Driving change for success

MUTARES

ANNUAL REPORT 2018

MUTARES AT A GLANCE

		2018	2017
Dividend per share	in EUR	1.0	1.0
Revenues	EUR million	865.1	899.7
EBITDA	EUR million	49.6	67.1
Adjusted EBITDA	EUR million	4.5	–27.9
Net income for the year	EUR million	12.0	43.9
Return on equity	in %	6%	31%
Total assets	EUR million	630.8	672.8
thereof cash	EUR million	108.1	98.9
thereof equity	EUR million	208.1	165.5
thereof non-current financial liabilities	EUR million	23.8	38.0
Earnings per share[1]	in EUR	0.96	2.85
Shares[2]	Number	15,234,417	15,490,280
Countries	Number	16	17
Portfolio companies	Number	10	11
Employees worldwide	Number	4,782	4,639
Transactions	Number	6	10

[1] basic and diluted
[2] circulating; Total number of shares 15,496,292, of which own shares 261,875 (2018) and 6,012 (2017)

OUR IDENTITY

For more than 10 years, we have been an active and **entrepreneurial investor**. Through our investments, we develop sustainable and long-term value by implementing operational improvements and strategically compatible acquisitions. We see our role clearly defined as a supportive and ambitious strategic **partner**. We apply an analytical and implementation-oriented approach – something that we also expect from our portfolio companies. We see ourselves as **value creators** and will continue successfully support companies in realizing their full potential.

COMPANY PROFILE

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

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

REVENUES BY SEGMENT

With the publication of our Annual Report 2018, the five portfolio segments will be merged into three segments. For more information see page 4.

New segment structure

EUR MILLION	2018	2017
Automotive & Mobility	437.0	344.1
Engineering & Technology	206.1	136.7
Goods & Services	141.2	131.2
Others (deconsolidated investments)	80.8	287.7
Total	**865.1**	**899.7**

Previous segment structure

EUR MILLION	2018	2017
Automotive	437.0	344.1
Engineering & Technology	191.9	213.2
Construction & Infrastructure	77.7	65.1
Wood & Paper	124.9	178.8
Consumer Goods & Logistics	33.8	98.6
Total	**865.1**	**899.7**

CONTENT

MUTARES AG
Founded in 2008, Munich-based Mutares AG acquires mid-sized companies or parts of groups that are headquartered in Europe to develop them long-term-oriented and sustainably.

MUTARES GROUP
The Mutares Group compises the portfolio companies as of the reporting date.

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

→ www.mutares.de

OUR STRATEGY

Mutares has a successful international track record dating back many years in the market for corporate acquisitions and reported Group revenues of around EUR 865 million (2018).

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 and Bad Wiessee 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.

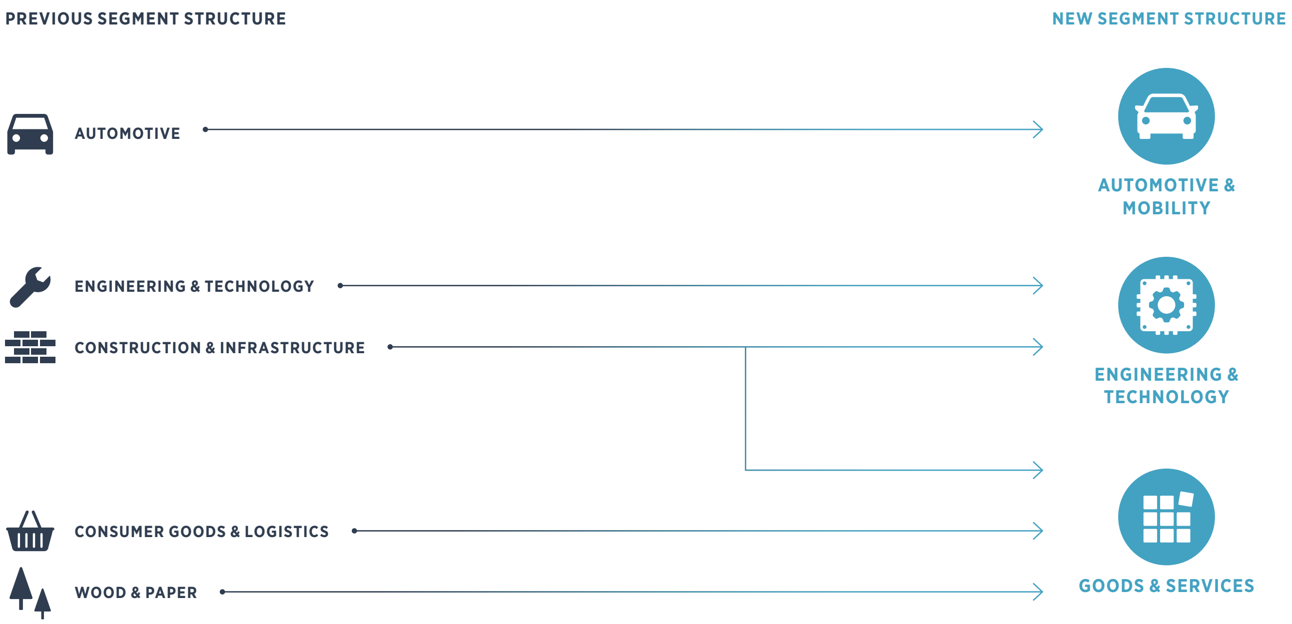
When considering portfolio acquisitions, Mutares does not confine itself to one specific sector, but focuses on the following industries:

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

The current portfolio of Mutares AG includes ten corporate investments.

SEGMENTATION OF THE PORTFOLIO

With the publication of our Annual Report 2018, the five portfolio segments will be merged into three segments:



Portfolio company	Industry	Headquarters	Country
AUTOMOTIVE & MOBILITY			
STS Group AG[1]	System supplier of composite components for vehicles	Hallbergmoos	DE
Elastomer Solutions Group[1]	Automotive supplier of rubber mouldings	Wiesbaum	DE
ENGINEERING & TECHNOLOGY			
Balcke-Duerr Group[2]	Producer and service provider for power plant components	Duesseldorf	DE
Donges Group[2]	Producer of steel structures, roof and facade systems	Darmstadt	DE
Gemini Rail Group[2]	Producer of Engineering & maintenance services for railway vehicles	Wolverton, Birmingham	UK
Eupec[3]	Producer of coatings for pipelines	Gravelines	FR
GOODS & SERVICES			
La Meusienne[3]	Producer of stainless steel pipes	Ancerville	FR
Norsilk[4]	Producer of wood panelling	Honfleur	FR
Cenpa[4]	Producer of coreboard	Schweighouse-sur-Moder	FR
KLANN Packaging[5]	Producer of high-end metal packaging	Landshut	DE

[1] previously: Segment Automotive
[2] previously: Segment Engineering & Technology
[3] previously: Segment Construction & Infrastructure
[4] previously: Segment Wood & Paper
[5] previously: Segment Consumer Goods & Logistics

More about our portfolio companies on page 32.

OUR BUSINESS MODEL

The Mutares business model involves the acquisition, reorganisation, development and sale of small and medium-sized companies in special situations.

With regard to the acquisition of its portfolio companies, Mutares has specialised in identifying, analysing and exploiting the available opportunities in the market. As part of the acquisition, the company focuses more on the existing value potential than on one specific sector. As a result, the operational portfolio companies are active in diverse industries and pursue different business models.

A common feature of potential takeover targets during the transaction phase is that they already show room for improvement of earnings that can be achieved through suitable strategic and operational optimisation measures within one to two years.

Mutares is a long-term partner for its portfolio companies and specialises in the acquisition of companies with development potential. Mutares has accumulated a wealth of transaction experience from around 45 corporate acquisitions and sales. It is therefore in a position to execute transactions professionally and quickly.

Mutares can also draw on the required in-depth investment and management experience across a range of industries to realise the potential of its Group companies by actively supporting them as a reliable companion during phases of change. The objective is to transform companies that are unprofitable at acquisition into independent and dynamic medium-sized enterprises with a competitive, profitable and expanding business model, and to further develop their potential through organic and inorganic growth.

Value-generating approach

The Mutares team has extensive own operational industrial experience and turnaround expertise. After successful acquisition of a portfolio company, the range of services of Mutares' specialists includes operational and transaction support.

THIS IS HOW WE CREATE LONG-TERM VALUE

Stage 1

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

Stage 2

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

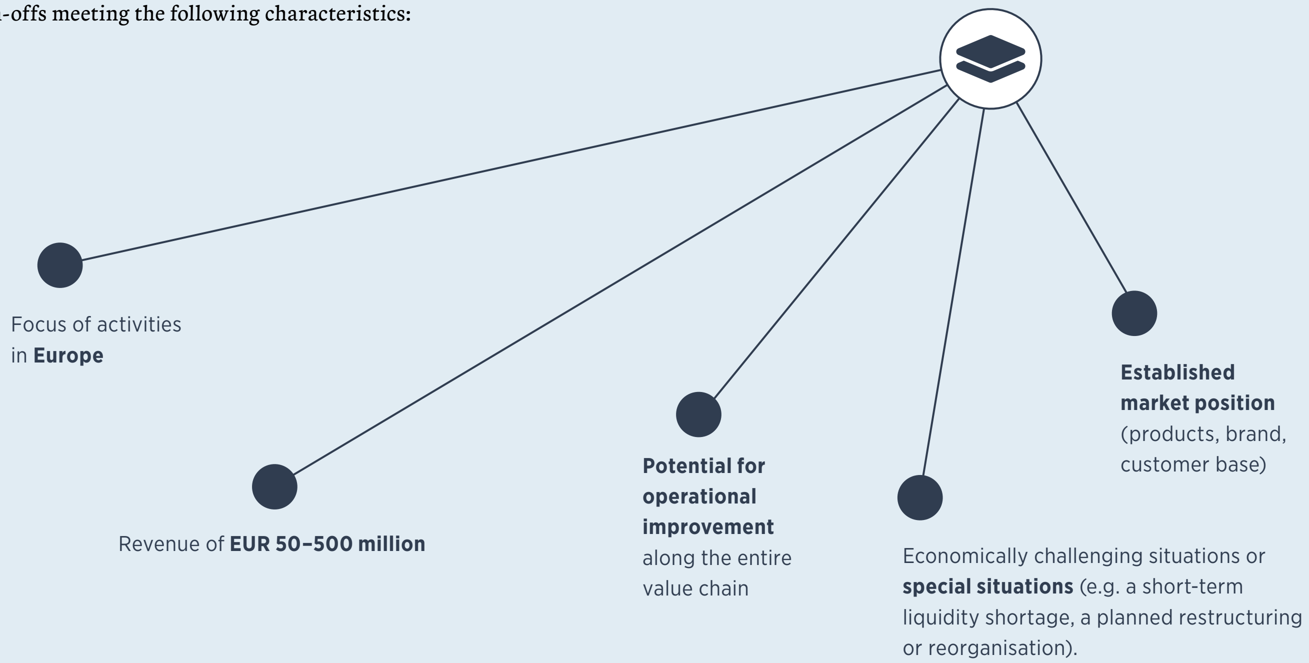
Stage 3

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

Transaction focus

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

CRITERIA FOR PLATFORM ACQUISITIONS



Stage 4

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 ist crucial, there fore no pre-definded deal criteria.

Stage 5

The objective of Mutares is to actively promote the **realisation 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.

FINANCIAL YEAR 2018 AT A GLANCE

JANUARY

The platform investment Balcke-Duerr Group signs a contract for the purchase of the heat transfer products division of the Italian **STF**. The strategic add-on acquisition expands Balcke-Duerr's product range and engineering know-how and leads to an increase in market share in the conventional and nuclear power plant segment.

FEBRUARY

Mutares celebrates its **10th anniversary** since its foundation by Robin Laik and Dr. Axel Geuer in 2008 with a then sales of EUR 6 million in the first fiscal year and one portfolio company. In ten years, the company has developed into an investment holding company with consolidated sales of EUR 865 million, ten portfolio companies, four M&A offices in Europe and its own internal consulting team.

The Mutares share is included in the selection index "Scale 30" of Deutsche Börse as one of the top two most liquid shares of the "Scale" stock market segment.

MARCH

The Balcke-Duerr Group successfully completes the turnaround program started in 2017. The program included the adaptation of the entire organisation and the optimisation of various locations.

Balcke-Duerr: measuring coat shots for high pressure preheater

MAY

The portfolio company Artmadis from the "Consumer Goods & Logistics" segment has filed a petition for the "Redressement Judiciaire", a French restructuring procedure, due to ongoing economic difficulties. Artmadis was subsequently deconsolidated during the first half of 2018.

JUNE

The first **IPO** of a Mutares AG portfolio company was the highlight of the first half of the year. With an equity valuation of EUR 120 million, Mutares AG achieved a multiplier of 22 on the capital employed and remains the majority shareholder with over 60%.

Following approval by the Supervisory Board, the Management Board implemented a share buyback program for a volume of EUR 3 million.

Mutares publishes its Annual Report 2017 and reports **for the first time** on the basis of the international accounting standards **IFRS**. This is intended to provide investors with better comparability and greater transparency.

As expected, sales of EUR 229 million were reported for the first quarter and the **NAV calculation was revised**. Since June 2018, the Gordon-Growth discounted cash flow model has been based on a growth rate of 0.5% for all portfolio companies.

After the subsidiary Zanders successfully underwent a comprehensive change program from 2015 onwards, developed new attractive products and invested massively in optimising its own energy supply, the price of key raw materials rose starting at the end of 2017. Management successfully implemented price increases but could not fully offset the increase in raw material costs. Zanders was subsequently deconsolidated from the Mutares Group following the opening of insolvency proceedings at the end of the first half of the year.

JULY

The Annual General Meeting approves the actions of the Management Board and the Supervisory Board and resolves to expand the Supervisory Board to five members, to convert bearer shares to registered shares and to pay **a dividend of EUR 1.00 per share**.

The platform investment **Donges Group** signs a contract with Tata Steel to **acquire Kalzip Group**, a supplier of building cladding and aluminium roofs with annual revenues of around EUR 53 million.

Donges Group: highway bridge components

AUGUST

Mutares signs a contract for the British rail vehicle maintenance business of the Knorr Bremse Group, the world's leading manufacturer of braking systems. The two acquired companies form the **"Gemini Rail Group"**, a new platform investment with annual revenues of around EUR 77 million.

Mutares expands to Great Britain and founds **Mutares UK**. With its own local M&A-team, a presence in the attractive British market is to be established alongside Munich, Paris and Milan.

The **Balcke-Duerr Group** investment successfully completes the takeover of the German **KSS Consulting** and thus expands into the strategic future market of power plant decommissioning.

SEPTEMBER

Mutares presents figures for the second half of the year and presents sales growth of 14% compared to the same period last year. In addition, **Adjusted EBITDA**, a new operating figure adjusted for one-offs and extra ordinary effects is introduced. This makes operational developments within the Group more transparent and communicates them more effectively.

OCTOBER

The Donges Group successfully completes the acquisition of the Kalzip Group. The annual turnover of the Donges Group thus increases to approx. EUR 110 million.

The Balcke Duerr Group successfully completes the acquisition of the Italian STF Group. The additional know-how in the product areas of heat exchangers, condensers and preheaters promises additional sales opportunities in all market segments as well as in new regional markets.

Mutares successfully completes the acquisition of Knorr Bremse's British rail vehicle maintenance business. In the portfolio of Mutares, the division with annual sales of around EUR 77 million is managed as a new platform investment "Gemini Rail Group".

NOVEMBER

Publication of the figures for the transaction-rich third quarter: The Group achieved total sales of EUR 183 million and an Adjusted EBITDA of EUR 6 million. The quarter was significantly influenced by three acquisitions.

Mutares **successfully sells** its portfolio company in **BSL Pipes & Fittings** after a total holding period of three years.

Maintenance at Gemini Rail Group

OUR EXECUTIVE BOARD

ROBIN LAIK

CEO

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

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

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

DR. KRISTIAN SCHLEEDE

CRO

Dr. Kristian Schleede, born in 1958, joined Mutares 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. Since 2018 Dr. Kristian Schleede is a member of the Supervisory Board of the STS Group.

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

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 AG 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. WOLF CORNELIUS

COO

Dr. Wolf Cornelius, born in 1942, has been a member of the Executive Board since 2008. As COO he is responsible for operations of the portfolio companies.

Before joining Mutares AG, he held various management positions in production companies such as Preussag Metall AG, KHS GmbH, O&H GmbH and SIG HAMBA GmbH, including Head of Production, COO and Plant Manager.

He received his diploma in mechanical engineering from the renowned RWTH Aachen University. In 1975 he finished his PhD in process engineering at the technical University of Clausthal.

MESSAGE FROM THE EXECUTIVE BOARD

Dear shareholders,

The past business year was a special one for Mutares AG. STS Group was the first company in the Mutares portfolio to go public, and we also celebrated our tenth anniversary in 2018. Of course, much has changed in this decade. Ten years of Mutares is ten years of committed entrepreneurship and the realization of significant potential.

Mutares also stands for change. And this in the best sense of the word. We take over companies and parts of companies that are looking for support to their full potential again. Change is the key to a successful long-term realignment.

Change is also for us a great value and driving force of our daily work. Change means movement. We don’t want to stop: What we introduce and live in our portfolio companies, namely entrepreneurship and the courage to change, we also demand of ourselves. In many respects, 2018 was an exciting year in which we focused our priorities on sustainable and profitable growth and the necessary organizational alignment to achieve this.

On the M&A side, with STS Group we successfully floated one of our investments on the stock exchange for the first time and at the same time opened up a new exit channel for the sale of investments. In addition, we successfully sold our stake in BSL Pipes & Fittings (BSL). In return, we further strengthened our portfolio with the Gemini Rail Group, which emerged from two investments in Knorr Bremse RailServices UK and Kiepe Electric Ltd. For Mutares, the acquisition of the two British companies was the first transaction in the United Kingdom and thus a further milestone in our international expansion. Our newly opened office in London rounds off our activities to develop the British market.

We continued our buy-and-build strategy with two strategic acquisitions for the Balcke-Duerr Group and one acquisition for the Donges Group in 2018, adding value, and accelerated it in 2019 with two further acquisitions for the Donges Group. At the same time, we have competently expanded the Supervisory Board and mastered the conversion of our shareholder structure.

Ten years of Mutares – ten years of growth thanks to passionate teamwork

In 2008, we started with three employees, one portfolio company, and a turnover of six million euros. Within ten years we have expanded Mutares into a group with ten shareholdings and a turnover of around EUR 865 million. We employ a 12-strong transaction team in Munich, Paris, Milan and London as well as a 30-strong consulting team that supports our subsidiaries and their locations worldwide. We will bundle our ten portfolio companies into three industrial segments as of 2019. At the same time, we have further developed our strategy from a pure restructuring approach to a multi-stage value realization approach. An approach that also includes inorganic growth through a buy-and-build strategy.

Further development in M&A: new exit channel

The IPO of STS Group AG in June 2018 was a premiere for Mutares: the first sale of a portfolio company via the organized capital market – and thus, in addition to tradesale, a second option to sell portfolio companies in a value-realizing manner. As the main shareholder, we want to continue to support the growth of the STS Group in a focused manner after the IPO and participate in the further development of the company.

Sustained high transaction activity

As an investment company, transaction activity is the driving force behind the future performance and growth of our portfolio. In 2018, we more than fulfilled our expectations with a total of six transactions. We succeeded in two successful exits, which show that the strategy of focused buy-and-build generates attractive increases in value for our investments and shareholders.

Successful completion of operational milestones in the participations

Operationally, we achieved important milestones as planned in 2018 in the Balcke-Duerr Group and Donges Group investments. With two add-on acquisitions in 2018, Balcke-Duerr has already initiated the first measures for the subsequent growth phase. The developments at the Donges Group were remarkable in two respects: On the one hand, we completed the first stage of the optimisation programme by adapting the organisation, and on the other hand, we strategically further developed the participation with the acquisition of the Kalzip Group in October 2018: Market coverage, market access and product portfolio complement the Donges Group. This expansion was continued in the first quarter of 2019 through the acquisition of Normek Group Oy and the associated market entry in Northern Europe as well as through the expansion of the product portfolio in the DACH segment through the acquisition of FDT FlachdachTechnologie. With these, the Donges Group expects an annual turnover of around EUR 230 million.

Continuation of our strategy and progress in the further development of the organisation

We have also set the organizational course for the future. With the opening of the office in London, our M&A-team will be able to focus more specifically on the British market in the long term. By strengthening our staff in key functions such as purchasing, IT and sales, we have also competently expanded our in-house consulting team – with the aim of providing our portfolio companies with professional advice in the future and implementing changes in a targeted manner. In the area of M&A, we have further sharpened our profile as a solution provider for corporate groups with the IPO of the STS Group and see ourselves as ideally positioned as buyers for medium-sized companies and corporate spin-offs.

Solid financial results

The Mutares Group generated revenues of EUR 865.1 million in 2018. The decline of EUR 34.6 million compared to the previous year (EUR 899.7 million) is largely due to changes in the scope of consolidation.

The consolidated operating result (EBITDA) amounted to EUR 49.1 million, Adjusted EBITDA to EUR 4.5 million. For the existing portfolio companies, a pleasing, significant increase in profitability of EUR 21.8 million to Adjusted EBITDA of EUR 14.5 million (previous year: EUR –7.3 million) was achieved. The consolidated net income for 2018 amounts to EUR 12.0 million (previous year: EUR 43.9 million).

On the balance sheet side, we see ourselves in a solid position with a further increase in the equity ratio to 33% (previous year: 25%), total assets of EUR 630.8 million (previous year: EUR 672.8 million) and cash and cash equivalents of EUR 108.1 million (previous year: EUR 98.9 million).

Development of the share

Our share price reflected an eventful year that began with large price jumps before closing the year at a disappointing level. We are convinced that the current price level does not reflect the actual value of Mutares, our portfolio and its potential.

With more than 60% of the shares in STS Group AG, we hold a majority stake in a listed, globally positioned commercial vehicle supplier. In addition, with the Balcke-Duerr Group and the Donges Group we have two organically and inorganically grown groups which, after a successful turnaround, were able to establish themselves as relevant market participants in their industries again within a very short time.

We would therefore like to take this opportunity to thank our shareholders for the trust and constructive dialogue you demonstrated in 2018. We have taken your feedback to heart and significantly intensified our communication. This applies to transactions, operational developments and reporting. We now regularly conduct investor calls and report on the operating and financial performance of each individual portfolio segment. This enables us to set standards in the scale segment in terms of transparency and demonstrably set ourselves apart from our competitors.

We are pleased to appropriately let you participate again this year in the success of Mutares. We have therefore proposed a dividend of EUR 1.00 per share to this year's Annual General Meeting, which currently corresponds to a dividend yield of around 10%.

Together with the Supervisory Board, the Management Board also resolved to propose to the Annual General Meeting that the Company be converted into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA). The proposed change of legal form is intended to secure the continuation of our long-term growth strategy. The change of legal form to an SE & Co. KGaA creates the structural prerequisites for maintaining the decisive competitive advantage of the organs' ability to act and make decisions quickly in the future as well. The proposed change of legal form does not affect the legal and economic identity of the Mutares.

Outlook 2019 – Revitalizing and creating sustainable value

We are convinced that with the decisions taken in 2018 we have set the course for the further successful development of the Group. We have set ourselves ambitious goals for the current year 2019:

In addition to the two strategic acquisitions of the Donges Group that have already taken place, we expect at least three further transactions, are aiming for Group-wide sales growth to more than EUR 1 billion and want to maintain our ability to pay dividends at an attractive level.

To a year rich in transactions and successful,

warmly

Robin Laik, CEO | Dr. Wolf Cornelius, COO | Dr. Kristian Schleede, CRO | Mark Friedrich, CFO

From left:
Mark Friedrich
Dr. Wolf Cornelius
Robin Laik
Dr. Kristian Schleede

OUR SUPERVISORY BOARD

VOLKER ROFALSKI

CHAIRMAN OF THE SUPERVISORY BOARD

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

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

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

DR. ULRICH HAUCK

VICE CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Ulrich Hauck, born in 1964, has been a member of the Supervisory Board since 2008. In 2018 he has been appointed Vice Chairman of the Supervisory Board. He resigned from the Supervisory Board on March 31, 2019.

From 2015 to 2017, he was Board member and Group CFO at Schaeffler AG. Prior to that he held positions as Senior Vice President responsible for worldwide Accounting and Controlling at Bayer AG and Head of Group Accounting of Rheinmetall AG. He started his career at Deloitte as certified public accountant and certified tax advisor.

After graduating with a diploma in Business Administration from Ludwig-Maximilians University in Munich, he received a PhD in Business Administration from University of Innsbruck.

PROF. DR. MICHA BLOCHING

MEMBER OF THE SUPERVISORY BOARD

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

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

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

DR. AXEL MÜLLER

MEMBER OF THE SUPERVISORY BOARD

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

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

DR. LOTHAR KONIARSKI

MEMBER OF THE SUPERVISORY BOARD

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

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

The Mutares Supervisory Board

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

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

In the 2018 financial year, the Supervisory Board accompanied the Executive Board in the expansionary development of the Group on the basis of a timely exchange of information and dealt in detail with the situation of the company. The Supervisory Board was regularly informed by the Management Board about current developments, outlook, strategy, transaction status, net assets, financial position and results of operations and was involved in the relevant decision-making processes. In the reports of the Management Board, developments and status of the holding company, and the portfolio companies, important strategic decisions and perspectives for the future development of the Group were discussed. This also included information about deviations of the actual development from previously reported targets of the company as well as deviations of the actual business development from the planning of the company.

Work of the Supervisory Board

The Supervisory Board met personally ten times in the 2018 financial year – in some cases including the presence of the Management Board. In addition, resolutions were prepared and negotiated by means of telecommunications and adopted in this way or by circulation. The Management Board also regularly and promptly informed the Supervisory Board members about current business data and matters of particular importance outside of meetings. The Supervisory Board reviewed this on the basis of reports by the Management Board and inspection of documents and books of the company; all documents requested by the Supervisory Board were submitted by the Management Board and all questions asked were answered to the full satisfaction of the Supervisory Board. The average attendance rate at the meetings was 100%. No conflicts of interest were reported to the Supervisory Board during the reporting period.

Main topics of the Supervisory Board in the 2018 financial year

The main components of the discussions were transactions, reports from the portfolio companies, expansion and composition of the Supervisory Board, conversion to registered shares, a share buyback program, the settlement of the legal dispute with Diehl as well as personnel issues including the resignation of the Management Board member Dr. Axel Geuer. In this regard, the Supervisory Board dealt with the following main topics:

Corporate transactions

In the 2018 financial year, Mutares AG again made numerous acquisitions and sales of companies as well as the first IPO of a subsidiary:

In January, the strategic acquisition for the Balcke-Duerr Group was signed with the Italian STF to expand the service business in the nuclear sector. In June, after months of preparation and corresponding decisions, the initial public offering of STS Group AG in the Prime Standard of the Frankfurt Stock Exchange was completed and thus the first capital market transaction of Mutares.

This was followed in July by the purchase of the Kalzip Group as an add-on for the Donges Group to expand its product portfolio. In August, Mutares signed its first acquisition in the United Kingdom by acquiring the British rail business of Knorr Bremse as a new platform investment. This was followed in November by the sale of the French subsidiary BSL Pipes & Fittings for a positive purchase price.

Overall, the strategy adopted by the Management Board of strengthening platform investments through complementary add-on acquisitions was continued consistently and successfully. To the extent required by the rules of procedure, the Supervisory Board examined these transactions in detail and approved them. Furthermore, the board intensively accompanied the sales of investments, in particular the more complex capital market transaction in the context of the IPO of STS Group AG as well as the sale of BSL Pipes & Fittings.

Settlement of legal dispute

The multi-year legal disputes between Mutares AG and Diehl AKO Stiftung & Co. KG were settled amicably by concluding a settlement.

Business performance of Mutares AG and the Mutares Group

Mutares AG's consulting business remained at a consistently high level in the 2018 financial year. Revenues declined slightly from EUR 10.8 million to EUR 10.6 million. The annual result grew to EUR 20.1 million (after EUR 17.6 million in the previous year). This was mainly due to the proceeds from the IPO of the STS Group.

Looking at the Mutares Group, this picture is underlined. With the annual report 2017, its figures were determined for the first time in accordance with the International Financial Reporting Standards (IFRS), thus creating greater transparency. Revenues in the financial year amounted to EUR 865.1 million (after EUR 899.7 million in the previous year). Consolidated net income for the year fell from EUR 43.9 million in the previous year to EUR 12.0 million. Group EBITDA was also clearly positive at EUR 49.1 million (previous year: EUR 67.1 million).

The Supervisory Board also continuously monitored, supervised and advised on the business development of Mutares AG and its management during the financial year. Risk management was again thoroughly reviewed.

Personnel details

There were personnel changes in the Management Board and Supervisory Board in 2018. The co-founder of Mutares, Dr. Axel Geuer, left in February 2018. The Supervisory Board reached an amicable termination of the Management Board contract with Dr. Axel Geuer.

At the 2018 Annual General Meeting, the Company's Supervisory Board was to be re-elected and expanded from three to five members. The previous members of the Supervisory Board, Prof. Dr. Micha Bloching, Dr. Ulrich Hauck and Volker Rofalski, were each re-elected for a further full term of office. The shareholders also elected Dr. Lothar Koniarski, Managing Director of Elber GmbH, and Dr. Axel Müller, Management Consultant, to the Supervisory Board. Volker Rofalski was elected Chairman of the Supervisory Board at the constituent meeting of the committee, which was now expanded to five members; Dr. Ulrich Hauck was elected Deputy Chairman. On March 31, 2019, Dr. Ulrich Hauck resigned from the Supervisory Board and joined STS Group AG as Chief Financial Officer.

On January 1, 2019, an Audit Committee was formed from the members of the Supervisory Board, until March 31, 2019 with Dr. Ulrich Hauck and from April 1st, 2019 with Dr. Axel Müller as Chairman and Volker Rofalski as member.

Audit of the annual and consolidated financial statements

The Chairman of the Audit Committee reported on the topics of the meeting of the Audit Committee on April 8th, 2019, in which representatives of the Group auditor Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, participated.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Mutares AG and the consolidated financial statements of the Mutares Group, each as of December 31, 2018, as prepared by the Management Board. The annual financial statements and the consolidated financial statements were issued with an unqualified audit certificate. At its meeting on April 8th, 2019, the Supervisory Board discussed and examined the annual financial statements of Mutares AG in detail. The annual financial statements of Mutares AG for the 2018 financial year were thus adopted. The consolidated financial statements were intensively reviewed at the meeting on April 8th, 2019. Here, too, the Supervisory Board approved the results of the audit. The audit reports of the auditors were submitted to the Supervisory Board in each case. The auditors, including the Management Board and employees, were available to provide a detailed explanation of both financial statements and answered all questions of the Supervisory Board to its complete satisfaction.

On April 8th, 2019, the Supervisory Board also resolved to propose to the Annual General Meeting that an amount of EUR 15,234,417.00 (excluding treasury shares) be distributed to shareholders from the balance sheet profit of EUR 20,045,692.31 as of December 31, 2018, which corresponds to a dividend of EUR 1.00 per qualifying share and that the remaining amount of EUR 4,811,275.31 (excluding treasury shares) be carried forward. The amount to be distributed may be reduced by the partial amount that would be attributable to the treasury shares held by the company at the time of the resolution on the appropriation of profits.

At the joint meeting of the Executive Board and the Supervisory Board on April 8th, 2019, the Supervisory Board also resolved to propose a change of legal form to an SE & Co. KGaA to the Annual General Meeting. The proposed change of legal form is intended to create the structural prerequisites for maintaining the decisive competitive advantage of the institutions' ability to act and take decisions more quickly in the future.

The Supervisory Board would like to thank the members of the Management Board as well as the employees of Mutares AG and all Group companies for their very successful work in 2018.

The Supervisory Board of Mutares AG

Volker Rofalski
Chairman of the Supervisory Board

Munich, April 2019

Driving change for success

10

YEARS MUTARES

2008

THE ANNIVERSARY

In the past ten years, Mutares has followed an impressive growth path. Change, success and the future go hand in hand at Mutares. We take pride in this anniversary. It offers an opportunity to reflect on what we have achieved to reach this milestone. At the same time, the next important milestones lie ahead of us. We want to achieve further substantial and sustainable growth and strengthen our portfolio with focussed acquisitions. Our claim for the next few years is clear: sustainable and profitable growth through change.

2018

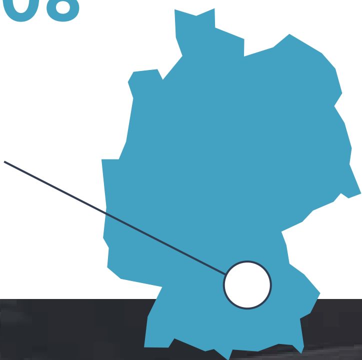
10 years Mutares

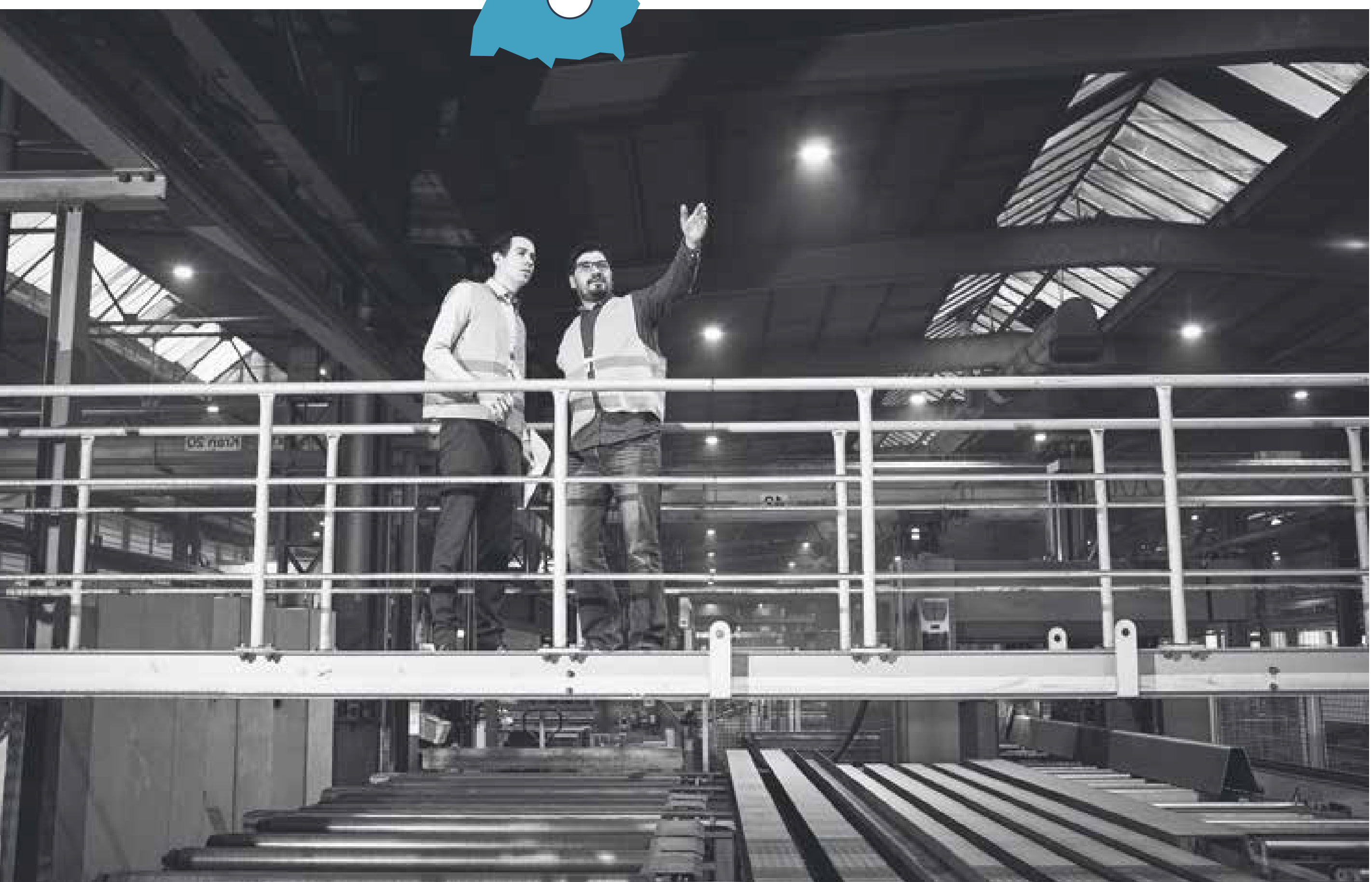
We are an active investor and on site in person

PORTFOLIO COMPANIES

2008

1

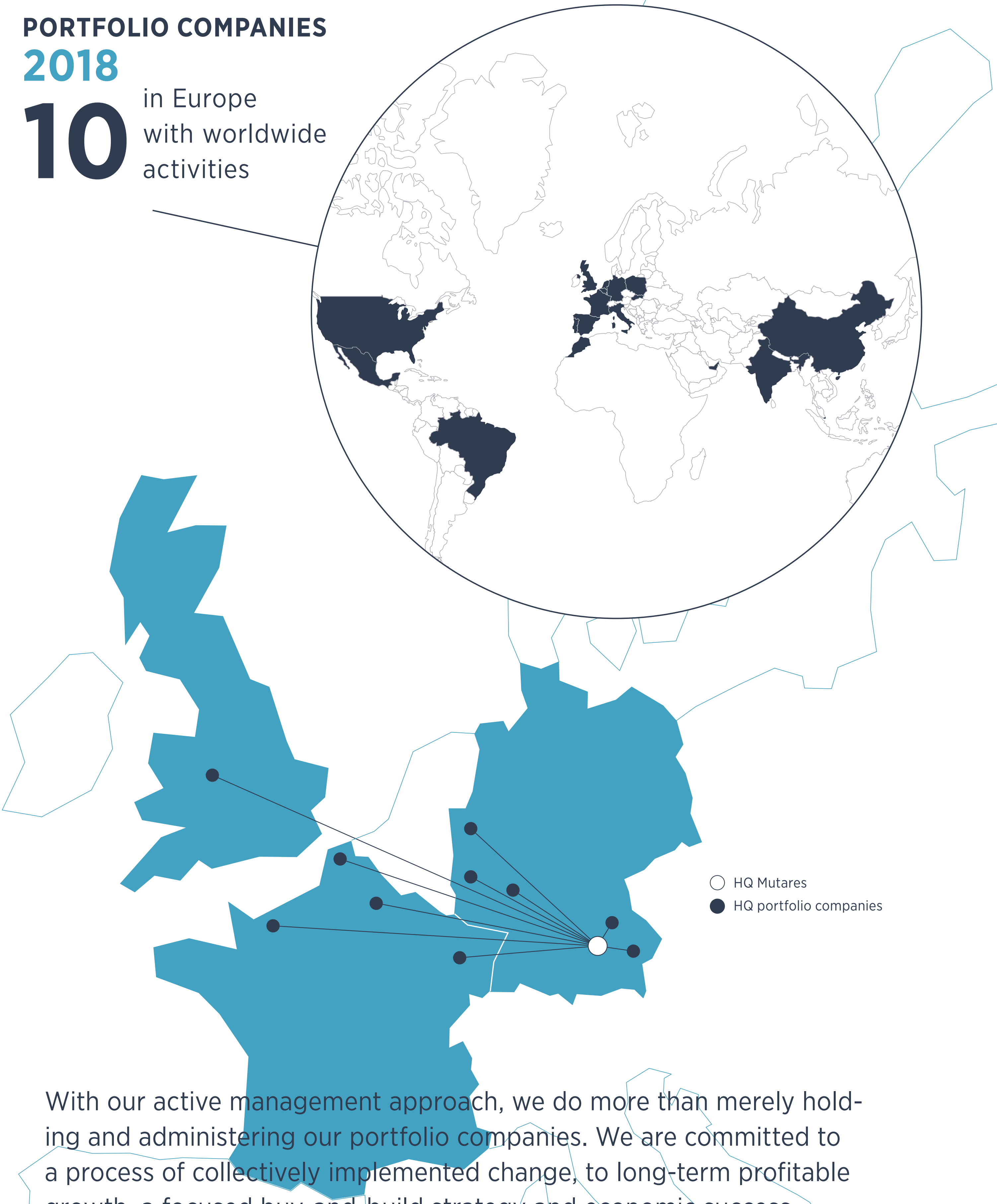




PORTFOLIO COMPANIES

2018

10 in Europe with worldwide activities



With our active management approach, we do more than merely holding and administering our portfolio companies. We are committed to a process of collectively implemented change, to long-term profitable growth, a focused buy-and-build strategy and economic success.

10 years Mutares

We support our portfolio companies in realizing their full value potential

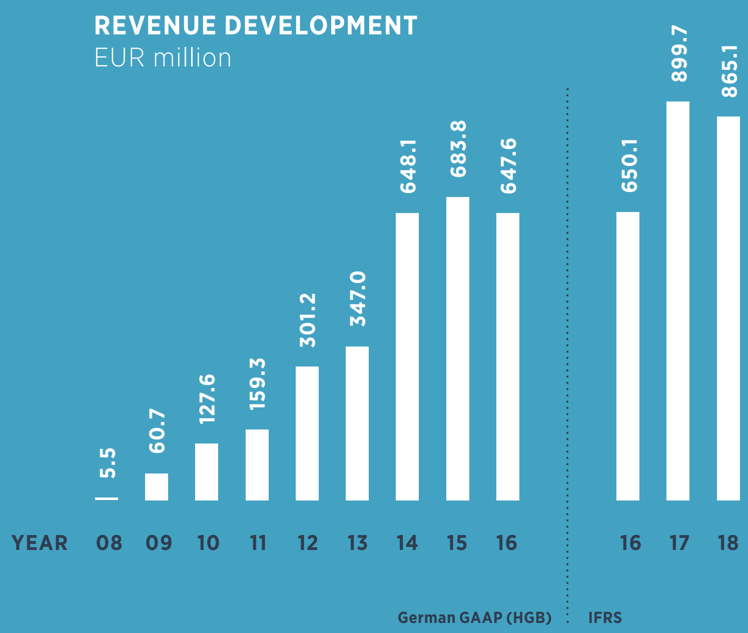
REVENUE

2008

EUR 6 million

REVENUE 2018 EUR 865 million

To secure lasting added value, we identify both operational as well as strategic opportunities in our portfolio companies. We convert the potential for improvement into profit. We develop our portfolio companies strategically, organically and through suitable acquisitions (add-ons). Our objective is to achieve sustainable, profitable growth to deliver significant value appreciation in our portfolio companies.



10 years Mutares

We are an ambitious investor and active team players

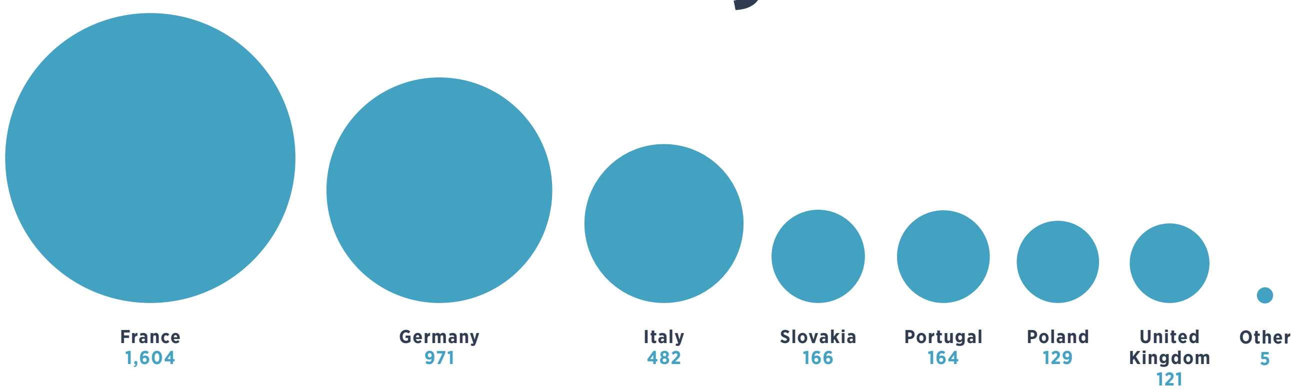
A shared objective is what determines success. Together with our teams and portfolio companies, we identify strategic potential for further development. We demand an entrepreneurial mindset from our portfolio companies and provide the necessary support on the ground to turn this into action.

EMPLOYEES
2008
3

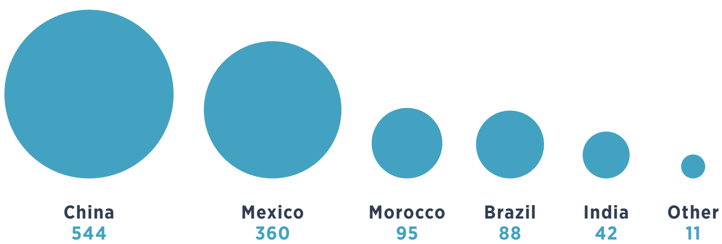
Ø EMPLOYEES 2018

4,782

Ø EMPLOYEES THROUGHOUT EUROPE



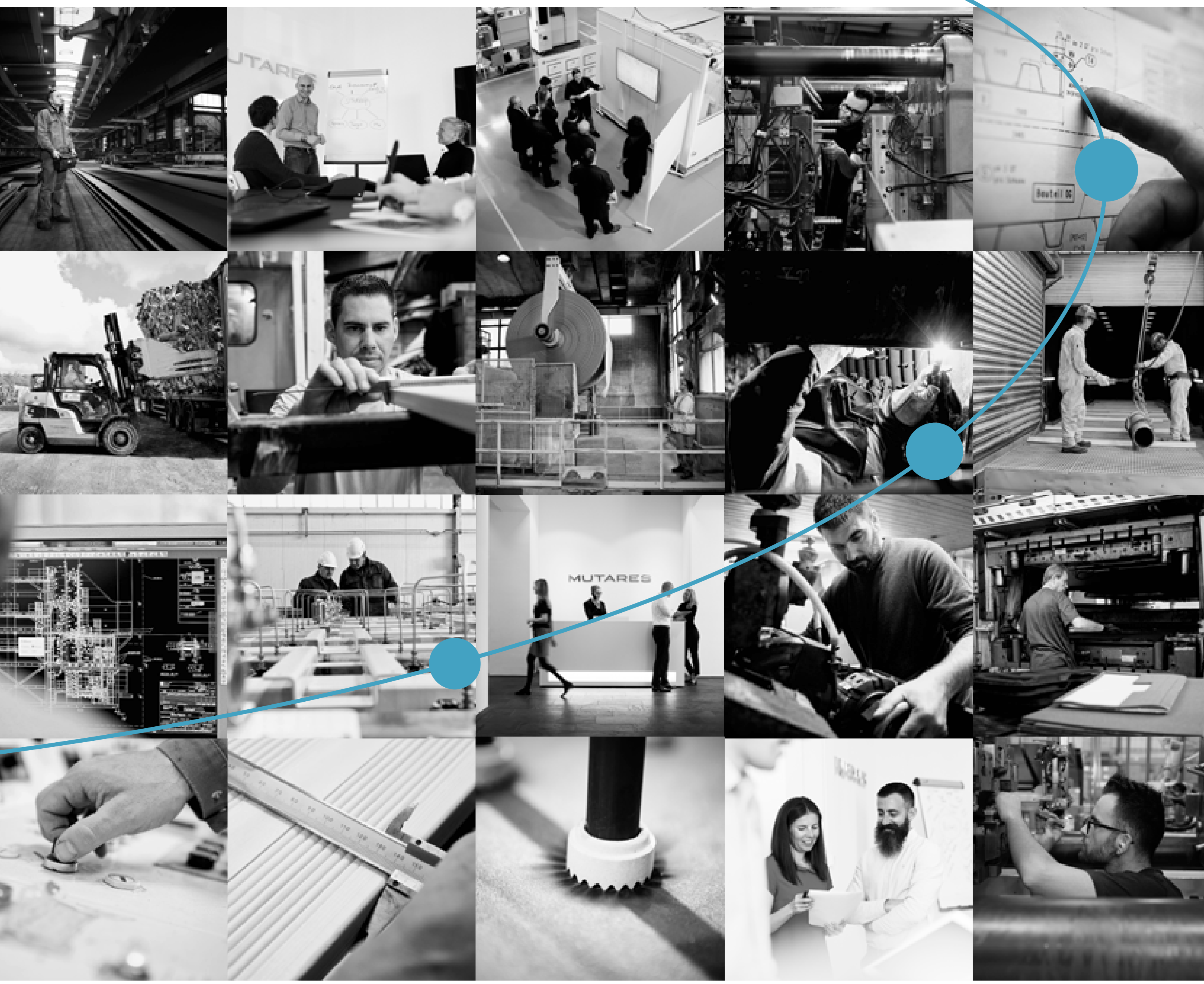
Ø EMPLOYEES REST OF THE WORLD



To the next 10 years!

We are looking back on what we have achieved over ten years. Going from revenues of EUR 6 million to EUR 865 million validates the success of our growth strategy to date. We want to continue on this path together with our teams and portfolio companies as well as continue to drive the earning power of our companies.

2018


MUTARES

Our portfolio companies

Automotive & Mobility

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

Engineering & Technology

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

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 the paper industry, in timber trade and in the oil, gas, chemical and packing industry.

With the publication of our Annual Report 2018, the five portfolio segments will be merged into three segments.

AUTOMOTIVE & MOBILITY

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

Company profile STS Group

STS Group AG is a leading global supplier of components and systems for interior and exterior in the commercial vehicle and automotive industry. The STS Group produces composite materials, components and complete systems for exterior trim, interior trim and fittings, as well as acoustic and thermal parts for commercial vehicles and passenger cars. The Group pursues a strategy of high vertical integration along the entire value chain of each component, from initial idea to finished product systems ready for delivery.

The Group is organised into four segments: The Acoustics segment produces vehicle components that ensure comfortable temperature and background noise levels in the interior compartment and around the vehicle. The Plastics segment focuses on exterior body parts as well as internal modules for trucks, light commercial vehicles and passenger cars. The production technologies of injection moulding as well as hot pressing and compression moulding of composite materials (Sheet Moulded Compound (SMC) and felt mats) are used in combination for this purpose. The product range includes complex systems such as front modules and aerodynamic components for the exterior body, stowage systems for interior fittings as well as complete and painted boot lids. The STS Group manufactures and paints the systems and delivers them fully assembled. The Chinese activities are bundled in the China segment. The STS Group operates fully integrated production processes there – from raw materials to painted components, e.g. for fenders, front mouldings, deflectors, mudguards, entries and boot lids. The fourth segment, Materials, bundles the production of SMC composite materials, which serve as primary products for in-house production and therefore enable total control of the value-added chain as a unique selling proposition.

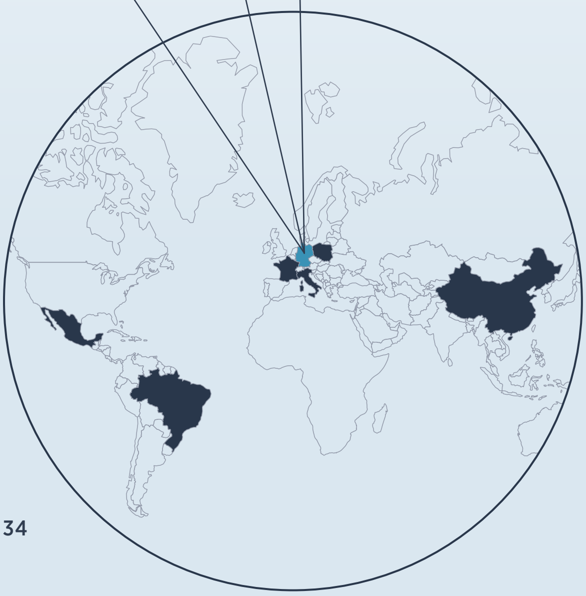
On 1 June 2018, STS Group AG celebrated its successful IPO on the Prime Standard of the Frankfurt Stock Exchange (ISIN: DE000A1TNU68). Following the transaction, Mutares retained a strategic majority holding in the STS Group with more than 60% of the shares.

The subsidiary of Mutares AG was founded in 1934 and currently operates 17 plants and four development centres across seven countries, with a global workforce of more than 2,500 employees.
→ www.sts.group

2,500
Employees

In the
portfolio since
2013

EUR million
401
revenue 2018



HEADQUARTERS
HALLBERGMOOS, GERMANY

Strategy

The STS Group strategy is based on the four pillars of market leadership, technology leadership, customer proximity and operational excellence. The overarching component of the STS Group strategy is a sustainable R&D strategy. The products of the STS Group aim to future-proof vehicles but also to add visual flair to vehicle designs. They create a comfortable background noise level in the interior compartment and around the vehicle. They also ensure a CO_2-relevant weight reduction thanks to their lightweight design. Four R&D centres, two in France and one each in Italy and China, strive to deliver innovations and promising developments for applications in all areas of the industry trend for e-mobility and autonomous driving.

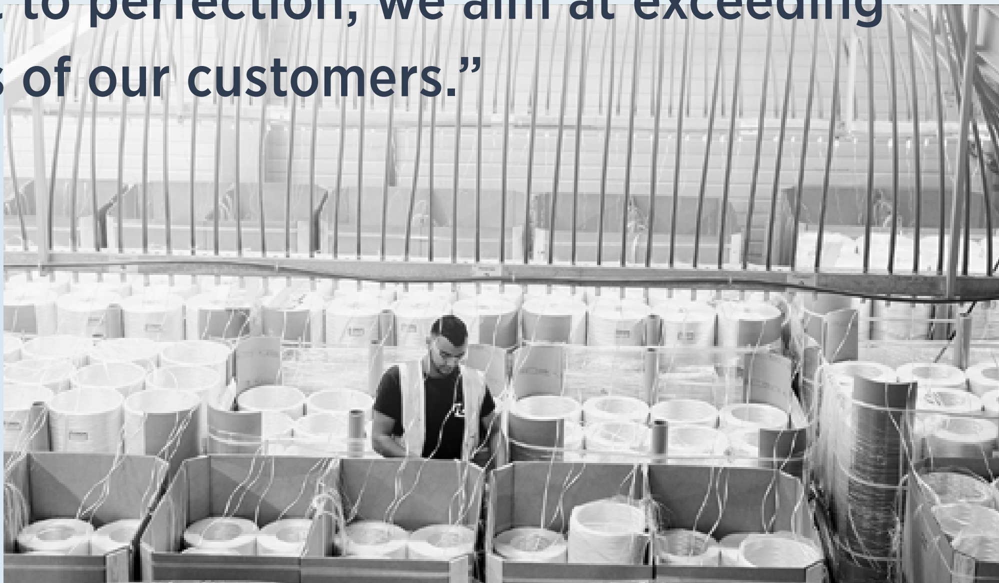
INDUSTRIES

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

PRODUCT SELECTION

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

"We strive to become the globally preferred supplier of acoustic and plastic solutions for transportation systems when it comes to design, comfort and efficiency. We deliver innovative system solutions for smoother traffic and sustainable growth. Through our commitment to perfection, we aim at exceeding the expectations of our customers."



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

BALCKE DÜRR

ENGINEERING & TECHNOLOGY

Service provider and component manufacturer for power plants

480
Employees

EUR million
116
revenue 2018

In the portfolio since
2016

Company profile Balcke-Duerr Group

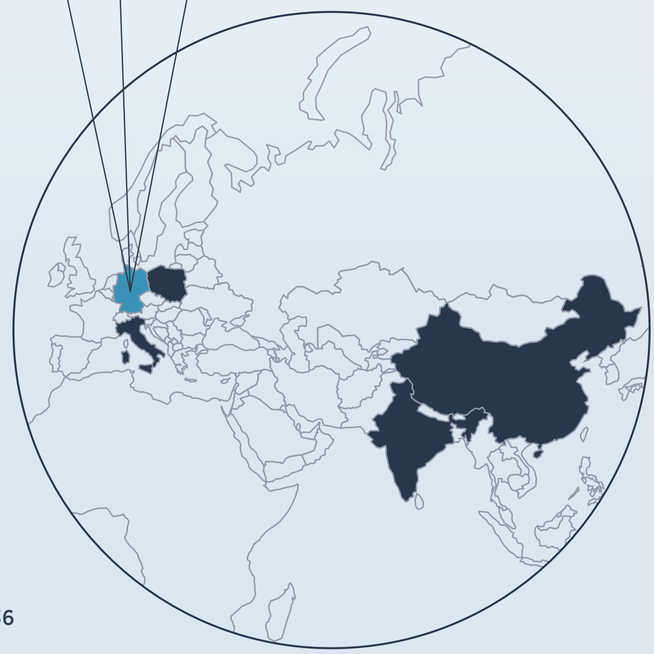
The Balcke-Duerr Group has been wholly owned by the Mutares Group since December 2016.

With over 130 years of experience, the Balcke-Duerr Group offers cutting edge solutions for electricity generators and power plant constructors with product solutions and services ranging from standard modules to complete thermal systems. Balcke-Duerr's experienced engineers specialise in solutions that meet the highest safety and sustainability requirements. The Balcke-Duerr Group portfolio comprises the production of heat exchangers and apparatus for applications in chemical processes and power plants, the production of filter systems for flue gas cleaning as well as the provision of services. At its production sites in Neubeckum (Germany), Magenta/Milan, Perugia (Italy) and Wuxi (China), Balcke-Duerr produces components for boosting the energy efficiency and reducing emissions for the energy industry. At seven key service, engineering and sales centres in Germany, Italy, Poland, India and France, the Balcke-Duerr Group currently employs more than 400 people worldwide.
→ www.balcke-duerr.com

Strategy

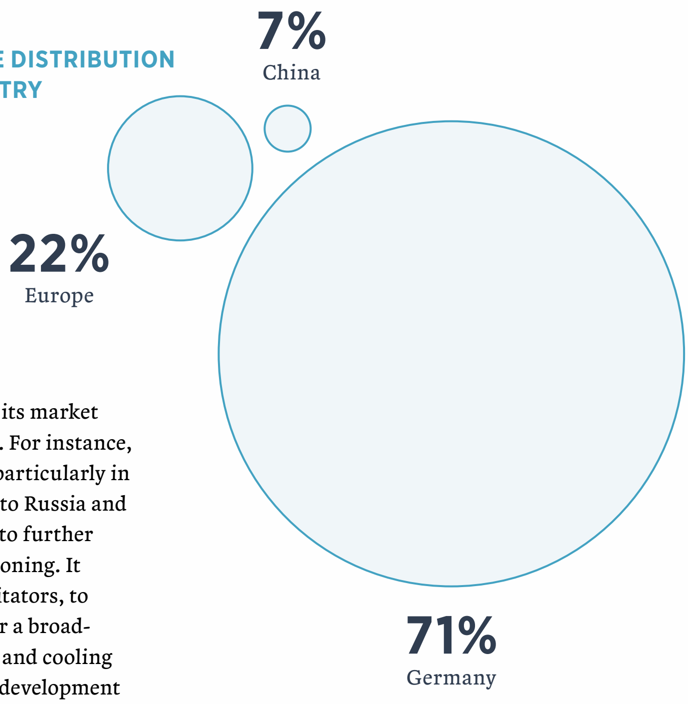
Following a repositioning successfully completed in the previous year, the Balcke-Duerr Group is now following a growth and buy-and-build strategy that has already resulted in two successfully completed acquisitions in 2018.

Strategic objectives include strengthening its market position in nuclear energy and flue gas cleaning, further consistent expansion of activities for decommissioning nuclear power plants in Germany, positioning itself as a central point of contact for power plant services as well as strengthening activities in the chemical industry.



HEADQUARTERS
DUESSELDORF, GERMANY

REVENUE DISTRIBUTION BY COUNTRY



On this basis, Balcke-Duerr is opening up new markets, further expanding its market position in existing business areas and developing new, attractive products. For instance, Balcke-Duerr plans to acquire new customers from the chemical industry, particularly in the area of heat exchangers in the water-steam cycle, to gain market access to Russia and to expand in the cooling segment. In the nuclear segment, the Group plans to further expand its offering of services and product solutions including decommissioning. It also aims to extend its market leadership in the field of electrostatic precipitators, to strengthen the spare parts business for air and gas preheaters and to deliver a broader product range and further growth in the area of wet-type cooling towers and cooling cells. In addition, extensions to the product portfolio are planned. Current development projects also include a rotary heat exchanger for gas turbine applications as well as technologies for renewable energies such as geothermal and solar energy.

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

“Following on from successful structural adjustments in the previous year, the Balcke-Duerr Group succeeds in repositioning itself by way of strategic acquisitions and new focus areas.”

Welding work on a feedwater preheater for a nuclear power plant

DONGES GROUP

ENGINEERING & TECHNOLOGY

One-stop supplier of steel structures, roofing and cladding systems

Company profile Donges Group

The Donges Group is a leading full-service provider for steel bridge construction, steel building construction as well as roof and façade systems in Europe. The company is the result of a corporate carve-out from a large Japanese group and has been part of the Mutares Group since November 2017. After three strategic add-on acquisitions, the Donges Group today expects to generate total annual revenues of around EUR 230 million[1].

Its product portfolio includes steel bridges for road, rail and pedestrian use, engineering and industrial steel construction for buildings, structural steelwork, aluminium roof and facade solutions, facade solutions made of glass and flat roof systems. The Donges Group is internationally active with ten sites in Germany, France, Spain, Italy, United Kingdom, Finland, Sweden, Singapore, India and Dubai.
→ www.donges-group.com

400
Employees

In the portfolio since
2017

EUR million
230
annual revenue[1]

Strategy

Following the successfully completed restructuring and three add-on acquisitions – Kalzip, Normek and FDT – in recent months, Donges is aiming at further growth and reinforcing its excellent position in the European market. The pillars of this strategy are the opening up of Northern European markets in the areas of bridge construction, the realisation of synergies in construction engineering and buildings as well as in sales and the use of existing sales channels across the entire product portfolio.

INDUSTRIES

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

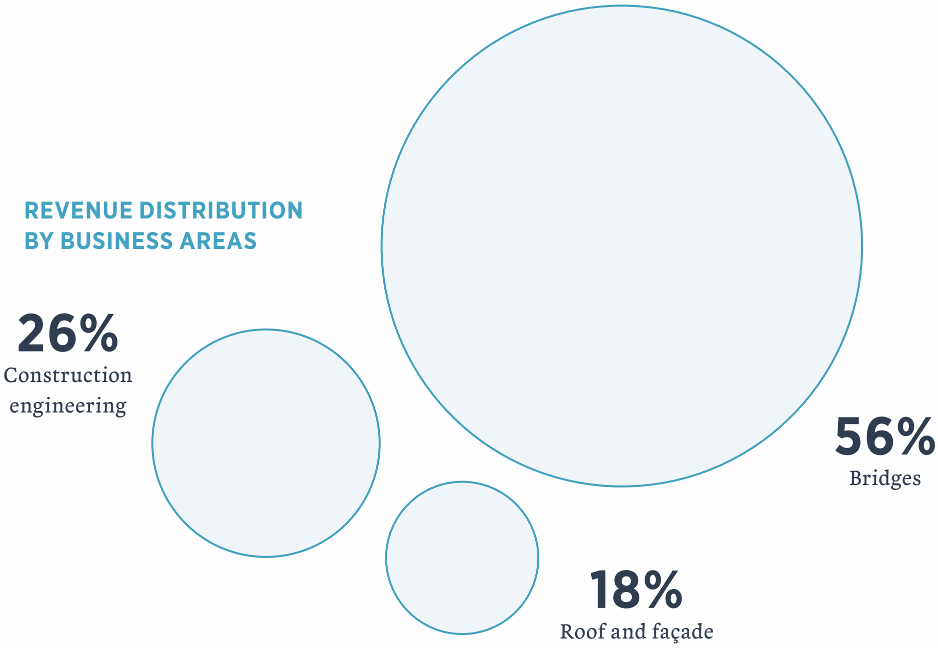
PRODUCT SELECTION

- Steel bridges
- Steel structures
- Roof and façade systems
- DIY roofing

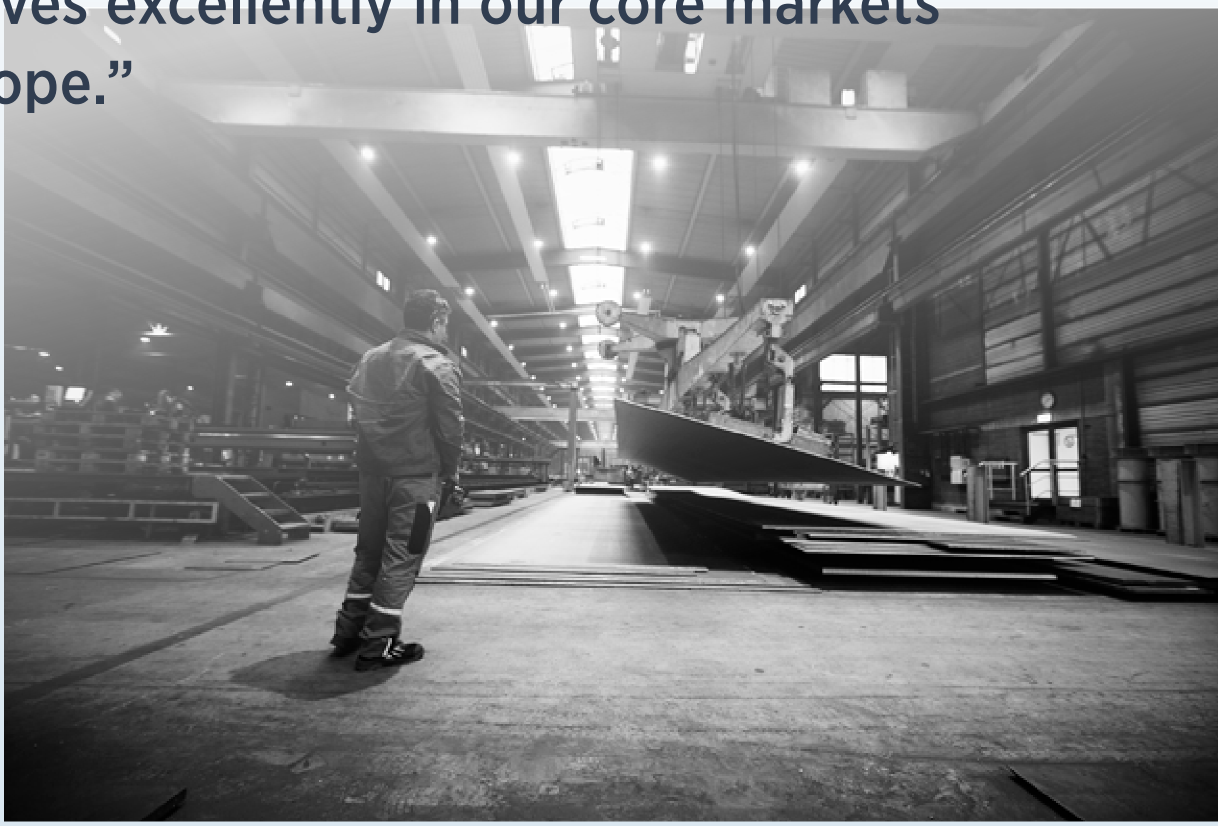
HEADQUARTERS
DARMSTADT, GERMANY

[1] Does not correspond to the composition as at 31/12/2018 but contains 12 months turnover of the Donges Group as of April 2019

REVENUE DISTRIBUTION BY BUSINESS AREAS



> "Thanks to our comprehensive in-house product range around roofing and walls, as well as our outstanding expertise in steel construction, we have positioned ourselves excellently in our core markets in Europe."



Construction of a highway bridge

Elastomer Solutions

AUTOMOTIVE & MOBILITY

Automotive supplier of molded rubber parts

550
Employees

EUR million
36
revenue 2018

In the portfolio since
2009

HEADQUARTERS
WIESBAUM, GERMANY

Company profile Elastomer Solutions Group

Founded in 1974, Elastomer Solutions is a 100% holding of Mutares and a leading manufacturer of moulded rubber and thermoplastic components. The company is based in Germany and operates production sites in Slovakia, Portugal, Morocco and Mexico. The Group supplies customers in the automotive industry worldwide and has established itself as a specialist for complex technical components. Elastomer covers the entire value chain from development to the distribution of its finished parts.
→ www.elastomer-solutions.com

Strategy

Since takeover by Mutares, Elastomer Solutions has pursued a sustainable, organic growth strategy. This led to greenfield investment for production facilities in Morocco and Mexico. Given current developments in the global automotive market and the global economy, the Group has initiated a comprehensive set of measures. At the same time, the Group has booked new orders, entering the injection moulding market for plastics.

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

LATEST INNOVATION

- Fully-automated production of 2k thermoplastic grommets

Rubber pedal covers are produced with and without a metal composite.

Gemini RAIL GROUP

ENGINEERING & TECHNOLOGY

Engineering, maintenance and modernization servies for rail vehicles

Company profile Gemini Rail Group

The Gemini Rail Group is an experienced provider of modernisation and maintenance services for railway vehicles at three sites in the United Kingdom. Mutares acquired 100% ownership of two companies operating in the same market with a complementary product portfolio around modernizing and maintaining rolling stock. Since then, the companies have been active jointly under the name of Gemini Rail Group.
→ www.geminirailgroup.co.uk

Strategy

As a new addition to the Mutares portfolio, after conceptualizing a comprehensive turnaround program, the Gemini Rail Group is focusing on three pillars of rationalisation and process optimisations along the entire value chain, optimising structural costs as well as defining a new market strategy together with the ongoing development of the product portfolio. In parallel, the company is developing first measures for a sustainable, organic or inorganic growth strategy.

EUR million
77
annual revenue

INDUSTRIES

Industrial services for railway vehicles and components

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

In the portfolio since
2008

410
Employees

HEADQUARTERS
WOLVERTON, UNITED KINGDOM

ENGINEERING & TECHNOLOGY

Provider of pipline coatings

In the
portfolio since
2012

70
Employees

EUR million
14
revenue 2018

HEADQUARTERS
GRAVELINES, FRANCE

Company profile Eupec

Eupec is a leading manufacturer of pipeline coatings. Its headquarters and three production sites are located in northern France. The company is a 100% holding of Mutares. The product portfolio includes line pipe coatings, concrete weight coatings, custom coatings and field joint solutions. The company serves a customer base of global players from Western and Central Europe, Africa and the Middle East. As a specialist for pipeline coatings, Eupec has been established in the market for over 50 years. Eupec's key customers are in the oil and gas sectors. These include Engineering, Construction and Procurement Companies (so-called EPCs), oil exploration companies and pipe manufacturers.
→ www.eupec-pipecoatings.com

Strategy

Since its takeover by the Mutares Group, Eupec has completed a turnaround program and a successful sale for Mutares of its German subsidiary. Today, the company is concentrating on a growth strategy and the acquisition of new customers in a global market environment. One major project involves boosting productivity at the pipe coating plants. With the initiated projects and investments, paired with its continuous improvement culture, Eupec aims at positioning itself as a successful niche supplier in a global market.

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

LA MEUSIENNE
Stainless steel tubes

ENGINEERING & TECHNOLOGY

Manufacturer of stainless steel pipes

Company profile La Meusienne

La Meusienne is a renowned manufacturer of welded stainless steel tubes with customers in Western and Central Europe. The company has been a 100% holding of the Mutares Group since 2017. The company's headquarters and production site are in Ancerville (France). La Meusienne is also active in Germany, France, Czech Republic, Italy, Denmark and The Netherlands.

The pipe manufacturer supplies customers in the sanitary, chemical and pharmaceutical industries as well as major customers in the automotive, sugar and heat exchanger industries. Since being taking over by Mutares, La Meusienne has been optimising its structural costs, and simultaneously embarked on an earnings-oriented strategy.
→ www.lameusienne.fr

In the portfolio since
2017

EUR million
55
revenue 2018

140
Employees

HEADQUARTERS
ANCERVILLE, FRANCE

Strategy

La Meusienne continues to pursue its strategy to provide more complex products. By optimising production planning based on a clear focus on profitable, higher-quality products and by introducing new heat treatment technologies at a laser welding plant, La Meusienne expects to reinforce its position in new and existing markets. The company has already secured additional certifications to enter new markets and has developed innovative and attractive ferritic products for the sanitary, chemical and pharmaceutical industries.

INDUSTRIES

- Components for process engineering
- Automotive components
- Iron and steel raw material production

PRODUCT SELECTION

- Heat exchanger pipes
- Tempered pipes
- Duplex welded pipes
- Heat-resistant pipes
- Inconel and special alloys

Bundling and final inspection of the stainless steel pipes before shipment

NORSILK

GOODS & SERVICES

Manufacturer of wood paneling and -products

Loading with finished and coated deckings.

Company profile Norsilk

Norsilk is a corporate spin-off from a large Finnish Group and was acquired by Mutares in 2015. Today, Norsilk is one of the leading manufactures of wood cladding and panelling products in France. Founded in 1979, the company has since established itself as a specialist in the market for interior and exterior wood products. Norsilk serves customers from the industrial construction and DIY segments. Since the takeover by the Mutares Group, Norsilk has strategically repositioned itself as an independent supplier on the French market.

→ www.norsilk.com

Strategy

In an increasingly competitive and changing market environment, Norsilk continues to concentrate on attractive markets and products with customer-focused added value. To this end, Norsilk has initiated a program including, personnel development measures to boost workforce flexibility.

INDUSTRY

- Construction
- Building suppliers
- Building materials, DIY, garden

PRODUCT SELECTION

- Outdoor cladding
- Indoor cladding
- Panels
- Structural timber

LATEST INNOVATION

- Silika: a wood that is free of chemicals and is treated using silicon and citrus fruits. The product is used primarily as outdoor cladding and is offered by Norsilk since 2019

In the portfolio since **2015**

110 Employees

EUR million **38** revenue 2018

HEADQUARTERS
HONFLEUR, FRANCE

GOODS & SERVICES

Producer of paperboard

In the portfolio since **2016**

EUR million **35** revenue 2018

90 Employees

HEADQUARTERS
SCHWEIGHOUSE-SUR-MODER, FRANCE

Company profile Cenpa

The Cenpa paper mill is a 100% holding of the Mutares Group since 2017 and produces coreboard for the European market at its headquarters near Strasbourg (France). Its product portfolio includes coreboard made from cellulose as well as waste paper. With two paper machines, the company is able to serve both the hygienic as well as the technically challenging industrial market. Cenpa is supplying mainly to customers in France, Germany and the Benelux countries. The independent paper mill works closely with customers and offers attractive product solutions from development to test phases, through to implementation, thereby enabling its customers to achieve high production quotas. It benefits from its central location in europe, a multi-lingual workforce and its own sustainable steam generation facility.
→ www.cenpa.fr

Strategy

Cenpa is an independent, established and reliable coreboard supplier in Central Europe. The customer base includes renown manufacturers of hygiene and tissue paper as well as coreboard for industrial use. The papaer mill offers a broad range of coreboard products covering multiple specifications in terms of weight, thickness and other technical characteristics. As part of the reorientation initiated by Mutares, the paper mill implemented measures to develop attractive new products, recipe improvements, optimised energy and waste management and process optimisations. With its excellent customer base, the company continues to pursue its strategy of product innovation.

INDUSTRY

Paper production

Cutting and packaging area of finished paper rolls

KLANN

GOODS & SERVICES

Producer of high-end tin packaging

Company profile KLANN Packaging

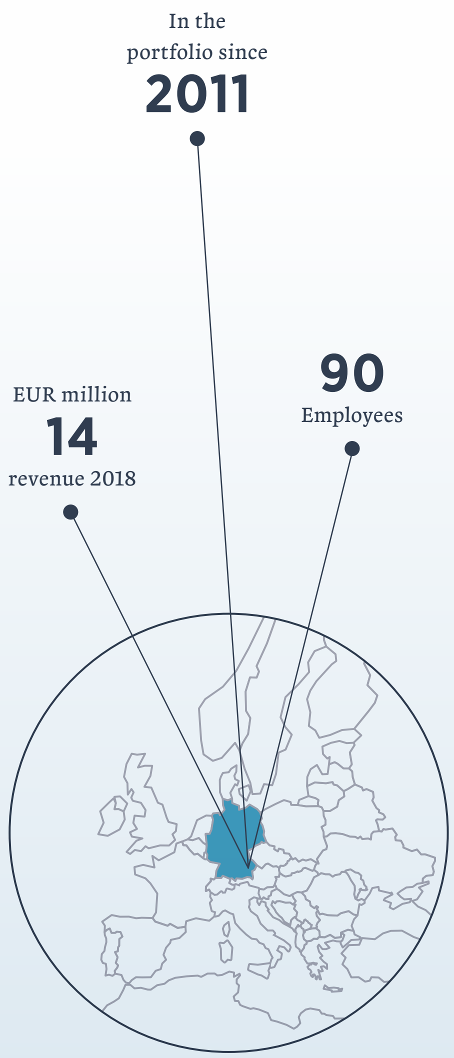
At its headquarters in Landshut (Germany), KLANN develops and produces high-quality promotional and sales packaging from printed tin-plate. The company is a 100% holding of the Mutares Group. KLANN's outstanding expertise is the development and production of high-quality packaging with exceptional colour intensity and special embossing techniques. Its customers are well-known branded goods manufacturers and commercial companies from different sectors.
→ www.klann.de

Strategy

KLANN is pursuing a differentiation strategy and is excellently positioned as a reliable provider of a premium product portfolio. With its attractive, high-quality products, the company also plans to further expand its diverse customer base from different sectors.

PRODUCT SELECTION

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



HEADQUARTERS
LANDSHUT, GERMANY

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

GROUP MANAGEMENT REPORT

1. BASIC INFORMATION ON THE GROUP

1.1 Business model and organisation

The Mutares business model comprises the acquisition, reorganisation and ongoing development of companies in turnaround situations. Companies with the following characteristics are of particular interest to Mutares:

- Spin-offs from larger corporations
- Revenue of EUR 50–500 million
- Established market position (products, brand, customer base)
- Focus of activities in Europe
- Economically challenging situations or turnaround situations (e.g. planned restructuring or reorganisation)

Mutares engages in long-term commitments with its portfolio companies and considers itself a responsible shareholder that provides active support based on its extensive, long-standing experience as a reliable companion in upcoming phases of change. The goal is to transform companies that are unprofitable as at the acquisition date into independent and dynamic medium-sized enterprises with a competitive, profitable and expanding business model. Therefore, a prerequisite is that during the acquisition phase the companies must already show potential for an improvement of earnings that can be achieved through suitable strategic and operational optimisation measures within one to two years.

The management of Mutares has extensive operational industry and restructuring experience. The range of services provided by Mutares after an acquisition extends from operational support and the expansion of activities through add-on acquisitions to the sale of the portfolio companies. Key aspects of Mutares' restructuring and development approach include:

- After acquisition, Mutares initiates cash management procedures and an extensive operational improvement programme within the portfolio companies. The implementation of these projects is carried out in close cooperation and collaboration with the relevant management of the portfolio company.
- With the help of experts as support for optimisation projects and the provision of financial resources for investments in the development of innovative products, sales and (production) facilities, Mutares is able to successfully develop its portfolio companies operationally and strategically for their long-term repositioning.
- Once a portfolio company has become established in its business area as a stable and independent company on course for growth, strategic add-on acquisitions or a sale can be considered.

After completing its improvement programme, Mutares does not limit itself to the mere holding and administration of its portfolio companies and monitoring their performance. By means of active investment management, the acquisitions are continuously evaluated with a view to new business opportunities and supported in their development.

In order to implement a focused buy-and-build approach, Mutares examines add-on acquisitions on a regular basis and thereby presses ahead with the sustainable development of its portfolio and the achievement of its ambitious growth targets. There is no minimum sales limit for add-on acquisitions. Instead, the focus is on making strategic additions to the portfolio company in areas such as technology, product range and country coverage. Mutares has its own offices in the core markets of Germany, France, Italy and the United Kingdom.

The Mutares AG portfolio consists of ten operational equity investments or groups of equity investments as at 31 December 2018 (previous year: eleven), split into the following five segments:

- Automotive: Elastomer Solutions Group, STS Group
- Engineering & Technology: Balcke-Duerr Group, Donges Group, Gemini Rail Group
- Construction & Infrastructure: La Meusienne, Eupec
- Wood & Paper: Norsilk, Cenpa
- Consumer Goods & Logistics: KLANN Packaging

To further advance its growth and guide the development of the portfolio, Mutares will assign its equity investments to the three following segments in future:

- Automotive & Mobility: Elastomer Solutions Group, STS Group
- Engineering & Technology: Balcke-Duerr Group, Donges Group, Gemini Rail Group, Eupec
- Goods & Services: La Meusienne, Norsilk, Cenpa, KLANN Packaging

1.2 Research and development

Product-related research and development is carried out by the Mutares Group's technology-driven portfolio companies in particular. In total, a seven-figure amount was invested in research and development in the 2018 financial year, as in the previous year. The majority of this was attributable to research and development services at STS. Zanders GmbH, deconsolidated in the 2018 financial year, also played a role in the previous year.

Innovative products are a cornerstone of STS's strategy and are expected to contribute to the medium-term targets of profitable and sustainable growth. The development of new products for the commercial vehicle and automotive industry is a long-standing competence of the Group. Its integrated know-how regarding injection moulding, composite materials and acoustics give the Group the extraordinary opportunity of combining structural, aesthetic, acoustic and thermal solutions. The four research and development centres in France, Italy and China have successfully networked their capabilities and cooperate closely. Methods, processes and organisations have been standardised and harmonised. Just over 80 people were employed at the STS Group's research and development centres in the reporting year.

STS's R&D activities focus on three main pillars:

- Combination of the know-how and the existing technologies of the Group for innovative system solutions.
- Development of new applications in order to meet customers' expectations for lighter and more comfortable vehicles.
- Continuous improvement of the existing product lines in order to offer customers of the Group attractive value for money.

The innovation process is clearly defined and operational. It includes monitoring technological development, creativity management, the selection of ideas, project management and working groups. The STS Group's innovation roadmap was presented to customers at various "Tech Days" in China, Europe and the US in the fourth quarter of 2018.

The "Tech Days" inspired new developments:

- The prototype phase to validate the lightweight construction composite solution in cooperation with a global automotive tier 1.
- The validation of the composite battery pack for electric vehicles in collaboration with a major battery manufacturer.
- Further projects are in the planning phase.

The know-how of the STS Group's research and development team and the well-equipped laboratories and prototyping facilities around the world will allow STS to provide innovative and reliable solutions for these new opportunities.

Development costs of EUR 1.2 million were capitalised at the STS Group in the reporting period (Group as a whole: EUR 1.4 million).

2. ECONOMIC REPORT

2.1 General economic and industry-specific conditions

GLOBAL

According to the report on the economy published by the ifo Institute in Munich ("ifo Economic Forecast Winter 2018", published on 13 December 2018), the global economy cooled off in 2018 after experiencing an accelerated upturn in economic growth in the previous year. Nonetheless, the world economy is still experiencing an upswing, with real gross domestic product for 2018 up 3.2% on the previous year (2017: 3.3%). This continues to be driven mainly by industrial production in both advanced and emerging markets, as demonstrated by the increase in utilization rates in most economies.

Despite higher inflation in the summer on the back of a rise in the price of crude oil, core inflation, excluding energy and food prices, held steady in advanced economies at 1.5%.

EUROPE

According to the report on the economy published by the ifo Institute in Munich ("ifo Economic Forecast Winter 2018", published on 13 December 2018), the economy of the euro area, which is crucial to the business activities of the Mutares Group, continued to grow in 2018 but at a slower pace than in the previous year. The economic boom thus seems to have come to an end. This is compounded by mounting economic uncertainty sparked by the ongoing Brexit negotiations.

Although the Spanish and French economies performed comparatively well, the overall slowdown in the euro area primarily reflects weaker growth in Italy and Germany. The ifo Institute attributes this in part to a considerable decline in exports, likely explained by the sluggish automotive industry. In addition, a shortage of skilled workers and overstretched technical capacities mean that the sector – in particular in Germany, France and the Netherlands – is continuing to suffer restrictions on output, despite capacity utilisation not having climbed any further. This is aggravated by weaker demand for industrial goods and dwindling orders. The upturn was therefore driven largely by private and public consumption, which benefited from steady conditions on labour markets in member states across the euro area and from favourable lending conditions. This is also reflected in rising inflation in the euro area.

Considering that Mutares has specialised in acquiring unprofitable companies, the economic situation in Europe remains favourable, especially in France, Italy and Germany.

CAPITAL INVESTMENT SECTOR

According to the German Private Equity and Venture Capital Association (BVK) ("The German capital investment market 2018", published February 2019), the capital investment sector continued its excellent performance again in 2018 on the heels of a strong previous year. Investments conducted by financial investors based in Germany amounted to EUR 9.60 billion (previous year: EUR 11.68 billion).

After a sharp upturn in 2017, the volume of sales of investments fell to EUR 3.21 billion, down on the previous year's figure of EUR 5.71 billion.). In the 2018 financial year, Mutares' exit volume was headed by significant sales to other investment companies, at 38%. The share of sales via the stock exchange (IPO or sales of shares) also reached double digits at 12%.

2.2 Business performance

Mutares' business performance was marked by the following significant events in the 2018 financial year:

- **IPO of the STS Group AG**
  On 1 June 2018 the commencement of trading of STS Group AG on the regulated market of the Frankfurt Stock Exchange (Prime Standard) took place. This involved the placement of 1,000,000 shares of new stock from a capital increase of STS Group AG as well as the reallocation of 1,172,172 shares of the previous sole shareholder Mutares AG at an offering price of EUR 24.00 per share. Total gross proceeds from the issue amounted to EUR 52.1 million, with associated costs of EUR 5.2 million recognised directly in equity and further costs of EUR 4.9 million recognised as an expense in the statement of comprehensive income. The share capital of STS Group AG was increased to 6,000,000 registered shares by the aforementioned transaction. The STS Group AG received gross proceeds from the issue of EUR 24.0 million, which will be used to finance further organic and inorganic growth of STS in the global commercial vehicle and automotive supply industry. Mutares AG remains the majority shareholder of STS Group AG even after the IPO.

- **Deconsolidation of Zanders and Artmadis**
  Due to continuing economic difficulties, the "Redressement Judiciaire" proceedings were opened for Artmadis S.A.S. at the request of the management and by court order dated 22 May 2018. Subsequently, the company was offered for sale to interested parties. In the absence of suitable purchase offers, the court ordered the liquidation of the company.

  The substantial increase in the price of raw materials had a considerably negative impact on Zanders' profitability. Price increases were implemented, but the margin losses could not be fully offset. Accordingly, at the end of June 2018, the management filed an application for the opening of insolvency proceedings in view of the threat of insolvency and planned to continue the restructuring in form of a self-administration procedure. As a result, the court appointed a provisional insolvency administrator who reviews the actions of the Zanders management for approval regarding the purpose of maintaining assets. In its decision of 1 September 2018, the court finally opened insolvency proceedings against the assets of the Company in the ordinary course of proceedings.

  The loss of control related to the developments described resulted in the subgroups being deconsolidated in the reporting period. With operating losses including the result from deconsolidation, they contributed EUR 15.6 million to the Mutares Group's EBITDA in the 2018 financial year.

- **Share buyback programme**
  On 1 June 2018, the management board of Mutares AG, with the approval of the Supervisory Board, decided to launch a share buyback program in the amount of up to EUR 3.0 million (excluding transaction costs) ("Share buyback program 2018/I"), using the authorization granted by the Annual General Meeting on 22 May 2015. Under the 2018/I share buyback program, a total of up to 283,019 treasury shares of the company were to be repurchased in the period from 1 June to 15 July 2018. A total of 255,863 shares were acquired in the period from 1 to 30 June 2018.

- **Amicable settlement of a several year legal dispute**
  On 3 August 2018, Mutares reached an amicable settlement with Diehl AKO Stiftung & Co. KG ("Diehl") in the legal dispute surrounding the acquisition of the Photovoltaics division through the indirect Mutares subsidiary Platinum GmbH, which had been pending for four years, and all further associated legal disputes. This was reached as part of an amicable settlement by coming to an arrangement between Mutares AG, the insolvency administrator for the assets of Platinum GmbH and Diehl. As part of the settlement, Mutares committed to make a one-time payment of EUR 7.5 million to Diehl. This agreement had a negative impact of EUR 5.5 million on Mutares AG's consolidated net income due to provisions that had already been recognised. The provisional amount in dispute of the claims asserted by Diehl before the Regional Court of Ravensburg amounted to approximately EUR 22.5 million plus interest.

- **Acquisition of the Kalzip Group**
  Donges SteelTec GmbH, a subsidiary of Mutares AG, took over Kalzip GmbH and other subsidiaries ("Kalzip") from companies in the Tata Steel Group in Europe with effect from 2 October 2018. Kalzip is a global supplier of aluminium building envelopes, producing roofing and facade systems on modern roll-forming lines, and has locations in Germany, France, Spain, Italy, United Kingdom, Singapore, India, the US and Dubai. The new Group combines steel and facade construction, allowing knowledge to be transferred between the two areas of technology and for the Group to position itself as a full-service solution provider. Additions to the product portfolio and improved direct market access to customers and architects aim to boost competitiveness. The transaction resulted in a bargain purchase of EUR 10.9 million, which is reported under other income.

- **Acquisition of Gemini Rail Group**
  Mutares AG successfully completed the takeover of Knorr Bremse RailServices UK (KBRS) and Kiepe Electric Ltd. (Kiepe) from Knorr Bremse on 31 October 2018. The companies have since been renamed Gemini Rail Services UK Ltd. and Gemini Technology UK Ltd. The range of products includes structured and innovative services such as overhaul and complete repair services, modernisation programmes, design and project management for railway vehicle owners and operators in the United Kingdom. The transaction resulted in a bargain purchase of EUR 15.3 million, which is reported under other income.

- **Sale of BSL**
  In an agreement dated 23 November 2018, Mutares sold BSL Pipes & Fittings (BSL) and its outstanding loan receivables from BSL to a Luxembourg investor. Mutares had acquired the company from the French Génoyer Group in 2015, facilitating a sale by way of its restructuring programme. With operating losses including the result from deconsolidation, BSL contributed EUR –0.6 million to EBITDA at the Mutares Group in the 2018 financial year.

2.3 Reports from the portfolio companies

In the 2018 financial year, the Mutares Group generated revenues of EUR 865.1 million (previous year: EUR 899.7 million) and EBITDA of EUR 49.1 million (previous year: EUR 67.1 million). Adjusted EBITDA (defined below in connection with the description of financial performance indicators) amounts to EUR 4.5 million (previous year: EUR –27.9 million). EUR 14.5 million of this was attributable to portfolio companies included in the Mutares Group as at the reporting date (previous year: EUR 7.3 million) and EUR –9.9 million (previous year: EUR –20.6 million) was attributable to portfolio companies deconsolidated in the year under review or in the previous year.

The following commentary reflects the development of the Mutares Group's individual equity investments. As at 31 December 2018, the Group comprised ten operational equity investments that are assigned to the five segments below:

Automotive segment

No.	Portfolio company	Industry	Headquarters	Acquisition
1	Elastomer Solutions Group	Automotive supplier of rubber mouldings	Wiesbaum, Germany	08/2009
2	STS Group	Supplier of components and systems for the commercial vehicle and automotive industry	Hallbergmoos, Germany	07/2013

After successfully overcoming the growth dip in the first quarter of 2018, the market research company IHS Markit is anticipating new sales records for the global commercial vehicle market, an important market for the STS Group. The global truck demand thus rose by 1.6% in 2018, increasing to 3.2 million new vehicles sold. Key growth drivers are markets such as India and Eastern Europe. In the meantime, the headwind from China, the largest truck market in the world, has abated according to IHS. As a result of the ongoing strong employment environment of the Chinese economy, IHS Markit lifted its forecasts and anticipates that the expected decline for new vehicles was less than 10% in 2018. North America, a market particularly relevant for the STS Group, stands out from the rest in 2018 with solid growth of 11%. This was the result of strong demand for trucks and capacity bottlenecks in truck production.[1]

The European Automobile Manufacturers' Association (ACEA) puts the rise in demand for new commercial vehicles in the EU at 3.2%. The growth was driven particularly by the markets in Spain, France and Germany.[2]

According to a press release from the German Association of the Automotive Industry (VDA) dated 16 January 2019, performance on the global vehicles market was uneven in 2018. While the number of new registrations in Europe and the US remained at the same level as in the previous year, new registrations in China fell for the first time in decades, dropping by 4%. In Europe, French and Spanish markets picked up whereas Germany stagnated year on year.

The Automotive segment remains the largest segment with revenues of EUR 437.0 million (previous year: EUR 344.1 million). This upturn in revenues is due primarily to including the STS Group acquisitions for the full twelve months of 2018. If these had been included for the full year in the 2017 financial year, they would have contributed an additional EUR 115.2 million to the segment's revenues. EBITDA amounted to EUR 10.5 million in the 2018 financial year (previous year: EUR 56.8 million), with the decline largely reflecting bargain purchase gains in the previous year. Adjusted EBITDA rose by 22% to EUR 17.6 million on the back of good performance at the STS Group acquisitions (previous year: EUR 14.4 million).

[1] https://news.ihsmarkit.com/press-release/automotive/global-commercial-vehicle-market-expected-grow-slightly-through-2018-ihs-ma
[2] https://www.acea.be/press-releases/article/commercial-vehicle-registrations-3,2-in-2018-4,0-in-december

Elastomer Solutions Group

Elastomer Solutions, the automotive supplier and manufacturer of rubber and thermoplastic components based in Wiesbaum (Germany) and with production sites in Slovakia, Portugal, Morocco and Mexico, boosted its revenues noticeably[3] year on year. The Moroccan and Mexican sites were especially important here thanks to launching new projects. Adjusted EBITDA declined on account of significant problems at the Slovakian site caused by high staff turnover, related quality and output issues and high expenses in connection with logistics to meet customer demands despite the output difficulties. The Group responded to the weak earnings by implementing a comprehensive action plan covering all locations and divisions. This included redefining production processes so as to improve process efficiency and cut processing time. Elastomer Solutions expects revenue to pick up slightly year on year and for the operating result to see an exceptional improvement in 2019.

STS Group

STS Group AG is a supplier of components and systems for the commercial vehicle and automotive industry. The Mutares AG subsidiary celebrated a successful IPO on 1 June 2018 with a valuation of EUR 120 million, of which the STS Group AG received EUR 24 million in gross figures. Mutares continues to hold a more than 60% stake in the STS Group after the IPO. The proceeds of the IP are intended to boost growth and the Group's international expansion. Initial measures were implemented for the five strategic projects announced in the IPO – entering the US market, expanding in China, optimising its footprint in Europe, strengthening product innovation in e-mobility and autonomous driving and expanding process automation.

Breaking into the North American commercial vehicle market, STS Group AG successfully achieved the first strategic goal of the IPO in July 2018 and organically expanded its market presence to include the world's third-largest commercial vehicle market. The Group received its first order from a US commercial vehicles manufacturer and, beginning in the second half of 2021, will deliver cab parts for heavy trucks to the US from its Mexican plant. Moving ahead, the STS Group will continue to drive organic and, if required, inorganic growth in this market so as to bolster its position on the US market in line with the strategy.

The second strategic target, expansion in China, is based on continuing to strengthen market share, expanding production capacities accordingly and on a sustainable talent sourcing strategy. In June 2018, the Group started construction work on its third Chinese plant in order to boost production capacities. The plant successfully started production in the first quarter of 2019. In addition, the STS Group has centralised its Chinese headquarters together with the research and development department in Wuxi, giving it a competitive edge and presenting itself as an appealing employer for young and talented academics.

In operating terms, the integrated acquisitions had a positive impact on company performance in 2018. They expanded the product portfolio considerably to include two additional technologies – injection moulding and sheet moulded compound (glass fibre reinforced plastic), which are used to manufacture components for external and internal parts for truck cabins and lightweight commercial vehicles. At the beginning of the second half of 2018, STS Group AG received another new order from a renowned truck OEM covering the next few years. The Group will assemble the front modules using hundreds of individual components on the basis of injection moulding technology and deliver the systems to the customer, a major European commercial vehicles manufacturer, entirely from a single source. The long duration of the order and the significant total volume of EUR 150.0 million should be noted here. The STS Group intends to continue to expand business in line with strategic projects in 2019.

Revenue is expected to remain largely stable year on year in 2019 at around EUR 400 million, with the operating result improving exceptionally to at least EUR 23.9 million.

[3] We use the following system when describing individual portfolio companies: changes of up to 2% are referred to as "slight", changes of between 2% and 5% are "noticeable" or "perceptible", changes between 5% and 10% are "considerable", changes between 10% and 30% are "material", "substantial" or "marked", changes between 30% and 50% are "significant" or "sharp" and changes of over 50% are described as "exceptional".

Engineering & Technology segment

No.	Portfolio company	Industry	Headquarters	Acquisition
1	Balcke-Duerr Group	Manufacturer of power plant components and filtering systems	Duesseldorf, Germany	12/2016
2	Donges Group[1]	Full-service provider for bridge and steel construction and roofing and facade systems	Darmstadt, Germany	11/2017
3	Gemini Rail Group	Provider of engineering and maintenance services for rail vehicles	Wolverton/ UK	11/2018

[1] Part of the Balcke-Duerr Group in the previous year

In the 2018 financial year, the Engineering & Technology segment generated revenues of EUR 191.9 million (previous year: EUR 213.2 million) and EBITDA of EUR 36.6 million (previous year: EUR 17.4 million). Adjusted EBITDA amounts to EUR 1.8 million (previous year: EUR –16.4 million).

The segment was marked by acquisitions and disposals in both 2017 and 2018, with the portfolio companies FTW, GeesinkNorba Group and A+F sold in the 2017 financial year. These contributed EUR 84.9 million to segment revenue in 2017. In comparison, the acquisitions at the end of 2017 (Donges SteelTec GmbH) and in 2018 (Kalzip GmbH and Gemini Rail Group) accounted for EUR 76.4 million of revenue in the 2018 financial year. Thanks to income from bargain purchases (EUR 10.9 million and EUR 15.3 million), the acquisitions of Kalzip and Gemini Rail Group had a positive impact on segment EBITDA. In the previous year, this included income from the bargain purchase of acquiring the Donges Group (EUR 26.5 million). In operating terms, both the Balcke-Duerr Group and the Donges Group made significant progress. The upturn in adjusted EBITDA resulted largely from the successful turnaround of the Balcke-Duerr Group, while restructuring at the Donges Group was successfully under way in 2018 and the company booked adjusted EBITDA of EUR –3.0 million.

Balcke-Duerr Group

The Duesseldorf-based Balcke-Duerr Group (Germany), with over 130 years of experience, offers solutions ranging from standard modules to entire thermal systems for companies that produce energy and build power plants.

After a successful turnaround last year, the Balcke-Duerr Group now follows a growth and active buy-and-build strategy and has already completed two successful acquisitions. In terms of costs, savings measures introduced last year had an impact on the entire financial year for the first time. As a result, the Balcke-Duerr Group achieved a positive operating result with noticeably lower sales compared to the previous year. Donges SteelTec GmbH, a specialised supplier of bridge constructions and engineering, was unbundled at the end of the year. The company is now managed as an independent platform in the Mutares Group's portfolio.

Furthermore, the Balcke-Duerr Group successfully made two strategic acquisitions in the reporting year. The acquisition of the Heat Transfer Products (HTP) division of Salvatore Trifone e Figli S.p.A. (STF), a direct Italian competitor, was concluded in the third quarter. The further integration aims to harness synergies in administration and market access in France. The second acquisition strengthened the decommissioning of nuclear facilities by acquiring KSS Consulting for the Balcke-Duerr Nuklear Service business unit. This expands the Balcke-Duerr Group's range of services to include radiation protection and decontamination and, in future, positions the Group as a system supplier for the whole life cycle in the power plant sector.

The order backlog for the Balcke-Duerr Group was around EUR 120 million as of 31 December 2018 (previous year: EUR 177 million). With this volume, the company will have good to very good capacity utilisation in 2019. The Polish location, with sales around twice as high as in the previous year, booked the largest incoming order in the history of the company. Following environmental policy regulations for steel works in many Chinese provinces, the signs are again pointing to growth for Balcke-Duerr in China.

The Balcke-Duerr Group is again anticipating a clearly positive operating result for the 2019 financial year. The improved competitiveness, the expansion of the product range by including deconstruction, and the development of new geographical markets are expected to lead to a considerable upturn in sales for the Balcke-Duerr Group in the following years as well. Due to the continuing consolidation pressure in the market for power plant construction in the coming years, the Group expects attractive opportunities for further inorganic growth. In addition, there may be good opportunities to complement product and service portfolios in neighbouring markets.

Donges Group

The Donges Group, based in Darmstadt, improved revenue from EUR 10.6 million in the 2017 financial year (included for two months) to EUR 62.4 million in the reporting period. Key factors behind this were including Donges Steeltec GmbH for the full year, the continuation of the strategic repositioning in the area of building construction that began in 2017, good economic conditions in infrastructure in Germany and the takeover of the Kalzip Group in October 2018.

The Donges Group is planning to implement the strategic changes initiated for 2019. Alongside focused project management in bridge construction, the focus on building construction is evolving towards offering services as a single-source provider for steel construction, roofing and facade solutions. A vital aspect of the strategy is providing technical solutions while avoiding project interfaces for the customer. This year, the Donges Group will focus its efforts primarily on the steel bridge construction market in Germany and on making further headway with its strategic repositioning in building construction. In addition, the acquisitions of Normek Oy and FDT FlachdachTechnologie GmbH & Co. KG and their subsidiaries in 2019 boosted regional expansion and further product expansion. Thanks to the takeovers, the Donges Group achieved its strategic target of establishing itself as a European provider of bespoke construction solutions. Thanks to the acquisitions, the Donges Group expects to see an exceptional increase in revenues and a clearly positive operating result in 2019.

Gemini Rail Group

Gemini Rail Group, domiciled in the United Kingdom, provides rail vehicle services on the UK and Irish rail markets and operates from three locations in the UK. The Group provides modernisation and maintenance work for rail vehicles.

The Gemini Rail Group's customer base includes train owners and operators and rail vehicle OEMs (original equipment manufacturer). Merging the two companies makes it possible to manage projects entirely in-house. The Gemini Rail Group can therefore offer a flexible solution, from design to engineering right up to implementation, in its own warehouse or in the customer's warehouse.

Most work is carried out on vehicles built before railway privatisation in 1996/97. Moving away from trains fitted out with simple technology from before and in the first few years following privatisation, the Gemini Rail Group is now increasingly taking up its role as a modernisation specialist for high-tech, comfortable trains for a new generation, kitted out with WiFi, sound systems and other computer systems. The range of products offered includes structured and innovative services such as complete repair services, modernisation programmes, design engineering and project management.

Under EU requirements, all trains in the UK must be accessible for people with disabilities from January 2020 onwards. The Wolverton and Birmingham locations will be operating at full capacity in 2019 on account of the modernisation orders placed to meet this requirement. As well as implementing the efficiency programme, in 2019 the Gemini Rail Group will focus on boosting production productivity with the aim of managing the order backlog profitably by optimising work flows.

Working groups comprising the Mutares advisory team and local management were established in the first two months after the acquisition in November 2018 and were tasked with carrying out an in-depth analysis. A programme of restructuring measures was also launched. Gemini's management expects to announce its first new technology programme with a large rolling stock operating company soon – a promising platform for future business growth. In 2019, Gemini expects sales on a twelve-month basis to be significantly up on the previous year and for EBITDA to be slightly positive as a result of implementing the turnaround plan.

Construction & Infrastructure segment

No.	Portfolio company	Industry	Headquarters	Acquisition
1	Eupec	Supplier of coatings for oil and gas pipelines	Gravelines, France	01/2012
2	BSL Pipes & Fittings (until Oct. 2018)	Manufacturer of pipeline components	Billy-sur-Aisne, France	07/2015
3	La Meusienne	Manufacturer of corrosion-resistant stainless steel tubes	Ancerville, France	04/2017

The market environment in the Construction & Infrastructure segment was shaped by the volatile price of oil and continued strong competition in the 2018 business year. Thanks to the acquisition of La Meusienne in the first half of 2017 and organic revenue growth at Eupec, segment revenue rose to EUR 77.7 million (previous year: EUR 65.1 million). EBITDA amounted to EUR −0.9 million (previous year: EUR 7.3 million). The previous year included income from the bargain purchase of La Meusienne amounting to EUR 13.1 million. BSL, which was sold in November 2018, had a significant negative impact of EUR −1.6 million (previous year: EUR −2.1 million) on adjusted segment EBITDA of EUR 0.2 million (previous year: EUR −5.0 million). Adjusted EBITDA picked up year on year at Eupec (up EUR 3.0 million) and La Meusienne (up EUR 1.7 million), a welcome development.

Eupec

Eupec Pipecoatings France, based in Gravelines (France), is a supplier of pipeline coatings with three locations in northern France. Eupec's key customers are in the oil and gas sectors.

The strategic repositioning initiated in the previous year paid off in 2018, with the company considerably improving both revenue and profitability and thus generating clearly positive EBITDA. Eupec also gained new customers thanks to successfully implementing its new sales approach.

In 2019, Eupec will make further headway with its strategic projects launched in the previous year. One major project involves boosting productivity in pipeline coating systems, thereby further improving competitiveness. In terms of costs, energy prices are expected to rise across Europe. Eupec plans to offset this rise as best possible by way of its projects and investments and by promoting a culture of continual improvement. Eupec is anticipating substantial revenue growth in 2019 and, due to lower project margins, positive EBITDA in the low single-digit million range that is down substantially on the figure for the 2018 financial year.

La Meusienne

La Meusienne, based in Ancerville (France), manufactures welded stainless steel pipes in western and central Europe. The market is shaped by fluctuations in the price of nickel and stainless steel, which impacts profitability.

La Meusienne's most important strategic measures are therefore centred on streamlining the product and customer portfolio. The company has removed products generating negative margins from its range, stepped up production of higher-quality products, obtained certificates for entering new markets and developed new, high-end ferritic steel products for the sanitary, chemical and pharmaceutical industries.

In 2018, La Meusienne generated slightly negative adjusted EBITDA of EUR −0.6 million (in line with planning), with revenue falling noticeably on account of adjustments to the product range and customer base and negative contribution margins in comparison to the previous year. This drop-in revenue was accompanied by a repositioning the product portfolio as part of a move towards high-margin business activities. By optimising production planning on the basis of a clear focus on high-quality products with strong margins and launching new heat treatment technologies at a laser welding facility, La Meusienne aims to reinforce its standing in new and existing markets. Further measures include more efficient capacity management, improved quality controls and increasing the pace of new product additions. Revenue is expected to remain steady year on year and EBITDA is expected to see an exceptional improvement to reach a figure in the low single-digit million range in the 2019 business year.

Wood & Paper segment

No.	Portfolio company	Industry	Headquarters	Acquisition
1	Zanders Group (until June 2018)	Manufacturer of speciality paper	Bergisch Gladbach, Germany	05/2015
2	Norsilk	Manufacturer of wood panelling and floor coverings	Honfleur, France	10/2015
3	Cenpa	Core board manufacturer	Schweighouse, France	05/2016

Developments on the relevant raw material markets had different effects on the individual companies in the segment in the 2018 financial year: While lower prices for recovered paper at Cenpa contributed to a significantly more positive operating result, Zanders and Norsilk showed a contrary picture due to higher pulp and wood prices. At the end of June 2018, Zanders' management filed an application to open insolvency proceedings. As a result, the court appointed a provisional insolvency administrator who reviewed the actions of the Zanders management for approval regarding the purpose of maintaining assets. The company was deconsolidated as of 30 June 2018 due to the resulting loss of control. In its decision of 1 September 2018, the court finally opened insolvency proceedings against the assets of the Company in the ordinary course of proceedings. Segment revenue fell from EUR 178.8 million to EUR 124.9 million, primarily on the back of the deconsolidation of Zanders. EBITDA amounted to EUR 16.2 million (previous year: EUR –4.5 million) and was influenced mostly by the EBITDA of EUR 18.1 million resulting from the deconsolidation of Zanders. Adjusted EBITDA for the 2018 financial year amounted to EUR –7.0 million (previous year: EUR –3.9 million) and was significantly influenced by Zanders' operating result (EUR –6.8 million, previous year: EUR –2.3 million).

Norsilk

The rise in the price of commodities in the first half of the year caused a substantial decline in the gross profit margin and, aggravated by falling revenue and the loss of a key customer, also produced an exceptional deterioration in the operating result. In the second half of the year, the new management gradually adjusted prices to reflect the higher purchasing price level and also began expanding commodities sourcing to include additional suppliers. Moreover, Norsilk is again aiming to streamline the organisation, a move that has become necessary on the back of declining revenue. The exceptional deterioration of the operating result has strained liquidity, which is strengthened by advance purchase financing and cyclical business. The company is addressing this through strict management of inventories. In 2019, Norsilk expects revenue to rise perceptibly, with an exceptional increase in the operating result to slightly positive earnings.

Cenpa

Thanks to continuing the strategic repositioning that began in 2017, Cenpa saw revenue and profitability improve considerably against the previous year in 2018, closing the year with EBITDA clearly positive.

The market environment was marked by a downturn in commodities prices in the waste paper market and increasingly strong competition. Strategic measures in 2018 included continuing to develop attractive new products, improving formulas, optimising processes and introducing a proactive sales approach. In 2019, Cenpa will continue its strategic projects introduced in the previous year. One key project relates to investing in an increase in paper machines in order to boost productivity and so further improve competitiveness. In terms of costs, energy prices are expected to rise across Europe. The projects and investments plan to offset the risk of this increase as best possible and keep profitability at a sustainable level in the medium-term. Revenue looks set to improve perceptibly year on year in 2019, whereas the operating result is expected to fall significantly due to rising energy costs.

Consumer Goods & Logistics segment

No.	Portfolio company	Industry	Headquarters	Acquisition
1	Artmadis Group (until April 2018)	Wholesaler of household goods	Wasquehal, France	08/2012
2	KLANN Packaging	Manufacturer of metal packaging	Landshut, Germany	06/2011

At EUR 33.8 million, segment revenue was far lower in the 2018 financial year than in the previous year (EUR 98.6 million). This is due chiefly to the sale of Grosbill in July 2017 and the deconsolidation of the Artmadis subgroup in the first half of 2018 resulting from the loss of control due to insolvency at Artmadis S.A.S. The operating result amounted to EUR 2.7 million (previous year: EUR –18.1 million). Including the result from deconsolidation, the deconsolidated Artmadis Group accounted for EUR –0.9 million of the operating result. As at the end of the reporting period, the Consumer Goods & Logistics segment thus comprised exclusively the metal packaging manufacturer KLANN.

KLANN Packaging

KLANN continued its strategy of differentiation from the competition in 2018 and aims to position itself as a quality provider of a premium product portfolio for an expanded customer base. This made it possible to compensate for the loss of a major customer due to the decline of the British pound and to diversify and broaden the customer base overall.

KLANN generated marginally positive EBITDA in the 2018 financial year. The company increased revenue by 8% year on year to EUR 14.1 million, although the operating result experienced an exceptional slump. The operating result did not improve, a consequence of staff shortages due to illness and the associated additional costs for temporary staff as well as higher costs of materials due to problems at suppliers. In the 2019 financial year, revenue is expected to remain in line with 2018 figures and EBITDA is expected to see an exceptional increase thanks to more efficient cooperation with key suppliers.

3. POSITION OF THE GROUP, INCLUDING FINANCIAL PERFORMANCE AND FINANCIAL POSITION

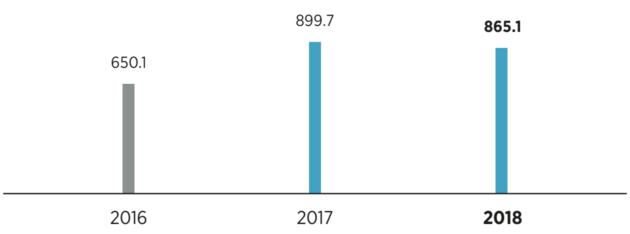
The Mutares Group acquires low-income companies and provides operational support for its investments as part of active restructuring and reorganization management. The consolidated financial statements of Mutares are significantly influenced by changes in the scope of consolidation. The initial consolidations and deconsolidations described above had a significant influence on the items of the consolidated statement of comprehensive income and the consolidated statement of financial position in the 2018 financial year. The development of the Mutares Group's operating earnings depends on the business performance of the individual investments and is also influenced by the date of the acquisition of new investments and the resulting release of the difference from capital consolidation to income as part of bargain purchases.

3.1 Financial Performance

The Mutares Group generated revenues of EUR 865.1 million in the 2018 financial year (previous year: EUR 899.7 million). This decline largely reflects changed to the consolidated group: A total decrease of EUR 101.6 million resulted from companies deconsolidated in the 2018 financial year. In addition, companies deconsolidated in the previous year still accounted for EUR 105.1 million of revenue in the 2017 financial year. By contrast, Group revenue rose by EUR 25.4 million due to the first-time inclusion of companies acquired in the 2018 financial year, and companies acquired in the 2017 financial year (in particular from the STS Group) contributed to revenue for twelve months of the 2018 financial year. Existing portfolio companies, i.e. those that were included in the Mutares Group for the full twelve months in both the 2018 and the 2017 financial years, reported moderate organic revenue growth.

Development of Group Revenues

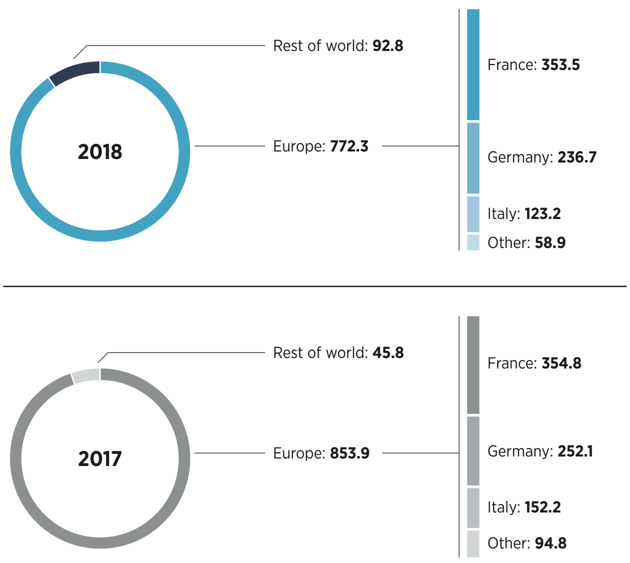
EUR million



Please refer to the information above regarding the distribution of revenue by individual segment. Revenue breaks down according to segments' registered offices as follows:

Revenues according to Regions

EUR million



As in the previous year, other income of EUR 107.4 million in the 2018 financial year (previous year: EUR 156.4 million) is attributable primarily to the effects of consolidation: As well as income from bargain purchases of EUR 32.3 million (previous year: EUR 87.3 million), gains amounting to EUR 40.9 million from the deconsolidation of subsidiaries deconsolidated in the financial year (previous year: EUR 37.1 million) had a particular impact. Other income also includes income from earn-out agreements from companies sold in the 2017 financial year (A+F Automation und Fördertechnik GmbH (EUR 2.6 million) and GeesinkNorba Group (EUR 8.6 million)) and income from the settlement agreement with the sellers of Balcke-Duerr (EUR 5.8 million).

The cost of materials amounted to EUR 532.4 million in the 2018 financial year (previous year: EUR 569.6 million). The cost of materials ratio (in relation to revenues) thus improved slightly from 63% to 62%.

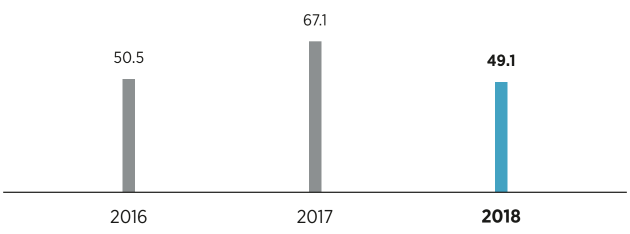
Personnel expenses decreased slightly year on year from EUR 251.6 million to EUR 244.7 million despite costs for personnel-related restructuring measures included in this figure (EUR 13.6 million; previous year: EUR 6.2 million).

Other expenses of EUR 146.4 million (previous year: EUR 163.7 million) reflect factors including positive effects from progress made in implementing restructuring measures. In the previous year, this also included deconsolidation losses of EUR 6.3 million and tax back payments at STS (EUR 5.3 million). The settlement of the long-standing legal dispute described above in the financial year resulted in an expense of EUR 5.5 million.

In the result, the Mutares Group's EBITDA amounted to EUR 49.1 million in the 2018 financial year (previous year: EUR 67.1 million).

Development of EBITDA

EUR million



The investments in the Group differ according to market, business model and progress in the restructuring cycle, hence the Group EBITDA naturally is subject to fluctuations. The Group EBITDA of the Mutares Group therefore allows only very limited conclusions about the actual operating performance of the individual companies in the portfolio.

Adjusted EBITDA (defined below in connection with the description of financial performance indicators) amounted to EUR 4.5 million (previous year: EUR –27.9 million). EUR 21.0 million of this was attributable to portfolio companies included in the Mutares Group as at the reporting date (previous year: EUR 0.0 million).

The reconciliation between the reported EBITDA and the adjusted EBITDA performance indicator is as follows:

EUR million	2018	2017
EBITDA	49.1	67.1
Income from bargain purchases	–32.3	–87.3
Restructuring and other non-recurring expenses	28.6	23.2
Deconsolidation effects	–40.9	–30.9
Adjusted EBITDA	4.5	–27.9

For information on transaction-related income (bargain purchases) and deconsolidation effects, please see the details above on business performance and the reports from portfolio companies.

Expenses from the measurement of Artmadis's assets and liabilities in connection with liquidation and deconsolidation (EUR 15.9 million) are recognised as non-recurring expenses in restructuring and other non-recurring expenses for the 2018 financial year. Expenses for severance and redundancy schemes (EUR 10.8 million) result largely from the Engineering & Technology segment and, within this segment, from restructuring plans at the new acquisitions (EUR 8.4 million). This also includes special effects from the IPO, legal and consulting costs, severance costs, fees for transition service agreements ("TSA") from STS (EUR 6.9 million) and expenses related to settling a legal dispute at Mutares AG (EUR 5.5 million). Also included are further non-recurring expenses in conjunction with the STS Group AG's IPO, the transition to IFRS at Mutares AG (EUR 1.6 million) and expenses for severance payments and redundancy schemes (EUR 2.5 million) at various Mutares Group portfolio companies. Conversely, income from earn-out agreements from companies sold in the 2017 financial year (A+F Automation und Fördertechnik GmbH (EUR 2.6 million) and GeesinkNorba Group (EUR 8.6 million)) and income from the settlement agreement with the sellers of Balcke-Duerr (EUR 5.8 million) was eliminated.

In the previous year, restructuring and other non-recurring expenses included in particular expenses for severance and redundancy schemes in the Engineering & Technology segment (EUR 11.0 million) and the Automotive segment (EUR 1.7 million), as well as legal, consulting, and TSA costs at STS (EUR 2.1 million). In addition, non-recurring effects resulted from the measurement of Artmadis's assets and liabilities in connection with the departure from the assumption that Artmadis will continue as a going concern (EUR 5.6 million).

Consolidated net income amounts to EUR 12.0 million (previous year: EUR 43.9 million).

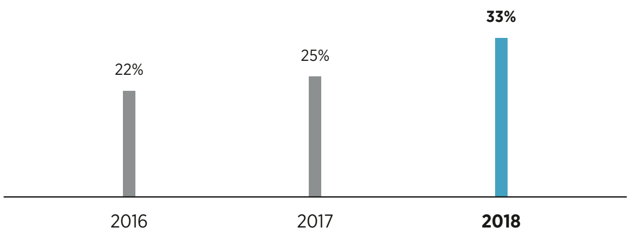
Other comprehensive income includes actuarial gains of EUR 1.6 million (previous year: EUR 8.5 million) in connection with accounting for provision for pensions. Other comprehensive income also includes exchange rate differences of EUR –0.9 million (previous year: EUR –1.5 million).

3.2 Financial position

The Mutares Group had total assets of EUR 630.8 million as at 31 December 2018 (previous year: EUR 672.8 million). The decline is reflected on the assets side in particular in property, plant and equipment (EUR 37.3 million) and inventories (EUR –30.2 million) and on the liabilities side in non-current pension provisions (EUR –55.7 million) and current liabilities (EUR –20.3 million). The main reasons for the decline are the deconsolidations of Zanders and Artmadis, while the acquisitions of the Kalzip Group and Gemini Rail Group partially offset the drop.

Equity Ratio

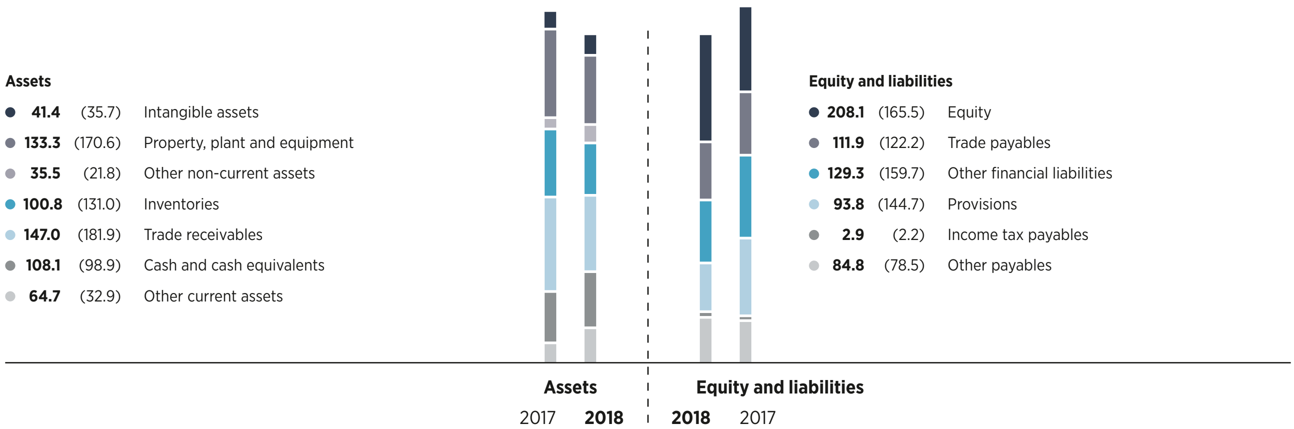
in percent



Donges SteelTec GmbH's business premises are to be sold and then leased as part of a sale and leaseback transaction. This will therefore no longer be recognised as part of property, plant and equipment, but instead within non-current assets held for sale.

Balance Sheet Structure

EUR million (previous year)



Cash and cash equivalents amounted to EUR 108.1 million as at 31 December 2018 (previous year: EUR 98.9 million). This is offset by current liabilities to banks and loans, part of the item current financial liabilities in the statement of financial position, amounting to EUR 66.4 million (previous year: EUR 80.0 million), which mainly result from loan liabilities and the disclosure of "non-genuine" factoring. The net cash position thus amounts to EUR 41.7 million (previous year: EUR 18.9 million).

Equity amounted to EUR 208.1 million as at 31 December 2018 (previous year: EUR 165.5 million). The main reason for the increase is the success of the IPO of STS Group AG and total comprehensive income. The equity ratio was 33.0% as at 31 December 2018 (previous year: 24.6%). Regarding the information relating to the acquisition of treasury shares in accordance with section 160(1) no. 2 of the Aktiengesetz (AktG – German Stock Corporation Act), please refer to the information in the notes to the consolidated financial statements.

The non-current liabilities of EUR 93.1 million (previous year: EUR 157.4 million) consist of long-term provisions of EUR 60.3 million (previous year: EUR 108.5 million), which, at EUR 47.0 million (previous year: EUR 102.7 million), again comprise mainly pension provisions. This decline is due in the most part to the deconsolidation of Zanders described above and is partially offset by the addition of the Kalzip Group.

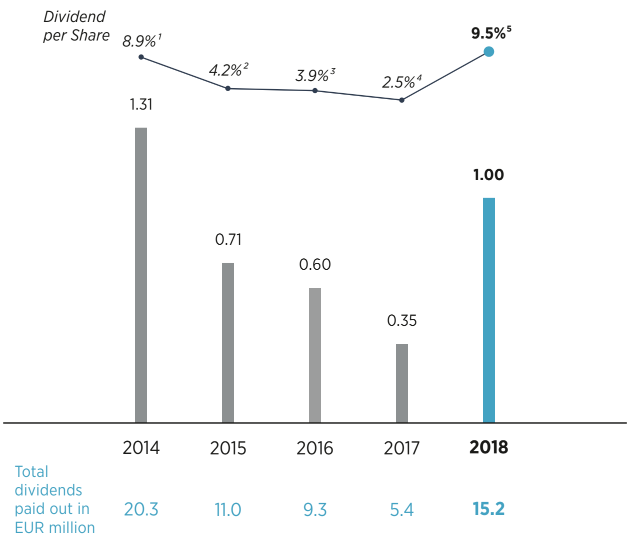
Other financial liabilities of EUR 129.3 million (previous year: EUR 159.7 million) comprise primarily liabilities to financial institutions and loans (EUR 74.6 million; previous year: EUR 104.1 million). In turn, the majority of these are attributable to the STS subgroup (EUR 52.3 million, previous year: EUR 56.6 million). Other liabilities to banks and loans comprise largely bank liabilities and factoring at Elastomer (EUR 9.8 million; previous year: EUR 8.9 million) and the recognition of "non-genuine factoring" at La Meusienne (EUR 6.1 million; previous year: EUR 6.0 million) and Norsilk (EUR 4.3 million; previous year: EUR 2.3 million). As part of a settlement agreement with the sellers of the Balcke-Duerr Group, a vendor loan of EUR 8.8 million granted by the sellers as part of the transaction was prematurely repaid in the first half of 2018 against payment of EUR 3.0 million.

Liabilities to former shareholders, i.e. former shareholders at investments, within other financial liabilities result primarily from the STS subgroup, totalling EUR 6.8 million (previous year: EUR 7.7 million) with nominal interest rates of between 1.0% and 5.0% and terms of between one and five years. In addition, as in the previous year KLANN Packaging GmbH had a liability to the sellers of EUR 3.3 million (variable interest rate between 1% and 3.5%, term of over five years). A loan with a principal of EUR 2.1 million was transferred to the company from the previous owners of Donges SteelTec GmbH for EUR 1 in the financial year.

Cash flow from operating activities amounted to EUR –11.1 million (previous year: EUR –29.1 million) in the 2018 financial year. This resulted primarily from consolidated net income of EUR 12.0 million (previous year: EUR 43.9 million), including non-cash expenses and income totalling EUR 45.7 million (previous year: EUR 82.7 million), changes to the working capital statement of financial position item which declined by EUR 20.9 million (previous year: up EUR 1.5 million) and interest rate and tax effects of EUR 1.7 million (previous year: EUR 10.6 million). Cash flow from investing activities of EUR –3.1 million (previous year: EUR 23.9 million) resulted essentially from net investment in property, plant and equipment and intangible assets (EUR –20.1 million; previous year: EUR –3.7 million) and, conversely, the acquisition of cash and cash equivalents of the newly acquired companies (EUR 20.6 million; previous year: EUR 2.1 million). Proceeds and payments from disposals from the consolidation group amounting to EUR –2.5 million (previous year: EUR 25.3 million) also had an impact. Cash flow from financing activities amounting to EUR 23.4 million (previous year: EUR 34.5 million) resulted in particular from payments in connection with the STS Group AG's IPO, which was partially offset by the dividend distributed to the shareholders of Mutares AG (EUR 15.2 million; previous year: EUR 5.4 million). Net inflows from factoring totalling EUR 36.3 million had particular impact. As a result, cash and cash equivalents amounted to EUR 108.1 million as at 31 December 2018 (previous year: EUR 98.9 million).

Development of Dividend per Share

in EUR



[1] Based on closing price 15/05/2014 plus dividend (payout date 12/05/2015) adjusted based on total number of shares 2014 of 2,027,760)
[2] Based on closing price 26/05/2015 (adjusted based on total number of shares 2015 of 2,339,772)
[3] Based on closing price 06/06/2016
[4] Based on closing price 24/05/2017
[5] Based on closing price 26/07/2018

As at the end of the reporting period, the unused credit lines totalled approximately EUR 7 million (previous year: approximately EUR 16 million) and relate largely to available factoring lines. The decrease in other credit lines to around EUR 2 million (previous year: EUR 8 million) is due chiefly to the deconsolidation of Artmadis and Zanders.

The Executive Board expects that the Group will continue to be able to meet its payment obligations as scheduled at all times in future.

3.3 Executive Board's assessment of business performance

The main measure of success in the Mutares Group is the progress achieved in restructuring and developing its portfolio companies and M&A transactions concluded that contribute to an increase in value in the Group following a successful turnaround and to an increase in the value of the Group following further development depending on the situation.

The Executive Board is very satisfied with the progress achieved in restructuring and development at some portfolio companies, but still feels there is considerable potential for improvement at other portfolio companies. The Executive Board rates the performance at the STS Group, the Balcke-Duerr Group, the Donges Group, Eupec and Cenpa as positive.

In view of the high number of acquisitions and the partial exit of the STS subgroup, the Executive Board is very satisfied with transaction activities in the 2018 financial year. In particular, it sees the large number of add-on acquisitions as positive and considers this development promising. Overall, Mutares is thus well equipped to sustainably improve the Group's financial position and financial performance moving ahead.

All told, the Executive Board is pleased with developments in the 2018 financial year.

3.4 Financial and non-financial performance indicators

The key financial performance indicators of the Mutares Group are:

- Revenue
- Operating earnings (EBITDA = earnings before interest, taxes, depreciation and amortisation)
- Adjusted EBITDA (see below)
- The net cash position (cash and cash equivalents less current liabilities to banks and loans)
- Cash flow from operating activities

Negative goodwill from acquisition accounting (bargain purchases) are recognised directly in profit or loss in the year of the transaction. On the other hand, restructuring and other non-recurring expenses such as expenses for measuring assets and liabilities in connection with liquidation and deconsolidation or legal and consulting costs (e.g. relating to an IPO) may also be recognised in subsequent periods. In 2018, the Executive Board therefore introduced another alternative performance indicator in the form of EBITDA adjusted for non-recurring effects, which is known as "adjusted EBITDA" in internal management and reporting. The calculation is based on reported Group EBITDA (earnings before interest, taxes, depreciation, and amortization), adjusted for transaction-related income (bargain purchases), restructuring expenses, other non-recurring expenses and deconsolidation effects. This presents operating developments in a more transparent light and allows the Executive Board to assess financial performance more effectively.

For details on the performance of individual financial performance indicators, please see the information above in the comments on financial performance (3.1) and financial position (3.2).

With regard to the forecasts made in the previous year's management report, the actual development is as follows:

- The Automotive and Construction & Infrastructure segments reported a year-on-year upturn in revenues. However, revenues in the Engineering & Technology and Wood & Paper segments declined, contrary to the guidance. Please see the information above regarding the individual driving forces.
- In line with guidance, Group earnings (EBITDA) were clearly positive, albeit down significantly on the figure for the 2017 financial year which was influenced by high non-recurring income from acquisitions (also in line with the Executive Board's guidance in the previous year). Please see the information above regarding the individual driving forces.
- In accordance with the forecast in existing portfolio companies, the development in cash flow from operating activities was predominantly positive.
- The net cash position did not merely pick up slightly in comparison to 31 December 2017, in fact it more than doubled. This primarily reflects a significant decline in current liabilities to banks and loans, as well as higher cash and cash equivalents. Please see the information above for the reasons behind this.

The Mutares Group is managed on the basis of financial performance indicators. No further information is therefore given on non-financial performance indicators that are used occasionally.

3.5 Subsequent events

Please see the information in the notes to the consolidated financial statements regarding the supplementary report.

4. FORECAST, OPPORTUNITIES AND RISKS

4.1 Risk management and internal control system

Like any entrepreneurial activity, the business operations of Mutares involve opportunities and risks. We define risks as possible future developments or events that could result in a negative deviation from forecasts or targets for the Group. Conversely, opportunities can lead to a positive deviation from forecasts or targets.

RISK MANAGEMENT SYSTEM

Risk management, taken as the entirety of all organisational regulations and measures to identify risks at an early stage and appropriately handle the risks of our business activities is a top priority at our Group and plays a central role in our business model. The Executive Board has set up a systematic, multi-stage early risk warning system to allow early identification of developments and to optimally avoid, limit or control material risks that could threaten the future of the Group as a going concern. All critical contract modules, business developments and liability risks are examined thoroughly and are followed up on a regular basis in reviews of the subsidiaries and at Executive Board and Supervisory Board meetings. Standardised reporting by all portfolio companies on a monthly basis gives the Executive Board a comprehensive picture of the portfolio as a whole. In addition, Mutares works closely with experienced restructuring managers at the portfolio companies, who check compliance with internal requirements at the locations of respective subsidiaries and together with Mutares AG work out specific steps to implement them. The Executive Board monitors the business performance of the portfolio companies in regular reviews and receives reports on the financial position and performance of all equity investments on the basis of the reporting system in place. Mutares maintains enough free capacity to be able to react flexibly and appropriately where necessary.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITHIN THE FINANCIAL REPORTING PROCESS

The internal control and risk management system has an appropriate structure and processes that are defined accordingly. It aims to guarantee the prompt, uniform and correct accounting entry of all business transactions. For the consolidation of the subsidiaries included in the consolidated financial statements, the internal control system ensures that legal standards, financial reporting requirements and internal instructions on financial reporting are complied with. Changes therein are continuously analysed with regard to relevance to and impact on the consolidated financial statements and accounted for accordingly. The Group's Finance department actively supports all segments and Group companies here, both in the preparation of uniform guidelines and work instructions for processes relevant to financial reporting and in the monitoring of operating and strategic targets. In addition to defined controls, automated and manual coordination processes, the segregation of implementing and controlling functions and compliance with guidelines and work instructions are essential elements of the internal control system. For example, the control system includes the Group accounting manual, the risk handbook and system plausibility assessments for supplying data or settling balances between Group companies.

Group companies are responsible for compliance with the applicable guidelines and financial reporting processes and the proper and timely preparation of financial statements. In the financial reporting process, the Group companies are supported by central contact partners.

The listed subsidiary STS Group AG uses its own risk management and control system.

4.2 Opportunities and risks of future development

FUTURE GENERAL ECONOMIC CONDITIONS

Economic developments

Following on from the strong year in 2017, the global economy continued to grow in 2018, albeit more slowly. According to forecasts by the ifo Institute in Munich ("ifo Economic Forecast Winter 2018", published on 13 December 2018), the world economy should continue to expand in 2019, too. Nonetheless, momentum is likely to continue to slacken. Except for the UK, the experts of all advanced economies continue to assess their respective situation and expectations as positive. The development in emerging economies is mixed to a certain degree yet indicates a positive outlook. The Chinese economy looks set to expand somewhat less rapidly due to high levels of debt within the corporate sector, although the Central Bank has since adopted a more expansive stance. It is assumed that the European Central Bank (ECB) will continue its expansionary monetary policy, which is likely to contribute to a positive consumer spending and investment climate.

Considering that Mutares has specialised in acquiring unprofitable companies, the economic situation in Europe represents an opportunity, especially in France, Italy and Germany which lag behind the rest of Europe in their economic development. At existing portfolio companies, the ongoing restructuring is supported in part by persistent, albeit weaker, economic momentum.

Geopolitical developments

The risks of global economic development are largely balanced. Britain leaving the EU on unregulated terms ("hard Brexit") and the resulting collapse of a sales and purchasing market would represent a significant risk. If suppliers stop providing goods or services due to transport difficulties, this may lead to price hikes if some suppliers take advantage of this bottleneck. Brexit should not have a direct impact on Group companies that operate in the UK, such as Gemini, beyond the country-specific risk for the economy.

The by international standards high level of debt in the Chinese corporate sector could also pose a risk to financial stability, substantially undermining economic sentiment as a result. What is more, an escalating trade dispute between the US and China could pose a major risk to the world economy and therefore to growth prospects at our portfolio companies. On the other hand, it could become cheaper to purchase materials if key trading partners increasingly turn to other markets besides the US and China.

A rapid further rise in lending rates in the US could pose a further risk to the economy and, in turn, Group companies' growth prospects. The tax reform and related tax cuts are likely to result in a sharp increase in US government debt, which could result in an increase in capital demand and thus to rising interest rates on the capital market. Protectionist policies in the form of duties could pose a further risk to the economic development of the Euro area.

INTRINSIC OPPORTUNITIES AND RISKS OF THE BUSINESS MODEL

The success of our business model, which consists of acquiring and restructuring companies, largely depends on our ability to identify suitable portfolio companies, to acquire such companies at a favourable price and to support them by means of active investment management. In this context, the selection of suitable managing directors and managers for the portfolio companies is crucial. The acquisition of companies in turnaround situations or special situations, without having subsequent regulation or with low profitability or a need for restructuring, gives rise to high potential for value added. If the companies acquired can be successfully developed further, there is a chance that their value will increase significantly. To this end, the Group companies – depending on the respective corporate strategy – focus their analysis on the strengths and weaknesses in the respective market environment to utilise the opportunities identified and optimisation potential. Ultimately, Mutares must sell portfolio companies at a price exceeding the total expense for Mutares of acquiring, supporting, developing and holding the respective portfolio company.

Intensified competition

Strategic realignments of large corporations result in a stable supply of acquisition opportunities. However, price expectations among sellers are continuing to rise, driven by the central banks' current monetary policy. The fundamental attractiveness of "companies in turnaround situations" as a market segment has also led to greater competition. For example, 2018 saw funds entering the market as competitors, in particular in France. In addition to the rising number of direct competitors, strategic buyers, especially from China, are increasingly entering the market segment in order to expand their business activities. However, Mutares successfully counts on its reliability and expertise as an experienced restructuring expert for companies in need for repositioning.

The acquisition process

Significant tax risks, legal risks and economic risks are associated with acquisitions of portfolio companies in turnaround situations and special situations even if an extensive analysis of the company (due diligence) has been conducted in advance. Liabilities, obligations and other negative factors at the respective target company that were not known or identifiable at the point of the acquisition, despite having performed due diligence, can cause significant potential harm to the Mutares Group. This is especially possible in situations in which Mutares AG issues guarantees to sellers. The Mutares Group frequently acquires loss-making parts of larger corporations for which the selling companies demand guarantees that the company being sold will be maintained as a going concern for a certain period. In such cases, it is possible that the financial position and performance of the Mutares Group could be negatively affected, even if the selling company provides significant financial resources for the restructuring.

On the basis of fundamental considerations and in order to minimise the impact of insolvency of Group companies, neither profit transfer agreements nor cash pooling agreements are entered into. In individual cases and after detailed analysis, growth or working capital financing, warranties, loans or similar are granted or promised to Group companies in order to take advantage of business opportunities. The utilisation of such guarantees or defaults on loans can result in negative consequences for the financial position and performance of the Mutares Group.

To reduce the extent of possible risks, Mutares uses a corporate structure in which the operational risks of each portfolio company are limited by a legally independent company ("intermediate holding company"). This should ensure that the total risks that could occur cannot exceed the previously established maximum risk. This is usually equal to the purchase price paid plus further financing measures, less the returns from the operating activities of the respective company received over the holding period.

Lack of restructuring success

The investment focus of Mutares is on companies in turnaround situations with low profitability, which gives rise to high potential for value added if Mutares succeeds in developing the portfolio companies successfully as planned. In individual cases, Mutares could also acquire companies where the restructuring process turns out to be more difficult than anticipated during the preceding due diligence. Even in cases of careful and conscientious selection of the portfolio companies, it cannot be ruled out that in individual cases Mutares' intended success does not materialise or take longer than expected, or that the economic environment in countries that are important for the portfolio companies could deteriorate.

If the achievable market position, the earnings potential, the profitability, growth opportunities or other significant success factors are misjudged, this has consequences for the company's operating growth and thus for the return on the investment. It also cannot be ruled out that the restructuring feasibility of the portfolio company will be misjudged, or that risks are missed or misjudged prior to the acquisition. It is therefore possible that the value of portfolio companies could decrease, the measures implemented might not be successful and that Mutares might fail to turn the company around for a large number of reasons. As a result, portfolio companies would have to be resold below their purchase price or ultimately have to declare insolvency in a worst-case scenario. In such event, Mutares would suffer a total loss of the capital employed, i.e. lose all financial resources that the Group has used for the acquisition, the ongoing support and, if necessary, the financing of this company. This scenario is currently unlikely for Group companies as of 31 December 2018. This risk materialised for two portfolio companies in the 2018 financial year, with Artmadis and Zanders filing insolvency.

Diversification of the portfolio

The Mutares Group is not limited to certain industries or regions in the selection of portfolio companies. The emphasis is on medium-sized companies or parts of companies located in the European Economic Area that are in turnaround situations. The existing segments constitute focal areas. This can lead to a concentration of investment within an industry or region, which exposes the company to industrial or regional risk. Mutares strives to minimise these risks by diversifying its portfolio and, therefore, to limit the risk associated with individual portfolio companies, industries or regions from economic fluctuations. However, the diversification of a portfolio can only reduce the risk associated with particular industries or regions. Economic developments and the development of financial markets are not limited to particular industries or regions. Their impact on the company's success can thus only be reduced by diversification to a limited extent.

OTHER AREAS OF RISK AND SIGNIFICANT INDIVIDUAL RISKS

Legal opportunities and risks

Mutares AG buys and sells companies. Various opportunities and risks can arise as a result. On the one hand, commitments arising from the purchase agreements or business plans communicated before a transaction might not be met in individual cases. On the other hand, legal matters at acquired companies could become considerably more positive or critical than previously thought as they progress. Both can lead to litigation in which the outcome cannot always be clearly assessed.

In relation to agreements regarding the sale of portfolio companies, under certain circumstances, Mutares as a seller issues warranties that could result in legal disputes or enforcement by the buyer. Issuing warranties may distinguish Mutares from the competition when it comes to potential investments if competitors are unable to issue warranties due to their own statutes. In individual cases, the potential enforcement of such warranties by the buyer can lead to negative consequences for the financial position and financial performance of the Mutares Group.

Risk of piercing the corporate veil

The Mutares Group frequently operates in foreign legal systems. Given that legal systems abroad are more restrictive than the German system, there is a higher liability risk, e.g. risks associated with piercing the corporate veil. In France, where several portfolio companies have their main economic focus, there are verdicts that extend the obligations of an employer ("co-employer" or "employer conjoint") to its parent company. Recently, the argument supporting "co-employer"/"employer conjoint" has been clarified by case law. Mutares has managed its human resources in a way that prevents the piercing of the corporate veil. However, the risk of future liabilities cannot be ruled out.

Obligations from business combinations

The STS Group AG acquired some of the business activities of a third party effective 30 June 2017. The purchase price is calculated based on an assumed enterprise value of EUR 16.5 million using an adjustment mechanism dependent on the conditions and circumstances at the time of the transfer of beneficial ownership, which are ascertained after the acquisition is complete. A payment of EUR 10.6 million was already made, i.e. at the time of the transfer of beneficial ownership. The seller is also claiming a further payment of EUR 1.7 million while Mutares is assuming a reduction and thus a reimbursement by the seller. However, the process of calculating the final purchase price is not yet complete, hence the payment obligation for the STS Group AG cannot yet be conclusively quantified.

Mutares AG and one of its direct subsidiaries have signed a settlement agreement with the sellers of Balcke-Duerr GmbH and other subsidiaries under which the guarantee given by Mutares AG to ensure the fulfilment of indemnification obligations is increased and again limited to an amount of EUR 5.0 million and then reduced to EUR 0 in the period up to 31 December 2021. At the present time, Mutares AG is still not expected to be called under this guarantee. The other guarantee provided by Mutares AG to secure the temporary financing of affiliated companies has been cancelled and replaced by a guarantee from Mutares AG to provide net dividends received for a limited period until 30 December 2020 again as financing if required. Both guarantees of Mutares AG with regard to the aforementioned matters are still limited to a total of EUR 10.0 million.

In the context of this settlement agreement, and a payment of EUR 3.0 million, an early repayment of a vendor loan of EUR 8.8 million initially granted by the sellers as part of the transaction was executed.

Furthermore, Mutares is required to pay a purchase price, which will be calculated based on the working capital at the time beneficial ownership is transferred, for the acquisition of shares in La Meusienne S.A.S. There is a disagreement between Mutares and the seller of these shares regarding the interpretation of the purchase agreement and the actual conditions and circumstances at the time of the execution of the acquisition. The seller is demanding an amount of EUR 1.7 million, but based on the facts and the legal situation we do not currently expect to have to pay.

Obligations from sales of companies

In connection with the sale of all shares in A+F Automation and Fördertechnik GmbH by a direct subsidiary, Mutares AG has issued the buyer a joint and several guarantee for the fulfilment of certain obligations of the direct subsidiary regarding potential warranty claims, potential specific indemnity claims and potential specific claims to reimbursement. This joint and several guarantee will remain in effect until 30 September 2019 as regards regular warranty claims, until 31 December 2020 as regards fundamental warranty claims and until 31 December 2022 as regards the indemnity claims, while the guarantee for the reimbursement of costs will remain in effect indefinitely. In terms of amount, these claims are limited to EUR 4.0 million as regards the regular warranty claims (except for fundamental warranties), to EUR 50 thousand as regards the claims to reimbursement, and to the basic purchase price for all other claims.

When selling all shares in BSL, Mutares AG has also guaranteed to meet the obligations of the seller, a direct subsidiary of Mutares AG, in the event of claims arising from standard warranty obligations. This guarantee is limited to EUR 0.5 million and a period of 18 months after the sale was made in November 2018.

Other obligations

Indirect subsidiaries of Mutares AG are jointly and severally liable as participants in civil-law partnerships within the framework of joint ventures or consortium agreements with a maximum term of 2025. As of the end of the reporting period, this liability relates to projects with a total contract value of approximately EUR 208 million (previous year: EUR 266 million). The company's own share in this amounts to EUR 88.8 million (previous year: EUR 123.1 million). Based on the ongoing credit ratings of the consortium partners, we do not assume that the shares of other companies will be drawn upon. With the exception of the amounts recognised as provisions for onerous contracts or as part of loss-free valuation, we do not assume that the equity portion will be utilised either.

There are other warranties, guarantees, commitments and obligations totalling EUR 12.8 million (previous year: EUR 42.0 million).

Financial risks

Price risk, credit risk and liquidity risk

Price, sales and demand fluctuations or supply shortages on the side of customers or suppliers, as well as general trends from the commodity and capital markets, might negatively affect the financial position and performance of the Mutares Group. Mutares counters these risks at the level of portfolio companies through continuous and timely monitoring of the results and the progress of projects using key indicators (such as cash and cash flow development) in order to intervene at an early stage. In addition to extensive reviews on site, Mutares additionally introduced a central management information system (MIS) in 2010, which enables ongoing comprehensive monitoring of the performance of portfolio companies. The level of cash and cash equivalents is monitored on a weekly basis. Nevertheless, there is still a risk that the management information system could provide information that is insufficient, late or incorrect, leading to wrong decisions.

The main risks relate to the proper quantification of future prospects and restructuring costs of portfolio companies, the provision of adequate funding and the provision of appropriate personnel resources by Mutares AG. Mutares limits these risks as far as possible through focused due diligence and subsequently through continuous monitoring.

With trade receivables, there is the risk of a loss to the Group if one of the parties fails to meet its contractual obligations. The Mutares Group partly takes out credit default insurance policies to hedge the risk. Furthermore, the Group is supposed to conduct business only with partners of good credit standing and, if appropriate, with collateral in order to mitigate the risks of loss arising from non-fulfilment of obligations.

Financing risks

In the management's view, the further development of the Mutares Group depends to a not insignificant extent on financing risks, which can have a major impact on the financial position and financial performance of the Mutares Group.

Portfolio companies with existing credit or credit insurance facilities at the time of acquisition are always exposed to the risk that the financing partners will terminate these facilities at short notice in the event of a change of ownership. In addition, if the company's performance is below forecast, it can result in the repayment of liabilities being only delayed or not completely possible. Mutares aims to limit this risk by contacting the relevant financing partners shortly before or after acquisition to discuss the current financial situation and the restructuring programme for the portfolio company.

In the case of financing, there may be an interest rate risk that can be hedged by means of derivatives (swaps) after the individual case has been reviewed by converting a variable interest rate into a fixed interest rate. Credit lines also usually include covenants that, if breached, may give the financing partner the right to terminate and thus have a negative impact on the financial position. Elastomer Solutions Slowakei breached the financial covenants in the loan agreement. In talks, the banks providing the financing said that they are willing to continue the credit facilities. In future, this will be dependent on improving the operating result. At present, the management assumes that the credit facilities will continue. There are not currently any other breaches of financial covenants at the Mutares Group.

Especially for portfolio companies that continue to grow with new strategies after a successful restructuring, access to external credit facilities is essential. Despite the central bank's expansionary monetary policy, it might not always be possible to secure financing of this kind.

Insurance coverage for trade credit

In the past, and particularly in cases of changes in ownership, trade credit insurance providers have undertaken intensive examinations of ongoing contracts, leading to a risk of deterioration or termination of the insurance conditions. This can result in some portfolio companies having higher liquidity requirements due to the advance payments demanded by suppliers. At the same time, a risk of increased defaults arises due to the lack of insurance coverage for trade credit. Mutares counters these risks at the portfolio companies by means of strict management of accounts payable and receivable in line with the circumstances or attempts to reach an agreement in the sales agreement with the seller, provided that the seller remains the material supplier following the acquisition.

Sales risks

Part of the restructuring process involves adjusting the product and customer portfolio to take account of negative contribution margins. The loss of key, profitable customers or the delay of larger incoming orders in particular can negatively impact the financial position and financial performance of individual portfolio companies. This is countered by actively collaborating with customers and a systematic sales structure and sales activities at the level of the respective subsidiary. Primarily for customers who account for a large share of revenue of the respective portfolio company, the focus is on concluding longer-term contracts which is expected to increase planning reliability. Cultivating customer relationships can result in better opportunities for orders and major orders, in particular if orders have been processed in a mutually beneficial way in the past.

Production risks
The individual subsidiaries of the Mutares Group are exposed to different production risks. After the acquisition of a company, there is the risk that the optimisation measures implemented by Mutares will not be effective or only have a delayed effect and that cost savings will not be realised or will be delayed. In addition, quality issues and delays in new and further development of products can result in a loss of orders and customers at the respective company, which has a negative impact on the financial position and financial performance of the respective company. Mutares responds to such risks by employing experienced staff and closely monitoring production processes.

Purchasing risks
In terms of purchasing, Group companies are exposed to risks such as supplier default, late or poor-quality deliveries and price fluctuations, particularly in commodities. Mutares counters these risks by setting up a professional procurement management system and closely monitoring the respective suppliers.

Personnel risks
The acquisition and sale of businesses, as well as their restructuring and strategic development, requires the persons involved to have a high degree of professional expertise and management experience. As part of its business model, Mutares AG must ensure that it has access to adequately qualified personnel. For this reason, management reviews and recruitment interviews are held on a regular basis, thus ensuring the qualitative and quantitative development of the management team. Through careful staff selection, a great autonomy of employed restructuring managers and a high share of variable, performance-based remuneration, Mutares AG provides an attractive working environment for entrepreneurially oriented personalities. Another key success factor is recruiting qualified staff. Staff shortages can present a risk when it comes to reaching targets, especially in the rural areas of some portfolio companies. This effect is compounded when the region features other major employers.

IT risks and data security
The business and production processes, in addition to the internal and external communications, of companies are largely based on information technology. The data protection requirements resulting from the new General Data Protection Regulation are rising and changing on an ongoing basis, especially with regard to the confidentiality, availability and integrity of personal data. It is particularly important to provide reliable protection against unauthorised access, i.e. to sensitive information on potential transactions, the portfolio companies or economic information of the Mutares Group. There is the threat that unauthorised access could be gained via a hacker attack through vulnerabilities in the Mutares Group network. A major disruption or a failure of the systems used could lead to a deterioration of business and production systems or even a complete loss of data.

Therefore, the creation, monitoring and training of IT documentation with regard to the hardware used, software licenses, the network and security policies, including access and data security concepts, is an essential part of the Mutares Group's risk provisioning. The IT structures and data streams within the Mutares Group are largely standard. To prevent potential defaults, data losses, data manipulation and unauthorised access to the IT network, Mutares AG uses current, standard software from renowned suppliers specific to each case and industry. If necessary, this will be supplemented by Group-specific internal developments that are subject to quality control carried out on an ongoing basis. Backup systems, mirrored databases and defined contingency planning protect data and ensure availability. The IT systems are protected by special access and authorisation rights and effective anti-virus software that is updated on an ongoing basis.

Newly acquired Group companies face the challenge of extracting their existing IT systems from the previous parent company's IT landscape quickly, economically and without system failures. Such transitional phases also entail the risks identified.

Tax risks
Tax risks are constantly monitored and, given their complexity, are generally handled in consultation with expert third-party tax consultants. As a result of tax audits and ever-changing tax legislation, it cannot be ruled out that negative consequences for the financial position and performance of the Mutares Group could arise.

Overall assessment of the risk and opportunity situation
Reaching a settlement with Diehl for the legal dispute in connection with the acquisition of the Photovoltaics division has improved the risk situation substantially. Moreover, there has been no material change to opportunities and risks in comparison to the previous year.

Based on the information currently available, no risks are identifiable that individually or combined could jeopardise the Mutares Group as a going concern. However, owing in particular to the continuing uncertainty of future economic developments worldwide, it is possible that future earnings will deviate from the current expectations of the Executive Board of Mutares AG.

4.3 Forecast report

The business performance of the Mutares Group firstly depends largely on the acquisition and disposal of investments and, secondly, on the development of existing portfolio companies. The forecast is based on the assumption that the composition of the Group will remain unchanged against the date these statements are signed, that growth in Europe will drop off slightly year on year in the 2019 financial year but will not result in an economic slump, that inflation will rise marginally and that commodity prices will not increase significantly.

Mutares achieved its expectation of at least three new acquisitions in the reporting period as stated in the previous year's forecast report for the 2018 financial year. Consolidated operating earnings (EBITDA) were clearly positive in the 2018 financial year and, as expected, were down on the 2017 financial year due to high non-recurring income in the previous year. The net cash position more than doubled year on year, considerably surpassing expectations.

In future as well, the Mutares Group will continue to assess new acquisitions on an ongoing basis and develop further based on company size and the attractiveness of its business. The Executive Board expects that acquisition business within the target segment of "companies in special situations" will continue to develop positively due to continuing economic uncertainty and changes, in spite of increasing competition. In addition to the Donges Group's two add-on acquisitions, the Executive Board is therefore planning at least three new acquisitions per financial year in 2019 and in subsequent years. In addition, it is intended to steadily dispose of investments depending on how the sector in question performs.

In light of acquisitions made up to the date of preparation, as well as plans at some new segments, the Executive Board is anticipating a marked upturn in revenue in the 2019 financial year. The Engineering & Technology segment (2018 revenue: EUR 206.1 million) looks set to contribute to a substantial year-on-year rise in Group revenue, while revenue is expected to remain stable against the 2018 financial year in the Automotive & Mobility (2018 revenue: EUR 437.0 million) and Goods & Services (2018 revenue: EUR 141.2 million) segments.

Taking into account acquisitions made at the time of preparing these statements, reported EBITDA should amount to approximately the same level as in the 2018 financial year.

Adjusted EBITDA should see an exceptional increase, taking into consideration acquisitions already concluded in the 2019 financial year. The exceptional rise in adjusted EBITDA is expected thanks to disposals of operative companies with negative operating results in the 2018 financial year and, in particular, to the substantial progress planned in the Engineering & Technology segment, which generated adjusted EBITDA of EUR 4.2 million in the 2018 financial year.

The Group's cash flow from operating activities should improve substantially against the reporting period thanks to further operating improvements. The implementation of restructuring measures will have a negative impact on operating cash flow.

On the basis of the current portfolio, the Executive Board expects the net cash position in 2019 to fall substantially against the 2018 financial year.

Overall, the Executive Board expects the Mutares Group to develop positively over the next few years.

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF PROFIT AND LOSS

From 1 January to 31 December 2018

EUR million	Note	2018	2017
Revenues	6	865.1	899.7
Change in inventories		0.1	–4.1
Other income	7	107.4	156.4
Cost of material	8	–532.4	–569.6
Personnel expenses	9	–244.7	–251.6
Other expenses	10	–146.4	–163.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**49.1**	**67.1**
Depreciation and amortisation expenses	16, 17	–29.7	–27.1
Earnings before interest and taxes (EBIT)		**19.4**	**40.0**
Interest and similar income	11	0.5	3.4
Interest and similar expenses	11	–5.1	–7.9
Profit before tax		**14.8**	**35.5**
Income tax expense/income	12	–2.8	8.4
Net income for the year	**13**	**12.0**	**43.9**
Of which attributable to:			
Shareholders of the parent company		14.7	44.2
Non-controlling interest		–2.7	–0.3
Earnings per share in EUR (basic)	**14**	**0.96**	**2.85**
Earnings per share in EUR (diluted)	**14**	**0.96**	**2.85**
Other comprehensive income			
Net income for the year	**13**	**12.0**	**43.9**
Other comprehensive income after income taxes		**0.7**	**7.0**
Items reclassified to profit or loss in future if certain conditiones are met			
Currency translation differences		–0.9	–1.5
Items not subsequently reclassified to profit or loss			
Actuarial gains/losses	36	1.6	8.5
Total comprehensive income	**13**	**12.7**	**50.9**
Of which attributable to:			
Shareholders of the parent company		15.5	50.8
Non-controlling interest		–2.8	0.1

Since 1 January 2018 Mutares has applied the new standards IFRS 9 and IFRS 15 for the first time. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. See explanatory points in the section on accounting policies under no. 52.

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Assets

EUR million	Note	31 Dec. 2018	31 Dec. 2017
Intangible assets	16	41.4	35.7
Property, plant and equipment	17	133.3	170.6
Trade and other receivables	22	0.6	0.7
Other financial assets	20	16.9	5.7
Income tax receivables	12	0.5	2.1
Other non-financial assets	21	4.1	2.2
Deferred tax assets	12	13.3	11.1
Non-current contract assets	19	0.1	0.0
Non-current assets		**210.2**	**228.1**
Inventories	18	100.8	131.0
Current contract assets	19	15.7	0.0
Trade and other receivables	22	147.0	181.9
Other financial assets	20	8.5	15.0
Income tax receivables	12	3.1	2.9
Other non-financial assets	21	17.8	13.1
Cash and cash equivalents	24	108.1	98.9
Assets held for sale	23	19.6	1.9
Current assets		**420.6**	**444.7**
Total assets		**630.8**	**672.8**

Equity and liabilities

EUR million	Note	31 Dec. 2018	31 Dec. 2017
Share capital	25	15.2	15.5
Capital reserves	26	36.8	36.5
Retained earnings	27	129.4	112.6
Other equity components	28	–0.7	1.8
Share of equity attributable to shareholders of the parent company		**180.7**	**166.4**
Non-controlling interests	29	27.4	–0.9
Total equity		**208.1**	**165.5**
Trade payables and other liabilities	33	1.0	1.0
Other financial liabilities	34	23.8	38.0
Provisions for pensions and other post-employment benefits	36	47.0	102.7
Other provisions	37	13.3	5.8
Other non-financial liabilities	38	0.0	0.5
Deferred tax liabilities	12	6.4	9.4
Non-current contract liabilities	19	1.6	0.0
Non-current liabilities		**93.1**	**157.4**
Trade payables and other liabilities	33	110.9	121.2
Other financial liabilities	34	105.5	121.7
Provisions	37	33.5	36.2
Income tax liabilities	12	2.9	2.2
Other non-financial liabilities	38	46.2	68.6
Current contract liabilities	19	30.6	0.0
Current liabilities		**329.6**	**349.9**
Total equity and liabilities		**630.8**	**672.8**

Since 1 January 2018 Mutares has applied the new standards IFRS 9 and IFRS 15 for the first time. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. See explanatory points in the section on accounting policies under no. 52.

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1 January 2017 to 31 December 2018

	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. 2017	**15.5**	**36.2**	**73.8**	**–6.2**	**119.3**	**–1.0**	**118.3**
Net income for the year	0.0	0.0	44.2	0.0	44.2	–0.3	43.9
Other comprehensive income after income taxes	0.0	0.0	0.0	6.6	6.6	0.4	7.0
Total comprehensive income	**0.0**	**0.0**	**44.2**	**6.6**	**50.8**	**0.1**	**50.9**
Dividends paid	0.0	0.0	–5.4	0.0	–5.4	0.0	–5.4
Equity-settled share-based payment	0.0	0.3	0.0	0.0	0.3	0.0	0.3
Reclassifications due to business disposals	0.0	0.0	0.0	1.4	1.4	0.0	1.4
As at 31 Dec. 2017	**15.5**	**36.5**	**112.6**	**1.8**	**166.4**	**–0.9**	**165.5**
Balance at 1 Jan. 2018 (before adjustment IFRS 9 & 15)	**15.5**	**36.5**	**112.6**	**1.8**	**166.4**	**–0.9**	**165.5**
Adjustment IFRS 9	0.0	0.0	–0.1	0.0	–0.1	0.0	–0.1
Adjustment IFRS 15	0.0	0.0	0.4	0.0	0.4	0.0	0.4
Balance at 1 Jan. 2018 (after adjustment IFRS 9 & 15)	**15.5**	**36.5**	**112.9**	**1.8**	**166.7**	**–0.9**	**165.8**
Net income for the year	0.0	0.0	14.7	0.0	14.7	–2.7	12.0
Other comprehensive income after income taxes	0.0	0.0	0.0	0.8	0.8	–0.1	0.7
Total comprehensive income for the financial year	**0.0**	**0.0**	**14.7**	**0.8**	**15.5**	**–2.8**	**12.7**
Purchase of treasury stock	–0.3	0.0	–2.7	0.0	–3.0	0.0	–3.0
Dividends paid	0.0	0.0	–15.2	0.0	–15.2	0.0	–15.2
Equity-settled share-based payment	0.0	0.3	0.0	0.0	0.3	0.0	0.3
Reclassifications due to business disposals	0.0	0.0	2.0	–3.3	–1.3	1.3	0.0
Minority interest transactions	0.0	0.0	22.9	0.0	22.9	29.8	52.7
Costs of minority interest transactions	0.0	0.0	–5.2	0.0	–5.2	0.0	–5.2
As at 31 Dec. 2018	**15.2**	**36.8**	**129.4**	**–0.7**	**180.7**	**27.4**	**208.1**

Since 1 January 2018 Mutares has applied the new standards IFRS 9 and IFRS 15 for the first time. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. See explanatory points in the section on accounting policies under no. 52.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

From 1 January to 31 December 2018

EUR million	Note	2018	2017
Net income for the year		12.0	43.9
Increase (–)/decrease (+) in inventories	18	13.0	34.3
Increase (–)/decrease (+) in trade receivables	22	39.0	–1.7
Increase (–)/decrease (+) in contract assets	19	–15.8	0.0
Increase (–)/decrease (+) in other receivables	22	–3.3	–15.0
Increase (+)/decrease (–) in provisions	36, 37	–9.1	–18.9
Increase (+)/decrease (–) in trade payables	33	–31.2	–0.1
Increase (+)/decrease (–) in contract liabilities	19	30.6	0.0
Increase (+)/decrease (–) in other liabilities	34	–2.3	–0.1
Depreciation and amortisation of intangibles and non–current assets	16, 17	29.7	27.1
Gain (–)/loss (+) from the disposal of non–current assets	16, 17	–0.1	–7.1
Bargain purchase gains (–) from business combinations	5	–32.3	–86.4
Result from deconsolidations (–)	5	–40.9	–30.9
Other non–cash expenses (+)/income (–)		–2.1	14.6
Currency translation effects		0.0	0.6
Interest expenses (+)/interest income (–)	11	4.6	4.4
Income tax expense (+)/income (–)	12	2.8	8.4
Income tax payments (–)		–5.7	–2.2
Cash flow from operating activities		**–11.1**	**–29.1**
Proceeds (+) from the disposal of property, plant and equipment	17	3.3	21.2
Disbursements (–) for investments in property, plant and equipment	17	–18.0	–19.1
Proceeds (+) from disposal of intangible assets	16	0.3	0.4
Disbursements (–) for investments in intangible assets	16	–5.7	–6.2
Payments (–) for additions to the consolidation group	5	–1.2	0.0
Proceeds (+) from additions to consolidation group	5	20.6	2.1
Proceeds (+) from disposals from the consolidation group	5	6.0	25.3
Payments (–) for disposals from the consolidation group	5	–8.5	0.0
Interest received (+)		0.1	0.2
Cash flow from investing activities		**–3.1**	**23.9**
Proceeds (+) from additions to equity by non–controlling interests	29	52.1	0.0
Disbursement (–) in connection with payments received from equity contributions by non–controlling shareholders	29	–5.2	0.0
Dividends paid (–) to shareholders of the parent company	27	–15.2	–5.4
Proceeds (+) from (financial) loans	34	27.1	14.6
Repayments (–) of (financial) loans	34	–27.0	–3.0
Derecognition (–) of (financial) loans from changes in consolidated group	34	0.0	–4.1
Proceeds (+)/payments (–) from factoring	34	–3.4	36.3
Interest paid (–)		–2.0	–3.9
Disbursements (–) for the acquisition of treasury shares to non–controlling interests		–3.0	0.0
Cash flow from financing activities		**23.4**	**34.5**
Change in cash and cash equivalents		**9.2**	**29.3**
Effect of currency translation on cash and cash equivalents		0.0	0.1
Cash and cash equivalents at the beginning of the period		98.9	69.5
Cash and cash equivalents at the end of the period	24	**108.1**	**98.9**

Since 1 January 2018 Mutares has applied the new standards IFRS 9 and IFRS 15 for the first time. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. See explanatory points in the section on accounting policies under no. 52.

A. BASIC AND GENERAL INFORMATION

1. Reporting entity

Mutares AG (referred to below as ”the company” or “Mutares”) is domiciled in Munich and entered in the commercial register (section B) of the Munich District Court under 1722778. The registered office and headquarters of the company is Arnulfstrasse 19, 80335 Munich.

Mutares focuses on the acquisition of small and medium-sized entities in transitional situations with the aim of leading these companies to stable and profitable growth through intensive operational cooperation. Our operational team, together with the management of the portfolio companies, identifies potential for improvement and works to boost profitability, thereby enhancing the company’s long-term success. Extensive industry and turnaround experience, combined with financial and operational support, are the foundation for mastering the challenges of a restructuring.

Unlike conventional investment companies, Mutares improves the earnings situation of the companies it acquires through active restructuring and turnaround management. It is therefore not limited to the mere holding and administration of its portfolio companies. Rather, the companies it invests in are systematically developed to leverage their potential as much as possible in order to enhance the enterprise value of the Mutares group as a whole.

The Mutares AG portfolio consists of ten operational equity investments or groups of equity investments as at 31 December 2018 (previous year: eleven), split into the following five segments:

- Automotive: Elastomer Solutions Group, STS Group
- Engineering & Technology: Balcke-Duerr Group, Donges Group, Gemini Rail Group
- Construction & Infrastructure: La Meusienne, Eupec
- Wood & Paper: Norsilk, Cenpa
- Consumer Goods & Logistics: KLANN Packaging

To further advance its growth and guide the development of the portfolio, Mutares will assign its equity investments to the three following segments in future:

- Automotive & Mobility: Elastomer Solutions Group, STS Group
- Engineering & Technology: Balcke-Duerr Group, Donges Group, Gemini Rail Group, Eupec
- Goods & Services: La Meusienne, Norsilk, Cenpa, KLANN Packaging

2. Basis for the preparation of the financial statements

The shares of Mutares AG are traded over the counter (Scale segment). Mutares AG is therefore not required to prepare its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). Reflecting its growing internationalism and the information requirements of German and international investors, Mutares AG has voluntarily prepared consolidated financial statements in accordance with IFRS as adopted in the European Union.

The financial year of the company is the calendar year. The consolidated financial statements of Mutares for the 2018 financial year, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and in accordance with section 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code). The term IFRS also includes all International Accounting Standards (IAS) in addition to all interpretations and amendments of the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) – and the former Standing Interpretations Committee (SIC).

The consolidated financial statements were prepared in line with the historical cost system. This does not apply to selected financial instruments and share-based payments measured at fair value. Further information can be found in the description of the respective accounting policies. Historical cost is generally based on the fair value of the consideration paid in exchange for the asset.

Fair value is defined as the price that would have to be received from the sale of an asset or that would have to be paid for the transfer of a liability between market participants as part of an orderly transaction on the transaction date. It is irrelevant whether the price is directly observable or calculated using a measurement method.

If the fair value of selected financial instruments is determined using a valuation method, it is classified into one of the following three categories depending on the available observable parameters and the respective 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 at the measurement date.

- Level 2: Input parameters are prices other than those quoted in Level 1 that are either directly observable or can be indirectly derived for the asset or liability.

- Level 3: Input parameters are unobservable parameters for the asset or liability.

The Group generally classifies assets and liabilities as current when they are expected to be received or settled within twelve months of the end of the reporting period. If assets and liabilities have both a current and a non-current portion, they are broken down into their maturity components and reported as current and non-current assets or liabilities in line with the structure of the statement of financial position.

The consolidated statement of comprehensive income has been prepared in line with the nature of expense method. Mutares AG prepares and publishes its consolidated financial statements in euro (EUR). Unless stated otherwise, all figures are shown in millions of euro (EUR million). Deviations of up to one unit (million, %) are arithmetic rounding differences.

Account has been taken of all IAS/IFRS and Interpretations (SIC/IFRIC) endorsed by the European Union as at 31 December 2018 and effective on 31 December 2018.

The consolidated financial statements are generally prepared under the going concern assumption; however please see the information in note 44.

3. Estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts and the related disclosures. Estimates and judgements essentially relate to purchase price allocation in the context of business combinations (above all, calculating the fair value of assets acquired and liabilities assumed in terms of contingent purchase price components), deconsolidation due to loss of control, the assessment of the recoverability of intangible assets and trade receivables, the useful lives used throughout the Group for property, plant and equipment and intangible assets and accounting for pension plans/pension provisions, income taxes and deferred tax assets on loss carryforwards.

The premises on which judgements and estimates are based reflect the most recent information available. In particular, the expected future business performance and the circumstances at the time the consolidated financial statements are prepared are taken into account. Likewise, realistic assumptions of the future development of the environment are taken into account. If the actual conditions deviate from these premises or if developments occur that differ from the underlying assumptions and are beyond management's control, the resulting amounts can deviate from the original estimates. The estimates are based on past experience and other assumptions that are thought to be correct under the given circumstances. Estimates and judgements are reviewed on an ongoing basis. Changes in estimates, to the extent that they affect only one period, are only taken into account in that period. Revisions of estimates that affect both the current and subsequent reporting periods are recognised accordingly in the current and subsequent periods.

3.1. ESTIMATES

For business combinations, estimates are generally used to calculate the fair value of the assets acquired and liabilities assumed. Land and buildings are usually measured according to land values or, like technical equipment and machinery, by an independent expert, while marketable securities are carried at market value. For intangible assets, depending on the nature of the asset and the difficulty in calculating their value, either an independent external expert is consulted or the fair value is calculated internally using an appropriate measurement method generally based on a forecast of all future cash flows. Depending on the type of asset and the availability of information, different measurement methods are used that can include methods based on cost, market price or capital value. Details of the estimates made include the relevant notes on business combinations in note 5.1.

The total amount of net assets assumed from business combinations in the 2018 financial year, in which the calculation of the fair value was partly subject to estimate uncertainty amounts to EUR 32.5 million (previous year: EUR 99.7 million).

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

Mutares presents pension plans/pension provisions on the basis of actuarial models. These require and make estimates regarding the discount rate, remuneration and life expectancy. Changes in market and economic conditions may result in the parameters above ascribing different probabilities to current events. Differences in key parameters are calculated using sensitivity analyses. Details of the estimates made include the relevant notes on pension plans/pension provisions in note 35.

Management considers the estimates made to be reasonable in terms of the estimated useful life and recoverability of certain assets, assumptions regarding macroeconomic conditions and developments in the industries in which Mutares operates, and estimates of the present value of future payments. Nevertheless, changes in assumptions or circumstances can necessitate corrections. These can lead to additional future write-downs or reversals thereof if the developments anticipated by Mutares do not fully materialise. Details of the estimates made include the relevant notes on assets in notes 16 and 17.

3.2. JUDGEMENTS

Management has made judgements in the process of applying the accounting policies that affect the consolidated financial statements. The judgements described below also include estimates.

In accordance with IFRS 15, Mutares makes judgements when determining the amount and the time of realisation of revenue from contracts with customers. For contracts satisfied over a period of time, both the cost-to-cost input method and the output method are used, depending on the assessment of Mutares' ability to provide an accurate picture of progress. For services over time, revenue is recognised when the service is supplied. For contracts that are satisfied at a specific point in time, revenue is recognised when control over the asset is transferred. Transfer of control is generally determined based on the agreed Incoterms.

Mutares companies are required to pay income tax. Assumptions are necessary to calculate tax liabilities. However, there are some transactions and calculations whose final taxation cannot be definitively determined during the normal course of business. The Group measures its provisions for anticipated tax expenses on the basis of estimates as to the probability and amount of additional taxes. If the final taxation of these transactions differs from the tax originally assumed, this will affect the current and deferred taxes recognised in the period in which the taxation is definitively determined. Details of the judgements made include the relevant notes on income taxes in note 12.

When recognising deferred tax assets on loss carryforwards, Mutares estimates future taxable income and the time at which this will be realised and thus when deferred tax assets will be reversed. As part of this process, estimates on the planned operating result, the result from reversed taxable temporary differences and realistic fiscal policies are consulted. Uncertainty surrounding future developments of companies means that Mutares must make reasonable assumptions regarding deferred tax assets on loss carryforwards. Deferred tax assets are therefore recognised only if it is sufficiently likely that they will be usable in future. Details of the estimates made include the relevant notes on deferred tax assets on loss carryforwards in note 12.6.

In connection with the loss of control of subsidiaries and the resulting requirement to deconsolidate, Mutares assesses whether or not control is still in place. During this process, all relevant facts and circumstances are taken into account to determine whether Mutares is still able, in practical terms, to unilaterally determine key business activities at the company. Details regarding results of estimates made in connection with loss of control of subsidiaries and the resulting requirement to deconsolidate include the relevant notes on deconsolidation in note 5.2.

B. COMPOSITION OF THE GROUP

4. Consolidated group

CONSOLIDATED COMPANIES

In addition to the parent company, the Mutares AG consolidated group includes 77 consolidated companies as at 31 December (previous year: 67). In the 2018 financial year, 37 of these companies (previous year: 36) are based in Germany and 40 (previous year: 31) abroad.

As at 31 December 2018, the consolidated group comprises all material holding companies and the following operational units and national subsidiaries:

Automotive segment

No.	Portfolio company	Description
1	**Elastomer Solutions Group**	Elastomer Solutions GmbH, Wiesbaum, and its subsidiaries
2	**STS Group**	STS Group AG, Hallbergmoos, and its subsidiaries

Engineering & Technology segment

No.	Portfolio company	Description
3	**Balcke-Duerr Group**	Balcke-Duerr GmbH, Dusseldorf, and its subsidiaries
4	**Donges Group**	Donges Steeltec GmbH, Darmstadt, and the subsidiary Kalzip GmbH with additional subsidiaries
5	**Gemini Rail Group**	Gemini Rail Services UK Ltd., Wolverton/United Kingdom; Gemini Rail Technology UK Ltd., Birmingham/United Kingdom

Construction & Infrastructure segment

No.	Portfolio company	Description
6	**La Meusienne**	La Meusienne S.A.S., Ancerville/France
7	**Eupec**	Eupec Pipecoatings France S.A.S., Gravelines, France

Wood & Paper segment

No.	Portfolio company	Description
8	**Norsilk**	Norsilk S.A.S., Honfleur, France
9	**Cenpa**	Cenpa S.A.S., Schweighouse, France

Consumer Goods & Logistics segment

No.	Portfolio company	Description
10	**KLANN Packaging**	KLANN Packaging GmbH, Landshut, Germany

National subsidiaries

No.	Company	Description
1	**Mutares France**	Mutares France S.A.S., Paris, France
2	**Mutares Italy**	Mutares Italy Srl, Turin, Italy
3	**Mutares UK**	Mutares UK Ltd., London, United Kingdom

Details of the consolidated group can be found in the list of shareholdings, which is appended to these notes to the consolidated financial statements as Annex 1.

5. Changes in the consolidated group

5.1. ACQUISITIONS OF SUBSIDIARIES

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

a. Acquisitions of subsidiaries in 2018

Establishment of Balcke-Duerr Nuklear Service GmbH and subsequent acquisition of KSS Consulting GmbH & Co. KG

Effective 1 August 2018, Balcke-Duerr Kraftwerks-Service GmbH (later renamed to Balcke-Duerr Nuklear Service GmbH) – established for this purpose and an indirect subsidiary of Mutares AG – acquired all shares in KSS Consulting GmbH & Co. KG ("KSS Consulting"). The acquisition strengthens the positioning of the industry power plant components manufacturer and energy efficiency specialist when it comes to phasing out nuclear power plants, which is a promising field. Acquiring KSS Consulting boosts Balcke-Duerr's range of services to encompass radiation protection and decontamination, allowing the Group to operate as a systems supplier to its business partners in future.

The consideration for the acquisition of the companies was EUR 29 thousand. Only immaterial incidental acquisition costs were incurred for the transaction. These are recognised in the statement of comprehensive income under other expenses.

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

Acquisition of Kalzip GmbH and other subsidiaries

Donges SteelTec GmbH, a subsidiary of Mutares AG, took over all shares in Kalzip GmbH and other subsidiaries ("Kalzip") from companies in the Tata Steel Europe Group with effect from 2 October 2018. Kalzip is a global supplier of aluminium building envelopes, producing roofing and facade systems on modern roll-forming lines, and has locations in Germany, France, Spain, Italy, United Kingdom, Singapore, India, the US and Dubai. The new Group combines steel and facade construction, allowing knowledge to be transferred between the two areas of technology and for the Group to position itself as a full-service solution provider. Additions to the product portfolio and improved direct market access to customers and architects aim to boost competitiveness.

The initial consideration for the acquisition of the company was EUR 0.5 million in cash. The fair value of the entire consideration amounts to EUR 1.8 million, EUR 1.3 million of which is still non cash-effective and is recognised in other financial liabilities as at the reporting date. Incidental acquisition costs of EUR 0.2 million are recognised for the transaction in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 12.7 million, resulting in a bargain purchase gain of EUR 10.9 million.

The following table shows the results of purchase price allocation and the calculation of the bargain purchase gain, which was recognised in other income:

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

The measurement of the net assets acquired and the accounting entry for business combinations may still change within the one-year period under IFRS 3, in particular as a result of preliminary planning partially used when measuring intangible assets.

The fair value of the receivables acquired in relation to a gross amount receivable of EUR 9.3 million was EUR 8.1 million as at the acquisition date. Accordingly, the best estimate of contractual cash flows not expected to be collectable is EUR 1.2 million as at the acquisition date.

The consolidated financial statements for the 2018 financial year include revenue from the acquired company of EUR 10.9 million and earnings after taxes of EUR –5.3 million. Had the companies already been acquired as at 1 January 2018, they would have contributed revenue of EUR 52.6 million and earnings after taxes of EUR –9.4 million to the Group in the 2018 financial year.

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

On 16 October 2018, Balcke-Duerr GmbH, a subsidiary of Mutares AG, successfully completed the acquisition of selected assets from Salvatore Trifone and Figli S.p.A. via STF Balcke-Duerr S.r.l., which was acquired for this purpose. This qualifies as a business combination. The additional expertise in thermal exchanges, condensers and heaters promises to generate further sales opportunities in all market segments. Operating business was transferred to the existing Balcke-Duerr Italiana S.r.l. on 31 December 2018.

Thanks to the expanded product portfolio and improved market access that this entails, the company is anticipating revenue and earnings to grow at a more rapid pace in future. As part of the transaction, Balcke-Duerr also acquired various framework agreements in the nuclear sector and expanded its market penetration in the Mediterranean.

The consideration for the acquisition is EUR 1.0 million. As at the reporting date, EUR 0.2 million of this had been paid, EUR 0.6 million was included in other financial liabilities and obligations to employees of EUR 0.2 million were assumed. Only immaterial incidental acquisition costs were incurred for the transaction. These are recognised in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 4.5 million, resulting in a bargain purchase gain of EUR 3.5 million.

The following table shows the results of purchase price allocation and the calculation of the bargain purchase gain, which was recognised in other income:

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

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

Acquisition of Gemini Rail Group

Mutares AG successfully completed the takeover of 100% of shares in both Knorr Bremse RailServices UK (KBRS) and Kiepe Electric Ltd. (Kiepe) from Knorr Bremse on 31 October 2018 via its direct subsidiary Mutares Holding-25 AG. The companies have since been renamed Gemini Rail Services UK Ltd. and Gemini Technology UK Ltd.

The range of products offered includes structured and innovative services such as overhaul and complete repair services, modernisation programmes, design and project management for railway vehicle owners and operators in the United Kingdom and Ireland. This acquisition marks Mutares continuing to tap the market, after recently establishing a branch in London. Moreover, the acquisition represents a key milestone for Mutares, as together the companies constitute an ideal platform investment where Mutares' operating consulting team will support local management in harnessing value potential.

The consideration for the acquisition of the companies was EUR 1 and GBP 1 respectively. Only immaterial incidental acquisition costs were incurred for the transaction. These are recognised in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 15.3 million, resulting in a bargain purchase gain of the same amount.

The following table shows the results of purchase price allocation and the calculation of the bargain purchase gain, which was recognised in other income:

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

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

The fair value of the receivables acquired in relation to a gross amount receivable of EUR 14.6 million was EUR 13.7 million as at the acquisition date. Accordingly, the best estimate of contractual cash flows not expected to be collectable is EUR 0.9 million as at the acquisition date.

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

b. Acquisitions of subsidiaries in 2017

Acquisition of commercial vehicle delivery business of Plastic Omnium Group

On 30 June 2017, STS Group AG, a direct subsidiary of Mutares AG, acquired all shares in STS Composites France S.A.S., Lyon, France (formerly: Inoplast Truck S.A.S.), MCR S.A.S., Lyon, France, STS Composites Germany GmbH, Munich (formerly: Inoplast Trucks GmbH), Inoplast Trucks S.A. de C.V., Ramos Arizpe, Mexico and STS Plastics Co., Ltd., Jiangyin, China (all five companies together constitute the “Dolmen business combination”). The acquisition is a continuing part of the STS Group’s strategy of becoming one of the world’s leading commercial vehicle suppliers for interior and exterior parts.

The final purchase price is calculated based on an assumed enterprise value of EUR 16.5 million using an adjustment mechanism dependent on the conditions and circumstances at the time of the transfer of beneficial ownership, which are ascertained after the acquisition is complete. A payment of EUR 10.6 million (fair value of the consideration paid) was made at the time of the transfer of beneficial ownership. The seller is also claiming a further payment of EUR 1.7 million, while Mutares is assuming a reduction and thus a reimbursement by the seller. However, the process of calculating the final purchase price is not yet complete and it is still not possible to make a conclusive statement on the final purchase price. In this respect, the provisional purchase price allocation presented in the consolidated financial statements as at 31 December 2018 equals the final purchase price allocation as at 31 December 2017. Please also refer to the section on contingent liabilities. Incidental acquisition costs of EUR 0.8 million were recognised under other expenses. The net assets acquired were measured at a fair value of EUR 52.6 million, resulting in a bargain purchase gain of EUR 42.0 million.

The following table shows the results of purchase price allocation and the calculation of the bargain purchase gain, which was recognised in other income:

EUR million	Fair value
Intangible assets	19.4
Property, plant and equipment	40.2
Other non-current assets	3.7
Non-current assets	**63.3**
Inventories	12.0
Receivables and other current assets	48.9
Other current assets	7.7
Current assets	**68.6**
Deferred tax liabilities	–2.9
Other non-current liabilities	–13.9
Non-current liabilities	**–16.8**
Current liabilities	**–62.5**
Net assets	**52.6**
Bargain purchase	**42.0**
Consideration	**10.6**

The purchased intangible assets include customer relationships and technologies. The customer relationships are with the external customers of Mixt Composites Recyclables, France, and Inoplast Truck S.A., Mexico. Its fair value is EUR 7.1 million. The fair value of the technologies is EUR 11.6 million and relates to composite compounding expertise. The gross amounts of the trade receivables acquired are essentially equal to the reported fair values. Accordingly, it is assumed that there will not be significant defaults in connection with the acquired receivables.

The consolidated financial statements for the 2017 financial year include revenue from the acquired companies of EUR 102.0 million and earnings after taxes of EUR 4.9 million. Had the companies already been acquired as at 1 January 2017, they would have contributed revenue of EUR 212.2 million and earnings after taxes of EUR 10.0 million to the Group in the 2017 financial year.

Acquisition of Minas Têxteis Ltda.

On 30 September 2017, STS Group AG acquired all shares in Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda., Betim, Minas Gerais, Brazil. The acquired company produces soft trim products for eight platforms of an OEM. Its most important product groups are trunk side trim, inner dashes and floor insulators. The acquisition was carried out by STS Brazil Holding GmbH. The acquisition is a continuing part of the STS Group's strategy of becoming one of the world's leading commercial vehicle suppliers for interior and exterior parts. At the same time, the acquisition enables greater proximity to customers in the Americas.

The shares in the company were acquired for a purchase price of EUR 2.7 million. This is payable in five annual instalments of EUR 0.5 million each plus interest at 5%. It was agreed with the seller that the payments are to be made on 30 September each year. The undiscounted amounts are EUR 0.5 million (2018), EUR 0.5 million (2019), EUR 0.6 million (2020), EUR 0.6 million (2021) and EUR 0.7 million (2022).

Incidental acquisition costs of EUR 0.4 million were recognised under other expenses. The net assets acquired were measured at a fair value of EUR 7.7 million, resulting in a bargain purchase gain of EUR 5.0 million.

The following table shows the results of purchase price allocation and the calculation of the bargain purchase gain, which was recognised in other income:

EUR million	Fair value
Intangible assets	0.0
Property, plant and equipment	7.4
Other non-current assets	0.2
Non-current assets	**7.6**
Inventories	0.3
Trade receivables and other assets	0.8
Other current assets	0.9
Current assets	**2.0**
Other non-current liabilities	–1.0
Deferred tax liabilities	0.0
Non-current liabilities	**–1.0**
Current liabilities	**–0.9**
Net assets	**7.7**
Bargain purchase	**5.0**
Consideration	**2.7**

The gross amounts of the trade receivables acquired are essentially equal to the reported fair values. Accordingly, it is assumed that there will not be significant defaults in connection with the acquired receivables.

The consolidated financial statements for the 2017 financial year include revenue of EUR 1.8 million and earnings after taxes of EUR –0.1 million. Had the company already been acquired as at 1 January 2017, it would have contributed revenue of EUR 7.2 million and earnings after taxes of EUR 0.2 million to the Group in the 2017 financial year.

Acquisition of Donges SteelTec GmbH

Mutares acquired Donges SteelTec GmbH via Balcke-Duerr GmbH from Mitsubishi Hitachi Power Systems Europe. Donges is one of Germany's leading steel construction companies and is based in Darmstadt. Its product range includes bridges, power plant construction, sports facilities, hangars and industrial and traffic structures. Donges will especially benefit from dynamic bridge business in the coming years. All shares in Donges were acquired by the subsidiary Balcke-Duerr GmbH according to the agreement dated 13 October 2017.

The consideration for the acquisition of the company was EUR 1. Only immaterial incidental acquisition costs were incurred for the transaction. These are recognised in the statement of comprehensive income under other expenses. At the same time, the company exercised the option to acquire loan receivables of EUR 6.2 million from the previous shareholder, also for EUR 1. The net assets acquired were measured at a fair value of EUR 26.4 million, resulting in a bargain purchase gain of the same amount.

The following table shows the results of purchase price allocation and the calculation of the bargain purchase gain, which was recognised in other income:

EUR million	**Fair value**
Intangible assets	0.1
Property, plant and equipment	23.7
Other non-current assets	2.7
Non-current assets	**26.5**
Inventories	5.2
Trade receivables and other assets	6.5
Other current assets	6.6
Current assets	**18.3**
Other non-current liabilities	–2.8
Deferred tax liabilities	–8.9
Non-current liabilities	**–11.7**
Current liabilities	**–6.7**
Net assets	**26.4**
Bargain purchase	**26.4**
Consideration	**0.0**

The 2018 financial year saw the following developments regarding the provisional purchase price allocation for the acquisition as at 31 December 2017: a loan with a principal of EUR 2.1 million was transferred to the company from the previous owners for EUR 1. The former owners also made payments of EUR 0.6 million to the company in connection with purchase price negotiations. The bargain purchase from the preliminary purchase price allocation thus increased by EUR 2.7 million in the financial year.

The fair value of the trade receivables acquired in relation to a gross amount receivable of EUR 7.5 million was EUR 6.1 million as at the acquisition date. Accordingly, the best estimate of contractual cash flows not expected to be collectable is EUR 1.4 million as at the acquisition date.

The consolidated financial statements for the 2017 financial year include revenue from the acquired company of EUR 10.6 million and earnings after taxes of EUR –0.3 million. Had the company already been acquired as at 1 January 2017, it would have contributed revenue of EUR 54.1 million and earnings after taxes of EUR 0.1 million to the Group in the 2017 financial year.

Acquisition of La Meusienne S.A.S.

By way of contractual agreement dated 21 March 2017, Mutares acquired all shares in Aperam Stainless Services & Solutions Tubes Europe S.A.S., Ancerville, France, through a direct subsidiary, Mutares Holding-27 AG. The company operates a plant in Ancerville and runs a distribution centre in Annecy (both France) through Aperam Stainless Services & Solutions Tubes France S.A.S. (Seynod, France). The companies have since been renamed La Meusienne S.A.S. and Société Savoisienne de Metaux S.A.S. The latter was resold before the end of the 2017 financial year. With the manufacturer of corrosion-resistant stainless steel tubes, Mutares is expanding the Construction & Infrastructure segment to include a French platform investment.

The consideration for the acquisition of the companies was EUR 1. The amount of the final payment obligations from the purchase agreement will be calculated based on the working capital at the time of the transfer of beneficial ownership. There is a disagreement between Mutares and the seller of these shares regarding the interpretation of the purchase agreement and the actual conditions and circumstances at the time of the execution of the acquisition. The seller is demanding an amount of EUR 1.7 million, but based on the facts and the legal situation we do not expect to have to pay. However, the process of calculating the final purchase price is not yet complete, hence it is still not possible to make a conclusive statement on the final purchase price. In this respect, the provisional purchase price allocation presented in the consolidated financial statements as at 31 December 2017 equals the final purchase price allocation as at 31 December 2018. Subject to the company's net income for the year, an earn-out must also be paid. We still assume that we will not have to pay significant sums to the sellers. Please also refer to the section on contingent liabilities in note 46. Incidental acquisition costs of EUR 0.2 million were recognised under other expenses. The net assets acquired were measured at a fair value of EUR 13.0 million, resulting in a bargain purchase gain of EUR 13.0 million.

The following table shows the results of purchase price allocation and the calculation of the bargain purchase gain, which was recognised in other income:

EUR million	Fair value
Intangible assets	0.0
Property, plant and equipment	5.9
Other non-current assets	1.4
Non-current assets	**7.3**
Inventories	11.8
Trade receivables and other assets	10.0
Other current assets	1.1
Current assets	**22.9**
Other non-current liabilities	0.0
Deferred tax liabilities	–2.6
Non-current liabilities	**–2.6**
Current liabilities	**–14.6**
Net assets	**13.0**
Bargain purchase	**13.0**
Consideration	**0.0**

The gross amounts of the trade receivables acquired are essentially equal to the reported fair values. Accordingly, it is assumed that there will not be significant defaults in connection with the acquired receivables.

The consolidated financial statements for the 2017 financial year include revenue from the acquired companies (La Meusienne S.A.S. and Société Savoisienne de Metaux S.A.S.) of EUR 44.3 million and earnings after taxes of EUR –3.3 million. Had the transaction taken place as at 1 January 2017, this would have led to revenue of EUR 58.2 million and earnings after taxes of EUR –2.6 million in the 2017 financial year.

For all the acquisitions described above, the comparison of the cost of the companies acquired and the remeasured net assets resulted in a bargain purchase, which is reported in the statement of comprehensive income under other income. The favourable purchase prices for Mutares and the resulting bargain purchases are on account of the sellers' efforts to reorganise their business activities. While the market segments acquired appear unattractive to other investors, the acquisitions are lucrative for Mutares as companies in transitional situations are the right fit for the Group's strategic direction. The Mutares Group anticipates opportunities in its extensive operational industry and turnaround experience, with the help of which the companies acquired will be guided to stable and profitable growth.

5.2. DECONSOLIDATION OF SUBSIDIARIES

a. Deconsolidation of subsidiaries in 2018

Deconsolidation of the Artmadis Group

Due to continuing economic difficulties, the "Redressement Judiciaire" proceedings were opened for Artmadis S.A.S. at the request of the management and by court order dated 22 May 2018. This is a restructuring procedure in which the management is assisted by administrators appointed by the court. Subsequently, the company was offered for sale to interested parties. In the absence of suitable purchase offers, the court ordered the liquidation of the company. As a consequence of the loss of control, the Group, consisting of Artmadis S.A.S. and its subsidiaries, was deconsolidated in the first half of 2018. As in the consolidated financial statements for the year ended 31 December 2017, the company was accounted for in the first half of 2018 with a departure from the assumption that it would continue as a going concern.

Deconsolidation of Zanders GmbH

Significantly increased raw material prices had a important negative impact on Zanders' profitability in the fourth quarter of the 2017 financial year and the first half of 2018. Price increases were implemented, but the margin losses could not be fully offset. Accordingly, at the end of June 2018, the management filed an application for the opening of insolvency proceedings in view of the threat of insolvency and planned to continue the restructuring in form of a self-administration procedure. As a result, the court appointed a provisional insolvency administrator who reviewed the actions of the Zanders management for approval regarding the purpose of maintaining assets. The company and its subsidiary were deconsolidated as at 30 June 2018 due to the resulting loss of control. In its decision of 1 September 2018, the court finally opened insolvency proceedings against the assets of the Company in the ordinary course of proceedings.

Sale of BSL Pipes & Fittings

In an agreement dated 23 November 2018, Mutares sold BSL Pipes & Fittings (BSL) and its outstanding loan receivables from BSL to a Luxembourg investor for a total purchase price of EUR 2.0 million. Mutares had acquired the company from the French Génoyer Group in 2015, facilitating a successful sale by way of its restructuring programme.

The following table shows the change of net assets, the consideration paid and the gains from deconsolidations:

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

The consideration consists of proceeds of EUR 2.0 million and the disposal of cash funds of EUR 8.1 million.

b. Deconsolidation of subsidiaries in 2017

Disposal of Eupec Pipeline Services GmbH

By way of agreement dated 15 February 2017, Mutares AG sold all shares in Mutares Holding-16 AG, which in turn holds all shares in Eupec Pipeline Services GmbH, to the Malaysian Wasco Group for a purchase price of EUR 19.5 million. Earn-out payments from an existing agreement are not expected. The company is a non-operational entity that owns a pipe cladding plant in Mukran on the island of Rügen. Eupec Pipeline Services GmbH was part of the Construction & Infrastructure segment. Eupec's operating activities in France, which specialise in the coating of oil and gas pipelines, remain part of the Mutares Group.

Disposal of Fertigungstechnik Weissenfels GmbH

As at 24 April 2017, Fertigungstechnik Weissenfels GmbH was sold to the Klement Group, a strategic buyer that incorporated the company into its existing mechanical engineering portfolio. The sold company was part of the Engineering & Technology segment. Fertigungstechnik Weissenfels GmbH was sold for a price of EUR 2.

Disposal of Grosbill S.A.S.

By agreement dated 5 July 2017, Grosbill S.A.S. (Paris, France) was sold to the founder and managing director of the company by way of a management-buy-out (MBO). Grosbill was part of the Consumer Goods & Logistics segment. The disposal price was EUR 1.

Disposal of Geesink Group B.V.

By way of purchase agreement dated 12 September 2017, Geesink Group B.V. (Emmeloord, Netherlands) and all its direct subsidiaries were sold to a strategic investor from China. Geesink was part of the Engineering & Technology segment. The disposal price is initially EUR 2 and could rise to EUR 20.0 million in total by 2027 as a result of earn-out payments if defined earnings are achieved. Based on all financial information available to us as at the date of preparing these statements, we estimate the fair value of potential earn-out payments at EUR 8.6 million and have measured the corresponding financial receivable accordingly. The relatively long earn-out period may require adjustments to be made to the estimates described above in future. Please refer to the information under note 7 "Other operating income" and the details on financial instruments.

Disposal of Société Savoisienne de Metaux S.A.S.

The company was acquired in 2017 as a direct subsidiary of La Meusienne S.A.S. acquired (please see comments above). As part of the preparation of the restructuring plan and in order to reduce working capital and complexity, the company was sold to an industrial company for a purchase price of EUR 1.2 million by way of purchase agreement dated 17 November 2017.

Disposal of A+F Automation und Fördertechnik GmbH

By way of purchase agreement dated 14 December 2017, Mutares sold A+F Automation + Fördertechnik GmbH to a fund of the Swiss industrial partner CGS. The initial selling price is EUR 20.5 million and also includes an earn-out agreement. Based on all financial information available to us as at the date of preparing these statements, we estimate the fair value of potential earn-out payments at EUR 2.6 million and have measured the corresponding financial receivable accordingly. Please refer to the information under note 7 "Other operating income" and the details on financial instruments.

The disposal of the net assets, the consideration and the gains and losses on the disposal of subsidiaries are shown below:

EUR million	Fair value
Intangible assets	–3.2
Property, plant and equipment	–12.7
Other non-current assets	–1.9
Non-current assets	**–17.8**
Inventories	–21.1
Trade receivables and other current assets	–17.5
Other current assets	–6.1
Current assets	**–44.7**
Non-current liabilities	**48.1**
Current liabilities	**59.0**
Change in net assets	**44.6**
Consolidation effects	**–39.0**
Subtotal	**5.6**
Gains/losses from the sale of companies	**30.9**
Consideration (net addition of cash funds)	**25.3**

The consideration consists of proceeds of EUR 33.7 million and the disposal of cash funds of EUR 8.4 million.

C. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

6. Revenue/revenue from contracts with customers

The development of revenue by segment and region is shown in the notes to the consolidated financial statements under segment reporting in accordance with IFRS 8.

7. Other income

Other income breaks down as follows:

EUR million	2018	2017
Gains from deconsolidation	40.9	37.1
Bargain purchase gains	32.3	87.3
Valuation of earn-out agreements	11.2	0.0
Settlement agreements with previous owners	5.8	0.0
Income from other services	2.3	1.9
Other own work capitalised	1.5	1.2
Income from risk allowance	1.5	0.0
Currency translation	1.2	0.6
Income from raw material and waste recycling	1.1	4.3
Non-periodic income	0.9	0.6
Income from the disposal of fixed assets	0.4	7.6
Rental and lease income	0.3	0.6
Income from appreciation of non-current assets	0.0	0.5
Income from the reversal of valuation allowances on receivables	0.0	3.4
Income from the reversal of provisions	0.1	0.0
Tax exemption claim against former owner	0.0	7.1
Miscellaneous other income	7.9	4.2
Other operating income	**107.4**	**156.4**

Bargain purchase gains are presented in detail under "5.1 Acquisitions of subsidiaries". Settlement agreements with previous owners are described in note 46 "Contingent liabilities and legal disputes".

Please see "5.2 Deconsolidation of subsidiaries" for information on gains from deconsolidation and the valuation of earn-out agreements.

8. Cost of materials

The cost of materials breaks down as follows:

EUR million	2018	2017
Cost of raw materials, consumables and supplies	441.0	492.0
Cost of purchased services	91.4	77.6
Material expenses	**532.4**	**569.6**

9. Personnel expenses

Staff costs break down as follows:

EUR million	2018	2017
Wages and salaries	192.8	197.5
Social security contributions	44.4	49.7
Pension contributions	7.5	4.4
Personnel expenses	**244.7**	**251.6**

Staff costs for share-based payment, service costs relating to defined benefit obligations and defined contribution plans were recognised in the 2018 and 2017 financial years. Please see the respective sections in the notes (31 "Contingent capital and share-based payment" and 36 "Pension plan/pension provisions") for further information.

10. Other operating expenses

Other expenses break down as follows:

EUR million	2018	2017
Legal and consulting expenses	27.7	22.9
Rent, leases and licence fees	26.9	23.8
Packaging materials and outgoing freight	22.2	30.7
Maintenance and servicing	17.5	17.6
Advertising and travel expenses	10.6	11.4
Administration	10.1	7.6
Costs of settling a legal dispute	5.5	0.0
Compensations, warranties and guarantees	4.1	5.2
Insurance premiums	3.6	4.7
Base levies and other taxes	3.5	9.5
Fleet	3.2	4.4
Expenses from risk allowance	2.1	0.0
Research and development expenses	1.8	0.4
Fees and contributions	1.7	1.4
Currency translation	0.9	1.6
Losses from the disposal of assets	0.4	0.6
Losses from deconsolidation	0.0	6.3
Costs for transfer company under labour law	0.0	4.3
Additions to write-downs on receivables	0.0	2.7
Miscellaneous expenses	4.6	8.6
Other operating expenses	**146.4**	**163.7**

The item “Additions to allowances on receivables” was EUR 0 in the 2018 financial year as the contents of this item are now recognised under “Expenses from risk allowance” in accordance with IFRS 9.

11. Financial result

Net finance costs break down as follows:

EUR million	2018	2017
Other interest and similar income	0.5	3.4
Financial income	**0.5**	**3.4**
Interest expenses from discounting provisions	1.5	2.0
Interest expenses from accruing finance liabilities	1.0	0.4
Interest expenses from factoring	0.8	1.0
Interest expenses from finance leases	0.1	0.2
Other interest and similar expenses	1.7	4.3
Financial expenses	**5.1**	**7.9**
Financial result	**–4.6**	**–4.5**

12. Income taxes

12.1. INCOME TAXES AND TAX RECONCILIATION

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

EUR million	2018	2017
Current income tax		
Current income tax expense for the year	–6.8	–3.4
Adjustments for income tax expense of prior periods	–0.3	–1.3
Deferred taxes		
Income from deferred taxes	6.8	14.8
Expenses from deferred taxes	–2.6	–1.7
Income tax expense/income	**–2.8**	**8.4**

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

The income tax rates applicable to the Group companies range between 19.0% and 33.3% (previous year: 16.5% and 33.3%).

EUR million	2018	2017
Profit before tax	14.8	35.5
Domestic tax rate of the parent company (in %)	33.0	33.0
Tax expense at the domestic tax rate of the parent company	-4.9	-11.7
Increases/deductions due to		
Use of unrecognised loss carryforwards	3.5	1.1
Unrecognised deferred taxes on temporary differences and loss carryforwards	-15.5	-3.4
Subsequently recognised deferred taxes on temporary differences and loss carryforwards	0.3	0.0
Other non-deductible expenses including withholding tax	-3.1	-2.0
Tax benefits	0.5	1.1
Tax effect on appreciation of negative difference	10.9	24.0
Tax rate differences	1.9	1.2
Tax-exempt income	3.5	0.5
Additional payments and refunds of taxes for previous years	-0.3	-1.3
Change in tax rate	0.0	-0.3
Other effects	0.4	-0.8
Reported income taxes expense	-2.8	8.4

12.2. DEFERRED TAXES RECOGNISED IN EQUITY AND OTHER COMPREHENSIVE INCOME

EUR million	2018	2017
Deferred taxes recognised directly in equity	0.0	0.0
Deferred taxes recognised in other comprehensive income	-0.7	-0.1
of which actuarial gains/losses	-0.7	-0.1
Total	-0.7	-0.1

12.3. CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities break down as follows:

EUR million	31. Dec. 2018	31. Dec. 2017
Tax assets		
Tax assets with a remaining term of more than 1 year		
Income tax receivables	0.5	2.1
Tax assets with a remaining term of less than 1 year		
Income tax receivables	3.1	2.9
Tax assets	3.6	5.0
Tax liabilities		
Tax liabilities with a remaining term of less than 1 year		
Income tax liabilities	2.9	2.2
Tax liabilities	2.9	2.2

12.4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities break down as follows:

EUR million

	Deferred taxes at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions/ disposals	Deferred taxes at close
Goodwill	0.0	0.0	0.0	0.0	0.0
Other intangible assets	–6.7	0.7	0.0	0.0	–6.0
Property, plant and equipment	–3.5	6.7	0.0	1.1	4.3
Financial assets available for sale (AfS)	0.0	–6.2	0.0	0.0	–6.2
Inventories	–1.2	–0.2	0.0	0.0	–1.4
Trade receivables	–0.5	–3.1	0.0	0.0	–3.6
Current financial assets	0.0	0.1	0.0	0.6	0.7
Other assets and receivables	–0.6	0.1	0.0	0.0	–0.5
Non-current financial lease liabilities	0.0	–0.1	0.0	0.0	–0.1
Non-current financial liabilities	0.0	0.3	0.0	0.0	0.3
Pension obligations	3.5	0.2	–0.7	0.0	3.0
Long-term provisions	–1.1	–1.0	0.0	0.0	–2.1
Trade liabilities	0.0	0.1	0.0	0.0	0.1
Current financial liabilities	0.0	4.2	0.0	0.0	4.2
Short-term provisions	0.5	2.6	0.0	0.0	3.1
Other current liabilities	0.4	–0.3	0.0	0.0	0.1
Subtotal	**–9.2**	**4.1**	**–0.7**	**1.7**	**–4.1**
Tax losses	9.7	–0.6	0.0	0.0	9.1
Other deferred taxes	1.2	0.7	0.0	0.0	1.9
Total	**1.7**	**4.2**	**–0.7**	**1.7**	**6.9**

EUR million	31. Dec. 2018		31. Dec. 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Goodwill	0.0	0.0	0.0	0.0
Other intangible assets	1.0	7.0	0.3	7.0
Property, plant and equipment	9.8	5.5	1.9	5.4
Non-current financial assets	0.0	0.0	0.0	0.0
Non-current financial assets	0.0	0.0	0.0	0.0
Financial assets at fair value through profit or loss	0.0	0.0	0.0	0.0
Financial assets available for sale (AfS)	0.0	6.2	0.0	0.0
Inventories	1.9	3.3	0.4	1.6
Trade receivables	0.5	4.1	0.4	0.9
Current financial lease receivables	0.0	0.0	0.0	0.0
Current financial assets	0.7	0.0	0.0	0.0
Other assets and receivables	0.1	0.6	0.1	0.7
Non-current financial lease liabilities	0.0	0.1	0.0	0.0
Non-current financial liabilities	0.3	0.0	0.0	0.0
Pension obligations	4.0	1.0	3.6	0.1
Currency translation differences from foreign business	0.0	0.0	0.0	0.0
Long-term provisions	1.0	3.1	1.0	2.1
Trade payables	0.1	0.0	0.0	0.0
Current financial lease liabilities	0.0	0.0	0.0	0.0
Current financial liabilities	4.2	0.0	0.0	0.0
Short-term provisions	3.1	0.0	0.5	0.0
Other current liabilities	0.4	0.3	0.4	0.0
Tax losses	10.8	1.7	9.7	0.0
Other deferred taxes	2.1	0.2	1.2	0.0
Deferred taxes before netting out	40.1	33.2	**19.5**	**17.8**
Netting out	–26.8	–26.8	–8.4	–8.4
Deferred taxes after netting out	13.3	6.4	**11.1**	**9.4**

12.5. TEMPORARY DIFFERENCES

No deferred taxes have been recognised for outside basis differences, i.e. discrepancies between the IFRS equity value of an investment and the taxable carrying amount, of EUR 110.0 million (previous year: EUR 93.5 million) as the company can control the timing of the reversal and a reversal is not expected in the foreseeable future.

Furthermore, no deferred taxes were recognised for temporary differences of EUR 2.2 million (previous year: EUR 18.4 million) as it is not likely that there will be future taxable profit against which they can be offset.

12.6. UNUSED TAX LOSSES AND UNUSED TAX CREDITS

Deferred tax assets of EUR 3.5 million (previous year: EUR 9.7 million) were recognised for existing corporate income tax and trade tax loss carryforwards as well as to other tax credits.

Deferred tax assets for unused tax losses and tax credits in the amount of EUR 0.9 million (previous year: EUR 3.4 million) were taken into account with regard to Group companies that generated a negative result in the current period or in the previous period. Deferred tax assets were recognized since, based on the business plan, it is considered probable that there will be future taxable profit to offset these unused tax losses and tax credits. This is particularly the case when companies have incurred start-up costs or it is assumed that the restructuring measures will result in positive earnings in the foreseeable future.

No deferred tax assets were recognized in the course of the purchase price allocation (previous year: EUR 5.4 million in connection with the purchase price allocation for Donges SteelTec GmbH, STS Plastics Co., Ltd and STS Composites France S.A.S.).

Furthermore, there are no deferred tax assets for corporate income tax and trade tax loss carryforwards or other tax credits in the amount of EUR 169.4 million (previous year: EUR 222.3 million) as there are legal or economic limitations on their future utilisation.

Of the unused tax losses and tax credits, EUR 6.2 million may only be utilized within 5 years. There were no time restrictions on the utilization of the tax losses and tax credits not used in the previous year.

12.7. UNCERTAIN TAX LIABILITIES/ASSETS

There are no uncertain tax positions in the reporting period.

13. Consolidated net income for the year and total comprehensive income

Consolidated net income of EUR 12.0 million (previous year: EUR 43.9 million) includes non-controlling interests of EUR –2.7 million (previous year: EUR –0.3 million).

Total comprehensive income of EUR 12.7 million (previous year: EUR 50.9 million) includes non-controlling interests of EUR –2.8 million (previous year: EUR 0.1 million), which result primarily from the STS Group AG.

14. Earnings per share

Earnings per share are as follows:

		2018	2017
Net income for the year after taxes attributable to the shareholders of Mutares	EUR million	14.7	44.2
Weighted average number of shares for calculating earnings per share			
Basic	number	15,341,379	15,496,292
Diluted	number	15,341,379	15,496,292
Earnings per share			
Basic	EUR	0.96	2.85
Diluted	EUR	0.96	2.85

The share options issued as share-based payment have no dilutive impact on earnings per share. Please see our disclosures under note 31 below for information on share-based payment.

15. Segment information

Under IFRS 8, operating segments are identified on the basis of internal reports that are regularly reviewed by the company's chief operating decision maker in order to allocate resources to the segment and assess its performance. Information reported to the Executive Board, as the chief operating decision maker, for the purpose of allocating resources to the business segments of the Group and assessing their performance relates to the products and services that are manufactured or rendered. The Executive Board of the company has decided to structure reporting accordingly. No business segments were combined to create reportable segments at Group level.

Business activities are assigned to the following segments at Mutares AG:

- Automotive segment
  The portfolio companies in this segment supply companies in the automotive industry and also produce rubber moulded parts and elements for sound and heat insulation.

- Engineering & Technology segment
  This segment bundles Mutares' industrial production activities and service provision, in particular in the field of plant engineering, mechanical engineering and related industries.

- Construction & Infrastructure segment
  In this segment Mutares combines its suppliers of coatings for oil and gas pipelines as well as manufacturers of pipeline components and pipes.

- Wood & Paper segment
  This segment comprises paper and wood industry companies that produce various paper products (ranging from coreboard to special-purpose papers) in addition to wood panelling and floorings.

- Consumer Goods & Logistics segment
  The products of the portfolio companies in this segment closely relate to consumer business. They include retailers and manufacturers of consumer goods.

In future, Mutares AG's business activities will be combined into the following three segments:

- Automotive & Mobility
  Elastomer Solutions Group, STS Group
- Engineering & Technology
  Balcke-Duerr Group, Donges Group, Gemini Rail Group, Eupec
- Goods & Services
  La Meusienne, Norsilk, Cenpa, KLANN Packaging

The chief operating decision maker has not yet taken over management in the 2018 financial year on the basis of these segments.

The five segments each consist of several legal entities. These legal entities are clearly allocated to just one of the five segments. Consequently, there are no so-called zebra entities. All five segments generate income and expenses as defined by IFRS 8.5.

Reporting and management for the individual segments are carried out in accordance with IFRS. The accounting policies of the reportable segments are the same as the Group accounting policies described in note 54, including for business transactions between the reportable segments. Sales between segments are settled at usual market prices.

Since mid-2018, the Executive Board, as chief operating decision maker, has also measured segment success using a key performance indicator adjusted for extraordinary effects, which is known as "adjusted EBITDA" in internal management and reporting. The calculation of this alternative performance measure is based on reported Group EBITDA (earnings before interest, taxes, depreciation, and amortisation), adjusted for transaction-related income (bargain purchases), restructuring expenses, other non-recurring expenses and deconsolidation effects. This alternative performance measure aims to make operating developments within the segments more transparent and allow the chief operating decision maker to assess financial performance in the individual segments.

The reconciliation between the reported EBITDA and the adjusted EBITDA performance indicator is as follows:

EUR million	2018	2017
EBITDA	**49.1**	**67.1**
Income from bargain purchases	–32.3	–87.3
Restructuring and other non-recurring expenses	28.6	23.2
Deconsolidation effects	–40.9	–30.9
Adjusted EBITDA	**4.5**	**–27.9**

For transaction-related income (bargain purchases), please see the details in note 5.1 on the acquisitions of subsidiaries. For deconsolidation effects, see details in note 5.2 on deconsolidation of subsidiaries.

Expenses from the measurement of Artmadis's assets and liabilities in connection with liquidation and deconsolidation (EUR 15.9 million) are recognised as non-recurring expenses in restructuring and other non-recurring expenses for the 2018 financial year. Expenses for severance and redundancy schemes (EUR 10.8 million) result largely from the Engineering & Technology segment and, within this segment, from restructuring plans at the new acquisitions (EUR 8.4 million). This also includes special effects from the IPO, legal and consulting costs, severance costs, fees for transition service agreements ("TSA") from STS (EUR 6.9 million) and expenses related to settling a legal dispute at Mutares AG (EUR 5.5 million). Also included are further non-recurring expenses in conjunction with the STS Group AG's IPO, the transition to IFRS at Mutares AG (EUR 1.6 million) and expenses for severance payments and redundancy schemes (EUR 2.5 million) at various Mutares Group portfolio companies. Conversely, income from earn-out agreements from companies sold in the 2017 financial year (A+F Automation und Fördertechnik GmbH (EUR 2.6 million) and GeesinkNorba Group (EUR 8.6 million)) and income from the settlement agreement with the sellers of Balcke-Duerr (EUR 5.8 million) was eliminated.

In the previous year, restructuring and other non-recurring expenses included in particular expenses for severance and redundancy schemes in the Engineering & Technology segment (EUR 11.0 million) and the Automotive segment (EUR 1.7 million), as well as legal, consulting, and TSA costs at STS (EUR 2.1 million). In addition, non-recurring effects resulted from the measurement of Artmadis's assets and liabilities in connection with the departure from the assumption that Artmadis will continue as a going concern (EUR 5.6 million).

EUR million	Automotive		Engineering & Technology		Construction & Infrastructure	
	2018	2017	2018	2017	2018	2017
Revenues	437.0	344.1	191.9	213.2	77.7	65.1
Cost of Material	-252.0	-206.0	-110.6	-116.9	-55.5	-51.0
Personnel expenses	-115.0	-85.9	-64.7	-75.9	-15.1	-15.1
Other operating expenses	-71.2	-53.8	-30.4	-49.9	-9.0	-8.9
EBITDA	10.5	56.8	36.6	17.4	-0.9	7.3
Adjusted EBITDA	17.6	14.4	1.8	-16.4	0.2	-5.0
Timing of revenue recognition						
Transferred at a point in time	132.6		76.5		72.1	
Over period	307.0		115.8		5.8	

EUR million	Wood & Paper		Consumer Goods & Logistics		Corporate/ consolidation		Mutares Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues	124.9	178.8	33.8	98.6	-0.0	-0.0	865.1	899.7
Cost of Material	-81.8	-122.5	-32.6	-73.3	0.0	0.0	-532.4	-569.6
Personnel expenses	-28.1	-41.1	-9.3	-21.0	-12.5	-12.7	-244.7	-251.6
Other operating expenses	-23.6	-32.6	-9.8	-24.2	-2.4	5.6	-146.4	-163.7
EBITDA	16.2	-4.5	2.7	-18.1	-16.1	8.3	49.1	67.1
Adjusted EBITDA	-7.0	-3.9	-1.5	-10.0	-6.5	-6.9	4.5	-27.9
Timing of revenue recognition								
Transferred at a point in time	128.6		35.4					
Over period	0.0		0.0					

Since 1 January 2018 Mutares has applied the new standards IFRS 9 and IFRS 15 for the first time. For the transition to the new regulations, the modified, retrospective approach was applied, according to which the previous year's figures were not adjusted. See explanatory points in the section on accounting policies under no. 59.

The segment's non-current assets break down by region, defined by the place the assets are located, as follows:

EUR million	2018	2017
Europe	146.1	176.2
Germany	31.1	74.5
France	68.1	71.2
Italy	25.0	20.3
Other	21.9	10.2
Rest of world	33.2	32.3

The segment's non-current assets comprise intangible assets, property, plant and equipment and other non-current non-financial assets.

Revenue from one customer in the Automotive segment amounted to EUR 108.3 million in the 2018 financial year, representing over 10% of total third party revenue in the Mutares Group. The Mutares Group did not generate revenue from individual customers in excess of 10% of reported revenue with third parties in the 2017 financial year.

Revenue breaks down according to segments' registered offices as follows:

EUR million	2018	2017
Europe	772.3	853.9
Germany	236.7	252.1
France	353.5	354.8
Italy	123.2	152.2
Other	58.9	94.8
Rest of world	92.8	45.8

Revenue is not shown for each group of comparable products and services as the information required to do so is not available and preparing the information would incur excessive costs.

The reconciliation of reported segment earnings to earnings before taxes is as follows:

EUR million	2018	2017
Total segment EBITDA	65.1	58.9
Corporate/consolidation	–16.1	8.3
Depreciation	–29.7	–27.1
Financial result	–4.6	–4.5
Profit before tax	**14.8**	**35.5**

D. NOTES ON ASSETS

16. Intangible assets

Other intangible assets developed 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. 2017	**16.8**	**10.1**	**4.4**	**2.1**	**33.4**
Changes in consolidated group	7.4	–1.9	–1.0	7.0	11.5
Reclassification	0.0	0.7	8.2	–8.4	0.5
Additions	0.7	3.3	0.5	0.6	5.1
Disposals	0.0	–0.4	–0.3	–0.2	–0.9
As at 31 Dec. 2017	**24.9**	**11.8**	**11.8**	**1.1**	**49.6**
Changes in consolidated group	2.5	–7.5	1.0	2.5	–1.5
Reclassification	–14.4	0.2	14.4	0.2	0.4
Additions	0.8	4.3	0.1	0.5	5.7
Disposals	0.0	–0.2	–0.1	–0.2	–0.5
Currency translation effects	0.0	0.0	0.1	0.0	0.1
As at 31 Dec. 2018	**13.8**	**8.6**	**27.3**	**4.1**	**53.8**

EUR million	Internally generated intangible rights and assets	Software	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Accumulated depreciation and impairment					
As at 1 Jan. 2017	**–2.2**	**–7.3**	**–3.9**	**0.0**	**–13.4**
Changes in consolidated group	2.4	1.7	1.2	0.0	5.3
Depreciation	–3.0	–1.3	–0.5	0.0	–4.8
Impairment	0.0	–1.4	0.0	0.0	–1.4
Disposals	0.0	0.4	0.0	0.0	0.4
As at 31 Dec. 2017	**–2.8**	**–7.9**	**–3.2**	**0.0**	**–13.9**
Changes in consolidated group	0.0	6.9	0.6	0.0	7.5
Appreciation	0.0	0.0	0.0	0.0	0.0
Reclassification	1.3	0.0	–1.3	0.0	0.0
Depreciation	–1.7	–1.3	–3.0	–0.1	–6.1
Impairment	0.0	0.0	–0.1	0.0	–0.1
Disposals	0.0	0.1	0.1	0.0	0.2
As at 31 Dec. 2018	**–3.2**	**–2.2**	**–6.9**	**–0.1**	**–12.4**
Net carrying amounts					
1 Jan. 2017	14.6	2.8	0.5	2.1	20.0
31 Dec. 2017	22.1	3.9	8.6	1.1	35.7
1 Jan. 2018	22.1	3.9	8.6	1.1	35.7
31 Dec. 2018	**10.6**	**6.4**	**20.4**	**4.0**	**41.4**

After it was established that the gross carrying amounts of two subsidiaries had initially been incorrectly recognised after being acquired by the Mutares Group, this error was corrected retrospectively for the previous year. This correction does not impact the net carrying amounts or balance sheet figures.

Intangible assets of EUR 4.4 million were assumed as part of acquiring the Gemini Rail Group. These comprise an order backlog (EUR 2.3 million) and software (remaining useful life of 5 years; carrying amount EUR 2.1 million).

In addition, technology expertise (remaining useful life of 8–16 years; EUR 2.5 million) and licence agreements (remaining useful life of 3 years; EUR 1.0 million) are also recognised as material intangible assets at the Balcke-Duerr subgroup.

For information on intangible assets acquired in business combinations please also refer to the comments above on acquisitions of subsidiaries.

See note 34 for information on intangible assets pledged as collateral as at 31 December 2018.

Intangible assets with indefinite useful lives

A subsidiary of Mutares AG had intangible assets with indefinite useful lives amounting to EUR 2.9 million as at 31 December 2018 (previous year: EUR 2.9 million). This relates to a trademark acquired as part of a business combination. Its useful life is considered indefinite as management has no plans to change the brand name, and therefore the asset can be used by the company indefinitely.

The relief from royalty method was applied when measuring the brand at the time of initial recognition as at 31 December 2016. This process is based on the assumption that the company would be willing to enter into a licence agreement if it did not own the brand. Under this hypothetical licence transaction, the licence holder would have to pay royalties to the licensor. The brand's value can therefore be estimated as the present value of all future licence payments in a hypothetical licence business. In these kind of transactions, royalties are generally determined by applying a royalty rate to the sale of the product or products linked to the brand. The recoverable amount is calculated on the basis of a right-of-use, determined by applying cash flow forecasts based on financial planning approved by management for a three-year period. The discount rate for the cash flow forecasts is 8.3% (2017: 8.3%). Cash flows after the end of the three-year period were extrapolated using a growth rate of 1.0% (2017: 1.0%). The impairment test did not show any need for impairment in the 2018 financial year.

Impairment of intangible assets

There was no material amortisation of intangible assets in the 2018 financial year.

Impairment of EUR 1.1 million was recognised on the intangible assets of the French subsidiary Cogemag S.A.S. in the 2017 financial year as the recoverable amount was below the carrying amount. The circumstances that led to the recognition of the impairment loss are the negative cash flows of Cogemag S.A.S. and the assumption, according to planning, that no positive cash flows will be generated in future.

Various factors led to the French subsidiary Artmadis not achieving its planned operating earnings for 2017 (see note 44 on threats to subsidiaries as a going concern). As a result, it was no longer assumed that this subsidiary will continue operating as this would be inconsistent with the actual circumstances. Accordingly, its intangible assets were measured at cost less cumulative amortisation and impairment losses to adjust them to their lower recoverable amount. This led to impairment on intangible assets of EUR 0.3 million in the 2017 financial year.

17. Property, plant and equipment

Property, plant and equipment developed 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. 2017	**341.8**	**747.6**	**55.4**	**3.1**	**1,147.9**
Changes in consolidated group	13.2	−19.7	−14.5	4.9	−16.1
Reclassification	1.6	4.7	−0.2	−6.5	−0.4
Additions	1.5	11.3	2.4	5.9	21.1
Disposals	−4.2	−6.9	−1.3	−1.1	−13.5
Foreign translation effects	−0.3	−0.5	0.0	0.0	−0.8
As at 31 Dec. 2017	**353.6**	**736.5**	**41.8**	**6.3**	**1,138.2**
Changes in consolidated group	−265.6	−535.3	−15.8	−2.7	−819.4
Assets held for sale	−19.6	0.0	0.0	0.0	−19.6
Reclassification	0.8	2.4	−0.3	−3.3	−0.4
Additions	0.9	8.3	2.4	8.1	19.7
Disposals	−0.3	−3.3	−0.5	0.0	−4.1
Currency translation effects	−0.3	0.1	0.1	0.0	−0.1
As at 31 Dec. 2018	**69.5**	**208.7**	**27.7**	**8.4**	**314.3**

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. 2017	**−284.1**	**−707.2**	**−45.0**	**−0.7**	**−1,037.0**
Changes in consolidated group	23.0	41.8	16.5	0.0	81.3
Appreciation	0.0	0.5	0.0	0.0	0.5
Depreciation	−4.6	−12.4	−2.9	0.7	−19.2
Impairment	0.0	−0.4	−0.4	−0.1	−0.9
Disposals	0.7	6.3	0.6	0.0	7.6
Currency translation effects	0.0	0.1	0.0	0.0	0.1
As at 31 Dec. 2017	**−265.0**	**−671.3**	**−31.2**	**−0.1**	**−967.6**
Changes in consolidated group	256.2	536.1	15.1	0.1	807.5
Assets held for sale	0.0	0.0	0.0	0.0	0.0
Appreciation	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	−0.4	0.4	0.0	0.0
Depreciation	−5.3	−13.0	−2.2	0.0	−20.5
Impairment	−1.0	−1.9	−0.1	0.0	−3.0
Disposals	0.1	2.4	0.2	0.0	2.7
Currency translation effects	0.0	−0.1	0.0	0.0	−0.1
As at 31 Dec. 2018	**−15.0**	**−148.2**	**−17.8**	**0.0**	**−181.0**
Net carrying amounts					
1 Jan. 2017	57.7	40.4	10.4	2.4	110.9
31 Dec. 2017	88.6	65.2	10.6	6.2	170.6
1 Jan. 2018	88.6	65.2	10.6	6.2	170.6
31 Dec. 2018	**54.5**	**60.5**	**9.9**	**8.4**	**133.3**

After it was established that the gross carrying amounts of two subsidiaries had initially been incorrectly recognised after being acquired by the Mutares Group, this error was corrected retrospectively for the previous year. This correction does not impact the net carrying amounts or balance sheet figures.

See note 34 for information on property, plant and equipment pledged as collateral as at 31 December 2018.

Impairment of property, plant and equipment

In light of challenging general economic conditions, STS reviewed the recoverable amount for a cash generating unit (CGU) in the 2018 financial year. The CGU is an independent facility within the Automotive segment. This review resulted in an impairment loss being recognised in profit or loss in the amount of EUR 1.1 million (previous year: EUR 0), to which technical equipment and machinery were allocated. The discount rate used to determine the value in use was 13.4% p.a. The CGU's value in use was EUR 5.5 million as at 31 December 2018.

At BSL Pipes & Fittings, an impairment loss of EUR 1.4 million was recognised on property, plant and equipment in the Construction & Infrastructure segment in 2018 as the recoverable amount was lower than the carrying amount.

Impairment of EUR 0.4 million was recognised on the property, plant and equipment of the French subsidiary Cogemag S.A.S. in the Consumer Goods & Logistics segment in the 2017 financial year as the recoverable amount was below the carrying amount. The circumstances that led to the recognition of the impairment loss are the negative cash flows of Cogemag S.A.S. and the assumption, according to planning, that no positive cash flows will be generated in future.

Various factors led to the French subsidiary Artmadis from the Consumer Goods & Logistics segment not achieving its planned operating earnings for 2017 (see note 44 on threats to subsidiaries as a going concern). As a result, it was no longer assumed that this subsidiary will continue operating as this would be inconsistent with the actual circumstances. Accordingly, its property, plant and equipment were measured at cost less cumulative depreciation and impairment losses to adjust them to their lower recoverable amount. This led to impairment on property, plant and equipment of EUR 0.5 million in the 2017 financial year.

Income from the reversal of write-downs on property, plant and equipment

Write-downs of EUR 0.5 million were reversed at Eupec Pipecoatings France S.A.S. in the 2017 financial year. These relate to two locations, which were written down in full due to order cancellations. The impairment loss was reversed as a result of significant incoming orders registered for the two locations in 2017.

18. Inventories

Inventories break down as follows:

EUR million	31. Dec. 2018	31. Dec. 2017
Raw materials, consumables and supplies	43.7	39.5
Work in progress	32.3	33.4
Finished goods and goods for resale	21.9	54.5
Prepayments on inventories	2.9	3.6
Inventories	**100.8**	**131.0**

Expensed inventories amount to EUR 441.0 million (previous year: EUR 410.2 million).

See note 34 for information on inventories pledged as collateral as at 31 December 2018.

The impairment of inventories to the lower net realisable value recognised in the statement of comprehensive income amounts to EUR 13.5 million (previous year: EUR 2.9 million). The increase is in particular due to special effects in the valuation of inventories in connection with the the assumption that Artmadis will continue as a going concern. In this context, an external expert estimated the net inventory values of the inventories.

The reversals of write-downs on inventories recognised in the statement of comprehensive income amount to EUR 2.3 million (previous year: EUR 0.2 million) and result from changed economic circumstances, which indicate an increase in net realisable values.

19. Contract balances

The following table shows the opening and closing balances of contract assets and contract liabilities from contracts with customers:

EUR million	31. Dec. 2018	1. Jan. 2017
Non-current receivables from contracts with customers	0.6	0.7
Current receivables from contracts with customers	146.6	181.6
Non-current contract assets	0.1	0.0
Current contract assets	15.7	22.3
Non-current contract liabilities	1.6	1.4
Current contract liabilities	30.6	16.3

Contract assets as at the end of the reporting period resulted largely from long-term projects that meet the criteria for period-related revenue recognition. Contract assets represent the Mutares Group's legal right to goods or services provided that exceed payments already received. In the Engineering & Technology segment, the contract assets relate primarily to services for which revenue is recognised over a period of time in the area of plants and bridge construction. Contract assets in the Automotive segment relate primarily to series production services where revenue is recognised over a period of time. Contract liabilities as at 31 December 2018 result mostly from advance payments received from customers in connection with long-term contracts.

The change to contract balances in the 2018 financial year is essentially due to operating activities and the related changes to project progress and billings, as well as business combinations during the year. EUR 1.3 million in revenue from contracts with customers, included in contract liabilities at the beginning of the period, was recognised in the current reporting period.

A total transaction price of EUR 163.5 million is allocated to performance obligations that either were not met or were only partially met as at 31 December 2018. Management assumes that EUR 115.5 million of this will be recognised as revenue in 2019 and EUR 48.0 million in subsequent periods. Outstanding performance obligations relate primarily to long-term construction contracts from the Balcke-Duerr Group and the Donges Group and obligations regarding producing series tools in the automotive segment. In accordance with IFRS 15.121, outstanding performance obligations with a term of up to one year are not disclosed.

20. Other financial assets

Other financial assets break down as follows:

EUR million	31. Dec. 2018	31. Dec. 2017
Receivables from earn-out agreements	11.2	0.0
Cash and term deposits	8.7	7.6
Security deposits	3.6	2.0
Creditors with debit balances	0.9	1.7
Supplier bonuses	0.7	1.0
Tax exemption claim against former owner	0.0	7.1
Miscellaneous financial assets	0.3	1.3
Other financial assets	**25.4**	**20.7**

Earn-out receivables are presented in detail under "5.1 Acquisitions of subsidiaries".

The tax exemption claim of EUR 7.1 million as at 31 December 2017 against the former owner of STS Acoustics S.p.A arose from the share purchase agreement. Following the external audits of the company for the years 2006 to 2011, final notices were issued for different types of tax from which the company can claim exemption in the corresponding amount. This exemption was serviced in the 2018 financial year.

21. Other non-financial assets

Other non-financial assets break down as follows:

EUR million	31. Dec. 2018	31. Dec. 2017
VAT receivables	9.3	7.6
Other tax assets	6.7	2.4
Accrued income	3.9	2.4
Miscellaneous other assets	2.0	2.9
Other non-financial assets	**21.9**	**15.3**

See note 34 for information on other assets pledged as collateral as at 31 December 2018.

22. Trade and other receivables

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

Trade receivables and other receivables do not bear interest and, with the exception of receivables of EUR 0.6 million, have a term of less than one year.

Mutares has recognised impairment for general credit risks using the expected loss model under IFRS 9.5.5 since the beginning of the 2018 financial year. Write-downs are initially recognised in allowance accounts, unless it can already be assumed when the reason for the write-down arises that the receivable will be fully or partly uncollectible. In these cases, the carrying amount of the receivable is written down directly to profit or loss.

Please refer to note 41.1 for details on calculating impairment.

Trade receivables measured at fair value through other comprehensive income are impaired in the amount of EUR 1.0 million.

See note 34 for information on receivables pledged as collateral as at 31 December 2018.

Expected credit losses for trade receivables and other receivables were as follows:

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

The following information applies to the previous year period in accordance with IFRS 7 as amended by IAS 39:

EUR million	31. Dec. 2017
Trade receivables	182.3
Less specific valuation allowances	–7.2
Other receivables	7.5
Trade and other receivables	**182.6**

As at 31 December 2017, the age structure of trade receivables and other receivables was as follows:

EUR million	31. Dec. 2017
Not past due or impaired	**135.7**
Past due, not yet impaired	
1 to 30 days	40.4
30 to 60 days	6.0
60 to 90 days	1.6
90 to 180 days	1.6
More than 180 days	3.5
Total past due, not impaired	**53.1**
Past due, impaired	
1 to 30 days	0.0
30 to 60 days	0.0
60 to 90 days	0.0
90 to 180 days	0.4
More than 180 days	0.6
Total past due, impaired	**1.0**
Individually impaired	–7.2
Net carrying amount of receivables	**182.6**

Write-downs on trade receivables and other receivables developed as follows in the previous year:

EUR million	
As at 1 Jan. 2017	**9.4**
Addition according to statement of comprehensive income	2.7
Reversal according to statement of comprehensive income	–3.4
Addition not shown in statement of financial position (derecognition from consolidated group)	–1.5
As at 31 Dec. 2017	**7.2**

Trade receivables assigned

Companies in the Mutares Group sell trade receivables to factoring companies in exchange for rights of recourse. These trade receivables are not derecognised as Mutares essentially retains all risks and rewards incidental to ownership. This relates primarily to credit risk. The amounts received from selling the trade receivables are recognised as other financial liabilities. Depending on the agreement made with the factoring company in question, the customers settle the corresponding outstanding items directly at the Mutares company, which then transfers the amounts received to the factoring companies. The carrying amount of trade receivables that had not been derecognised amounted to EUR 50.7 million (previous year: EUR 63.1 million) as at the end of the reporting period. The carrying amount of the corresponding liabilities as at the end of the reporting period was EUR 47.0 million (previous year: EUR 57.1 million). Due to their short-term nature, the fair value of the trade receivables and the associated liabilities is approximately equal to the carrying amount. The net position from this is EUR 3.8 million (previous year: EUR 6.0 million).

Mutares also sold trade receivables with a carrying amount of EUR 6.6 million (previous year: EUR 1.1 million) to third parties on the basis of factoring agreements. No material risks remain for Mutares. The receivables were therefore booked out in accordance with IFRS 9.3.2.6(a). Retentions in connection with these assigned receivables amount to EUR 0.8 million (previous year: EUR 0.1 million) and are recognised under other non-current financial assets. Due to their short-term nature, the fair value of the trade receivables is approximately equal to the carrying amount. If the customer defaults on payment, Mutares is exposed to a residual payment risk of EUR 0.0 million (previous year: EUR 0.0 million) from the factoring company. The amounts to be repaid to the factoring companies would be considered current and represent the maximum loss exposure for Mutares.

23. Non-current assets held for sale

Donges SteelTec GmbH (Engineering & Technology segment) intends to sell and then lease its business premises in a sale and leaseback transaction. As of the end of the reporting period, the transaction is very likely to be made. An impairment loss of EUR 0.4 million was recognised in connection with valuation at fair value less costs to sell, based on contract negotiations, and this was shown in the statement of comprehensive income under depreciation and amortisation.

As at 31 December 2017, Balcke-Duerr GmbH (Engineering & Technology segment) reported parts of its business premises that are no longer fully in use as held for sale.

24. Cash and cash equivalents

Cash and cash equivalents break down as follows:

EUR million	31. Dec. 2018	31. Dec. 2017
Bank balances	102.8	98.8
Cash equivalents	5.3	0.1
Cash and cash equivalents	**108.1**	**98.9**

EUR 2.9 million of cash and cash equivalents was restricted as at 31 December 2018 (previous year: EUR 5.0 million).

See note 34 for information on cash and cash equivalents pledged as collateral as at 31 December 2018.

E. NOTES ON EQUITY AND LIABILITIES

The individual components of equity and their development in the 2017 and 2018 financial years are presented in the consolidated statement of changes in equity.

25. Share capital

The subscribed capital of the parent company Mutares AG is fully paid in and consists of 15,496,292 no-par-value registered (previous year: bearer) shares with a notional amount in the share capital of EUR 1.00 each as at 31 December 2018. Please see the comments under note 32 "Acquisition of treasury shares" below for information on shares outstanding.

The Annual General Meeting on 20 July 2018 resolved to convert bearer shares to registered shares.

26. Capital reserves

The capital reserve totalled EUR 36.8 million as at 31 December 2018 (previous year: EUR 36.5 million). The increase results from the recognition of share-based payment (see comments under note 31 below).

Capital reserves therefore comprise the premium from the issue of shares in the parent company amounting to EUR 36.1 million (previous year: EUR 36.1 million) and the recognition of share-based payments of EUR 0.7 million (previous year: EUR 0.4 million).

27. Retained earnings

By way of resolution of the Annual General Meeting on 20 July 2018, an amount of EUR 15.2 million was distributed from net retained profits of Mutares AG under HGB as at 31 December 2017 in the form of a dividend of EUR 1.00 per entitled share.

At the Annual General Meeting, the Executive Board and the Supervisory Board will propose the distribution of a dividend for the 2018 financial year of EUR 1.00 per share, corresponding to a total amount of EUR 15.2 million with reference to outstanding shares as at the reporting date.

28. Other components of equity

Other equity components include the currency translation reserve and the revaluation surplus for pension obligations. Their development in the 2018 financial year is shown in the consolidated statement of changes in equity. Details can be found in the table below:

EUR million	Actuarial gains/losses	Currency adjustment	Total	Non-controlling interest	Attributable to owners of the parent
As at 1 Jan. 2017	**–5.4**	**–0.8**	**–6.2**	**0.0**	**–6.2**
Other comprehensive income after income taxes	8.5	–1.5	7.0	–0.4	6.6
Changes in consolidated group	0.0	1.4	1.4	0.0	1.4
As at 31 Dec. 2017	**3.1**	**–0.9**	**2.2**	**–0.4**	**1.8**
Other comprehensive income after income taxes	1.6	–0.9	0.7	0.1	0.8
Changes in consolidated group	–3.1	–0.2	–3.3	0.0	–3.3
As at 31 Dec. 2018	**1.6**	**–2.0**	**–0.4**	**–0.3**	**–0.7**

29. Non-controlling interest

Zanders GmbH, based in Bergisch Gladbach, was deconsolidated in the reporting period (cf. note 5.2) and so there were no non-controlling interests in Zanders GmbH as at 31 December 2018 (previous year: 5.1%; EUR –0.9 million)

On 1 June 2018 the commencement of trading of STS Group AG, domiciled in Halbergmoos, on the regulated market of the Frankfurt Stock Exchange (Prime Standard) took place. This involved the placement of 1,000,000 shares of new stock from a capital increase of STS Group AG as well as the reallocation of 1,172,172 shares of the previous sole shareholder Mutares AG at an offering price of EUR 24.00 per share. The share capital of STS Group AG was increased to 6,000,000 registered shares by the aforementioned transaction. The issuance proceeds of EUR 52.1 million were – similar to the related costs of EUR 5.2 million – recognised separately in equity. This resulted in non-controlling interests of EUR 30.6 million.

The Executive Board of STS Group AG launched a share buyback programme in the reporting period, acquiring a total of 4,763 shares in the reporting period. This represents a nominal amount of EUR 5 thousand, 0.08% of STS Group AG's share capital. The average price of the acquired shares was EUR 12.51 per share, ranging between EUR 10.77 and EUR 13.60.

In the reporting period, Mutares AG reacquired 62,000 shares in the STS Group AG for a total of EUR 0.9 million. This was a minority interest transaction and was presented as such in the statement of changes in equity.

After Mutares AG acquired shares, non-controlling interests at STS Group AG held a 35.2% ownership interest and share in voting rights as at 31 December 2018 (previous year: 0.0%). These non-controlling interests accounted for pro-rata comprehensive income of EUR –2.2 million in the reporting period. As at 31 December 2018, cumulative non-controlling interests came to EUR 27.4 million.

EUR million	31. Dec. 2018	31. Dec. 2017
Non-current assets	115.6	114.8
Current assets	158.2	160.2
Non-current liabilities	39.2	45.9
Current liabilities	152.2	168.4
Equity attributable to owners of the parent	82.4	60.7
Non-controlling interests	0.0	0.0
Revenues	401.3	310.0
Expenses	406.1	263.0
Net income	**–4.8**	**47.0**
Net income for the year attributable to owners of the parent	–4.8	47.0
Net income for the year attributable to non-controlling interests	0.0	0.0
Total net income for the year	**–4.8**	**47.0**
Other comprehensive income attributable to owners of the parent	–0.2	–0.9
Other comprehensive income attributable to non-controlling interests	0.0	0.0
Total other comprehensive income	**–0.2**	**–0.9**
Comprehensive income attributable to owners of the parent	–5.0	46.1
Comprehensive income attributable to non-controlling interests	0.0	0.0
Total comprehensive income	**–5.0**	**46.1**
Dividends paid (–) to non-controlling interests	0.0	0.0
Cash flow from operating activities	7.1	–8.7
Cash flow from investing activities	–13.9	–17.3
Cash flow from financing activities	22.1	39.2
Change in cash and cash equivalents	**15.3**	**13.2**

30. Authorised capital

The Annual General Meeting of the company on 22 May 2015 resolved Authorised Capital 2015/I. The Executive Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 7.0 million in total by issuing up to 7,000,000 new bearer shares against cash or non-cash contributions by 21 May 2020 ("Authorised Capital 2015/I"). Following partial utilisation, Authorised Capital 2015/I still amounted to EUR 5.6 million as at the end of the reporting period (previous year: EUR 5.6 million).

Due to converting bearer shares to registered shares, the Annual General Meeting on 20 July 2018 resolved to amend the section as follows: The Executive Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital either once or several times by up to EUR 5,600,000.00 by issuing up to 5,600,000 new bearer shares against cash or non-cash contributions by up to and including 21 May 2020 (Authorised Capital 2015/I).

31. Contingent capital and share-based payment

31.1. SHARE-BASED PAYMENT AT MUTARES AG

The Annual General Meeting of the company on 3 June 2016 authorised the Executive Board, with the approval of the Supervisory Board, to issue up to 1,500,000 pre-emption rights ("stock options") to members of the Executive Board of the company, members of the management of affiliated companies in Germany and abroad and to employees of the company and affiliated companies in Germany and abroad by 2 June 2020 ("2016 Mutares stock option plan"). The stock options authorise subscription to up to 1,500,000 no-par-value registered shares (previous year: bearer shares) in the company with a notional amount of the share capital of EUR 1.00 per share. To serve the 2016 Mutares stock option plan, the Annual General Meeting also resolved to contingently increase the share capital of the company by EUR 1,500,000 by issuing up to 1.5 million bearer shares with no par value ("Contingent Capital 2016/I").

On 13 October 2016, the Executive Board, with the approval of the Supervisory Board, resolved option terms and conditions by which up to 900,000 stock options can be issued in total from Contingent Capital 2016/I to members of the management of affiliated companies in Germany and abroad and to employees of the company and affiliated companies in Germany and abroad by 2 June 2020. On fulfilment of certain exercise conditions, in particular a vesting period of at least four years, the stock options authorise subscription to up to 900,000 bearer shares with no par value in the company with a notional amount of the share capital of EUR 1.00 per share.

Also on 13 October 2016, the Supervisory Board resolved option terms and conditions by which up to 600,000 stock options can be issued in total from Contingent Capital 2016/I to members of the Executive Board of the company by 2 June 2020. On fulfilment of certain exercise conditions, in particular a vesting period of at least four years, the stock options authorise subscription to up to 600,000 bearer shares with no par value in the company with a notional amount of the share capital of EUR 1.00 per share.

By October 2016, a total of 666,750 options with an exercise price of EUR 8.83 and a fair value of EUR 3.02 as at the grant date had been granted to members of the Mutares AG Executive Board, Mutares AG employees and the executive bodies and employees of affiliated companies. In this context, the Executive Board of Mutares AG has been allocated a total of 300,000 options.

As part of a further tranche in May 2017, a total of 41,700 options with an exercise price of EUR 9.76 and a fair value of EUR 3.36 as at the grant date were granted to Mutares AG employees and the executive bodies and employees of affiliated companies. In this context, the Executive Board of Mutares AG has not been allocated any options.

In a third tranche in November 2017, a total of 99,750 options with an exercise price of EUR 9.13 and a fair value of EUR 3.21 as at the grant date were granted to Mutares AG employees and the employees of affiliated companies. In this context, the Executive Board of Mutares AG has not been allocated any options.

In a fourth tranche in April 2018, a total of 165,000 options with an exercise price of EUR 12.44 and a fair value of EUR 4.11 as at the grant date were granted to the Mutares AG Executive Board.

Fair value of the stock options granted in the 2018 and 2017 financial years

The weighted average fair value of the share options granted in the financial year was EUR 4.11 (previous year: EUR 3.25).

The options have been measured using a binomial option pricing model. The expected term of the options, if relevant, was calculated based on the Executive Board's best estimate of the following factors: non-transferability, exercise restrictions (including the probability of the related market conditions being met) and assumptions regarding exercise patterns. The expected volatility is based on trends in stock price volatility over the past six years. Regarding the timing of exercise, it was assumed that, on average, programme participants will exercise the options at the end of the exercise period of two years, i.e. six years after the grant date.

	Option tranche			
Model parameters	**16.9.16**	**22.5.17**	**8.11.17**	**23.4.18**
Share price as at grant date (in EUR)	12.60	13.86	13.28	**18.05**
Strike price (in EUR)	8.83	9.76	9.13	**12.44**
Expected volatility (as a %)	30.00	30.00	30.00	**30.00**
Option term (in years)	6.00	6.00	6.00	**6.00**
Dividend yield (in %)	4.50	4.50	4.50	**4.50**
Risk-free interest rate (as a %)	–0.36	0.02	–0.13	**0.25**

One option tranche was issued in May and another in November of the financial year 2017. Furthermore, the number of options under the 2016 tranche was reduced by 45,000 in the financial year 2017 and by another 137,250 in the reporting period, taking the total to 484,500 unexercised outstanding stock options, as a result of participants leaving their respective companies. Tranches from May and November 2017 also decreased by 7,500 in the 2017 financial year and a further 3,750 in the reporting period, taking the current total to 30,450/fell by 17,250 in the reporting period, taking the total to 82,500 unexercised outstanding stock options as at 31 December 2018, as a result of participants leaving their respective companies. As at 31 December 2018, there were therefore a total of 762,450 outstanding options.

Number of share options	Option tranche 16 Sep. 2016	22 May 2017	8 Nov. 2017	23 April 2018
As at 31 Dec. 2016	**666,750**	**0**	**0**	**0**
+ new options granted	0	41,700	99,750	0
– expired options	–45,000	–7,500	0	0
As at 31 Dec. 2017	**621,750**	**34,200**	**99,750**	**0**
+ new options granted	0	0	0	165,000
– expired options	–137,250	–3,750	–17,250	0
As at 31 Dec. 2018	**484,500**	**30,450**	**82,500**	**165,000**
of which can be exercised	0	0	0	0

The range of exercise prices for options outstanding at the end of the reporting period is from EUR 8.83 to EUR 12.44 and the weighted average exercise price is EUR 9.68 (previous year: EUR 8.91). The average weighted remaining term is 4.21 years (previous year: 4.89 years).

Personnel expenses of EUR 0.3 million were recognised for the stock option plan in the 2018 financial year.

The stock options granted are not entitled to dividends and do not grant voting rights.

31.2. SHARE-BASED PAYMENT AT SUBSIDIARIES

In the 2018 financial year, STS Group AG introduced a stock option plan for Executive Boards, management personnel at subsidiaries, company employees and employees at subsidiaries. An Annual General Meeting resolution of 3 May 2018 authorised the Company's representatives up to 2 May 2023 to grant a total of up to 500,000 options to a total of up to 500,000 shares in the Company with full dividend entitlement for the financial year in which the option is exercised.

The options allocated under the plan entitle the bearer to acquire equity instruments. An option grants the right to acquire one share of the company. At the exercise date, shares in the Company that the Company has acquired or that the Company holds as treasury shares can be issued instead of satisfying the obligations with the contingent capital created for that purpose.

The individual options have a maximum term of seven years from when they are allocated. It is intended to allocate the options once a year at the beginning of July in a total of five tranches until 2022. There is a vesting period of four years from the time the options are granted before they may be exercised for the first time. In addition, the option holder must have an active, ongoing service contract with the subsidiary at the time the options are exercised.

In line with the target of increasing enterprise value in the long-run, the stock option plan's performance target and additional requirement for exercising the options stipulate that, within a period of 12 months, the company's closing share price on Xetra must exceed the issue price by at least 20% for a total of 60 trading days in the period 1 July 2018 to 30 June 2019, and then from 1 July 2019 to 30 June 2027 by at least 30% on a regular basis. If this performance target is not achieved in one year, this can still be offset in the following year by reaching the performance target. Otherwise, the tranche of options granted expires.

Under this share option plan, a first tranche totalling 68,000 share options with an issue price of EUR 18.77 was issued to the beneficiaries as at 2 July 2018. The exercise price equates to 80% of the share's average, volume-weighted market price of the last 20 trading days before being granted.

EUR million	2018
Number of share options	
Number of outstanding options as at 1 January 2018	**0**
+ new options granted as at 2 July 2018	**68,000**
– options exercised	**0**
– expired options	**0**
Number of outstanding options as at 31 December 2018	**68,000**
of which can be exercised	**0**

The weighted, average fair value of the outstanding share options at the time they were granted was EUR 3.18. On account of the relatively complicated exercise conditions described above, the figure was calculated on the basis of the "Monte Carlo simulation" option pricing model, under which possible values are randomly determined for all identifiable variables for the option price from an interval previously determined to be plausible.

Using an exercise price of EUR 18.77, expected volatility of 1.59%, an assumed term averaging 5.8 years and a risk-free interest rate of 0.17%, the option pricing model put the fair value per option at EUR 3.18.

As the company has not been a listed company for very long, volatility assumptions were made on the basis of historical revenue and earnings performance, as well as by referring to benchmark companies.

The stock option plan was classified and presented as equity-settled in accordance with IFRS 2. Personnel expenses resulting from the stock option plan were recognised through profit or loss in the amount of EUR 0.0 million in the 2018 financial year.

32. Acquisition of treasury shares

By way of resolution, the Annual General Meeting on 22 May 2015 authorised the Executive Board of the company to acquire treasury shares amounting to up to 10% of the share capital. The shares acquired, together with any treasury shares acquired for other reasons which are held by the company or assigned to it in accordance with sections 71a et seq. AktG, must not amount to more than 10% of the company's share capital at any time. The authorisation can be exercised by the company in full or in part, on one or more occasions, and also by dependent companies or companies majority-owned by the company or by third parties for them or on their account. The acquisition authorisation is valid until 21 May 2020.

The Executive Board utilised the authorisation granted by the Annual General Meeting on 19 March 2010 to purchase treasury shares in the period between 15 January and 6 March 2015. Mutares AG held 6,012 treasury shares as at 31 December 2017, each representing EUR 1.00 of share capital.

On 1 June 2018, the management board of Mutares AG, with the approval of the Supervisory Board, decided to launch a share buyback program in the amount of up to EUR 3.0 million (excluding transaction costs) ("Share buyback program 2018/I"), using the authorisation granted by the Annual General Meeting on 22 May 2015. Under the 2018/I share buyback program, a total of up to 283,019 treasury shares of the Company are to be repurchased in the period from 1 June to 15 July 2018. A total of 255,863 shares were acquired. The difference between the acquisition cost and the nominal value of the treasury shares totalled EUR 2.7 million and was settled with retained earnings; a gain or loss from the transaction with treasury shares is not recognised.

Combined with the 6,012 treasury shares already in its possession as at 31 December 2017, Mutares AG therefore held a total of 261,875 treasury shares as at 31 December 2018. They account for EUR 261,875 (1.7%) of share capital (previous year: EUR 6,012 (0.04%).

33. Trade payables

Trade payables amount to EUR 111.9 million (previous year: EUR 122.2 million) and relate to third parties. They are reported at the settlement or repayment amount and are due in full within one year, with the exception of EUR 1.0 million which are due in over one year.

As the Mutares Group is a conglomerate, payment practices can (at minimum) vary – including any interest incurred on outstanding amounts.

34. Other financial liabilities

Other financial liabilities developed as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
Liabilities from factoring	47.0	57.1
Outstanding invoices	26.8	29.7
Liabilities to banks	25.5	35.5
Liabilities to former shareholders	11.0	14.2
Miscellaneous financial liabilities	8.3	5.5
Liabilities from finance leases	6.9	5.2
Third party loans	2.2	11.5
Debtors with credit balances	0.8	0.5
Liabilities for trade discounts and rebates	0.8	0.5
Other financial liabilities	**129.3**	**159.7**

Liabilities to banks and loans essentially result from the STS Group at EUR 13.9 million (previous year: EUR 16.7 million). The variable interest rates in the reporting year were 6M or 3M Euribor plus a premium of between 2.0% and 2.6%. Two of the loans have fixed nominal interest rates of 0.7% and 5.9% respectively. The principal loans have a maximum term of five years. A bank loan covenant with a carrying amount of EUR 2.7 million (previous year: EUR 3.6 million) and a regular term of 2021 was not met. As violating the loan covenant means that the outstanding amount may become due, the loan is recognised in full as a current liability. As at the time of preparing the consolidated financial statements, no agreement has been finalised with the bank regarding waiving penalties for the breach of contract. There are also liabilities to banks of the Elastomer Solutions Group subgroup amounting to EUR 9.4 million (previous year: EUR 8.5 million), with variable interest rates of between 1.875% and 5.0% and a maximum term of five years.

Elastomer Solutions s.r.o ("ESS") has taken out a short-term loan or current account credit from Unicredit Slovakia, which is linked to financial covenants (equity ratio, result). In addition, there is a business relationship with another bank in Slovakia. Within the scope of taking up the loan, the parent company of ESS, Elastomer Solutions GmbH, Germany ("ESD"), issued a performance guarantee of up to EUR 2.3 million to the bank for payments under the loan agreement. Financial covenants relating to bank loans with a carrying amount of EUR 1.9 million (previous year: EUR 1.7 million) were breached in 2017 and 2018 due to ESS's temporary weak earnings performance. ESS and ESD have initiated measures to improve the equity ratio (debt/equity swaps) and the operating earnings situation.

Liabilities to former shareholders result primarily from the STS subgroup, totalling EUR 6.8 million (previous year: EUR 7.7 million) with nominal interest rates of between 1.0% and 5.0% and terms of between one and five years. In addition, as in the previous year KLANN Packaging GmbH had a liability to the sellers of EUR 3.3 million (variable interest rate between 1% and 3.5%, term of over five years). A loan with a principal of EUR 2.1 million was transferred to the company from the previous owners of Donges SteelTec for EUR 1 in the financial year.

As part of a settlement agreement with the sellers of Balcke-Duerr, a vendor loan of EUR 8.8 million granted by the sellers as part of the transaction was prematurely repaid in the first half of 2018 against payment of EUR 3.0 million.

Liabilities from factoring include liabilities from such factoring agreements under which the risk of default on the receivables transferred is not transferred to the other party; this means that Mutares retains substantially all the risks and rewards of ownership of the receivables transferred and they are therefore not derecognised. Please also see the comments on factoring in note 22.

The following assets are pledged as collateral for liabilities:

EUR million	31 Dec. 2018	31 Dec. 2017
Intangible assets	0.1	5.5
Property, plant and equipment	18.7	32.8
Other non-current non-financial assets	2.6	0.1
Inventories	9.2	14.6
Trade and other receivables	2.9	19.0
Other current non-financial assets	0.0	0.9
Cash and cash equivalents	5.1	12.9
Pledged assets	**38.6**	**85.8**

The term of the security matches the term of the underlying borrowing agreement. Usually, the securities granted may not be sold by the collateral taker.

35. Finance lease liabilities

As at 31 December 2018, the Group has finance leases for technical equipment and machinery in the amount of EUR 4.7 million (previous year: EUR 3.1 million) and other equipment, operating and office equipment, including parts of its fleet, in the amount of EUR 2.2 million (previous year: EUR 2.1 million). The carrying amount of the financing obligations amounted to EUR 6.9 million as at 31 December 2018 (previous year: EUR 5.2 million).

The majority of the liabilities under finance leases have a remaining term of between one year and five years. There are no finance lease liabilities with a remaining term of more than five years.

Some finance leases include a purchase option. The finance lease liabilities are guaranteed in part by lessee rights to the leased assets.

Finance leases liabilities are repaid over the term of the lease. The data were as follows as at the end of the reporting periods:

EUR million	31 Dec. 2018	31 Dec. 2017
Minimum lease payments	**7.2**	**5.4**
Due in less than one year	2.2	1.7
Due within one to five years	5.0	3.7
Due in more than five years	0.0	0.0
Present value of minimum lease payments	**6.9**	**5.2**
Due in less than one year	2.1	1.7
Due within one to five years	4.8	3.5
Due in more than five years	0.0	0.0
Future financing costs	**0.3**	**0.2**

EUR million	31 Dec. 2018	31 Dec. 2017
Present value of minimum lease payments	**6.9**	**5.2**
Technical equipment and machinery	4.7	3.1
Other equipment. operating and office equipment	2.2	2.1

36. Pension plans/pension provisions and other similar obligations

36.1. Defined contribution plans

There is a defined contribution plan as part of the German statutory pension insurance system for all employees of Group companies in Germany. Under these plans, the employer must pay the currently applicable contribution of 9.35% (employer's share) of pensionable remuneration. In addition, there are defined contribution plans mainly in Italy, France and other European countries.

The expenses recognised in consolidated net income of EUR 10.7 million (previous year: EUR 9.5 million) represent the contributions owed by the Group to these pension plans in accordance with the applicable rates.

36.2. DEFINED BENEFIT PLANS

EUR million	31 Dec. 2018	31 Dec. 2017
Present value of defined benefit obligation	48.4	107.5
Fair value of plan assets	1.4	4.8
Plan deficit	47.0	102.7
Net liability from defined benefit obligation	**47.0**	**102.7**

Provisions for pensions and similar obligations result from the obligations of various Group units for specific countries, primarily Germany, France, the UK and Italy. The amount of the obligations is predominantly derived from performance-related remuneration, length of service and age.

Pension commitments in Germany are regulated by different pension systems and essentially comprise retirement benefits in addition to disability and surviving dependents' benefits. The amount of benefits is determined by the qualifying service period, the assigned pension group and the pension amount determined by the respective individual pension commitment.

The commitments in France include state-mandated one-time payments at the time of retirement.

The plans in Italy primarily include commitments for work performed before 2007. As a result of a change in the law, all plans were restructured as defined contribution plans from 2007. Accordingly, only interest rate and actuarial effects change the defined benefit obligations of the Italian subsidiaries.

The pension plan in the United Kingdom provides retirement and surviving dependants' benefits. The benefits are dependent on length of service and are linked to earnings. There are statutory minimum funding requirements. A trustor is responsible for the plan and makes decisions on financing and investment strategy in conjunction with the subsidiary. The subsidiary is required to assume 60% of the costs and to take responsibility for 60% of any plan deficit. Active beneficiaries bear the remaining 40%. The investment strategy aims to invest around 70% in assets with volatile returns and 30% in defensive assets – primarily government bonds. This strategy reflects the plan's liability profile and the trustor's and the subsidiary's attitude towards risk. A risk mitigation strategy is taken into account which aims to decrease the share of assets with volatile returns to 20% over the next 19 years.

The Group is typically exposed to the following actuarial risks as a result of the plans:

- Investment risk :
  The present value of the defined benefit obligation under the plan is calculated using a discount rate determined on the basis of the returns on high quality, fixed income corporate bonds. If the return on plan assets (if any) is less than this interest rate, this results in a plan deficit.

- Interest rate risk:
  A decline in the bond interest rate results in an increase in the plan liability.

- Longevity risk:
  The present value of the defined benefit obligation under the plan is determined by reference to the best estimate of the mortality of plan members both during and after employment. An increase in the life expectancy of beneficiaries increases the plan liability.

- Salary risk:
  The present value of the defined benefit obligation under the plan is determined in part on the basis of the future salaries of beneficiaries. Salary increases for beneficiaries therefore increase the plan liability.

Provisions for pensions and similar obligations were measured using the projected unit credit method in line with accepted actuarial principles.

Provisions for pensions and similar obligations were as follows as at 31 December 2018 and in the previous year:

EUR million	31 Dec. 2018	31 Dec. 2017
Opening balance of defined benefit obligation	107.5	123.0
Current service cost	0.5	1.1
Current service cost	1.3	1.1
Gains (–)/losses (+) from plan curtailment	–0.8	0.0
Interest expense/income	1.3	1.7
Actuarial gains (–) and losses (+)	–2.3	–8.5
due to experience-based adjustments	–0.5	1.0
due to change in demographic assumptions	0.0	–6.1
due to change in financial assumptions	–1.8	–3.4
Benefits paid	–2.9	–5.4
Changes in the consolidated group	–55.7	–3.6
from additions	16.8	0.0
from disposals	–72.5	–3.6
Exchange rate differences	0.0	–0.8
Closing balance of defined benefit obligation	**48.4**	**107.5**

Gains from plan curtailment relate to employees who left the company before retirement and therefore lost their right to claim a pension. The change to the consolidated group results essentially from the disposal of Zanders GmbH (EUR –70.7 million), which is offset by additions from the acquisitions of Kalzip GmbH and other subsidiaries (EUR 15.3 million) and the Gemini Rail Group (EUR 1.2 million).

The amounts recognised in consolidated net income and other income – before income taxes and deferred taxes – for the two periods break down as follows:

EUR million	2018	2017
Current service cost	0.5	1.1
Current service cost	1.3	1.1
Gains (–)/losses (+) from plan curtailment	–0.8	0.0
Net interest expense	1.3	1.8
Components of defined benefit obligations recognised in consolidated net income	**1.8**	**2.9**
Actuarial gains (–) and losses (+)	–2.2	–8.5
Components of defined benefit obligations recognised in other comprehensive income	**–2.2**	**–8.5**
Comprehensive income from defined benefit obligations	**–0.4**	**–5.6**

Within the financial result, the interest expense is recognised in the interest expense from accruing provisions.

The fair value of plan assets changed as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
Opening balance of plan assets measured at fair value	4.8	16.5
Addition to CTA plan assets	0.0	4.8
Employer contributions	0.1	0.0
Changes in the consolidated group	–3.5	–16.5
from additions	1.2	0.0
from disposals	–4.7	–16.5
Closing balance of plan assets measured at fair value	**1.4**	**4.8**

The changes to the consolidated Group in 2018 include the disposal of Zanders GmbH (EUR –4.7 million), which had partially covered its pension performance obligations with contractual trust arrangements (CTA), as well as the addition of the Gemini Rail Group at EUR 1.1 million.

The fair values of the principal asset categories of plan assets are as follows for each category as at the end of the reporting period:

EUR million	31 Dec. 2018	31 Dec. 2017
Cash and cash equivalents	0.1	0.0
Equity instruments	0.7	0.0
Debt instruments	0.7	0.1
Real estate	0.0	4.7
Closing balance of plan assets measured at fair value	**1.4**	**4.8**

The fair values of the above equity and debt instruments were determined on the basis of quoted prices on active markets, while the fair values of properties as at 31 December 2017 are not based on prices quoted on active markets.

a. Actuarial assumptions

Pension obligations are calculated on the basis of actuarial assumptions using the following key parameters, provided they are relevant to the respective company-specific plan:

EUR million	German plans		Italian plans		French plans		UK plans	
	2018	2017	2018	2017	2018	2017	2018	2017
Interest rate	1.89%–2.30%	1.80%–1.94%	1.42%–1.75%	1.60%	1.75%	1.60%	3.35%	–
Salary trends	2.00%	2.00%	n.a.	n.a.	1.95%	1.90%	2.12%	–
Pension trends	1.70%	1.70%	2.60%	2.60%	n.a.	n.a.	2.68%	–
Mortality tables	Heubeck 2018G	Heubeck 2005G	RG48	RG48	INSEE 2012–14	INSEE 2012–14	Series 2 SAPS	–

b. Sensitivity analysis

The key actuarial assumptions used to calculate the defined benefit obligation are the interest rate, pension trends, salary trends and mortality projections. The sensitivity analyses presented below were carried out on the basis of reasonably possible changes in the respective assumptions as at the end of the reporting period while the other assumptions were left unchanged. The table shows the change in defined benefit obligations as at the end of the respective reporting period as a result of the modified assumption.

EUR million		German plans		Italian plans		French plans		UK plans	
		31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Defined benefit obligation		24.5	82.5	7.4	7.4	15.2	17.5	1.2	0.0
Interest rate	+50 bp	22.4	76.6	7.2	7.2	14.4	16.9	1.0	–
	–50 bp	26.5	89.1	7.7	7.7	16.2	19.1	1.3	–
Salary trends	+50 bp	24.9	83.8	n.a.	n.a.	16.1	19.1	1.3	–
	–50 bp	23.7	80.0	n.a.	n.a.	14.4	16.9	1.1	–
Pension trends	+25 bp	24.9	84.9	7.5	7.5	n.a.	n.a.	1.2	–
	–25 bp	23.8	80.2	7.3	7.4	n.a.	n.a.	1.1	–
Longevity	More than 1 year	25.4	87.6	7.4	7.4	15.3	17.8	1.2	–
	Less than 1 year	23.2	77.6	7.4	7.4	15.1	16.8	1.1	–

The above sensitivity analysis is not intended to be representative for the actual change in defined benefit obligations as, given that the assumptions are related in some cases, it is unlikely that the deviations from assumptions will occur in isolation. Furthermore, the present value of the defined benefit obligation in the above sensitivity analysis was calculated using the projected unit credit method, the same method used to calculate the defined benefit obligation recognised in the consolidated statement of financial position. The sensitivity analysis does not cover plans of two companies that are not based in the countries listed and that had cumulative DBO of less than EUR 0.1 million as at 31 December 2018 (previous year: EUR 0.1 million).

c. Expected payments for defined benefit obligations

The following table shows the expected payments for defined benefit obligations for the next five years:

EUR million	2018	2017
within a year	1.7	4.6
between one and two years	1.9	4.3
between two and three years	2.1	4.7
between three and four years	2.5	4.6
between four and five years	2.8	5.0

The weighted average duration of the defined benefit obligations as at 31 December 2018 amounts to around 14.6 years (previous year: 14.3 years).

37. Other provisions

Other provisions developed as follows:

EUR million	Other staff provisions	Legal costs	Warranties	Restructuring and severance	Anticipated losses	Miscellaneous other	Total
As at 1 Jan. 2017	**5.8**	**6.0**	**7.1**	**4.7**	**5.7**	**8.3**	**37.6**
Foreign exchange differences	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2
Changes in consolidated group	0.7	1.0	-2.2	-0.2	0.0	-1.6	-2.3
Addition	8.4	1.5	0.9	4.0	0.8	12.5	28.1
Utilisation	-2.9	-0.8	-1.7	-3.7	-0.3	-6.3	-15.7
Reversal	-1.4	-1.2	-0.9	-0.5	-0.1	-1.4	-5.5
As at 31 Dec. 2017	**10.6**	**6.5**	**3.2**	**4.3**	**6.1**	**11.3**	**42.0**
Foreign exchange differences	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Changes in consolidated group	-1.2	-0.7	2.2	-0.2	12.6	0.9	13.6
Addition	4.3	5.8	1.4	11.7	0.2	4.7	28.1
Utilisation	-7.0	-9.2	0.0	-4.0	-0.6	-9.6	-30.4
Accrual	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Reversal	-0.1	-0.6	-1.2	-0.3	-3.5	-1.0	-6.7
As at 31 Dec. 2018	**6.6**	**1.8**	**5.6**	**11.5**	**14.7**	**6.6**	**46.8**
of which							
current	5.1	1.8	4.8	11.2	5.5	5.1	33.5
non-current	1.5	0.0	0.8	0.3	9.2	1.5	**13.3**

Staff provisions amount to EUR 6.6 million as at 31 December 2018 (previous year: EUR 10.6 million) and mainly result from provisions for employee bonuses (EUR 4.8 million; previous year: EUR 7.9 million) and anniversary provisions (EUR 1.6 million; previous year: EUR 1.8 million).

With the settlement dated 3 August 2018 the legal dispute with Diehl AKO Stiftung & Co. KG ("Diehl") and all other related legal disputes between Mutares AG, the insolvency administrator for the assets of Platinum GmbH and Diehl ended. As part of the settlement, Mutares AG committed to make a one-time payment of EUR 7.5 million to Diehl and a provision of EUR 2.0 million was recognised for this as at 31 December 2017. The provisional amount in dispute of the claims asserted by Diehl before the Regional Court of Ravensburg amounted to approximately EUR 22.5 million plus interest. The increase in warranty provisions essentially reflects the acquisition of Kalzip GmbH and its subsidiaries.

The severance and restructuring provisions were recognised primarily in connection with restructuring plans at the newly acquired units in the Engineering & Technology segment.

The increase in provisions for anticipated losses resulted essentially from valuing order volumes when acquiring the Gemini Rail Group.

Miscellaneous other provisions amount to EUR 6.6 million (previous year: EUR 11.3 million). Subsequent costs for projects are a key component of other provisions. There are also various other individual obligations of a third-party obligation nature.

38. Other non-financial liabilities

Other liabilities developed as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
Employee related liabilities	23.2	20.3
Social security	11.0	12.0
VAT liabilities	5.2	7.9
Deferred income	2.3	1.4
Liabilities from payroll and church taxes	2.1	2.3
Other levies	1.9	6.7
Advance payments received	0.0	16.3
Miscellaneous other liabilities	0.5	2.2
Other non-financial liabilities	**46.2**	**69.1**

F. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

39. Capital risk management

The Group's objectives as regarding capital management are firstly to ensure its continuation as a going concern in order to keep on generating returns for shareholders and other stakeholders, and secondly to maintain an optimal capital structure to reduce its cost of capital. The capital structure and its management are predominantly monitored at a local level. Standardised reporting by all portfolio companies on a monthly basis gives the Executive Board a comprehensive picture of the portfolio as a whole. The Executive Board monitors the situation at the portfolio companies (including the capital structure) in regular reviews and receives reports on all equity investments on the basis of the reporting system in place.

EUR million	31 Dec. 2018		31 Dec. 2017	
		as % of total capital and financial liabilities		as % of total capital and financial liabilities
Share of equity attributable to shareholders of the parent company	180.7	42.9	166.4	37.1
Current financial liabilities	216.4	51.2	242.9	54.2
Non-current financial liabilities	24.8	5.9	39.0	8.7
Financial liabilities	241.2	57.1	281.9	62.9
Total capital and financial liabilities	**421.9**	**100.0**	**448.3**	**100.0**

40. Fair value measurement

Financial assets and liabilities can be broken down into the IAS 9 measurement categories as follows for the financial years as at 31 December 2018 and in accordance with IAS 39 as at 31 December 2017:

Financial assets by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Measurement in accordance with IAS 17	Fair value	
		31 Dec. 2018	Amortised cost	Fair value OCI	Fair value PL		31 Dec. 2018	Hierarchy
Other non-current financial assets								
Security deposits	AC	1.1	1.1				1.1	Level 2
Securities	FVPL	0.1			0.1		0.1	Level 3
Other non-current financial assets	FVPL	8.6			8.6		8.6	Level 3
Other non-current financial assets	AC	7.1	7.1				7.1	
Trade and other receivables	AC	126.1	126.1				126.1	
Trade and other receivables	FVOCI	21.6		21.6			21.6	Level 2
Other current financial assets								
Security deposits	AC	2.5	2.5				2.5	Level 2
Other financial assets	FVPL	2.6			2.6		2.6	Level 3
Other financial assets	AC	3.5	3.5				3.5	
Cash and cash equivalents	AC	105.2	105.2				105.2	
Restricted cash	AC	2.9	2.9				2.9	

Financial assets by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Measurement in accordance with IAS 17	Fair value	
		31 Dec. 2018	Amortised cost	Fair value OCI	Fair value PL		31 Dec. 2018	Hierarchy
Non-current financial liabilities								
Liabilities to banks	FLAC	8.3	8.3				8.3	Level 3
Third party loans	FLAC	9.7	9.7				9.7	Level 3
Liabilities from finance leases	n/a	4.8				4.8	4.8	Level 3
Miscellaneous financial liabilities								
Other	FLAC	0.0	0.0				0.0	Level 2
Derivatives	FLFVPL	0.0			0.0		0.0	Level 2
Trade payables and other liabilities	FLAC	3.6	3.6					
Current financial liabilities								
Liabilities to banks	FLAC	17.2	17.2				17.2	Level 3
Liabilities from factoring	FLAC	47.0	47.0					
Third party loans	FLAC	3.5	3.5				3.5	Level 3
Liabilities from finance leases	n/a	2.1				2.1	2.1	Level 3
Other financial liabilities		1.9	1.5		0.4		1.9	
Other financial liabilities	FLAC	1.5	1.5				1.5	
Miscellaneous other current financial liabilities	FLFVPL	0.4			0.4		0.4	Level 3
Trade payables and other liabilities	FLAC	175.1	175.1					

EUR million	Carrying amount	Statement of financial position as per IAS 39			Statement of financial position as per IAS 17	Fair value	
	31 Dec. 2017	Residual carrying amount	Fair value through OCI	Fair value through profit or loss		31 Dec. 2017	Hierarchy level
Financial assets							
Trade receivables	175.2	175.2					
Other receivables	7.4	7.4					
Cash and cash equivalents	98.9	98.9					
Other financial assets							
Securities	0.7		0.7			0.7	Level 2
Security deposits	2.0	2.0			2.0	2.0	Level 3
Other	18.0	18.0					
Total financial assets	**302.2**						
of which non-current	6.4						
of which current	295.8						
Financial liabilities							
Trade payables	122.2	122.2					
Other financial liabilities							
Liabilities to banks	35.5	35.5				35.3	Level 3
Loans from third parties	25.6	25.6				25.0	Level 3
Liabilities from factoring	57.1	57.1					
Lease Liabilities	5.2				5.2	5.2	Level 3
Other	36.3	36.3					
Stand-alone derivatives	0.0					0.0	Level 2
Total financial liabilities	**281.9**						
of which non-current	39.0						
of which current	242.9						

Total by category

EUR million		Carrying amounts 31 Dec. 2018
Financial assets measured at amortised cost	AC	248.4
Financial assets measured at fair value through profit or loss	FVPL	11.3
Financial assets measured at fair value through equity	FVOCI	21.6
Financial liabilities measured at amortised cost	FLAC	266.3
Financial liabilities measured at fair value through profit or loss	FLFVPL	0.4

Total by category

EUR million		Carrying amount 31 Dec. 2017
Assets available for sale	AfS	0.7
Loans and receivables	LaR	301.5
Financial liabilities held for trading	FLHfT	0.0
Financial liabilities measured at amortised cost	FLAC	276.7
Lease liabilities (n/a; IAS 17)		5.2

The three stages used to calculate the fair value of financial instruments are described in section 2 “Basis for the preparation of the financial statements”. The fair value of financial instruments is calculated based on current parameters such as interest rates and exchange rates as at the reporting date, on accepted models such as the DCF method (discounted cash flow) and taking into account the credit risk. Market values for derivatives are determined on the basis of bank valuation models. The fair value of contingent consideration related to the acquisitions and disposals of subsidiaries that are subsequently measured using a Level 3 fair value measurement is determined in accordance with generally accepted valuation methodologies based on discounted cash flow analysis. In addition to specific discount rates, significant inputs include expectations of future cash flows and relevant earn-out parameters set out in purchase agreements.

Please also see “5.2 Deconsolidation of subsidiaries” for information on the valuation of earn-out agreements.

For current financial instruments, the carrying amount represents a suitable approximate value of fair value.

The net gains or losses of the individual IFRS 7.20 categories are as follows:

Net gains and losses

EUR million	31 Dec. 2018
on financial assets at fair value	10.9
on financial liabilities at fair value	–0.6
on financial assets measured at amortised cost	0.0
on financial assets at fair value through other comprehensive income (debt instruments)	0.0
on financial liabilities measured at amortised cost	–1.8
Total	**8.6**

Net gains and losses

EUR million	31 Dec. 2017
Loans and receivables (LaR)	0.1
Financial assets available for sale (AfS)	0.0
Financial assets at fair value	0.1
Financial liabilities at fair value	0.1
Financial liabilities at amortised cost	–1.3
Financial investments held to maturity (HtM)	–1.2
Total	**–2.1**

Net gains and losses from financial instruments result from changes to the fair value of financial instruments measured at fair value through profit or loss, income and expenses for expected credit losses and interest expenses for financial liabilities measured at amortised cost.

Total interest income and expenses are composed as follows:

Total interest income and expenses

EUR million	31 Dec. 2018
Financial assets measured at amortised cost	0.2
Financial assets at fair value through other comprehensive income (without recycling)	–0.4
Financial liabilities measured at amortised cost	–1.0
Total	**–1.1**

Total interest income and expenses

EUR million	31 Dec. 2017
Financial liabilities not measured at fair value through profit or loss	–0.8
Total	**–0.8**

The changes to fair value for financial instruments measured at level 3 are as follows:

EUR million	Securities – unlisted equity instruments	Other financial assets (earn-outs)	Other financial liabilities (earn-outs)	Total
Opening balance at 1 Jan. 2018	0.0	0.0	0.0	0.0
Total gains and losses	0.1	11.2	–0.4	10.9
recognised in the income statement	0.1	11.2	–0.4	10.9
Ending balance at 31 Dec. 2018	0.1	11.2	–0.4	10.9

41. Financial risk management

The management of the Group monitors and manages the financial risks associated with the Group’s businesses by means of internal risk reporting, in which the Group analyses risks according to their scale and scope. These risks include credit risk, liquidity risk and market risk (foreign currency risk and interest rate risk).

In some cases, the Group minimises the effects of these risks with derivative financial instruments. The use of financial derivatives is governed by guidelines set by the Group management, which contain requirements for the management of currency, interest rate and default risks. Compliance with the guidelines and risk limits is monitored continuously. The Group does not enter into or trade any financial instruments, including derivative financial instruments, for speculative purposes.

41.1. CREDIT AND DEFAULT RISKO

Credit and default risks refer to the risk of a loss to the Group if a counterparty fails to satisfy its contractual obligations. The Group is supposed to conduct business only with partners of good credit standing and, if appropriate, with collateral in order to mitigate the risks of loss arising from non-fulfilment of obligations. The Group only enters into business relationships with companies of at least or better than investment grade. This information is provided by independent rating agencies. If such information is not available, the Group uses other financial information available and its own business records to assess its major customers.

Credit risks are managed by counterparty limits that are reviewed and approved by local management.

There are trade receivables from a large number of customers spread across different industries and geographic areas. Given the nature of Mutares' business activities and the resulting diversification, there was no significant concentration of risks in the 2018 financial year.

When applying the expected credit loss model in accordance with IFRS 9.5.5, Mutares primarily uses the simplified approach for trade receivables. For this purpose, probabilities of default are calculated for individual customers or customer groups. These are based on individual rating information for either the customer or the customer group, which is allocated to a corresponding probability of default. As well as the probability of default, loss in the event of default is also reported to calculate expected credit losses. Mutares generally puts this at 100%, representing Mutares' expectations regarding the default amount.

Based on the risk classifications, the carrying amounts by rating grade are as follows:

Gross carrying amounts of financial assets by credit risk rating grades as at 31 Dec. 2018

EUR million	Trade and other receivables	Contract assets	Other financial assets
Rating			
A rating	103.3	15.3	20.7
B rating	43.8	0.2	4.7
C rating	6.5	0.3	0.0
Holdings	**153.6**	**15.8**	**25.4**

Rating classifications are based on both individual probability of default and on a risk classification for individual customer groups with comparable risk structures. The following table shows the default probabilities and rating grades for each rating level:

	Default rate as %	Rating
Rating		
A rating	0.0–0.0286	AAA–AA
B rating	0.0286–0.52	A–BBB
C rating	0.52–100	BB–D

Changes to impairment of trade receivables were as follows:

EUR million	Lifetime ECL (level 2) simplified model	Lifetime ECL (level 3) simplified model
Impairment as at 1 Jan. 2018	**0.1**	**7.2**
Transfer to level 2		
Transfer to level 3		0.4
Additions	1.0	0.7
Use	-0.2	-1.7
Reversals	-0.2	-1.3
Exchange rate and other effects	0.0	-0.1
Impairment as at 31 Dec. 2018	**0.7**	**5.2**

Changes to impairment essentially reflect an upturn in level 3 classifications.

There were no material expected credit losses for any other assets subject to the impairment model in accordance with IFRS 9.5.5.

The carrying amount of trade receivables and other receivables amounted to EUR 147.6 million (previous year: EUR 182.6 million) as at the end of the reporting period. The maximum default risk, not including securities, is equal to the carrying amount. Unlike in the previous year, there were no credit default insurance policies as at the reporting date. Taking into account credit default insurance policies, the maximum default risk in the previous year was EUR 162.2 million. The maximum default risk for the remaining financial assets is also equal to their carrying amount, as there are no material agreements for these that reduce the default risk.

41.2. LIQUIDITY RISK

The liquidity risk comprises the following risks:

- Not being able to meet potential payment obligations when due.
- Not being able to secure sufficient liquidity on the terms expected if the need occurs (funding risk).
- Not being able to liquidate, extend or close out transactions or only being able to do so at a loss or at excessive cost due to shortcomings on the market or market disruption (market liquidity risk).

Prudent liquidity management involves maintaining a sufficient reserve of cash funds and marketable securities in addition to the option of financing with an adequate amount of committed credit facilities. Given the dynamics of the business environment in which the Group operates, the aim of the Group finance department is to maintain the necessary flexibility in financing by ensuring sufficiently unutilised credit facilities (around EUR 7 million, previous year: EUR 16 million).

The management of the Mutares Group monitors the liquidity of the operating companies and of the Group as a whole in the context of rolling cash flow forecasts.

In certain countries (e.g. China and Brazil), the Group has access to local payment methods on a cross-border basis only if foreign exchange restrictions are observed. There are otherwise no significant restrictions.

The following tables show the maturity structure of financial liabilities:

EUR million	31 Dec. 2018 Due within a year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	247.1	24.2	4.7	276.0
Liabilities to banks	17.2	7.2	1.5	25.9
Third party loans	3.5	8.8	2.9	15.1
Liabilities from factoring	47.0	0.0	0.0	47.0
Liabilities from finance leases	2.2	5.0	0.0	7.2
Other financial liabilities	35.6	1.2	0.0	36.8
Trade payables and other liabilities	141.5	2.2	0.4	144.1
Cash outflows from derivative financial liabilities	0.0	0.1	0.0	0.1
Interest rate swaps – stand-alone	0.0	0.1	0.0	0.1
Total	247.1	24.3	4.7	276.1

EUR million	31 Dec. 2017 Due within a year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	237.9	39.5	4.4	281.8
Liabilities to banks	20.6	13.1	1.8	35.5
Third party loans	0.7	22.3	2.6	25.6
Liabilities from factoring	57.1	0.0	0.0	57.1
Liabilities from finance leases	1.7	3.5	0.0	5.2
Other financial liabilities	36.2	0.0	0.0	36.2
Trade payables and other liabilities	121.6	0.6	0.0	122.2
Cash outflows from derivative financial liabilities	0.0	0.1	0.0	0.1
Interest rate swaps – stand-alone	0.0	0.1	0.0	0.1
Total	**237.9**	**39.6**	**4.4**	**281.9**

41.3. MARKET PRICE RISK

The Group's activities essentially expose it to minor financial risks resulting from changes in exchange and interest rates. The Group selectively uses derivative financial instruments to manage its existing interest and exchange rate risks.

41.3.1. Currency risk

Operating activities are subject to minor exchange rate risks due to purchases and sales not conducted in euro. Material currency risks for Mutares relate to transactions in GBP and CNY (in previous year: GBP, USD).

The existing risk positions are monitored on an ongoing basis and mitigated by way of offsetting these with foreign currency cash flows.

There is currently no active currency risk management in place using derivative financial instruments due to low currency exposure.

The following table shows the Group's sensitivity to a 10% rise or fall in the euro against the respective foreign currency:

	2018		2017	
	–10%	10%	–10%	10%
Effect on equity/profit (GBP)	0.2	–0.2	0.2	–0.1
Effect on equity/profit (USD)	0	–0.1	0.2	–0.2
Effect on equity/profit (CNY)	0.1	–0.2	0.0	0.0
Effect on equity/profit (BRL)	0.1	–0.1	0.0	0.0

41.3.2. Interest rate risk

At the time of refinancing, the Group is exposed to both an interest rate risk from variable-interest loans and an interest rate risk from loans with fixed interest rates. The majority of loans are variable. The interest rate risk results from changes in market interest rates, in particular with medium-term and long-term variable-interest liabilities. The interest rate risk is insignificant in regard to current liabilities and for fixed-interest liabilities in general.

EUR million	31 Dec. 2018	31 Dec. 2017
Carrying amount of fixed-interest loans	15.2	15.7
Carrying amount of variable-interest loans	23.2	45.5
Total	38.4	61.2

Interest rate swaps with matching terms and conditions have been arranged to partially hedge against the risk resulting from variable-interest loans. However, no hedge accounting is applied. In addition, management monitors changes in the interest rate and possible loan expirations on a continual basis and, depending on the individual case in hand and as required, enters into transactions to reduce risk exposure. There is also an interest rate risk resulting from variable-interest liabilities from factoring.

The sensitivity analysis for interest risks shows the effect of changing the risk-free market interest rate to profit before tax if the market interest level had been 100 basis points higher or lower compared to 31 December 2018 (or 31 December 2017) and if all other variables had remained constant. Furthermore, the analysis is prepared on the assumption that the amount of the outstanding liability as at the end of the reporting period was outstanding for the year as a whole.

EUR million	31 Dec. 2018		31 Dec. 2017	
	–100 bp	+100 bp	–100 bp	+100 bp
Effects on the income statement before taxes	0.2	–0.5	0.2	–0.1

G. OTHER DISCLOSURES

42. Notes on the statement of cash flows

Cash and cash equivalents consist of cash, bank balances and cash equivalents. Cash equivalents are held for the purpose of meeting short-term cash commitments. They are assigned to cash and cash equivalents as they are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Consolidated net income includes bargain purchase gains of EUR 32.3 million (previous year: EUR 86.4 million), which did not increase the cash flow from operating activities and must therefore be adjusted.

EUR 11.2 million for measuring financial receivables from potential earn-out payments for sales of companies was recognised in consolidated net income in the 2018 financial year. This is included in other non-cash income in the cash flow from operating activities.

This was offset by non-cash expenses of EUR 13.5 million from the measurement of Artmadis's assets and liabilities in connection with liquidation and deconsolidation.

Cash and cash equivalents of EUR 20.6 million were received in connection with the acquisitions (previous year: EUR 2.1 million). This amount is shown in cash flow from investing activities.

Consolidated net income also includes gains from deconsolidations totalling EUR 40.9 million (previous year: net gains and losses of EUR 30.9 million), which did not increase the cash flow from operating activities and must therefore be adjusted. Net cash outflow in connection with deconsolidations amounted to EUR –2.5 million (previous year: EUR 25.3), which is reported in cash flow from investing activities.

An amount of EUR 3.0 million (previous year: EUR 5.0 million) within bank balances is restricted. This is a cash deposit to secure guarantees.

Reconciliation between opening and closing amounts of liabilities from financing activities:

EUR million	
31 Dec. 2016	**61.5**
Cash transactions	
Proceeds (+) from (financial) loans	14.6
Repayments (–) of (financial) loans	–3.0
Proceeds (+)/payments (–) from factoring	36.3
Interest paid (–)	–3.9
Total cash transactions	**44.0**
Non-cash effects	
Addition to finance lease liabilities	2.3
Addition/derecognition of (financial) loans from changes in consolidated group	–2.9
Interest expenses (+)/interest income (–)	4.4
Other changes	–0.6
Total non-cash effects	**3.2**
31 Dec. 2017	**108.7**
Cash transactions	
Proceeds (+) from (financial) loans	27.1
Repayments (–) of (financial) loans	–27.0
Proceeds (+)/payments (–) from factoring	–3.4
Interest paid (–)	–2.0
Total cash transactions	**–5.3**
Non-cash effects	
Addition to finance lease liabilities	1.8
Addition/derecognition of (financial) loans from changes in consolidated group	–21.6
Interest expenses (+)/interest income (–)	4.6
Other changes	–8.8
Total non-cash effects	**–24.0**
31 Dec. 2018	**79.4**

The statement of reconciliation includes current and non-current liabilities to banks, factoring liabilities, finance lease liabilities and loans to third parties.

During the 2018 financial year, the Group performed the following significant, non-cash investing and financing activities not shown in the statement of cash flows:

- A loan with a principal of EUR 2.1 million was transferred to the company from the previous owners of Donges SteelTec for EUR 1 in the financial year.
- As part of a settlement agreement with the sellers of Balcke-Duerr, a vendor loan of EUR 8.8 million granted by the sellers as part of the transaction was prematurely repaid in the first half of 2018 against payment of EUR 3.0 million.
- In connection with the addition of non-current assets, finance lease liabilities increased the Group's liabilities by EUR 1.7 million.

During the 2017 financial year, the Group performed the following significant, non-cash investing and financing activities not shown in the statement of cash flows:

- The shares in Minas Têxteis – Fabricação de Peças e Partes Automotivas Ltda. were acquired for a purchase price of EUR 2.7 million. This is payable in five annual instalments, the first of which will be paid as at 30 September 2018.
- As per the terms of the agreement, the buyer of A+F Automation + Fördertechnik GmbH will not pay Mutares a tranche of EUR 4.0 million of the total purchase price of EUR 20.5 million until 2018.
- In connection with the addition of non-current assets, finance lease liabilities increased the Group's liabilities by EUR 2.3 million.

43. Equity investments in joint arrangements

Two companies in the Engineering & Technology segment are partners in joint arrangements in the context of working groups and syndicate agreements. The working groups have been set up with the aim of implementing infrastructure projects and building power plants. The working groups are based in Germany. The Mutares Group's ownership interests are between 1% and 70%.

Taking into account the structure and legal form of the agreements and all other relevant facts and circumstances, the joint arrangements are to be classified as joint operations which, individually, are not material to the Group.

44. Threats to subsidiaries as a going concern

Due to continuing economic difficulties, the "Redressement Judiciaire" proceedings were opened for Artmadis S.A.S. at the request of the management and by court order dated 22 May 2018. This is a restructuring procedure in which the management is assisted by administrators appointed by the court. Subsequently, the company was offered for sale to interested parties. In the absence of suitable purchase offers, the court ordered the liquidation of the company. Accordingly, the Group was deconsolidated in 2018. As in the consolidated financial statements as at 31 December 2017, until the time of deconsolidation the company was accounted for in 2018 with a departure from the assumption that it would continue as a going concern: its assets and liabilities were measured with regard to a possible disposal, albeit still in line with the historical cost convention:

Its intangible assets and property, plant and equipment were measured at cost less cumulative amortisation/depreciation and impairment losses to adjust them to their lower recoverable amount.

Its inventories are carried at net realisable value, which is lower than their cost, against the backdrop of a possible sale of the company.

Receivables and other assets were carried at the lower of nominal amount and fair value if uncollectible.

Deferred tax assets were reversed as their future utilisation is no longer likely.

Provisions take into account all discernible risks and uncertain obligations. This includes obligations on the basis of fixed contracts with service providers of the indirect subsidiary.

Accordingly, assets were written down by EUR 5.9 million in total and liabilities increased by EUR 0.6 million. The effect of this adjustment on the consolidated net income and the equity of the Mutares Group amounts to EUR 6.5 million in the 2017 financial year.

45. Operating leases

The non-cancellable minimum payments for operating leases in which the Group companies are the lessees are as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
Non-cancellable operating leases		
up to 1 year	12.4	13.1
1 to 5 years	30.3	19.2
more than 5 years	15.3	5.3
Total	**58.0**	**37.6**

Rental expenses of EUR 18.8 million (previous year: EUR 15.6 million) are recognised in other expenses.

The leases are for buildings, offices, technical equipment and machinery, vehicles and operating and office equipment.

The non-cancellable minimum payments for operating leases in which the company is the lessor are as follows:

EUR million	31 Dec. 2018	31 Dec. 2017
Non-cancellable operating leases		
up to 1 year	0.0	0.8
1 to 5 years	0.0	0.8
more than 5 years	0.0	0.2
Total	**0.0**	**1.8**

The leases existed in the previous year, mainly for buildings, and related to units in the Mutares Group deconsolidated in the financial year.

46. Contingent liabilities and legal disputes

CONTINGENT LIABILITIES

Obligations from business combinations

The STS Group AG acquired some of the business activities of a third party effective 30 June 2017. Please refer to the information on the acquisitions of subsidiaries in 2017 in the information on changes in the consolidated group. The purchase price is calculated based on an assumed enterprise value of EUR 16.5 million using an adjustment mechanism dependent on the conditions and circumstances at the time of the transfer of beneficial ownership, which are ascertained after the acquisition is complete. A payment of EUR 10.6 million was already made, i.e. at the time of the transfer of beneficial ownership. The seller is also claiming a further payment of EUR 1.7 million, while Mutares is assuming a reduction and thus a reimbursement by the seller. However, the process of calculating the final purchase price is not yet complete, hence the payment obligation for the direct subsidiary of Mutares AG cannot yet be conclusively quantified.

Mutares AG and one of its direct subsidiaries have signed a settlement agreement with the sellers of Balcke-Duerr GmbH and other subsidiaries under which the guarantee given by Mutares AG to ensure the fulfilment of indemnification obligations is increased and again limited to an amount of EUR 5.0 million and then reduced to EUR 0 in the period up to 31 December 2021. At the present time, Mutares AG is still not expected to be called under this guarantee. The other guarantee provided by Mutares AG to secure the temporary financing of affiliated companies has been cancelled and replaced by a guarantee from Mutares AG to provide net dividends received for a limited period until 30 December 2020 again as financing if required. Both guarantees of Mutares AG with regard to the aforementioned matters are still limited to a total of EUR 10.0 million. In the context of this settlement agreement, and a payment of EUR 3.0 million, an early repayment of a vendor loan of EUR 8.8 million initially granted by the sellers as part of the transaction was executed.

Furthermore, Mutares is required to pay a purchase price, which will be calculated based on the working capital at the time beneficial ownership is transferred, for the acquisition of shares in La Meusienne S.A.S. There is a disagreement between Mutares and the seller of these shares regarding the interpretation of the purchase agreement and the actual conditions and circumstances at the time of the execution of the acquisition. The seller is demanding an amount of EUR 1.7 million, but based on the facts and the legal situation we do not expect to have to pay. Please refer to the information on the acquisitions of subsidiaries in 2017 in the information on changes in the consolidated group.

Obligations from sales of companies

In connection with the sale of all shares in A+F Automation and Fördertechnik GmbH by a direct subsidiary, Mutares AG has issued the buyer a joint and several guarantee for the fulfilment of certain obligations of the direct subsidiary regarding potential warranty claims, potential specific indemnity claims and potential specific claims to reimbursement. This joint and several guarantee will remain in effect until 30 September 2019 as regards regular warranty claims, until 31 December 2020 as regards fundamental warranty claims and until 31 December 2022 as regards the indemnity claims, while the guarantee for the reimbursement of costs will remain in effect indefinitely. In terms of amount, these claims are limited to EUR 4.0 million as regards the regular warranty claims (except for fundamental warranties), to EUR 50 thousand as regards the claims to reimbursement, and to the basic purchase price for all other claims.

When selling all shares in BSL, Mutares AG has also guaranteed to meet the obligations of the seller, a direct subsidiary of Mutares AG, in the event of claims arising from standard warranty obligations. This guarantee is limited to EUR 500 thousand and a period of 18 months after the sale was made in November 2018.

Other obligations

Indirect subsidiaries of Mutares AG are jointly and severally liable as participants in civil-law partnerships within the framework of joint ventures or consortium agreements with a maximum term of 2025. As at the end of the reporting period, this liability relates to projects with a total contract value of approximately EUR 208 million (previous year: EUR 266 million). The company’s own share in this amounts to EUR 88.8 million (previous year: EUR 123.1 million).Based on the ongoing credit ratings of the consortium partners, we do not assume that the shares of other companies will be drawn upon. With the exception of the amounts recognised as provisions for onerous contracts or as part of loss-free valuation, we do not assume that the equity portion will be utilised either.

There are other warranties, guarantees, commitments and obligations totalling EUR 12.8 million (previous year: EUR 42.0 million).

47. Related parties

IAS 24 defines related parties as persons and companies that can influence or be influenced by Mutares AG. On the one hand, this applies to subsidiaries, including those that are not consolidated, and associates. On the other hand, it also applies to natural persons with a significant share of voting rights and members of management in key positions, such as members of the executive boards, Supervisory Boards and their close relatives.

Mutares AG has identified the members of the Executive Boards and Supervisory Board of the parent company, as well as their close relatives, and the companies that these persons can significantly influence and that are not consolidated, as related parties.

Intragroup balances and intragroup transactions are eliminated in consolidation and not described further here. Details of transactions between the Group and other related parties can be found below.

The following net amounts to or from related parties not included in consolidation were outstanding at the end of the reporting periods:

EUR thousand	Receivables from related parties		Liabilities to related parties	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Other related parties	0	0	0	0
Subsidiaries	44	1,899	0	380
of which impaired	11	1,498	0	0
Supervisory Board	0	0	114	179
Executive Board	0	0	31	34
Total	44	1,899	145	593

Group companies performed the following transactions with related parties not included in consolidation during the financial year:

EUR thousand	Services sold		Services acquired	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Subsidiaries	0	20	420	380
Other related parties	0	0	460	351
Supervisory Board	0	0	278	152
Executive Board	0	0	441	708
Total	0	20	1.599	1,592

The related parties are companies that are related to members of the Mutares AG Executive Board and that, in one case, provide consulting services and, in another, rent office premises to Mutares AG.

EXECUTIVE BODIES OF THE COMPANY

The Executive Board of Mutares AG consists (or consisted) of the following persons:

- Mr Robin Laik, Chief Executive Officer, Munich
- Mr Mark Friedrich, Chief Financial Officer, Munich
- Dr. Kristian Schleede, Chief Restructuring Officer, Zurich, Switzerland
- Dr. Wolf Cornelius, Chief Operations Officer, Waldstetten
- Dr. Axel Geuer, Chief Executive Officer, Holzkirchen (until 21 February 2018)

All members of the Executive Board represent the company together with one other member of the Executive Board or with an authorised representative.

The total remuneration of the Executive Board for the 2018 financial year amounted to EUR 5.0 million (previous year: EUR 3.3 million), of which EUR 0.8 million was for former members (previous year: EUR 0.0 million). Except for share-based payment, all remuneration is classified as short-term benefits in accordance with IAS 24.17a. No payments were made in connection with defined contribution plans for members of the Executive Boards. For information on the stock options granted, please see the comments on share-based payment (note 31).

The members of the Supervisory Board are:

- Mr Volker Rofalski, CEO of only natural munich GmbH, Munich (Chairman since 13 August 2018, Deputy Chairman until 20 July 2018)
- Dr. Ulrich Hauck, independent management consultant, Ottobrunn (until 31 March 2019; Deputy Chairman from 13 August 2018 to 31 March 2019, member until 20 July 2018)
- Dr. Lothar Koniarski, CEO of Elber GmbH, Regensburg (member since 20 July 2018)

- Prof Micha Bloching, tax advisor, lawyer, university lecturer, Munich (Chairman until 20 July 2018, member since 2 August 2018)
- Dr. Axel Müller, independent management consultant, Lahnstein (member since 2 August 2018)

The members of the Supervisory Board are entitled to remuneration for their work of a total annual amount of EUR 260,000.00 plus VAT as per the resolution of the Annual General Meeting on 20 July 2018. If a member of the Supervisory Board joined the Supervisory Board mid-way through a financial year, remuneration reduces on a pro rata basis. Members of the Supervisory Board also receive payment for attendance and committee remuneration for their work. The table above sets out total remuneration paid to the Supervisory Board.

As shareholders of Mutares AG, members of the Supervisory Board and the Executive Board received a dividend in the mid single-digit million range in 2018.

48. Employees

The average number of employees in the Mutares Group in the 2017 and 2018 financial years in accordance with section 267 (5) HGB was as follows:

Number	2018	2017
Hourly wage workers	2,715	2,222
Salaried employees	2,067	2,417
Total	**4,782**	**4,639**

49. Auditor’s fees

The following fees were recognised for the auditor of the consolidated financial statements at Mutares AG and its subsidiaries for the financial year and the previous year:

EUR million	2018	2017
Audit of annual report	0.9	0.6
Other assurance services	0.0	0.0
Tax advisory services	0.1	0.1
Other services	0.2	0.2
Total	**1.2**	**0.9**

50. STS Group AG Declaration of Compliance

The Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) has been issued by the Executive Board and the Supervisory Board of the STS Group AG and made available to shareholders on the STS Group’s website.

The Declaration of Compliance is available in full on the STS Group’s website (https://ir.sts.group/websites/stsgroup/English/5300/corporate-governance.html).

51. Events after the end of the reporting period

On 28 February 2019, the Donges Group, a platform investment of Mutares AG, acquired 100% of the shares in Normek Oy, headquartered in Vantaa, Finland, and its subsidiaries in Finland and Sweden (“Normek”). Normek is a leading company in steel construction and facade solutions in Finland and operates primarily on the Finnish and Swedish market. This acquisition therefore expanded and complemented the Donges Group’s product range and distribution channels. The purchase price is EUR 1.5 million and is due in three instalments (at the time beneficial ownership is transferred and further payments in 2019 and 2020). In addition, bank liabilities from the seller and Normek Oy of around EUR 0.5 million were repaid early by Donges SteelTec GmbH and bank liabilities of Normek Oy were refinanced as part of the acquisition. Normek generated revenue of around EUR 65 million in 2018 and has approximately 250 employees.

On 19 March 2019, the Donges Group also completed the acquisition of all shares in FDT Flachdach Technologie GmbH & Co. KG, including its subsidiaries in France and Belgium, and B F S, based in Mannheim (“FDT”). FDT is an established provider of flat roof roofing systems in the German market. The company generated revenue of around EUR 54 million in the past financial year and has over 200 employees. The transaction enhances the range of products, harnesses synergies and supports the Donges Group in establishing itself as a leading European market player in the steel construction and roofing and facade systems sector. The symbolic purchase price for the acquisition of FDT was EUR 2.00.

The purchase price has not yet been allocated due to the short period of time between the acquisitions and the date of preparing the statements.

H. ACCOUNTING POLICIES

52. New standards and interpretations

52.1. NEW STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME

The following standards and interpretations were effective for the Group for the first time or in amended form in the reporting year. The impact of the IFRS 9 and IFRS 15 standards on the consolidated financial statements is described below. Additional standards and interpretations to be applied for the first time or in amended form have no material effects on the consolidated financial statements. A statement on their impact on future transactions or agreements cannot be made at the current time.

The following table shows the changes from 31 December 2017 to 1 January 2018 resulting from the initial application of IFRS 9 and IFRS 15.

EUR million	1 Jan. 2018	IFRS 15 effects	IFRS 9 effects	31 Dec. 2017
ASSETS				
Deferred tax assets	11.1	0.0	0.0	11.1
Non-current contract assets	0.0	0.0	0.0	0.0
Non-current assets	**228.1**	**0.0**	**0.0**	**228.1**
Inventories	116.7	–14.3	0.0	131.0
Current contract assets	22.3	22.3	0.0	0.0
Trade and other receivables	174.3	–7.1	–0.5	181.9
Security deposits	0.9	0.0	0.4	0.5
Current assets	**445.5**	**0.9**	**–0.1**	**444.7**
Total equity and liabilities	**673.6**	**0.9**	**–0.1**	**672.8**
EQUITY AND LIABILITIES				
Retained earnings	112.9	0.4	–0.1	112.6
Total equity	**165.8**	**0.4**	**–0.1**	**165.5**
Deferred tax liabilities	9.5	0.1	0.0	9.4
Non-current contract liabilities	1.4	1.4	0.0	0.0
Non-current liabilities	**158.9**	**1.5**	**0.0**	**157.4**
Trade payables	119.7	–1.5	0.0	121.2
Other non-financial liabilities	52.8	–15.8	0.0	68.6
Current contract liabilities	16.3	16.3	0.0	0.0
Current liabilities	**348.9**	**–1.0**	**0.0**	**349.9**
Total equity and liabilities	**673.6**	**0.9**	**–0.1**	**672.8**

IFRS 9 "Financial Instruments"

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new requirements of IFRS 9 firstly introduce a new model for categorising financial assets. It makes categorisation dependent on the type of business model used to manage the financial assets (business model criterion) and on the type of contractual cash flows of the financial assets (cash flow criterion). In association with this, IFRS 9 also introduces new categories for financial assets, which therefore replace the categories in IAS 39. The categorisation for financial liabilities is essentially retained. Secondly, IFRS 9 introduces a new model for calculating impairment losses, which is based on expected credit losses. Under this model, impairment losses for expected credit losses are recognised in accordance with IFRS 9.5.5 for financial assets measured at fair value through other comprehensive income, lease receivables, contract assets and loan commitments. Expected credit losses are updated on each closing date on the basis of information available. The requirements for hedge accounting are also changed by IFRS 9.

The Group applied the new requirements of IFRS 9 Financial Instruments for the classification and measurement of financial instruments retrospectively in the financial year ending 31 December 2018 and made use of the exemption not to adjust comparative information from prior periods. Consequently, only the opening balance sheet as at 1 January 2018 was adjusted.

Classification and measurement of financial assets

In accordance with the new requirements of IFRS 9, the Group classifies financial assets in the new categories:

- amortised cost,
- fair value through other comprehensive income (debt instruments),
- fair value through profit or loss and
- fair value through other comprehensive income (equity instruments).

The changes to the requirements for categorisation have had the following impact on categorisation within the Group. Most financial assets are allocated to the "hold" business model and measured at amortised cost. Trade receivables, which are sold as part of a factoring agreement without the receivables being disposed of as part of the sale of the receivables, are still allocated to the "hold" business model and consequently to the "amortised cost" category. Within the business model criterion, the Group defines a sale as an actual sale that results in a disposal on the statement of financial position. Under the Group's interpretation, the purely legal sale without disposal does not constitute a business model of sale within the meaning of IFRS 9. Receivables portfolios that are subject to the possibility of factoring involving the disposal of the receivables in question are allocated to the "hold and sell" category and measured at fair value through other comprehensive income (FVTOCI – fair value through other comprehensive income).

Securities previously categorised as "available for sale" under IAS 39 are measured at fair value through profit or loss (FVTPL – fair value through profit and loss), since they are debt instruments for which a premature sale cannot be precluded.

The other financial assets are allocated to the "amortised cost" category based on the differentiation criteria for categorisation.

Impairment model for financial assets

IFRS 9.5.5 introduces a new impairment model. This applies to financial assets measured at amortised cost as well as at fair value through profit or loss in other comprehensive income (debt instruments), to contract assets, loan commitments and financial guarantees. The incurred loss model determined the impairment on the basis of the losses incurred, whereas the expected loss model now in place is based on expected loan defaults.

The Group uses the simplified approach under IFRS 9 to measure expected credit losses, whereby all trade receivables and contract assets are measured using expected credit losses over the life of the contract.

The expected losses are measured by aggregating financial assets on the basis of common credit risk characteristics or using individual default information. In all cases, the calculation is based on current probabilities of default at the respective balance sheet date.

For the Group, this resulted in a transitional effect that decreased retained earnings by EUR 0.1 million as of 1 January 2018 (including deferred taxes in the amount of EUR 0 million). This is exclusively attributable to changes in valuation allowances for trade receivables.

For the other assets under the scope of IFRS 9's altered impairment model, which are subject to the general approach, financial assets were grouped on the basis of shared credit risk characteristics or individual default information in order to measure the expected losses. In all cases, the calculation is based on current probabilities of default at the respective balance sheet date. There were no material effects from this.

The following table contains a reconciliation of the carrying amounts of financial instruments. Changes in the carrying amounts are due to the changed value adjustments and relate exclusively to the category "Amortised cost", which was previously classified as "Loans and Receivables (LaR)". A breakdown by classes of the consolidated statement of financial position and categories in accordance with IFRS 9 to the previous categories in accordance with IAS 39 was made.

EUR million	31 Dec. 2017			1 Jan. 2018		
	Categories as per IAS 39	Carrying amount	Reclassification	Remeasurement	Carrying amount	Categories according to IFRS 9
Financial assets by category						
Trade receivables	LaR	175.2	−32.4	−0.1	142.7	AC
			32.0		32.0	FVOCI
Other receivables	LaR	0.4			0.4	AC
Cash and cash equivalents	LaR	98.9			98.9	AC
Other financial assets						
Securities	AfS	0.7			0.7	FVPL
Security deposits	LaR	2.0	0.4		2.4	AC
Other	LaR	18.3			18.3	AC
Total financial assets		295.5			295.4	
of which non-current		6.4			6.4	
of which current		289.1			289.0	
Financial liabilities by category						
Trade payables	FLAC	122.2			122.2	FLAC
Other financial liabilities						
Liabilities to banks	FLAC	35.5			35.5	FLAC
Loans from third parties	FLAC	25.6			25.6	FLAC
Liabilities from factoring	FLAC	57.1			57.1	FLAC
Lease liabilities	n/a	5.2			5.2	n/a
Other	FLAC	35.9			35.9	FLAC
Stand-alone derivatives	FAHfT	0.0			0.0	FLFVPL
Total financial liabilities		281.5			281.5	
of which non-current		39.0			39.0	
of which current		242.5			242.5	

The reconciliation of the carrying amounts per category results as follows:

EUR million	Category	31 Dec. 2017	1 Jan. 2018
Carrying amount by category			
Assets available for sale	AfS	0.7	
Loans and receivables	LaR	294.8	
Financial liabilities held for trading	FLHfT	0.0	
Financial liabilities measured at amortised cost	FLAC	276.3	
Lease liabilities (n/a; IAS 17)	n/a	5.2	
Financial assets measured at amortised cost	AC		262.7
Financial assets measured at fair value through profit or loss	FVPL		0.7
Financial assets (equity instruments) measured at fair value through equity	FVOCI		32.0
Financial liabilities measured at amortised cost	FLAC		276.3
Financial liabilities measured at fair value through profit or loss	FLFVPL		0.0

Because of the application of the new impairment model, there have been the following changes to impairments as a consequence of initial application of IFRS 9:

EUR million	Impairment in accordance with IAS 39 as at 31 Dec. 2017	Remeasurement	Impairment in accordance with IFRS 9 as at 1 Jan. 2018
Loans and receivables in accordance with IAS 39/ financial assets measured at amortised cost	7.2	0.1	7.3

There were no material adjustment effects for all other assets under the scope of the new impairment model required by IFRS 9.5.5.1.

IFRS 15 “Revenue from Contracts with Customers”

The Group has applied IFRS 15 since 1 January 2018. This resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions of IFRS 15, the Group adopted the new rules retrospectively and in a modified form. The new standard was only applied to contracts that had not yet been fulfilled by 1 January 2018.

The effects of applying the new standard relate primarily to the Engineering and Technology and Automotive segments. These are described as followed:

Long-term construction contracts

If assets are created as part of long-term projects and these do not have any other alternative use to the company and if the company has an enforceable right to payment for performance already completed, revenue is – as previously – recognised over a period of time. The difference between work provided and work invoiced is recognised as contract assets or contract liabilities in accordance with IFRS regulations. If the criteria described above are not met, the revenue for these projects is recognised for a particular point in time.

Customer tools

Since 1 January 2018, the new rules on revenue recognition in accordance with IFRS 15 have been applied. For contracts for first series tools, this has essentially not resulted in any change to the recognition date. Revenue is largely recognised when the power of disposal is transferred to the customer. However, advance payments received on customer tools are reported as a contract liability until the performance obligation is met and no longer as other liabilities.

Customer-specific products

As a result of the new regulation of IFRS 15, customer-specific products have been subject to period-related revenue recognition since 1 January 2018 if the products have no alternative benefit due to their specifications and the Group has an enforceable claim for payment from the customer at least in the amount of a refund of the costs incurred for the services already rendered including an appropriate profit margin. This has resulted in inventories being realised prematurely with an appropriate margin, which are then reported as contract assets.

For the Group, the transition resulted in a transitional effect that increased retained earnings by EUR 0.3 thousand as at 1 January 2018.

The table below gives an overview of the effects of IFRS 15 on the consolidated financial statements as at 31 December 2018:

IFRS 15 – Effects on the consolidated income statement

EUR million	2018	IFRS 15 effects	2018 without application of IFRS 15
Revenues	865.1	0.3	864.8
Increase or decrease of finished goods and work in progress	0.1	–0.3	0.4
Profit before tax	14.8	0.0	14.8
Income tax expense/ income	–2.8	0.0	–2.8
Net income for the year	12.0	0.0	12.0

The first-time application of IFRS 15 does not have any material effects on the items of the consolidated income statement or on earnings per share (basic/diluted).

IFRS 15 – Effects on the consolidated statement of financial position as at 1 January 2018

EUR million	1 Jan. 2018	IFRS 15 effects	31 Dec. 2017 without application of IFRS 15
ASSETS			
Deferred tax assets	11.1	0.0	11.1
Non-current contract assets	0.0	0.0	0.0
Non-current assets	**228.1**	**0.0**	**228.1**
Inventories	116.7	–14.3	131.0
Current contract assets	22.3	22.3	0.0
Trade and other receivables	174.8	–7.1	181.9
Current assets	**445.6**	**0.9**	**444.7**
Total equity and liabilities	**673.7**	**0.9**	**672.8**
EQUITY AND LIABILITIES			
Retained earnings	113.0	0.4	112.6
Total equity	**165.9**	**0.4**	**165.5**
Deferred tax liabilities	9.5	0.1	9.4
Non-current contract liabilities	1.4	1.4	0.0
Non-current liabilities	**158.9**	**1.5**	**157.4**
Trade payables	119.7	–1.5	121.2
Other non-financial liabilities	52.8	–15.8	68.6
Current contract liabilities	16.3	16.3	0.0
Current liabilities	**348.9**	**–1.0**	**349.9**
Total equity and liabilities	**673.7**	**0.9**	**672.8**

Amendments to IAS 40 "Transfers of Investment Property"

The IASB issued amendments to IAS 40 "Transfers of Investment Property" on 8 December 2016. They were endorsed in EU law on 14 March 2018.

The amendments concern the regulations on transfers of property to, or from, investment property and include the relevant guidelines. A transfer to, or from, investment property is required when, and only when, there is a change in use that leads to a property meeting, or ceasing to meet, the definition of investment property. The change in use must be evidenced, i.e. there must be objective evidence based on facts for the occurrence of such a change of use. A change in management's intentions for the use of a property does not by itself constitute evidence of a change in use. By contrast to the previous regulation, the revised list of positive examples of a change of use found in IAS 40.57 is no longer designated as exhaustive.

This change has no material effects on the consolidated financial statements.

Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"

The IASB published amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" on 20 June 2016. These were endorsed in European law as at 26 February 2018.

The amendments include individual clarifications in connection with accounting for share-based payment transactions:

Accounting for cash-settled share-based payment transactions that include a performance condition: Like the method for equity-settled share-based payment transactions, in the future only certain vesting conditions will be taken into account in determining fair value, while others only affect the quantity.

Classification of share-based payment transactions settled net of tax withholdings: Despite the cash-settled tax payment to be made by the company, under certain circumstances the entire share-based agreement must be treated as an equity-settled share-based payment transaction.

Accounting for modifications of a share-based payment transaction from cash-settled to equity-settled: In this scenario, the latter are measured as at the amendment date, and the modified share-based payment is recognised in equity in proportion to the vesting period to date.

As the company does not have any cash-settled share-based payment programmes or share-based payment programmes settled net of tax withholdings, the changes do not have a material impact on the consolidated financial statements.

Amendments to IFRS 4: “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”

On 12 September 2016, the IASB issued amendments to IFRS 4: “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”. They were endorsed in EU law on 3 November 2017.

The changes were introduced due to the requirement to postpone the mandatory application of IFRS 9 for companies that issue insurance contracts within the scope of IFRS 4, in order to ensure compliance with the mandatory application of IFRS 17 from 1 January 2021 onwards.

This change has no material effects on the consolidated financial statements.

IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The IASB issued IFRIC 22 “Foreign Currency Transactions and Advance Consideration” on 8 December 2016. It was endorsed in EU law on 28 March 2018.

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction is determined by the first-time recognition of the non-monetary asset resulting from the advance consideration or the non-monetary liability from the deferred income. If there are multiple advance payments or receipts of payments, a time of transaction is determined for each payment and each receipt of payment. The interpretations are applied for the first time either retrospectively in accordance with IAS 8 or prospectively to all assets, expenses and income in foreign currencies that are covered by the scope of the interpretation.

As the Group already accounts for foreign currency transactions with advance consideration as required by the interpretation, there are no material effects on the consolidated financial statements.

Annual Improvements to IFRS (2014–2016 cycle)

On 8 December 2016, the IASB published the amendment “Annual Improvements to IFRS (2014–2016)”. The proposed amendments within the context of the 2014–2016 cycle, effective date as of 1 January 2018, relate to IFRS 1 “First-time Adoption of IFRS” and IAS 28 “Disclosure of Interests in Other Entities”. The standard also includes amendments to IFRS 12 “Disclosure of Interests in Other Entities” that must be applied in reporting periods beginning on or after 1 January 2017. It was endorsed in EU law on 7 February 2018. However, the EU Commission confirmed that these changes must be applied retrospectively.

IFRS 1 “First-time Adoption of IFRS”

Deletion of short-term exemptions for first-time adopters of IFRS by way of deletion of the temporary exemptions in E3 to E7 of IFRS 1, as these are no longer applicable owing to the passage of time and because they have fulfilled their intended purpose.

IFRS 12 “Disclosure of Interests in Other Entities”

Clarification of the scope of the standard by specifying that the disclosure requirements in IFRS 12 also apply to equity investments held for sale or distribution and those within the scope of IFRS 5. The only exceptions are those stated in B10 to B16 of IFRS 12.

IAS 28 “Investments in Associates and Joint Ventures”

Clarification that the option to measure an investment in an associate or joint venture held by a venture capital company or other qualifying entity at fair value with changes recognised in profit or loss is available on initial recognition for each investment on an individual basis. A clarification to this effect was also made in IAS 28.36A, which states that an entity applying the equity method to shares in an investment entity is permitted to retain fair value measurement at the level of the investment entity. This option can also be exercised individually for each investment.

The changes resulting from the annual improvements to the 2014–2016 cycle have no material effects on the consolidated financial statements.

52.2. NEW STANDARDS AND INTERPRETATIONS EFFECTIVE IN FUTURE

The following new or amended standards and interpretations have already been approved by the IASB, but are not yet effective or have not yet been endorsed in European law. The company has not adopted the regulations early.

New standards		Effective for financial years beginning on or after:	Status of EU endorsement (as of date of preparation of financial statements)
IFRS 16	Leases	01/01/2019	Endorsed
Amendments to IFRS 9	Prepayment option with negative compensation	01/01/2019	Endorsed
Amendments to IAS 19	Plan changes, curtailments or settlement	01/01/2019	Endorsed
Amendments to IAS 28	Long-term interests in associates and joint ventures	01/01/2019	Endorsed
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	Endorsed
Annual Improvements to IFRS	2015–2017 Cycle	01/01/2019	Endorsed
Amendments to IFRS 3	Definition of business operations	01/01/2020	Pending
Amendments to IFRS 1 and IAS 8	Definition of materiality	01/01/2020	Pending
	Conceptual Framework for Financial Reporting	01/01/2020	No endorsement
Individual standards	Changes to references to updated framework in individual IFRS	01/01/2020	Pending
IFRS 17	Insurance contracts	01/01/2021	Pending
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Effective date deferred indefinitely	Pending

IFRS 16 “Leases”

IFRS 16 was published in January 2016; it replaces IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Legal Transactions in the Legal Form of a Lease” and application is mandatory for financial years beginning on or after 1 January 2019. They were endorsed in EU law on 31 October 2017.

IFRS 16 contains a comprehensive model for identifying leases and for their accounting by lessors and lessees.

IFRS 16 applies to all leases. According to this standard, a lease is an arrangement by which the lessor contractually grants the lessee the right to control an identified asset for a specified period of time and the lessor receives consideration from the lessee in return.

The previous distinction between operating and finance leases no longer applies for lessees. Instead, moving ahead, the lessee must recognise a right-of-use (ROU) asset for the leased asset and a corresponding lease liability for all leases. The only exceptions to this are for short-term leases and leases for low-value assets. The amount of the ROU asset at the time of initial recognition is equal to the amount of the lease liability plus any initial direct costs of the lessee. The ROU asset is subsequently measured at amortised cost (with two exceptions). The lease liability is measured as the present value of the lease payments during the term of the lease. Subsequently, the carrying amount of the lease liability bears interest at the rate used for discounting and is reduced by the lease payments made. Changes in lease payments lead to a remeasurement of the lease liability.

However, the distinction between operating and finance leases established in IAS 17 “Leases” has been retained for lessors. The criteria for the assessment of a finance lease were taken over from IAS 17 unchanged.

In addition, the disclosure requirements for lessees and lessors are much more extensive under IFRS 16 than under IAS 17. The aim of the disclosure requirements is to provide the users of financial statements with information to make it easier for them to understand the effects of leases on financial position and financial performance.

Mutares plans to apply the new IFRS 16 standard governing leases retrospectively in a modified manner. For the transition to IFRS 16, it will make use of the option of measuring ROU assets at the same value as lease liabilities. Extension and termination options will also be measured on the basis of current information as a result of the conversion to IFRS 16. For the transition, IFRS 16 will not be applied to contracts that were not previously classified as leased assets in accordance with IFRIC 4 or IAS 17.

Different subsections of the Group will be affected by IFRS 16 to varying degrees due to differing business models. We expect to see relatively significant transition effects, in particular in the Automotive & Mobility and Engineering & Infrastructure segments.

The Group plans to make use of the simplification options of IFRS 16 for low value assets and for short term leases (leases with a term of less than 12 months). A value limit of EUR 5,000 is used for low value assets.

Mutares has also decided to apply IFRS 16 to other intangible assets. Lease and service components must be shown separately at Mutares. A uniform interest rate is also applied to similar leased assets combined as portfolios (e.g. combined according to value, term, credit spread, country, currency or collateral).

The following key assumptions are made to determine matched-maturity interest rates, which are used to calculate the present value of lease liabilities:

Benchmark interest rates:

- Benchmark interest rates are based, if available, on the yields on government bonds with the same maturities, which can be downloaded from the Bloomberg financial information system.
- In cases where original returns on government bonds in the desired currency were not available, synthetic yields are deduced based on available yield curves in USD or EUR, country risk premiums (to take account of country-specific credit quality) and inflation differentials (for translation into the target currency).
- Country risk premiums are based on the credit default swap spreads of the respective countries, which can be downloaded from the Bloomberg financial information system.
- Inflation differentials are based on data from the “World Economic Outlook Database October 2018”, which was published by the International Monetary Fund (IMF).

Entity-specific credit risk premiums:

- Specific credit ratings were carried out for the segments using the "S&P Credit Analytics" financial information system.
- The synthetic rating grades (as per S&P Credit Analytics) of the individual segments fall within a range of B+ to B–.
- Rating-dependent credit risk premiums were determined (for reasons of availability) on the basis of US corporate bonds and US government bonds.
- Since there are scarcely any differences in the interest rates determined for the individual segments, a uniform credit risk premium was applied to all segments.

Contract-specific adjustments:

- No account was taken of contract-specific adjustments.

The effects of IFRS 16 on the Group were analysed during the last financial year. Based on this, we expect the application of IFRS 16 to increase total assets by a figure in the mid double-digit millions.

The application of the low-value exemption affects assets with total historical costs in the low single-digit million range as at 31 December 2018. Weighted average incremental borrowing rates (IBR) of between 1.06% and 10.79% were used here.

The application of IFRS 16 will increase EBITDA in future especially because of cases in which the Group acts as lessee. Interest and similar expenses will also increase as a result of the conversion. The increase in total assets will be another effect.

For leases in which the Group is the lessor, the Executive Board assumes that the adoption of IFRS 16 will not have a significant effect on the consolidated financial statements.

Amendments to IFRS 9 "Financial instruments: Prepayment Features with Negative Compensation"

On 12 October 2017, the IASB published amendments to IFRS 9 "Prepayment features with negative compensation". The amendments are to be effective retrospectively for reporting periods from 1 January 2019 onwards. It was endorsed in EU law on 22 March 2018.

The amendment affects the classification of financial instruments with prepayment options with negative compensation. Under the previous provisions, the cash flow condition is not met if the lender would have to pay a prepayment penalty if the borrower terminated the agreement. Under the new regulation, it will be possible to measure at amortised cost (or at fair value through other comprehensive income) even in the case of negative compensation. It also clarified that the carrying amount of a financial liability is to be adjusted immediately in profit or loss following a modification.

The Executive Board does not expect the amendments to have a significant effect on the consolidated financial statements.

Changes to IAS 19 "Plan amendment, curtailment or settlement"

The IASB published amendments to IFRS 19 on 7 February 2018. The changes to IAS 19 now specifically set out that if a defined-benefit pension plan is amended, curtailed or settled during the year, the current service cost and net interest for the remaining period are then to be recalculated using current actuarial assumptions. The amendment also clarified the effect a plan amendment, curtailment or settlement would have on the required asset ceiling.

The amendments are effective for reporting periods beginning on or after 1 January 2019. It was endorsed in EU law on 13 March 2019. Early adoption is permitted.

The Executive Board does not expect the amendments to have a significant effect on the consolidated financial statements.

Changes to IAS 28 "Long-term interests in associates and joint ventures"

The IASB issued changes to IAS 28 "Long-term interests in associates and joint ventures" on 12 October 2017. The amendments give clarifications regarding excluding interests within the meaning of IAS 28 from the scope of IFRS 9. IFRS 9 does not apply to investments in associates and joint ventures accounted for by the equity method. Nonetheless, IFRS 9 applies to long-term interests that form part of the net investment in an associate or joint venture.

The amendments are to be applied for reporting periods beginning on or after 1 January 2019. It was endorsed in EU law on 8 February 2019.

The Executive Board does not expect the amendments to have a significant effect on the consolidated financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 "Uncertainty over Income Tax Treatments" was issued on 7 June 2017 and provides an interpretation of accounting for current and deferred tax liabilities where there is uncertainty over income tax treatments.

Such uncertainty arises when the application of applicable tax law to a specific transaction is ambiguous and therefore (also) dependent on the interpretation of the tax authorities, which however is not known to the entity when preparing the financial statements. An entity only takes these uncertainties into account for recognised tax liabilities or assets when it is likely that the corresponding tax amounts will be paid or reimbursed. It is assumed that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. If the facts and circumstances on which the assessment of the uncertainty was based have changed or new relevant information becomes available, the assessment must be reviewed and, if necessary, adjusted.

The interpretation comes into effect for financial years beginning on or after 1 January 2019. It was endorsed in EU law on 23 October 2018.

The adoption of IFRIC 23 could affect the consolidated financial statements if future transactions are subject to uncertainty over income tax treatments.

Annual improvements to IFRS (2015–2017 cycle)

On 12 December 2017, the IASB published the amendment "Annual Improvements to IFRS (2015–2017 cycle)". The proposed amendments comprise three areas and affect the standards IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs". The amendments must be applied for reporting periods beginning on or after 1 January 2019. It was endorsed in EU law on 14 March 2019.

IFRS 3 "Business Combinations"/ IFRS 11 "Joint Arrangements"

Achieving control of a business classified as a joint arrangement in accordance with IFRS 11 and in which the acquirer already had an investment constitutes a business combination achieved in stages. Accordingly, the relevant regulations of IFRS 3 also apply here, hence, any shares held at fair value prior to the acquisition must be remeasured at the acquisition date. However, achieving joint control of a business classified as a joint arrangement in accordance with IFRS 11 does not require the remeasurement of any shares in its assets or liabilities already recognised prior to achieving joint control.

IAS 12 "Income Taxes"

Income tax consequences of dividend payments are recognised when the obligation to pay dividends is recognised. In line with the transactions on which the dividends are based, they are recognised in profit or loss, other comprehensive income (OCI) or directly in equity.

IAS 23 "Borrowing Costs"

Provided that funds are not borrowed specifically for the purpose of obtaining a qualifying asset, the borrowing costs capitalised for such asset are calculated on the basis of the weighted average of all borrowing costs, provided that they do not result from borrowings to obtain other qualifying assets. However, the calculation of the weighted average must also include borrowing costs resulting from borrowing to finance other qualifying assets provided that substantially all work is completed to prepare these other qualifying assets for their intended use or sale.

The Executive Board does not expect the changes from the annual improvements to IFRSs (2015–2017 cycle) to have a material effect on the consolidated financial statements.

Amendments to IFRS 3 "Definition of a Business"

On 22 October 2018, the IASB published amendments to IFRS 3 "Definition of a Business". The amendment aims to provide better definitions in future for assessing whether a business or a group of assets was acquired. Notes are added in the notes to the financial statements, the application guidelines and illustrative examples clarifying the three elements of a business within the meaning of the standard.

The changes are to be applied to business combinations for which the acquisition date is on or after the beginning of the first reporting period beginning on or after 1 January 2020. EU endorsement is still pending and is expected in 2019.

The Executive Board does expect the amendments to have a significant effect on the consolidated financial statements.

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

On 31 October 2018, the IASB published changes to the definition of materiality for information included in financial statements. The amendments relate to the IAS 1 "Presentation of Financial Statements" and I IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" standards. In conjunction with additional information regarding application, the amendments aim to make assessing materiality simpler, in particular for the person preparing IFRS financial statements. The amendments also ensure that the definition of materiality is consistent across all IFRS regulations.

The amendments are to be applied for financial years beginning on or after 1 January 2020. EU endorsement is expected in 2019.

The Executive Board does expect the amendments to have a significant effect on the consolidated financial statements.

IFRS 17 "Insurance contracts"

IFRS 17 "Insurance contracts" was issued on 18 May 2017. The new standard aims to ensure that insurance contracts are accounted for in a consistent, principles-based manner and requires insurance liabilities to be measured at a current settlement amount. This leads to uniform measurement and presentation of all insurance contracts. The standard is to be applied for financial years beginning on or after 1 January 2021. The date of EU endorsement is still pending.

The Executive Board does not expect the standard to have any material effects on future consolidated financial statements.

Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments address a conflict between IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements". They clarify that, in transactions with associates or joint ventures, the extent to which a gain or loss is recognised is dependent on whether the assets sold or contributed constitute a business in accordance with IFRS 3. The effective date of the amendments has since been postponed indefinitely by the IASB.

The Executive Board assumes that these potential amendments to IFRS 10 and IAS 28 will have no effect on future consolidated net income.

53. Principles of consolidation

53.1. SUBSIDIARIES

Subsidiaries are companies that are controlled by Mutares AG. The Group achieves control when it can exercise control over the investee, is exposed to variable returns from the investment and has the ability to use its control over the investee to influence the amount of its returns.

The assessment of control is reviewed by Mutares AG if there are indications that one or more of the above control criteria have changed.

Consolidation of a subsidiary begins from the date the company obtains control of the investee and ceases when the company loses control of the investee.

The results of subsidiaries for which control was achieved or lost during the year are recognised in the consolidated income statement and in other comprehensive income, with effect from when control is achieved or lost.

If necessary, subsidiaries' annual financial statements are adjusted so as to align accounting policies and measurement methods with the methods applied in the Group.

The acquisition of a company is accounted for using the acquisition method. The consideration transferred in a business combination is equal to the fair value of the assets given, equity instruments issued and any liabilities incurred or assumed as at the time of the transaction. In addition, it includes the fair value of any reported assets or liabilities resulting from a contingent consideration agreement. Costs relating to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured at fair value as at the acquisition date on first-time consolidation. The exceptions to the recognition and measurement principles set out in the standard, such as the recognition and measurement of deferred taxes on acquired assets and liabilities in accordance with IAS 12, are taken into account accordingly at the time of initial consolidation.

The amount arising as the excess of the cost of the acquisition, the amount of the non-controlling interests in the acquiree and the fair value of any previously held equity interest as at the acquisition date over the Group's share in the net assets measured at fair value is recognised as goodwill and tested for impairment at least once a year. If the cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement after being checked again (bargain purchase income).

If the consideration transferred contains contingent consideration, this is measured at fair value as at the acquisition date. Changes in the fair value of contingent consideration within the measurement period are corrected retrospectively and offset against goodwill or the bargain purchase gain. Corrections during the measurement period are adjustments to reflect new information obtained about facts and circumstances that existed as at the acquisition date. However, the measurement period must not exceed one year from the acquisition date. Accounting for changes in the fair value of contingent consideration that do not constitute adjustments during the measurement period is based on the classification of the contingent consideration.

Sales of interests without loss of control (decrease) are shown as transactions through other comprehensive income between the investors (Mutares AG and the minority interest). Non-controlling interests are measured at proportionate enterprise value, hence goodwill attributable to minority interests is capitalised (full goodwill method). The non-controlling interests are entitled to a share of earnings from the time that the shares are transferred, and this is presented separately in the statement of comprehensive income.

Increases that maintain the majority are shown as equity transactions or transactions between majority shareholders and minority interests. In the event of a deconsolidation, an individual sale is simulated, i.e. the sale of all shares is shown as a transfer of individual assets and liabilities, including goodwill, for consideration. The gain or loss on disposal comprises the difference between the net disposal proceeds and the consolidated carrying amounts of the net asset being disposed of, including hidden reserves and goodwill.

Intragroup balances and transactions with consolidated subsidiaries and the resulting income and expense are eliminated in full in preparing the consolidated financial statements.

Deferred taxes were recognised in accordance with IAS 12 for temporary differences arising on consolidation.

53.2. ASSOCIATES AND JOINT VENTURES

An associate is an entity over which Mutares has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control, Consolidated Financial Statements or joint control, over those policies. If Mutares AG directly or indirectly holds between 20% and 50% of voting rights in an investee, it is presumed to have significant influence. If it directly or indirectly holds less than 20% of the voting power, it is presumed to have significant influence if this can be clearly demonstrated.

Shares in associates are accounted for using the equity method and initially measured at cost. Goodwill arising from the acquisition of an associate is included in the carrying amount of the equity investments in the associates. From the date significant influence begins until it ends, the carrying amount of the shares is increased or decreased to recognise the investor's share of the profit or loss of the investee or changes in equity after the date of acquisition. If Mutares' share of losses of an associate equals or exceeds its interest in the associate, this interest is written down to nil.

Unrealised gains on the basis of transactions with associates are eliminated in line with Mutares' share in the carrying amount of the equity investment. Unrealised losses are eliminated in the same way, but only to the extent that there is no indication of impairment.

Deferred taxes were recognised in accordance with IAS 12 for temporary differences arising on consolidation.

There are currently no associates or joint ventures measured using the equity method.

53.3. JOINT OPERATION

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control over an arrangement. This exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

If a Group company performs activities as part of a joint operation, the Group – as a joint operator – recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group company enters into a transaction with a joint operation in which another Group company is a joint operator (such as a sale or contribution of assets), it is conducting the transaction with the other parties to the joint operation and, as such, the joint operator recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

In transactions such as the purchase of assets by a Group company, gain and losses are recognised in proportion to the Group's share in the joint operation only when the assets are resold to a third party.

53.4. FOREIGN CURRENCY

The consolidated financial statements were prepared in line with the functional currency concept. Functional currency is the currency of the primary economic environment in which the Mutares Group operates. This is the euro, which at the same time is the presentation currency of the consolidated financial statements.

Transactions in foreign currency are converted into the functional currency using the exchange rate on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. The resulting foreign currency gains and losses are recognised in the consolidated income statement under "Other income" or "Other expenses".

The statement of financial position items of subsidiaries with a functional currency other than the euro are translated into the presentation currency at the closing rate, the items of the consolidated income statement at the average exchange rate for the respective period and equity items at the historic rate. The resulting translation differences are recognised in the currency translation reserve in other comprehensive income. If non-controlling interests are involved, the corresponding share of the exchange differences is settled with the minority interest.

In the event that a foreign business is disposed of, the exchange differences accrued to date are included in the disposal gain/loss, i.e. reclassified from equity items to profit or loss.

The functional currency of the subsidiaries of Mutares AG is generally the local currency. The following companies represent exceptions to this: Inoplast Trucks Mexico, S.A. de C.V. and Elastomer Solutions Mexico S. de R.L. de C.V. (the US dollar is the operational currency for both companies) and Elastomer Solutions Maroc Sarl (the euro is the operational currency for this company).

The exchange rates for currency translation are presented below. If no information is provided for the previous year, this currency is required for the first time in the year under review:

Currency EUR 1		Closing rate		Average Price	
	Code	31 Dec. 2018	31 Dec. 2017	2018	2017
USA	USD	1.145	1.199	1.181	1.129
China	CNY	7.875	7.804	7.807	7.626
Hong Kong	HKD		9.372	9.626	8.801
Poland	PLN	4.301	4.177	4.261	4.256
Brazil	BRL	4.444	3.973	4.421	3.823
UK	GBP	0.895		0.894	
United Arab Emirates	AED	4.200		4.195	
Singapore	SGD	1.559		1.569	
India	INR	79.730		80.728	

54. Key accounting policies

The consolidated financial statements are based on uniform accounting policies. All companies included in the consolidated financial statements of Mutares AG have prepared financial statements as at 31 December or have prepared interim financial statements as at the reporting date and the period of the consolidated financial statements for the purposes of the consolidated financial statements.

The key accounting policies are presented below.

54.1. REVENUE RECOGNITION

Sale of goods

The Group recognises revenue when power over goods or services that are distinct passes to the customer. The customer must therefore have the ability to direct the use of, and obtain substantially all of the remaining benefits from it. The basis for this is a contract between the Group and the customer. The parties must have approved the contract and the individual agreements contained therein, the individual obligations of the parties and the payment terms must be ascertainable, the contract must have commercial substance and it must be likely that the Group will receive consideration for the service supplied. There must therefore be enforceable rights and obligations. The transaction price typically corresponds to revenue. If the contract contains more than one distinct performance obligation, the transaction price will be allocated to the individual performance obligations on the basis of the relative stand-alone selling prices. If no stand-alone selling prices are observable, the Group will estimate them. The individual identified performance obligations are either recognised over a particular period of time or at a point in time.

Payment terms generally require that payment is made no later than 90 days after the invoice is issued. There are no regular significant financing components and the period between transferring the goods or services and the time of payment does not generally exceed 12 months, hence it is not necessary to adjust the consideration to take account of the time value of money. Group obligations to repair or exchange faulty products under statutory warranties are recognised as a provision.

Customer tools

Contracts for first-series-tools result in a separate performance obligation to the customer when transferring power of disposal. Revenue is recognised when the power of disposal is transferred to the customer.

Customer-specific products

Customer-specific products are subject to period-related revenue recognition if the products have no alternative benefit due to their specifications and there is an enforceable claim for payment from the customer at least in the amount of a refund of the costs incurred for the services already rendered including an appropriate profit margin.

The stage of completion is calculated using the input method on the basis of the ratio of costs incurred to planned costs. Thanks to the detailed internal cost controlling, this method gives a reliable depiction of the transfer of goods.

Provision of services

Revenue from services contacts is recognised as soon as control is transferred to the customer and the date on which the service is provided has been determined as at a point in time or over a period of time. Services over a particular period of time are realised in accordance with the stage of completion. If a service is not realised over a period of time, revenue is recognised at a point in time after control is transferred.

Rental income

The information on leases in accordance with IAS 17 applies.

Construction contracts

If control is transferred during the construction phase, revenue from the construction contract is realised with an appropriate margin over a period of time (overtime). It is assumed that control has been transferred if, in the event of termination of contract, the claim to remuneration includes an appropriate margin as well as costs incurred to date and there are no alternative uses for the assets created. The stage of completion is determined on the basis of the contract costs incurred for the work performed in relation to the expected contract costs (input-based method). The management believes that this input-based method provides a reasonable estimate of progress made.

If there is no claim to remuneration or the claim includes only costs incurred, revenue is realised only once the contract is completed.

If it is likely that the total cost of the production will exceed its total proceeds, the expected loss is expensed immediately.

If the contract costs by the end of the reporting period plus recognised profits (less recognised losses) exceed progress billings, the excess is shown as a contract asset. For contracts in which progress billings exceed the contract costs plus recognised profits (less recognised losses), the excess is also shown as a contractual liability, as are amounts received prior to performing contract work. Invoiced amounts for services already rendered that have not yet been paid by the customer are shown in the consolidated statement of financial position under trade receivables and other receivables.

The new IFRS 15 regulations in the following areas are of no importance or only of very little importance to the Mutares Group:

- Variable consideration
- Consignment stock
- Costs of securing or performing a contract
- Principal-agent relationship
- Bill-and-hold arrangements
- Repurchase agreements
- Guaranties

54.2. INCOME TAXES

The income tax expense represents the total of the current tax expense and the deferred taxes.

Current taxes

The current tax expense is calculated on the basis of the taxable income for the year. Taxable income differs from the net income for the year reported in the consolidated statement of comprehensive income as taxable income does not include income or expenses that are taxable/deductible for tax purposes either never or only in subsequent years. The Group's current tax liabilities are calculated using the tax rates in effect or soon to be in effect at the end of the reporting period.

Deferred taxes

Deferred taxes are calculated in accordance with the standard international liability method (IAS 12). Deferred taxes are therefore recognised for all temporary differences between the tax base of an asset or liability and the carrying amounts in the consolidated statement of financial position and for tax loss carryforwards.

Deferred taxes on such calculated differences are always taken into account if they result in deferred tax liabilities. Deferred tax assets are only taken into account when it is likely that the corresponding tax benefits will be realised. Deferred tax assets and liabilities are also recognised on temporary differences arising in connection with acquisitions, with the exception of temporary differences on goodwill, if these are not taken into account for tax purposes.

Deferred taxes on outside basis differences, i.e. differences between a subsidiary's assets recognised in the consolidated financial statements and the tax base of shares held in the subsidiary by the Group parent company, are taken into account (provided tax effects are anticipated that may result from the shares being sold or profits being distributed in future).

Deferred tax assets and liabilities are offset if the requirements of IAS 12 are met, i.e. there is a legally enforceable legal right to offset them and the deferred tax assets and liabilities relate to income tax levied by the same tax authority for either the same taxable entity or different taxable entities that intend to settle on a net basis.

Deferred taxes are calculated using the tax rates for future years if they have already been legally stipulated or the legislative process has essentially been completed. Changes in deferred taxes in the statement of financial position result in deferred tax expenses or income. If items that entail a change in deferred taxes are posted directly to equity, the change in deferred taxes is also posted directly to equity.

54.3. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the share of earnings after taxes of the shareholders of the parent company by the weighted average number of shares outstanding in the financial year. Diluted earnings per share are calculated on the assumption that all potentially dilutive securities and share-based payment plans are converted/exercised.

54.4. INTANGIBLE ASSETS

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and measured at fair value at the acquisition date.

Intangible assets acquired in a business combination are subsequently measured like individually acquired intangible assets, i.e. at cost less cumulative amortisation and any cumulative impairment losses.

Other separately acquired intangible assets

Separately acquired intangible assets, i.e. not in a business combination, with a finite useful life are recognised at cost less cumulative amortisation and impairment. Amortisation is recognised as an expense on a straight-line basis over the expected useful life. The expected useful life and the amortisation method are reviewed at the end of each reporting period and all changes in estimates are taken into account prospectively.

Separately acquired intangible assets with an indefinite useful life are recognised at cost less cumulative impairment.

Internally generated intangible assets

Internally developed intangible assets are capitalised at cost.

Research and development expenses are separated to determine the capitalisation of internally generated intangible assets. Expenditure on research (with the prospect of gaining new scientific or technical knowledge and understanding) is recognised as an expense when it is incurred.

The recognition criteria of IAS 38 must all be met in order to recognise internally generated intangible assets: the technical feasibility of the development project and a future economic benefit from the development project must be demonstrated, and the company must be willing and able to complete the intangible asset and to use or sell it. In addition, there must be adequate technical, financial and other resources and it must be possible to reliably measure the expenditure attributable to the intangible asset during its development.

The capitalised cost includes the costs directly attributable to the development process in addition to development overheads. In accordance with IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. No qualifying assets that would require capitalisation of borrowing costs were acquired or produced in the reporting period or the comparative period.

When a useful life can be determined, these intangible assets are amortised on a straight-line basis over their respective useful life.

Depreciation was calculated using the following useful lives:

	Useful life in years
Internally generated industrial rights and similar rights	1 to 10
Software	1 to 20
Purchased concessions, industrial rights and similar rights and assets	1 to 20

Impairment of intangible assets

Impairment losses are recognised if there are indications of impairment and the carrying amount of intangible assets exceeds the recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. If the reason for impairment already recognised no longer applies, write-downs are reversed up to the depreciated cost of the asset. Intangible assets with an indefinite useful life are tested for impairment annually. In addition, it is reviewed in each period whether an indefinite useful life assessment is still supported. Intangible assets that do not generate any cash flows themselves are assessed for impairment at the level of their cash-generating unit.

Derecognition of intangible assets

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the income statement under other income or other expenses when the asset is derecognised.

54.5. PROPERTY, PLANT AND EQUIPMENT

Land and buildings and other property, plant and equipment

Property, plant and equipment are measured at cost less cumulative depreciation (if depreciable) and impairment.

The cost of an item of property, plant and equipment includes all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognised in the consolidated income statement as an expense in the financial year in which they are incurred. Internally generated assets are initially measured at the directly attributable cost of production plus production overheads.

Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful life of the asset.

Assets leased under finance leases are depreciated over the shorter of the lease term and the useful life. Land is not depreciated.

If significant parts of property, plant and equipment contain components with significantly different useful lives, these are recognised separately and depreciated over their respective useful life.

In accordance with IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. No qualifying assets that would require capitalisation of borrowing costs were acquired or produced in the reporting period or the comparative period.

The residual carrying amounts and useful lives are reviewed at the end of each reporting period and adjusted as necessary. The useful lives are based on estimates, to a large extent using experience of historical use and technical development.

Gains and losses from the disposal of assets are recognised in profit or loss in the amount of the difference between the proceeds of disposal and the carrying amount.

Depreciation was calculated using the following useful lives:

	Useful life in years
Building	20 to 50
Technical equipment, machinery and vehicles	1 to 20
Operating and office equipment	1 to 13

Impairment of property, plant and equipment

Impairment losses are recognised if there are indications of impairment and the carrying amount of property, plant and equipment exceeds the recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. If the reason for impairment already recognised no longer applies, write-downs are reversed up to the depreciated cost of the asset. Property, plant and equipment that do not generate any cash flows themselves are assessed for impairment at the level of their cash-generating unit.

Derecognition of property, plant and equipment

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from continued use or disposal. The gain or loss arising from the sale or decommissioning of an item of property, plant and equipment is recognised in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

54.6. LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. Assets that are leased and whose economic ownership is held by the respective Group company (finance lease) are capitalised at the lower of fair value and the present value of future lease payments at the inception of the lease. Accordingly, liabilities to the lessor are recognised in the same amount under "Other non-current and current financial liabilities/Financial liabilities" in the statement of financial position. The present value is calculated using the interest rate on which the agreement is based or – if there is none – the marginal lending rate. These assets are written down and the liability reversed over the term of the lease. If the useful life of the asset is shorter than the term of the lease, this is used to determine the period over which it is written down. While the leased asset is written down on a straight-line basis over the term of the lease, the associated lease liability is amortised progressively using the effective interest method. During the term of the lease, this gives rise to a difference between the lease liability and the carrying amount of the leased asset. The companies of Mutares essentially only enter into finance leases as lessees.

The Group uses finance leases for technical equipment and machinery and other equipment, operating and office equipment, including parts of its fleet.

All other significant leases are classified as operating leases.

Lease payments under an operating lease are recognised as an expense in the income statement on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

In the Group there are operating leases are for buildings, offices, technical equipment and machinery, vehicles and operating and office equipment.

54.7. BORROWING COSTS

Borrowing costs directly relating to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are essentially available for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Income generated from the temporary investment of specifically borrowed capital is deducted from the borrowing costs eligible for capitalisation until they are used for qualifying assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

54.8. ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is only considered to be satisfied if the non-current asset or disposal group is immediately available for sale in its current condition and the sale is highly probable. Management must have contracted for the disposal. It must also be assumed that the sale transaction will be completed within one year of such classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

If the Group is committed to a sale involving loss of control of a subsidiary, it must classify all the assets and liabilities of that subsidiary as held for sale when the above criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

54.9. INVENTORIES

Inventories are measured at the lower of cost or net realisable value. The cost of materials and supplies is calculated using the moving average, taking incidental costs of acquisition into account. Work in progress and internally generated products are measured at cost. In addition to the cost of materials, costs of production and direct production costs, cost also includes an appropriate share of production overheads and depreciation due to production.

Net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

54.10. FINANCIAL INSTRUMENTS

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IFRS, they can include non-derivative financial instruments, such as trade receivables and payables, as well as derivative financial instruments.

Upon initial recognition, financial assets and financial liabilities are designated at fair value, which generally corresponds to the transaction price. Transaction costs which are directly attributable to the acquisition or issue of the financial instrument are only then recognised at carrying amount if the corresponding financial instrument is not measured at fair value with changes in fair value recognised in profit or loss. In the case of trade receivables, the transaction price is determined in accordance with IFRS 15. Subsequent measurement depends on the classification of the financial instruments. In principle, regular way purchases or sales of financial assets are recognised on the trading day.

54.11. FINANCIAL ASSETS

In particular, financial assets include:

- trade receivables and other receivables;
- other financial assets; and
- Cash and cash equivalents.

Financial assets with a term of more than 12 months are reported under non-current financial assets.

Financial assets are classified on the basis of the underlying business model and the cash flow criterion, which stipulates that the contractual cash flows of a financial asset may consist solely of interest and repayment of the outstanding principal amount of the financial instrument. The cash flow criterion is always checked at the level of the individual financial instrument. The assessment of the business model relates to the question how financial assets to generate cash flows are managed. Management may either aim to hold, sell assets or a combination of the two.

The Company splits financial assets into one of the following categories:

- Financial assets measured at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling (debt instruments)
- Financial assets measured at fair value through profit or loss

Financial assets measured at amortised cost (debt instruments)

The most significant category of financial assets for Mutares is the category of assets measured at amortised cost in relation to debt instruments. Measurement at amortised cost is chosen if both of the following conditions are met:

- The business model for managing these financial instruments is geared towards holding them to achieve the underlying contractual cash flows and
- The contractual cash flows achieved herefrom consist solely of payments of principal and interest on the principal amount outstanding.

Subsequent measurement of these financial assets takes place in accordance with the effective interest rate and is subject to the provisions for impairment specified in IFRS 9.5.5 et seq. Within Mutares, this category essentially comprises trade receivables, other assets and bank balances.

Trade receivables, which are sold as part of a factoring agreement without the receivables being disposed of as part of the sale of the receivables, are still allocated to the “hold” business model and consequently to the “amortised cost” category at Mutares. Within the business model criterion, Mutares defines a sale as an actual sale that results in a disposal on the statement of financial position. Under Mutares’ interpretation, the purely legal sale without disposal does not constitute a business model of sale within the meaning of IFRS 9. Receivables portfolios that are subject to the possibility of factoring involving the disposal of the receivables in question are allocated to the “hold and sell” category and measured at fair value through other comprehensive income (FVTOCI).

Financial assets at fair value through other comprehensive income with recycling (debt instruments)

Measurement at fair value through other comprehensive income with recycling is chosen for debt instruments if both of the following conditions are met:

- The business model for managing these financial instruments is geared towards holding them to achieve the underlying contractual cash flows and also to selling them.
- The contractual cash flows achieved herefrom consist solely of payments of principal and interest on the principal amount outstanding.

For these financial assets, interest, foreign currency measurement effects and expense and income associated with impairment losses are recognised in the income statement through profit or loss. The remaining changes are recognised in other comprehensive income and reclassified to profit or loss on disposal (recycling).

Within Mutares, this valuation essentially comprises receivables which are associated with a factoring agreement with disposal of the relevant receivables.

Financial assets measured at fair value through profit or loss

The category comprises financial assets, which are held for trading purposes, financial instruments subject to application of the fair value option and financial assets for which measurement at fair value is compulsory. They are deemed to be held for trading purposes if a purchase or sale is envisaged in the short term. Derivatives that are not part of a hedge are always held for trading purposes. Financial assets, which do not meet the cash flow criterion, are always measured at fair value through profit or loss regardless of the underlying business model. The same measurement ensues for financial assets subject to a “sell” business model.

The fair value option for financial assets is not used.

At Mutares, this valuation essentially comprises derivatives that are not part of a hedge and securities.

Any changes to the fair value of these instruments are recognised in profit or loss.

Financial assets at fair value through other comprehensive income without recycling (equity instruments)

When recognising an equity instrument for the first time, the Group has the irrevocable option of measuring it at fair value through other comprehensive income. To do so, it must be an equity instrument as defined in IAS 32, which is not held for trading purposes and is not a contingent consideration within the meaning of IFRS 3. The option may be exercised separately for each equity instrument.

Mutares does not exercise the option and values all equity instruments at fair value through profit or loss.

Impairment of financial assets

Financial assets (with the exception of financial assets measured at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income), contract assets in accordance with IFRS 15, lease receivables, loan commitments and financial guarantees are all subject to the impairment model required by IFRS 9.5.5. Accordingly, the Group recognises an impairment loss for these assets based on the expected credit losses. Expected credit losses result from the difference between the contractually agreed cash flows and the expected cash flows, measured at present value with the original effective interest rate. The expected cash flows also include revenue from the sale of collateral and other credit enhancements that are an integral component of the respective contract.

Expected credit losses are recognised in three levels. For financial assets for which no significant increase in the default risk has ensued since initial recognition, the impairment is measured at an amount equal to 12-month expected credit losses (level 1). In the case of a significant increase in the default risk, the expected credit loss for the remaining term of the asset is established (level 2). Mutares assumes that the credit risk has increased significantly if it is past due by 30 days. This principle can be refuted, if in the respective individual case, dependable and reliable information indicates that the credit risk has not increased. If there is objective evidence of impairment, the underlying assets must be allocated to level 3.

The class of assets of relevance to Mutares for the application of the impairment model are trade receivables and contract assets. For these, Mutares applies the simplified approach in accordance with IFRS 9.5.15. Subsequently, the loss allowance is always measured at an amount equal to lifetime expected credit losses.

For financial assets, which are measured at fair value through other comprehensive income as a debt instrument, Mutares considers all reasonable and dependable information that is available without undue cost and effort to review a possible significant increase in the expected credit risk. To do so, it relies in essence on the associated default risk. It relies on rating information for the default risk. Mutares holds instruments only where the default risk is low.

For the other assets under the scope of IFRS 9's altered impairment model, which are subject to the general approach, financial assets were grouped on the basis of shared credit risk characteristics or individual default information was consulted to measure the expected losses. In all cases, the calculation is based on current probabilities of default at the respective balance sheet date.

Mutares assumes a default if the contractual payments are more than 90 days past due. In addition, it consults internal or external information in individual cases, which indicate that the contractual payments may not be made in full. Financial assets are derecognised if there is no justifiable expectation of future payment.

54.12. DERIVATIVES AND HEDGING

Derivative financial instruments are used within the Group to manage risks from interest rate fluctuations. Derivative financial instruments are initially measured as financial assets or liabilities at their fair value in the category of financial assets, which are measured at fair value through profit or loss, or financial liabilities, which are measured at fair value through profit or loss.

Attributable transaction costs are recognised as an expense in the period in which they are incurred. Except for derivatives designated as cash flow hedges, all derivatives are measured at fair value through profit or loss. They are reported in the consolidated statement of financial position under “Other financial assets” or “Other financial liabilities”.

The Group currently does not undertake any hedge accounting.

54.13. FINANCIAL LIABILITIES

Financial liabilities regularly establish an entitlement to repayment in cash or cash equivalents or another financial asset. These include, in particular, bonds and other securitised liabilities, trade payables, liabilities to banks and derivative financial instruments.

For initial recognition of financial liabilities, please refer to the description of financial assets. Financial liabilities are measured in principle at amortised cost using the effective interest rate method (FLAC).

All financial liabilities held for trading purposes fall under the category of financial liabilities through profit or loss (FLtPL). These include derivatives that are not part of a hedge and financial instruments for which the fair value option was exercised.

The liability is classified as current because, at the end of the reporting period date, the entity does not have an unconditional right to defer its settlement to at least twelve months after the balance sheet date.

The fair value option for financial liabilities in accordance with IFRS 9 is not used.

54.14. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments are derecognised if the rights to payments have expired or been transferred and the Group transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Financial assets and liabilities are offset only if there is a right of set-off for the net amount at this time.

54.15. TOTAL EQUITY

Equity is defined as cash and non-cash contributions that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Changes in equity for the 2018 and 2017 financial years are presented in the consolidated statement of changes in equity.

Mutares AG recognises treasury shares acquired in accordance with the par value method, under which the nominal amount of the treasury shares acquired is deducted from issued capital. Costs in excess of the nominal amount reduce Mutares AG’s retained earnings.

54.16. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions to employees are measured at the fair value of the equity instrument on the grant date. Market based performance conditions regarding the share price are taken into account when calculating fair value.

Further information on share-based payments at the Mutares Group can be found in the section “Contingent capital and share-based payment”.

54.17. EMPLOYEE BENEFITS

For defined benefit plans, the cost of the obligation is calculated using the projected unit credit method, with an actuarial valuation as at the end of each reporting period. Remeasurements, consisting of actuarial gains and losses, changes resulting from the application of the asset ceiling and the return on plan assets (not including interest on the net liability) are recognised directly in other comprehensive income and are therefore included in the consolidated statement of financial position directly. Remeasurements recognised in other comprehensive income are part of retained earnings and are no longer reclassified to the consolidated income statement. Past service cost is recognised as an expense when the plan change occurs.

Net interest is determined by multiplying the discount rate by the net liability (pension obligation less plan assets), or the net asset if the plan assets exceed the pension obligation, at the beginning of the financial year. Defined benefit costs include the following components:

- service cost (including current service cost, past service cost and any gains or losses resulting from a plan amendment or curtailment)
- net interest expense or income on the net liability or the net asset
- remeasurement of the net debt or net asset

The Group reports the first two components in the consolidated income statement. Gains or losses from plan curtailments are recognised as past service cost.

The defined benefit obligation recognised in the consolidated statement of financial position represents the current deficit or surplus in the Group’s defined benefit pension plans. Any surplus resulting from this calculation is limited to the present value of any future economic benefits in the form of refunds from the plans or reductions in future contributions to the plans.

Payments for defined contribution plans are recognised as an expense when employees have done the work entitling them to contributions.

The Group recognises the undiscounted amount of short-term employee benefits (wages, sickness benefits, bonuses, etc.) expected to be paid in exchange for that service.

In the case of accumulating paid absences, the expected cost of short-term employee benefits is recognised in the form of compensated absences when the employees render service that increases their entitlement to future paid absences. In the case of non-accumulating paid absences, the cost is recognised when the absences occur.

Other staff provisions include all staff obligations that cannot be allocated to pension provisions or deferred revenue for staff obligations (staff liabilities such as unpaid leave or overtime, plus outstanding salaries and wages). These include, for example, obligations for employee bonuses or employee anniversaries.

A liability for termination benefits is recognised at the earlier of when the Group can no longer withdraw an offer of those benefits and when the Group recognises any related restructuring costs (for more information see note 54.14).

54.18. OTHER PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the provision can be measured with sufficient reliability.

The amount recognised for the provision is the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The risks and uncertainties inherent to the obligation must be taken into account.

If a provision is measured on the basis of the estimated cash flows to settle the obligation, these cash flows are discounted if the time value of money is material.

If it can be assumed that some or all of the economic benefit necessary to settle the provision will be reimbursed by a third party, the claim is capitalised as an asset if the reimbursement is virtually certain and its amount can be reliably estimated.

Special considerations in accounting for other provisions are presented below:

Litigation costs

The companies of the Mutares Group can appear as plaintiffs or defendants in litigation and other proceedings in the context of their operating activities. If the general recognition criteria are met, a provision is recognised for the best estimate of the cash flows expected to be required to settle the obligation and reported under “Other provisions”. If the general recognition criteria are not satisfied, it is determined whether there is a contingent liability that would be disclosed in the notes to the consolidated financial statements.

Warranties

Provisions for anticipated warranty expenses are recognised when the products in question are sold in line with the management’s best estimate of the expenses necessary to fulfil the Group’s obligation.

Restructuring

A provision for restructuring activities is recognised when the Group has a detailed formal plan for the restructuring that raises a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Only the direct expenses of restructuring are taken into account in measuring a restructuring provision. These are therefore only the amounts caused by the restructuring and not those in connection with the continuing operations of the entity. Please see note 54.13 for information on liabilities for termination benefits.

Anticipated losses

Present obligations in connection with onerous contracts are recognised as a provision. The existence of an onerous contract is assumed when the Group is party to a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Contingent liabilities

A contingent liability is a potential obligation whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events and the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised, and instead give rise to disclosure requirements in the notes to the consolidated financial statements. Contingent liabilities assumed in the context of company acquisitions, on the other hand, are recognised.

54.19. GOVERNMENT GRANTS

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Grants relating to expenses are recognised as income over the period necessary to match them with the costs they are intended to compensate. Grants received to offset expenses already incurred are recognised in profit or loss in the period in which the expenses are incurred.

Approval of the financial statements

The financial statements were adopted by the Executive Board and approved for publication on 8 April 2019.

Munich, 8 April 2019

Mutares AG Robin Laik	Mutares AG Mark Friedrich
Mutares AG Dr. Kristian Schleede	Mutares AG Dr. Wolf Cornelius

Annex 1: Consolidated Group and list of shareholdings

	Registered office	Share in equity in % 31 Dec. 2018	Share in equity in % 31 Dec. 2017
Direct equity investments: intermediate holdings			
Mutares Automobilguss AG i.L.[1]	Munich	100	100
Mutares Geoinformationssysteme UG (haftungsbeschränkt) i.L.[2]	Munich	–	100
Mutares Holding-02 AG[1]	Bad Wiessee	100	100
Mutares Holding-03 AG[1]	Bad Wiessee	100	100
Mutares Holding-06 GmbH[1]	Bad Wiessee	100	100
Mutares Holding-07 GmbH[1]	Bad Wiessee	100	100
Mutares Holding-08 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-09 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-10 AG[1]	Bad Wiessee	100	100
Mutares Holding-11 AG[1]	Bad Wiessee	100	100
Mutares Holding-12 AG[1]	Bad Wiessee	–	100
Mutares Holding-13 AG[1]	Bad Wiessee	100	100
Mutares Holding-14 AG (previously: GeesinkNorba Group AG)[1]	Bad Wiessee	100	100
Mutares Holding-15 GmbH[1]	Bad Wiessee	100	100
STS Group AG[1]	Hallbergmoos	65	100
Mutares Holding-18 AG[1]	Bad Wiessee	–	100
Mutares Holding-19 AG[1]	Bad Wiessee	100	100
Mutares Holding-20 AG[1]	Bad Wiessee	100	100
Mutares Holding-21 AG[1]	Bad Wiessee	100	100
Mutares Holding-22 AG[1]	Bad Wiessee	100	100
Mutares Holding-23 AG[1]	Bad Wiessee	100	100
Mutares Holding-24 AG[1]	Bad Wiessee	100	100
Mutares Holding-25 AG[1]	Bad Wiessee	100	100
Mutares Holding-26 AG[1]	Bad Wiessee	100	100
Mutares Holding-27 AG[1]	Bad Wiessee	100	100
Mutares Holding-28 AG[1]	Bad Wiessee	100	100
Mutares Holding-29 AG[1]	Bad Wiessee	100	100
Mutares Holding-30 AG i.L.[1]	Bad Wiessee	100	100
Mutares Holding-31 GmbH[1]	Bad Wiessee	100	–
National subsidiaries			
Mutares France SAS[1]	Paris/FR	100	100
Mutares Italy S.r.l.[1]	Turin/IT	100	100
Mutares UK Ltd.[1]	London/UK	100	–

	Registered office	Share in equity in % 31 Dec. 2018	Share in equity in % 31 Dec. 2017
Indirect equity investments: operating entities/sub-groups			
STS Group			
STS Acoustics S.p.A.[1]	Turin/IT	100	100
STS Real Estate S.r.l.[1]	Turin/IT	100	100
STS Poland sp. z o.o.[1]	Warsaw/PL	100	100
STS Plastics S.A.S.[1]	Saint-Désirat/FR	100	100
STS Plastics Holding S.A.S.[1]	Saint-Désirat/FR	100	100
STS MCR Holding S.A.S.[1]	Tournon-sur-Rhône/FR	100	100
STS Composites France S.A.S.[1]	Saint-Désirat/FR	100	100
MCR S.A.S.[1]	Tournon/FR	100	100
STS Composites Germany GmbH[1]	Kandel	100	100
Inoplast Trucks, S.A. de C.V.[1]	Ramos Arizpe/ME	100	100
STS Plastics Co. Ltd.[1]	Jiangyin/CN	100	100
STS Brazil Holding GmbH[1]	Munich	100	100
STS Brasil Fabricação de Autopeças Ltda. (previously: Minas Têxteis - Fabricação de Peças e Partes Automotivas Ltda.)[1]	Minas Gerais/BR	100	100
STS Plastics (Shi Yan) Ltd.[1]	Shiyan/CN	100	–
Elastomer Solutions Group			
Elastomer Solutions GmbH[1]	Wiesbaum	100	100
DF Elastomer Solutions Lda[1]	Mindelo/PT	100	100
Elastomer Solutions s.r.o.[1]	Belusa/SK	100	100
Elastomer Solutions Maroc S.à.r.l.[1]	Tangier free zone/MA	100	100
Elastomer Solutions Mexico S. de R.L. de C.V.[1]	Fresnillo/ME	100	100
Elastomer Solutions SG GmbH[1]	Munich	100	100
Balcke-Duerr Group			
Balcke-Duerr GmbH[1]	Dusseldorf	100	100
Balcke-Duerr Italiana s.r.l.[7]	Rome/IT	20	–
Balcke-Duerr Technologies India Private Ltd.[2]	Chennai/IN	100	100
Thermax SPX Energy Technologies Ltd.[6]	Pune/IN	49	49
Wuxi Balcke-Duerr Technologies Co., Ltd.[1]	Wuxi/CN	100	100
Balcke-Duerr Polska Sp. z.o.o.[1]	Warsaw/PL	100	100
Balcke-Duerr Rothemühle GmbH (previously: KSS Verwaltungs GmbH)[1]	Frankfurt	100	–
Balcke-Duerr Engineering Private Ltd.[2]	Chennai/IN	100	–
Balcke-Duerr Nuklearservice GmbH (previously: Balcke-Duerr Kraftwerks-Service GmbH)[1]	Duesseldorf	100	–
STF Balcke-Duerr S.r.l. (previously: Mutares Holding Italy 1 S.r.l.)[1]	Turin/IT	100	100
STF Balcke-Duerr France (previously: STF France S.à.r.l.)[2]	St. Dizier/FR	100	–
Donges Group			
Donges SteelTec GmbH[1]	Darmstadt	100	100
Kalzip GmbH[1]	Koblenz	100	–
Kalzip Aluminium Verwaltungsgesellschaft mbH (vormals: Corus Aluminium Verwaltungsgesellschaft mbH)[1]	Koblenz (previously: Dusseldorf)	100	–
Kalzip France (previously: Balcke-Duerr France S.A.S.)[1]	Ancerville, France	100	100
Kalzip FZE[1]	Dubai/UAE	100	–
Kalzip Ltd.[1]	Haydock/UK	100	–
Kalzip India Private Ltd.[1]	Gurgaon/IN	100	–
Kalzip s.l.u.[1]	Madrid/ESP	100	–
Kalzip Italy s.r.l.[1]	Gorgonzola/IT	100	–
Kalzip Asia PTE Ltd.[1]	Singapore/SIN	100	–
Kalzip Inc.[1]	Michigan/US	100	–

	Registered office	Share in equity in % 31 Dec. 2018	Share in equity in % 31 Dec. 2017
Indirect equity investments: operating entities/sub-groups			
Gemini Rail Group			
Gemini Rail Holdings UK Ltd. (previously: Kiepe Electric Ltd.)[1]	Birmingham/UK	100	–
Gemini Rail Technology UK Ltd. (previously: Kiepe Electric UK Ltd.)[1]	Birmingham/UK	100	–
Gemini Rail Services UK Ltd. (previously: Knorr Bremse Rail Systems (UK) Ltd)[1]	Wolverton, UK	100	–
Remaining			
Cenpa S.A.S.[1]	Schweighouse, France	100	100
Eupec Pipecoatings France S.A.S.[1]	Gravelines, France	100	100
KLANN Packaging GmbH[1]	Landshut	100	100
La Meusienne S.A.S.[1]	Ancerville, France	100	100
Norsilk S.A.S.[1]	Honfleur, France	100	100
Pixmania S.A.S. i.L.[5]	Asnières-sur-Seine/FR	100	100
Pixmania SRO i.L.[5]	Brno/CZ	100	100
Platinum GmbH i.I.[3]	Wangen im Allgäu	100	100
Platinum Italia GmbH[3]	Bolzano/IT	–	100
E-Merchant S.A.S i.L.[5]	Asnières-sur-Seine/FR	100	100
Zanders GmbH i.I.[9]	Bergisch Gladbach	95	95
Zhejiang Minfeng-Zanders Paper Company Limited[6]	Jiaxing/CN	–	25
BGE Eisenbahn Güterverkehr GmbH i.I.[9]	Bergisch Gladbach	100	100
Zanders Paper UK Ltd.[9]	Elstree/UK	100	100
Artmadis S.A.S. i.L.[8]	Wasquehal/FR	100	100
Artmadis Belgium NV[8]	Wilrijk/BE	–	100
Artmadis Hongkong Ltd.[8]	Hong Kong/CN	–	100
Cofistock S.à.r.l.[8]	Wasquehal/FR	100	100
Cogemag S.A.S. i.L.[8]	Croix/FR	100	100
BSL Pipes and Fittings SAS[1]	Billy Sur Aisne/FR	–	100
Pixmania Ltd. i.L.[5]	London/UK	–	100
Japan Diffusion S.A. i.L.[5]	Asnières-sur-Seine/FR	–	100
Press Labo Services Sprl i.L.[5]	Anderlecht/BE	–	100
Castelli S.r.l. i.L.[4]	San Giovanni in Persiceto/IT	100	100
Fotovista S.r.l. i.L.[5]	Milan/IT	–	100

[1] Included in consolidation as the requirements of IFRS 10.7 have been met.
[2] Not included in line with the principle of materiality (cf. IAS 1.29 et seq.) as the subsidiary is immaterial as regards the duty to present a true and fair view of the financial position and financial performance of the Group. Even combined, the subsidiaries not included are immaterial. Their inclusion would have improved the information presented only immaterially.
[3] The company filed for the opening of insolvency proceedings in 2014. It has not been included in the consolidated financial statements by reference to IFRS 10.7.
[4] The company filed for the opening of insolvency proceedings in 2013 and is currently in liquidation. It has not been included in the consolidated financial statements by reference to IFRS 10.7.
[5] The company filed for the opening of insolvency proceedings in 2015 and, like its subsidiaries, is in liquidation. It has not been included in the consolidated financial statements by reference to IFRS 10.7.
[6] This company has not been treated as an associate in line with the principle of materiality as the equity investment is immaterial as regards presenting a true and fair view of the financial position and financial performance of the Group.
[7] Mutares Holding 24-AG and Balcke-Duerr GmbH were originally the legal owners of all shares in the company. By way of agreement dated 26 October 2017, the two companies (as trustors) entered into a trust agreement with Schultze & Braun Vermögensverwaltung-und Treuhandgesellschaft mbH serving as the trustee. In the trust agreement, the trustors undertook to transfer their shares in the company to the trustee. In turn, the trustee undertook to hold these shares in trust for the trustors until further notice. The trust serves as collateral for fidelity bond agreements entered into by Balcke-Duerr GmbH with two insurance companies. The obligations of the trustor described above were fulfilled by way of sale of shares agreement dated 26 October 2017, and the shares in the company were therefore legally transferred to the trustor. As a result, the trustor became the sole legal owner of the shares in the company. However, beneficial ownership remained with the trustors as the original shareholders. As the company is still controlled by Mutares, it is also still included in the consolidated group.
[8] Due to continuing economic difficulties, Artmadis SAS filed for the opening of insolvency proceedings in 2018 and, like its subsidiaries Cofistock und Cogemag, is in liquidation. Artmadis Belgium and Artmadis Hongkong were sold in the reporting period. All five companies were then deconsolidated in the reporting period.
[9] In June 2018, the management filed an application for the opening of insolvency proceedings in view of the threat of insolvency and planned to continue the restructuring in form of a self-administration procedure. The company and its subsidiary were deconsolidated as at 30 June 2018 due to the resulting loss of control. In its decision of 1 September 2018 the court finally opened insolvency proceedings against the assets of the Company in the ordinary course of proceedings.

INDEPENDENT AUDITOR'S REPORT

To mutares AG, Munich

Audit opinions

We have audited the consolidated financial statements of mutares AG, Munich and its subsidiaries (the Group), comprising the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the Group management report of Mutares AG, Munich for the financial year from 1 January to 31 December 2018.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as of 31 December 2018, and of its results of operations for the financial year from 1 January to 31 December 2018, and
- the attached Group management report as a whole presents an accurate view of the Group's position. The Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the Group management report.

Other Information

The legal representatives are responsible for the other information. Other information comprises the other parts of the annual report, with the exception of the audited consolidated financial statements and Group management report and our auditor's report. Our audit opinions regarding the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit of the consolidated financial statements, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the Group management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

Responsibility of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the Group management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a Group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and Group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the Group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the Group management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.

- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group’s ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the Group management report in the auditor’s report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor’s report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB.
- we obtain sufficient appropriate audit evidence for the company’s accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives’ forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Munich, 8 April 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Felix Mantke)	(Katharina Haugg)
German Public Auditor	German Public Auditor

FINANCIAL CALENDAR

Date	Event
16 April 2019	Publication of Annual Report 2018 & Conference Call
17 April 2019	CF&B Midcap Event, Paris (France)
7 May 2019	Münchner Kapitalmarkt Konferenz, Munich (Germany)
13 May 2019–15 May 2019	Frühjahrskonferenz, Frankfurt/Main (Germany)
21 May 2019	Publication of Q1 information & Conference Call
23 May 2019	Annual General Meeting, Munich (Germany)
4 June 2019	Prior Kapitalmarktkonferenz, Frankfurt/Main (Germany)
12 June 2019–13 June 2019	Dr. Kalliwoda Konferenz, Warsaw (Poland)
18 June 2019–19 June 2019	CF&B Midcap Event, Paris (France)
27 June 2019	Capital Markets Day, Frankfurt/Main (Germany)
08 August 2019	Publication of Interim Report 2019 & Conference Call
11 September 2019	Züricher Kapitalmarkt Conference, Zurich (Switzerland)
20 September 2019	CF&B Midcap Event, Amsterdam (Netherlands)
23 September 2019–26 September 2019	Baader Investment Conference, Munich (Germany)
7 November 2019	Publication of Q3 information & Conference Call
25 November 2019–27 November 2019	Deutsches Eigenkapitalforum, Frankfurt/Main (Germany)

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TO THE NEXT 10 YEARS!

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