Interim Report 2020

MUTARES

MUTARES AT A GLANCE

		H1 2020	H1 2019
Revenues	EUR million	620.5	443.2
EBITDA	EUR million	41.5	67.1
Adjusted EBITDA	EUR million	–16.7	0.0
Net profit	EUR million	–30.2	36.6
Return on equity	in %	–19%	16%
Total assets[1]	EUR million	987.6	848.5
thereof cash	EUR million	109.3	79.7
thereof equity	EUR million	160.6	208.2
thereof non-current financial liabilities[2]	EUR million	195.1	115.5
Earnings per share[3]	in EUR	–1.35	2.45
Shares[4]	Number	15,234,417	15,234,417
Countries[5]	Number	26	20
Portfolio companies[5]	Number	15	12
Employees worldwide[5]	Number	>12,500	>6,000
Transactions[6]	Number	11	6

[1] Key balance sheet figures refer to 31 December 2019.
[2] includes long-term lease liabilities and long-term other financial liabilities
[3] basic and diluted
[4] circulating; total number of shares 15,496,292, of which own shares 261,875 (2019: 261,875)
[5] including Nexive & SFC Solutions (closed in July 2020)
[6] Thereof three completed exits and four completed acquisitions in the reporting period. Four further transactions were signed in the reporting period, two of which have now been completed. After the reporting period, two further transactions were signed.

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 improvement. 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 program 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.

MISSION STATEMENT

We are where there are upheavals, changes and new beginnings in companies. These changes are not convenient, but require action and courage. With the knowledge of the technical and economic challenges on site, we want to create a stable path of growth and thus sustainable success of our acquired companies. We create this together with our employees who have many years of experience in their area and provide intensive on-site support, find weak spots and optimize 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.

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 30 June 2020, 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

FIRST HALF-YEAR 2020 AT A GLANCE

JANUARY

Mutares **compensates the CO_2 of all flights** of the holding's employees for the year 2019. The climate protection contribution goes to the NGO atmosfair and benefits the development of renewable energies.

CO_2
compensation

FEBRUARY

Mutares successfully places a **EUR 50 million senior secured bond**, which is listed on the Frankfurt and Oslo stock exchanges and provides the financial conditions for value enhancing add-on investments.

The **Balcke-Dürr Group takes over the Italian Loterios s.r.l.** as a strategic add-on to expand its markets, with revenues of approximately EUR 17 million.

EUR 50 million
bond placed

The keeeper Group successfully completes the **acquisition of the German paper napkin business** of the Finnish Metsä Tissue Corporation. The company will now operate as keeeper Tableware and will grow the group to more than EUR 100 million annualized revenues.

Mutares signs an agreement to acquire an **80% majority stake** in the number 2 of the **Italian postal service Nexive** from PostNL with revenues of approximately EUR 210 million in 2019.

3 exits

APRIL

First exit in 2020: **Balcke-Dürr Group sells Balcke-Dürr Polska** after successful realignment.

Second exit in 2020: **BEXity sells its activities in the Czech Republic**. The transaction is part of the reorganization of the transport and logistics services provider, which was only acquired in 2019.

The Donges Group successfully completes the **acquisition of Ruukki Building Systems** announced in July 2019. The company, now operating under the name NORDEC within the Donges Group, combines the brands Ruukki and Normek.

EUR 1.00
dividend

MAY

Third exit in 2020: Mutares **sells the long-term investment KLANN Packaging**. The transaction is part of the initiated realignment of the Mutares portfolio.

Mutares holds its first purely **virtual Annual General Meeting**. The shareholders approve the actions of the Executive Board and the Supervisory Board with a large majority and **again** approve **a dividend of EUR 1.00 per share**.

Mutares signs an agreement to **acquire the seal and fluid activities of Cooper Standard**, with revenues of approx. EUR 180 million in 2019, to strengthen the Automotive & Mobility segment. The company operates under the new name SFC Solutions.

JUNE

Mutares communicates the **new capital market strategy** with focus on **transparency and success parameters** with strong growth prospects: The **Return on Invested Capital (ROIC)** aims to be **7 to 10 times** as much as the total investment of a company.

Mutares signs an agreement to **acquire SABO Maschinenfabrik**, a leading European manufacturer of lawnmowers and other outdoor power tools, strengthening the Goods & Services segment.

Mutares agrees to take over the **German metallurgy business from Nexans** as platform investment for the Engineering & Technology segment.

MESSAGE FROM THE MANAGEMENT BOARD

Dear Shareholders,

The first half of 2020 was affected by the global COVID-19 pandemic. Nevertheless, as Mutares SE & Co. KGaA, we can look back on a successful six months and look forward with optimism:

Transactions in the first half of 2020

We have continued the high transaction activity of the previous year in the first half of this year, so that we have been able to record several successful transactions:

We have succeeded in concluding three exits in the current pandemic-related challenging times with the sale of the Polish part of the Balcke-Dürr Group, the Czech activities of BEXity and the subsidiary KLANN Packaging GmbH.

On the acquisition side, we signed a total of five purchase agreements for four new platform investments and one add-on purchase in the first half of the year. In addition, we successfully closed three acquisitions in the first half of 2020, which were already signed in 2019. With these promising additions to our portfolio, we have taken a big step towards our goal of achieving revenues of more than EUR 1.5 billion in Mutares's consolidated financial statements in 2020. Thanks to our strong focus on restructuring, additional opportunities are currently available to us on the buy-side, especially in the M&A area in an environment still dominated by the pandemic. With our growing teams in Munich, Paris, Milan, London, Helsinki and Frankfurt with international transaction and restructuring experts, we are well prepared to **actively** take advantage of the opportunities that arise **– also thanks to the successful placement of the EUR 50 million bond at the beginning of 2020.**

Annual General Meeting and Share

On 18 May 2020, we held the first purely virtual Annual General Meeting and thank you for your support and the clear approval of the proposed resolutions. The positive business development in the financial year 2019 made it possible for us in particular to again pay you a dividend of EUR 1.00 per share. Taking into account treasury shares, a total of around EUR 15.2 million of the balance sheet profit was distributed. The attractive dividend yield of around 7.9% (based on the 2019 year-end price of EUR 12.72) underlines our commitment to allow our shareholders to participate significantly and sustainably in the success of the Company.

Strategy

We will continue to pursue our private equity model, which has been successful for more than ten years, with its value-creating buy-and-build approach and our focus on situations of upheaval, at full speed in the current financial year 2020 in view of the opportunities that arise. Our goal is to become the leading private equity company for carve-out/special situations in Europe. To this end, we have ideally aligned the Company in the operating units and adapted our management indicators to our high standards and the associated growth prospects.

Through the continuous expansion of our portfolio, we expect consolidated revenues to double in the medium term from approximately EUR 1 billion in financial year 2019 to at least EUR 2 billion. Based on current consulting revenues of more than EUR 19 million in 2019, we are aiming for average annual growth from this revenue stream of 10 to 20%. We have defined return on invested capital (ROIC) as a key return figure that is customary for private equity companies. The aim is to achieve a ROIC of 7 to 10 for the total investment over a holding period of generally up to five years across all sources of income – consulting, dividend income from restructured portfolio companies and exit proceeds. Our ability to pay dividends is thus based on a solid, broad foundation. As the past three years have shown, this should also be successfully reflected in a continuation of our sustainable, long-term dividend policy in the future.

Results first half of 2020

In the first six months of the financial year 2020, the Mutares Group generated revenues of EUR 620,5 million (H1 2019: EUR 443.2 million). This revenue growth was driven by high transaction activity, which more than compensated for the loss of revenues in numerous portfolio companies during the COVID-19 pandemic. The Group EBITDA of EUR 41.5 million (H1 2019: EUR 67.1 million) reflects our brisk transaction activity: the four completed transactions on the buy-side resulted in gains from bargain purchases totaling EUR 65.8 million.

The key figure Adjusted EBITDA, with which the operational developments of our investments are presented more transparently and thus a better assessment of the operating profitability is possible, differs significantly along the three phases that investments usually go through during their affiliation to the Mutares Group (realignment, optimization and harvesting). In particular due to the still negative contributions of the companies acquired in the past twelve months and the negative effects in connection with the spread of the COVID-19 pandemic, the adjusted EBITDA of the Mutares Group was EUR –16.7 million in the first half of 2020, (H1 2019: EUR 0.0 million).

Outlook

The effects of the COVID-19 pandemic present the Mutares Group with challenges at the operational level on the one hand, but on the other hand offer considerable opportunities, especially in the area of M&A on the buy-side, so we expect increased activity in the second half of the year compared to the first half. Already at the beginning of July, we have signed two transactions as additions to our portfolio: With SABO, a supplier of lawnmowers and other outdoor power products, we are strengthening our Goods & Services segment, and with Nexans, a manufacturer of oxygen-free copper wire rod, we are recording a new addition to the Engineering & Technology segment. Finally, we acquired the road maintenance business of NCC to further strengthen our footprint in the Nordic market. We expect the closing for these three investments to be completed in the third quarter of 2020. In view of the course of the financial year 2020 to date, we are confident that, including potential further acquisitions, we will achieve consolidated revenues of more than EUR 1.5 billion in the current financial year. Only about one third of Mutares's value creation is subject to the classic economic cycle and is based to a large extent on special situations. Against this background, we continue to see the opportunity to maintain our sustainable dividend policy of EUR 1.00 per share in the current financial year 2020, which is characterized by the COVID-19 pandemic.

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

Sincerely,
The Management Board of Mutares Management SE,
general partner of Mutares SE & Co. KGaA

Munich, 10 August 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 program 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 optimization 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 program, 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's 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 in Frankfurt, 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 acquisitions of SFC Solutions and Nexive in July 2020 – fifteen 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

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 organizations. 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's 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

BEXITY

The green line **BEXgreen** for sustainable solutions, made possible by e-mobility and rail, enables less polluting transports – saving up to 33.2% of CO_2 per shipment.

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

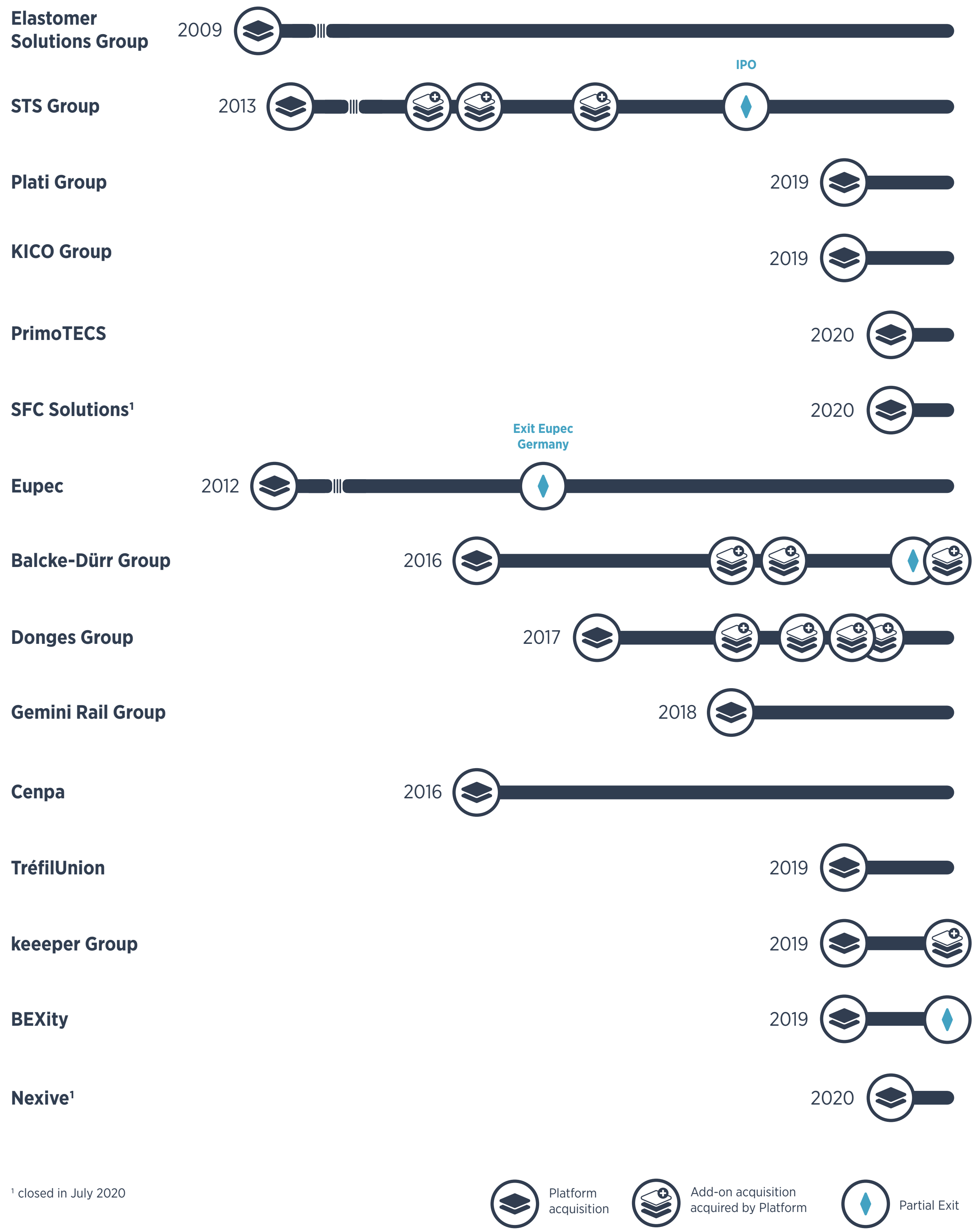
We take corporate responsibility and pay attention to the impact of our business activities. In this sense, we have established a compliance system, which was initiated with a code of conduct that focuses on all areas Mutares considers relevant. There are individual guidelines for, among other things, 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.

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		Optimization
KICO Group	System supplier of high-quality automotive technology	2019		Realignment
PrimoTECS	Supplier of components in the engine, transmission and driveline sectors	2020		Realignment
SFC Solutions[1]	Fluid transfer systems and sealing solutions for the automotive industry	2020		Realignment
ENGINEERING & TECHNOLOGY				
Eupec	Supplier of coatings for oil and gas pipelines	2012		Harvesting
Balcke-Dürr Group	Supplier of components for increasing energy efficiency and reducing environmental impact	2016		Optimization
Donges Group	Full-range provider of steel structures, roof and facade systems	2017		Harvesting
Gemini Rail Group	Engineering, maintenance and modernization services for rail vehicles	2018		Harvesting
GOODS & SERVICES				
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		Optimization
BEXity	Provider of transport and logistics services	2019		Realignment
Nexive[1]	Provider of mail and parcel services	2020		Realignment

[1] closed in July 2020

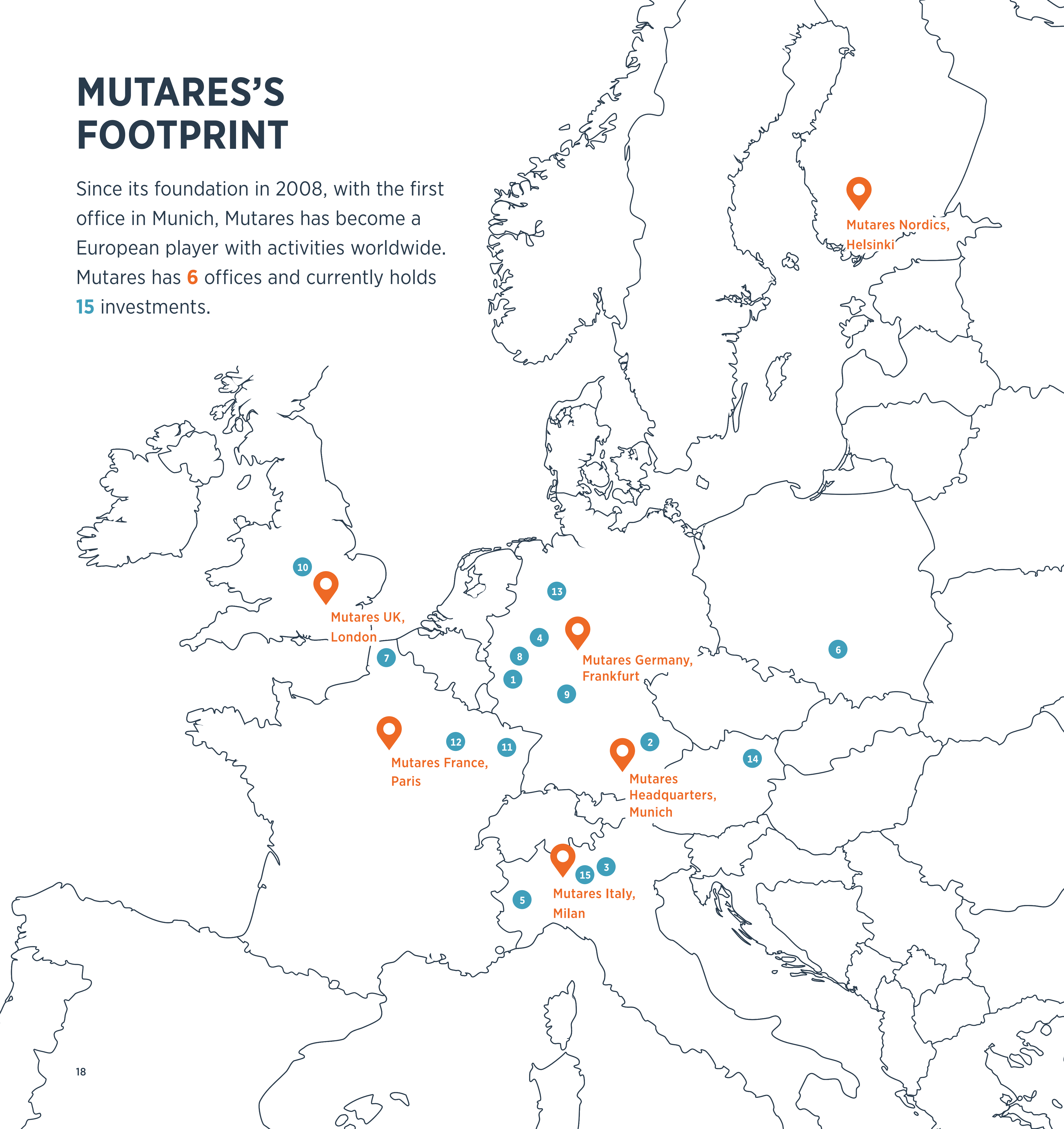
Our portfolio companies successfully apply a buy-and-build approach



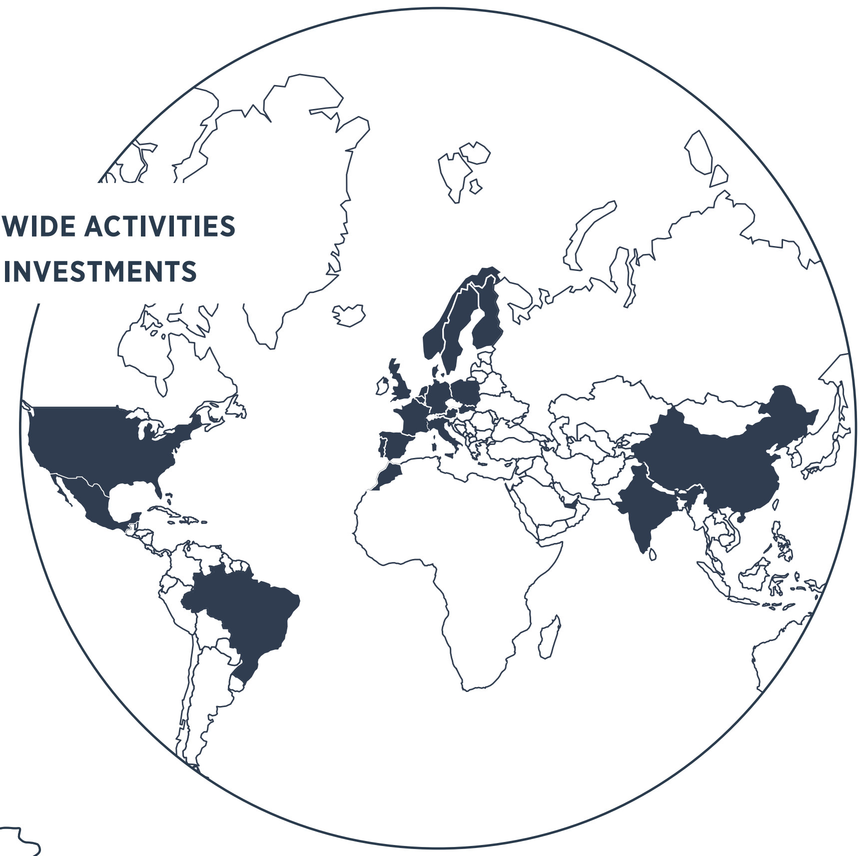
[1] closed in July 2020

MUTARES'S 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 **15** investments.



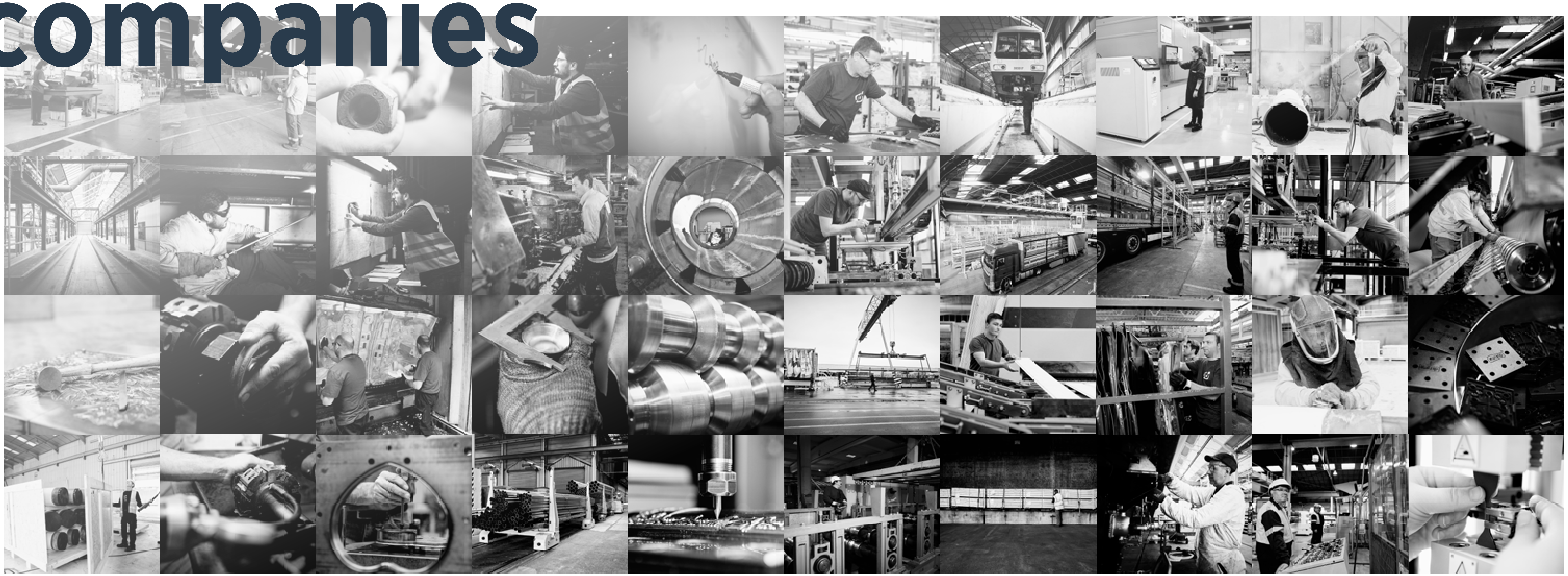
WORLDWIDE ACTIVITIES OF THE INVESTMENTS



INVESTMENTS

1. Elastomer Solutions Group (Wiesbaum, Germany)
2. STS Group (Hallbergmoos, Germany)
3. Plati Group (Madone, Italy)
4. KICO Group (Halver, Germany)
5. PrimoTECS (Avigliana, Italy)
6. SFC Solutions (Częstochowa, Poland)
7. EUPEC (Gravelines, France)
8. Balcke-Dürr Group (Düsseldorf, Germany)
9. Donges Group (Frankfurt, Germany)
10. Gemini Rail Group (Wolverton, UK)
11. Cenpa (Schweighouse-sur-Moder, France)
12. TréfilUnion (Commercy, France)
13. keeeper Group (Stemwede, Germany)
14. BEXity (Vienna, Austria)
15. Nexive (Milan, Italy)

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.

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

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

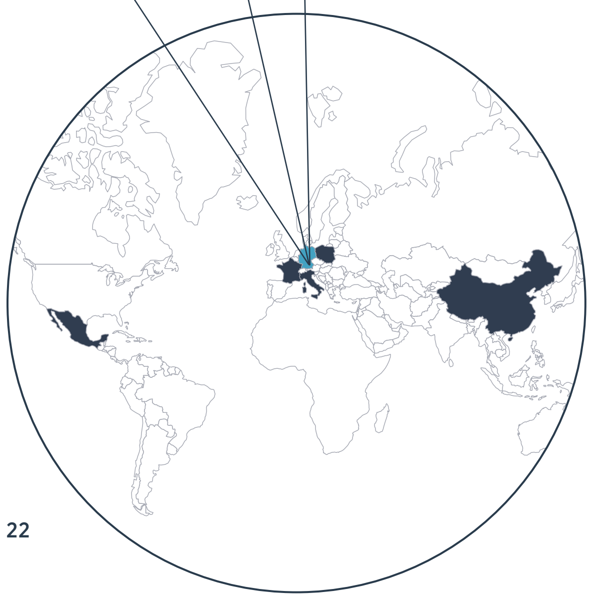
Strategy

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's 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.

approx.
2,500
employees

in the portfolio since
2013

approx. EUR million
360
revenues 2019



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)

HEADQUARTERS
HALLBERGMOOS, GERMANY

Elastomer Solutions

AUTOMOTIVE & MOBILITY

Automotive supplier of rubber mouldings

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

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.

approx.
450
employees

in the portfolio since
2009

approx. EUR million
36
revenues 2019

HEADQUARTERS
WIESBAUM, GERMANY

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

PLATI

AUTOMOTIVE & MOBILITY

Manufacturer of wire and cable harnesses

in the portfolio since
2019

approx. EUR million
30
revenues 2019 (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 organization 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 by Mutares from Deren Group (CHN)

Manufacturing harness and various cables

K!CO simply innovative

AUTOMOTIVE & MOBILITY

System supplier of high-quality automotive technology

in the portfolio since
2019

approx. EUR million
90
revenues 2019 (annualized)

approx.
800
employees

HEADQUARTERS
HALVER, GERMANY

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

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

PRIMO TECS

AUTOMOTIVE & MOBILITY

Supplier of components in the engine, transmission and driveline sectors

in the portfolio since
2020

approx.
670
employees

approx.
EUR million
120
revenues 2019

HEADQUARTERS
AVIGLIANA, ITALY

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

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

SFC Solutions

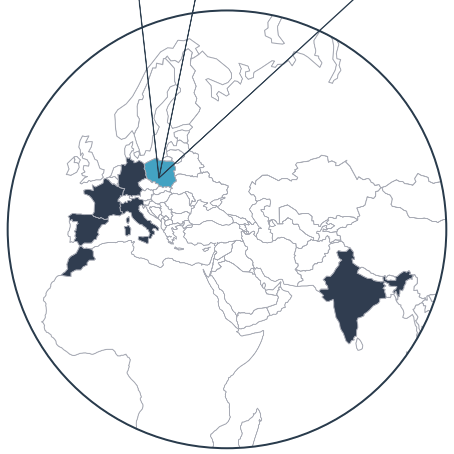
AUTOMOTIVE & MOBILITY

Fluid transfer systems and sealing solutions for the automotive industry

in the portfolio since
2020

approx.
2,500
employees

EUR million
180
revenues 2019



HEADQUARTERS
CZĘSTOCHOWA, POLAND

Company profile SFC Solutions

SFC Solutions is part of the Mutares portfolio since July 2020. The new name SFC Solutions combines three technologies into one company, inspiring the slogan "Your flexibel partner" for the customers.

The Fluid Transfer System business is amongst the top 10 players (top 7 in Europe) with 5% market share in Europe and has over 60 years of experience. The company is a supplier for high-performing Fluid Transfer Systems (FTS) solutions for the automotive industry with its plants in Poland, Spain and Morocco. FTS solutions are used for thermal management to regulate the vehicles' driveline-temperature as well as to transport liquids or air in the vacuum and emissions systems.

The second business integrated in SFC Solutions is sealing business produced in Italy supplying the automotive and the industrial and specialty vehicle market representing the top 3 in Europe.

The Indian locations are supplying sealing solutions as well as fuel and brake delivery systems for the automotive industry at seven production plants. Those plants are equipped with high-tech equipment and are complemented by strong engineering capabilities. It is therefore representing the broadest product portfolio amongst Indian competitors and is the top 1 for sealing in India.

The customer-base includes key global – as well as local OEMs and several tier 1 suppliers. All plants are certified IATF 16949 and ISO 14001.
→ www.sfc-solutions.com

Strategy

The strategic focus lies on solutions for further development thanks to the turnover expertise in the continuous development of the automotive sector. With the current market trends and the development to Battery Electric Vehicles BEV and Hybrid Electric Vehicles HEV, the needs for thermal management are increasing and becoming more complex for additional battery cooling, drive-inverter cooling and motor cooling. Working closely together with OEMs in developing new technologies, with a particular focus on weight and component size reduction, the company is recognized as an innovation provider.

TRANSACTIONS

2020 – Acquisition of certain sealing and fluid businesses from Cooper Standard by Mutares

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

in the portfolio since **2012**

approx. **70** employees

approx. EUR million **14** revenues 2019

HEADQUARTERS
GRAVELINES, FRANCE

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

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

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 estabslishment 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 program. 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

BALCKE DÜRR

ENGINEERING & TECHNOLOGY

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

approx.
650
employees

approx.
EUR million
165
revenues 2019

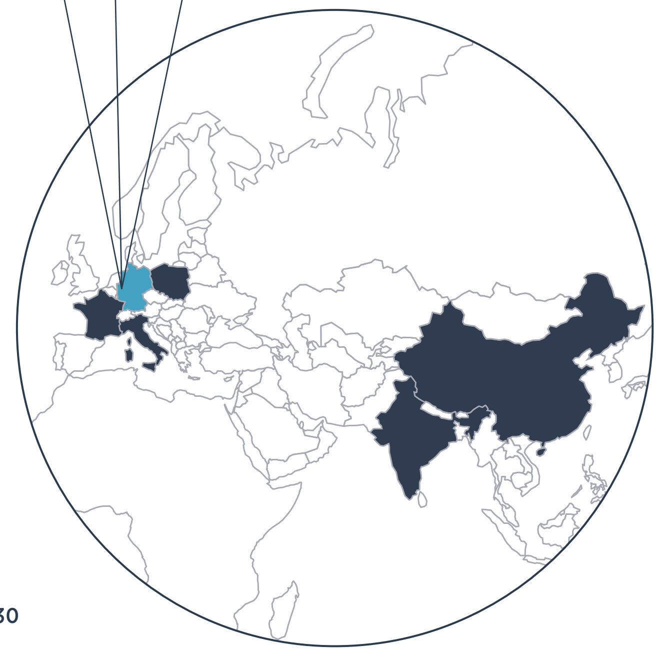
in the
portfolio since
2016

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, 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

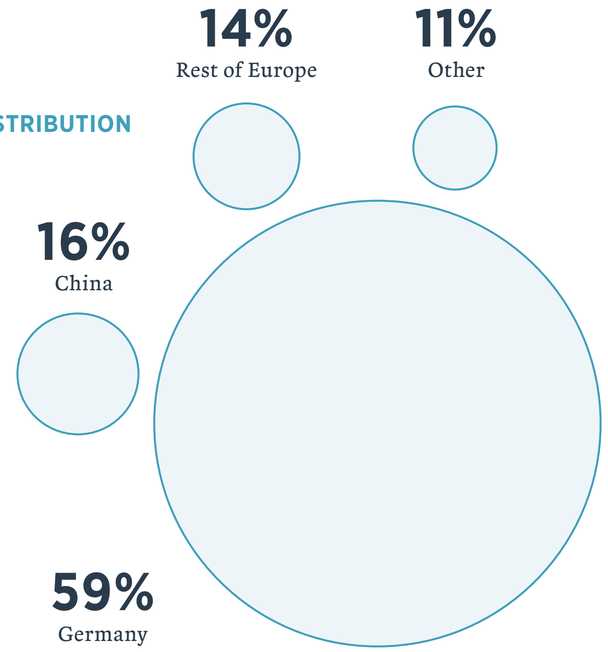
Strategy

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 – Exit of Balcke-Dürr Polska
- 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

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, (formerly Ruukki Building Systems), the Group provides solutions for the construction of individual and sustainably designed buildings worldwide.

Today, the product portfolio of Mutares's 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 1,300 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. **1,300** employees

approx. EUR million **365** revenues 2019 (annualized)

in the portfolio since **2017**

Strategy

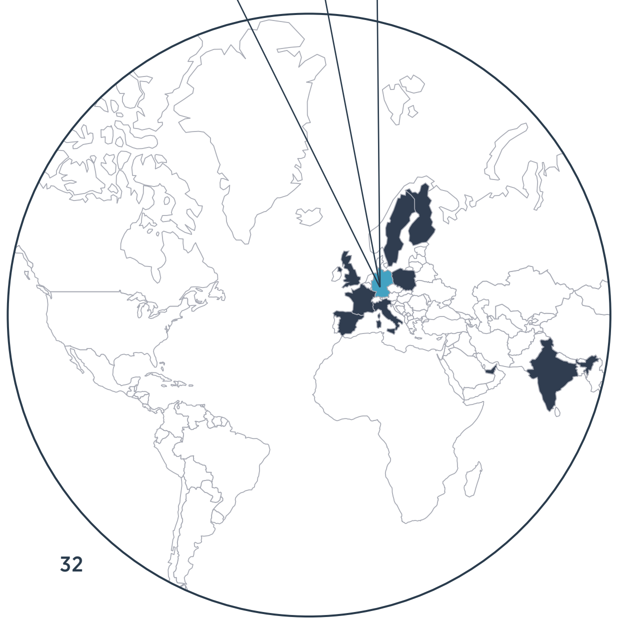
After signing of the fifth add-on acquisition (Ruukki), Donges is aiming at further growth and strengthening of its very good position in the European market. Core initiatives of this strategic target are the realization of synergies through the joint processing of the existing customer portfolio and 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

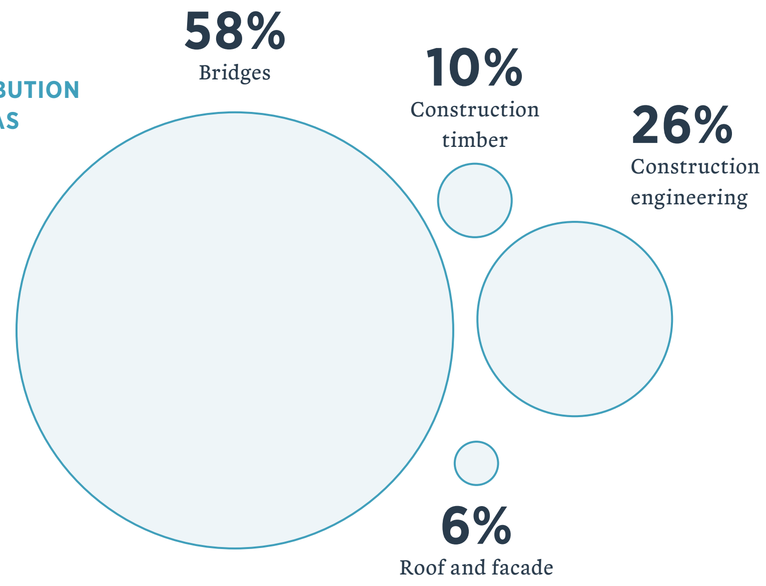
- Steel bridges and structural engineering
- Glass and thermal façades
- Roof and façade systems made of aluminium
- System solutions for green roofs
- Construction timber for exterior and interior use



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.

REVENUES DISTRIBUTION BY BUSINESS AREAS



TRANSACTIONS

- 2020 – NORDEC combines the brand Ruukki Building Systems and Normek Oy
- 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

> "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

GOODS & SERVICES

Producer of coreboard

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

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

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

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

in the portfolio since **2019**

approx. EUR million **29** revenues 2019 (annualized)

approx. **100** employees

HEADQUARTERS
COMMERCY, FRANCE

Strategy

TréfilUnion is the specialist supplier of prestressing steel products, focusing on product specialities for steel wire, like colored 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.

TRANSACTIONS

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

Labeled products ready for shipment to the customer

BEXITY

GOODS & SERVICES

Provider of transport and logistics services

Company profile BEXity

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

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

TRANSACTIONS

- 2020 – Exit of Czech activities of BEXity
- 2019 – Mutares buys BEXity (100%) from the Austrian Federal Railways Holding (‘ÖBB’) (AUT)

> “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

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

in the portfolio since **2019**

approx. EUR million **100** revenues 2019 (annualized)

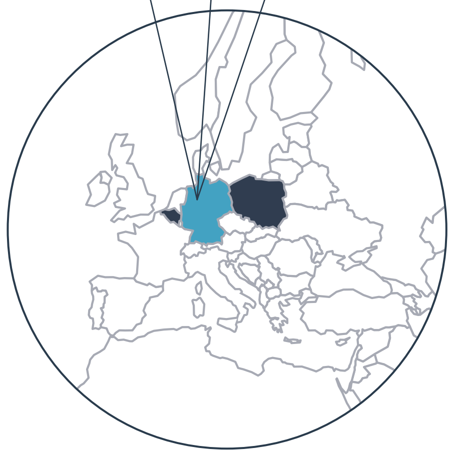
approx. **680** employees

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's portfolio.

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

nexive

GOODS & SERVICES

Mail, parcel and print & digital services

Company profile Nexive

Nexive is part of the Mutares portfolio since July 2020. The company is the second largest player in the Italian postal market providing mail services to 80% of Italian households and parcel services to the entire Italian market. Nexive generated sales of approximately EUR 210 million in the financial year 2019, the majority of which achieved via regular mail, tax & notification and parcel, with the last component experiencing significant growth year on year. Nexive employs approx. 1,250 employees directly and approx. 6,000 more through their partners. Territory coverage is achieved through 11 sorting hubs for the mail business, 11 sorting hubs for the parcel business, 23 direct branches, approx. 500 indirect branches and 1.500 retail points.

→ www.nexive.it

in the portfolio since **2020**

approx. EUR million **210** revenues 2019

approx. **1,250** employees

Strategy

With the reorganization of the business model, the company achieves significant synergies between mail and parcel networks. Thanks to Mutares's support, the company strengthens its national network, develops the last-mile business, further expands the parcel business and enhance operational and administrative efficiency.

TRANSACTIONS

- 2020 – Asset purchase through new Joint Venture between Mutares (80%) and former owner PostNL N.V. (20%)

HEADQUARTERS
MILAN, ITALY

Postal delievery through Nexive courier

MUTARES ON THE CAPITAL MARKET

- Renewed dividend payment of EUR 1.00 per share for 2019 (yield of 7.9%)[1]
- Share in the first half of 2020 in the context of the COVID-19 turbulences with approx. –22% price decrease

Stock markets in a state of emergency in the first half of 2020

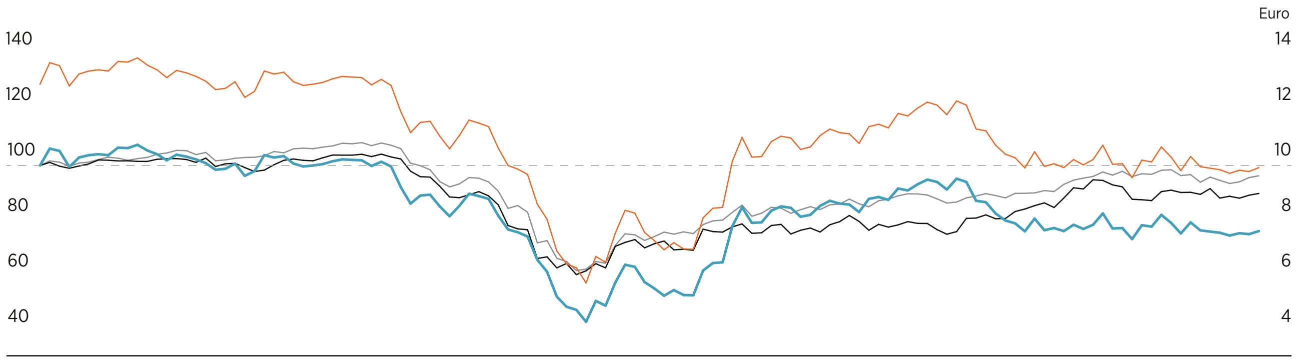
In the first half of 2020, the global stock market scenario was dominated by the COVID-19 pandemic. Due to the global lockdown, it led to a dramatic collapse of the global economy and consequently to very volatile stock markets. Volatility exceeded the level of the global financial crisis in 2008, with indices falling sharply, especially in the first quarter of 2020. The COVID-19 pandemic, in conjunction with the resulting economic downturn and the collapse of the oil market, which was exacerbated by the price war between Saudi Arabia and Russia, hit the global stock markets hard. The turbulence on the stock markets eased during the second quarter of 2020, when the easing of restrictive measures to prevent the spread of the pandemic and the rescue programs of governments and central banks revived the economy. Over the half-year period, the EURO STOXX 50, Europe's leading stock market barometer, lost around 14%, reflecting the general crisis on the European stock markets due to the coronavirus.

Mutares share marked by the coronavirus in the first six months of 2020

The Mutares share started the year 2020 at an opening price of EUR 12.74. On 30 June, the Mutares share closed the six-month period at EUR 9.93, down 21.9% from the closing price of the previous year (EUR 12.72). The Scale 30 benchmark index for growth stocks, in which Mutares shares are listed, fell by 3% in the first half of the year.

After the pleasing results of the financial year 2019 and a successful start to 2020, Mutares continued its profitable growth course in the first half of the year – despite the challenging environment characterized by the coronavirus – with numerous transactions.

Price development including benchmark indices



[1] The dividend yield was calculated based on the closing price of the Mutares share on 31 December 2019.

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

Mutares shares 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 the financial year 2020, with an average of 46,295 shares per day (2019: approx. 34,000).

Key figures of the Mutares share

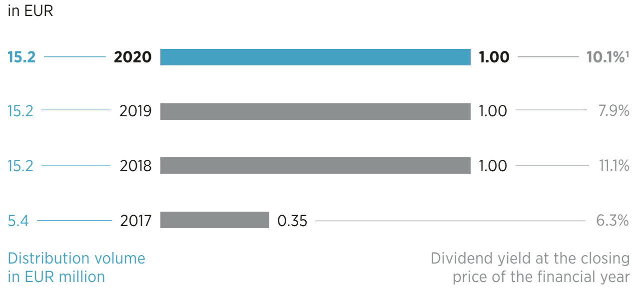
		2017	2018	2019	H1 2020
Number of shares	million units	15,5	15,5	15,5	**15,5**
Thereof own shares	million units	-	0,3	0,3	**0,3**
Market capitalization	EUR million	247,9	140,1	197,1	**153,9**
Closing price	EUR	16,00	9,04	12,72	**9,93**
Highest price	EUR	16,15	21,00	13,06	**13,90**
Lowest price	EUR	11,50	8,58	8,15	**6,07**
Trading volume (daily average)	piece	17.867	61.710[1]	33.897	**46.295**

All figures correspond to XETRA prices.
[1] Exceptionally increased average trading volume in the first half of 2018 due to the IPO of Mutares subsidiary STS Group AG.

Sustainable dividend policy and first virtual Annual General Meeting 2020

Mutares is committed to a long-term, sustainable dividend policy. Mutares's sustainable dividend ability is based on a broad income base of the Holding Company from profits from restructuring consulting, dividend income from the portfolio held and, if applicable, exit proceeds. Mutares's first virtual Annual General Meeting took place on 18 May 2020, at which the shareholders approved all items on the agenda with a high level of approval. The Mutares Annual General Meeting accepted the management's proposal and approved a dividend of EUR 1.00 per share for the financial year 2019. Taking into account treasury shares, a total of approximately EUR 15.2 million of the net profit was distributed. After a successful financial year 2019, the Company is thus continuing to pursue its goal of implementing its growth strategy in a sustainable manner while creating value for its investors and delivering positive results.

Development of dividend per share



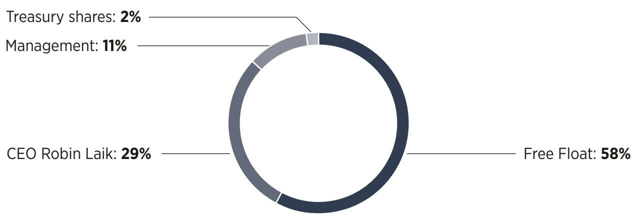
[1] Based on the closing price on 30 June 2020.

Broad shareholder structure

The number of Mutares shareholders remains high. In the first six months of 2020 there were approx. 8,000 shareholders entered in the share register (2019: 7,923 shareholders).

The main shareholder with around 29% is still Robin Laik, CEO and founder of Mutares. Members of the Executive 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 Switzerland with around 3.6% and Ireland with more than 3%. Investors from Luxembourg account for around 3% of the shares held, France accounts for around 1.4%. 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 Privatbankiers KGaA, Pareto Bank, Mainfirst

Investor Relations

In the first half of 2020, Mutares SE & Co. KGaA continued to maintain a regular and transparent dialogue with all interest groups such as institutional investors, private investors, financial analysts and media representatives. In order to further increase the transparency of its business model and growth prospects, as well as the success it has achieved for the capital market, Mutares has been developing its communication strategy with new elements since the beginning of 2020. In addition, the Executive Board is in continuous dialogue with investors, financial analysts and the press.

In February 2020, Mutares completed the full placement of the first bond in the Company's history. The issue amounted to EUR 50 million with a maturity of four years and an interest rate based on 3-month EURIBOR plus 6.0%. The issue was aimed exclusively at institutional investors. Under ISIN NO0010872864, the bond is traded on the Frankfurt and Oslo stock exchanges.

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

Investor Relations in the first half of 2020

April 2020	Annual Report 2019 and Conference Call
May 2020	Press release for the first quarter of 2020 and Conference Call
	Annual General Meeting 2020

Financial analysts recommend buying the Mutares share

The Mutares share was analyzed and valued by investment banks and specialists for small and mid caps in the first half of 2020. The latest published studies reflect the confidence in Mutares's growth strategy and portfolio expansion. The analysts predominantly recommend buying the Mutares share with price targets of up to EUR 18.00 (consensus: EUR 16.73). This represents a potential of more than 41% compared to the closing price on 30 December 2019.

Further information is available in the financial analysis section at www.mutares.com/investor-relations.

Recommendations in the first half of 2020

Recommendations in the first half of 2020

SMC Research	18 May 2020	Buy	EUR 16,20
Hauck & Aufhäuser	15 May 2020	Buy	EUR 18,00
Pareto	27 April 2020	Buy	EUR 16,00
Consensus			**EUR 16,73**

Financial calendar 2020

11 August 2020	Publication of the half-year report 2020 & Conference Call
25 September 2020	Baader Investment Conference, Munich
20 October 2020	Capital Markets Day, Frankfurt
10 November 2020	Press release on the third quarter 2020 & Conference Call
16 to 18 November 2020	German Equity Forum

4 REASONS TO INVEST IN THE MUTARES SHARE

1 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.

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

Mutares's 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's 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's goal is to realize the value and growth potential of its portfolio companies.

3 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.

4 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.

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.

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 Schleede is a member of the Supervisory Board of the BEXity 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. 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.

INTERIM GROUP MANAGEMENT REPORT

1. ECONOMIC REPORT

1.1 Business performance

The business performance of Mutares SE & Co KGaA, Munich, Germany (hereinafter referred to as "the Company" or "Mutares") in the first half of 2020 was affected by the following significant events:

- **Spread of the coronavirus**
  On 11 March 2020, the WHO declared the SARS-CoV-2 infection (hereinafter "COVID-19" or "coronavirus") a pandemic. To contain the **coronavirus**, public life was drastically restricted, first in China, then in Europe and increasingly in large parts of the world. The extent to which economic activity was restricted varied from economy to economy and from sector to sector. Overall, the world's gross domestic product shrank by more than 3% in the first quarter of 2020; based on the monthly figures currently available or available figures for individual countries, a historically unprecedented slump in global economic activity is expected for the second quarter of 2020. The International Monetary Fund ("IMF") is forecasting a significantly higher slump compared to the global economic crisis of 2008.

  Mutares, together with the entire management team and the staff of the portfolio companies, has taken numerous measures to secure liquidity and to counteract the economic downturn. A collapse in the consolidated earning power of the portfolio companies could thus be partially mitigated, but not completely avoided. On the other hand, however, the Executive Board expects additional opportunities to open for Mutares in future in the area of M&A, particularly on the buying side.

- **Placement of a senior secured bond in the amount of EUR 50.0 million**
  With value date 14 February 2020, Mutares SE & Co KGaA, as issuer, placed a senior secured bond **with a nominal volume of EUR 50.0 million and** a maturity date on 14 February 2024. The bond is listed on the Frankfurt Stock Exchange and on the Oslo Stock Exchange. The bond was issued at an initial offering price of 100.00%. The bond bears a variable interest at 3-month EURIBOR (EURIBOR floor of 0.00%) plus a margin of 6.00% on a quarterly basis, starting on 14 May 2020. The nominal value may be increased to EUR 80.0 million depending on current market conditions. In connection with the placement of the bond, the Company has undertaken to maintain financial ratios in line with market conditions.

- **Completion of a total of four acquisitions**
  In the period under review, the three business segments of the Mutares Group were strengthened and further developed through a total of four completed acquisitions:

  On 31 January 2020 Mutares completed the acquisition of Tekfor S.p.A. (now trading as PrimoTECS S.p.A.). **PrimoTECS** is a supplier for the automotive and related industries. At two locations in Northern Italy, the company produces forgings with applications in electric, hybrid as well as conventional powertrains, thus strengthening the Automotive & Mobility segment as a new platform investment. The transaction resulted in a gain from a bargain purchase of EUR 18.6 million, which is reported under other income.

  On 4 February 2020, Balcke-Dürr GmbH, a platform investment from the Engineering & Technology segment, acquired 100% of the shares in the Italian company **Loterios S.r.l.** as an add-on. Loterios designs and manufactures pressure equipment made of special materials, especially titanium, for a wide range of industries. The transaction resulted in a gain from a bargain purchase of EUR 4.8 million, which is reported under other income.

  On 29 February 2020, **keeeper tableware** GmbH, a newly founded subsidiary of keeeper GmbH, completed the acquisition of the paper napkin business of the Finnish Metsä Tissue Corporation. The acquisition will expand the existing product portfolio in the household segment. With the acquisition, the annualized sales of the keeeper Group will grow to more than EUR 100 million, strengthening the Goods & Services segment. The transaction resulted in a gain on bargain purchase of EUR 25.0 million, which is reported under other income.

  Donges Group, a platform investment in the Engineering & Technology segment, has successfully completed the acquisition of **Ruukki Building Systems Oy** ("RBS"), from SSAB Group on 30 April 2020. As a condition for the merger, the competition authorities have made the sale of the Oulu plant in Finland conditional upon the completion of the transaction by the end of the year. RBS, based in Helsinki, Finland, is one of the leading suppliers of building system solutions in Northern and Eastern Europe, specializing in the design, manufacture and installation of steel building frames, shells and bridge structures. RBS operates four production facilities in Finland, Poland and Lithuania. Together with Normek, which was acquired in 2019, RBS now operates under the name **NORDEC** within the Donges Group. The transaction resulted in a gain from a bargain purchase of EUR 17.5 million, which is reported under other income.

- **Completion of three exits**
  Three exits were successfully completed in the reporting period: In April 2020, in addition to the sale of the **Polish company of the Balcke-Dürr Group** to the Wallstein Group, the **activities of BEXity in the Czech Republic** were also sold in a management buy-out. In addition, the long-standing subsidiary **KLANN Packaging GmbH** was sold to the investment holding Accursia Capital GmbH in May 2020. The deconsolidation result from these three exits totals EUR +1.6 million and is reported under other income or other expenses.

- **Attractive, long-term dividend policy confirmed**
  At the first virtual Annual General Meeting in the history of the Company on 18 May 2020 for the financial year 2019, a dividend of EUR 1.00 per share was resolved as in the previous year. The attractive and long-term dividend policy adopted by the Management Board in the previous year was thus confirmed.

  Mutares's annual results are derived from a variety of sources, namely on the one hand from revenues from the consultancy 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 is generally able to generate a sufficiently high net income 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 even in the current financial year 2020, which is characterized by the COVID-19 pandemic, and to continue its long-term sustainable dividend policy of Mutares Group with a dividend of EUR 1.00 per share without any concessions, in order to allow shareholders to participate in the success of the business.

1.2 Reports from the portfolio companies

As at 30 June 2020, the Group comprises 13 operating investments, which are divided into three business segments:

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

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 approx. 35% in 2018
2	**Elastomer Solutions** Group	Automotive supplier of Molded rubber parts	Wiesbaum/DE	08/2009
3	**Plati** Group	Manufacturer of wire harnesses and cabling	Madone/IT	06/2019
4	**KICO** Group	System supplier for automotive engineering	Halver/DE	07/2019
5	**PrimoTECS**	Supplier of components in the areas of engine, transmission, and drivetrain	Avigliana/IT	01/2020

In the first half of 2020, the state of the world economy was reflected to an extent in the global commercial vehicle and automotive markets. According to the industry service IHS Markit, production in Western and Central Europe collapsed by almost 38% in the first half of 2020 compared with the same period of the previous year. In France, Germany and Italy, the decline was around 40% in each case. The German Association of the Automotive Industry (VDA) blames economic uncertainty and the restrictions imposed to contain the pandemic for the slump in demand.

IHS Markit observes a similar development for the market of light commercial vehicles and passenger cars. In Europe (Western and Central Europe), production figures fell by almost 41% overall at the end of the first half of 2020, with the French passenger car market in particular recording an exceptional decline of around 57%. While production in Germany and Italy each fell by more than 40%. In the North American region, the US market showed a downward trend. At almost 40%, production was down on the previous-year period. Mexico's market for light commercial vehicles and passenger cars shrank by more than 36%. The decline was particularly exceptional in Brazil, where production fell by more than 50%.

The automobile market in China shrank by just under 22%. By contrast, the commercial vehicle segment recorded growth of almost 9%. The number of commercial vehicles produced rose by almost 11% year-on-year, with the heavy tractor sub-segment recording particularly significant growth of almost 40%. The Liquidity shortages resulting from the decline in sales were countered by numerous measures to safeguard liquidity, such as the use of short-time work, liquidity assistance from customers, legally permissible deferrals of supplier payments, and the raising of (additional) financing, for example, by means of government incentives.

Despite the first-time inclusion of the new platform investments, the Automotive segment recorded revenues in the first half of 2020 at the level of the same period of the previous year (EUR 216.4 million; first half of 2019: EUR 214.5 million). This is due to the declining revenues of the investments in this segment, especially in the context of the COVID-19 pandemic. The segment's EBITDA amounts to EUR 2.4 million (H1 2019: EUR 12.5 million), benefiting from the gain from the bargain purchase in the course of the acquisition of PrimoTECS. The Adjusted EBITDA for the first half of the financial year 2020 amounts to EUR –13.8 million (H1 2019: EUR 11.0 million), which is mainly due to the decline in revenues.

STS GROUP

In the first half of the year, the spread of the coronavirus and the associated containment measures influenced the course of business at the STS Group: the production facilities in China were already closed in February. While STS Group had to adjust its capacities at key sites in Europe and America to the current situation immediately in March, short-time working was introduced at all European sites. The plants in China were able to resume production as early as the end of March and by April the Chinese plants were already producing at the high level previous to the plant closure. The plants in Germany, Italy, Poland, France and Brazil were closed from mid-March to for the most part the end of April 2020. This led to a clearly negative sales trend in the Acoustics, Plastics and Materials segments; the cost-cutting measures, in particular the introduction of short-time working throughout France and Italy, could only partially offset the sales-related negative earnings effects.

In the period under review, the COO and CFO of STS resigned from their positions as members of the Executive Board. In addition, the CEO was dismissed as a member of the Management Board; an agreement was reached with him after the end of the reporting period regarding the termination of his employment contract. The Supervisory Board of STS Group AG has appointed a sole member of the Management Board with effect from 3 July 2020.

In order to ensure liquidity, STS Group introduced a large number of liquidity and cost-cutting measures in the period under review. These include far-reaching structural changes to administrative functions, some of which involve discontinuing operational functions at headquarters in Germany, reducing them to subordinate operating units or transferring them to external parties. As a result of this development, the Executive Board has decided to terminate a large part of the employment contracts at STS Group AG for operational reasons. An application was also filed to revoke the admission of the Company's shares to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). The change of the stock exchange segment serves to reduce the additional work and costs associated with a listing in the Prime Standard and to be able to use existing resources more efficiently and in a more targeted manner. The revocation does not affect the admission of the shares of STS Group AG to trading on the regulated market of the Frankfurt Stock Exchange (General Standard).

On the financing side, the French subsidiaries of STS were able to conclude state-supported financing. Further financing applications have been submitted in Italy and Germany. Finally, the injection of additional liquidity by Mutares in return for assets is also being considered.

The continued existence of the sub-segment is dependent on the successful implementation of the aforementioned 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 which 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 that the continuation of the company's activities can be secured.

ELASTOMER SOLUTIONS GROUP

In the original planning for the financial year 2020, the Elastomer Solutions Group assumed a significant increase in sales due to the start of series production. For the financial year 2020, management has drawn up a comprehensive plan of improvement measures for all locations and business units and successfully implemented them as planned in the first half of 2020. However, due to the collapse in demand in the context of the COVID-19 pandemic, the planned further increase in the positive operating result meant that the sales revenues of the Elastomer Solutions Group in the period under review were significantly lower than in the same period of the previous year, with a corresponding negative effect on the Group's profitability. Against the background of the decline in demand and the associated temporary plant closures in the European automotive industry, management now expects a significant decline in sales revenues and an extraordinary decline in profitability for the year 2020 as a whole. Liquidity has been secured by agreements with banks on debt service relief for existing financing and new, additional loans.

PLATI GROUP

After Mutares took over Plati Group in the financial year 2019, the focus for the current financial year 2020 was on the further optimization of costs at the company's headquarters in Italy and at the two production sites in Poland and Ukraine, as well as on winning new orders. However, these efforts were made considerably more difficult by the spread of the coronavirus. As result, sales and operating earnings fell far short of the planning for the first half of the financial year 2020. Nevertheless, Plati has successfully introduced a new group-wide ERP system, the efficiency potential of which can be realized in the coming months. Management does not anticipate a full recovery for the rest of the year, with the result that revenues are significantly lower than planned and, contrary to management's original expectations, no positive operating result can be achieved.

KICO GROUP

Following the acquisition of the KICO Group in 2019, Mutares has initiated a program of measures, which is mainly focused on the implementation of operational excellence and an optimization of working capital. In the new product area of aerodynamic systems, the high level of complexity encountered in the industrialization process had a negative impact on the Group's operating result. Sales in the first half of the financial year 2020 fell considerably short of the original plan due to the spread of the coronavirus and in particular the temporary plant closures in the European automotive industry. Accordingly, despite the improvement measures initiated, the operating result did not develop as expected and was correspondingly negative. KICO expects a significant recovery during the rest of the year; nevertheless, sales for the year 2020 as a whole will fall significantly short of the originally planned level and the operating result will not break even.

During the period under review, management was able to make decisive progress in applying for financing through state support; payment is expected in the first half of the third quarter of 2020. This removes the material uncertainty regarding the Company's ability to continue as a going concern, as was the case at the time the Group management report for the financial year 2019 was prepared, and secures the continuation of the Company's operations.

PRIMOTECS

In the reporting period Mutares acquired the Italian PrimoTECS, a supplier for the automotive and related industries. At two locations in northern Italy, the company produces forged parts with applications in electric, hybrid and conventional powertrains. The spread of COVID-19 has significantly influenced the value chain of PrimoTECS at various points. In cooperation with local management and with the support of major customers, the Mutares team has succeeded in implementing measures to partially offset the negative effects. However, the implementation of the actual restructuring program, which is primarily focused on reducing direct and indirect costs and on stabilizing and further developing sales, has been delayed. Short-time working was used for a large part of the workforce during most of the reporting period.

ENGINEERING & TECHNOLOGY SEGMENT

No.	Participation	Industry	Headquarters	Acquisition
1	**Balcke-Dürr** Group	Manufacturers of components to increase energy efficiency and reduce emissions	Düsseldorf/ DE	12/2016
2	**Donges** Group	Complete supplier for 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 was much less negatively affected by the COVID-19 pandemic than the Automotive & Mobility segment; nevertheless, even here there was a temporary slump in demand in some areas and delays in the execution of projects. The effects of the COVID-19 pandemic are mainly reflected in order intake, as many companies have postponed planned investments. In the first half of the financial year 2020, the segment generated revenues of EUR 241.6 million (H1 2019: EUR 208.2 million[1]). This increase is mainly due to the inclusion of last year's add-on acquisitions for the Donges Group for a full six months and this year's add-on acquisitions for Balcke-Dürr (Loterios) and Donges (Ruukki). EBITDA for the segment amounts to EUR 23.1 million (H1 2019: EUR 1.5 million), benefiting from income from the bargain purchase of the two add-on acquisitions and the gain on deconsolidation in connection with the sale of the Polish company of the Balcke-Dürr Group. Adjusted EBITDA amounted to EUR 0.7 million (H1 2019: EUR –7.2 million) and reflects the encouraging progress of the operating performance in this segment.

[1] For better comparability, the previous year's figures of La Meusienne are also allocated to the Engineering & Technology segment, although integration into the Balcke-Dürr Group did not take place until December 2019.

BALCKE-DÜRR GROUP

In the first half of the financial year Mutares was able to close two transactions for the Balcke-Dürr Group: In February 2020, Mutares first acquired the Italian company Loterios. Loterios designs and manufactures pressure equipment for a wide range of industries. Following an initial add-on transaction in the financial year 2019, the Balcke-Dürr Group's business in Italy has thus been expanded once again. Subsequently, the Polish company of the Balcke-Dürr Group was sold in April 2020 after successful realignment.

Despite organic sales development lagging behind management's plans, Group sales were thus maintained at the level of the same period of the previous year. However, the Balcke-Dürr Group will not achieve the original planning for the entire year 2020 in terms of sales and operating result. In response to the decline in profitability, measures to leverage synergies are being driven forward, and the cost structures in Germany are being adjusted.

DONGES GROUP

With the acquisitions of Kalzip in 2018, Normek and FDT and the integration of Norsilk in 2019, the Donges Group has succeeded in expanding geographically and product-wise. This was further advanced in the period under review with the acquisition of Ruukki Building Systems, which together with Normek now operates under the name NORDEC. A program launched throughout the Donges Group to identify sales synergies should lead to the realization of both regional and product-related synergies, thus achieving the integration of the previously independent units.

The spread of COVID-19 led to a considerable reduction in demand in parts of the markets relevant to the Donges Group and, in the context of the measures taken to prevent further spread, some sites were closed. Restrictions on freedom of movement and the closure of borders have challenged the Group to maintain sufficient staff. Nevertheless, the Donges Group's turnover increased significantly in the period under review due to the inclusion of the new acquisitions. The Donges Group's operating result was already visibly positive due to the costs of expansion and other one-off costs as well as the negative influences in connection with COVID-19 described above. For the full year 2020, management expects stable business with slightly declining sales on an annualized basis and a visibly positive operating result. After successful restructuring, consistent implementation of the synergy potential and only moderate effects of COVID-19, the Group will generate a clearly positive operating result in the future.

GEMINI RAIL GROUP

In the first half of 2020 Gemini Rail Group saw the positive effects of the implementation of the efficiency enhancement program to improve production productivity. With sales revenues significantly below the previous year's level, a clearly positive operating result was achieved which benefited from income from the release of provisions. The positive operating performance of the Wolverton site contributed particularly to this. The Wolverton site was classified by the government as systemically relevant and was therefore not subject to a state lockdown. In contrast, the Birmingham site suffered from the effects of COVID-19 and suffered an extraordinary decline in production output with a negative impact on profitability.

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.

For the year as a whole, management expects the mandatory retrofitting of trains for the disabled to result in a continued positive operating result despite a substantial decline in sales revenues.

EUPEC

In the current environment of low oil prices, EUPEC's business activity is characterized by reluctance to invest on the part of customers. Accordingly, sales revenues in the reporting period were considerably lower than in the same period of the previous year. As a result, the company was not able to achieve a positive operating result in the first half of the financial year, contrary to original planning. Nevertheless, several major projects were won which, in addition to orders already won in the previous year, will make a significant contribution to capacity utilization and sales in financial year 2020. For the second half of the year, management expects an extraordinary increase in sales revenues compared to the reporting period and a positive operating result for the entire year 2020, which, however, will fall short of the original planning.

GOODS & SERVICES SEGMENT

No.	Participation	Industry	Headquarters	Acquisition
1	**Cenpa**	Manufacturer of corrugated cardboard boxes	Schweighouse/FR	05/2016
2	**TréfilUnion**	Iron wire and prestressing steel manufacturers	Commercy/FR	05/2019
3	**keeeper** Group	Manufacturers of plastic and paper household products	Stemwede/DE	06/2019
4	**BEXity**	Provider of transport and logistics services	Vienna/AT	12/2019

Due to the new platform investments keeeper Group and BEXity from the financial year 2019, sales revenues in the Goods & Services segment rose to EUR 162.5 million in the reporting period (H1 2019: EUR 20.5 million)[2]. As a result of the bargain purchase related to the add-on acquisition for keeeper Group, segment EBITDA amounted to EUR 23.2 million, while EBITDA for the first half of 2019 of EUR 55.9 million was significantly influenced by the acquisitions of TréfilUnion and keeeper. Adjusted EBITDA for the first half of 2020 amounted to EUR –1.5 million (H1 2019: EUR –1.7 million). All investments except TréfilUnion made a positive contribution to this result.

[2] For better comparability, the previous year's figures of La Meusienne are also not allocated to this segment, although the integration into the Balcke-Dürr Group from the Engineering & Technology segment did not take place until December 2019.

CENPA

During the period under review, the manufacturer of coreboard from Schweighouse in Alsace continued its strategy of developing new products with a higher depth of value added and expanding its geographical sales markets to Eastern Europe. Cenpa's market environment was characterized by an extraordinary increase in procurement prices on the relevant raw material market for recovered paper. The COVID-19 pandemic had a strong impact on Cenpa's business activities in the reporting period: On the one hand, the demand for toilet paper tubes increased considerably. On the other hand, the rapid spread of COVID-19 meant that the company recorded high absenteeism rates among its workforce and was therefore unable to fully meet customer demand. Nevertheless, Cenpa achieved a perceptible positive operating result with sales revenues well below those of the previous year. For the whole year, management expects sales revenues to be in the order of the financial year 2019 and a recognizably positive operating result. This is supported by indications that the raw material prices for recovered paper, after a significant increase in the first half of the year, are expected to fall again significantly in the further course of the year.

TRÉFILUNION

Following the acquisition of TréfilUnion, a manufacturer of iron wire and prestressing steel with two plants in France, in 2019, Mutares, together with the local management, developed a comprehensive program of measures to realign the company. The action plan includes stabilizing production, increasing output and product quality, while reducing material purchasing and personnel costs. However, the COVID-19 pandemic led to an enforced production stop at both plants, which was countered by the use of short-time working. The investments in a new ERP system and a new cleaning system planned in the period under review to increase efficiency, particularly in production, can therefore only be completed in the third quarter of the financial year. Production was gradually ramped up again during the second quarter. Sales revenues were exceptionally below the originally planned level, with a corresponding negative impact on the Company's profitability and liquidity. While capacity utilization at the Sainte-Colombe site is now back to its original level, the Commercy site is expected to continue to use short-time working due to a sharp drop in orders, particularly from customers in the automotive industry. For the whole year, therefore, management expects a substantial decline in sales revenues compared with the original plan and a significantly negative operating result.

KEEEPER GROUP

The action plan for keeeper, which was acquired in financial year 2019, includes cost reductions and a reduction in product diversity. Furthermore, all production activities are to be successively transferred to the Polish subsidiary in the financial year 2020 as part of the completed redundancy scheme. Due to the restrictions imposed in the context of COVID-19 regarding freedom of travel, the implementation of this transfer was delayed, but has now been fully implemented following the opening of the borders.

In February 2020, keeeper took the first step in its buy-and-build strategy by acquiring the paper napkin business of the Finnish Metsä Tissue Corporation in Germany. Since then, the business has been operating under the name keeeper Tableware. The company's premises are to be sold in a sale-and-leaseback transaction and subsequently leased back. The transaction was highly probable at the reporting date and was actually implemented in July 2020. The financial resources accruing to the company are to be used, among other things, to implement profitability-enhancing investments.

In the reporting period, keeeper (excluding keeeper Tableware) achieved revenues well above the planned level and a positive operating result favored by special effects. For the full year 2020, management expects total revenues (including keeeper Tableware) to be close to the triple-digit million-euro range and a balanced operating result.

BEXITY

The restructuring plan for the logistics business of the Austrian Federal Railways, which was acquired at the end of December 2019 and now operates under the name of BEXity, was drawn up in the first half of 2020 and its implementation began immediately. In this context, a new management was also appointed. The restructuring plan aims to stabilize revenues and reduce costs, particularly in the area of personnel and materials, and is expected to have a positive impact in the second half of 2020. BEXity was hit less hard by the effects of COVID-19 in the reporting period than had been assumed in the meantime, also thanks to increased demand from customers in the food industry. For the second half of the year, BEXity already expects a balanced operating result due to the measures initiated.

During the reporting period, the BEXity subsidiary in the Czech Republic, European Contract Logistics, was also sold as part of a management buy-out.

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

The Mutares Group acquires low-earning companies as platform investments and provides operational support for its investments as part of active restructuring and turnaround management. This business model involves regular changes in the scope of consolidation which have a significant impact on Mutares's consolidated financial statements. In the period under review, the first-time consolidations and deconsolidations described above had a significant impact on the items of the consolidated statement of comprehensive income and balance sheet. 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.

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

The Management Board is satisfied with the course of business in the first half of 2020 regarding the **operational development** of the portfolio companies until the outbreak of the COVID-19 pandemic. However, since the end of the first quarter, the first half of 2020 has been significantly affected by COVID-19: Due to the collapse in sales in the wake of a significant drop in demand in many areas, the planned restructuring and development progress in most of the portfolio companies was suspended for weeks due to the forced production shutdown and the use of short-time work. In this respect, the Management Board cannot be satisfied with the restructuring and development progress due to the significant impairment caused by COVID-19. Despite extensive travel restrictions, Mutares consultants were able to maintain contact with the portfolio companies via modern information technologies and implement measures to secure liquidity. The Executive Board is satisfied with the crisis management to date but sees a challenge in restarting activities at many portfolio companies and a clear need to catch up in the implementation of restructuring projects.

Mutares has been able to maintain the high frequency of **transaction activity** from the financial year 2019 in 2020. With regard to M&A, the Management Board is therefore very satisfied with the large number of transactions, both on the buying and the selling side. The new platform acquisitions, which offer potential for the future, as well as the promising add-on acquisitions are viewed very positively by the Management Board.

2.1 Earnings situation

In the first half of 2020, the Mutares Group generated **revenues** of EUR 620.5 million (H1 2019: EUR 443.2 million). This development is due to changes in the consolidation scope: an increase of EUR 183.9 million results from platform investments acquired in the second half of 2019 and the first half of 2020. The platform investments from the same period of the previous year contributed revenues of EUR 18.4 million in the reporting period (H1 2019: EUR 5.3 million). The add-on acquisitions for keeeper, Balcke-Dürr Group and Donges Group from the reporting period contributed with sales revenues of EUR 42.9 million, the add-on acquisitions for Donges Group from the previous year's period contributed with EUR 48.7 million (H1 2019: EUR 26.4 million). With regard to the organic sales development of the existing investments, i.e. those which were part of the Mutares Group for a full six months both in the reporting period and in the comparable period of the previous year, we refer to the explanations above within the reports from the portfolio companies.

As in the same period of the previous year, **other income** of EUR 78.5 million (H1 2019: EUR 77.1 million) is primarily due to consolidation effects from new acquisitions: The acquisitions in the reporting period generated income from bargain purchases of EUR 65.8 million (previous year: EUR 70.8 million). A further breakdown of other income is provided in the selected notes to the interim consolidated financial statements.

The **cost of materials** for the first half of 2020 amounted to EUR 390.2 million (H1 2019: EUR 277.7 million). The cost of materials ratio (in relation to revenues) thus amounts to 63% in the reporting period (H1 2019: 63%).

Personnel expenses for the first six months of financial year 2020 amount to EUR 174.4 million (H1 2019: EUR 133.7 million). This increase is partly due to the enhancement in the number of employees resulting from the increased transaction activity over the past 18 months. The use of short-time working reduced personnel expenses in the reporting period.

Other expenses amounted to EUR 91.3 million (H1 2019: EUR 54.6 million). A breakdown is provided in the selected notes to the interim consolidated financial statements.

As a result, the **EBITDA** of the Mutares Group for the first half of 2020 amounts to EUR 41.5 million (H1 2019: EUR 67.1 million).

Adjusted EBITDA amounted to EUR –16.7 million (first half of 2019: EUR 0.0 million). Adjusted EBITDA was negatively impacted in particular by the negative impact of the spread of the COVID-19 pandemic as well as by negative contributions from companies acquired in the past twelve months.

The reconciliation from reported EBITDA to the Adjusted EBITDA performance indicator is as follows:

EUR million	H1 2020	H1 2019
EBITDA	41.5	67.1
Income from bargain purchases	–65.8	–70.8
Restructuring and other non-recurring expenses	9.2	3.7
Deconsolidation effects	–1.6	0.0
Adjusted EBITDA	–16.7	–0.0

With regard to transaction-related income ("bargain purchases") and deconsolidation effects, we refer to the comments above on business performance and the reports from the Portfolio Companies.

Restructuring and other non-recurring expenses in the reporting period include, in particular, costs for severance payments and the settlement of redundancy plans (EUR 2.9 million; H1 2019: EUR 2.4 million), consulting fees for restructuring or in the context of add-on transactions (EUR 2.5 million; H1 2019: EUR 1.1 million), real estate transfer tax incurred in the context of add-on acquisitions (EUR 1.5 million; previous year: EUR 0.0 million) and carve-out expenses (EUR 1.0 million; H1 2019: EUR 0.1 million).

Depreciation and amortization include impairment charges of EUR 22.8 million (H1 2019: EUR 0.0 million).

The **financial result** of EUR –10.1 million (H1 2019: EUR –5.3 million) is comprised of financial income of EUR 0.7 million (H1 2019: EUR 0.3 million) and financial expenses of EUR –10.8 million (H1 2019: EUR –5.6 million).

The **consolidated result** for the first half of 2020 is EUR –30.2 million (first half of 2019: EUR +36.6 million).

2.2 Assets and financial position

The **balance sheet total** of the Mutares Group as at 30 June 2020 is EUR 987.6 million (31 December 2019: EUR 848.5 million). The increase is mainly due to the inclusion of the newly acquired investments.

Non-current assets rose from EUR 399.2 million as at 31 December 2019 to EUR 429.8 million as at 30 June 2020, primarily due to an increase in rights of use (EUR +22.0 million).

The increase in **current assets** to EUR 557.8 million (31 December 2019: EUR 449.3 million) resulted from higher trade and other receivables of EUR 52.4 million and higher **cash and cash equivalents** of EUR 29.6 million. These amounted to EUR 109.3 million as at 30 June 2020 (31 December 2019: EUR 79.7 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 72.4 million (31 December 2019: EUR 57.7 million), which result from current account and loan liabilities and from the disclosure of "non-genuine" factoring. The **net cash position** thus amounts to EUR 36.8 million (31 December 2019: EUR 22.2 million).

Equity amounted to EUR 160.6 million on 30 June 2020 (31 December 2019: EUR 208.2 million). This reduction is due to the consolidated net result for the reporting period (EUR –30.2 million; H1 2019: EUR 36.6 million) and the distribution to shareholders (EUR 15.2 million; H1 2019: EUR 15.2 million). The equity ratio amounts to 16.3% (31 December 2019: 24.5%).

Non-current liabilities of EUR 328.6 million (31 December 2019: EUR 235.4 million) consist of non-current lease obligations of EUR 112.3 million (31 December 2019: EUR 95.2 million). Non-current provisions amounted to EUR 111.6 million (31 December 2019: EUR 99.5 million) and primarily relate to pension provisions and similar obligations. The increase in other financial liabilities of EUR 62.5 million compared to 31 December 2019, is primarily due to the placement of a bond with a nominal volume of EUR 50.0 million in the reporting period.

Current liabilities amounted to EUR 498.4 million as at 30 June 2020 (31 December 2019: EUR 404.9 million) and included trade payables of EUR 164.8 million (31 December 2019: EUR 157.7 million). The increase in other financial liabilities (EUR 131.2m; 31 December 2019: EUR 94.8m) and other liabilities (EUR 97.4m; 31 December 2019: EUR 58.9m) reflects, among other things, easier payment terms, deferrals of payments to public sector creditors and the raising of additional financing.

Cash flow from operating activities in the first half of 2020 amounted to EUR −38.0 million (H1 2019: EUR −44.3 million). Based on a consolidated result of EUR −30.2 million (H1 2019: EUR 36.6 million), non-cash expenses and income included therein are expected to have an effect of EUR −6.1 million (H1 2019: EUR −43.7 million).), changes in working capital (trade working capital and other working capital) of EUR −10.9 million (H1 2019: EUR −42.7 million) and effects from interest and taxes of EUR +9.3 million (H1 2019: EUR +5.5 million).

Cash flow from investing activities of EUR 28.9 million (H1 2019: EUR 31.4 million) resulted primarily from (net) cash inflows of EUR 35.5 million (H1 2019: EUR 26.1 million) from changes in the consolidation range, partially offset by (net) cash outflows for investing activities of EUR 7.0 million (H1 2019: EUR 13.7 million). The disposal of assets held for sale resulted in a cash inflow of EUR 0.4 million in the reporting period (H1 2019: EUR 18.9 million).

Cash flow from financing activities amounted to EUR +38.7 million (H1 2019: EUR −14.6 million) and primarily includes proceeds from the issuance of bonds and (financial) loans (EUR 77.8 million; H1 2019: EUR 7.5 million), of which a large part is attributable to the proceeds from the bond with a nominal volume of EUR 50.0 million. This was counteracted by the dividend to shareholders of EUR 15.2 million in each case in the reporting period and the same period of the previous year as well as payments for the repayment of leasing liabilities (EUR 9.6 million; H1 2019: EUR 6.4 million) and (financial) loans (EUR 6.4 million; H1 2019: EUR 3.6 million) and payments received and made from factoring (EUR −2.2 million; H1 2019: EUR 4.3 million). Interest paid amounted to EUR 5.8 million (previous year: EUR 1.2 million).

As a result, **cash and cash equivalents** as at 30 June 2020 amount to EUR 109.3 million (31 December 2019: EUR 79.7 million).

As at 30 June 2020, the unused credit lines totaled around EUR 5 million (31 December 2019: around EUR 3 million).

2.3 Supplementary report

With regard to the supplementary report, we refer to the explanations within the selected notes to the consolidated interim financial statements.

3. FORECAST, OPPORTUNITIES AND RISK REPORT

3.1 Opportunities and risks of future development

In the following, the main changes compared with the opportunities and risks as presented in the Group management report for the financial year 2019 are explained. For a detailed presentation, please refer to the Group Management Report for the financial year 2019.

FUTURE ECONOMIC CONDITIONS

In its current economic forecast ("ifo Konjunkturprognose Sommer 2020: Deutsche Wirtschaft – es geht wieder aufwärts", published on 1 July 2020), the ifo Institute paints the following picture:

Containment measures to slow the spread of COVID-19 already slowed down global economic activity in the first quarter of 2020. Industrial production fell from January in China, from February in other Asian countries and from March in the advanced economies of Europe and North America. This also had a significant impact on world trade. In addition, the measures taken and cautious consumer behavior led to a slump in private consumer spending.

Overall, the **world's gross domestic product** shrank by more than 3% at the beginning of the year, and based on the monthly figures currently available, a historically unprecedented slump in global economic activity is expected for the second quarter of 2020. One exception is the Chinese economy, whose overall economic production is expected to have already increased again in the second quarter of 2020. The collapse in economic output is also putting pressure on the oil price, which has since fallen below the USD 20 mark. Numerous central banks are attempting to counteract the negative reactions of the financial markets with extensive measures; as a result, monetary policy has become more expansive across the board.

Forecasts now assume that the low point seems to have been reached in many economies and that a recovery can be expected in the third quarter of 2020. This should result in strong growth, albeit starting from a low level. Overall, the world's gross domestic product is expected to decline by 4.8% this year and to increase by 6.3% next year. This is based on the assumption that there will be no further far-reaching containment measures against the background of the danger of a second wave of infection.

Economic output in the **euro zone** fell by 3.6% in the first quarter of 2020. The major economies were affected to varying degrees: Italy, Spain and France were hit particularly hard by the effects of and reactions to COVID-19, with the result that the economic output of these three economies each fell by around 5%. In contrast to the USA, where there were mass redundancies and a correspondingly significant increase in unemployment, measures to temporarily preserve jobs in the euro zone counteracted a greater reduction in employment and at the same time stabilized the income situation of private households.

On the basis of current surveys, gross domestic product is likely to have fallen again substantially in the second quarter of 2020, by –12.9%. The euro zone was thus in the deepest recession in its history. However, economic activity has picked up speed again with the gradual easing of restrictions, so that a recovery is expected to set in in the third quarter of 2020 and the gross domestic product will probably increase by 8.8%. Overall, a decline of 8.4% is expected for the euro zone in 2020, while economic output is expected to increase by 6.1% next year. This is based on the assumption that there will be no further far-reaching containment measures against the background of the risk of a second wave of infection. In addition, a withdrawal of the UK from the EU ("Brexit") without a trade agreement is likely to burden relations between the UK and the countries of the EU and have a dampening effect on economic activity.

In **Germany**, the COVID-19 pandemic and the measures to contain it have plunged the economy into by far the deepest recession in post-war history. Following a decline in the first quarter of 2020 (–2.2%), gross domestic product is estimated to have contracted by a further 11.9% in the second quarter.

As a result of the significant decline in the number of new infections, the shutdown measures have now been eased or even completely cancelled. It is therefore safe to say that the economic downturn has been halted and economic activity has begun to recover.

As a result of the low production of goods and services during the shutdown, the expected growth rates are noticeable at 6.9% and 3.8% in the third and fourth quarters of 2020. Nevertheless, economic output is expected to be 6.7% lower on average this year than in 2019. The recovery is expected to continue next year, with GDP then growing by 6.4% on average over the year. This is based on the assumption that there will be no further far-reaching containment measures against the background of the risk of a second wave of infection.

Obligations from acquisitions

For the acquisition of the shares in La Meusienne S.A.S. in the financial year 2017, Mutares is obliged to pay a purchase price which is determined on the basis of the working capital at the time of the transfer of economic ownership. Mutares and the seller of these shares disagree on 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; the Management Board is currently assuming a maximum payment obligation in the six-figure range, so that a provision in the corresponding amount was recorded.

In connection with the acquisition of the transport logistics and warehouse business of Q Logistics GmbH (renamed BEXity GmbH), Mutares has undertaken to indemnify the seller in case of claims by third parties in connection with legal relationships taken over and in case of insolvency of BEXity GmbH. The seller'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 and comparable payments by BEXity GmbH and decrease by loans granted under a financing line and not yet repaid by Mutares SE & Co. KGaA. The indemnification claim as at 30 June 2020, amounts to EUR 9.3 million.

In connection with an irrevocable offer to acquire an 80% majority stake in Nexive's letter mail and parcels business in Italy, Mutares has declared that it will assume obligations of up to EUR 5.0 million from the closing of the transaction. In addition, Mutares undertakes to provide the company with liquid funds of up to EUR 5.0 million for a period of 12 months, insofar as this is necessary to avert insolvency. The purchase agreement was signed on 23 February 2020, the closing of the acquisition took place on 1 July 2020.

In May 2020, Mutares made a commitment to the seller, automotive supplier Cooper Standard Automotive Inc. in connection with the acquisition of certain companies (in the future to be known as "SFC Solutions") in Poland, Italy, Spain and India in the area of sealing and fluid activities, to provide the seller, automotive supplier Cooper Standard Automotive Inc. with funds and support up to a total amount of EUR 5.0 million until 31 December 2021 for all obligations of the buyer assumed under the purchase agreement. The transaction was completed on 1 July 2020.

In June 2020, a wholly owned subsidiary of Mutares signed an agreement to acquire SABO Maschinenfabrik GmbH, a manufacturer of lawnmowers and other outdoor power tools in Europe, from Deere & Company ("John Deere"). Under the terms of the agreement, Mutares SE & Co KGaA guarantees to be fully responsible for the fulfillment of the contractual obligations of the buyer in the event that the buyer fails to fulfill these obligations. In particular, the buyer has undertaken to indemnify the seller and any organs of the seller from any claims by third parties in connection with the legal relationships of SABO Maschinenfabrik GmbH. The buyer's obligation to indemnify is limited to 24 months and an amount of EUR 5.0 million. In addition, the buyer has undertaken to provide SABO Maschinenfabrik GmbH with liquid funds for a period of 24 months, insofar as this is necessary to avoid insolvency of the company and insofar as the buyer has received payments from SABO Maschinenfabrik GmbH during this period. The closing of the transaction is expected in the third quarter of 2020.

In June 2020, a subsidiary of Mutares signed an agreement with Nexans to acquire Nexans Metallurgie Deutschland GmbH, a manufacturer of oxygen-free copper wire rod for a wide range of industrial applications with a focus on automotive applications, with production sites in Bramsche and Neunburg. Under the terms of the agreement, the buyer has undertaken in particular to indemnify the seller from any claims for rescission in the event of the target company's insolvency. The indemnification is limited to a period of 27 months and an amount of EUR 2.0 million. In addition, the buyer shall indemnify any executive bodies of the seller against any claims by third parties in connection with the legal relationships of the Company. Mutares SE & Co. KGaA guarantees to the seller that the buyer will fulfill its contractual obligations.

As a matter of principle, the Management Board does not expect any obligations arising from company acquisitions to be claimed. However, in connection with the currently not yet fully assessable burdens from the economic development due to the COVID-19 pandemic, the probability of a claim is generally increasing and it cannot be ruled out that that the commitments entered into may be called upon.

Obligations from the sale of companies

When all shares in BSL were sold in November 2018, Mutares had 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. This guarantee was limited in amount to EUR 0.5 million and for a period of 18 months after completion of the sale and expired without any claims in the reporting period.

Legal disputes

Mutares was 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 has and will fully defend itself against all claims that it considers unfounded. In the reporting period, the first mentioned claim was rejected by the Regional Court in Lille, the judgement has now become final after the expiry of the objection period. The parallel action before the labor court is still pending. The maximum risk arising from this lawsuit amounts to approximately EUR 23 million. However, the Management Board does not expect any claims to be asserted; accordingly, provisions have been made exclusively for defense costs in the mid-six-figure range.

Mutares was sued for damages by the insolvency administrator of Grosbill SAS, a former subsidiary in France. The accusation is that Mutares, as the buyer, did not sufficiently restructure Grosbill and failed to provide the necessary cash, which was necessary due to the sudden termination of long-term contracts by the seller group, which led to a deterioration in delivery conditions. Mutares is jointly sued by Grosbill and the seller and will defend itself against the accusations, which it considers to be legally unfounded. The proceedings will begin in autumn 2020.

Other commitments

Two companies from the Engineering & Technology segment are jointly and severally liable as partners in civil law partnerships within the framework of joint ventures or consortium agreements with a maximum term of 2029. As at the balance sheet date, this liability relates to projects with a total contract value of approximately EUR 281 million (31 December 2019: EUR 272 million). The subsidiaries' own share in this liability amounts to EUR 114.4 million (31 December 2019: EUR 106.7 million). Based on 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 in the context of loss-free valuation, we also do not anticipate any utilization of our own shares.

3.2 Forecast report

The forecast for the financial year 2020 in the Group Management Report for the financial year 2019 was already under the influence of the COVID-19 pandemic and was subject to greater uncertainty than usual due to the high degree of uncertainty regarding future economic development.

For 2020, the Management Board aimed to achieve a transaction volume at least at the level of the financial year 2019. So far, it is not foreseeable that transaction activity will be negatively impacted by developments in connection with the spread of the coronavirus; the Management Board expects the opposite to happen, particularly on the acquisition side with additional opportunities.

Against the background of the acquisitions completed and signed by the installation date and the plans of the individual segments, the Management Board expects an exceptional increase in **sales revenues** for the Group as a whole in 2020 compared to the financial year 2019, despite the sometimes sharp declines in sales revenues in individual investments due to the acquisitions completed and signed by the implementation date. All three segments should contribute to this.

Taking into account the acquisitions completed and signed by the time of preparation, the (reported) **EBITDA** should again reach a positive level in financial year 2020, in particular due to the resulting profits from bargain purchases.

Adjusted EBITDA and **cash flow from operating activities** have been and will continue to be burdened by the negative impact of the spread of the coronavirus on economic development and thus the restructuring progress in 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.

Furthermore, the Management Board has no new information that the forecasts and other statements made in the last Group Management Report on the expected development of the Group for the financial year 2020 have changed significantly – despite some changes in the underlying conditions.

Munich, 10 August 2020

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

The Management Board

Robin Laik	Mark Friedrich
Dr. Kristian Schleede	Johannes Laumann

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF PROFIT AND LOSS

From 1 January to 30 June 2020

EUR million	Note	H1 2020	H1 2019
Revenues	3	620.5	443.2
Change in inventories		–1.6	12.8
Other income	4	78.5	77.1
Cost of material		–390.2	–277.7
Personnel expenses		–174.4	–133.7
Other expenses	5	–91.3	–54.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**41.5**	**67.1**
Depreciation and amortization expenses	7, 8	–59.2	–21.3
Earnings before interest and taxes (EBIT)		**–17.7**	**45.8**
Financial income		0.7	0.3
Financial costs		–10.8	–5.6
Profit before tax		**–27.8**	**40.5**
Income tax expense/income		–2.4	–3.9
Net income		**–30.2**	**36.6**
Of which attributable to:			
Shareholders of the parent company		–20.5	37.4
Non-controlling interest		–9.7	–0.8
Earnings per share in EUR (basic)		**–1.35**	**2.45**
Earnings per share in EUR (diluted)		**–1.35**	**2.45**
Other comprehensive income			
Net income		**–30.2**	**36.6**
Other comprehensive income		**–2.4**	**–0.1**
Items reclassified to profit or loss subsequently if certain conditions are met			
Currency translation differences		–2.8	0.4
Items not subsequently reclassified to profit or loss			
Actuarial gains/losses		0.4	–0.5
Total comprehensive income		**–32.6**	**36.5**
Of which attributable to:			
Shareholders of the parent company		–22.6	37.4
Non-controlling interest		–10.0	–0.9

2. CONSOLIDATED BALANCE SHEET

As at 30 June 2020

Assets

EUR million	Note	30 Jun. 2020	31 Dec. 2019
Intangible assets	7	65.8	58.7
Property, plant and equipment	8	184.0	176.4
Right of use assets (RoU assets)		141.8	119.8
Trade and other receivables		1.8	0.4
Other financial assets		12.8	16.6
Other non-financial assets		3.5	3.5
Deferred tax assets		20.1	23.8
Non-current assets		**429.8**	**399.2**
Inventories	9	161.2	134.0
Current contract assets		35.3	29.1
Trade and other receivables		195.0	142.6
Other financial assets		15.2	39.3
Income tax receivables		1.2	2.1
Other non-financial assets		30.2	22.2
Cash and cash equivalents		109.3	79.7
Assets held for sale	10	10.4	0.3
Current assets		**557.8**	**449.3**
Total assets		**987.6**	**848.5**

Equity and liabilities

EUR million	Note	30 Jun. 2020	31 Dec. 2019
Share capital		15.2	15.2
Capital reserves		37.5	37.3
Retained earnings		110.2	134.9
Other equity components		-4.2	-2.1
Share of equity attributable to shareholders of the parent company		**158.7**	**185.3**
Non-controlling interests		1.9	22.9
Total equity	11	**160.6**	**208.2**
Trade payables and other liabilities		1.4	2.2
Other financial liabilities		82.8	20.3
Leasing liabilities		112.3	95.2
Provisions for pensions and other post-employment benefits		98.4	87.3
Other provisions		13.2	12.2
Deferred tax liabilities		17.2	15.1
Non-current contract liabilities		3.3	3.1
Non-current liabilities		**328.6**	**235.4**
Trade payables and other liabilities		164.8	157.7
Other financial liabilities		131.2	94.8
Leasing liabilities		29.0	23.7
Provisions		30.5	35.7
Income tax liabilities		1.7	2.6
Other non-financial liabilities		97.4	58.9
Current contract liabilities		43.8	31.5
Current liabilities		**498.4**	**404.9**
Total equity and liabilities		**987.6**	**848.5**

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1 January to 30 June 2020

	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. 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	0.0	0.0	37.4	0.0	37.4	–0.8	36.6
Other comprehensive income after income taxes	0.0	0.0	0.0	0.0	0.0	–0.1	–0.1
Total comprehensive income	**0.0**	**0.0**	**37.4**	**0.0**	**37.4**	**–0.9**	**36.5**
Dividends paid	0.0	0.0	–15.2	0.0	–15.2	0.0	–15.2
Equity-settled share-based payment	0.0	0.2	0.0	0.0	0.2	0.0	0.2
Minority interest transactions	0.0	0.0	–0.3	0.0	–0.3	0.0	–0.3
As at 30 Jun. 2019	**15.2**	**37.0**	**150.9**	**–0.7**	**202.4**	**26.5**	**228.9**
As at 1 Jan. 2020	**15.2**	**37.3**	**134.9**	**–2.1**	**185.3**	**22.9**	**208.2**
Net income	0.0	0.0	–20.5	0.0	–20.5	–9.7	–30.2
Other comprehensive income after income taxes	0.0	0.0	0.0	–2.1	–2.1	–0.3	–2.4
Total comprehensive income	**0.0**	**0.0**	**–20.5**	**–2.1**	**–22.6**	**–10.0**	**–32.6**
Dividends paid	0.0	0.0	–15.2	0.0	–15.2	0.0	–15.2
Equity-settled share-based payment	0.0	0.2	0.0	0.0	0.2	0.0	0.2
Minority interest transactions	0.0	0.0	11.0	0.0	11.0	–11.0	0.0
As at 30 Jun. 2020	**15.2**	**37.5**	**110.2**	**–4.2**	**158.7**	**1.9**	**160.6**

4. CONSOLIDATED CASH FLOW STATEMENT

From 1 January to 30 June 2020

EUR million	Note	H1 2020	H1 2019
Net income		**–30.2**	36.6
Bargain purchase gains (–) from business combinations	1	**–65.8**	–70.8
Gains from deconsolidations (–)	2	**–1.6**	0.0
Depreciation and amortization (+) of intangibles and non-current assets		**59.2**	21.3
Gain (–)/loss (+) from the disposal of non-current assets	7, 8	**–0.6**	0.0
Other non-cash expenses (+)/income (–)	7, 8	**0.7**	6.0
Interest expenses (+)/interest income (–)		**8.9**	2.8
Income tax expense (+)/income (–)		**2.4**	3.9
Income tax payments (–)		**–2.0**	–1.2
Increase (–)/decrease (+) in inventories	9	**4.1**	–11.1
Increase (–)/decrease (+) in trade receivables		**–3.7**	–10.2
Increase (+)/decrease (–) in trade payables		**–32.3**	–1.7
Variations in trade working capital		**–31.9**	**–23.0**
Increase (–)/decrease (+) in contract assets		**1.7**	–6.9
Increase (–)/decrease (+) in other assets		**–15.0**	6.9
Increase (+)/decrease (–) in provisions		**–7.8**	–9.1
Increase (+)/decrease (–) in contract liabilities		**12.5**	–13.2
Increase (+)/decrease (–) in other liabilities		**29.6**	2.6
Variations in other working capital		**21.0**	**–19.7**
Currency translation effects		**2.0**	–0.2
Cash flow from operating activities		**–38.0**	**–44.3**
Proceeds (+) from disposal of property, plant and equipment	8	**2.1**	0.6
Disbursements (–) for investments in property, plant and equipment	8	**–6.4**	–12.7
Disbursements (–) for investments in intangible assets	7	**–2.7**	–1.6
Proceeds (+) from disposal of assets held for sale	10	**0.4**	18.9
Payments (–) for additions to the consolidation group	1	**–10.5**	–1.3
Proceeds (+) from additions to the consolidation group	1	**42.7**	24.5
Proceeds (+) from disposals from the consolidation group	2	**6.4**	2.9
Payments (–) for disposals from the consolidation group	2	**–3.1**	0.0
Interest received (+)		**0.0**	0.1
Cash flow from investing activities		**28.9**	**31.4**
Dividends paid (–) to shareholders of the parent company	11	**–15.2**	–15.2
Proceeds (+) from the issue of bonds and (financial) loans	12	**77.8**	7.5
Repayments (–) of (financial) loans		**–6.4**	–3.6
Repayments (–) of lease liabilities		**–9.6**	–6.4
Proceeds (+)/payments (–) from factoring		**–2.2**	4.3
Interest paid (–)		**–5.8**	–1.2
Cash flow from financing activities		**38.7**	**–14.6**
Change in cash and cash equivalents		**29.6**	**–27.5**
Effect of currency translation on cash and cash equivalents		**0.0**	0.3
Cash and cash equivalents at the beginning of the period		**79.7**	108.1
Cash and cash equivalents at the end of the period		**109.3**	**80.9**

A. BASIC AND GENERAL INFORMATION

Mutares SE & Co KGaA, Munich, Germany (hereinafter referred to as “the Company” or “Mutares”) was formed by way of a change of legal form from Mutares AG, Munich. The Company has its registered office in Munich and is entered in the Commercial Register, Section B, at the local court under the number 250347. The registered office and simultaneously the headquarters of the Company is Arnulfstrasse 19, 80335 Munich.

These interim consolidated financial statements were prepared in accordance with the provisions of IAS 34 “Interim Financial Reporting”. They do not include all information required for complete consolidated financial statements; rather, the consolidated financial statements for the financial year 2019 are to be used as a supplement.

Mutares’s business approach includes the acquisition, restructuring and further development of companies in transitional situations as platform investments. Mutares is committed to its investments in the long term and sees itself as a responsible shareholder, actively supporting the upcoming phases of change – based on its extensive, long-term experience – as a reliable companion. The goal is to create independent and dynamically operating medium-sized companies with a competitive, profitable and growing business model from the companies that were unprofitable at the time of the takeover. A prerequisite for this is therefore that already in the takeover phase the potential for profit improvement in the company is clearly recognizable, which can be raised within one to two years through suitable strategic and operational optimization. Mutares’s management has extensive in-house operational industrial and restructuring experience. After the acquisition of a company, Mutares’s range of services includes operational support, the expansion of activities through add-on acquisitions and the sale of investments.

On 11 March 2020, the WHO characterized SARS-CoV-2 infection (hereinafter “COVID-19” or “coronavirus”) as a pandemic. To contain the **coronavirus**, public life was drastically restricted, first in China, then in Europe and increasingly in large parts of the world. The developments around COVID-19 continue to be very dynamic in some parts of the world. It is therefore very difficult to reliably predict the duration and extent of the resulting impact on Mutares’s assets, liabilities, results and cash flows. In the condensed consolidated interim financial statements as at 30 June 2020, the Company based estimates and judgments relevant to the financial statements on current knowledge and best available information and applied a scenario which assumes that the current situation is not of a long-term nature (so-called “V-shaped” development). The spread of the coronavirus can affect the financial statements in different ways: On the individual portfolio companies or on the Group as a whole, creditworthiness may deteriorate, payment defaults may occur or payments may be delayed, delays may occur in the receipt of orders or in the processing and fulfillment of orders and contracts, as well as contract terminations, sales revenue and cost structures may change, the consumption of assets may be restricted, volatility in financial and raw materials markets may increase, employees may have no or only limited access to company premises, or difficulties may arise in preparing plans due to uncertainties in the amount and timing of cash flows. All these factors can affect the fair values and carrying amounts of assets and liabilities, the amount and timing of revenues and costs, and cash flows. Accounting and valuation are subject to complex and subjective judgements and assumptions, some of which relate to matters that are inherently uncertain and subject to change.

The Management Board considers the COVID-19 pandemic to be an indication that Group assets may be impaired. For this reason, impairment tests were carried out in the reporting period to review the recoverable amount of the Group’s cash generating units (CGUs). These tests led to the recognition of an impairment loss in the income statement for two CGUs (see Note 8 “Property, plant and equipment”). In addition, in determining the net realizable value of inventories, estimates must be made which include volume, technical and price risks. Mutares believes that the assumptions (judgments and estimates) underlying these condensed consolidated interim financial statements adequately reflect the current situation. Nevertheless, under the influence of the COVID-19 pandemic and due to the high level of uncertainty regarding future developments, these interim financial statements are subject to greater uncertainty than usual.

B. CHANGES IN THE CONSOLIDATION SCOPE

1. Acquisitions of subsidiaries

The following subsidiaries were acquired and consolidated for the first time in the period from 1 January to 30 June 2020:

ACQUISITION OF TEKFOR S.P.A. (NOW TRADING AS PRIMOTECS S.P.A.)

On 31 January 2020, Mutares acquired all shares in Tekfor S.p.A. (now trading as PrimoTECS S.p.A.), Avigliana (Italy). PrimoTECS is a supplier for the automotive and related industries. At two locations in northern Italy, the company produces components for use in electric, hybrid and conventional powertrains, thereby strengthening the Automotive & Mobility segment as a new platform investment.

The consideration for the acquisition of the company amounted to EUR 1. 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 net assets acquired were valued at a fair value of EUR 18.6 million, and a profit of EUR 18.6 million resulted from a bargain purchase.

ACQUISITION OF LOTERIOS S.R.L.

On 4 February 2020, Balcke-Dürr GmbH, a platform investment from the Engineering & Technology segment, acquired 100% of the shares in the Italian company Loterios S.r.l., Gerenzano (Italy) as an add-on. Loterios designs and manufactures pressure equipment for a wide range of industries.

The consideration for the acquisition of the company amounted to EUR 1; an earn-out was also agreed. 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 net assets acquired were valued at a fair value of EUR 5.9 million, and a profit of EUR 4.8 million resulted from a bargain purchase.

ACQUISITION OF METSÄ TISSUE CORPORATION'S PAPER NAPKIN BUSINESS

On 29 February 2020, keeeper tableware GmbH, a newly founded subsidiary of keeeper GmbH, completed the acquisition of the paper napkin business of the Finnish Metsä Tissue Corporation in the form of an asset deal. With this acquisition, the annualized sales of the keeeper Group will grow and strengthen the Goods & Services segment.

The consideration for the acquisition of Metsä Tissue Corporation's paper napkin business amounted to EUR 3. Acquisition-related transaction costs result in particular from the land transfer tax incurred in connection with the acquisition. This is recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at fair value of EUR 25.0 million, resulting in a gain on bargain purchase of EUR 25.0 million.

ACQUISITION OF RUUKKI BUILDING SYSTEMS OY

On 30 April 2020, Donges Steeltec GmbH, a platform investment in the Engineering & Technology segment, successfully completed the acquisition of 100% of the shares in Ruukki Building Systems Oy ("RBS") from the SSAB Group. As a condition for the merger, the competition authority has imposed the sale of the Oulu plant in Finland by the end of the year. RBS, based in Helsinki, Finland, is one of the leading suppliers of building system solutions in Northern and Eastern Europe, specializing in the design, manufacture and installation of steel building frames, envelopes and bridge structures. RBS operates four production facilities in Finland, Poland and Lithuania. Together with Normek, which was acquired in 2019, RBS now operates under the name NORDEC within the Donges Group.

The provisional consideration for the acquisition of the company amounted to EUR 13.5 million, of which EUR 10.0 million had been paid by the balance sheet date; the remaining EUR 3.5 million is reported under other financial liabilities. Furthermore, the purchase price is determined depending on the target ratios, net working capital and net debt at the time of the transfer of economic ownership. The process of determining the final purchase price has not yet been completed, so that adjustments may still be necessary in this regard. Acquisition-related incidental expenses of EUR 0.8 million for the transaction are recorded in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 31.0 million, resulting in a gain on bargain purchase of EUR 17.5 million.

For all the above acquisitions, the comparison of the cost of the acquired companies with the revalued net assets resulted in a gain on bargain purchase, which is recognized 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 the 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.

For the acquisitions made in the previous-year period from 1 January 2019 to 30 June 2019, please refer to the consolidated financial statements for 2019 (Note 5.1 “Acquisitions of subsidiaries”). In addition, the remaining shares in Plati Elettroforniture S.p.A., which was acquired in the same period of the previous year, were subscribed for in the reporting period by way of a capital reduction and subsequent capital increase, as the newly issued shares to which the existing shareholder was entitled were not acquired by the latter within the statutory regulations and subscription period.

2. Deconsolidation of subsidiaries

The following subsidiaries were sold and deconsolidated in the period from 1 January to 30 June 2020:

DECONSOLIDATION OF KLANN PACKAGING GMBH

Mutares sold Klann Packaging GmbH to the investment holding company Accursia Capital GmbH by purchase agreement dated 15 May 2020. The initial, symbolic sales price can be further increased by subsequent payments (earn-out) until 2023 under certain conditions.

Klann Packaging GmbH is a manufacturer of promotional and sales packaging made of printed tinplate, based in Landshut, Germany. The company was taken over by the HUBER Packaging Group in 2011 as a carve-out and was able to establish itself in the market following successful restructuring. The company was part of the Goods & Services segment. The deconsolidation result amounted to EUR –1.3 million and is included in the other expenses.

DECONSOLIDATION OF BALCKE-DÜRR POLSKA SP. Z O.O.

Balcke-Dürr GmbH, an indirect subsidiary of Mutares from the Engineering & Technology segment, sold Balke-Dürr Polska Sp. z o.o., Warsaw (Poland) to Wallstein International GmbH with a purchase agreement dated 15 April 2020 and with retroactive effect on the same date.

The initial sales price of EUR 5.5 million may be increased by a further EUR 1.5 million by subsequent payments, if certain conditions are verified within the financial year 2020. Balcke-Dürr Polska is a manufacturer of filter systems for conventional power plants and industrial applications. Mutares acquired the company in the course of the acquisition of the Balcke-Dürr Group in December 2016 and successfully repositioned it. The deconsolidation income amounts to EUR 2.9 million and is included in the other income.

DECONSOLIDATION OF EUROPEAN CENTRAL LOGISTICS S.R.O.

BEXity GmbH, an indirect subsidiary of Mutares from the Goods & Services segment, acquired European Central Logistics s.r.o. Prague (Czech Republic) (“ECL”) by way of a management buy-out (MBO) to the managing director of the company for a purchase price of EUR 0.5 million.

Mutares acquired the company as part of the acquisition of the BEXity Group in December 2019. The transaction is part of the initiated reorganization at BEXity. The deconsolidation result amounts to EUR 0.0 million.

No subsidiaries were deconsolidated in the previous-year period from 1 January to 30 June 2019.

C. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

3. Revenues

In accordance with IFRS 8, the revenue development by segment is presented in the segment report.

4. Other income

Other income is composed as follows:

EUR million	H1 2020	H1 2019
Bargain Purchase Income	65.8	70.8
Income from deconsolidation	2.9	0.0
Income from currency translation	1.3	0.4
Income from leasing	1.2	0.0
Income from the disposal of fixed assets	1.1	0.1
Income from other services	0.9	1.0
Income from raw material and waste recycling	0.8	0.4
Other capitalized self-produced assets	0.5	0.7
Non-periodic income	0.5	0.3
Income from reversal of expected credit loss (ECL)	0.2	0.4
Income from reversal of write-downs of items of property, plant & equipment	0.0	0.3
Miscellaneous other income	3.3	2.7
Other operating income	**78.5**	**77.1**

With regard to transaction-related income (bargain purchases), we refer to the comments on the acquisition of subsidiaries under Note 1 “First-time consolidations”; with regard to income from deconsolidations, we refer to the comments on the deconsolidation of subsidiaries under Note 2 “Deconsolidation of subsidiaries”.

5. Other expenses

The breakdown of other expenses is as follows:

EUR million	H1 2020	H1 2019
Administration	17.7	5.8
Selling expenses	15.2	8.4
Legal and consulting expenses	12.3	8.8
Maintenance and servicing	10.7	8.5
Rent, leases and licence fees	8.1	6.7
Advertising and travel expenses	5.3	5.7
Basic levies and other taxes	4.7	2.4
Insurance premiums	2.5	2.2
Damage claims, guarantee and warranty	2.0	0.8
Fees and contributions	1.9	1.0
Expenses from currency translation	1.9	0.5
Vehicle Fleet	1.7	1.3
Expenses from expected credit loss (ECL)	0.9	0.1
Research and development expenses	0.5	1.1
Losses from disposal of assets	0.5	0.1
Expenses for general partners	0.4	0.0
Miscellaneous expenses	5.0	1.2
Other expenses	**91.3**	**54.6**

6. 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 of the Company has decided to structure the report accordingly. No business segments have been combined to arrive at the level of the Group’s reportable segments.

Mutares segments its investments into the following three segments:

1. Automotive & Mobility:
- STS Group
- Elastomer Solutions Group
- Plati Group
- KICO Group
- PrimoTECS

2. Engineering & Technology:
- Balcke-Dürr Group
- Donges Group
- Gemini Rail Group
- EUPEC

3. Goods & Services
- Cenpa
- TréfilUnion
- keeeper Group
- BEXity

With regard to the changes in the segments due to acquisitions and disposals, we refer to the comments on the acquisition of subsidiaries under Note 1 "First-time consolidations" and the comments on the deconsolidation of subsidiaries under Note 2 "Deconsolidation of subsidiaries".

The three segments are each made up of several legal entities. The allocation of the legal units to the segments is clear; there are no companies who do not have a clear segmentation. All parts of the companies generate income and expenses within the meaning of IFRS 8.5.

EUR million	Segments									
	Automotive & Mobility		Engineering & Technology		Goods & Services		Corporate/ Consolidation		Mutares Group	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Revenues	216.4	214.5	241.6	208.2	162.5	20.5	0.0	0.0	620.5	443.2
Cost of material	-129.6	-124.1	-162.4	-139.7	-96.8	-13.3	-1.4	-0.6	-390.2	-277.7
Personnel expenses	-70.3	-60.5	-60.3	-59.6	-33.5	-6.3	-10.3	-7.4	-174.4	-133.7
Other expenses	-36.5	-27.8	-27.0	-27.6	-32.0	-4.3	4.2	5.0	-91.3	-54.6
EBITDA	2.4	12.5	23.1	1.5	23.2	55.9	-7.3	-2.8	41.5	67.1
Adjusted EBITDA	-13.8	11.0	0.7	-7.2	-1.5	-1.7	-2.1	-2.2	-16.7	0.0
Timing of revenue recognition										
At point in time	132.4	70.2	174.6	163.4	149.9	20.5			456.9	254.1
Over time	83.9	144.3	67.0	44.8	12.6	0.0			163.6	189.1

For better comparability, the previous year's figures of La Meusienne are also allocated to the Engineering & Technology segment, although integration into the Balcke-Dürr Group did not take place until December 2019.

The cumulative segment EBITDA was reconciled to profit before tax, taking into account depreciation, amortization and the financial result.

As the chief operating decision maker, the Management Board also measures the success of the segments on the basis of a key performance indicator adjusted for non-recurring effects, which is referred to as “adjusted EBITDA” in internal management and reporting. The basis for calculating this alternative performance measure is the reported Group EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for transaction-related income (bargain purchases), restructuring and other non-recurring 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 Adjusted EBITDA performance indicator is as follows:

EUR million	H1 2020	H1 2019
EBITDA	41.5	67.1
Income from bargain purchases	–65.8	–70.8
Restructuring and other non-recurring expenses	9.2	3.7
Deconsolidation effects	–1.6	0.0
Adjusted EBITDA	–16.7	0.0

With regard to transaction-related income (“bargain purchases”), we refer to the information on the acquisition of subsidiaries under Note 1 “First-time consolidations”, and with regard to income from deconsolidations, we refer to the information on the deconsolidation of subsidiaries under Note 2 “Deconsolidation of subsidiaries”.

Restructuring and other non-recurring expenses in the reporting period include, in particular, costs for severance payments and the settlement of redundancy plans (EUR 2.9 million; H1 2019: EUR 2.4 million), consultancy fees for restructuring or in the context of add-on transactions (EUR 2.5 million; H1 2019: EUR 1.1 million), real estate transfer tax incurred in the context of add-on acquisitions (EUR 1.5 million; previous year: EUR 0.0 million) and carve-out expenses (EUR 1.0 million; H1 2019: EUR 0.1 million).

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

EUR million	H1 2020	H1 2019
Total segment EBITDA	48.8	69.9
Corporate/consolidation	–7.3	–2.8
Depreciation/amortization	–59.2	–21.3
Financial result	–10.1	–5.3
Profit before tax	**–27.8**	40.5

D. NOTES TO THE CONSOLIDATED BALANCE SHEET

7. Intangible assets

The development of 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. 2020	**2.3**	**10.5**	**61.7**	**6.2**	**80.7**
Changes in consolidated group	0.3	-0.1	9.6	0.2	10.0
Additions	0.1	1.5	0.0	1.1	2.7
Disposals	0.0	0.0	-0.9	0.0	-0.9
Currency translation effects	0.0	-0.1	-0.2	-0.3	-0.6
As at 30 Jun. 2020	**2.7**	**11.8**	**70.2**	**7.2**	**91.9**

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 1 Jan. 2020	**–0.6**	**–4.5**	**–15.2**	**–1.7**	**–22.0**
Changes in consolidated group	0.0	0.0	0.3	0.0	0.3
Amortization	–0.1	–0.9	–4.0	0.0	–5.0
Disposals	0.0	0.0	0.3	0.0	0.3
Currency translation effects	0.0	0.0	0.2	0.1	0.3
As at 30 Jun. 2020	**–0.7**	**–5.4**	**–18.4**	**–1.6**	**–26.1**
Net carrying amounts					
As at 1 Jan. 2020	1.7	6.0	46.5	4.5	58.7
As at 30 Jun. 2020	**2.0**	**6.4**	**51.8**	**5.6**	**65.8**

The additions from changes in the scope of consolidation in the amount of EUR 10.0 million mainly result from acquired order backlog and customer lists in connection with the acquisition of RBS.

8. 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. 2020	**86.9**	**243.4**	**34.6**	**12.4**	**377.3**
Changes in consolidated group	21.3	16.2	−7.6	0.2	30.1
Assets held for sale	−10.4	0.0	0.0	0.0	−10.4
Reclassification	0.0	0.0	0.1	−0.1	0.0
Additions	0.7	3.9	1.1	3.4	9.1
Disposals	0.0	−4.2	−0.3	−0.2	−4.7
Currency translation effects	−1.2	−1.2	−0.2	−0.2	−2.8
As at 30 Jun. 2020	**97.3**	**258.1**	**27.7**	**15.5**	**398.6**

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. 2020	**−17.1**	**−162.8**	**−21.0**	**0.0**	**−200.9**
Changes in consolidated group	3.1	9.2	7.5	0.0	19.8
Depreciation	−2.0	−11.3	−2.1	0.1	−15.3
Impairment	−9.0	−13.5	−0.1	−0.2	−22.8
Disposals	0.0	3.1	0.2	0.0	3.3
Currency translation effects	0.1	1.1	0.1	0.0	1.3
As at 30 Jun. 2020	**−24.9**	**−174.2**	**−15.4**	**−0.1**	**−214.6**
Net carrying amounts					
As at 1 Jan. 2020	69.8	80.6	13.6	12.4	176.4
As at 30 Jun. 2020	**72.4**	**83.9**	**12.3**	**15.4**	**184.0**

Due to the economic impact of COVID-19, impairment tests were performed in the reporting period to review the recoverable amount of the Group's CGUs. These led to the recognition of impairment losses at STS Group in the Automotive & Mobility segment (EUR 11.0 million) and at TréfilUnion in the Goods & Services segment (EUR 11.8 million).

With regard to assets held for sale, we refer to the comments in Note 10 "Assets held for sale".

9. Inventories

The impairment of inventories to the lower net realizable value recognized in the statement of comprehensive income for the first half of 2020 amounted to EUR 0.3 million (H1 2019: EUR 0.2 million).

10. Assets held for sale

As at 30 June 2020, the premises of keeeper Tableware GmbH (Goods & Services segment) are reported under non-current assets held for sale. The company will sell this site as part of a sale-and-leaseback transaction and subsequently lease it back. The transaction is highly probable at the reporting date as it is expected to be implemented in August 2020. The valuation at fair value less costs to sell, on the basis of the contractual negotiations, was carried out in the context of the purchase price allocation when mapping the acquisition of the company.

As at 31 December 2019, non-current assets held for sale concern a part of land owned by KICO, a portfolio company from the Automotive & Mobility segment, in Poland. The transaction was highly probable as at 31 December 2019 and was completed in the first quarter of 2020.

11. Equity

The individual components of equity and their development in the reporting period and the previous year are shown in the consolidated statement of changes in equity.

By resolution of the Annual General Meeting held on 18 May 2020, a partial amount of EUR 15.2 million was distributed from the net profit of the Company as at 31 December 2019 in the form of a dividend of EUR 1.00 per no-par value share entitled to dividend.

In June 2020, 378,500 stock options were issued under the 2019 stock option plan, of which 180,000 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.

12. Financial instruments

A breakdown of the financial assets and liabilities according to the measurement categories of IFRS 9 is shown below:

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
Financial assets by class		30 Jun. 2020	Amortized costs	Fair value OCI	Fair value PL	30 Jun. 2020	Hierarchy
Non-current financial assets							
Trade accounts receivable and other receivables	AC	1.8	1.8			1.8	
Other non-current financial assets		12.8					
Security deposits	AC	1.7	1.7			1.7	Level 2
Securities	FVPL	0.5			0.5	0.5	Level 3
Other non-current financial assets	FVPL	8.0			8.0	8.0	Level 3
Other non-current financial assets	AC	2.6	2.6			2.6	
Current financial assets							
Trade accounts receivable and other receivables	AC	179.7	179.7			179.7	
Trade accounts receivable and other receivables	FVOCI	15.3		15.3		15.3	Level 2
Other current financial assets		15.2					
Security deposits	AC	2.4	2.4			2.4	Level 2
Other financial assets	AC	11.0	11.0			11.0	
Other financial assets	FVPL	1.0			1.0	1.0	Level 3
Derivatives	FVPL	0.8			0.8	0.8	Level 2
Cash and cash equivalents	AC	109.3	109.3			109.3	

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
Financial liabilities by class		**30 Jun. 2020**	**Amortized costs**	**Fair value OCI**	**Fair value PL**	**30 Jun. 2020**	**Hierarchy**
Non-current financial liabilities							
Trade payables and other liabilities	FLAC	**1.4**	1.4			**1.4**	
Other financial liabilities		**82.8**					
Liabilities to banks	FLAC	**12.8**	12.8			**13.0**	Level 3
Third party loans	FLAC	**15.4**	15.4			**16.3**	Level 3
Bonds	FLFVPL	**50.4**			50.4	**50.4**	Level 1
Other financial liabilities							
Other	FLAC	**3.0**	3.0			**3.0**	Level 2
Other	FLFVPL	**1.1**			1.1	**1.1**	Level 3
Derivatives	FLFVPL	**0.1**			0.1	**0.1**	Level 2
Current financial liabilities							
Trade payables and other liabilities	FLAC	**164.8**	164.8			**164.8**	
Other financial liabilities		**131.2**					
Outstanding invoices	FLAC	**39.2**	39.2			**39.2**	
Liabilities to banks	FLAC	**47.4**	47.4			**47.5**	Level 3
Liabilities from factoring	FLAC	**25.1**	25.1			**25.1**	
Third party loans	FLAC	**1.7**	1.7			**1.9**	Level 3
Other financial liabilities							
Other	FLAC	**15.2**	15.2			**15.2**	
Other	FLFVPL	**0.4**			0.4	**0.4**	Level 3
Derivatives	FLFVPL	**2.2**			2.2	**2.2**	Level 2

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
Financial assets by class		**31 Dec. 2019**	**Amortized costs**	**Fair value OCI**	**Fair value PL**	**31 Dec. 2019**	**Hierarchy**
Non-current financial assets							
Trade accounts receivable 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 accounts receivable and other receivables	AC	121.9	121.9			121.9	
Trade accounts receivable 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	

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
Financial liabilities by class		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							
Other financial liabilities	FLAC	8.1	8.1			8.1	
Other financial liabilities	FLFVPL	0.4			0.4	0.4	Level 3

Total by category

EUR million		Carrying amount 30 Jun. 2020	Carrying amount 31 Dec. 2019
Financial assets measured at amortized cost	AC	**308.5**	249.2
Financial assets at fair value through profit or loss	FVPL	**10.3**	8.7
Financial assets measured at fair value through equity	FVOCI	**15.3**	20.7
Financial liabilities measured at amortized cost	FLAC	**326.0**	274.5
Financial liabilities measured at fair value through profit or loss	FLFVPL	**54.2**	0.5

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 as at 1 Jan. 2020	**0.2**	**8.5**	**–0.4**	**8.3**
Total gains and losses		0.5		0.5
recognized in the income statement		0.5		0.5
recognized in the OCI (equity)				
Reclassifications				
Acquisitions	0.3		–1.1	–0.8
Earn-out payments				
Ending balance as at 30 Jun. 2020	**0.5**	**9.0**	**–1.5**	**8.0**

EUR million	Securities – unlisted equity instruments	Other financial assets	Other financial liabilities	Total
Opening balance as at 1 Jan. 2019	**0.1**	**11.2**	**–0.4**	**10.9**
Total gains and losses		–2.6	0.1	–2.5
recognized in the income statement		–2.6	0.1	–2.5
recognized in the OCI (equity)				
Reclassifications				
Acquisitions	0.1			0.1
Earn-out payments		–2.6		–2.6
Ending balance as at 30 Jun. 2019	**0.2**	**6.0**	**–0.3**	**5.9**

With a value date of 14 February 2020, the company issued a senior secured bond with a nominal volume of EUR 50.0 million and a term until 14 February 2024. The bond is listed on the Frankfurt Stock Exchange and the Oslo Stock Exchange. The bond was issued at an initial offer price of 100.00%. The bond bears interest at the 3-month EURIBOR (EURIBOR floor of 0.00%) plus a margin of 6.00% on a quarterly basis, starting on 14 May 2020, and may be increased to EUR 80.0 million depending on current market conditions. In connection with the placement of the bond, the Company has undertaken to maintain financial ratios in line with market conditions.

The bond was designated by the company at fair value through profit or loss (FVTPL). From the company's perspective, there are no items in the balance sheet or income statement in connection with the bond that would give rise to indications of accounting mismatches resulting from the recognition of the default risk in other comprehensive income. The cumulative change in the fair value of the bond due to changes in its default risk amounted to EUR 0.0 million as at the balance sheet date. Since the bond was issued and until 30 June 2020, no reclassifications of the cumulative gain or loss within equity have been made. Furthermore, the bond was not (partially) derecognized in this period.

If necessary, derivatives are concluded to hedge and manage interest rate and currency risks. These include, for example, forward exchange transactions and interest rate and currency swaps. Derivatives are initially recognized at fair value at the time the contract is entered into and are subsequently measured at fair value at each reporting date (FVTPL). The profit or loss resulting from the valuation is recognized in the income statement.

The fair value of the financial instruments is determined taking into account current parameters such as interest rates or exchange rates on the balance sheet date and recognized standard valuation models. For further details, particularly with regard to allocation to fair value levels, please refer to the notes of the consolidated financial statements as at 31 December 2019. In the case of reclassifications to and from the levels of the measurement hierarchy, these are recognized at the end of the respective reporting period.

For current financial instruments, the book value represents the best estimate of the fair value.

If the fair value is determined using a valuation technique, it must 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.

E. OTHER INFORMATION

13. Contingent liabilities, guarantees and litigations

For a comprehensive presentation of contingent liabilities, guarantees and litigations, please refer to the notes to the consolidated financial statements as part of the consolidated financial statements as at 31 December 2019. The comments below are limited to new contingent liabilities, guarantees and litigations or changed circumstances or a change in our assessment with regard to contingent liabilities and guarantees and litigations already existing as at 31 December 2019.

CONTINGENT LIABILITIES/GUARANTEES

Obligations from company acquisitions

For the acquisition of the shares in La Meusienne S.A.S. in the financial year 2017, Mutares is obliged to pay a purchase price which is determined on the basis of the working capital at the time of the transfer of economic ownership. Mutares and the seller of these shares disagree on 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; the Management Board is currently assuming a maximum payment obligation in the six-figure range, for which a provision in the corresponding amount was recorded.

In connection with the acquisition of the transport logistics and warehouse business of Q Logistics GmbH (renamed BEXity GmbH), Mutares has undertaken to indemnify the seller in case of claims by third parties in connection with legal relationships taken over and in case of insolvency of BEXity GmbH. The seller'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 and comparable payments by BEXity GmbH and decrease by loans granted under a financing line and not yet repaid by Mutares SE & Co. KGaA. The indemnification claim as at 30 June 2020, amounts to EUR 9.3 million.

In connection with an irrevocable offer to acquire an 80% majority stake in Nexive's letter mail and parcels business in Italy, Mutares has declared that it will assume obligations of up to EUR 5.0 million from the closing of the transaction. In addition, Mutares undertakes to provide the company with liquid funds of up to EUR 5.0 million for a period of 12 months, insofar as this is necessary to avert insolvency. The purchase agreement was signed on 23 February 2020, the closing of the acquisition took place on 1 July 2020.

In May 2020, Mutares made a commitment to the seller, automotive supplier Cooper Standard Automotive Inc. in connection with the acquisition of certain companies (in the future to be known as "SFC Solutions") in Poland, Italy, Spain and India in the area of sealing and fluid activities, to provide the seller, automotive supplier Cooper Standard Automotive Inc., with funds and support up to a total amount of EUR 5.0 million until 31 December 2021 for all obligations of the buyer assumed under the purchase agreement. The transaction was completed on 1 July 2020.

In June 2020, a wholly owned subsidiary of Mutares signed an agreement to acquire SABO Maschinenfabrik GmbH, a manufacturer of lawnmowers and other outdoor power tools in Europe, from Deere & Company ("John Deere"). Under the terms of the agreement, Mutares SE & Co KGaA guarantees to be fully responsible for the fulfillment of the contractual obligations of the buyer in the event that the buyer fails to fulfill these obligations. In particular, the buyer has undertaken to indemnify the seller and any organs of the seller from any claims by third parties in connection with the legal relationships of SABO Maschinenfabrik GmbH. The buyer's obligation to indemnify is limited to 24 months and an amount of EUR 5.0 million. In addition, the buyer has undertaken to provide SABO Maschinenfabrik GmbH with liquid funds for a period of 24 months, insofar as this is necessary to avoid insolvency of the company and insofar as the buyer has received payments from SABO Maschinenfabrik GmbH during this period. The closing of the transaction is expected in the third quarter of 2020.

In June 2020, a subsidiary of Mutares signed an agreement with Nexans to acquire Nexans Metallurgie Deutschland GmbH, a manufacturer of oxygen-free copper wire rod for a wide range of industrial applications with a focus on automotive applications, with production sites in Bramsche and Neunburg. Under the terms of the agreement, the buyer has undertaken in particular to indemnify the seller from any claims for rescission in the event of the target company's insolvency. The indemnification is limited to a period of 27 months and an amount of EUR 2.0 million. In addition, the buyer shall indemnify any executive bodies of the seller against any claims by third parties in connection with the legal relationships of the Company. Mutares SE & Co. KGaA guarantees to the seller that the buyer will fulfill its contractual obligations.

As a matter of principle, the Management Board does not expect any obligations arising from company acquisitions to be claimed. However, in connection with the currently not yet fully assessable burdens from the economic development due to the COVID-19 pandemic, the probability of a claim is generally increasing and it cannot be ruled out that that the commitments entered into may be called upon.

Obligations from the sale of companies

When all shares in BSL were sold in November 2018, Mutares had 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. This guarantee was limited in amount to EUR 0.5 million and for a period of 18 months after completion of the sale and expired without any claims in the reporting period.

Other obligations

Two companies from the Engineering & Technology segment are jointly and severally liable as partners in civil law partnerships within the framework of joint ventures or consortium agreements with a maximum term of 2029. As at the balance sheet date, this liability relates to projects with a total contract value of approximately EUR 281 million (31 December 2019: EUR 272 million). The subsidiaries' own share in this liability amounts to EUR 114.4 million (31 December 2019: EUR 106.7 million). Based on 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 in the context of loss-free valuation, we also do not anticipate any utilization of our own shares.

LITIGATIONS

Mutares was sued by some of the former employees of the Artmadis Group in France. One lawsuit concerns a liability arising from the alleged employment of an employee, while the other concerns alleged liability under company law. Mutares has and will fully defend itself against all claims that it considers unfounded. During the reporting period, the first claim was dismissed by the Regional Court in Lille and the judgement has now become final after the expiry of the objection period. The parallel action before the labor court is still pending. The maximum risk arising from this lawsuit amounts to approximately EUR 23 million. However, the Management Board does not expect any claims to be asserted; accordingly, provisions have been made exclusively for defense costs in the mid-six-figure range.

Mutares was sued for damages by the insolvency administrator of Grosbill SAS, a former subsidiary in France. The accusation is that Mutares, as the buyer, did not sufficiently restructure Grosbill and failed to provide the necessary cash, which was necessary due to the sudden termination of long-term contracts by the seller group, which led to a deterioration in delivery conditions. Mutares is jointly sued by Grosbill and the seller and will defend itself against the accusations, which it considers to be legally unfounded. The proceedings will begin in autumn 2020.

14. Events after the balance sheet date

The following events of particular significance occurred after the end of the reporting period.

On 1 July 2020, Mutares acquired various companies (in the future to be known as "SFC Solutions") in Poland, Italy, Spain and India in the area of sealing and fluid activities from the automotive supplier Cooper Standard Automotive Inc. SFC Solutions will be allocated to the Automotive & Mobility segment.

Also on 1 July 2020, Mutares completed the acquisition of 80% of the business of Nexive, the second largest mail and parcel service provider in Italy. The previous shareholder, PostNL, received a minority stake of 20% in the company that is taking over the Nexive business. The acquisition is allocated to the Goods & Services segment.

A purchase price allocation could not yet be completed due to the fact that the acquisitions were made close to the time of preparation.

F. ACCOUNTING POLICIES

The accounting and valuation methods applied in the past financial year were basically continued unchanged for the present interim consolidated financial statements. In addition, the following applies.

15. Significant accounting and valuation principles

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In order to increase the reliability of financial statement information or to reduce the complexity of preparing financial statements, also in connection with the measurement of embedded derivatives, financial liabilities can be irrevocably designated at fair value through profit or loss ("FVTPL") at the time of addition by exercising the fair value option.

Subsequent measurement of financial liabilities that the Company designates as at fair value through profit or loss is through the recognition of net gains or losses and interest expense in profit or loss. Credit rating-induced changes in fair value are recognized by the Company in other comprehensive income.

If changes in the fair value caused by factors other than changes in the default risk of the instrument or changes in the observed (reference) interest rate are not significant, the Company determines the credit rating-related change in the fair value of exchange-traded financial liabilities since the designation date as the difference between the fair value (market price) of the security and the present value of the contractual cash flows as at the balance sheet date. The present value of the contractual cash flows is determined on the basis of the internal rate of return of the security determined at the time of designation and the reference interest rate observed externally on the balance sheet date.

Munich, 10 August 2020

Mutares Management SE,
General partner of Mutares SE & Co KGaAA

The Management Board

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