxes	1.6	–0.9	0.7	0.1	0.8
Changes in consolidated group	–3.1	–0.2	–3.3	0.0	–3.3
As at 31 Dec. 2018	**1.6**	**–2.0**	**–0.4**	**–0.3**	**–0.7**
Other comprehensive income after income taxes	–3.1	1.3	–1.8	0.4	–1.4
As at 31 Dec. 2019	**–1.5**	**–0.7**	**–2.2**	**0.1**	**–2.1**

30. Non-controlling interests

Mutares has non-controlling interests in its subsidiaries Plati and STS:

On 1 June 2018, STS Group AG, headquartered in Hallbergmoos, was admitted to the regulated market of the Frankfurt Stock Exchange (Prime Standard). In this context, 1,000,000 new shares from a capital increase of STS Group AG and a further 1,172,172 shares from the previous sole shareholder Mutares SE & Co. KGaA were placed at an offer price of EUR 24.00 per share. The share capital of STS Group AG was increased to 6,000,000 shares as a result of the aforementioned transaction. The issue proceeds of EUR 52.1 million in total were recognized directly in equity, as were the related costs of EUR 5.2 million. This resulted in non-controlling interests of EUR 30.6 million.

In the further course of the financial year 2018, the Executive Board of STS Group AG launched a share buyback program under which a total of 45,237 shares (previous year: 4,763 shares) were acquired in the financial year 2019 (last acquisition on 3 May 2019). This corresponds to a nominal amount of EUR 45 thousand (previous year: EUR 5 thousand) or 0.75% (previous year: 0.08%) of the share capital of STS Group AG. The shares were acquired at an average price of EUR 9.86 (previous year: EUR 12.51) per share, ranging between EUR 8.00 and EUR 11.17 (previous year: EUR 10.77 and EUR 13.60).

Mutares SE & Co. KGaA repurchased a total of 78,000 shares in STS Group AG for a total of EUR 1.0 million in the financial years 2018 and 2019. This is a transaction with minority interests, which is shown as such in the statement of changes in equity.

Following the acquisition of shares by Mutares SE & Co. KGaA, the shareholding and voting rights of the non-controlling shareholders of STS Group AG amounted to 34.9% as of 31 December 2019 (previous year: 35.2%).

Mutares completed the acquisition of 80% of the shares of Plati Elettroforniture S.p.A and its subsidiaries on 7 June 2019. The transaction resulted in non-controlling interests of EUR 0.2 million.

Non-controlling interests in the period under review account for a pro rata total result of EUR –4.5 million (previous year: EUR –2.8 million). As of 31 December 2019, there were cumulative non-controlling interests of EUR 22.9 million (previous year: EUR 27.4 million).

There are no restrictions on the ability of Mutares to access or use assets of subsidiaries and settle liabilities.

EUR million	31 Dec. 2019	31 Dec. 2018
Non-current assets	147.1	115.6
Current assets	129.1	158.2
Non-current liabilities	59.2	39.2
Current liabilities	145.1	152.2
Equity attributable to shareholders of the parent company	48.9	55.0
Non-controlling interests	22.9	27.4
Revenues	378.2	401.2
Other income and expenses (cumulative)	–393.1	–406.0
Net income	**–14.9**	**–4.8**
Net income for the year attributable to shareholders of the parent company	–10.8	–2.1
Net income for the year attributable to non-controlling interests	–4.1	–2.7
Total net income	**–14.9**	**–4.8**
Other comprehensive income attributable to the shareholders of the parent Company	–0.2	–0.1
Other comprehensive income attributable to non-controlling interests	–0.3	0.1
Total other comprehensive income	**–0.5**	**–0.2**
Comprehensive income attributable to shareholders of the parent company	–10.8	–2.2
Comprehensive income attributable to non-controlling interests	–4.5	–2.8
Total comprehensive income	**–15.3**	**–5.0**
Dividends paid (-) to non-controlling interests	0.0	0.0
Cash flow from operating activities	35.0	7.1
Cash flow from investing activities	–14.0	–13.9
Cash flow from financing activities	–34.8	22.1
Total net cash flows	**–13.7**	**15.3**

31. Authorized capital

At the Company's Annual General Meeting on 22 May 2015, the Annual General Meeting resolved to create Authorized Capital 2015/I. By resolution of the Annual General Meeting on 20 July 2018, this resolution was adjusted with regard to the conversion from bearer shares to registered shares. As a result, the Management Board was authorized, with the consent of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 7.0 million against cash and/or non-cash contributions by issuing up to 7,000,000 new no-par value bearer shares until 21 May 2020 ("Authorized Capital 2015/I"). The Management Board has partially used the authorization granted to it in the amount of EUR 1.4 million as part of the capital increase carried out in October 2015.

By resolution of 23 May 2019, the Annual General Meeting of the Company resolved to cancel Authorized Capital 2015/I and instead authorized the Management Board, with the consent of the Supervisory Board, to increase the share capital of the Company in the period until 22 May 2024 by a total of up to EUR 7.7m by issuing up to 7,748,146 new registered shares against cash and/or non-cash contributions ("Authorized Capital 2019/I").

Authorized capital thus totaled EUR 7.7 million as of the balance sheet data (previous year: EUR 5.6 million) and consists solely of Authorized Capital 2019/I (previous year: Authorized Capital 2015/I.

32. Conditional capital and share-based payment

31.1. SHARE-BASED PAYMENT AT THE PARENT COMPANY

a. Conditional capital

The Annual General Meeting of the Company on 3 June 2016 authorized the Management Board, with the consent of the Supervisory Board, to issue up to 1,500,000 subscription rights ("stock options") to members of the Management Board of the Company, members of the management of affiliated domestic and foreign companies of the Company and to employees of the Company and employees of affiliated domestic and foreign companies until 2 June 2020 ("Mutares Stock Option Plan 2016"). The stock options entitle the holder to subscribe to up to 1,500,000 no-par value registered (previous year: bearer) shares of the Company with a notional interest in the share capital of EUR 1.00 each. Furthermore, the Annual General Meeting resolved to conditionally increase the share capital of the Company by EUR 1.5 million by issuing up to 1,500,000 no-par value bearer shares to service the Mutares Stock Option Plan 2016 ("Conditional Capital 2016/I"). The Annual General Meeting of the Company on 23 May 2019 resolved to cancel Conditional Capital 2016/I to the extent that it relates to the shares not issued under the Mutares Stock Option Plan 2016. As a result, the Conditional Capital 2016/I amounts to EUR 0.7 million after reduction as of the balance sheet date.

The Annual General Meeting of the Company on 23 May 2019 created Contingent Capital 2019/I in the amount of EUR 3.0 million to grant shares upon the exercise of conversion or option rights or upon the fulfilment of conversion or option obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds or combinations of these instruments issued on the basis of the authorization resolution of the Annual General Meeting of 23 May 2019.

After the partial cancellation of the Conditional Capital 2016/I became effective, the share capital of Mutares SE & Co. KGaA was conditionally increased by up to EUR 0.8 million through the issue of up to 802,176 registered shares ("Conditional Capital 2019/II") by resolution of the Annual General Meeting on 23 May 2019. The Conditional Capital 2019/II serves to grant subscription rights to members of the Management Board and employees of the Company, members of the management and employees of affiliated companies.

b. Stock option plan 2016

On 13 October 2016, the Management Board, with the consent of the Supervisory Board, resolved option terms under which a total of up to 900,000 stock options from Contingent Capital 2016/I may be issued to members of the management of affiliated German and foreign companies of the Company and to employees of the Company and employees of affiliated German and foreign companies until 2 June 2020. The stock options entitle the holder to subscribe to a total of up to 900,000 no-par value bearer shares of the Company with a notional interest in the share capital of EUR 1.00 each, provided that certain exercise conditions are met – in particular a waiting period of at least four years.

Also on 13 October 2016, the Supervisory Board resolved option terms under which a total of up to 600,000 stock options from Contingent Capital 2016/I may be issued to members of the Management Board of the Company until 2 June 2020. The stock options entitle, if certain exercise conditions are met – in particular a waiting period of at least four years – to subscribe to a total of up to 600,000 no-par value bearer shares of the Company with a notional interest in the share capital of EUR 1.00 each.

In four tranches between October 2016 and April 2018, a total of 973,200 stock options were issued under the Stock Option Plan 2016, of which 465,000 stock options were granted to members of the Management Board, 90,000 of which have expired due to their resignation. The stock options granted are not entitled to dividends and do not grant voting rights.

c. Stock option plan 2019

On 9 August 2019, the Management Board resolved option conditions according to which a total of up to 360,979 stock options from Conditional Capital 2019/II may be issued to members of the management of affiliated German and foreign companies of the Company and to employees of the Company and employees of affiliated German and foreign companies until 22 May 2024. The stock options entitle the holder to subscribe to a total of up to 360,979 no-par value registered shares of the Company with a notional share in the share capital of EUR 1.00 each, provided that certain exercise conditions are met – in particular a waiting period of at least four years.

Also on 9 August 2019, the Shareholders' Committee of the general partner of Mutares SE & Co. KGaA, with the approval of the Supervisory Board, resolved option terms under which a total of up to 441,197 stock options from Conditional Capital 2019/II may be issued to members of the Company's Management Board until 22 May 2024. The stock options entitle, if certain exercise conditions are met – in particular a waiting period of at least four years – to subscribe to a total of up to 441,197 registered no-par value shares of the Company with a notional share in the share capital of EUR 1.00 each.

In September 2019, 267,500 stock options were issued under the stock option plan 2019, of which 190,000 stock options were granted to members of the Management Board. The stock options granted are not entitled to dividends and do not grant voting rights.

d. Valuation of the stock option plans

The stock options issued under the two plans have been valued using a binomial options -pricing model. Where relevant, the best estimate of the Management Board with regard to the following influencing factors was used to determine the expected option term: Non-transferability, exercise restrictions (including the probability that the market conditions attached to the option will be met) and assumptions regarding exercise behavior. The expected volatility is based on the development of the share price volatility over the last six years. With regard to the time of exercise, it was assumed that the program participants will exercise the options on average at the end of the exercise period of two years, i.e. six years after the grant date.

The following table shows the individual model parameters of the individual tranches from both stock option plans:

	Option tranche				
Model parameters	**16.09.2016**	**22.05.2017**	**08.11.2017**	**23.04.2018**	**05.09.2019**
Share price as at grant date (in EUR)	12.60	13.86	13.28	18.05	8.60
Strike price (in EUR)	8.83	9.76	9.13	12.44	6.12
Expected volatility (as a %)	30.00	30.00	30.00	30.00	30.00
Option term (in years)	6.00	6.00	6.00	6.00	6.00
Dividend yield (in %)	4.50	4.50	4.50	4.50	4.50
Risk-free interest rate (as a %)	–0.36	0.02	–0.13	0.25	–0.76

The range of exercise prices of the options outstanding at the end of the reporting period is EUR 6.12 to EUR 12.44 (previous year: EUR 8.83 to EUR 12.44) and the weighted average exercise price is EUR 8.75 (previous year: EUR 9.68). The weighted average remaining contractual term is 3.92 years (previous year: 4.21 years). The weighted average fair value of the stock options granted during the financial year is EUR 3.10 (previous year: EUR 4.11).

The development of the number of outstanding stock options on the respective balance sheet dates is shown in the following table:

	Options-tranche				
Model Parameters	**16.09. 2016**	**22.05. 2017**	**08.11. 2017**	**23.04. 2018**	**05.09. 2019**
As at 31 Dec. 2018	484.500	30.450	82.500	165.000	0
+ new options granted	0	0	0	0	267.500
– expired options	–60.000	–1.950	0	0	0
As at 31 Dec. 2019	**424.500**	**28.500**	**82.500**	**165.000**	**267.500**
of which can be exercised	0	0	0	0	**0**

In the financial year 2019, personnel expenses of EUR 0.5 million (previous year: EUR 0.3 million) were recognized from the above stock option plans.

32.2. SHARE-BASED PAYMENT AT SUBSIDIARIES

In the financial year 2018, STS Group AG set up a stock option program for members of the Company's Management Board, members of the management of subsidiaries as well as employees of the Company and employees of subsidiaries. By resolution of the Annual Shareholders' Meeting on 3 May 2018, the Company's representatives were authorized to grant up to 500,000 options for a total of up to 500,000 shares of the Company with full dividend entitlement for the financial year in progress when the option is exercised, until 2 May 2023.

The options granted under the plan entitle the holder to receive equity instruments. One option entitles the holder to purchase one share of the company. At the time of exercise, instead of meeting obligations with the conditional capital created for this purpose, shares of the Company may also be issued which are acquired by the Company or which the Company holds as treasury shares.

The maximum term of the individual options is seven years from the beginning of the respective allocation, with a one-off allocation of the options in a total of five tranches until 2022. A waiting period of four years from the grant date is generally provided for as a waiting period before the options are exercised for the first time. In addition, the option holder must be in active, non-terminated employment with the subsidiary at the time of exercise.

With the aim of achieving a long-term increase in the value of the company, the stock option plan stipulates as a performance target and additional exercise condition that the closing price of the company in Xetra trading within a period of 12 months on a total of 60 stock exchange trading days for the period from 1 July 2018 to 30 June 2019 must exceed the issue price by at least 20%, and from 1 July 2019 to 30 June 2027 by at least 30% on a regular basis. If the performance target is not achieved in one year, this can be compensated for in the following year by achieving the performance target, otherwise the tranche of options granted lapses.

Within the framework of this stock option plan, no stock options with an issue price of EUR 18.77 were issued to the beneficiaries in the financial year 2019 and a total of 68,000 stock options with an issue price of EUR 18.77 in a first tranche in the financial year ending 2018. The exercise price corresponded to 80% of the average volume-weighted market price of the share over the last 20 trading days prior to granting. With the departure of beneficiaries in the financial year 2019, the personal exercise requirements of the stock option plan no longer apply and 15,500 stock options have therefore lapsed.

Number of share options	**2019**
Number of outstanding options as at 1 January 2019	**68,000**
+ new options granted	**0**
– options exercised	**0**
– expired options	**–15,500**
Number of outstanding options as at 31 December 2019	**52,500**
of which can be exercised	**0**

The weighted average fair value of the outstanding stock options was EUR 3.18. Due to the relatively complex exercise conditions described above, the value was determined on the basis of the "Monte Carlo simulation" option price valuation model, in which possible characteristics of all identifiable influencing factors of the option price are determined randomly from a previously plausible interval.

Taking into account an exercise price of EUR 18.77, an expected volatility of 1.59%, an assumed average term of 5.8 years and a risk-free interest rate of 0.17%, the option price valuation model resulted in a fair value per option of EUR 3.18.

Due to the short history as a listed company, volatility assumptions were made on the basis of historical sales and earnings trends and with reference to benchmark companies.

The stock option program was classified and presented as equity-settled in accordance with IFRS 2. In the financial year 2019, personnel expenses of EUR 0.1 million (previous year: EUR 0.0 million) from the stock option plan were recognized in profit or loss.

33. Acquisition of treasury shares

The Annual General Meeting of 22 May 2015 had authorized the Management Board of the company by resolution to acquire own shares of up to 10% of the share capital. Together with any treasury shares acquired for other reasons, which are in the possession of the Company or are attributable to the Company pursuant to Section 71a et seq. of the German Stock Corporation Act (AktG), the acquired shares may at no time exceed 10% of the Company's share capital. The authorization may be exercised in whole or in part, once or several times, by the Company, but also by dependent companies or companies in which the Company holds a majority interest or by third parties for its or their account. The acquisition authorization was originally valid until 21 May 2020, but was revoked by resolution of the Annual General Meeting on 23 May 2019. At the same time, by resolution of the Annual General Meeting of 23 May 2019, the Board of Management was authorized to acquire treasury shares of the Company until the end of 22 May 2024, subject to compliance with the principle of equal treatment (Section 53 AktG), up to a total of 10% of the Company's share capital existing at the time of the resolution or – if this value is lower – of the Company's share capital existing at the time the authorization is exercised. The shares acquired on the basis of this authorization, together with other own shares of the Company which the Company has acquired and still holds or are attributable to the Company pursuant to sections 71a et seqq. of the German Stock Corporation Act, may at no time exceed 10% of the Company's respective share capital.

In the period from 15 January to 6 March 2015, the Executive Board made use of the authorization to acquire treasury shares granted by the Annual General Meeting on 19 March 2010. As of 31 December 2017, Mutares SE & Co. KGaA held 6,012 treasury shares, each representing EUR 1.00 of the share capital.

On 1 June 2018, the Management Board of Mutares SE & Co. KGaA resolved, with the consent of the Supervisory Board, to launch a share buyback program of up to EUR 3.0 million (excluding incidental acquisition costs) using the authorization granted by the Annual General Meeting on 22 May 2015 ("share buyback program 2018/I"). Within the framework of the 2018/I share buyback program, a total of up to 283,019 treasury shares could be repurchased in the period from 1 June to 15 July 2018. A total of 255,863 shares were acquired. The difference between the acquisition cost and the nominal value of the treasury shares totals EUR 2.7 million and was offset against retained earnings; no gain or loss from the transaction with treasury shares is recognized.

Mutares SE & Co. KGaA therefore holds a total of 261,875 treasury shares as of 31 December 2019 and 31 December 2018. As in the previous year, their share of the share capital amounts to EUR 261,875 or 1.7%.

34. Trade payables

Trade payables amount to EUR 159.9 million (previous year: EUR 111.9 million) and are due to third parties. They are carried at the settlement or repayment amount and are due in full within one year, except for EUR 2.2 million (previous year: EUR 1.0 million) which are due in more than one year.

As the Mutares Group is a conglomerate, practices regarding payment terms – including any interest on outstanding amounts – may differ at least in part.

35. Other financial liabilities

Other financial liabilities have developed as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Liabilities to banks	41.3	25.5
Outstanding invoices	26.4	26.8
Liabilities from factoring	23.6	47.0
Liabilities to former shareholders	11.1	11.0
Miscellaneous financial liabilities	9.1	8.3
Third party loans	2.2	2.2
Debtors with credit balances	0.7	0.8
Liabilities for trade discounts and rebates	0.7	0.8
Other financial liabilities	**115.1**	**122.4**

A portion of the liabilities to banks and loans results from the STS subgroup. The maturities of the main loans are a maximum of five years. A covenant of a bank loan with a book value of EUR 1.9 million (previous year: EUR 2.7 million) and a regular term until 2021 was not met. Since the outstanding amount could become due if the covenant clause is breached, the loan is fully recognized as a current liability. An agreement with the bank regarding a waiver that the breach of contract will not be sanctioned is not yet final at the time the consolidated financial statements are prepared.

The KICO subgroup has secured liabilities to banks in the amount of EUR 9.6 million, of which EUR 8.4 million has a term of up to one year. As part of the ongoing restructuring program, negotiations are being conducted with the banks to maintain the financing commitments. The negotiations had not been concluded by the time the consolidated financial statements were prepared.

Furthermore, the Elastomer Solutions subgroup has liabilities to banks in the amount of EUR 8.7 million (previous year: EUR 9.4 million) with a maximum term of five years. Due to the temporary weak earnings performance of ESS, the financial covenants were not met in 2018 and 2019 with regard to bank loans with a carrying amount of EUR 1.9 million (previous year: EUR 1.9 million). ESS and ESD have initiated measures to improve the equity ratio and the operating result situation.

Liabilities to banks of the keeeper subgroup amount to EUR 4.8 million, of which EUR 4.6 million have a term of up to one year. As part of the ongoing restructuring program, agreements have been reached with the banks involved regarding the maintenance of financing commitments until 30 June 2020.

In addition, there are smaller amounts of liabilities to banks on the part of the Balcke-Dürr, BEXity and Plati subgroups and the subsidiary EUPEC.

The interest rate on all liabilities to banks ranges between 0.7% and 5.9% and includes both fixed and variable interest rates.

Liabilities to former shareholders mainly result from the STS subgroup in the amount of EUR 5.6 million (previous year: EUR 6.8 million) with nominal interest rates of between 1.0% and 5.0% and terms of between one and five years. In addition, the Plati subgroup has non-interest-bearing liabilities to existing shareholders in the amount of EUR 3.7 million (nominal amount of EUR 5.6 million), the repayment of which is fixed at a minimum of EUR 0.8 million depending on the fulfillment of certain conditions. The remaining term of the liability is more than five years as of the balance sheet date of the consolidated financial statements.

In addition, Klann Packaging GmbH has a liability to the sellers of EUR 1.3 million (previous year: EUR 3.3 million) with a variable interest rate between 1% and 3.5%. In the financial year 2019, a partial amount of EUR 2.0 million was repaid against a payment of EUR 0.5 million; the difference is reported under other income.

Liabilities from factoring include liabilities from factoring agreements in which the default risk of the transferred receivables is not transferred to the contractual partner, i.e. Mutares retains essentially all risks and rewards associated with ownership of the transferred receivables and insofar no derecognition takes place. Regarding factoring we refer to the explanations in paragraph 23.

The following assets are pledged as collateral for liabilities:

EUR million	31 Dec. 2019	31 Dec. 2018
Intangible assets	0.0	0.1
Property, plant and equipment	36.7	18.7
Other non-current non-financial assets	2.6	2.6
Inventories	21.0	9.2
Trade and other receivables	4.1	2.9
Other current non-financial assets	0.0	0.0
Cash and cash equivalents	1.4	5.1
Pledged assets	**65.8**	**38.6**

The term of the collateral is generally congruent with the term of the underlying loan agreement. As a rule, the collateral provided may not be sold by the secured party.

36. Lease liabilities

With the first-time application of IFRS 16 as of 1 January 2019, additional liabilities from leases were recognized. In the previous year, this item only included liabilities from leases classified as finance leases in accordance with IAS 17.

The expense for payments from leasing relationships not included in the valuation of the lease liability is as follows:

EUR million	2019
Leasing expenses from short-term leasing relationships	–3.4
Leasing expenses from low-value leasing relationships	–1.4
Variable leasing expenses (not included in the leasing liability)	0.0
Lease liabilities	**–4.8**

The total cash outflow from leases for the financial year 2019 amounted to EUR 25.0 million.

Possible future cash outflows from extension, termination and purchase options that are not considered sufficiently secure were not included in the measurement of lease liabilities. As of the balance sheet date, there were no leases entered into but not yet commenced that would result in significant cash outflows.

Within the framework of a sale and leaseback transaction in the Engineering & Technology segment, a profit of EUR 0.2 million was generated through the sale of a property.

Lease liabilities are generally secured by the leased asset underlying the lease. Please refer to Note 18 for explanations regarding the corresponding rights of use.

For the previous year, the following data resulted with regard to liabilities from finance leases:

EUR million	31 Dec. 2018
Minimum lease payments	**7.2**
With a remaining term of up to one year	2.2
With a remaining term of more than one year and up to five years	5.0
With a remaining term of more than five years	0.0
Present value of minimum lease payments	**6.9**
With a remaining term of up to one year	2.1
With a remaining term of more than one year and up to five years	4.8
With a remaining term of more than five years	0.0
Future financing costs	**0.3**

EUR million	31 Dec. 2018
Present value of minimum lease payments	**6.9**
Technical equipment and machinery	4.7
Other equipment, operating and office equipment	2.2

37. Pension plans/pension provisions and similar obligations

37.1. Defined contribution plans

A defined contribution plan exists for all employees of Group companies in Germany within the framework of the German statutory pension scheme, into which the employer must pay a currently applicable contribution rate of 9.35% (employer's contribution) of the pensionable remuneration. There are also defined contribution plans, primarily in Italy, France and more European countries.

The total expenses of EUR 13.6 million (previous year: EUR 10.7 million) recognized in the consolidated result represent the Group's due contributions to these pension plans in accordance with the contribution rates regulated therein.

37.2. DEFINED BENEFIT PLANS

EUR million	31 Dec. 2019	31 Dec. 2018
Present value of defined benefit obligation	89.4	48.4
Fair value of plan assets	2.0	1.4
Plan deficit	87.3	47.0
Net liability from defined benefit obligation	**87.3**	**47.0**

Provisions for pensions and similar obligations result from country-specific obligations of various Group units, primarily in Germany, France, Italy, Austria and the UK. The amount of the obligations is mainly derived from performance-related pay, length of service and age.

The pension commitments in Germany are regulated in various pension schemes and essentially comprise the granting of retirement, disability and survivors' benefits. The amount of the pension benefits is determined by the qualifying period of service and

and from the pension amount determined by the respective individual pension commitment.

Commitments in France include government-mandated one-off payments upon retirement.

The plans in Italy primarily contain commitments for benefits that were provided before 2007. Due to a change in the law, all plans were restructured into defined contribution plans as of 2007. Accordingly, only interest effects and actuarial effects change the defined benefit obligations of the Italian subsidiaries.

The pension plan in the United Kingdom provides retirement and survivor benefits. The benefits are based on length of service and remuneration. There are statutory minimum funding requirements. A trustee is responsible for the plan and makes decisions on financing and investment strategies together with the subsidiary. The subsidiary is obliged to bear 60% of the expenses and to pay 60% of any plan deficit. The remaining 40% is borne by active beneficiaries. The investment strategy is designed to invest approximately 70% in assets with volatile yields and 30% in defensive assets, mainly government bonds. This strategy reflects the liability profile of the plan and the risk attitude of the trustee and the subsidiary. A risk mitigation strategy has been considered which aims to reduce the proportion of assets with volatile returns to 20% over the next 19 years.

With the acquisition of BEXity, performance-based commitments have also been available in Austria since this financial year. These entitle employees leaving the company to one-off payments depending on their length of service.

The Group is usually exposed to the following actuarial risks through the plans:

- Investment risk:
  The present value of the defined benefit obligation under the plan is determined using a discount rate that is based on the yields of senior fixed-rate corporate bonds. If the return on plan assets (if any) is lower than this interest rate, this results in an underfunding of the plan.
- Interest rate risk:
  A decrease in the bond interest rate leads to an increase in the plan liability.
- Longevity risk:
  The present value of the defined benefit obligation under the plan is determined on the basis of the best possible estimate of the probability of the beneficiary employees dying both during the employment relationship and after its termination. An increase in the life expectancy of the beneficiary employees leads to an increase in the plan liability.
- Salary risk:
  The present value of the defined benefit obligation under the plan is determined partly on the basis of the future salaries of the beneficiary employees. Thus, salary increases of the beneficiary employees lead to an increase in the plan liability.

Provisions for pensions and similar obligations were measured in accordance with recognized actuarial principles using the projected unit credit method.

As of 31 December 2019, provisions for pensions and similar obligations changed as follows compared with the previous year:

EUR million	31 Dec. 2019	31 Dec. 2018
Opening balance of defined benefit obligation	48.4	107.5
Service cost	0.9	0.5
Current service cost	1.4	1.3
Gains (–)/losses (+) from plan curtailment	–0.5	–0.8
Interest expense	1.3	1.3
Actuarial gains (–) and losses (+)	4.2	–2.3
due to experience-based adjustments	–1.3	–0.5
due to change in demographic assumptions	–0.6	0.0
due to change in financial assumptions	6.1	–1.8
Benefits paid	–3.0	–2.9
Changes in the consolidated group	37.7	–55.7
from additions	37.7	16.8
from disposals	0.0	–72.5
Miscellaneous	–0.2	0.0
Closing balance of defined benefit obligation	89.3	48.4

The gains from plan curtailments in the financial year 2019 mainly result from the change in the retirement age from 63 to 65 or 67 years for a German plan. The change in the group of consolidated companies is primarily due to the acquisition of FDT Flachdach Technologie GmbH & Co KG and other subsidiaries (EUR 29.1 million) and BEXity (EUR 5.2 million).

The amounts recognized in consolidated net income and other comprehensive income - before income and deferred taxes - for the two periods are as follows:

EUR million	2019	2018
Service cost	0.9	0.5
Current service cost	1.4	1.3
Gains (–)/losses (+) from plan curtailment	–0.5	–0.8
Net interest expense	1.3	1.3
Components of defined benefit obligations recognized in consolidated net income	2.2	1.8
Actuarial gains (–) and losses (+)	4.1	–2.2
Components of defined benefit obligations recognized in other comprehensive income	4.1	–2.2
Comprehensive income from defined benefit obligations	6.3	–0.4

The interest expense is recognized within the financial result under interest expense from compounding provisions.

The fair value of the plan assets has developed as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Opening balance of plan assets measured at fair value	1.4	4.8
Employer contributions	0.3	0.1
Gains (+) and losses (–) from revaluation	0.1	0.0
Income from plan assets	0.1	0.0
Paid services	–0.1	0.0
Changes in the consolidated group	0.2	–3.5
from additions	0.2	1.2
from disposals	0.0	–4.7
Exchange rate differences	0.1	0.0
Closing balance of plan assets measured at fair value	2.0	1.4

EUR 0.2 million of the changes in the consolidation range in 2019 relate to the acquisition of KICO.

The fair values of the major categories of plan assets at the balance sheet date are as follows for each category:

EUR million	31 Dec. 2019	31 Dec. 2018
Cash and cash equivalents	0.1	0.1
Equity instruments	1.0	0.7
Debt instruments	0.9	0.6
Closing balance of plan assets measured at fair value	**2.0**	**1.4**

The fair values of the above equity and debt instruments were determined on the basis of prices quoted in active markets.

a. Actuarial assumptions

The pension obligations are determined on the basis of actuarial assumptions with recourse to the following key parameters - if relevant for the respective company-specific plan:

EUR million	German plans		Italian plans		French plans		UK plans		Austrian plans	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Discount rate	1.11%–1.57%	1.89%–2.30%	0.74%–1.01%	1.42%–1.75%	1.01%	1.75%	2.20%	3.35%	1.25%	–
Salary trends	2.00%	2.00%	n.a.	n.a.	1.95%	1.95%	1.90%	2.12%	4.01%	–
Pension trends	1.90%	1.70%	2.00%	2.60%	n.a.	n.a.	2.40%	2.68%	n.a.	–
Mortality tables	Heubeck 2018G	Heubeck 2018G	RG48	RG48	INSEE 2012–14	INSEE 2012–14	Series 2 SAPS	Series 2 SAPS	AVÖ–P18 GEM	–

b. Sensitivity analysis

The key actuarial assumptions used to determine the defined benefit obligation are the discount rate, pension trend, salary trend and mortality expectations. The sensitivity analyses presented below were performed on the basis of reasonably possible changes in the respective assumptions as of the balance sheet date, with the other assumptions remaining unchanged in each case. The table shows the changed defined benefit obligation at the respective balance sheet date under the changed assumptions.

EUR million		German plans		Italian plans		French plans		UK plans		Austrian plans	
		31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Defined benefit obligation		57.0	24.5	7.1	7.4	18.1	15.2	1.8	1.2	5.2	–
Interest rate	+50 bp	53.0	22.4	6.9	7.2	17.1	14.4	1.6	1.0	4.9	–
	–50 bp	61.4	26.5	7.4	7.7	19.2	16.2	2.0	1.3	5.6	–
Salary trends	+50 bp	57.6	24.9	n.a.	n.a.	19.2	16.1	1.9	1.3	5.6	–
	–50 bp	56.2	23.7	n.a.	n.a.	17.1	14.4	1.7	1.1	4.9	–
Pension trends	+25 bp	57.8	24.9	7.2	7.5	n.a.	n.a.	1.8	1.2	5.2	–
	–25 bp	56.1	23.8	7.1	7.3	n.a.	n.a.	1.7	1.1	5.2	–
Longevity	+1 year	59.9	25.4	7.1	7.4	18.2	15.3	1.9	1.2	5.2	–
	–1 year	54.8	23.2	7.1	7.4	17.1	15.1	1.7	1.1	5.2	–

The above sensitivity analysis is unlikely to be representative of the actual change in the defined benefit obligation, as it is unlikely that deviations from the assumptions made will occur in isolation, as the assumptions are partly interrelated. Furthermore, in the sensitivity analysis above, the present value of the defined benefit obligation was determined using the projected unit credit method, the same method used to calculate the defined benefit liability recognized in the consolidated balance sheet. The sensitivity analysis does not include the plans of two companies that are not located in the respective countries listed and whose cumulative DBO as of 31 December 2019 is less than EUR 0.2 million (previous year: EUR 0.1 million).

c. Expected payments for defined benefit obligations

The following table shows the expected payments for defined benefit obligations for the next five years:

EUR million	2019	2018
within a year	**3.5**	1.7
between one and two years	**3.6**	1.9
between two and three years	**4.1**	2.1
between three and four years	**4.2**	2.5
Between four and five years	**4.6**	2.8

The weighted average term of the defined benefit obligation as of 31 December 2019, is 15.9 years (previous year: 14.6 years).

38. Other accrued liabilities

The development of other provisions is as follows:

EUR million	Other staff provisions	Legal costs	Warranties	Restructuring and severance	Anticipated losses	Miscellaneous other	Total
As at 1 Jan. 2018	**10.6**	**6.5**	**3.2**	**4.3**	**6.1**	**11.3**	**42**
Foreign exchange differences	0.0	0.0	0.0	0.0	–0.1	0.0	–0.1
Changes in consolidated group	–1.2	–0.7	2.2	–0.2	12.6	0.9	13.6
Addition	4.3	5.8	1.4	11.7	0.2	4.7	28.1
Utilization	–7.0	–9.2	0.0	–4	–0.6	–9.6	–30.4
Accrued interest	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Reversal	–0.1	–0.6	–1.2	–0.3	–3.5	–1.0	–6.7
As at 31 Dec. 2018	**6.6**	**1.8**	**5.6**	**11.5**	**14.7**	**6.6**	**46.8**
of which							
current	5.1	1.8	4.8	11.2	5.5	5.1	33.5
non-current	1.5	0.0	0.8	0.3	9.2	1.5	13.3
Foreign exchange differences	0.0	0.0	0.1	0.3	0.7	0.0	1.1
Changes in consolidated group	5.0	0.5	3.7	2.2	3.7	3.8	18.9
Addition	1.6	0.9	3.4	10.4	0.1	4.9	21.3
Utilization	–2.6	–0.6	–1.5	–9.9	–0.7	–4.7	–20.0
Reversal	–0.3	–0.8	–4.4	–3.0	–10.8	–0.9	–20.2
As at 31 Dec. 2019	**10.3**	**1.8**	**6.9**	**11.5**	**7.7**	**9.7**	**47.9**
of which							
current	5.0	1.8	4.5	10.2	6.0	8.2	35.7
non-current	5.3	0.0	2.4	1.3	1.7	1.5	12.2

Provisions for personnel expenses amounted to EUR 10.3 million as of 31 December 2019 (previous year: EUR 6.6 million) and mainly relate to provisions for jubilee benefits (EUR 5.4 million; previous year: EUR 1.6 million). These mainly relate to French and Austrian subsidiaries. They are accrued in accordance with the employee's previous length of service and bear interest at a rate of 1.01% (previous year: EUR 1.6 million): 1.75%) for the French subsidiaries and of 1.25% for the Austrian subsidiary acquired in 2019. Personnel provisions also include provisions for employee bonuses (EUR 4.8 million; previous year: EUR 4.8 million). The increase in personnel provisions is mainly due to the new acquisitions in the financial year 2019.

The legal dispute with Diehl AKO Stiftung & Co. KG ("Diehl") and all other related legal disputes were terminated by settlement dated 3 August 2018. Within the scope of the settlement, Mutares has undertaken to make a one-time payment of EUR 7.5 million to Diehl, while EUR 2.0 million had been recorded as a provision for this as of 31 December 2017. The preliminary amount in dispute of the claims asserted by Diehl before the Ravensburg Regional Court amounted to approximately EUR 22.5 million plus interest.

The warranty provisions of EUR 6.9 million (previous year: EUR 5.6 million) are largely attributable to the Engineering & Technology segment.

The provisions for restructuring and severance payments were mainly formed in connection with the restructuring plans in the amount of EUR 13.9 million, particularly for the units acquired in the financial year 2019. At the same time, payments from the provisions for restructuring and severance payments made in the previous year led to a reduction of EUR 14.3 million.

The decline in provisions for impending losses is mainly due to the processing of the order backlog at Gemini Rail Group, which was recognized at a negative value in the context of the acquisition.

The remaining other provisions amount to EUR 9.7 million (previous year: EUR 6.6 million). EUR 3.8 million of the increase is due to the new acquisitions in the financial year 2019.

39. Other liabilities

The development of other liabilities is as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Employee related liabilities	27.9	23.2
Social security	13.4	11.0
VAT liabilities	7.5	5.2
Liabilities from payroll and church taxes	3.8	2.1
Other levies	2.6	1.9
Deferred income	1.7	2.3
Advance payments received	0.7	0.0
Miscellaneous other liabilities	1.3	0.5
Other non-financial liabilities	**58.9**	**46.2**

F. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

40. Capital Risk Management

The Group's objectives with regard to capital management are, on the one hand, to ensure the going concern principle in order to continue to provide shareholders with income and other stakeholders with the services to which they are entitled and, on the other hand, to maintain an optimal capital structure in order to reduce the cost of capital. The monitoring of the capital structure and its management is largely decentralized. Standardized reporting by all portfolio companies on a monthly basis gives the Management Board a comprehensive picture of the entire portfolio. The Management Board monitors the situation of the portfolio companies in regular reviews (including with regard to the capital structure) and is informed about all investments on the basis of the implemented reporting system.

EUR million	31 Dec. 2019		31 Dec. 2018	
		as % of total capital and financial liabilities		as % of total capital and financial liabilities
Equity attributable to shareholders of the parent company	185.3	32.0	180.7	42.8
Current financial liabilities	276.2	47.7	216.4	51.3
Non-current financial liabilities	117.7	20.3	24.8	5.9
Financial liabilities	393.9	68.0	241.2	57.2
Total capital and financial liabilities	**579.2**	**100.0**	**421.9**	**100.0**

41. Valuation at fair value

A breakdown of the financial assets and liabilities according to the measurement categories of IFRS 9 for the financial years ended 31 December 2019 and 31 December 2018 is shown below:

Financial assets by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31 Dec. 2019	Amortized costs	Fair value OCI	Fair Value PL	31 Dec. 2019	Hierarchy
Non-current financial assets							
Trade receivables and other receivables	AC	0.4	0.4			0.4	
Other non-current financial assets		16.6					
Security deposits	AC	1.7	1.7			1.7	Level 2
Securities	FVPL	0.2			0.2	0.2	Level 3
Other non-current financial assets	FVPL	7.5			7.5	7.5	Level 3
Other non-current financial assets	AC	7.2	7.2			7.2	
Current financial assets							
Trade receivables and other receivables	AC	121.9	121.9			121.9	
Trade receivables and other receivables	FVOCI	20.7		20.7		20.7	Level 2
Other current financial assets		39.3					
Security deposits	AC	2.7	2.7			2.7	Level 2
Other financial assets	AC	35.6	35.6			36.3	
Other financial assets	FVPL	1.0			1.0	1.0	Level 3
Cash and cash equivalents	AC	79.7	79.7			79.7	

Financial liabilities by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31 Dec. 2019	Amortized costs	Fair value OCI	Fair Value PL	31 Dec. 2019	Hierarchy
Non-current financial liabilities							
Trade payables and other liabilities	FLAC	2.2	2.2			2.2	
Other financial liabilities		20.3					
Liabilities to banks	FLAC	8.3	8.3			8.5	Level 3
Third party loans	FLAC	10.1	10.1			11.0	Level 3
Miscellaneous financial liabilities							
Other	FLAC	1.8	1.8			1.8	Level 2
Derivatives	FLFVPL	0.1			0.1	0.1	Level 2
Current financial liabilities							
Trade payables and other liabilities	FLAC	157.7	157.7			157.7	
Other financial liabilities		94.8					
Outstanding invoices	FLAC	26.4	26.4			26.4	
Liabilities to banks	FLAC	33.2	33.2			33.3	Level 3
Liabilities from factoring	FLAC	23.6	23.6			23.6	
Third party loans	FLAC	3.1	3.1			3.3	Level 3
Other financial liabilities						0.0	
Other financial liabilities	FLAC	8.1	8.1			8.1	
Other current financial liabilities	FLFVPL	0.4			0.4	0.4	Level 3

Financial assets by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31 Dec. 2018	Amortized costs	Fair value OCI	Fair Value PL	31 Dec. 2018	Hierarchy
Non-current financial liabilities							
Trade receivables and other receivables	AC	0.6	0.6			0.6	
Other non-current financial assets		16.9					
Security deposits	AC	1.1	1.1			1.1	Level 2
Securities	FVPL	0.1			0.1	0.1	Level 3
Other non-current financial assets	FVPL	8.6			8.6	8.6	Level 3
Other non-current financial assets	AC	7.1	7.1			7.1	
Current financial assets							
Trade receivables and other receivables	AC	126.1	126.1			126.1	
Trade receivables and other receivables	FVOCI	21.6		21.6		21.6	Level 2
Other current financial assets		8.5					
Security deposits	AC	2.5	2.5			2.5	Level 2
Other financial assets	AC	3.5	3.5			3.5	
Other financial assets	FVPL	2.6			2.6	2.6	Level 3
Cash and cash equivalents	AC	108.1	108.1			108.1	

Financial liabilities by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31 Dec. 2018	Amortized costs	Fair value OCI	Fair Value PL	31 Dec. 2018	Hierarchy
Non-current financial liabilities							
Trade payables and other liabilities	FLAC	1.0	1.0			1.0	
Other financial liabilities		21.7					
Liabilities to banks	FLAC	8.3	8.3			8.3	Level 3
Third party loans	FLAC	9.7	9.7			9.7	Level 3
Miscellaneous financial liabilities							
Other	FLAC	3.7	3.7			3.7	Level 2
Derivatives	FLFVPL	0.0			0.0	0.0	Level 2
Current financial liabilities							
Trade payables and other liabilities	FLAC	110.9	110.9			110.9	
Other financial liabilities		100.7					
Outstanding invoices	FLAC	26.8	26.8			26.8	
Liabilities to banks	FLAC	17.2	17.2			17.2	Level 3
Liabilities from factoring	FLAC	47.0	47.0			47.0	
Third party loans	FLAC	3.5	3.5			3.5	Level 3
Other financial liabilities						0.0	
Other financial liabilities	FLAC	5.8	5.8			5.8	
Other financial liabilities	FLFVPL	0.4			0.4	0.4	Level 3

In the previous year, the contract assets and liabilities according to IFRS 15 were also included. These can now be found in note 20 “Contract balances”.

Total by category

EUR million		Carrying amounts 31 Dec. 2019	Carrying amounts 31 Dec. 2018
Financial assets measured at amortized cost	AC	**249.2**	249.0
Financial assets measured at fair value through profit or loss	FVPL	**8.7**	11.3
Financial assets measured at fair value through equity	FVOCI	**20.7**	21.6
Financial liabilities measured at amortized cost	FLAC	**274.5**	233.9
Financial liabilities measured at fair value through profit or loss	FLFVPL	**0.5**	0.4

The three steps for determining the fair value of financial instruments are described in Note 2 "Basis of preparation of the financial statements". The fair value of financial instruments is calculated on the basis of current parameters such as interest and exchange rates on the balance sheet date and by using accepted models such as the DCF method (discounted cash flow) and taking into account credit risk. The fair values for derivatives are determined on the basis of bank valuation models. The fair value of contingent consideration in connection with acquisitions and disposals of subsidiaries, which is based on a fair value measurement of level 3 in subsequent measurement, is determined in accordance with generally accepted valuation techniques based on discounted cash flow analyses. The key input parameters, in addition to the discount rates specific to the circumstances, are the expectations of future cash flows and the relevant earnings figures determined in the purchase agreements with regard to earn-out, including maturity-specific probabilities of default.

For financial instruments due in the short term, the carrying amount is a reasonable approximation of fair value.

The net gains or losses of the individual categories according to IFRS 7.20 are as follows:

Net gains and losses

EUR million	31 Dec. 2019	31 Dec. 2018
on financial assets at fair value	**–3.5**	10.9
on financial liabilities at fair value	**–1.2**	–0.6
on financial assets measured at amortized cost	**0.8**	0.0
on financial assets at fair value through other comprehensive income (debt instruments)	**0.0**	0.0
on financial liabilities measured at amortized cost	**–2.7**	–1.8
Total	**–6.6**	**8.6**

Net gains and net losses from financial instruments arise from changes in the fair value of financial instruments at fair value through profit or loss, expenses and income for expected credit losses, interest expenses for financial liabilities measured at amortized cost.

Total interest income and expenses are as follows:

Total interest income and expenses

EUR million	31 Dec. 2019	31 Dec. 2018
Financial assets measured at amortized cost	**0.7**	0.2
Financial assets at fair value through other comprehensive income (without recycling)	**–0.6**	–0.4
financial liabilities measured at amortized cost	**–1.5**	–1
Total	**–2.8**	**–1.1**

The changes in financial instruments measured at fair value on Level 3 are as follows:

EUR million	Securities – unlisted equity instruments	Other financial assets	Other financial liabilities	Total
Opening balance at 1 Jan. 2019	0.1	11.2	–0.4	10.9
Total gains and losses		–4.2		–4.2
recognized in the income statement		–4.2		
Acquisitions	0.1	4.1		4.2
earn-out payments		–2.6		2.6
Ending balance at 31 Dec. 2019	0.2	8.5	–0.4	8.3

EUR million	Securities – unlisted equity instruments	Other financial assets	Other financial liabilities	Total
opening balance at 1 Jan. 2018	0.0	0.0	0.0	0.0
Total gains and losses	0.1	11.2	–0.4	10.9
recognized in the income statement	0.1	11.2	–0.4	10.9
Ending balance at 31 Dec. 2018	0.1	11.2	–0.4	**10.9**

42. Financial Risk Management

The Group's management monitors and controls the financial risks associated with the Group's business segments by means of internal risk reporting, which analyses risks according to their degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks).

In some cases, the Group minimizes the impact of these risks by using derivative financial instruments. The use of derivative financial instruments is governed by policies established by the Group's management. These include guidelines for the management of currency, interest rate and default risks. Compliance with the guidelines and risk limits is monitored on an ongoing basis. The Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes.

42.1. CREDIT AND DEFAULT RISK

Credit and default risk is the risk of loss to the Group if a contractual party fails to meet its contractual obligations. The Group should only enter into business relationships with creditworthy contracting parties and, if appropriate, provide collateral to mitigate the risk of loss arising from the non-performance of obligations. The Group will only enter into business relationships with companies that are equally or better rated as investment grade. This information is provided by independent rating agencies. If such information is not available, the Group uses other available financial information and its own trading records to rate its major customers.

Credit risks are controlled by means of limits per contractual party, which are reviewed and approved by local management.

Trade receivables are due from a large number of customers spread across various industries and geographical areas. Due to the business activities and the resulting diversification of Mutares, there was again no significant concentration of risk in the financial year 2019.

For the application of the model of expected credit losses in accordance with IFRS 9.5.5, Mutares mainly uses the simplified approach for trade receivables. For this purpose, probabilities of default are determined. These are based either on individual rating information of the customers or customer group to which a corresponding probability of default is assigned, or on an allowance matrix which is prepared with reference to the previous default and an analysis of various factors. In order to determine expected credit losses, the loss given default is recognized in addition to the probability of default. Mutares generally values this at 100%, which corresponds to the expectation of the amount of default by Mutares.

Based on the risk classifications, the gross carrying amounts per rating class are shown below:

Gross carrying amounts of financial assets by credit risk rating class as at 31 Dec. 2019

EUR million	Trade and other receivables	Contract assets	Other financial assets
Rating class			
A rating	**108.4**	**28.4**	**50.8**
B rating	**37.7**	**0.6**	**5.1**
C rating	**2.2**	**0.1**	**0.1**
Total	**148.3**	**29.1**	**56.0**

Gross carrying amounts of financial assets by credit risk rating class as at 31 Dec. 2018

EUR million	Trade and other receivables	Contract assets	Other financial assets
Rating class			
A rating	103.3	15.3	20.7
B rating	43.8	0.2	4.7
C rating	6.5	0.3	0.0
Total	**153.6**	**15.8**	**25.4**

The rating classifications are based both on an individually assigned probability of default and a risk classification for individual customer groups with a comparable risk structure. The following table shows the default probabilities or ratings assigned to the individual rating classes:

	Default rate as %	Rating
Rating class		
A rating	0.0–0.0286	AAA–AA
B rating	0.0286–0.52	A–BBB
C rating	0.52–100	BB–D

The value adjustments for trade receivables have changed as follows:

EUR million	Lifetime ECL (level 2) simplified model	Lifetime ECL (level 3) simplified model
Impairment as at 1 Jan. 2019	**0.7**	**5.2**
Transfer to level 2	**0.0**	**0.0**
Transfer to level 3	**–0.1**	**0.1**
Additions	**0.9**	**1.7**
Utilization	**–0.2**	**–1.3**
Reversals	**–0.4**	**–1.3**
Exchange rate and other effects	**0.0**	**0.0**
Impairment as at 31 Dec. 2019	**0.9**	**4.4**

EUR million	Lifetime ECL (level 2) simplified model	Lifetime ECL (level 3) simplified model
Impairment as at 1 Jan. 2018	0.1	7.2
Transfer to level 2		
Transfer to level 3		0.4
Additions	1.0	0.7
Utilization	-0.2	-1.7
Reversals	-0.2	-1.3
Exchange rate and other effects	0.0	-0.1
Impairment as at 31 Dec. 2018	0.7	5.2

The reduction in impairment is mainly due to a lower level of receivables compared with the previous year.

For all other assets subject to the impairment model in accordance with IFRS 9.5.5, there were no material expected credit losses.

The carrying amount of trade and other receivables as of the balance sheet date was EUR 143.0 million (previous year: EUR 147.6 million). The maximum default risk without taking collateral into account corresponds to the carrying amount. As in the previous year, no credit default insurance policies existed as of the balance sheet date.

The maximum default risk of the other financial assets also corresponds to their carrying amount, as there are no significant agreements that mitigate the default risk.

42.2. LIQUIDITY RISK

The liquidity risk comprises the following risks:

- Not being able to meet potential payment obligations at the time they fall due.
- Not being able to procure sufficient liquidity at the expected conditions when required (refinancing risk).
- not be able to liquidate, extend or close out transactions only at a loss or at excessive cost due to market deficiencies or market disturbances (market liquidity risk).

Prudent liquidity management includes maintaining sufficient reserves of cash and cash equivalents and marketable securities as well as the possibility of financing through an adequate amount of committed credit lines. Due to the dynamic nature of the business environment in which the Group operates, it is the aim of the Group finance department to ensure the necessary flexibility in financing through sufficient unused credit lines in the Group, which as of the balance sheet date, as in the previous year, amounted to a midsingle-digit million amount.

The management of the Mutares Group monitors the liquidity of the operating companies and the Group as a whole on the basis of rolling cash flow forecasts.

The Group can only dispose of local means of payment in certain countries (for example: China and Brazil) on a cross-border basis subject to applicable currency exchange restrictions. There are no other significant restrictions.

The following overviews show the maturity structure of the financial liabilities:

	31 Dec. 2019			
EUR million	Due within a year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	259.7	72.8	56.1	388.7
Lease liabilities (IFRS 16)	23.7	55.7	50.8	130.2
Third party loans	236.0	17.2	5.3	258.5
Cash outflows from derivative financial liabilities	0.0	0.1	0.0	0.1
Total	259.7	72.9	56.1	388.8

	31 Dec. 2018			
EUR million	Due within a year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	247.1	24.2	4.7	276.1
Finance lease liabilities	2.2	5.0	0.0	7.2
Liabilities from loans from third parties	244.9	19.2	4.7	268.8
Cash outflows from derivative financial liabilities	0.0	0.1	0.0	0.1
Total	**247.1**	**24.3**	**4.7**	**276.1**

42.3. MARKET PRICE RISK

The Group's activities expose it primarily to minor financial risks arising from changes in exchange and interest rates. The Group selectively enters into derivative financial instruments to manage its existing interest rate and foreign exchange risk.

42.3.1. Exchange rate risk

The operating business is subject to minor exchange rate risks from purchases and sales that are not agreed in euros. The main currency risks for the Mutares arise from transactions in GBP and CNY (previous year: GBP, CNY).

The existing risk positions are monitored continuously and reduced by offsetting existing foreign currency cash flows. Due to the low level of currency exposure, no active currency risk management is currently carried out through the use of derivative financial instruments.

The following table shows the Group's sensitivity to a 10% rise or fall in the euro against the respective foreign currency:

	2019		2018	
	–10%	10%	–10%	10%
Effect on equity/profit (GBP)	2.3	–2.3	0.2	–0.2
Effect on equity/profit (USD)	0.0	0.0	0.0	–0.1
Effect on equity/profit (CNY)	–0.2	0.2	0.1	–0.2
Effect on equity/profit (BRL)	0.0	0.0	0.1	–0.1

42.3.2. Interest rate risk

The Group is exposed both to interest rate risk from variable-interest loans and to interest rate risk for fixed-interest loans at the time of refinancing. The majority of the loans are variable-rate loans. The interest rate risk results from changes in market interest rates, especially for medium- and long-term variable-interest liabilities. The interest rate risk is insignificant for current liabilities and generally for liabilities with fixed interest rates.

EUR million	31 Dec. 2019	31 Dec. 2018
Carrying amount of fixed-interest loans	29.3	15.2
Carrying amount of variable-interest loans	21.6	23.2
Total	50.9	38.4

The risk from variable interest rate loans is partially hedged by using corresponding interest rate swaps with matching maturities and conditions. However, no hedge accounting is applied. In addition, management continuously monitors the development of interest rates and possible loan expirations. Depending on the individual case, the management concludes transactions to reduce the risk position if necessary. In addition, there is an interest rate risk from the variable-interest liabilities from factoring.

The sensitivity analysis for interest rate risk represents the effect on profit before tax of the change in the risk-free market interest rate if the market interest rate level had been 100 basis points higher or lower compared with the level at 31 December 2019 (or 31 December 2018) and all other variables had been kept constant. Furthermore, the analysis is based on the assumption that the amount of the outstanding liability at the end of the reporting period was outstanding for the full year.

EUR million	31 Dec. 2019		31 Dec. 2018	
	–100 bp	+100 bp	–100 bp	+100 bp
Effects on the income statement before taxes	0.4	–0.8	0.2	–0.5

G. OTHER INFORMATION

43. Notes to the cash flow statement

Cash and cash equivalents comprise cash and bank balances and cash equivalents. Cash equivalents serve to meet short-term payment obligations. They are allocated to cash and cash equivalents because they are directly convertible to a fixed amount of cash and are only subject to insignificant risks of fluctuations in value.

The consolidated net income includes profits from company acquisitions (“bargain purchase”) of EUR 102.6 million (previous year: EUR 32.3 million), which do not increase cash flow from operating activities and therefore have to be adjusted. In addition, the consolidated net income of the previous year included profits from deconsolidations totaling EUR 40.9 million, which do not increase the cash flow from operating activities and therefore have to be adjusted. In connection with the deconsolidations in the previous year, there was a net outflow of liquid funds of EUR - 2.5 million, which are reported under cash flow from investing activities.

The valuation of financial receivables from possible subsequent payments on the sale of companies (earn-outs) resulted in expenses of EUR 4.2 million (previous year: income of EUR 11.2 million) being recognized in the consolidated net income for the financial year 2019, which are included in the cash flow statement under other non-cash expenses (previous year: income) in the cash flow from operating activities.

Cash and cash equivalents of EUR 35.0 million (previous year: EUR 20.6 million) were acquired in connection with the acquisitions in in the financial year 2019. This amount is shown under cash flow from investing activities.

An amount of EUR 4.1 million (previous year: EUR 2.9 million) within credit balances with banks is subject to a restriction on disposal. In particular, this relates to a cash deposit in connection with a company acquisition, whereby the restraint on disposal is released over time and upon fulfilment of certain conditions.

The reconciliation between opening and closing balance sheet values for liabilities from financing activities is as follows:

EUR million	
31 Dec. 2017	**108.7**
Cash-effective transactions	
Proceeds (+) from (financial) loans	27.1
Repayments (–) of (financial) loans	–27.0
Proceeds (+)/payments (–) from factoring	-3.4
Interest paid (–)	-2.0
Total cash-effective transactions	**–5.3**
Non-cash effects	
Addition to finance lease liabilities	1.8
Addition/derecognition of (financial) loans from changes in consolidated group	–21.6
Interest expenses (+)/interest income (–)	4.6
Other changes	–8.8
Total non-cash effects	**–24.0**
31 Dec. 2018	**79.4**
Cash-effective transactions	
Proceeds (+) from (financial) loans	22.4
Repayments (–) of (financial) loans	–22.5
Repayments (–) of leasing liabilities	–15.9
Proceeds (+)/payments (–) from factoring	–24.1
Interest received (+)	0.0
Interest paid (–)	–7.1
Total cash-effective transactions	**–47.3**
Non-cash effects	
Additions to leasing liabilities	127.8
Addition/derecognition of (financial) loans from changes in consolidated group	17.8
Interest expenses (+)/interest income (–)	9.5
Other changes	–2.5
Total non-cash effects	**152.6**
31 Dec. 2019	**184.7**

The reconciliation statement takes into account non-current and current liabilities to banks, liabilities from factoring, liabilities from finance leases and loans to third parties.

During the financial year 2019, the Group carried out the following significant non-cash investing and financing activities, which are not reflected in the cash flow statement:

- In connection with the first-time application of IFRS 16, right of use assets were capitalized and corresponding lease liabilities were recognized as liabilities.
- At Klann Packaging GmbH, a partial amount of EUR 2.0 million of the former shareholder liability was repaid in the financial year 2019 against payment of EUR 0.5 million; the difference is reported under other income.

During the financial year 2018, the Group carried out the following significant non-cash investing and financing activities, which are not reflected in the cash flow statement:

- A loan with a principal of EUR 2.1 million was transferred to the company from the previous owners of Donges SteelTec for EUR 1 in the financial year.
- Within the framework of a settlement agreement with the sellers of Balcke-Dürr, a vendor loan of EUR 8.8 million granted by the sellers in the transaction was repaid early in the first half of 2018 against payment of EUR 3.0 million.
- In connection with the addition of fixed assets, liabilities from finance leases increased the Group’s liabilities by EUR 1.7 million.

44. Risks to the continued existence of subsidiaries

Due to the current developments regarding the spread of the coronavirus, management considers the market environment for STS Group to be extremely challenging. At present, various plants have been closed or production has been significantly reduced. The effects of COVID-19 on these markets cannot be reliably estimated at present. On the other hand, the Chinese plants have resumed production and are currently operating at high capacity. Against this backdrop, management expects revenues in financial year 2020 to be lower than in the previous year. Extensive cost-cutting measures have already been initiated. Nevertheless, a declining adjusted EBITDA margin is expected for STS Group.

Also due to the current developments regarding the spread of the coronavirus and the lack of income due to plant closures, STS is not able to fully cover its liquidity requirements for the coming months from existing cash and cash equivalents and firm loan commitments. The first measures to be taken are the adjustment of capacities, which essentially involve short-time work, and cost-cutting measures. In order to secure liquidity, action plans have also been drawn up in order to obtain additional local financing supported by government subsidies, liquidity assistance from customers, legally permitted deferrals of payments and, if necessary, the injection of additional liquidity by Mutares in return for assets.

The continued existence of the subsidiary is dependent on the successful implementation of the aforementioned measures, as otherwise STS may not be able to realize its assets and settle its liabilities in the normal course of business, which indicates the existence of a material uncertainty that casts significant doubt on the company’s ability to continue as a going concern and which could pose a risk to its continued existence. However, the management is confident and assumes that it is highly probable that these measures can be implemented and thus the continuation of the subsidiary's business activities can be secured.

As a result of the initiated action program, KICO already expected a balanced operating result for financial year 2020 as of the balance sheet date, with revenues significantly above the level for the entire year 2019. However, due to current developments in connection with the spread of the coronavirus and in particular the temporary plant closures in the european automotive industry, as well as potential difficulties with the supply chain afterwards, it is likely that this forecast will not be met and that revenues and operating result will remain below the level previously planned. In the past, the company has been financed to a significant extent by debt. KICO’s liquidity is very tight due to the current effects of plant closures by important customers. With the help of professional advisors, KICO has therefore begun to apply for financing in the context of government support, and management is confident that it will be able to complete this financing in the second quarter of the 2020 financial year.

However, should it not be possible to implement this and maintain existing bank financing and credit insurance with suppliers, KICO is dependent on the development of new sources of financing. This indicates the existence of a material uncertainty that could cast significant doubt on the subsidiary's ability to continue as a going concern and constitutes a risk that could jeopardize its continued existence. However, the management is confident and assumes that it is highly probable that these measures can be implemented and thus the continuation of the subsidiary's business activities can be secured.

45. Participation in joint arrangements

One company from the Engineering & Technology segment is a partner in joint ventures and consortium agreements. The joint ventures were entered into with the aim of implementing infrastructure projects and building power plants. The joint ventures are based in Germany. The ownership shares of the Mutares Group are between 19% and 75%.

Taking into account the structure and legal form of the agreements as well as all other relevant facts and circumstances, the joint agreements are to be classified as joint activities that are not significant for the Group as such.

46. Contingent liabilities and litigations

CONTINGENT LIABILITIES

Obligations from company acquisitions
Mutares SE & Co. KGaA and one of its direct subsidiaries have signed a settlement agreement with the sellers of Balcke-Dürr GmbH and other subsidiaries under which the guarantee issued by Mutares SE & Co. KGaA to ensure the fulfillment of indemnification obligations will increase and be limited again to an amount of EUR 5.0 million and then decrease to EUR 0 over the period until 31 December 2021. At the present time, it is still not expected that any claims will be made under this guarantee. The further guarantee issued by Mutares SE & Co. KGaA to secure the temporary financing of affiliated companies no longer applies and was replaced by a guarantee to make net dividends received until 30 December 2020 available again as financing if required. Both guarantees with regard to the above-mentioned circumstances remain limited to a total of EUR 10.0 million.

Mutares SE & Co. KGaA has made a commitment to the seller of keeeper GmbH for a limited period of time until 30 December 2020 to provide up to EUR 1.5 million in financial resources if this should be necessary to avoid insolvency. This obligation will increase if Mutares SE & Co. KGaA receives repayments on an acquired loan or dividends. As of 31 December 2019, the obligation therefore amounted to EUR 2.4 million. To the extent that this financing obligation has not yet been met in the event of insolvency despite the condition, Mutares SE & Co. KGaA has undertaken to indemnify the seller against claims by third parties in connection with this insolvency, whereby this obligation is limited in amount to the financing contribution not yet made and is limited in time to twelve months after completion of the acquisition. In addition, Mutares has undertaken to indemnify the seller in the event of a claim in connection with an earlier financing commitment and earlier guarantees, whereby this obligation is limited in amount to EUR 3.5 million. This obligation ends at the latest five years after the completion of the takeover.

In addition, Mutares is obliged to pay a purchase price for the acquisition of the shares in La Meusienne S.A.S., which is determined on the basis of the working capital at the time of transfer of economic ownership. Mutares and the seller of these shares are in disagreement about the interpretation of the purchase agreement and the actual facts and circumstances of the completion of the acquisition. The seller is claiming an amount of EUR 1.7 million; however, based on the legal and factual situation, we do not currently assume an obligation to pay.

In connection with the acquisition of the transport logistics and warehouse business of Q Logistics GmbH, Mutares SE & Co. KGaA has undertaken to indemnify the seller in the event of claims by third parties in connection with legal relationships taken over and in the event of insolvency of BEXity GmbH. The Vendor's claim for indemnification is limited in time and amount to EUR 9.0 million until 30 December 2021, EUR 6.0 million until 30 December 2022 and EUR 3.0 million until 30 December 2023. The aforementioned liability limits increase by profit distributions from BEXity GmbH and decrease by loans granted under a financing line and not yet repaid by Mutares SE & Co. KGaA.

Mutares SE & Co. KGaA has undertaken to the seller of the paper napkin business acquired from keeeper tableware GmbH to indemnify the seller for a period of four years after the closing date in February 2020 against certain claims by employees assigned to the paper napkin business. The indemnity is limited to EUR 10 million for the first two years, reduced by any funds that Mutares SE & Co. KGaA has provided to keeeper tableware GmbH. In the third year, the maximum amount of exemption is reduced to EUR 7.5 million and in the fourth year to EUR 5.0 million.

In connection with an irrevocable offer to acquire a majority stake of 80% in Nexive's mail and parcels business in Italy, Mutares SE & Co. KGaA has declared to be liable for obligations arising from the purchase agreement in the amount of up to EUR 5.0m from the closing of the transaction. The purchase agreement was signed on 23 February 2020. The closing of the acquisition is expected in the second quarter of the 2020 financial year.

Obligations from the sale of companies

In connection with the sale of all shares in A+F Automation und Fördertechnik GmbH by a direct subsidiary, Mutares SE & Co. KGaA issued a directly enforceable guarantee for the fulfillment of certain obligations of the direct subsidiary towards the acquirer regarding possible warranty claims, possible specific indemnification claims and possible specific cost reimbursement claims. The absolute suretyship was limited in time with respect to regular warranty claims, with the exception of fundamental warranties, until 30 September 2019 (no use was made of it) and is limited in time with respect to these fundamental warranty claims until 31 December 2020 and with respect to indemnification claims until 31 December 2022 as well as unlimited in time with respect to reimbursement of costs. With the exception of fundamental warranty claims, these claims are limited to an amount of EUR 4.0 million with respect to the regular warranty claims, to an amount of kEUR 50 with respect to the -reimbursement cost claims and otherwise to the base purchase price with respect to all claims together.

In addition, Mutares SE & Co. KGaA co-guaranteed the fulfilment of the obligations of the seller, a direct subsidiary of Mutares SE & Co. KGaA, in the event of claims under normal warranty obligations upon the sale of all shares in BSL. This guarantee is limited in amount to EUR 0.5 million and in time to 18 months after completion of the sale in November 2018.

Legal disputes

Mutares is sued by some of the former employees of the Artmadis Group in France. One lawsuit concerns liability arising from alleged employee employment, while the other concerns alleged liability under company law. Mutares will defend itself in full against all claims that it considers unfounded.

Mutares is also sued by four former employees of its former subsidiary Pixmania SAS in France. The lawsuit is based on an alleged employee position. Mutares considers the lawsuits to be unfounded and we are defending ourselves in full.

The maximum risk from these two lawsuits amounts to approximately EUR 30 million. However, the Management Board does not expect any claims to be asserted; accordingly, provisions in the mid-six-figure range have been made for defence costs for these lawsuits.

Other commitments

One indirect subsidiary from the Engineering & Technology segment is jointly and severally liable as a participant in civil law partnerships under joint ventures or consortium agreements with a maximum term of 2029. As of the balance sheet date, this liability relates to projects with a total contract value of approximately EUR 272 million (previous year: EUR 208 million). The subsidiary's own share in this liability amounts to EUR 106.7 million (previous year: EUR 88.8 million). On the basis of the ongoing credit assessments of the ARGE and consortium partners, we do not assume that any claims will be made on the shares of other companies. With the exception of the amounts recorded as provisions for anticipated losses or within the scope of loss-free valuation, we also do not anticipate any utilization of our own shares.

There are further guarantees, warranties, commitments and obligations totaling EUR 26.5 million. (previous year: EUR 12.8 million).

47. Related parties

In accordance with IAS 24, related parties are defined as persons and companies that can be influenced by Mutares SE & Co. KGaA or that can influence Mutares SE & Co. KGaA. These include subsidiaries, including those that are not consolidated, and associated companies. On the other hand, they also include natural persons with significant voting rights and key management personnel, such as members of the management board and supervisory board, and their family members.

Mutares SE & Co. KGaA has identified the management board members of the general partner and the supervisory boards of the parent company and the general partner as well as their family members and those companies over which these persons exercise significant influence and which are not consolidated as related parties.

Balances and transactions between the company and its subsidiaries were eliminated in the course of consolidation and are not explained here. Details of business transactions between the Group and other related parties are given below.

The following balances due from related parties not included in the scope of consolidation were outstanding at the end of the reporting periods:

kEUR	Receivables from related parties		Liabilities to related parties	
	31 Dec. 2019	**31 Dec. 2018**	**31 Dec. 2019**	**31 Dec. 2018**
Subsidiaries	**30**	44	**112**	0
of which impaired	**0**	11	**0**	0
Other related parties	**17**	0	**3.377**	0
Supervisory Board	**0**	0	**142**	114
Executive Board	**0**	0	**32**	31
Total	**47**	**44**	**3,664**	**145**

In the course of the financial year, Group companies carried out the following transactions with related parties that do not belong to the Group:

kEUR	Services rendered		Services purchased	
	2019	**2018**	**2019**	**2018**
Subsidiaries	**30**	0	**772**	420
Other related parties	**76**	0	**4,218**	460
Supervisory Board	**0**	0	**304**	278
Executive Board	**0**	0	**890**	441
Total	**106**	**0**	**6,185**	**1,599**

Related parties are, on the one hand, the general partner and, on the other hand, companies that are related to members of the Management Board of Mutares SE & Co KGaA and that provide consulting services in one case and office space leasing to Mutares SE & Co KGaA in another.

CORPORATE BODIES

Previous to the change in legal form, the Management Board of Mutares AG consisted of the following persons:

- Robin Laik, Chief Executive Officer, Munich
- Mark Friedrich, Chief Financial Officer, Munich
- Dr. Kristian Schleede, Chief Restructuring Officer, Zurich/Switzerland
- Dr. Wolf Cornelius, Chief Operations Officer, Waldstetten

With the entry in the commercial register on 24 July 2019, a resolution was passed to convert Mutares AG into a partnership limited by shares (Kommanditgesellschaft auf Aktien - KGaA) with Mutares Management SE joining as general partner. The management board of Mutares Management SE is composed of the following persons:

- Robin Laik, Chief Executive Officer, Munich
- Mark Friedrich, Chief Financial Officer, Munich
- Dr. Kristian Schleede, Chief Restructuring Officer, Zurich/Switzerland
- Johannes Laumann, Chief Investment Officer, Bonn

million (previous year: EUR 5.0 million), of which EUR 0.7 million (previous year: EUR 0.8 million) was paid to retired members. The total remuneration, with the exception of share-based remuneration, is to be allocated to the category short-term employee benefits in accordance with IAS 24.17a. No payments were made to members of the Management Board in connection with defined contribution plans. For information in connection with stock options granted, please refer to the comments on share-based payment (Note 32).

Are or were members of the company's Supervisory Board:

- Volker Rofalski, Managing Director of only natural Munich GmbH, Munich, Chairman
- Dr. Axel Müller, independent management consultant, Lahnstein, Deputy Chairman (since 8 April 2019; previously member)
- Dr. Lothar Koniarski, Managing Director of Elber GmbH, Regensburg
- Prof. Dr. iur. Micha Bloching, tax consultant, lawyer, university lecturer, Munich
- Dr. Ulrich Hauck, independent management consultant, Ottobrunn (until 31 March 2019; Deputy Chairman from 13 August 2018 to 31 March 2019)

The members of the Supervisory Board of Mutares SE & Co. KGaA are entitled to remuneration for their activities in the total amount of EUR 92,500.00 per year plus statutory value-added tax in accordance with the resolution of the Annual General Meeting of 23 May 2019. if a member of the Supervisory Board does not belong to the Supervisory Board for the full financial year, the remuneration is reduced pro rata temporis. In addition, the members of the Supervisory Board receive meeting fees and committee remuneration for their activities. The total amount of Supervisory Board remuneration paid to the Supervisory Board is shown in the table above.

The members of the supervisory board of Mutares AG were entitled to remuneration for their activities in the total amount of EUR 260,000.00 per year plus statutory value added tax in accordance with the resolution of the annual general meeting of 20 July 2018. if a member of the supervisory board does not belong to the supervisory board for the full financial year, the remuneration is reduced pro rata temporis. In addition, the members of the Supervisory Board receive meeting fees and committee fees for their activities. The total amount of Supervisory Board remuneration paid to the Supervisory Board is shown in the table above.

In their capacity as shareholders of Mutares SE & Co KGaA, members of the Supervisory Board and the Management Board received a mid-single-digit million euro amount as dividends in 2019.

48. Employees

In the financial years 2019 and 2018, the Mutares Group employed the following average number of staff in accordance with section 267(5) of the HGB:

Quantity	2019	2018
Hourly wage workers	3,786	2,715
Salaried employees	2,719	2,067
Total	6,505	4,782

49. Audit fees

The following fees of the group auditor were recorded at Mutares SE & Co. KGaA and its subsidiaries for the financial year and the previous year:

EUR million	2019	2018
Audit of annual report	0.7	0.9
Other assurance services	0.0	0.0
Tax advisory services	0.2	0.1
Other services	0.0	0.2
Total	0.9	1.2

50. Declaration of Compliance of STS Group AG

The Management Board and the Supervisory Board of STS Group AG have issued the declaration of compliance required by Section 161 of the German Stock Corporation Act (AktG) and made it available to shareholders on the STS Group website.

The full text of the Declaration of Compliance is available on the STS Group website (https://www.sts.group/de/investor-relations/corporate-governance).

51. Events after the balance sheet date

With value date 14 February 2020, Mutares SE & Co. KGaA, as issuer, issued a senior secured bond with a nominal volume of EUR 50 million and a term until 14 February 2024. The bond is listed on the Open Market of the Frankfurt Stock Exchange (WKN A254QY/ISIN NO0010872864). A further listing on the Nordic ABM of the Oslo Stock Exchange is planned in the course of 2020. The bond was issued at an issue price of 100.00%. The bond will bear interest quarterly, for the first time on 14 May 2020, at the 3-month EURIBOR (EURIBOR floor of 0.00%) plus a margin of 6.00% and may be increased up to EUR 80 million depending on current market conditions. The bond is secured by pledging 100% of the shares in certain investment vehicles held by Mutares SE & Co. KGaA and by the assignment of existing and any future loan receivables of Mutares SE & Co. KGaA from these investment vehicles. The terms and conditions of the Bonds contain various provisions on general obligations, information obligations and financial covenants. Mutares SE & Co. KGaA continuously monitors compliance with these regulations as part of its risk management.

A wholly owned subsidiary of Mutares SE & Co. KGaA completed the acquisition of Tekfor S.p.A. (now trading as PrimoTECS S.p.A.) on 31 January 2020. PrimoTECS is a Tier 1 and Tier 2 supplier to the automotive, truck and related industries. At two locations in Northern Italy, the company produces components with applications in electric, hybrid and conventional drive trains. The company generated sales of around EUR 120 million in the financial year 2018 and employs around 670 people. The purchase price was EUR 1.

On 4 February 2020, Balcke-Dürr GmbH, a platform investment of Mutares SE & Co. KGaA, acquired 100% of the shares in the Italian company Loterios S.r.l. for a symbolic purchase price of EUR 1. Loterios S.r.l. designs and manufactures pressure equipment made of special materials, in particular titanium, for a variety of industries. The company is based in Gerenzano, Italy, and employs approximately 70 people. In 2019 the company achieved a turnover of EUR 17 million.

On 29 February 2020, keeeper tableware GmbH, a subsidiary of keeeper GmbH, completed the acquisition of the paper napkin business of Metsä Tissue GmbH for a symbolic purchase price of EUR 3. With the acquisition, the annualized turnover of the keeeper Group will grow to approximately EUR 100 million. The paper napkin business employs approximately 240 people.

A purchase price allocation could not yet be performed due to the fact that the acquisitions were made close to the time of preparation.

On 11 March 2020, the WHO declared the infection caused by SARS-CoV-2 (hereinafter “COVID-19” or “coronavirus”) to be a pandemic. In some cases, the course of the disease is severe, even fatal. In its risk assessment of 15 March 2020, the Robert Koch Institute currently estimates the overall risk to the health of the population in Germany to be high. The situation in Germany and other countries is characterized by a high level of dynamism and a great deal of uncertainty and confusion. Meanwhile, the number of cases in Germany and other parts of the world continues to rise.

To contain the coronavirus, public life was drastically restricted, first in China, then in Europe and increasingly in large parts of the world. It is not yet possible to make a serious assessment of the effects of this on economic development in Germany, Europe and the world. However, the above-mentioned restrictions on public life are leading to a collapse in demand and disrupting (international) supply chains. Governments in Europe have already announced or implemented far-reaching economic and financial policy measures to minimize the negative impact on companies and jobs.

Mutares has taken numerous measures with the entire management team and the workforces of the portfolio companies to relativize the expected negative effects. At this point in time, neither the management of the portfolio companies nor the board of directors can make reliable estimates of the impact of the COVID-19 crisis on the individual company and Mutares Group. However, it can be assumed that a collapse in the consolidated profitability of the portfolio companies will be observed, but that additional opportunities will also open up for Mutares in the area of M&A, especially on the

H. ACCOUNTING POLICIES

52. New standards and interpretations

52.1. NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME

In the year under review, the standards and interpretations presented below were applicable by the Group for the first time or in amended form. The influence of the IFRS 16 standard on these consolidated financial statements is shown below. The other standards and interpretations to be applied for the first time or in amended form have no material impact on these consolidated financial statements. However, no statement can be made at this time about their effects on future transactions or agreements.

IFRS 16 "Leases"

IFRS 16 was published in January 2016 and replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Leases – Incentive Arrangements" and SIC 27 "Determining the Substance of Transactions in the Legal Form of Leases" for financial years beginning on or after 1 January 2019. The EU endorsement took place as of 31 October 2017. Significant changes with regard to the accounting treatment of lessees result from the fact that a distinction is no longer made between operating and finance leases and that a right of use (RoU asset) and a lease liability are recognized at the beginning of all leases (with the exception of short-term leases and leases for low-value assets). For details, see the comments under 54.6.

Implementation at Mutares

Mutares applies IFRS 16 "Leases" since 1 January 2019. This resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transitional provisions of IFRS 16, Mutares applies the modified retrospective approach. The comparative figures have not been restated.

For the transition to IFRS 16, the option to measure RoU assets at the same value as lease liabilities is assumed. The lease liability corresponds to the remaining lease payments discounted at the incremental borrowing rate at the time of transition to IFRS 16.

The incremental borrowing rate is generally determined for each lease on a term-equivalent, currency-equivalent and segment-specific risk-equivalent basis and is generally made up of three components, for which the following key assumptions have been made:

Reference interest rates:

- Where available, the reference interest rates are generally based on yields on government bonds with equivalent maturities, which can be accessed in the Bloomberg financial information system.
- In cases where no original government bond yields were available in the desired currency, synthetic yields were derived using available yield curves in USD or EUR, country risk premiums (to take account of country-specific creditworthiness) and inflation differentials (for conversion to the target currency).
- Country risk premiums are based on so-called credit default swap spreads of the respective countries, which can be called up in the Bloomberg financial information system.
- Inflation differentials are based on data from the "World Economic Outlook Database October 2018" published by the International Monetary Fund (IMF).

Company-specific credit spreads:

- Specific credit ratings were carried out for the segments using the financial information system "S&P Credit Analytics".
- The synthetic rating levels (according to S&P CreditAnalytics) of the individual segments are within a range of BB+ to B-.
- Rating-dependent credit spreads were calculated using US corporate bonds and US government bonds for reasons of availability and to ensure higher data quality.
- As the interest rates determined for the individual segments hardly differ from one another, a uniform credit risk premium was applied for all segments.

Contract-specific adjustments:

- Contract-specific adjustments were implicitly taken into account.

IFRS 16 is not applied for the transition to agreements that were not previously classified as leased assets under IFRIC 4 or IAS 17.

Extension and termination options are measured on the basis of current information in the course of the transition to IFRS 16.

With reference to IFRS 16.C8(c) and IFRS 16.C10(b), an impairment test of the RoU assets at the time of first-time application was waived. There were no material onerous leases at the time of first-time adoption.

A uniform interest rate is applied to similar leased assets grouped together as a portfolio (e.g. grouped by value, term, credit spread, country or currency).

Leases with a remaining term of less than twelve months as of 1 January 2019 are accounted for as short-term leases.

Please refer to Note 54.6 for a presentation of the significant accounting policies and Note 3 for information on significant estimates and discretionary decisions in connection with IFRS 16.

Effects

Mutares has analyzed the impact of IFRS 16 on the Group during the financial year 2018. With the first-time adoption of IFRS 16 as of 1 January 2019, the Group recognized lease liabilities of EUR 55.4 million and RoU assets of EUR 55.4 million for leases previously classified as operating leases under IAS 17.

The weighted average incremental borrowing rates used for discounting are between 1.2% and 9.7%.

For leases previously classified as finance leases in accordance with IAS 17, the carrying amounts of the leased assets and the lease liabilities existing prior to the first-time application of IFRS 16 are adopted in accordance with IAS 17 as the initial carrying amounts of the RoU assets or the lease liability in accordance with IFRS 16. The measurement principles of IFRS 16 were only applied thereafter. There were no valuation adjustments. Due to the reclassification of finance leasing matters in the balance sheet item “RoU assets”, there was a difference as of 1 January 2019 in the amount of EUR 0.4 million between the recognized RoU assets and the corresponding leasing liabilities.

The following table shows the effects in accordance with IFRS 16 (C12) b as of 1 January 2019:

EUR million	1 Jan. 2019
Obligations from operating leases as at 31 Dec. 2018	58.0
Adjustments from changes in the assessment of extension/termination options	4.8
Discounted with the incremental borrowing rate as at 1 Jan. 2019	–3.2
Discounted obligation from operating leases as at 1 Jan. 2019	59.6
(+) liabilities from finance leases recognized as at 31 Dec. 2018	6.9
(–) short term leases recorded as expenses	–2.8
(–) low value leases recognized as expenses	–1.4
Lease liabilities recognized as at 1 Jan. 2019	62.3
short–term	15.6
long–term	46.7

The following table shows the impact of IFRS 16 on the balance sheet as of 1 January 2019:

EUR million	01.01.2019	Effects IFRS 16	31.12.18 without application IFRS 16
Assets			
Intangible assets	39.7	–1.7	41.4
Property, plant and equipment	127.7	–5.6	133.3
Right of use assets (RoU assets)	62.7	62.7	0.0
Deferred tax assets	13.3	0.0	13.3
Non-current assets	265.6	55.4	210.2
Current assets	420.6	0.0	420.6
Total	686.2	55.4	630.8
Equity and Liabilities			
Total equity	208.1	0.0	208.1
Lease liabilities	46.7	44.6	2.1
Deferred tax liabilities	6.4	0.0	6.4
Non-current liabilities	137.7	44.6	93.1
Lease liabilities	15.6	10.8	4.8
Current liabilities	340.4	10.8	329.6
Total	686.2	55.4	630.8

For a presentation of RoU assets and lease liabilities, please refer to notes 18 and 36.

Leases in which the Group is the lessor have no material effect on these financial statements.

The changeover to IFRS 16 has no material effect on earnings per share.

Amendments to IFRS 9 “Prepayments with Negative Settlement”

On 12 October 2017, the IASB published amendments to IFRS 9 “Early Redemption Provisions with Negative Settlement”. The amendments are to be applied retrospectively for financial years beginning on or after 1 January 2019. The EU endorsement took place on 22 March 2018.

The amendment concerns the classification of financial instruments with prepayment regulations with negative settlement. Under the previous regulations, the cash flow condition is not met if the lender has to pay an early repayment penalty in the event of termination by the borrower. The new regulation provides for measurement at amortized cost (or at fair value with no effect on income) even in the case of negative settlement payments. It has also been clarified that the carrying amount of a financial liability must be adjusted immediately with an effect on profit or loss following a modification.

This amendment does not have a material impact on these consolidated financial statements.

Amendments to IAS 19 “Change in plan, curtailment or settlement of pension obligations”

On 7 February 2018, the IASB published amendments to IAS 19. The EU endorsement took place on 13 March 2019.

The amendments to IAS 19 now specifically require that after a defined benefit plan has been modified, settled or curtailed during the year, the current service cost and net interest for the remaining period be recalculated using current actuarial assumptions. In addition, the amendment clarifies how changes, curtailments or settlements of the plans affect the required asset value ceiling.

This amendment does not have a material impact on these consolidated financial statements.

Amendments to IAS 28 "Non-current Investments in Associates and Joint Ventures"

On 12 October 2017, the IASB published amendments to IAS 28 "Non-current Investments in Associates and Joint Ventures". The EU endorsement took place on 8 February 2019.

The amendments concern the clarification of the exclusion of investments within the meaning of IAS 28 from the scope of IFRS 9. IFRS 9 is not applied to investments in associates or joint ventures accounted for using the equity method. However, IFRS 9 is applied to long-term investments that represent part of the net investment in an associate or joint venture.

This amendment does not have a material impact on these consolidated financial statements.

IFRIC 23 "Uncertainty in the treatment of income taxes"

IFRIC 23 "Uncertainty about the income tax treatment" was published on 7 June 2017. The EU endorsement was issued on 23 October 2018.

IFRIC 23 interprets the accounting for current and deferred tax liabilities where there is uncertainty about the income tax treatment. Such uncertainties arise when the application of the applicable tax law to a specific transaction is unclear and therefore (also) depends on the interpretation of the tax authorities, which is not known to the company when preparing the financial statements. An enterprise considers these uncertainties in respect of tax liabilities or assets recognized in the balance sheet only when it is probable that the related tax amounts will be paid or recovered. It is assumed that the tax authorities will exercise their right to review declared amounts and have full knowledge of all related information. If facts and circumstances that formed the basis for the assessment of uncertainty have changed or if new relevant information becomes available, the assessment must be reviewed and adjusted if necessary.

This amendment does not have a material impact on these consolidated financial statements. The application of IFRIC 23 may have an impact on the consolidated financial statements if future transactions take place where there is uncertainty about the income tax treatment.

Annual improvements to IFRS (cycle 2015 - 2017)

On 12 December 2017, the IASB published the amendment standard "Annual Improvements to IFRS (Cycle 2015–2017)". The EU endorsement took place on 14 March 2019.

The planned amendments cover three areas and affect the standards IFRS 3 "Business Combinations" and IFRS 11 "Joint Agreements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

IFRS 3 "Business Combinations" / IFRS 11 "Joint Agreements"

When control is obtained over an operation that is classified as a jointly controlled operation under IFRS 11 and in which the acquirer already had an interest, the acquisition is a business combination achieved in stages. Accordingly, the provisions of IFRS 3 for accounting for step acquisitions must also be applied in this case, so that any shares already held before the acquisition must be remeasured at fair value at the acquisition date. However, when joint control is obtained over an operation that is a jointly controlled entity within the meaning of IFRS 11, any interests in the assets and liabilities already recognized before the acquisition of joint control are not remeasured.

IAS 12 "Income Taxes"

Income tax consequences of dividend payments must be recognized when the obligation to pay the dividend is recognized. They are recognized in profit or loss, other comprehensive income (OCI) or directly in equity, depending on the transactions underlying the dividends.

IAS 23 "Borrowing costs"

The borrowing costs to be capitalized for a qualifying asset are determined - unless borrowing was specifically taken out for the procurement/production of this asset - on the basis of the weighted average of all borrowing costs, unless these result from borrowing specifically for the procurement/production of other qualifying assets. However, the calculation of the weighted average should also include borrowing costs that result from borrowing to finance other qualifying assets, provided that substantially all the work required to prepare those other qualifying assets for their intended use or sale has been completed.

The amendments resulting from the annual improvements to IFRS (cycle 2015–2017) do not have a material impact on these consolidated financial statements.

52.2. NEW STANDARDS AND INTERPRETATIONS TO BE APPLIED IN FUTURE

The following new or amended standards and interpretations have already been adopted by the IASB, but are not yet mandatory or have not yet been adopted into European law The company has not applied the regulations ahead of time.

New standards		Applicable to financial years, which on or off the aforementioned date start:	Status of the EU Endorsement (stand assembly date of the transaction)
Changes to IFRS 3	Definition of a business operation	01.01.2020	pending
Changes to IFRS IAS 1 and IAS 8	Definition of materiality	01.01.2020	Acceptance occurs
Changes to IFRS 9, IAS 39 and 7	Interest Rate Benchmark Reform (Phase 1)	01.01.2020	Acceptance occurs
	Framework for the financial reporting	01.01.2020	No endorsement
Single standards	Changes is reference to the updated framework in the individual IFRS	01.01.2020	Acceptance occurs
IFRS 17	Insurance contracts	01.01.2021	pending
Changes to IAS 1	Classification of liabilities as current or non-current	01.01.2022	pending
Changes to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and an associated company or Joint Venture	First application indifenitely postponed	pending

Amendments to IFRS 3 “Definition of a Business Operation”

On 22 October 2018, the IASB published amendments to IFRS 3 concerning the “Definition of a business operation”. The purpose of the amendment is to make it easier in future to distinguish whether an operation or a group of assets has been acquired. The amendment adds text in the notes, the application guidelines and explanatory examples that clarify the three elements of a business as defined in the standard.

The amendments apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The EU endorsement is still pending and is expected in the first quarter of 2020.

Due to the nature of the business combinations typically undertaken by Mutares, the management board does not expect the amendments to have a material impact on the consolidated financial statements.

Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”: Definition of Materiality

On 31 October 2018, the IASB published amendments to the definition of materiality of financial statement information. The amendments relate to the standards IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Together with additional application explanations, the amendments are intended to make it easier for the preparer of IFRS financial statements in particular to assess materiality. In addition, the amendments ensure that the definition of materiality is uniform across the IFRS rules.

The amendments are effective for financial years beginning on or after 1 January 2020. The EU endorsement took place on 29 November 2019.

The Management Board assumes that the amendments will not have any material impact on the consolidated financial statements.

Amendments to IFRS 9 "Financial Instruments - Recognition and Measurement", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments - Disclosures": Interest Rate Benchmark Reform (Phase 1)

On 26 September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7. The IASB is reacting to the existing uncertainty regarding the IBOR reform. The amendments relate to hedging relationships under IFRS. They address the prospective assessment of the effectiveness of hedging relationships, the adjustment of the "highly probable" criterion in relation to cash flow hedges and the IBOR risk component.

The amendments are applicable to financial years beginning on or after 1 January 2020. The EU endorsement was given on 15 January 2020.

The Management Board assumes that the amendments will not have any material impact on the consolidated financial statements.

Revision of the framework and changes to cross-references to the framework in various IFRS

On 29 March 2018, the IASB published a revised version of the framework. It includes revised definitions of assets and liabilities and new guidance on measurement and derecognition, presentation and disclosures. However, the new framework does not constitute a fundamental revision. Rather, it extends the scope of regulation to those areas which were previously unregulated or which showed discernible deficits. In addition, the IASB has updated various cross-references to the framework in individual IFRSs.

The framework itself is not subject to endorsement. The updates of the cross-references in the individual standards are to be applied from 1 January 2020. The EU endorsement took place on 29 November 2019.

The Management Board assumes that the amendments will not have any material impact on the consolidated financial statements.

IFRS 17 "Insurance contracts"

IFRS 17 "Insurance Contracts" was issued on 18 May 2017. The new standard aims to provide consistent, principle-based accounting for insurance contracts and requires insurance liabilities to be measured at current settlement value. This leads to a uniform measurement and presentation of all insurance contracts. The standard is effective for financial years beginning on or after 1 January 2021. The date of EU endorsement is still open.

The Management Board does not expect the standard to have any material impact on future consolidated financial statements.

Classification of liabilities as current or non-current, amendments to IAS 1

On 23 January 2020, the IASB issued "Classification of liabilities as current or non-current" with amendments to IAS 1. The amendments are intended to clarify the criteria for classifying liabilities as current or non-current. The amendments are to be applied for financial years beginning on or after 1 January 2022. The EU endorsement is pending and is expected in the course of 2020.

The Management Board does not expect the standard to have any material impact on future consolidated financial statements.

Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and an associate or joint venture"

The amendments address a conflict between the provisions of IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements". They clarify that in the case of transactions with an associate or joint venture, the extent to which income is recognized depends on whether the assets sold or contributed represent a business operation in accordance with IFRS 3. The IASB has meanwhile postponed the date of first-time application of the amendments indefinitely.

The Management Board assumes that these potential amendments to IFRS 10 and IAS 28 will not have any effect on future consolidated results.

53. Principles of consolidation

53.1. SUBSIDIARY

Subsidiaries are companies that are controlled by Mutares SE & Co. KGaA. The Group obtains control when it can exercise control over the investee, is exposed to fluctuating returns from the investment, and has the ability to use its control over the investee in a manner that affects the level of return of the investee.

Mutares SE & Co. KGaA reviews the assessment of control if there are indications that one or more of the control criteria mentioned above have changed.

A subsidiary is included in the consolidated financial statements from the date on which the company obtains control of the subsidiary until the date on which control ceases.

The results of subsidiaries over which control was gained or lost during the year are recognized in the consolidated income statement and other comprehensive income with effect from the date on which control was gained or lost.

Where necessary, the annual financial statements of subsidiaries are adjusted to bring their accounting policies into line with those applied in the Group.

The acquisition of a business is accounted for using the purchase method (acquisition -method). The consideration transferred as part of an acquisition corresponds to the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the time of the transaction. It also includes the fair value of any recognized assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair values at the acquisition date. The exceptions to the recognition and measurement principles required by the standard, such as the recognition and measurement of deferred taxes on acquired assets and liabilities in accordance with IAS 12, are taken into account accordingly on initial consolidation.

Goodwill is recognized and tested for impairment at least once a year. This is the amount by which the acquisition cost of the acquisition, the amount of the non-controlling interest in the acquiree and the fair value of any previously held equity interest at the date of acquisition exceeds the Group's interest in the net assets measured at fair value. If the cost of acquisition is less than the fair value of the acquired subsidiary's net assets measured at fair value, the difference is recognized directly in the consolidated income statement after a further review (bargain purchase income).

If the consideration transferred includes contingent consideration, it is measured at fair value at the acquisition date. Changes in the fair value of the contingent consideration within the measurement period are adjusted retrospectively and booked accordingly against goodwill or bargain purchase income. Adjustments during the measurement period are adjustments to reflect additional information about facts and circumstances that existed at the acquisition date. However, the measurement period may not exceed one year from the date of acquisition. Changes in the fair value of the contingent consideration that are not adjustments during the measurement period are accounted for depending on how the contingent consideration is classified.

Disposals of shares without loss of control (reduction) are shown as transactions between the equity providers (Mutares SE & Co. KGaA and the minority shareholders) with no effect on income.

Non-controlling interests are generally measured at their proportionate share of the enterprise value, so that goodwill attributable to minority interests is capitalized (full goodwill method). Non-controlling interests are entitled to a share of profit or loss from the date of transfer of the shares, which is presented separately in the statement of comprehensive income.

Increases that maintain a majority are shown as equity transactions, or transactions between majority and minority shareholders.

In the case of deconsolidation, an individual sale is simulated, i.e. the sale of all shares is presented as a transfer of individual assets and liabilities including goodwill against payment. The gain on disposal is the difference between the proceeds from the sale and the consolidated carrying amounts of the net assets disposed of, including hidden reserves and goodwill.

Balances and transactions with consolidated subsidiaries as well as the resulting income and expenses are eliminated in full for the purpose of preparing the consolidated financial statements.

The tax deferrals required by IAS 12 were made for temporary differences arising from consolidation.

53.2. ASSOCIATED COMPANIES AND JOINT VENTURES

An associate is an entity over which Mutares has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee without having control or joint control. If Mutares SE & Co. KGaA directly or indirectly holds between 20% and 50% of the voting rights in an investee, it is presumed that significant influence can be exercised. If Mutares SE & Co. KGaA directly or indirectly holds less than 20% of the voting rights in an investee, significant influence is presumed if it can be clearly demonstrated.

Shares in associated companies are accounted for using the equity method and are therefore initially recognized at cost. Goodwill arising from the acquisition of an associated company is included in the carrying amounts of the investments in associated companies. After initial recognition, the carrying amount of the investment increases or decreases in line with the investor's share of the net profit or loss for the period or of changes in equity of the investee that are recognized directly in equity - from the date on which significant influence is first exercised until such influence ceases. If Mutares' share of losses of an associate equals or exceeds its interest in the investee, its share is reduced to zero.

Unrealized gains on transactions with associates are eliminated against the carrying amount of the investment in proportion to the interest held by Mutares. Unrealized losses are eliminated in the same manner, but only to the extent that there is no indication of impairment.

The tax deferrals required by IAS 12 were made for temporary differences arising from consolidation.

A joint venture is a joint arrangement whereby the parties exercising joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. There is currently no joint venture.

53.3. COMMUNITY ACTIVITY

A joint venture is a joint agreement whereby the parties exercising joint control have rights to the assets and obligations for the liabilities under the agreement. Joint control is the contractually agreed, jointly exercised control of an arrangement. This is only the case when decisions on the relevant activities require the unanimous consent of the parties involved in joint control.

Where a Group company carries out activities as part of a joint venture, the Group recognizes the following items as a joint venture in relation to its share of the joint venture

- its assets, including its share of jointly held assets;
- its debts, including its share of jointly incurred debts;
- its revenue from the sale of its share of the products or services of the Community activity;
- its expenses, including its share of any expenses incurred jointly;

The Group recognizes the assets, liabilities, income and expenses related to its share of a joint venture in accordance with the IFRS applicable to these assets, liabilities, income and expenses.

When a Group company enters into a transaction involving a joint activity in which another Group company is a joint venture (e.g. the sale or contribution of assets), the Group considers the relevant transaction to have been carried out with the other parties to the joint activity and therefore recognizes any gain or loss only to the extent of the other parties' interest in the joint activity.

In transactions such as the purchase of assets by a Group company, gains and losses are not recognized to the extent of the Group's interest in the joint venture until the assets are sold on to third parties.

53.4. FOREIGN CURRENCY

The consolidated financial statements have been prepared in accordance with the concept of functional currency. The functional currency is the primary currency of the economic environment in which Mutares Group operates. It corresponds to the euro, which is also the presentation currency of the consolidated financial statements.

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the respective functional currency at the exchange rate prevailing at the balance sheet date. The foreign exchange gains and losses resulting from these translations are recognized in the consolidated income statement under "Other income" or "Other expenses".

Balance sheet items of subsidiaries whose functional currency is not the euro are translated into the presentation currency at the closing rate, items in the consolidated income statement at the average exchange rate for the respective period, and equity items at historical exchange rates. The resulting translation differences are recognized in the currency translation reserve in accumulated other comprehensive income. Where non-controlling interests are involved, the corresponding portion of the translation difference is offset against the minority interest.

When a foreign operation is disposed of, the exchange differences accumulated up to that point are included in the gain or loss on disposal, i.e. reclassified from equity to profit or loss.

Generally, the functional currency of Mutares SE & Co. KGaA's subsidiaries is the local currency. The following companies are an exception: Inoplast Trucks Mexico, S.A. de C.V. and Elastomer Solutions Mexico S. de R.L. de C.V. (for both companies the US dollar is the functional currency) as well as Elastomer Solutions Maroc Sarl and Plati Ukraine Limited (for these companies the euro is the functional currency).

The main exchange rates used for currency translation are shown below:

Currency 1 EUR in		Closing rate		Average Price	
	Code	31 Dec. 2019	31 Dec. 2018	2019	2018
USA	USD	1.123	1.145	1.119	1.181
China	CNY	7.820	7.875	7.733	7.807
Poland	PLN	4.257	4.301	4.297	4.261
UK	GBP	0.851	0.895	0.877	0.894

54. Significant accounting and valuation principles

The consolidated financial statements are based on uniform accounting and valuation principles. All companies included in the consolidated financial statements of Mutares SE & Co. KGaA prepare their accounts as of 31 December or, for the purposes of the consolidated financial statements, have prepared interim financial statements as of that date and for the period covered by the consolidated financial statements.

The main accounting and valuation principles are explained below.

54.1. REALIZATION OF INCOME

Sales of goods

The Group recognizes revenue when control of the separable goods or services is transferred to the customer. The customer must therefore have the ability to determine the use of the goods or services and must derive the main remaining benefit. This is based on a contract between the Group and the customer. The contract and the agreements it contains must be approved by the parties, the individual obligations of the parties and the terms of payment must be identifiable, the contract must have economic substance and the Group must be likely to receive the consideration for the service rendered. There must therefore be enforceable rights and obligations. The transaction price usually corresponds to the sales revenue. In individual companies, rebates and discounts are granted to the extent customary in the market and are taken into account in the recognized sales revenue. If the contract contains more than one separable service obligation, the transaction price is allocated to the individual service obligations on the basis of the relative individual selling prices. If no individual selling prices are observable, the Group estimates them. The individual identified benefit obligations are realized either over a specified period of time or at a specified date.

The terms of payment usually provide for payment within 90 days of the invoice date at the latest. There are usually no significant financing components and the period between the transfer of the goods or services and the date of payment usually does not exceed 12 months, so that the consideration does not have to be adjusted by the time value of money. The Group's obligation to repair or replace defective products under the statutory warranty is reported as a provision.

Customer tools

Contracts for first-series molds result in a separate performance obligation to the customer upon transfer of the power of disposal. Revenue is recognized when the power of disposal is transferred to the customer.

Customized products

Customer-specific products are subject to revenue recognition on a time proportion basis if the products have no alternative use based on their specifications and have an enforceable payment claim against the customer at least in the amount of a reimbursement of the costs incurred for the services already rendered, including a reasonable profit margin.

The percentage of completion is determined using the input method based on the ratio of costs incurred to planned costs. Due to detailed internal cost controlling, this method provides a true and fair view of the transfer of goods.

Performance of services

Income from service contracts is recognized as soon as control of the service is transferred to the customer and the date of performance of the service is determined to be a date or period-based date. Services over a certain period of time are realized according to the progress of performance. If a service is not recognized over a specific period, revenue is recognized when control is transferred.

Rental income

The comments on leasing in accordance with IFRS 16 apply.

Production orders

If the transfer of control already takes place during the construction phase, revenues from construction contracts are recognized over a period of time with a corresponding margin (overtime). A corresponding transfer of control is assumed if the claim for compensation in the event of contract termination includes an appropriate margin in addition to the costs incurred to date and there are no alternative uses for the asset created.

The stage of completion is determined on the basis of the contract costs incurred for the work performed in relation to the expected contract costs (input-based method). Management is of the opinion that this input-based method represents a reasonable estimate of the progress of work.

If there is no entitlement to remuneration or if it only includes the costs incurred, revenue is not recognized until the contract is completed.

If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense.

If the contract costs incurred up to the reporting date plus recognized profits and less recognized losses exceed the progress billings, the excess is recognized as a contract asset. For contracts in which progress billings exceed contract costs incurred plus recognized profits and less recognized losses, the excess is recognized as a contractual liability in the same way as amounts received before construction work is completed. Amounts invoiced for services already rendered but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

The regulations of IFRS 15 are of no or only very minor importance for Mutares Group in the following areas:

- Consignment stock
- Contract acquisition or performance costs
- Principal-agent relationships
- Bill-and-hold agreements
- Repurchase agreements
- Guarantees

54.2. INCOME TAXES

Income tax expense represents the balance of current tax expense and deferred taxes.

Current or deferred taxes are recognized either in the consolidated income statement, in other comprehensive income or directly in equity, analogous to the underlying situation. Current or deferred taxes from the initial accounting for a business combination are taken into account in the accounting for the business combination.

Current taxes

The current tax expense is determined on the basis of taxable income for the year. Taxable income differs from net income as shown in the consolidated statement of comprehensive income due to expenses and income that are taxable or deductible in later years or never. The Group's liabilities for current taxes are calculated on the basis of the tax rates that apply or will apply shortly from the perspective of the balance sheet date.

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 on the basis of the internationally accepted balance sheet-oriented liability method. Under this method, deferred taxes are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet, as well as for tax loss carryforwards.

Deferred taxes on these calculated differences are always taken into account if they result in deferred tax liabilities. Deferred tax assets are only recognized if it is probable that the corresponding tax benefits will be realized. Deferred tax assets and liabilities are also recognized for temporary differences arising in the context of corporate acquisitions, with the exception of temporary differences on goodwill where these are not recognized for tax purposes.

Deferred taxes on so-called "outside basis differences", i.e. differences between the assets of a subsidiary recognized in the consolidated financial statements and the tax base of the shares held in the subsidiary by the Group parent company, are generally taken into account (insofar as tax effects are anticipated which may result in the future from the sale of the shares or the distribution of profits).

Deferred tax assets and liabilities are offset if the conditions of IAS 12 are met. Accordingly, they are netted if there is an enforceable right to offset and if the deferred tax assets and liabilities and the deferred tax liabilities and deferred tax liabilities are not offset. -The deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities that are intended to settle on a net basis.

The tax rates of future years are used to calculate deferred taxes to the extent that they are already legally established or the legislative process has essentially been completed. Changes in deferred taxes in the balance sheet generally result in deferred tax expense or income. If items that result in a change in deferred taxes are booked directly against equity, the change in deferred taxes is also booked directly against equity.

54.3. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit share after tax of the shareholders of the parent company by the weighted average number of shares outstanding during the financial year. Diluted earnings per share are calculated on the assumption that all potentially dilutive securities and share-based payment plans are converted or exercised.

54.4. INTANGIBLE ASSETS

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and measured at fair value at the acquisition date.

In subsequent periods, intangible assets acquired in a business combination are measured at cost less any accumulated amortization and any accumulated impairment losses, in the same way as individually acquired intangible assets.

Other intangible assets acquired separately

Intangible assets with a definite useful life acquired separately, i.e. not as part of a business combination, are recognized at cost less accumulated amortization and impairment losses. Amortization is charged to expense on a straight-line basis over the expected useful life. The expected useful life and the amortization method are reviewed at each balance sheet date and any changes in estimates are accounted for prospectively.

Separately acquired intangible assets with an indefinite useful life are carried at cost less any accumulated impairment losses.

Internally generated intangible assets

Internally generated intangible assets are capitalized at cost.

Research and development expenses must be separated to determine whether internally generated intangible assets can be capitalized. Expenditure on research activities, with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as an expense in the period in which it is incurred.

The recognition of internally generated intangible assets requires cumulative fulfilment of the capitalization criteria of IAS 38: The technical feasibility of the development project and a future economic benefit from the development project must be demonstrated and the company must intend and be able to complete the intangible asset and use or sell it. Furthermore, adequate technical, financial and other resources must be available and the expenditure attributable to the intangible asset during its development must be reliably measurable.

The capitalized production costs comprise the costs directly attributable to the development process as well as development-related overheads. Borrowing costs that are directly attributable to the acquisition, construction or production of a so-called qualified asset must be capitalized as part of the cost of acquisition or production under IFRS. No qualifying assets were acquired or produced in the reporting period or in the comparable period for which capitalization of borrowing costs would be required.

If a useful life can be determined, these intangible assets are amortized on a straight-line basis over their respective useful economic lives.

The following useful lives were used as the basis for calculating depreciation:

	Useful life in years
Self-generated industrial property rights and similar right	1 to 10
Software	1 to 20
Concessions acquired for consideration, commercial property rights and similar rights and assets	1 to 20

Impairment of intangible assets

If there are indications of impairment and the carrying amount of intangible assets exceeds the recoverable amount, impairment losses are recognized. The recoverable amount is the higher of fair value less costs to sell and value in use. If the reason for an existing impairment loss no longer exists, the impairment loss is reversed to amortized cost. Intangible assets with an indefinite useful life are tested for impairment once a year. In addition, a review is carried out in each period to determine whether the assessment of an indefinite useful life is still justified. For intangible assets that do not generate cash flows themselves, impairment testing is performed at the level of their cash-generating unit.

Derecognition of intangible assets

An intangible asset shall be derecognized on disposal or when no further economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the income statement when the asset is derecognized. This is reported under other income or other expenses.

54.5. PROPERTY, PLANT AND EQUIPMENT

Land and buildings and other tangible assets

Property, plant and equipment are measured at cost less accumulated depreciation, if the -assets are depreciable, and impairment losses.

The cost of an item of property, plant and equipment includes all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognized as expenses in the consolidated income statement in the financial year in which they are incurred. Internally generated assets are initially measured at directly attributable production costs and production-related overheads.

Scheduled depreciation is recorded in the consolidated income statement on a straight-line basis over the estimated useful life of the asset.

Land is not subject to scheduled depreciation.

Where significant parts of property, plant and equipment contain components with significantly different useful lives, these are recorded separately and depreciated over their respective useful lives.

Borrowing costs that are directly attributable to the acquisition, construction or production of a so-called qualified asset must be capitalized as part of the cost of acquisition or production under IFRS. No qualifying assets were acquired or manufactured in the reporting period or in the comparable period for which capitalization of borrowing costs would have been appropriate.

The residual values and useful lives are reviewed at each balance sheet date and adjusted if necessary. The economic useful lives are based on estimates and are largely based on experience in terms of historical use and technical development.

Gains and losses from the disposal of assets are determined as the difference between the proceeds from the sale and the carrying amount and are recognized in profit or loss.

The following useful lives were used as the basis for calculating depreciation:

	Useful life in years
Buildings	20 to 50
Technical equipment, machinery and vehicles	1 to 20
Operating and office equipment	1 to 13

Impairment of property, plant and equipment

If there are indications of impairment and if the carrying amount of property, plant and equipment exceeds the recoverable amount, impairment losses are recognized. The recoverable amount is the higher of fair value less costs to sell and value in use. If the reason for an existing impairment loss ceases to apply, the impairment loss is reversed to amortized cost. Property, plant and equipment that do not generate cash flows themselves are tested for impairment at the level of their cash-generating unit.

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. The gain or loss arising from the sale or retirement of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognized in profit or loss.

54.6. LEASING

Accounting policies effective from 1 January 2019

IFRS 16 contains a comprehensive model for identifying lease agreements and for accounting by the lessor and lessee. IFRS 16 is generally applicable to all leases. A lease as defined by the standards exists if the lessor contractually grants the lessee the right to control an identified asset for a specified period of time and the lessor receives consideration from the lessee in return.

For lessees, the previous distinction between rental leasing and finance leasing no longer applies. Instead, the lessee must in future recognize the right of use of a leased asset (so-called “right-of-use asset” or “RoU asset”) and a corresponding lease liability for all leases. The only exceptions to this rule are short-term leases and leases for low-value assets, for which payments are recognized as expenses in the income statement on a straight-line basis over the term of the lease. Mutares takes advantage of these practical simplifications. A value limit of EUR 5,000 is applied to low-value assets.

The amount of the RoU asset at the date of addition is equal to the amount of the lease liability plus any initial direct costs of the lessee. In subsequent periods, the RoU asset (with two exceptions) is measured at amortized cost and depreciated using the straight-line method until the earlier of the end of the useful life of the leased asset or the end of the lease term.

The lease liability is measured as the present value of the valuation-relevant lease payments made during the term of the lease. The incremental borrowing rate is regularly used for discounting purposes, as the interest rate on which the lease is based is generally not known. The incremental borrowing rate is determined for each lease in a manner equivalent to the term of the lease and is risk-equivalent for each country and currency. Subsequently, the carrying amount of the lease liability is compounded using the interest rate used for discounting and reduced by the lease payments made. Changes in the lease payments generally lead to a revaluation of the lease liability against the corresponding right of use without affecting income.

Mutares has also decided to apply IFRS 16 to other intangible assets. Leasing and service components are not presented separately at Mutares.

For lessors, on the other hand, the accounting treatment known under IAS 17 “Leases” with a distinction between finance and operating leases remains unchanged. The catalogue of criteria for the assessment of a finance lease was taken over unchanged from IAS 17. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise it is classified as an operating lease. If Mutares acts as lessor under a finance lease, a receivable in the amount of the net investment in the lease is recognized. In the case of an operating lease, Mutares recognizes the leased asset as an asset under property, plant and equipment. It is measured at amortized cost. The following useful lives were used as the basis for calculating depreciation:

	Useful life in years
Buildings	20 to 50
Technical equipment, machinery and vehicles	20 to 50
Operating and office equipment	1 to 13

Rental income is recognized in the income statement on a straight-line basis over the lease term and reported under other income. As a lessor, Mutares essentially only enters into leases that are classified as operating leases.

For information on the discretionary decisions and estimates made in connection with leases, particularly with regard to determining the lease term and the marginal interest rate on debt, please refer to Note 3.

Accounting policies in force before 1 January 2019

In accordance with IAS 17, a lease was an agreement under which the lessor conveys to the lessee the right to use an asset for an agreed period in return for a payment or series of payments.

Leases are classified as finance leases if the lease conditions transfer substantially all risks and rewards incidental to ownership to the lessee. Fixed assets that were rented or leased and for which the Group company in question was the beneficial owner (“finance lease”) were capitalized at the beginning of the contract at the lower of fair value or the present value of the future lease payments. Correspondingly, liabilities in the same amount to the lessor were recorded in the balance sheet under “Other non-current and current financial liabilities / financial liabilities”. The interest rate underlying the agreement or - if not available - the marginal refinancing rate was used to determine the present value. The depreciation of these assets and the reversal of the liability were carried out over the term of the agreement. if the useful life of the assets was shorter than the term of the agreement, this was decisive for determining the depreciation period. While the leased asset was depreciated on a straight-line basis over the term of the lease agreement, the related lease liability was amortized on a progressive basis using the effective interest method. This resulted in a difference between the lease obligation and the carrying amount of the leased asset over the term of the lease. The Mutares companies entered into finance leases primarily as lessees.

All other significant leases were classified as operating leases.

Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the lessee.

54.7. COST OF DEBT

Borrowing costs directly related to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that require a substantial period of time to be brought into their intended use or saleable condition.

Income generated from the investment of specially borrowed capital up to the time of its issuance for qualifying assets is deducted from the capitalizable borrowing costs.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

54.8. ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only deemed to be met if the non-current asset or disposal group is immediately available for sale in its present condition and the sale is highly probable. The management must have committed itself to a sale. It must be assumed that the sale will be completed within one year of such classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their original carrying amount and fair value less costs to sell.

In the event that the Group has committed to a disposal involving a loss of control over a subsidiary, all assets and liabilities of this subsidiary are classified as held for sale if the above conditions are met. This applies regardless of whether or not the Group retains a non-controlling interest in the former subsidiary after the sale.

54.9. INVENTORIES

Inventories are measured at the lower of cost or net realizable value. Acquisition costs for raw materials and supplies are determined using the moving average. Additional incidental acquisition costs are taken into account. Work in progress and internally produced finished goods are measured at cost. In addition to the material, production and special direct production costs, the production costs also include appropriate portions of the overheads attributable to production and production-related depreciation.

Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

54.10. FINANCIAL INSTRUMENTS

A financial instrument is defined as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IFRS, they may include non-derivative financial instruments such as trade receivables and payables, as well as derivative financial instruments.

Financial assets and financial liabilities are initially recognized at fair value, which generally corresponds to the transaction price. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument are only included in the carrying amount if the corresponding financial instrument is not measured at fair value through profit or loss. In the case of trade receivables, the transaction price is determined in accordance with IFRS 15. Subsequent measurement depends on the classification of the financial instruments.

Regular way purchases or sales of financial assets are generally recognized on the trade date.

54.11. FINANCIAL ASSETS

Financial assets include in particular:

- Trade receivables and other receivables,
- Other financial assets and
- Cash and cash equivalents

Financial assets with a term of more than twelve months are reported under non-current financial assets.

The classification of financial assets depends on the underlying business model and the so-called cash flow criterion, according to which the contractual cash flows of a financial asset may consist exclusively of interest and repayment of the outstanding principal amount of the financial instrument. The cash flow criterion is always examined at the level of the individual financial instrument. The assessment of the business model relates to the question of how financial assets are managed to generate cash flows. The management can either aim to hold, sell or a combination of both.

The Company classifies financial assets into one of the following categories:

- Financial assets measured at amortized cost (debt instruments)
- Financial assets measured at fair value with no effect on income with recycling (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets measured at amortized cost (debt instruments)

The most significant category of financial assets for Mutares is the category of assets measured at amortized cost in relation to debt instruments. They are measured at amortized cost if the following two criteria are met:

- The business model for managing these financial instruments is geared towards holding them in order to generate the underlying contractual cash flows and
- the contractual cash flows generated from this consist exclusively of interest and repayment of the outstanding principal.

Subsequent measurement of these financial assets is carried out using the effective interest method and is subject to the provisions for impairment in accordance with IFRS 9.5.5 et seq. The amortized cost of a financial asset is the amount at which the financial asset is measured on initial recognition, less repayments, plus cumulative amortization using the effective interest method, adjusted for impairment. At Mutares, trade receivables, other assets and bank balances are mainly subject to this category.

Trade receivables that are sold under a factoring agreement without the receivables being derecognized as part of the sale of receivables are still assigned by Mutares to the “hold” business model and thus to the category “amortized cost”. Mutares defines the sale as an actual sale which also leads to a disposal in the balance sheet. According to Mutares’ interpretation, a purely legal sale without a disposal does not constitute a business model of sale within the meaning of IFRS 9. Receivables portfolios that are generally subject to the option of factoring with disposal of the corresponding receivables are allocated to the “hold and sell” category and measured at fair value (FVOCI) with no effect on income.

Financial assets measured at fair value with recycling not affecting income (debt instruments)

The valuation with recycling at fair value with no effect on profit or loss for debt instruments is performed if the following two criteria are met:

- The business model for managing these financial instruments is based on holding them in order to generate the underlying contractual cash flows, and is also geared towards selling them.
- The contractual cash flows generated from this consist exclusively of interest and repayment of the outstanding principal.

For these financial assets, interest, foreign currency valuation effects and expenses and income in connection with impairments are recognized in the income statement. The remaining changes are recognized in other comprehensive income and reclassified to profit or loss on disposal (recycling).

In the case of Mutares, this valuation is mainly based on receivables in connection with a factoring agreement with disposal of the corresponding receivables.

Financial assets at fair value through profit or loss

This category includes financial assets held for trading, financial instruments using the fair value option and financial assets for which measurement at fair value is mandatory. A trading purpose exists if a short-term purchase or sale is intended. Derivatives that are not part of a hedging relationship are always held for trading purposes. Financial assets that do not meet the cash flow criterion are always measured at fair value through profit or loss, irrespective of the underlying business model. The same measurement applies to financial instruments that are subject to a “sell” business model.

The fair value option for financial assets is not used.

At Mutares, derivatives that are not part of a hedging relationship and securities are essentially subject to this valuation.

Any changes in the fair value of these instruments are recognized in profit or loss.

Financial assets measured at fair value with no effect on income without recycling (equity instruments)

On initial recognition of an equity instrument, Mutares has the irrevocable option to measure it at fair value with no effect on profit or loss. The prerequisite is that it is an equity instrument in accordance with IAS 32 that is not held for trading and that it is not a contingent consideration as defined by IFRS 3. The option can be exercised separately for each equity instrument.

Mutares does not exercise the option and measures all equity instruments at fair value through profit or loss.

Impairment of financial assets

Financial assets (with the exception of financial assets at fair value through profit or loss and equity instruments at fair value through equity), contract assets in accordance with IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model as defined in IFRS 9.5.5, under which Mutares recognizes an impairment loss for these assets based on the expected credit losses. Expected credit losses are the difference between the contractually agreed cash flows and the expected cash flows, measured at present value using the original effective interest rate. The expected cash flows also include proceeds from hedge sales and other loan collateral that is an integral part of the respective contract.

Expected credit losses are recorded in three stages. For financial assets for which there has been no significant increase in default risk since initial recognition, the impairment loss is measured in the amount of the expected 12-month credit loss (level 1). In the event of a significant increase in the default risk, the expected credit loss is calculated for the remaining term of the asset (level 2). Mutares generally assumes that there is a significant increase in credit risk if the asset is 30 days past due. This principle can be rebutted if, in a given case, reliable and justifiable information indicates that the credit risk has not increased. If there is objective evidence of impairment, the underlying assets are to be allocated to Level 3.

The relevant class of assets for Mutares for the purpose of applying the impairment model are trade receivables and contract assets. For these Mutares applies the simplified approach in accordance with IFRS 9.5.15. Under this approach, the impairment is always measured in the amount of the expected credit losses over the term.

For financial assets that are measured at fair value as a debt instrument and not at fair value through profit or loss, Mutares considers all reasonable and reliable information available without undue cost or time to verify a potentially significant increase in expected credit risk. For this purpose, the associated default risk is mainly used. Rating information is used for the default risk. Mutares only holds instruments for which a low default risk exists.

For the remaining assets that are within the scope of the amended impairment model of IFRS 9 and which are subject to the general approach, financial assets are grouped together on the basis of common credit risk characteristics or individual default information is used to measure expected losses. In all cases, the basis of calculation is the current probability of default on the respective reporting date.

Mutares generally assumes a default if contractual payments are more than 90 days overdue. In addition, in individual cases, internal or external information is also used which indicates that the contractual payments cannot be made in full. Financial assets are derecognized if there is no reasonable expectation of future payments.

54.12. DERIVATIVES AND HEDGING RELATIONSHIPS

Within the Group, derivative financial instruments are used to manage risks from interest rate fluctuations. Derivative financial instruments are initially recognized as financial assets or liabilities at fair value in the category of financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss.

Allocable transaction costs are recognized in the income statement in the period in which they are incurred. With the exception of derivatives designated as cash flow hedges, all derivatives are measured at fair value through profit or loss. They are reported in the consolidated balance sheet under “other financial assets” or “other financial liabilities”.

The Group does not currently apply hedge accounting.

54.13. FINANCIAL LIABILITIES

Financial liabilities regularly give rise to a claim for return in cash and cash equivalents or another financial asset. These include in particular bonds and other securitized liabilities, trade payables, liabilities to banks and derivative financial instruments.

For the initial measurement of financial liabilities, please refer to the description of financial assets. Financial liabilities are generally measured at amortized cost using the effective interest method (FLAC).

The category of financial liabilities measured at fair value through profit or loss (FLtPL) includes all financial liabilities held for trading, derivative instruments unless they are part of a hedging relationship, and financial instruments for which the fair value option has been exercised. This measurement category includes contingent consideration in connection with business combinations.

Financial liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

The fair value option for financial liabilities according to IFRS 9 is not used.

54.14. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments are derecognized when the rights to payments have expired or have been transferred and the Group transfers substantially all risks and rewards of ownership.

Financial assets and liabilities are only offset if there is a right to offset the net amount at that time.

54.15. EQUITY

Equity is defined as cash and non-cash contributions that give rise to a residual interest in the assets of an entity after deducting all related liabilities. The development of equity for the financial years 2019 and 2018 is shown in the consolidated statement of changes in equity.

Mutares SE & Co. KGaA accounts for acquired treasury shares using the par value method, under which the nominal amount of acquired treasury shares is deducted from the subscribed capital. In addition, any excess acquisition cost reduces the retained earnings of Mutares SE & Co. KGaA.

54.16. SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument on the grant date. The market-related performance condition relating to the share price is included in the calculation of the fair value.

Further information on share-based payments in the Mutares Group is presented in note 32 “Conditional capital and share-based payment”.

54.17. EMPLOYEE BENEFITS

In the case of defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, whereby an actuarial valuation is performed on each balance sheet date. Revaluations consisting of actuarial gains and losses, changes resulting from the application of the asset ceiling and the return on plan assets (excluding interest on net debt) are recognized directly in other comprehensive income and are therefore included directly in the consolidated balance sheet. The revaluations recognized in other comprehensive income are part of retained earnings and are no longer reclassified to the consolidated income statement. After service costs to be offset, they are recognized as an expense when the plan change occurs.

The net interest is calculated by multiplying the discount rate by the net liability (pension obligation less plan assets) or the net asset value, which, if the plan assets exceed the pension obligation, is calculated at the beginning of the financial year. The defined benefit costs include the following components:

- Service cost (including current service cost, net of past service cost and any gains or losses arising from plan amendments or -shortening)
- Net interest expense or income on the net liability or asset
- Revaluation of the net liability or asset

The Group reports the first two components in the consolidated income statement. Gains or losses from plan curtailments are recognized as past service cost.

The defined benefit obligation recognized in the consolidated balance sheet represents the current underfunding or overfunding of the Group’s defined benefit plans. Any overfunding resulting from this calculation is limited to the present value of future economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Payments for defined contribution plans are recognized as an expense when the employees have rendered the service that entitles them to the contributions.

For short-term employee benefits (wages, sick pay, bonuses, etc.), the undiscounted amount of the benefit that is expected to be paid in exchange for the service rendered is recognized in the period in which the employees render the service.

The expected cost of short-term employee benefits in the form of compensated absences shall be recognized, in the case of accumulating entitlements, when the work services that increase employees' entitlement to paid future absences are performed. In the case of non-accumulating absences, however, they are recognized when the absence occurs.

All personnel-related obligations that cannot be allocated to pension provisions or accruals for personnel-related obligations (personnel-related liabilities such as those for unpaid vacation or overtime and outstanding wages and salaries) are recorded in other personnel-related provisions. These include, for example, obligations for employee bonuses or for employee anniversaries.

A liability for termination benefits is recognized when the Group can no longer withdraw the offer of such benefits or, if earlier, the Group has recognized related restructuring costs (see note 54.18).

54.18. OTHER PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the provision.

The amount recognized as a provision is the best estimate at the balance sheet date of the expenditure required to settle the present obligation. In doing so, risks and uncertainties inherent in the obligation must be taken into account.

If a provision is measured on the basis of the estimated cash flows required to settle the obligation, these cash flows are discounted if the interest effect is material.

If it can be assumed that part or all of the economic benefit required to settle the provision will be reimbursed by an external third party, the reimbursement claim is capitalized as an asset if the reimbursement is virtually certain and its amount can be reliably estimated.

The following section describes special circumstances in the accounting for other provisions:

Process costs

The companies of the Mutares Group may be plaintiffs or defendants in lawsuits and other proceedings within the scope of their business activities. If the general recognition criteria are met, a provision is recognized for the best estimate of the cash flows expected to be required to settle the obligation and is reported under other provisions. In cases where the general recognition criteria are not met, the existence of a contingent liability is assessed and disclosed in the notes to the consolidated financial statements.

Warranties

Provisions for expected expenses arising from warranty obligations are recognized at the time of sale of the products concerned, based on management's best estimate of the expenditure required to meet the Group's obligation.

Restructuring

A provision for restructuring expenses is recognized when the Group has prepared a detailed formal restructuring plan which, by starting to implement the plan or announcing its main elements, has raised a valid expectation in those affected that the restructuring measures will be carried out. In measuring a restructuring provision, only the direct expenditures for the restructuring are included. Therefore, only the amounts relating to the restructuring are included in the measurement of a restructuring provision and are not related to the continuing operations of the company. For liabilities from the termination of employment relationships, we refer to note 53.17.

Impending losses

Current obligations arising in connection with onerous contracts are recognized as provisions. The existence of an onerous contract is presumed when the Group is a party to a contract where the unavoidable costs of fulfilling the contract are expected to exceed the economic benefits received under the contract.

Contingent liabilities

A contingent liability is a possible obligation that arises from the occurrence or non-occurrence of uncertain future events and whose amount cannot be estimated with sufficient reliability. Contingent liabilities are not recognized as liabilities, but trigger disclosure requirements in the notes to the consolidated financial statements. Contingent liabilities assumed in the context of company acquisitions, on the other hand, are carried as liabilities.

54.19. GOVERNMENT GRANTS

Government grants, including non-monetary grants at fair value, are recognized only when there is reasonable assurance that

- the entity will comply with the conditions attached thereto, and that
- the grants are awarded.

Grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. Grants received to compensate for expenses already incurred are recognized in income in the period in which the expenses are incurred.

Approval of the financial statements

The degree was awarded at the 8 April 2020. The financial statements were approved and released for publication by the Management Board of Mutares Management SE as general partner of Mutares SE & Co KGaA on 8 April 2020.

Munich, the 8 April 2020

Mutares Management SE,

General partner of Mutares SE & Co. KGaA

The Management Board

Mutares AG Robin Laik	Mutares AG Mark Friedrich
Mutares AG Dr. Kristian Schleede	Mutares AG Johannes Laumann

Annex 1: Consolidated Group and list of shareholdings

	Registered office	Share in equity in % 31. Dec. 2019	Share in equity in % 31. Dec. 2018
Direct equity investments: intermediate holdings			
Mutares Automobilguss AG i.L.[1]	Munich	–	100
Mutares Holding-02 AG[1]	Bad Wiessee	100	100
Mutares Holding-03 AG[1]	Bad Wiessee	100	100
Mutares Holding-06 GmbH[1]	Bad Wiessee	100	100
Mutares Holding-07 GmbH[1]	Bad Wiessee	100	100
Mutares Holding-08 AG i.L.[1]	Bad Wiessee	–	100
Mutares Holding-09 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-[10] GmbH i.L. (previously: Mutares Holding-10 AG)[1]	Bad Wiessee	100	100
Mutares Holding-11 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-13 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-14 AG[1]	Bad Wiessee	100	100
Mutares Holding-15 GmbH[1]	Bad Wiessee	100	100
STS Group AG[1]	Hallbergmoos	65	65
Mutares Holding-19 AG[1]	Bad Wiessee	100	100
Mutares Holding-20 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-21 AG[1]	Bad Wiessee	100	100
Mutares Holding-22 AG[1]	Bad Wiessee	–	100
Mutares Holding-[23] GmbH (previously: Mutares Holding-23 AG)[1]	Bad Wiessee	100	100
Mutares Holding-24 AG[1]	Bad Wiessee	100	100
Mutares Holding-25 AG[1]	Bad Wiessee	100	100
Mutares Holding-[26] GmbH (previously: Mutares Holding-26 AG)[1]	Bad Wiessee	100	100
Mutares Holding-27 AG[1]	Bad Wiessee	100	100
Mutares Holding-[28] GmbH (previously: Mutares Holding-28 AG)[1]	Bad Wiessee	100	100
Mutares Holding-[29] GmbH (previously: Mutares Holding-29 AG)[1]	Bad Wiessee	100	100
Mutares Holding-30 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-31 GmbH[1]	Bad Wiessee	100	100
Mutares Holding-[32] GmbH (previously: Blitz 19-335 GmbH)[1]	Bad Wiessee	100	–
Donges Envelope GmbH[1]	Darmstadt	100	–
Donges Vorrats GmbH[1]	Darmstadt	100	–
Mutares Management SE (previously: Blitz 18-761 SE)[6]	Munich	30	–
National subsidiaries			
Mutares France S.A.S.[1]	Paris/FR	100	100
Mutares Italy S.r.l.[1]	Turin/IT	100	100
Mutares UK Ltd.[1]	London/UK	100	100
Mutares Nordics Oy[1]	Vantaa/FI	100	–
Indirect equity investments: operating entities/sub-groups			
STS Group			
STS Acoustics S.p.A.[1]	Turin/IT	100	100
STS Real Estate S.r.l.[1]	Turin/IT	100	100
STS Acoustics Poland sp. z o.o.[1]	Miedzyrzecz/PL	100	100
STS Plastics S.A.S.[1]	Saint-Désirat/FR	100	100
STS Plastics Holding S.A.S.[1]	Saint-Désirat/FR	100	100
STS MCR Holding S.A.S.[1]	Tournon-sur-Rhône/FR	100	100
STS Composites France S.A.S.[1]	Saint-Désirat/FR	100	100
MCR S.A.S.[1]	Tournon-sur-Rhône/FR	100	100
STS Composites Germany GmbH[1]	Kandel	100	100
Inoplast Trucks, S.A. de C.V.[1]	Ramos Arizpe/MX	100	100
STS Plastics Co. Ltd.[1]	Jiangyin/CN	100	100
STS Brazil Holding GmbH[1]	Munich	100	100
STS Brasil Fabricação de Autopeças Ltda.[1]	Betim/BR	100	100
STS Plastics (Shi Yan) Ltd.[1]	Shiyan/CN	100	100

	Registered office	Share in equity in % 31. Dec. 2019	Share in equity in % 31. Dec. 2018
Elastomer Solutions Group			
Elastomer Solutions GmbH[1]	Wiesbaum	100	100
DF Elastomer Solutions Lda[1]	Mindelo/PT	100	100
Elastomer Solutions s.r.o.[1]	Belusa/SK	100	100
Elastomer Solutions Maroc S.à.r.l.[1]	Freihandelszone Tanger/MA	100	100
Elastomer Solutions Mexico S. de R.L. de C.V.[1]	Fresnillo/MX	100	100
Elastomer Solutions SG GmbH[1]	Munich	–	100
Plati Group			
Plati Elettroforniture S.p.A.[1]	Madone/IT	80	–
Plati Logistics KFT i.L.[1]	Budapest/HU	100	–
Plati Ukraine Limited[1]	Wynohradiw/UA	100	–
Plati Polska Sp. z.o.o.[1]	Kwidzyn/PL	95	–
Plati Maroc Sarl i.L.[1]	Mohammedia/MA	90	–
KICO Group			
Blitz 19-116 GmbH[1]	Munich	100	–
Mesenhöller Verwaltungs-GmbH[1]	Halver	100	–
Kirchhoff GmbH & Co. KG[1]	Halver	100	–
Kirchhoff Immobilien GmbH & Co. KG[1]	Halver	100	–
KICO Kunststofftechnik GmbH[1]	Halver	100	–
KICO-Polska Sp. z.o.o.[1]	Swiebodzin/PL	100	–
KICO Sistemas Mexico S. de R.L. de C.V.[1]	Puebla/MX	100	–
Balcke-Dürr Group			
Balcke-Dürr GmbH[1]	Dusseldorf	100	100
STF Balcke-Dürr S.r.l. (previously: Balcke-Dürr italiana s.r.l)[7]	Rom/IT	20	20
Balcke-Dürr Technologies India Private Ltd.[2]	Chennai/IN	100	100
Thermax SPX Energy Technologies Ltd.[6]	Pune/IN	–	49
Wuxi Balcke-Dürr Technologies Co., Ltd.[1]	Wuxi/CN	100	100
Balcke-Dürr Polska Sp. z.o.o.[1]	Warschau/PL	100	100
Balcke-Dürr Rothemühle GmbH[1]	Dusseldorf (previously: Frankfurt a. M.)	100	100
Balcke-Dürr Engineering Private Ltd.[2]	Chennai/IN	100	100
Balcke-Dürr Nuklearservice GmbH[1]	Düsseldorf	100	100
Balcke-Dürr Torino Srl (previously: STF Balcke-Dürr S.r.l.)[1]	Turin/IT	100	100
STF Balcke-Dürr France[2]	St. Dizier/FR	100	100
La Meusienne S.A.S.[1]	Ancerville/FR	100	100
Donges Group			
Donges SteelTec GmbH[1]	Darmstadt	100	100
Kalzip GmbH[1]	Koblenz	100	100
Kalzip Aluminium Verwaltungsgesellschaft mbH[1]	Koblenz	–	100
Kalzip France S.A.S.[1]	Ancerville/FR	100	100
Kalzip FZE[1]	Dubai/AE	100	100
Kalzip Ltd.[1]	Haydock/UK	100	100
Kalzip India Private Ltd.[1]	Gurgaon/IN	100	100
Kalzip s.l.u.[1]	Madrid/ES	100	100
Kalzip Italy s.r.l. i.L.[1]	Gorgonzola/IT	–	100
Kalzip Asia PTE Ltd.[1]	Singapur/SG	100	100
Kalzip Inc.[1]	Michigan/US	100	100
BFS GmbH[2]	Mannheim	100	–
Donges Buildings GmbH[1]	Darmstadt	100	–
FDT Flachdach Technologie GmbH & Co. KG[1]	Manheim	100	–
FDT (cz) s.r.o. i.L.[10]	Praha/CZ	100	–
3T France Toiture Terrasse Technologie Sarl[1]	Osny/FR	100	–
FDT Flachdach Technologie S.A./N.V.[1]	Nivelles/BE	100	–
Norsilk S.A.S.[1]	Honfleur/FR	100	100

	Registered office	Share in equity in % 31. Dec. 2019	Share in equity in % 31. Dec. 2018
Donges Teräs Oy[1]	Vantaa/FI	100	–
Normek Oy[1]	Vantaa/FI	100	–
Normek Sverige AB[1]	Saltsjö-Boo/SE	100	–
Kiinteistö Oy Normek Karvia i.L.[1]	Vantaa/FI	100	–
Kiinteistö Oy Alavuden Teollisuuspuisto[1]	Alavus/FI	100	–
Nippolas Oy i.L.[1]	Vantaa/FI	100	–
Fuldenas Oy i.L.[1]	Vantaa/FI	100	–
Normek Oü i.L.[1]	Tallinn/EE	100	–
Gemini Rail Group			
Gemini Rail Holdings UK Ltd.[1]	Birmingham/UK	100	100
Gemini Rail Technology UK Ltd.[1]	Birmingham/UK	100	100
Gemini Rail Services UK Ltd.[1]	Wolverton/UK	100	100
keeeper Group			
keeeper GmbH[1]	Stemwede	100	–
keeeper Sp.z o.o[1]	Bydgoszcz/PL	100	–
keeeper S.A.[1]	Fleurus/BE	100	–
keeeper Tableware GmbH (previously: Blitz 19-672 GmbH)[1]	München	100	–
Other			
Cenpa S.A.S.[1]	Schweighouse/FR	100	100
Eupec Pipecoatings France S.A.S.[1]	Gravelines/FR	100	100
KLANN Packaging GmbH[1]	Landshut	100	100
TréfilUnion S.A.S.[1]	Commercy/FR	100	–
BEXity GmbH (previously: AE BG BetaBeta Holding GmbH)[1]	Wien/AU	100	–
European Central Logistics s.r.o.[1]	Hradec Kralove/CZ	100	–
Pixmania S.A.S. i.L.[5]	Asnières-sur-Seine/FR	100	100
Pixmania SRO i.L.[5]	Brno/CZ	100	100
Platinum GmbH i.I.[3]	Wangen im Allgäu	100	100
E-Merchant S.A.S i.L.[5]	Asnières-sur-Seine/FR	100	100
Zanders-Abwicklungs GmbH (previously: Zanders GmbH)[9]	Bergisch Gladbach	95	95
BGE Eisenbahn Güterverkehr GmbH i.L.[9]	Bergisch Gladbach	100	100
Zanders Paper UK Ltd.[9]	Elstree/UK	–	100
Artmadis S.A.S. i.L.[8]	Wasquehal/FR	100	100
Cofistock S.à.r.l.[8]	Wasquehal/FR	100	100
Cogemag S.A.S. i.L.[8]	Croix/FR	100	100
Castelli S.r.l. i.L.[4]	San Giovanni in Persiceto/IT	–	100

[1] Included in consolidation as the requirements of IFRS 10.7 have been met.
[2] In accordance with the principle of materiality, no inclusion was made (cf. IAS 1.29 et seq.), as the subsidiary is of minor importance for the obligation to provide a true and fair view of the Group's net assets, financial position and results of operations. Together, the subsidiaries that are not included are also of minor importance. Inclusion would only result in an insignificant improvement in information.
[3] The company filed for insolvency proceedings in 2014. With reference to IFRS 10.7, it is not included in the consolidated financial statements.
[4] The company filed for insolvency proceedings in 2013 and is currently in liquidation. With reference to IFRS 10.7, it is not included in the consolidated financial statements.
[5] The company filed for insolvency in 2015 and is in liquidation, as are its subsidiaries. With reference to IFRS 10.7, it is not included in the consolidated financial statements.
[6] In accordance with the principle of materiality, the investment is not treated as an associated company because it is not material for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.
[7] Originally, Mutares Holding 24-AG and Balcke-Dürr GmbH were the legal owners of all shares in the company. By agreement dated 26 October 2017, both companies, as trustors, entered into a trust agreement with Schultze & Braun Vermögensverwaltung- und Treuhandgesellschaft mbH as trustee. In the trust agreement, the trustors undertook to transfer their shares in the company to the trustee. The trustee in turn undertook to hold these shares in trust for the trustors until further notice. The trustee serves as collateral for guarantee insurance contracts concluded by Balcke-Dürr GmbH with two insurance companies. The above-mentioned obligations of the trustors were fulfilled with the share sale agreement dated 26 October 2017, and the shares in the company were thus legally transferred to the trustee. As a result, the trustee became the sole legal owner of the shares in the company. The beneficial ownership, however, remained with the trustees as original shareholders. As the company is still controlled by Mutares, it is still included in the scope of consolidation.
[8] Artmadis SAS filed for bankruptcy in 2018 due to persistent financial difficulties and, like its subsidiaries Cofistock and Cogemag, is in liquidation. Artmadis Belgium and Artmadis Hong Kong were sold in the financial year 2018. Consequently, all five companies were deconsolidated in 2018.
[9] In June 2018, in view of the threat of insolvency, the management filed an application for the opening of insolvency proceedings and planned to continue the restructuring process in the context of a self-administration procedure. The company and its subsidiary were deconsolidated as of 30 Jun 2018 due to the resulting loss of control. The court finally opened insolvency proceedings in the regular proceedings for the assets of the company with a decision dated 1 September 2018.

INDEPENDENT AUDITOR'S REPORT

To Mutares SE & Co. KGaA, Munich

Audit opinions

We have audited the consolidated financial statements Mutares of SE & Co. KGaA, Munich and its subsidiaries (the Group), comprising the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the Group management report of Mutares SE & Co. KGaA, Munich for the financial year from 1 January to 31 December 2019.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as of 31 December 2019, and of its results of operations for the financial year from 1 January to 31 December 2019, and
- the attached Group management report as a whole presents an accurate view of the Group's position. The Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the Group management report.

Material uncertainty in connection with the continuation of the company's operations of two major subsidiaries

We refer to the presentations made by the legal representatives of the parent company in the notes to the consolidated financial statements under the section "Risk to the continued existence of subsidiaries" and in the Group management report under the section "Reports from portfolio companies" with regard to the facts threatening the continued existence of the two subsidiaries of STS Group AG, Hallbergmoos, and Kirchhoff GmbH & Co. KG, Halver. With respect to STS it outlines that in particular in connection with plant closures of car manufacturers as a result of the COVID-19 pandemic the continued existence of the subsidiary depends on the successful implementation of measures to secure liquidity (e.g. additional local financing supported by state, liquidity support from customers and legally permissible deferrals of payments and, if necessary, the injection of additional liquidity by the majority shareholder in exchange for assets). With regard to KICO it is explained that its continued existence depends on whether a state guarantee from the federal state of North Rhine-Westphalia can be successfully obtained, as well as interim financing and, if necessary, equity capital contributions from the ultimate parent company. These events and circumstances indicate material uncertainties that could cast significant doubt on the ability of the two subsidiairies to continue their business operations and that could pose a risk to the continued existence of the subsidiaries. Our audit opinions have not been modified with respect to these matters.

Other Information

The legal representatives are responsible for the other information. Other information comprises the other parts of the annual report, with the exception of the audited consolidated financial statements and Group management report and our auditor's report. Our audit opinions regarding the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit of the consolidated financial statements, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the Group management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

Responsibility of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the Group management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a Group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and Group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the Group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the Group management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB.
- we obtain sufficient appropriate audit evidence for the company's accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Munich, 8 April 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Felix Mantke)
German Public Auditor

(Katharina Haugg)
German Public Auditor

FINANCIAL CALENDAR 2020

Date	Event
9 April 2020	Publication of the Annual Report 2019 & conference call
14 May 2020	Press release for the 1st quarter 2020 & conference call
18 May 2020	Annual General Meeting
11 August 2020	Publication of the Half Year Report 2020 & Conference Call
10 November 2020	Press release for the 3rd quarter 2020 & conference call
16 to 18 November 2020	German Equity Forum

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