MUTARES

ANNUAL REPORT 2020

MUTARES IN FIGURES

		2020	2019
Mutares Group			
Revenues	in EUR million	**1,583.9**	1,015.9
EBITDA	in EUR million	**142.7**	79.2
Adjusted EBITDA	in EUR million	**–28.8**	7.5
Mutares Holding			
Consulting Revenues	in EUR million	**31.9**	19.3
Net Income	in EUR million	**33.4**	22.5
Net Income per share	in EUR	**2.16**	1.45
Dividend per share	in EUR	**1.50**	1.00
Portfolio Companies	Number	**20**	13
Employees worldwide[1]	Number	**11,480**	6,505

[1] average

CONTENT

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

MUTARES GROUP
As of 31 December 2020, the Mutares Group comprised 20 operating companies.

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

→ www.mutares.com

LEGEND

Content

Start of chapter

Search function (within PDF)

MISSION STATEMENT

Special situations are our specialty. When companies get into difficulties or are facing a challenge, we are there. We are there when special situations require a rethink and the drive to put the company back on a stable and sustainable growth course. For more than 10 years, we have seen ourselves as a partner who analyzes, challenges but also tackles and implements. We expect our portfolio companies to full commitment – just as we are fully committed to our investments. Because only together we can develop the full potential and bring our portfolio companies back on a profitable and sustainable path of growth.

COMPANY PROFILE

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

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

REVENUES BY SEGMENT

Segment structure

EUR million	2020
Automotive & Mobility	602.4
Engineering & Technology	534.7
Goods & Services	446.7
Total	**1,583.9**

FINANCIAL YEAR 2020

AT A GLANCE

JANUARY

Mutares **offsets CO_2 of all flights** of the holding employees for the year 2019. The climate protection contribution goes to the organization atmosfair, which thereby promotes the expansion of renewable energies.

Completion of the acquisition of **PrimoTECS,** a supplier for the automotive and related industries. At two locations in northern Italy, the company produces forged parts for use in electric, hybrid and conventional powertrains, thus strengthening the Automotive & Mobility segment as a new platform investment.

FEBRUARY

Mutares successfully places a **senior secured bond in the amount of EUR 50 million,** which is listed on the stock exchanges in Frankfurt and Oslo and creates, amongst others, the financial prerequisites for value-enhancing add-on investments.

The **Balcke-Dürr Group** acquires the Italian company **Loterios** as a strategic add-on to expand its sales markets with approximately EUR 17 million in revenues.

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

MARCH

In the second half of March, several Mutares plants are affected by the general COVID-19 lockdown. With the direct, daily involvement of the Management Board, a broad package of measures was introduced at the portfolio companies to **safeguard the health of employees** and ensure an orderly shutdown of activities. In addition, activities to limit negative earnings effects and safeguard liquidity are starting on a broad front.

APRIL

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

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

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

MAY

Third Exit in 2020: Mutares **sells its longtime investment KLANN Packaging.** The transaction is part of the initiated realignment of the Mutares portfolio.

Mutares holds its first purely virtual **Annual General Meeting.** The Management Board and the Supervisory Board are discharged by a large majority and a dividend of EUR 1.00 per share is again approved.

JUNE

Mutares communicates its **new capital market strategy** with focus on transparency and success parameters with strong growth prospects: **Return on Invested Capital (ROIC) to achieve 7 – 10x of total investment of a shareholding.**

JULY

Mutares successfully completes the acquisition of **SFC Solutions** from Cooper Standard, a leading supplier of rubber fluid transfer systems (FTS). The company, with presence in Poland, Italy, Spain and India, strengthens the **Automotive & Mobility segment.**

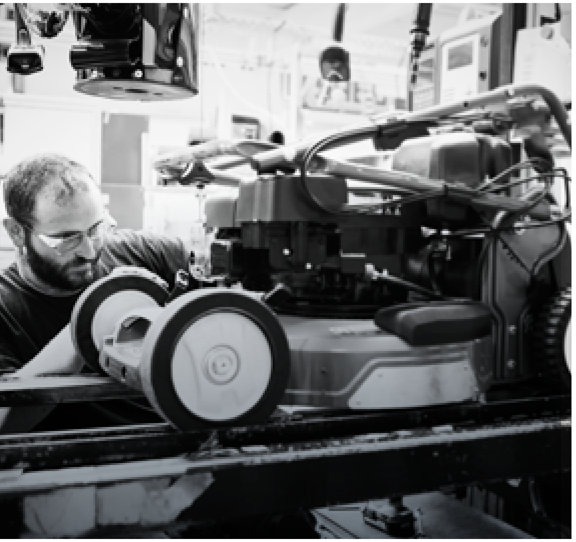
Mutares also successfully completes the acquisition of the **Nexive business of the Italian postal market** from PostNL. The platform investment strengthens the **Goods & Services segment** with annual revenues of more than EUR 200 million. Mutares becomes majority shareholder **with 80%,** PostNL retains a minority stake of 20%.

AUGUST

The EUR 50.0 million bond issued in February is increased by **EUR 20.0 million** under the existing increase option.

SEPTEMBER

Mutares successfully completes the acquisition of **SABO Maschinenfabrik,** a leading European manufacturer of lawn mowers and other outdoor power tools, from John Deere. The company strengthens the **Goods & Services segment.**



NOVEMBER

Mutares successfully completes the **acquisition of Nexans' German metallurgical business,** strengthening the **Engineering & Technology segment.** The company now operates under the historic name **Lacroix + Kress.**

Mutares successfully completes the acquisition of the **Swedish and Finnish road services businesses** of NCC, strengthening the **Goods & Services segment** with approximately EUR 125 million in annualized revenues. The two companies now operate under **Terranor Group**.

Mutares has signed a binding offer to **acquire Lapeyre and its subsidiaries** from Saint-Gobain, a manufacturer and distributor of home renovation products. The company has annual revenues of more than EUR 600 million.

Mutares successfully completes the acquisition of **Valmet Automotive's Engineering Services.** The company now operates under the name **iinovis** and strengthens the **Automotive & Mobility segment** with its engineering expertise with revenues of around EUR 40 million.

Mutares signed a letter of intent to **sell its 80% stake in the Italian Nexive Group to Poste Italiane.**

DECEMBER

The **Balcke-Dürr Group sells Balcke-Dürr Rothemühle,** an integrated service, engineering and original equipment supplier, to the Howden Group after a successful turnaround. The transaction was closed in the first quarter of 2021.

Mutares makes an **offer to acquire Primetals Technologies France.** The company develops high-tech solutions for the global metals industry and has revenues of approximately EUR 55 million.

With HomeServe France, Mutares **co-invests in the Carglass Maison group,** a renowned French specialist in home repairs and emergencies. Mutares will hold a majority stake of 80%.

Mutares donates again to the **Ambulant Children's Hospice Munich** for Christmas and thus continues the family sponsorship in 2021. In addition, Mutares supports the **Aid Kenya project** with its largest portfolio company, the Donges Group, which provides deaf children in Kenya with a perspective by building educational facilities.

Mutares successfully completed the acquisition of **GEA Farm Technologies Japy** and **Royal de Boer.** The two companies are active in the field of cooling tanks and barn equipment and strengthen the **Engineering & Technology** segment with a total annualized revenue of approximately EUR 45 million.

MESSAGE FROM THE MANAGEMENT BOARD

Dear Shareholders,

The year 2020 was marked by the COVID-19 pandemic, which triggered an unprecedented crisis in macroeconomic terms. In many respects, it was an extraordinary year for Mutares SE & Co. KGaA. On the one hand, the COVID-19 pandemic presented us with additional challenges; on the other hand, we had one of the most successful years in the Company's history and further accelerated our growth. A very special thanks goes to our employees, who did an outstanding job despite all adversities. After the effects of the COVID-19 pandemic became apparent in spring 2020, we quickly and decisively took the necessary measures to protect the health of our employees as a top priority and to secure the continued existence of our companies.

Transaction-rich year for more growth

Our strategy of international expansion with regional investment teams paid off in 2020, giving the Company even better access to attractive investment opportunities. Especially in the Nordics and in France, promising opportunities for carve-out transactions and strategic add-on acquisitions arose.

In 2020, we successfully completed eleven acquisitions, including the new platform investments PrimoTECS, Nexive, SABO Maschinenfabrik, SFC Solutions, Terranor, iinovis, Lacroix + Kress and Royal de Boer and Japy Tech. As part of our buy-and-build approach, we also further strengthened existing platforms with Loterios for Balcke-Dürr, the German paper napkin business of Finnish Metsä Tissue Corporation for keeeper Group and NORDEC for Donges Group with add-ons.

On the sale side, Balcke-Dürr Group sold its business in Poland in February and announced the sale of Balcke-Dürr Rothemühle in December, which was completed in January 2021. The Balcke-Dürr Group has thus withdrawn from all activities related to coal-fired power generation and has shifted its focus to product developments for chemical processes and to dismantling in the nuclear plant sector. In May 2020, we took a step towards a stronger focus on larger investments with the sale of our long-term investment KLANN Packaging. BEXity, which was acquired at the end of 2019, sold its subsidiary in the Czech Republic following a successful reorganization. In November 2020, we communicated a letter of intent to sell our stake in Nexive, which we successfully sold to Poste Italiane in January 2021.

We were also able to initiate five further acquisitions with offers for Lapeyre, Carglass® Maison, Primetals Technologies France (Clecim®), EXI and La Rochette, which we have completed or will complete after the balance sheet date in the first half of 2021.

This means that 2020 was the most transaction-rich year in the history of Mutares, in which we were able to significantly increase our annualized consolidated revenue to around EUR 1.6 billion.

Further growth in preparation

We are working at full speed to position the Mutares Group for further growth. We have set ourselves the goal of expanding our consolidated revenues to approximately EUR 3.0 billion by 2023. As part of the planned portfolio expansion, we aim to open further international offices and increase the entire consulting team from currently 70 to 140 consultants by 2023.

In addition, we successfully implemented the first fully placed bond issue with a volume of EUR 50.0 million right at the beginning of 2020. At the end of August, we were also able to successfully increase the bond volume by a further EUR 20.0 million. We have thus also created the prerequisites in financial terms to accelerate the further inorganic growth of our portfolio with value-enhancing add-on investments. The high demand for the Mutares bond in the latest increase of a further EUR 10.0 million in February 2021 underlines that the business model and the extraordinarily high increase in value in the portfolio companies (value creation) are being rewarded on the capital market.

In the second half of the year, we published a further developed communication strategy that focuses on more transparency on the basis of clear key figures. In addition to increasing revenues in the Group and the Holding Company, we are aiming for a multiple on Invested Capital (ROIC) of at least 7 to 10. Both components contribute to Mutares remaining a top performer in terms of dividend yield and aiming for maximum shareholder value in the future. We want our shareholders to continue to participate in our success on a regular basis.

Increased focus on sustainability

Sustainable business practices are an integral part of Mutares. As an operationally active investor, we pay determined attention to the compliance and implementation of ecological, social and corporate values and standards. In order to further expand our sustainability strategy, we as the Mutares Management Board have signed the UN Global Compact. The UN Global Compact emerged from the Paris Climate Agreement 2015 and is the world's largest initiative for responsible corporate governance and thus also a seal of quality in sustainability. With the successful growth and our significantly expanded regional footprint, the challenges in the global context are also increasing. Mutares is therefore committed to environmental and social criteria as well as to issues of good corporate governance, in addition to the economically relevant ones. This commitment is also accompanied by greater transparency. The sustainability orientation and the progress made in the context of future sustainability work will become an important part of the corporate communication of Mutares SE & Co. KGaA.

Record revenue in 2020 thanks to high acquisition activity

A total of eleven completed acquisitions in 2020 coupled with operational improvements in the existing portfolio are accompanied by significant growth in consolidated revenues: Thus, the Mutares Group achieved consolidated revenues of EUR 1,583.9 million in 2020, an increase of 55.9% (previous year: EUR 1,015.9 million) and EBITDA of EUR 142.7 million (previous year: EUR 79.2 million).

The Group EBITDA growth reflects the brisk transaction activity in the past year. The completed acquisitions are reflected in a total gain from bargain purchases of EUR 207.8 million (previous year: EUR 102.6 million).

The Adjusted EBITDA adjusted for one-off effects amounts to EUR –28.8 million (previous year: EUR 7.5 million). This key figure must consider, in particular, the still negative earnings contributions of the newly acquired companies in 2020. Our investments usually go through three phases: Realignment, Optimization and Harvesting. Strong acquisition activity, such as in 2020, secures future growth. The relative growth of investments in the Realignment phase, which typically still have negative profitability, has a corresponding effect on the Adjusted EBITDA. The negative effects of the COVID-19 pandemic were also temporarily noticeable, especially in spring 2020, although we already saw a strong recovery from the COVID-19 effects from spring in the second half of 2020.

The expansion of the consulting business associated with the expansion of the portfolio resulted in a net profit of Mutares SE & Co. KGaA for 2020 of EUR 33.4 million (previous year: EUR 22.5 million). The result of Mutares Holding – which is fed in particular by the rendered consulting services and the management fees from the portfolios – forms the foundation for the basis dividend. Successful exit transactions also enable the distribution of a performance dividend.

Shareholder participation in Mutares' success – performance dividend planned

The participation of our shareholders in the success of Mutares in the form of a sustainable attractive dividend is an integral part of our distribution policy. In 2020, we again paid our shareholders a high dividend of EUR 1.00 per share for the third time in a row. The payment was made at the end of May 2020, with a total payout of EUR 15.2 million. Based on the year-end share price of 2019, this corresponds to a dividend yield of around 7.9%. Considering a 23.4% increase in the Mutares share price, this resulted in an above-average return of 31.3% for shareholders in the financial year 2020.

In line with our commitment to sustainable dividends, a basis dividend of EUR 1.00 per share is also planned for 2020. Partly due to the successful exit of Nexive, where we were able to record a significant exit success with high value creation within a very short period of time thanks to the fantastic work of our local team, we have scope for distributing the newly created performance dividend in the amount of EUR 0.50 per share.

Outlook

For 2021, we expected Group revenues of well over EUR 2.0 billion. With the acquisitions already announced in 2020 and 2021, the purchase of Lapeyre from Saint Gobain with revenues of over EUR 600 million, we started 2021 with a decent tailwind.

However, the COVID-19 pandemic and the associated tighter restrictions on public life will still be with us in 2021. The effects on the economic development in Europe and the world can still not be reliably estimated. The economy in Germany continued to stagnate in the first quarter of 2021 due to the extended lockdown. The availability of effective vaccines against COVID-19 and the progress made in vaccinating the population lead us to expect a significant economic recovery for the second half of 2021. The ifo Institute estimates a plus of 5.1% for the German economy in the current year. The economy in the Euro area is supported by economic and financial policy measures worth billions to cushion the consequences of the COVID-19 pandemic.

Despite the remaining uncertainties, the Management Board is sticking to the communicated medium-term growth targets. We have the clear goal of further expanding our position in the top group among the leading private equity investors for turnaround investments in Europe: “First-in-mind – First-in-choice”. Starting from EUR 1.6 billion in 2020, we plan to grow in consolidated Group revenues to around EUR 3.0 billion by 2023. Based on the annual inflows from so-called consulting services from portfolio companies, the Management Board expects a net return on Group revenues of 1% at holding level. This planed return on revenues allows the continuation of the sustainable distribution-oriented dividend policy, so that the Management Board and the Supervisory Board assume a basis dividend of EUR 1.00 per share on a permanent basis. Including planned exit proceeds, the target for the net result of the Mutares Holding Company until 2023 is at least 2% of consolidated revenues.

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

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

Munich, 7 April 2021

Robin Laik, CEO

Mark Friedrich, CFO

Dr. Kristian Schleede, COO

Johannes Laumann, CIO

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

OUR MANAGEMENT

The Management Board comprises four members, all of whom possess years of international experience in various industries. Each member of the Management Board has successfully occupied leadership roles in the past.

ROBIN LAIK

CEO

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

Robin Laik began his professional career at ELA Medical GmbH and Porges GmbH (formerly L'Oreal Group). In 2004, he entered the Bavaria Industries Group AG where he became a member of the Executive Board in July 2006. He held the position of CFO until July 2007. Before, he had several management positions in finance within ESCADA AG, including head of M&A of the ESCADA. From 2018 until 2020, Robin Laik held the position of Chairman of the Supervisory Board of the STS Group.

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

MARK FRIEDRICH

CFO

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

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

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

DR. KRISTIAN SCHLEEDE

CRO

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

Prior to his current position, he held several top line management functions in industrial and service companies such as Danzas, Dussmann KGaA, Swisslog Management AG and Kienle + Spiess Group. Before, he had worked several years in consulting at McKinsey & Company. From 2018 until 2020, Dr. Kristian Schleede was a member of the Supervisory Board of the STS Group. Since 2020, Dr. Kristian Schleede is a member of the Supervisory Board of BEXity.

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

JOHANNES LAUMANN

CIO

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

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

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

OUR BUSINESS MODEL

EXIT

01 Acquisition

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

02 Realignment

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

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

03 Optimization

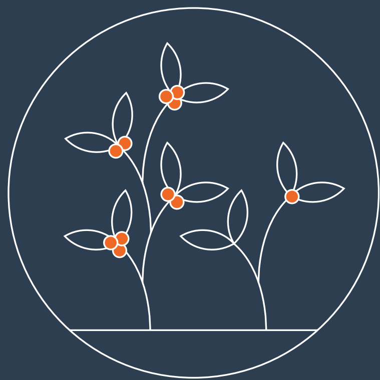
Another option for the growth phase involves additional development through focused, strategic acquisitions (the buy-and-build approach). Mutares reviews the company for further business opportunities and strengthens its development during the growth phase through focused strategic add-ons to enter new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

04 Harvesting

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

GROWTH

1 x ROIC[1]



7–10 x ROIC[1]

[1] Average estimate over time and may vary in deviate in individual cases

OUR BUSINESS MODEL

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

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

Mutares has a long-term commitment to the group companies and is specialized in the acquisition of companies with development potential. Mutares has transaction experience from over 65 acquisitions and sales of companies and is therefore able to execute transactions professionally and quickly. Mutares also has the necessary long-term investment and management experience in various industries to realize the potential of its portfolio companies by actively supporting the upcoming change phases as a reliable companion. The aim is to create independent and dynamically operating medium-sized companies with a competitive, profitable business model and to develop them further through organic and inorganic growth.

Value creation approach

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

OUR STRATEGY

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

In its capacity as an active investor, Mutares focuses mainly on 100% acquisitions of small and medium-sized companies in special situations with the aim of guiding these companies to profitable and sustainable growth through intensive operational cooperation as well as a buy-and-build strategy. To do this, Mutares, together with the management of the respective company, identifies potential for improvement. Consultants from Mutares then work together with the respective holding to boost profitability by providing operational support, organic growth and further expanding the business on the back of strategic add-on acquisitions. The objective is to increase the economic success of the company on a sustainable basis. Acquisitions of portfolio companies are completed and developed under the Mutares umbrella with a long-term strategic vision. With offices in Munich (HQ), Frankfurt, London, Madrid, Milan, Paris, Stockholm and Vienna 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.

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

OUR IDENTITY

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

OUR VISION

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

OUR MISSION

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

OUR VALUES

Entrepreneurship
Integrative Management
Sustainability
Personal Integrity

OUR GOAL

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

Mastering Special Situations

"As a private equity investor, we do more than just providing capital. We are used to constantly dealing with and solving new challenges. We see ourselves as an active investor and permanently and flexibly develop action plans for our investments, always based on our roadmap, which reflects our long-term vision and strategy. Where others see difficulties or problems, we see potential."
Johannes Laumann

The financial year 2020 was "special" in many respects, overshadowed by the COVID-19 pandemic with subsequent recession and subsequent recovery of the economy. The resulting challenges and their solutions have always been part of Mutares' successful business model. For Mutares, dealing with such "special situations" is an elementary basis for achieving high value creation. It is part of the company DNA. Mutares is looking for companies in complex situations, generating innovative and individually tailored solutions are daily business and the core competence. Mutares is among the top players in Europe when it comes to carve-outs, restructuring and subsequent inorganic growth as part of a buy-and-build strategy. Mutares is characterized by an "active ownership" mentality, the active entrepreneurial spirit, the culture of closeness to the portfolio companies is at the core of its success in improving the operational performance of companies in situations of transition. This includes making the right entrepreneurial decisions flexibly in every situation and finding solutions in all phases of the value creation process, from Acquisition, Realignment and Optimization to Harvesting.

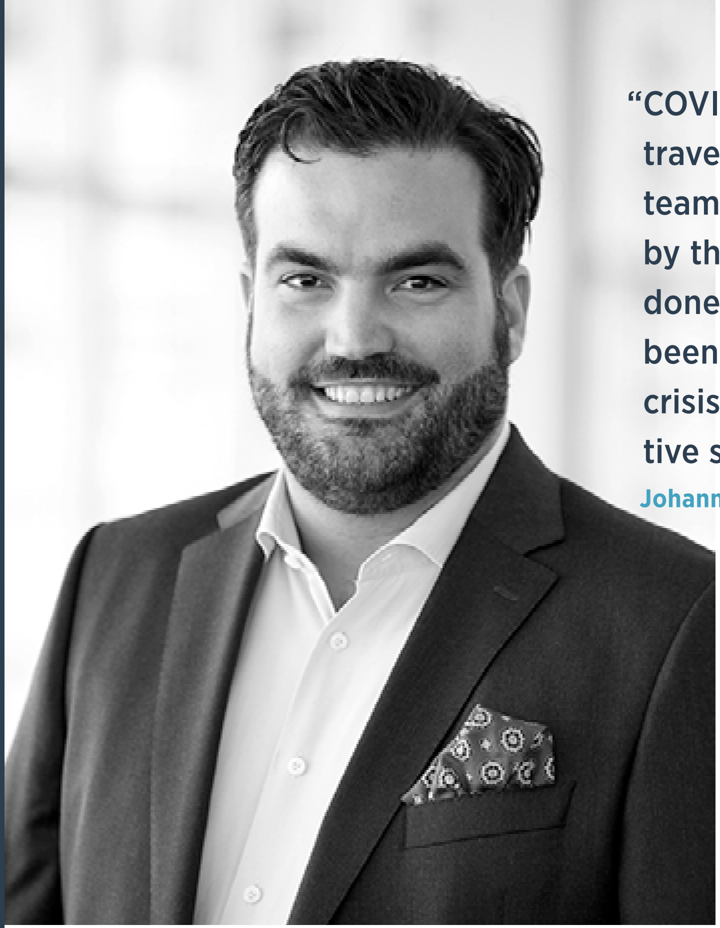
Mastering COVID-19

43

new employees successfully on-boarded throughout our European Mutares offices

12

interns successfully onboarded



"COVID-19 has changed some things, such as travelling. But since we operate mostly with local teams in the countries, we were not really affected by this. Operationally, our operations team has done a superhuman job, so that together we have been able to manage all companies through the crisis and keep them stable, even in the automotive sector, which has been hit particularly hard."
Johannes Laumann

COVID-19 and its effects were the dominant topic in the media in 2020. Both in the Holding Company and in the portfolio companies, Mutares quickly and decisively took the necessary measures to ensure the health of its employees as a top priority. Hygiene concepts were implemented at all locations and in all portfolio companies. At the same time, the conditions were created for a large proportion of colleagues to work from home. Operationally, the second quarter in particular was severely impacted by the COVID-19 pandemic, with the automotive sector particularly affected.

"The COVID-19 pandemic and the associated lockdown put my team to the test in the middle of preparing the annual financial statements.

At Mutares, we have always been used to creating quick and pragmatic solutions in the most extraordinary and turbulent situations. Thanks to the quick response and the associated latest IT solutions, we were able to continue our tasks immediately from home after the announcement of the lockdown. The associated flexibility and pronounced hands-on mentality distinguish my colleagues in particular. We found new ways to maintain our exchange and communication by alternating our presence in the office and using IT tools such as Microsoft Teams.

During this difficult time, we even expanded our team and successfully managed the integration of new team colleagues.

Even though we are still far from normal, looking back we can say that at Mutares we can always rely on our team spirit and this challenge showed us that we all share a common goal."
Katarzyna Gruber, Head of Accounting

Mastering Expansion

Expansion of operations team in 2020 from

40 to **70**

employees employees

140

employees by 2023

Mutares has multiplied group revenues from EUR 684 million in 2015 to EUR 1.6 billion in 2020. This growth also requires continuous management including staff expansion. This includes expansion via further locations in Europe. Munich, Frankfurt, London, Madrid, Milan, Paris, Stockholm and Vienna will be followed by a further branche in the BeNeLux region.

"During the lockdowns in Austria, there was a reduction in shipping volumes of up to minus 30%. However, this decline in sales could be almost entirely absorbed by savings in personnel expenses, by enabling short-time work. The pandemic had no significant impact on the progress of the restructuring work. The restructuring team was largely on site and successfully implementing measures throughout the financial year 2020. There are still no plans for the need of external financing to bridge the pandemic. We even recorded a successful exit of our subsidiary in the Czech Republic in this turbulent environment."
Dr. Christian Klingler, CEO of BEXity

"We plan to open another office in Amsterdam in 2021. We are currently in the process of looking for the right personnel. Furthermore, we will permanently staff our Frankfurt office with an experienced Investment Director in 2021 to further strengthen and expand our base in the DACH region. The regional growth is also accompanied by the expansion of our experienced operations team, which was increased from 40 to 70 employees last year and is expected to grow to over 140 employees by 2023."
Johannes Laumann

Mastering Transformation

EUR
27 million
EBITDA planned in 2021

EUR
400 million
revenue planned in 2021

Oodi Central Library in Helsinki – a project of the Donges Group

Companies we acquire often lack their own structures. From unbundling IT systems, building new supply chains, relocating production capacity, separating plants or unprofitable divisions to rebranding, the Mutares team solves a wide range of operational challenges to establish a sustainable, independent company. Current success stories include the Donges Group, for which Mutares completed the final add-on acquisition in the second quarter of 2020.

DONGES GROUP

"I am convinced that the Donges Group will develop even further positively due to the existing synergies. The company is planning for revenues of approximately EUR 400 million and EBITDA of approximately EUR 27 million in 2021 and I see further growth potential here. The entire process at Donges through the four phases of our value creation, i.e. from Acquisition to Realignment to the now completed Optimization, is a prime example of shareholder value creation at Mutares. The only thing missing is the final step of Harvesting."
Johannes Laumann

Integrating NORDEC under difficult conditions

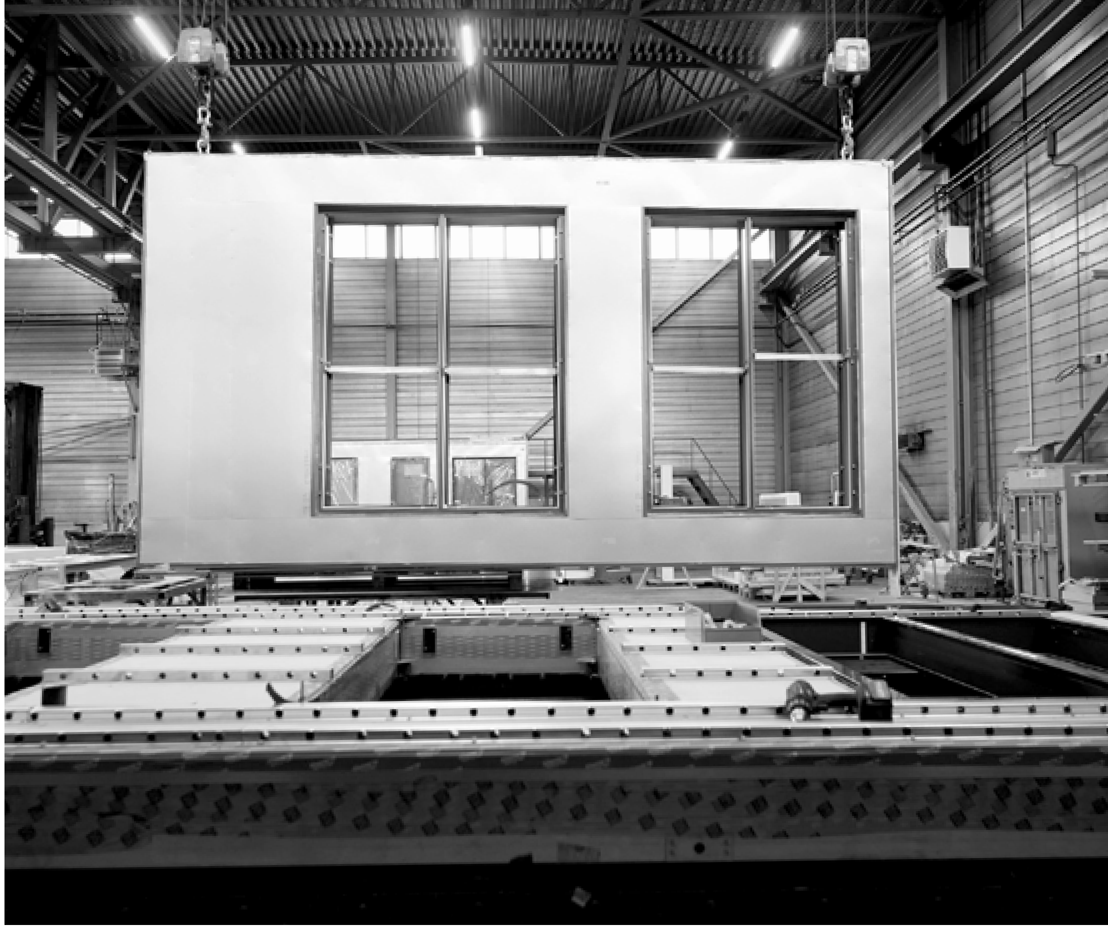
HOW TO INTEGRATE A NEW ORGANIZATION IN THE COVID-19 LOCKDOWN
The contract to buy Ruukki Building Systems was already signed in July 2019. The GO from the Finnish Competition Authority became foreseeable in January 2020. The goal from that moment was to integrate the new company and merge it with the already existing Normek Oy under a new brand.

After a first face-to-face meeting with the new CEO of the future company and the Donges Group Management in Helsinki, the various questions were defined. What will the new company be called? What look will it have? What will the organisation chart look like? How will the operations team be organised? Which systems will be needed? And above all, where can synergies be used?

The integration team was ready, flights were booked, meetings scheduled and then the lockdown. It was no longer possible to enter Finland and the freedom of movement within the country was also very limited. The big challenge now was to manage this extensive process under the new conditions. The first team meetings got off to a bumpy start. But everyone quickly got organized and got used to the new communication tools. In addition to online meetings, there were many phone calls, chat sessions and e-mails. The new name NORDEC came into being, the logo was created, the brand story was written. The organizational chart became clearer and the management tools were fixed.

The customers then also had to be informed via digital channels. Here it came in handy that the contacts are mostly on a very personal level, you know your customers well and thus have easy access. In the end, the new company was ready on time for 1 May 2020.

NORDEC has been developing well since then and was able to grow further in its first year in the Donges Group. The first synergy projects with FDT and Donges SteelTec are also being implemented. A success story under difficult conditions.



NORDEC

“Not only did we manage the merger under difficult conditions, we also continued to grow the business. The teams have worked perfectly together, and everyone has continuously contributed their competence and experience. Looking back, an extraordinary achievement!”
Kalle Luoto, CEO of NORDEC

Integrated were:

EUR **120** million revenue

550 employees

5 production sites: Peräseinäjoki, Ylivieska and Alavus (Finland), Gargždai (Lithuania), Oborniki (Poland)

4 product divisions: Single storey, Multi storey, Brides/Heavy industry, Envelope

Mastering Exits in Tough Times

Although the markets were affected by the global spread of COVID-19 and the resulting recession, Mutares managed to successfully complete two exits during the peak of the pandemic with the exit of the Polish part of the Balcke-Dürr Group and the activities in the Czech Republic of BEXity. In the case of Nexive, Mutares succeeded in exiting in record time after less than one year in the Mutares portfolio.

"Nexive was a fantastic investment for Mutares, selling with a ROIC of more than 15. The local team managed to achieve visible transformation success in record time, an outstanding success."
Johannes Laumann

ROIC
>15

6
signed Exits in 2020
(*2 closed in 2021)

Mastering Opportunities

The COVID-19 crisis has once again increased the pressure for repositioning and portfolio streamlining at many groups, which fills the transaction pipeline for Mutares. Eleven successfully completed acquisitions in 2020 speak for themselves. As a listed private equity company investing from its own balance sheet, Mutares can act quickly and flexibly in its investment decision-making. This requires a high level of integrity and transparency as a transaction partner. For the potentials that arise, Mutares consciously accepts risks that become calculable thanks to its high level of management and industry expertise.

The close and comprehensive cooperation between investment, legal, finance, and and tax teams from Due Diligence to Harvesting enables a high level of transaction certainty with a high return at calculable risks.

11
successfully completed acquisitions in 2020

3
additionally signed acquisitions in 2020

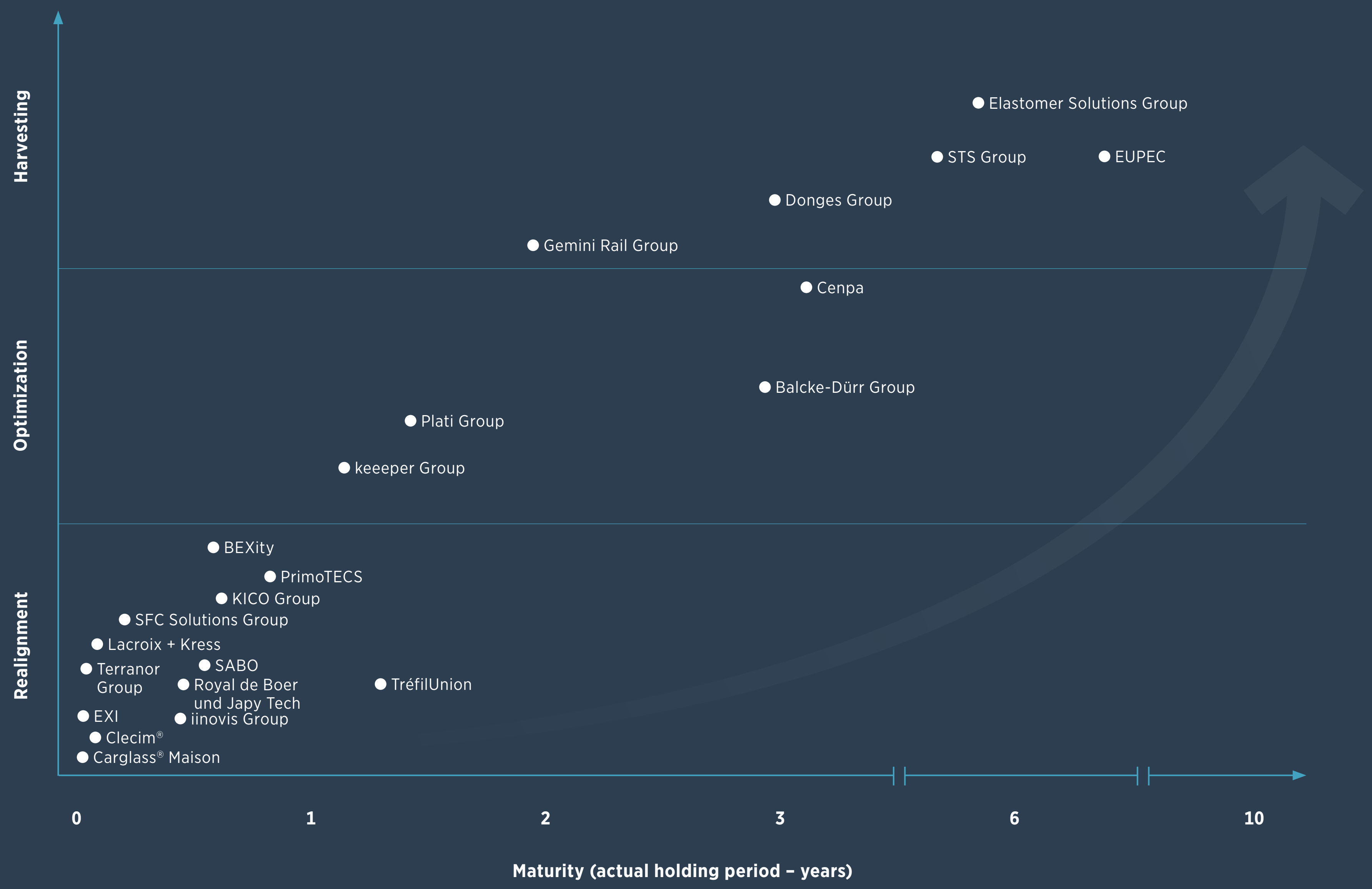
ACTIVE DEVELOPMENT OF OUR PORTFOLIO

Portfolio company	Industry	Acquisition	HQ	Phase
AUTOMOTIVE & MOBILITY				
STS Group	System supplier of components for the commercial vehicle and automotive industry	2013		Harvesting
SFC Solutions Group	Automotive supplier for fluid transfer systems and sealing solutions	2020		Realignment
PrimoTECS	Supplier of components in the engine, transmission and driveline sectors	2020		Realignment
KICO Group	System supplier of high-quality automotive technology	2019		Realignment
iinovis Group	Engineering service provider for automotive engineering	2020		Realignment
Elastomer Solutions Group	Automotive supplier of rubber mouldings	2009		Harvesting
Plati Group	Manufacturer of wire and cable harnesses	2019		Optimization
ENGINEERING & TECHNOLOGY				
Donges Group	Full-range provider of steel structures, roof and facade systems	2017		Harvesting
Balcke-Dürr Group	Supplier of components for increasing energy efficiency and reducing environmental impact	2016		Optimization
Lacroix + Kress	Manufacturer of oxygen-free copper drawing	2020		Realignment
Gemini Rail Group	Service provider for engineering, maintenance and modernization for rail vehicles	2018		Harvesting
Clecim®	Supplier of high-end steel processing line solutions	2021		Realignment
Royal de Boer and Japy Tech	Manufacturer of cooling tanks and barn equipment	2020		Realignment
EUPEC	Supplier of coatings for oil and gas pipelines	2012		Harvesting

Portfolio company	Industry	Acquisition	HQ	Phase
GOODS & SERVICES				
BEXity	Provider of transport and logistics services	2019		Realignment
Terranor Group	Provider of road operations and maintenance services	2020		Realignment
keeeper Group	Manufacturer of high-quality plastic and paper household products	2019		Optimization
Carglass® Maison	Provider of repair and emergency services	2021		Realignment
EXI	Service provider of information and communication technology	2021		Realignment
TréfilUnion	Manufacturer of iron wire and prestressing steel	2019		Realignment
Cenpa	Producer of coreboard	2016		Optimization
SABO	Manufacturer of lawnmowers	2020		Realignment

MUTARES PORTFOLIO ACROSS LIFECYCLE STAGES

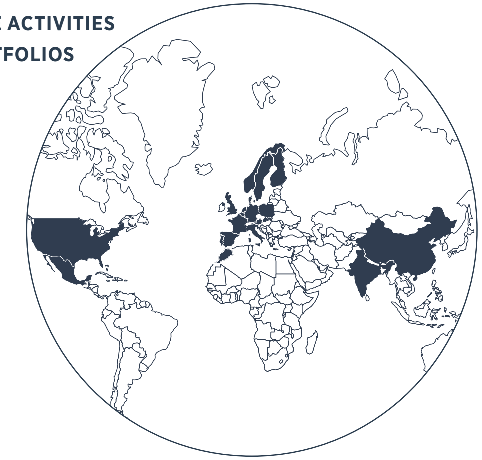
Attractive exit possibilities are increasing with maturity



OUR FOOTPRINT

Since its foundation in 2008, with the first office in Munich, Mutares has become a European player with activities worldwide. Mutares has **8** offices and currently holds **22** portfolio companies.

WORLDWIDE ACTIVITIES OF THE PORTFOLIOS



PORTFOLIO COMPANIES / GROUPS

1. STS Group (Hallbergmoos, Germany)
2. SFC Solutions Group (Czestochowa, Poland)
3. PrimoTECS (Villar Perosa, Italy)
4. KICO Group (Halver, Germany)
5. iinovis Group (Bad Friedrichshall, Germany)
6. Elastomer Solutions Group (Wiesbaum, Germany)
7. Plati Group (Madone, Italy)
8. Donges Group (Frankfurt am Main, Germany)
9. Balcke-Dürr Group (Dusseldorf, Germany)
10. Lacroix + Kress (Bramsche, Germany)
11. Gemini Rail Group (Wolverton, UK)
12. Clecim® (Savigneux, France)
13. Royal de Boer and Japy Tech (Leeuwarden, the Netherlands, and Dijon, France)
14. EUPEC (Gravelines, France)
15. BEXity (Vienna, Austria)
16. Terranor Group (Stockholm, Sweden)
17. keeeper Group (Stemwede, Germany)
18. Carglass® Maison (Tours, France)
19. EXI (Rome, Italy)
20. TréfilUnion (Commercy, France)
21. Cenpa (Schweighouse-Sur-Moder, France)
22. SABO (Gummersbach, Germany)

OUR PORTFOLIO COMPANIES

Automotive & Mobility

Our portfolio companies in the Automotive & Mobility segment operate in the commercial vehicle and passenger car supply business. They have plants and employees around the world and supply prominent international commercial vehicle and passenger car manufacturers.

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 portfolios in this segment serve customers in the energy and chemical industries, public infrastructure, sports infrastructure and the rail sector.

Goods & Services

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

AUTOMOTIVE & MOBILITY
System supplier of components for the commercial vehicle and automotive industry

part of the portfolio since
2013

approx.
1,600
employees

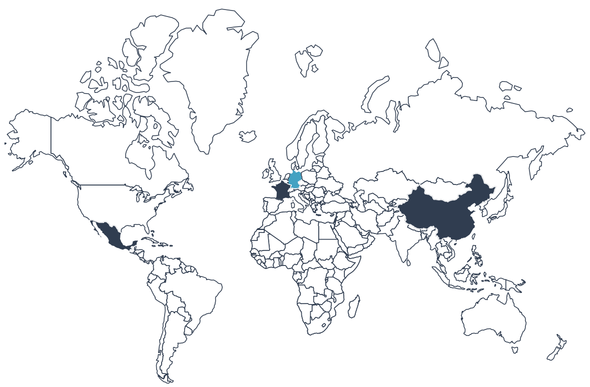
approx. EUR
235 million[1]
revenues

Company profile STS Group
STS Group was founded in 1934 and operates 12 plants and four development centers in France, Germany, Mexico, China and the USA.

The company is a globally active and preferred system supplier of solutions for acoustics, thermal, structure cladding in interior and exterior applications for commercial vehicles and automotive industries. STS Group covers the entire value chain from semi-finished products to assembled and painted systems, meaning the company is vertically integrated along the entire value chain, from the idea to the deliverable product system, and can control the entire manufacturing process.

The established customer base includes the world's largest and most important truck and automotive OEMs from Europe, the USA and China. Listed on the Frankfurt Stock Exchange (ISIN: DE000A1TNU68), STS Group employs around 1,600 people worldwide and generated consolidated revenues of approximately EUR 235 million in 2020. As majority shareholder, Mutares continues to hold a strategic stake of over 60%.
→ www.sts.group

Strategy
The STS Group's goal is sustainable growth through the targeted expansion of activities in Europe, as well as the USA, and by offering systems based on the bundling of key group technologies. The STS Group's ambition is reflected in the four pillars of market leadership, technology leadership, customer proximity and operational excellence. Based on a sustainable research and development strategy, the STS Group's products offer solutions for the automotive megatrends, such as systems for reducing weight and noise emissions of vehicles, independent of the powertrain. In addition, the already solid business in Europe and China is to be expanded to the attractive US market.



HEADQUARTERS
HALLBERGMOOS, GERMANY

[1] without STS Acoustics

Transactions
- 2020 – Exit STS Acoustics
- 2019 – Sale of the Acoustics business in Italy, Poland and Brazil
- 2017 – Acquisition of a Brazilian plant from Autoneum Group by STS Group
- 2017 – Acquisition of Plastic Omnium truck supply business by STS Group
- 2016 – Acquisition of two Mecaplast plants by STS Group
- 2015 – STS Group builds a plant in Poland (Greenfield)
- 2013 – Acquisition of STS by Mutares from Autoneum Group

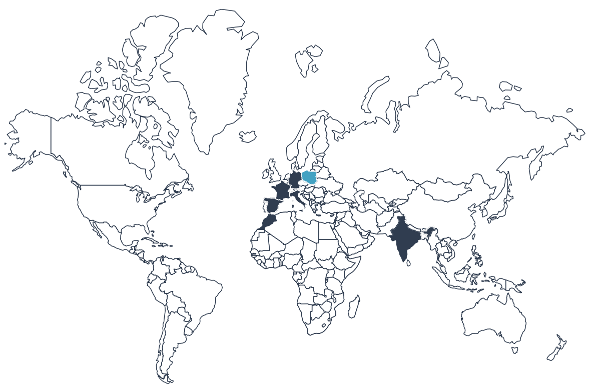
Final touches to a part coming out of the press

SFC Solutions

part of the portfolio since
2020

approx.
3,200
employees

approx. EUR
150 million
revenues



HEADQUARTERS
CZESTOCHOWA, POLAND

AUTOMOTIVE & MOBILITY

Automotive supplier for fluid transfer systems and sealing solutions

Company profile SFC Solutions Group

SFC Solutions has been part of the Mutares portfolio since 2020. The new name SFC Solutions combines three technologies in one company and inspires customers with the slogan "Your flexible partner". The customer base includes both major global and local OEMs and several Tier 1 suppliers. All plants are certified to IATF 16949 and ISO 14001.

The company is a supplier of high-performance Fluid Transfer Systems (FTS) solutions for the automotive industry with plants in Poland, Spain and Morocco. The Fluid Transfer Systems division is one of the top 10 players (TOP 7 in Europe) with 5% market share in Europe and has over 60 years of experience. AGV solutions are used for thermal management to regulate the temperature of the powertrain of vehicles and for the transport of fluids or air in vacuum and emission systems.

The second business integrated into SFC Solutions is the sealing business, which produces in Italy and supplies the automotive and industrial and special vehicle markets and belongs to one of the leading suppliers in Europe.

The Indian operations are supplying sealing solutions as well as fuel and brake delivery systems for the automotive industry at seven production sites. These plants are equipped with high-tech equipment and are complemented by strong engineering capabilities. As a result, the company represents the broadest product portfolio among Indian competitors and is the TOP 1 for seals in India.

→ www.sfc-solutions.com

Strategy

The strategic focus lies on solutions for further development thanks to the sales expertise in the continuous development of the automotive sector.

With the current market trends and development to Battery Electric Vehicles (BEV) and Hybrid Electric Vehicles (HEV), the thermal management requirements are increasing and becoming more complex for additional cooling of battery, inverter and engine. By working closely together with OEMs to develop new technologies, with a particular focus on weight and component size reduction, the company is recognized as an innovation provider.

Transactions

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

Final inspection and sorting of rubber parts

AUTOMOTIVE & MOBILITY

Supplier of components in the engine, transmission and driveline sectors

part of the portfolio since
2020

approx.
650
employees

approx. EUR
70 million
revenues

Company profile PrimoTECS

PrimoTECS is part of the Mutares portfolio since 2020. The company manufactures components for use in electric, hybrid and conventional drives at two production sites in northern Italy. The company has established itself as a well-known, profitable supplier in the automotive sector, as well as in the truck industry and related sectors. The system supplier generated approximately EUR 70 million in annualized revenues in 2020 with its approx. 650 employees.

→ www.primotecs.com

Strategy

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

Transactions

2020 – Acquisition by Mutares from Tekfor Group

HEADQUARTERS
VILLAR PEROSA, ITALY

Quality control of parts after forging

K!CO simply innovativ

AUTOMOTIVE & MOBILITY
System supplier of high-quality automotive technology

part of the portfolio since
2019

approx.
720
employees

approx. EUR
80 million
revenues

Company profile Kico Group
KICO is a leading and rich in tradition supplier for the international automotive industry. In addition to its headquarters in Germany, KICO operates two other production sites in Poland and Mexico. The company has been developing, industrializing and manufacturing market-oriented, competitive safety components for passenger cars for decades. The products meet the elevated requirements of the European automotive industry and range from active and passive hinge, active aerodynamic, closing and mechatronic systems such as electric seat back adjustment and soft top locking systems to connecting elements.

As a Tier 1 supplier, KICO mainly serves automotive OEMs and, thanks to its high flexibility and in-depth know-how, can offer its customers tailor-made solutions with the expected highest product and delivery quality. KICO employs around 720 people with annual revenues of approx. EUR 80 million.
→ www.kico.de/en

Transactions
- 2019 – Acquisition by Mutares from the owning family

HEADQUARTERS
HALVER, GERMANY

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

Customized solutions are produced on state-of-the-art manufacturing and assembly lines

iinovis

AUTOMOTIVE & MOBILITY

Engineering service provider for automotive engineering

part of the portfolio since
2020

approx.
600
employees

approx. EUR
40 million
revenues

HEADQUARTERS
BAD FRIEDRICHSHALL, GERMANY

Company profile iinovis Group

The company is a leading automotive engineering service provider with expertise in key growth areas such as simulation, testing, electrics/electronics and vehicle development (cars and motorcycles). In addition to engineering services for OEMs and Tier 1 suppliers, the company is also active in prototype and small series production as well as in the production of wiring harnesses. The company operates at five locations in Germany and has a test track in Spain. In 2020, the company achieved approx. EUR 40 million in revenues.
→ www.iinovis.com

Strategy

The company is excellently positioned for future growth and will continue to benefit from the expected trend towards increased outsourcing of standard engineering services by OEMs.

In addition, the platform investment with the technical know-how and excellent skills of the employees offers substantial synergy potential for Mutares' existing portfolio.

Transactions

- 2020 – Acquisition of the Automotive Engineering Services segment from Valmet Automotive Inc.

iinovis performs airbag tests for well-known OEMs using high-speed cameras. The highly dynamic technology can record this concise phase of the test and evaluate it for the customer

Elastomer Solutions

AUTOMOTIVE & MOBILITY
Automotive supplier of rubber moldings

part of the portfolio since
2009

approx.
500
employees

approx. EUR
30 million
revenues

HEADQUARTERS
WIESBAUM, GERMANY

Company profile Elastomer Solutions Group
Founded in 1974, Elastomer Solutions is a leading manufacturer of rubber and thermoplastic components based in Germany and Portugal. With production facilities in Slovakia, Portugal, Morocco and Mexico, Elastomer manufactures 1k and 2k parts in rubber, silicone and thermoplastic materials, such as grommets for doors, tailgates, dashboards, flaps, pedals and pedal covers, battery covers, seals and bumpers. The group supplies customers in the automotive industry worldwide and has established itself as a specialist for complex technical parts. Elastomer covers the entire value chain from development (mostly requested directly by OEMs) to the sale of finished parts.
In 2020, the company employed around 500 people and generated approximately EUR 30 million in revenues.
→ www.elastomer-solutions.com

Strategy
Since its acquisition by Mutares, Elastomer Solutions has pursued a sustainable, organic growth strategy. In the course of this, the production sites in Morocco and Mexico were established. In view of the developments and trends in the global automotive market and the global economy, Elastomer Solutions has completed a program to increase the efficiency of the group in 2019 and 2020, while successfully implementing continuous growth in new business, including injection-molded parts. The company is well positioned for further growth by proposing various solutions to its customers' portfolios, such as cable ducts, high-end pedals or developing reliable components for other markets outside the automotive industry, such as the home appliance industry or similar industries.

Transactions
- 2014 – Elastomer establishes a plant in Mexico
- 2012 – Elastomer establishes a plant in Moroccoo
- 2009 – Mutares acquires Elastomer Solutions from Diehl Group

Final quality inspection of a dash grommet

AUTOMOTIVE & MOBILITY
Manufacturer of wire and cable harnesses

part of the portfolio since
2019

approx.
650
employees

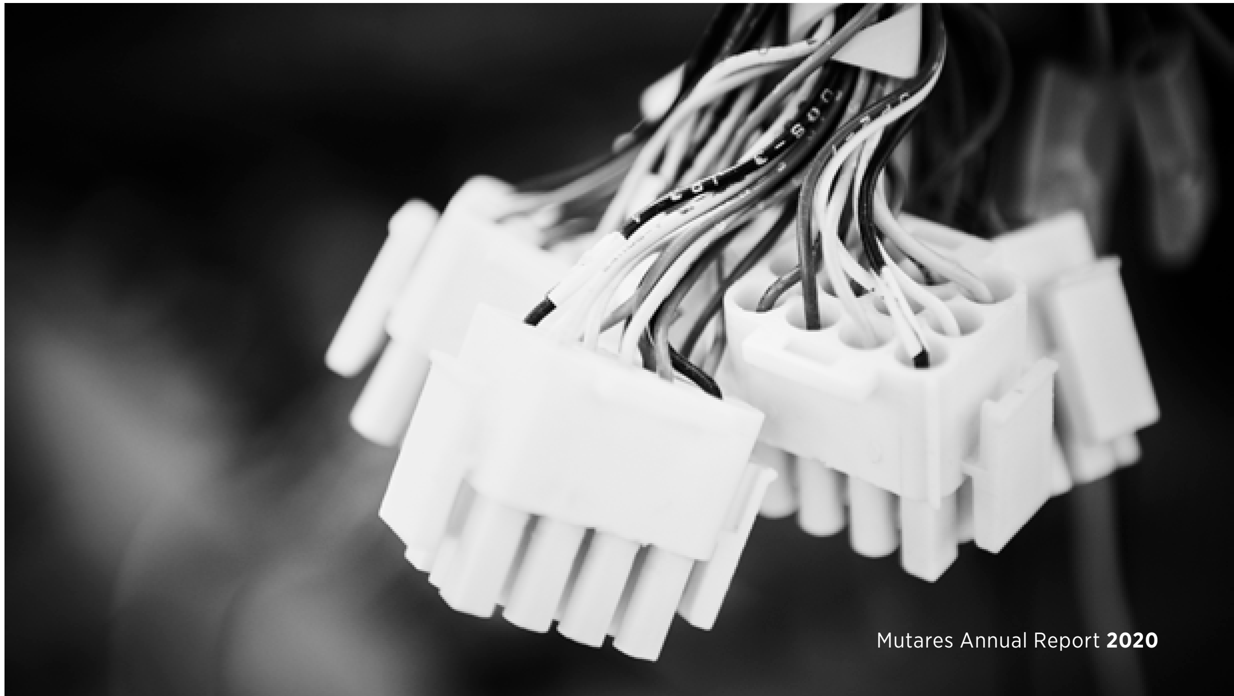
approx. EUR
20 million
revenues

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

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

Transactions
- 2019 – Acquisition of Plati by Mutares from Deren Group

HEADQUARTERS
MADONE, ITALY



Production of cable harnesses and various cables

DONGES GROUP

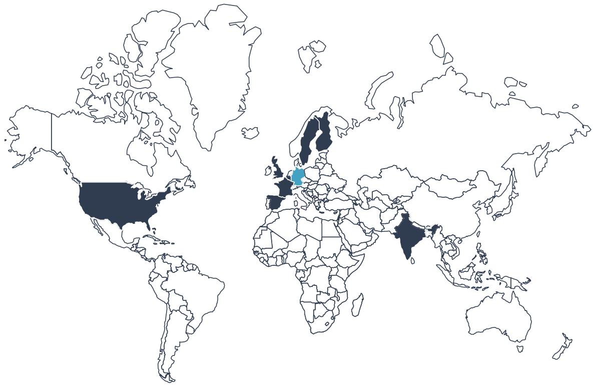
ENGINEERING & TECHNOLOGY

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

part of the portfolio since
2017

approx.
1,300
employees

approx. EUR
310 million
revenues



HEADQUARTERS
FRANKFURT AM MAIN, GERMANY

Company profile Donges Group

After five strategic acquisitions, the Donges Group is now one of Europe's leading full-range suppliers of steel bridges, structural steelwork, roof and façade systems. With the excellently positioned brands Donges SteelTec, FDT, Kalzip, NORDEC and Norsilk, the group provides solutions for the construction of individual and sustainably designed buildings worldwide.

Today, the product portfolio of Mutares' 100% shareholding includes steel construction, roof and façade solutions for a wide range of requirements, as well as wood products for interior finishing and building cladding. Donges Group serves architects, planners, building developers, general contractors and building owners, the public sector as well as craftsmen and processing companies. The Donges Group employs more than 1,300 people at 12 production sites in Europe and in sales offices globally and achieves annualized group revenues of approx. EUR 310 million.

→ www.donges-group.com

Transactions

- 2020 – Donges Group acquires NORDEC (Ruukki Building Systems) from SSAB
- 2019 – Integration of Norsilk, already part of the Mutares portfolio
- 2019 – Donges Group buys Normek from private individual and fund company
- 2019 – Donges Group acquires FDT Flat Roof Technology from private individual
- 2018 – Donges SteelTec becomes Donges Group: acquisition of Kalzip Group from Tata Steel Europe
- 2017 – Acquisition of Donges SteelTec by Mutares from Mitsubishi Hitachi Power Systems Europe

Strategy

Following the fifth add-on acquisition (NORDEC), Donges aims to achieve further growth and consolidate its very good position in the European market. The cornerstones of this strategy are the realization of synergies through the joint processing of the existing customer portfolio and existing sales channels, as well as the development of Northern European markets in the areas of façade solutions and steel construction.

FDT FLACHDACH • TECHNOLOGIE

Kalzip

Donges STEELTEC

NORDEC

NORSILK

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

Manufacturing parts for a highway bridge

BALCKE DÜRR

ENGINEERING & TECHNOLOGY

Supplier of components for increasing energy efficiency and reducing environmental impact

part of the portfolio since
2016

approx.
500
employees

approx. EUR
140 million
revenues

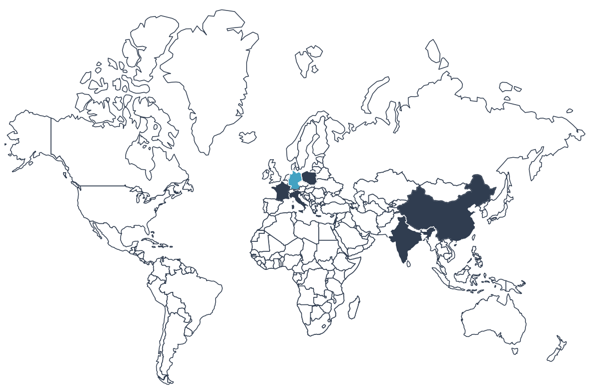
Company profile Balcke-Dürr Group

With more than 130 years of experience, the Balcke-Dürr Group offers innovative solutions to increase energy efficiency for utilities, O&G and the chemical industry, ranging from standard modules to complete thermal systems. Balcke-Dürr's experienced engineers are specialized in solutions that meet the highest safety and sustainability requirements. The product portfolio includes heat exchangers, cooling towers, nuclear decommissioning and maintenance services. At its production sites in Germany and Italy, the Group employed around 500 people in 2020 and generated approximately EUR 140 million in revenues. In 2020, the Balcke-Dürr Group acquired Loterios Srl., a specialist in titanium products and heat exchangers to strengthen its position in the O&G market.

→ www.balcke-duerr.com

Strategy

In 2021, Balcke-Dürr Group focuses on three strategic objectives: First, the group intends to strengthen its position in the nuclear energy market, second, to expand its business of decommissioning services of nuclear power plants and third, to step up its activities for clients of the O&G and chemical industry. Extensions to the product portfolio are also being examined, as is inorganic growth through acquisitions, e.g. in the original cooling division, which will continue to be an important pillar of the Balcke-Dürr Group beyond 2021.



HEADQUARTERS
DÜSSELDORF, GERMANY

Transactions

- 2021 – Sale of Rothemühle
- 2020 – Sale of Balcke-Dürr Polska
- 2020 – Add-on acquisition of Loterios Srl.
- 2019 – Integration of La Meusienne
- 2018 – Add-on acquisition of the heat exchanger division of STF
- 2018 – Add-on acquisition of KSS Consulting
- 2016 – Add-on acquisition of Balcke-Dürr Group by Mutares from SPX Group

"The realignment of Balcke-Dürr was consistently pursued and completed. In 2021, the company aims to broaden its relevant market, both in terms of new areas of application for our existing range of products and services and strategic acquisitions."

Pipe bends as part of a replacement of boiler pressure parts

LACROIX + KRESS

ENGINEERING & TECHNOLOGY
Manufacturer of oxygen-free copper drawing

part of the portfolio since
2020

approx.
250
employees

approx. EUR
125 million
revenues

Company profile Lacroix + Kress

Lacroix + Kress is one of the leading manufacturers of oxygen-free copper drawing for industrial applications with a focus on the automotive industry. With its two production sites in Bramsche and Neunburg in Germany, the company serves customers worldwide, with the majority in revenues coming from the European market. The company has a strong market position due to the quality of its products and its high level of recognition amongst blue chip customers.
→ lacroixundkress.de/en

Strategy

Lacroix + Kress is a manufacturer of oxygen-free copper drawing. The product portfolio is complemented by copper wires for cable production, as well as for mechanical and other special applications, as well as multiple wires and braiding wires.

The company distributes its products through external customers as well as through subsidiaries of Nexans SA. The German metallurgy business serves to strengthen the existing Plati platform; mutual synergy potentials can be exploited in particular through a broader value chain.

Transactions

2020 – Acquisition of Nexans Metallurgie Deutschland GmbH from Nexans SA/ Nexans Deutschland GmbH

HEADQUARTERS
BRAMSCHE, GERMANY

Employee checking machine, which is making copper wire thinner by extending it

Gemini RAIL GROUP

ENGINEERING & TECHNOLOGY

Service provider for engineering, maintenance and modernization for rail vehicles

part of the portfolio since
2018

approx.
200
employees

approx. EUR
60 million
revenues

Company profile Gemini Rail Group

Gemini Rail Group has been a wholly owned subsidiary of Mutares since 2018. Gemini Rail specializes in the modernization and refitting of rail vehicles. With its inhouse team of specialized engineers, Gemini Rail offers turnkey solutions for train refurbishment, modernization and external project management. In addition, under the GemECO brand, the company has established itself as the leading technology retrofitter for hybrid rail vehicle propulsion systems. In the UK, Gemini Rail is the second largest OEM-independent supplier and counts UK railway operating and owning companies as well as railway OEMs among its customers. In 2020, the company generated approx. EUR 60 million in revenues with around 200 employees.
→ www.geminirailgroup.co.uk

Strategy

As part of its transformation, Gemini Rail Group continues to focus on implementing a redefined market strategy and further developing its product portfolio. Under the GemECO brand, the company has already secured its first orders for the conversion of rail vehicles to hybrid propulsion systems and sees itself as a pioneer for these propulsion systems in the UK.

HEADQUARTERS
WOLVERTON, UK

Transactions

- 2018 – Acquisition of Knorr-Bremse

GemECO

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

Restoration work on a train

CLECIM
FRANCE

part of the portfolio since
2021

approx.
250
employees

approx. EUR
55 million
revenues

HEADQUARTERS
SAVIGNEUX, FRANCE

ENGINEERING & TECHNOLOGY
Supplier of high-end steel processing line solutions

Company profile Clecim®
Clecim® is a renowned supplier of carbon and stainless-steel processing lines, stainless steel rolling mills as well as mechatronic products and metallurgical services, serving steelmakers around the world for more than 100 years. As a provider of plants, products and services for the iron, steel and non-ferrous industries, the company offers its customers high-end technological solutions, lifecycle services and equipment of the highest processing quality.

Based in Savigneux (France), the company is able to design and manufacture complete mechatronics, new spare parts and maintenance or modernization solutions. Its production includes qualified specialists in mechanical welding, machining, assembly, piping, painting and testing, whose skills are also in demand in the pneumatic, forging and marine industries, amongst others.
→ www.clecim.com

Transactions
2021 – Acquisition by Mutares of Primetals Technologies Group

Strategy
Clecim® benefits from a very high level of expertise in high-end solutions for steel processing lines with leading-edge products in its market. The company is supported by Mutares in defining a new strategy and is committed to resume commercial efforts for both greenfield projects and spare parts through its significant installed base worldwide. Clecim® will also focus on operational excellence in project planning and execution, more profitable projects and recurring services.

Adjustment of piston in a roll force cylinder for Rolling Mill in Clecim®'s workshop

Royal de Boer

SINCE 1957 JAPY TECH

ENGINEERING & TECHNOLOGY

Manufacturer of cooling tanks and barn equipment

part of the portfolio since
2020

approx.
230
employees

approx. EUR
45 million
revenues

Company profile Royal de Boer and Japy Tech

Royal de Boer is a leading manufacturer of barn equipment such as feed fences, cubicles, ventilation and manure systems. The company operates one production plant in Leeuwarden, the Netherlands, with a large internationally installed base.

Japy Tech is a high-quality producer of cooling tanks with varying sizes, designs and applications. With its base in Dijon, France, the company provides products for the European as well as worldwide milk cooling industry.

→ www.royaldeboer.com
→ www.japy-tech.com

Transactions

2020 – Acquisition of Royal de Boer and Japy Tech by Mutares from GEA Farm Technologies

Strategy

The companies will endure a short-term realignment process followed by focus on future growth. The key steps are establishment of direct contact with the end-customers leading to optimization of the product mix, exploitation of cross-selling opportunities, increase in overall efficiency and cost reduction among the supply chain.

Royal de Boer and Japy Tech can further build upon their well-known brands that are recognized in the international market for their high-quality products to deepen and widen the relationships with their customers. After a successful realignment, the companies will explore additional add-on opportunities in order to ensure growth supported by a comprehensive product portfolio for the farming market.

HEADQUARTERS
ROYAL DE BOER **LEEUWARDEN, THE NETHERLANDS**
JAPY TECH **DIJON, FRANCE**

Design of a future-oriented livestock housing system that contributes to sustainable livestock production

ENGINEERING & TECHNOLOGY

Supplier of coatings for oil and gas pipelines

part of the portfolio since
2012

approx.
70
employees

approx. EUR
10 million
revenues

HEADQUARTERS
GRAVELINES, FRANCE

Company profile EUPEC

EUPEC is a leading global manufacturer of pipeline coatings. The company is headquartered in northern France and is a wholly owned subsidiary of Mutares. Its product portfolio includes line pipe coatings, concrete weight coatings, custom coatings, field jointing solutions and reel-to-reel line pipe coatings. With more than 50 years of experience, EUPEC is a trusted and renowned pipeline coating specialist and full-service provider. EUPEC is the only coating company in the world that can cover the entire range of coating from line pipes to field joints, including bends. The company serves a diverse customer base of global oil and gas companies from Western and Central Europe, for projects in the North Sea, Africa and the Middle East.
→ www.eupec-pipecoatings.com

Strategy

Since its acquisition by Mutares, EUPEC has successfully completed a turnaround program and sold its German subsidiary, resulting in a capital multiple of approx. 17x for Mutares.

Today, the company follows a growth strategy that includes further penetration of the market segment showing significant results in 2019 and 2020. Operationally, one key project involved boosting productivity at the pipe coating plants. For 2021, EUPEC will continue to position itself as a successful niche player in a global market. In 2021, the company plans to explore strategic alternatives.

Transactions:

- 2016 – Partial exit of subsidiary EUPEC Germany
- 2012 – Acquisition of EUPEC Group by Mutares from Korindo Group

Heated pipe before application of epoxy powder coating

BEXITY

GOODS & SERVICES

Provider of transport and logistics services

part of the portfolio since
2019

approx.
550
employees

approx. EUR
185 million
revenues

Company profile BEXity

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

Thanks to decades of experience and highly qualified employees, BEXity can guarantee reliable and high-quality transport services. BEXity was the first logistics provider in Austria to establish next-day delivery (delivery time of 24 hours from collection) in general cargo logistics and still sets the industry benchmark in terms of delivery quality. By connecting its transport logistics locations to the rail network, BEXity enables ecological and sustainable transport. BEXity employs approx. 550 people and achieved approx. EUR 185 million in revenues in 2020.

→ www.bexity.com/en

Strategy

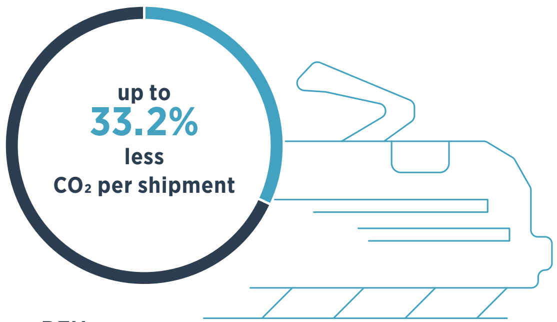
BEXity is the logistics partner for business customers and provides customized solutions as well as standard solutions in transport logistics and warehousing. The logistics specialist plans to strengthen its transport logistics network through partnerships in Europe. Based on the unique selling propositions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

Transactions

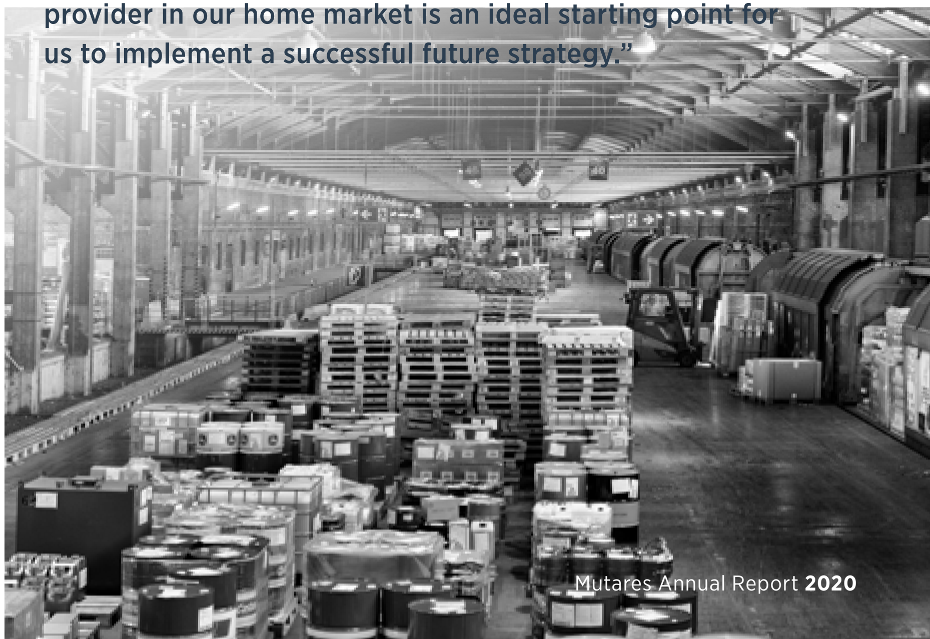
- 2020 – Sale of the czech activities
- 2019 – Mutares acquires BEXity from Österreichische Bundesbahnen Holding

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

HEADQUARTERS
VIENNA, AUSTRIA



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



Warehousing of goods

terranor

part of the portfolio since
2020

approx.
200
employees

approx. EUR
125 million
revenues

HEADQUARTERS
STOCKHOLM, SWEDEN

GOODS & SERVICES

Provider of road operations and maintenance services

Company profile Terranor Group

Terranor Sweden and Finland are leading providers of operations and maintenance services to secure safe traffic on and around roads. Their services include, for example, snow handling, road supervision, road maintenance and road markings. Most customers are state and municipal entities complemented by private customers.

Most of the business is managed from the headquarter in Stockholm and an established presence in Helsinki. Terranor has risen to become the second largest player in the two countries and is continuously striving to expand the business in both countries by a broadened range of services and high-quality contracts.

With approx. 200 employees in Sweden and Finland, Terranor generates annual revenues of approx. EUR 125 million.
→ www.terranor.fi

Strategy

With its existing reputation in the market, Terranor is built on timely and high-quality execution of contracted road services. Efficiency and productivity are key success factors to further increase profitability and widen regional coverage mainly from adjacent areas.

Terranor will also expand the range of services in the future to develop additional revenue streams in both countries.

Transactions

- 2020 – Acquisition of Nordic Road Services AB Sweden and Nordic Road Services Oy Finland from NCC

Leading operating contractors of state and municipal road networks

GOODS & SERVICES

Manufacturer of plastic and paper household products

part of the portfolio since
2019

approx.
600
employees

approx. EUR
100 million
revenues

Company profile keeeper Group

The keeeper Group, a company with a tradition of over 30 years, is one of the leading European suppliers of innovative and high-quality household products made of plastic and paper. With four product lines for kitchen, household, storage and children, the group serves renowned customers from the DIY, food retail, wholesale and furniture retail sectors in approx. 35 countries. keeeper caters for regional particularities and meets global standards.

At the end of 2019, keeeper Group signed an agreement for taking over Metsä Tissue's German business, which produces and sells high-quality paper napkins, and thus, strategically extended its portfolio of household products. With more than 600 employees, keeeper Group generates annual revenues of approx. EUR 100 million.
→ www.keeeper.com/en

Strategy

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

Transactions

- 2020 – Add-on acquisition: keeeper Group acquires Metsä Tissue's German napkin business
- 2019 – Acquisition of the keeeper Group by Mutares from Wrede Industrieholding

HEADQUARTERS
STEMWEDE, GERMANY

keeeper is a leading company for day-to-day convenience products in and around the home

GOODS & SERVICES
Provider of repair and emergency services

part of the portfolio since
2021

approx.
500
employees

approx. EUR
45 million
revenues

HEADQUARTERS
TOURS, FRANCE

Company profile Carglass® Maison
Carglass® Maison (formerly known as "Groupe Maisoning") is a renowned French home repair and emergency specialist with two main activities.

Emergencies: for rapid on-site intervention to fix everyday problems, including locksmithing, plumbing, electricity, leak detection, etc.

Planned works and renovation: planned works to beautify or renovate the house, including painting, floor coating, masonry, drainage, general renovation, etc.

Based in Tours, France, Carglass® Maison targets insurers, assistants, asset managers and individuals through a network of 28 agencies, 300 in-house technicians and 1,200 subcontractors throughout France.
→ www.carglass-maison.fr

Transactions
- 2021 – Acquisition by Mutares (80%) and HomeServe (20%) of Belron Extension SAS

Strategy
To support the business with new transformation projects, Mutares has entered into a strategic partnership with HomeServe, a leading home repair and maintenance specialist. Carglass® Maison will benefit from the scope of its service offerings, the current favorable market dynamics, the significant commercial synergies with the HomeServe network and the investment in new IT tools to improve customer service and order execution.

Carglass® Maison employee during an on-site operation

EXI
Empowering Digital Society

part of the portfolio since
2021

approx.
300
employees

approx. EUR
50 million
revenues

GOODS & SERVICES

Service provider for information and communication technology

Company profile EXI S.p.A.

EXI was founded in 2018 as a wholly owned subsidiary of Ericsson Telecomunicazioni S.p.A. and was acquired by Mutares in early 2021.

EXI is a market leader in mobile telecommunication services, actively serving all major telecom operators in Italy. Its focus is on the roll-out and maintenance of 4G networks and the growing business prospects with the upcoming roll-out of 5G networks in Italy.

The company's capabilities and competencies range from network operations and design to network roll-out, project management and governance. EXI also plays a significant role in the Italian market as a systems integrator of multi-vendor technologies.

Many of the leading telecommunications companies and service providers have chosen to entrust EXI with the implementation of their innovative projects and the construction of telecommunications networks and infrastructures throughout the country. For example, projects with W3 (deployment of Ericsson Spectrum Sharing over 7.1K sites, early and rapid deployment of 5G over 4G technology, alongside the swap and upgrade of 7.4K sites) or TIM (5G deployment, swapping Huawei wireless technology in Southern Italy with Ericsson products).

Currently, EXI employs around 300 people, including technicians, project managers, engineers and administrative staff, spread across the country, in numerous offices and warehouses in each region. This enables the company to respond quickly to situations and carry out its activities more efficiently.
→ www.exispa.com

Strategy

EXI's vision is to become the main player in Italy's digital transformation by continuing to grow its customer base in the mobile business (by providing excellent and profitable services), expanding its geographic presence by actively exploiting opportunities in emerging markets and by expanding into other areas such as broadband and fiber design. In addition, it aims to create a sustainable strategy for a healthy and safe employee environment.

"EXI's employees are proud of their origins and the important contribution they have made over the years in implementing and developing the telecommunications infrastructure in Italy. This gives us an ideal and strong platform to expand and implement our successful future strategy. We want to be a builder of the new digital society: a world with better quality of service, higher productivity and new opportunities."

HEADQUARTERS
ROME, ITALY

Transactions

- 2021 – Mutares acquires EXI S.p.A. from Ericsson Telecomunicazioni S.p.A.

Employee during maintenance on site

TrefilUnion

part of the portfolio since
2019

approx.
100
employees

approx. EUR
20 million
revenues

HEADQUARTERS
COMMERCY, FRANCE

GOODS & SERVICES
Manufacturer of iron wire and prestressing steel

Company profile TréfilUnion
TréfilUnion is an established and renowned expert in processing and finishing highly specialized steel wire applications. The product portfolio includes high and low carbon wires, spring steel wires, painted and galvanized wires, prestressing steel wires and prestressing strands. With approx. 100 employees and more than 100 years of experience, efficient production methods and strategically relevant certifications, TréfilUnion is serving customers in the mechanical engineering, packaging, automotive and construction industries in Europe and North America. With two sites in France, the company generated approximately EUR 20 million in revenues in 2020.
→ www.trefilunion.com

Transactions
- 2019 – Acquisition by Mutares of ArcelorMittal

Strategy
Since the acquisition in 2019, Tréfilunion has undergone an intensive restructuring process to return the company to profitability. Management has made significant investments to modernize and renew production facilities, while carefully monitoring operating expenses and cash balances.

TréfilUnion is taking a clear strategic step towards its more profitable market segments, including bare and copper-plated wires, enamelled wires and high carbon wires, with the aim of better serving its customers in the automotive, packaging and construction industries. In this perspective, Tréfilunion has developed a clear sales strategy to recover volumes from selected customers for its highest quality items. In 2021, management will support this strategy by increasing the capacity of its most valuable assets at the Commercy and Sainte-Colombe-sur-Seine plants. The company will invest in the expansion of the paint line and stranding lines and improve the quality of the pickling line.

TréfilUnion transforms raw wire rod into finished steel wires and strands

GOODS & SERVICES

Producer of coreboard

part of the portfolio since
2016

approx.
95
employees

approx. EUR
25 million
revenues

HEADQUARTERS
SCHWEIGHOUSE-SUR-MODER, FRANCE

Company profile Cenpa

Cenpa belongs to one of the leading independent coreboard mills in Western Europe. With more than 120 years of experience, the company produces core board for the European packaging and hygiene market. Using two paper machines, its product portfolio ranges from core board made from virgin pulp to core board made from recycled wastepaper. Cenpa serves customers in the hygiene tissue, the industrial core market and the packaging industry, mainly in Central Europe. As an independent paper mill, Cenpa is able to work closely with its customers and offer tailor-made product solutions from development to test phase. This full-service strategy enables its customers to achieve excellent production rates. Cenpa benefits from its central location in Europe, a multi-lingual workforce and the advantages of nearby supply of sustainable steam for its production.

→ www.cenpa.fr

Transactions

2016 – Acquisition by Mutares from Sonoco Group

Strategy

Cenpa operatively focuses on two main strategic pillars: sales and innovation. In terms of sales, the company reinforces partnerships with top clients and expanding into new geographic regions such as the UK and Turkey. The company also recently qualified for the renown FSC certification. In terms of innovation, Cenpa has developed new, technically advanced products and started to market these specialities to its clients. The mill also invested in a new drying section for one of its paper machines.

Cenpa produces coreboard out of recycled paper

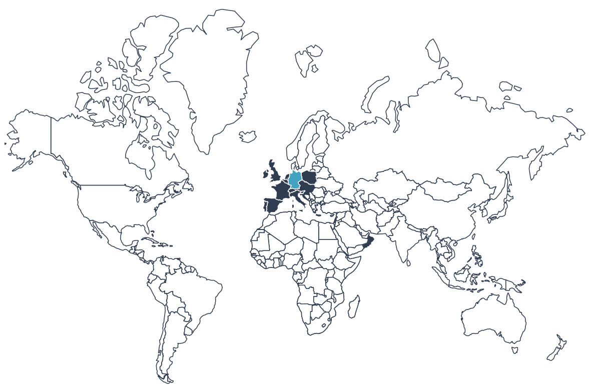
SABO

GOODS & SERVICES
Manufacturer of lawnmowers

part of the portfolio since
2020

approx.
100
employees

approx. EUR
20 million
revenues



HEADQUARTERS
GUMMERSBACH, GERMANY

Company profile SABO

SABO is one of the leading European manufacturers of innovative and high-quality lawnmowers. SABO serves private and corporate customers in 19 countries with petrol mowers, electric mowers and battery-powered garden tools, with around 90% of sales coming from the German market. Due to the quality of its products and the high level of awareness of the SABO brand, the company has a strong market position. With approx. 100 employees, SABO achieves approximately EUR 20 million in annual revenues.
→ www.sabo-online.com/en

Transactions

2020 – Acquisition of SABO Maschinenfabrik by Mutares from John Deere GmbH & Co. KG

Strategy

SABO is a brand and quality supplier of electronic, battery and petrol-powered lawnmowers. In addition, the product portfolio is complemented by third-party hand-held equipment such as leaf blowers, hedge trimmers and chainsaws.

The company distributes its products to companies and private customers through more than 1,100 specialised dealers. SABO's operational focus is on expanding into new markets and tapping into the growth market of battery-powered lawnmowers and garden tools. In addition, since March 2020, SABO has been focusing on the direct sale of its products via the company's own website as a supplement to stationary trade.

Ensuring the highest quality through German craftsmanship in Gummersbach

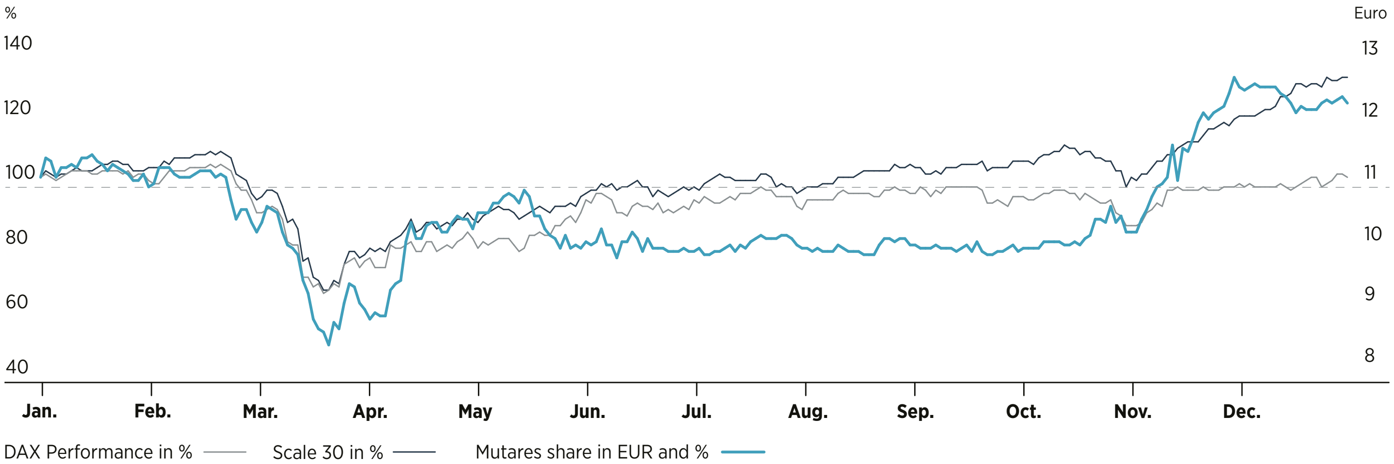
MUTARES ON THE CAPITAL MARKET

- Share above sector average +23.4% price increase in 2020 (+31.3% including dividend)
- Positive response at the Capital Markets Day in Frankfurt
- Dividend of EUR 1.00 per share distributed for 2019 (dividend yield of 7.9% at year-end price)
- Dividend proposal for 2020 of EUR 1.50 per share
- First bond placement in the Company's history in February 2020

Pleasing stock market year 2020 despite COVID-19 pandemic

The international stock markets were very volatile in 2020 due to the outbreak of the COVID-19 pandemic and the resulting recession. The pandemic represented an extraordinary shock for the economies of the EU and worldwide, in the wake of which the Gross Domestic Product (GDP) in the Euro area suffered a 7.2% decline in 2020, while the decline in the U.S. amounted to 3.6%. In this environment, the DAX temporarily slumped by around 40% in the period from February to March 2020. The decline in the broad US benchmark index S&P 500 peaked at around 35% in this period. The pandemic-related economic standstill in the second quarter was followed by a rapid recovery of the economy and global stock market prices. In the process, share prices benefited globally from the continuing expansionary monetary policy of central banks and the billions of Euros in government COVID-19 stimulus programs. The US stock market closed 2020 with a price gain of 19.2%. By the end of 2020, European equities had not fully recovered from the slump in the second quarter of 2020, falling by –5.4%[1].

Price development including benchmark indices



Mutares share with above-average return in 2020

Mutares shares closed the stock market year 2020 at EUR 15.70, up 23.4% on the previous year's closing price (EUR 12.72). They thus significantly outperformed the DAX 30 (+3.5%). The index for growth stocks, Scale 30, which includes the Mutares share, recorded a gain of +31.2%. For investors of the Mutares share, taking into account the dividend of EUR 1.00 per share paid in May 2020, this resulted in an above-average pre-tax return of +31.3%. Mutares strives to provide international private equity investors with a liquid form of investment for otherwise private investment opportunities through its listed Holding Company and to allow the investor to participate in the long-term success for European medium-sized companies.

The acceleration of Mutares' growth in the financial year 2020 with eleven completed acquisitions and the ongoing intensive capital market communication despite the restrictions due to lockdowns and contact limitations, among others with the organized Capital Markets Day in October 2020, are cornerstones for the strengthening of investor confidence, as well as the attractive and sustainability-oriented dividend policy with the renewed distribution of EUR 1.00 per share for the financial year 2019.

[1] Based on the respective MSCI indices in EUR

Mutares share one of the most liquid stocks in the Scale segment

The shares of Mutares are part of the selection index Scale 30 of Deutsche Börse, which tracks the price performance of the 30 most liquid shares of the Scale segment. Measured by the average daily XETRA trading volume of the segment, the Mutares share was one of the five most liquid stocks of the Scale segment in the financial year 2020, with an average of approximately 44,600 shares traded per day (previous year: approximately 34,000).

Share buyback program

In September, the Management Board of Mutares SE & Co. KGaA, with the approval of the Supervisory Board, decided to launch a share buyback program using the authorization granted by the Annual General Meeting on 23 May 2019. Under the share buyback program 2020/I, up to a total of 250,000 treasury shares (corresponding to up to 1.61% of the Company's share capital) could be repurchased in a period from 17 September 2020 to 31 March 2021 at a total purchase price of maximum EUR 2.5 million. A total of 210,600 shares had been purchased by the reporting date and the volume of EUR 2.5 million had been fully utilized.

As a result, the Company holds a total of 472,475 (previous year: 261,875) treasury shares as of the reporting date 31 December 2020. They account for EUR 472,475 or 3.0% of the share capital (previous year: EUR 261,875 or 1.7%).

Key figures of the Mutares share

		2017	2018	2019	2020
Number of shares	Million shares	15.5	15.5	15.5	**15.5**
Treasury shares	Million shares	–	0.3	0.3	**0.5**
Market capitalization	EUR million	247.9	140.1	197.1	**243.3**
Closing price	EUR	16.00	9.04	12.72	**15.70**
Highest price	EUR	16.15	21.00	13.06	**16.86**
Lowest price	EUR	11.50	8.58	8.15	**6.07**
Trading volume (daily average)	shares	17,867	61,710[1]	33,897	**44,600**
Dividend per share	EUR	1.00	1.00	1.00	**1.50[2]**
Dividend yield	%	6.3	11.1	7.9	**9.6**
Distribution	EUR million	15.2	15.2	15.2	**23.1[2]**

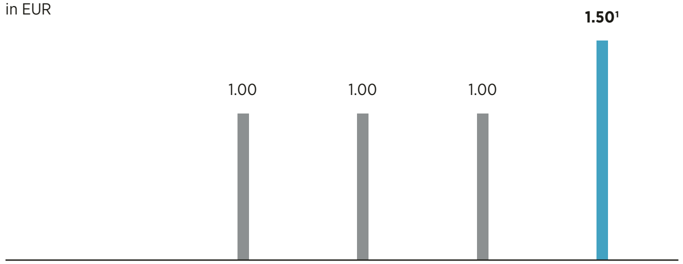
All figures correspond to XETRA prices
[1] Extraordinary increase in average trading volume in the first half of 2018 due to the IPO of Mutares subsidiary STS Group AG
[2] As proposed by the Management and Supervisory Board

Sustainable dividend policy plus distribution of a performance dividend

Mutares continues to adhere to its dividend policy, which is focused on continuity and sustainability. It remains the goal to allow shareholders to participate appropriately in the Company's success with a sustainable and attractive distribution. Due to the pleasing business development in 2019, Mutares could again distribute a dividend of EUR 1.00 per share to its shareholders in 2020, following a resolution by the Annual General Meeting on 18 May 2020. Based on the year-end share price in 2019, the Mutares share thus offered an attractive dividend yield of 7.9% (previous year: 11.1%). The Management Board has already communicated on several occasions that Mutares will continue to aim for an attractive dividend level. The Management Board and Supervisory Board will therefore propose to the Annual General Meeting on 20 May 2021 the distribution of a dividend of EUR 1.50 per share from the retained earnings 2020, resulting from the basis dividend of EUR 1.00 plus a performance dividend from the successful exit of investments in the amount of EUR 0.50. This corresponds to a total distribution amount of EUR 23.1 million.

Development of dividend per share

in EUR



	2017	2018	2019	2020
Total dividend payment for the financial year in EUR million	5.4	15.2	15.2	**23.1[1]**
Dividend yield at the closing price of the financial year	6.3%	11.1%	7.9%	**9.6%**

[1] As proposed by the Management and Supervisory Board

Director's Dealings

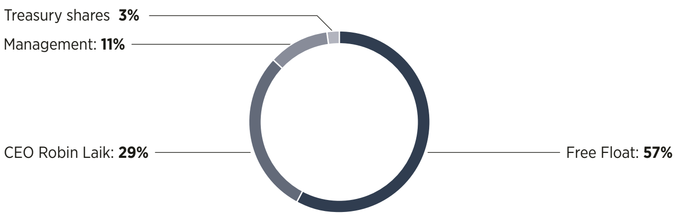
During the reporting period, members of the Management Board and the Supervisory Board acquired further shares in the amount of approximately EUR 0.75 million, thus confirming their confidence in the strategy and outlook of Mutares' growth value.

Broad shareholder structure

The number of Mutares shareholders continued to increase in 2020. At the end of the reporting period, around 9,464 shareholders were entered in the share register (previous year: 7,923 shareholders).

The main shareholder with around 29% is still Robin Laik, CEO and founder of Mutares. Members of the Management Board and Supervisory Board hold a further total of around 11% of the shares. Around 57% of the shares are in free float (as defined by Deutsche Börse), including shares held by institutional investors, family offices, major individual shareholders and asset managers, as well as private investors. Mutares itself holds around 3% of the share capital through treasury shares.

Shareholdings by investor



As of 31 December 2020

At around 87%, the largest proportion of shares outstanding in free float is held by German investors, followed by investors from Switzerland with around 4%. Investors from Luxembourg account for 2.6% of the shareholding, and investors from Ireland for 2.4%. The shareholder structure is to be further internationalized in the current financial year, reflecting the global orientation of Mutares' strategy.

Share master data as of 31 December 2020

Symbol	MUX
WKN	A2NB65
ISIN	DE000A2NB650
Index membership	Scale 30
Transparency level	Scale
Market segment	Curb market
Stock exchanges	Xetra, Frankfurt, Berlin, Düsseldorf, Munich, Stuttgart, Tradegate
Sector	Corporate investments
Number of shares	15,496,292 (472,475 treasury shares)
Share class	Registered shares
Designated Sponsors	Hauck & Aufhäuser Privatbankiers KGaA, Pareto Bank, Stifel Europe Bank, MMWarburg (since 2021)

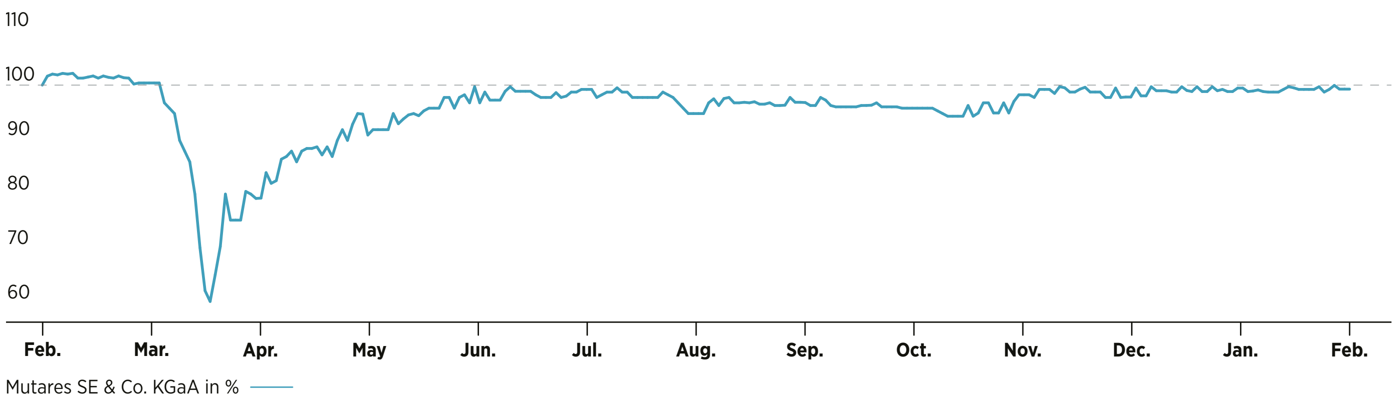
Master data of the Mutares bond

WKN	A254QY
ISIN	NO0010872864
Market segment	Free Float
Stock exchanges	Frankfurt, Oslo
Denominations	1,000
Nominal volume	80,000,000
Nominal volume outstanding (31 December 2020)	70,000,000
Date of issuance	14 February 2020
Maturity	14 February 2024
Interest rate	3-months EURIBOR plus 600 basis points
Interest dates	Quarterly

Mutares successfully places bond

In February 2020, Mutares completed the successful placement of the first bond in the Company's history. The issue amounted to a nominal volume of EUR 50.0 million with the option to increase to a maximum nominal volume of EUR 80.0 million depending on current market conditions. The bond with a maturity of 4 years bears interest at the 3-months EURIBOR plus a margin of 6.00%. In August 2020, the bond was increased by a nominal volume of EUR 20.0 million under the increase option at unchanged interest conditions. After the end of the reporting period, on 12 February 2021, Mutares increased the outstanding bond by a volume of EUR 10.0 million under the existing increase option. The amount of the increase was successfully placed with institutional investors. The funds from the bond issue serve the general corporate financing and support the further growth of Mutares.

Mutares SE & Co. KGaA 6% 20/24 – Development February 2020 – February 2021[1]



[1] The chart shows the development of the bond on the German Stock Exchange.

Investor Relations

Mutares maintained a regular, constructive and transparent dialog with all stakeholders such as institutional investors, private investors, financial analysts and media representatives in the financial year 2020. Mutares further expanded its financial communication activities such as participation in conferences, holding roadshows as well as its own formats. While face-to-face events were still possible at least until spring, these took place virtually in the further course of the year. In addition, the Management of Mutares was in continuous exchange with the press, investors and financial analysts.

As in 2019, Mutares invited investors, analysts and media representatives to the Capital Markets Day in Frankfurt on 20 October 2020. Due to COVID-19 restrictions, it was held in hybrid form as a face-to-face event as well as in virtual format . Thereby, CEO Robin Laik, CFO Mark Friedrich and CIO Johannes Laumann, gave insights into the business model of Mutares to more than 200 investors, analysts and media representatives. For the first time, the Management Board also provided a long-term outlook until 2023 in this context. This formulates a clear revenue and return target for the Holding Company, accompanied by a predictable return for the shareholders. The event was rounded off with case studies from the Managing Directors of the portfolio companies BEXity and keeeper.

In the financial year 2020, Mutares continued to inform capital market participants well beyond the minimum standards of the Scale over-the-counter segment of the Frankfurt Stock Exchange. For example, the Company reported quarterly in German and English on the basis of IFRS accounting and held accompanying conference calls and webcasts with the Mutares Management Board for investors and analysts.

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

Investor Relations in financial year 2020

January 2020	IPEM 2020
February 2020	Super Return 2020
April 2020	Annual Report 2019 and conference call
May 2020	Annual General Meeting 2020
August 2020	Half-year report 2020 and conference call
September 2020	Roadshow Amsterdam und Luxembourg
October 2020	2nd Mutares Capital Markets Day, Frankfurt/Main
November 2020	2020 German Equity Forum – virtual

Attractive dividend proposal of EUR 1.50 per share

Following the strong financial year 2020 in terms of both operations and transactions, with net income of EUR 33.4 million in the annual financial statements (previous year: EUR 22.5 million), the Management Board intends to let shareholders participate in the Company's success again this year and to propose to the Annual General Meeting a basis dividend of EUR 1.00 per share, as in the previous year, plus a performance dividend of EUR 0.50 per share due to successful exits of investments. The total distribution of EUR 23.1 million (previous year: EUR 15.2 million) corresponds to a payout ratio of 70% of net income and a dividend yield of 9.6% based on the closing price in 2020.

Financial analysts predominantly recommend the Mutares share as a buy

The Mutares share was analyzed and rated by two investment banks and one specialist for second-line stocks in the financial year 2020. The buy ratings of the analyst houses reflect the confidence in the business model, the development and the Management of Mutares. The price targets for the Mutares share range up to EUR 24.00 (average: EUR 22.17). This corresponds to a potential of up to 53% based on the closing price on 30 December 2020. Further information is available in the financial analysis section at www.mutares.de/en/investor-relations.

Financial calendar 2021

8 April 2021	Publication of Annual Report 2020 & conference call
11 May 2021	Press release on Q1 2021 & conference call
20 May 2021	Annual General Meeting
June 2021	Investor Weeks DACH
4 August 2021	Publication of half-year report 2021 & conference call
25 to 26 August 2021	Hamburg Investor Days
September 2021	Investor Weeks Europe
8 to 9 September 2021	IPEM 2021 Paris
October 2021	3rd Mutares Capital Markets Day, Frankfurt/Main
9 November 2021	Press release on Q3 2021 & conference call
22 to 24 November 2021	German Equity Forum
December 2021	Investor Weeks UK/USA

5 REASONS TO INVEST IN THE MUTARES SHARE

1. LISTED PRIVATE EQUITY WITH FOCUS ON GROWTH AND HIGH VALUE CREATION

The Mutares share offers the opportunity to participate directly and without maturity commitment in an investment approach focused on high growth and value creation in the otherwise inaccessible private equity business. As a “listed private equity”-security, the share is one of the most liquid securities in the Scale Segment of the Frankfurt Stock Exchange. In contrast to conventional private equity investments, a share investment offers fungibility via the capital market at any time.

2. SUCCESSFUL TRACK RECORD IN TURNAROUND PROCESSES AND CARVE-OUTS

Mutares’ business model is based on the acquisition, usually 100% of the shares, of medium-sized companies in turnaround situations as a so-called “platform investment”. The investments are part of turnaround or succession processes as well as carve-out transactions of large corporations that have an established business model, combined with a strong brand, and above-average development potential. Mutares’ success is ensured by an experienced team of more than 70 consultants with a high level of industry expertise and an extensive track record for successful turnaround processes. Mutares’ goal is to sustainably realize the value and growth potential of its portfolio companies.

3. FOCUS ON SUSTAINABLE GROWTH

Mutares is clearly focused on growth. The growth ambitions will be met, among other things, with the expansion of the operational consulting team from 70 to 140 employees by 2023. The impact of the COVID-19 crisis and Mutares’ strong reputation in Europe as a reliable partner and entrepreneurial investor in the industry creates a variety of opportunities. On this basis, the Management has communicated the target to grow in revenues to around EUR 3.0 billion by 2023. By focusing on the segments Automotive & Mobility, Engineering & Technology and Goods & Services with different economic cycles, the achievement of this target is largely independent of economic fluctuations.

5 REASONS TO INVEST IN THE MUTARES SHARE

4. FOCUS ON SHAREHOLDER VALUE WITH ATTRACTIVE DIVIDEND

Mutares is strictly oriented towards shareholder value and pursues a sustainable dividend policy geared to high returns. The aim is to allow shareholders to participate directly and continuously in the Company's success. The multinational M&A approach with deal sourcing via eight offices in Munich (HQ), Frankfurt, London, Madrid, Milan, Paris, Stockholm and Vienna ensures a constant deal flow. Through its own advisory teams, Mutares generates predictable income for the holding company in the newly acquired portfolio companies, which grows in line with the Group's revenues and enables the distribution of a sustainable basis dividend. Proceeds from the successful disposal of portfolio companies and the resulting performance dividends provide an additional incentive.

5. TAKING RESPONSIBILITY – SUSTAINABILITY AS A CORNERSTONE OF CORPORATE CULTURE

Mutares sees sustainable action and management as an integral part of its corporate philosophy. Both the Management Board and the employees recognize their responsibility and the relevance of the topics of sustainability – also for the Company's success. The three sustainability-related areas of responsibility, Environmental, Social, and Governance (ESG), provide the guidelines. Environmental concerns, human rights, employee protection and safety are considered. Mutares condemns all forms of corruption and, as an investment company and for each portfolio company, sets targets and regulations under ESG aspects. In this way, the Company sends a strong signal – also to its employees, who take their personal responsibility towards the environment and society seriously.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders of Mutares SE & Co. KGaA,

This time last year, the Supervisory Board was confident – but also uncertain. The faith in the business model of our Company and the operational players was strong, but the course of the COVID-19 pandemic and its impact on the economic environment and Mutares was very difficult to assess. Today, we can be very satisfied with what we have achieved in 2020 and look into the future with justified optimism, despite the ongoing pandemic.

Personnel and structure

In the reporting year 2020, there were no changes to the Supervisory Board of Mutares SE & Co. KGaA; the term of office of the four incumbent Supervisory Board members Volker Rofalski (Chairman of the Supervisory Board), Dr. Axel Müller (Deputy Chairman of the Supervisory Board), Prof. Dr. Micha Bloching and Dr. Lothar Koniarski, in accordance with the Articles of Association, ends with the end of the Annual General Meeting in 2024.

The Audit Committee of the Supervisory Board of Mutares SE & Co. KGaA consisted unchanged in 2020 of the two members Dr. Axel Müller (Chairman) and Volker Rofalski.

For Mutares SE & Co. KGaA, the general partner Mutares Management SE, through its Management Board, assumes the management and representation of Mutares SE & Co. KGaA; there were also no changes in its Management Board – consisting of Robin Laik, Mark Friedrich, Dr. Kristian Schleede and Johannes Laumann – in 2020.

The Supervisory Board of Mutares SE & Co. KGaA would like to thank the Management Board of Mutares Management SE for their continued trusting and close cooperation in the financial year 2020.

Activity report for the financial year 2020

The Supervisory Board of Mutares SE & Co. KGaA has fully performed the duties assigned to it by law, the Articles of Association and the Rules of Procedure. It met eleven times in the presence of all members of the Supervisory Board (in some cases by video feed) and at least one member of the Management Board of the managing Mutares Management SE (hereinafter referred to as the “Management Board”); in addition, resolutions of the Supervisory Board of Mutares SE & Co. KGaA were prepared by means of telecommunications, dealt with and adopted in this way or by circulation.

In particular, the Supervisory Board of Mutares SE & Co. KGaA accompanied the Management Board both in the operational development of the Group and in all portfolio decisions on the basis of a timely exchange of information and dealt regularly and in detail with the situation of the Company.

The Supervisory Board of Mutares SE & Co. KGaA was regularly informed by the Management Board about current developments of the Company and its net assets, financial position and results of operations and discussed this information in detail with the Management Board. This also included information on deviations of the actual development from previously reported targets of the Company as well as deviations of the actual business development from the Company’s planning.

In addition, the Management Board provided regular and comprehensive information on all relevant topics of operational management, including significant developments of the individual portfolio companies and their economic results; in addition to an intensive continuous exchange of information on the impact of the COVID-19 pandemic on the Company and the operating businesses of the portfolio companies and the measures taken in this regard, in the reporting period this included, among others, the topics of acquisitions and divestments of portfolio companies, financing topics in connection with the first-time issuance of a bond, IT structure, human resources, compliance, risk management, material litigation and IR activities.

Outside meetings, the Management Board informed the members of the Supervisory Board of Mutares SE & Co. KGaA regularly and promptly about current business, updated key financial figures, and matters of particular importance. The Management Board has received all documents of the Company that the Supervisory Board of Mutares SE & Co. KGaA requested to inspect in the course of fulfilling its statutory duties, and answered all questions raised in this context to the full satisfaction of the Supervisory Board of Mutares SE & Co. KGaA.

The Supervisory Board of Mutares SE & Co. KGaA also issued an invitation to tender for the audit of the financial statements for the financial year 2020 under the leadership of the Audit Committee. At the meeting of the Supervisory Board on 7 April 2020, the plenary session of the Supervisory Board resolved, at the proposal of the Audit Committee, to propose to the Annual General Meeting to retain the current auditor Deloitte for the Company, as the tender showed that Deloitte presented an audit concept that was at least equivalent to that of other candidates, both from a professional and a cost perspective, and against the background of the current pandemic situation, a voluntary rotation of the auditor did not appear appropriate.

The Supervisory Board of Mutares SE & Co. KGaA regularly reviews its activities for efficiency. Against this background, it has established an Audit Committee. In view of the small size of the committee, the Supervisory Board does not believe that there is any need for further efficiency measures.

In the reporting period, the Supervisory Board of Mutares SE & Co. KGaA was not notified of any conflicts of interest. It did not become aware of any compliance violations.

The Audit Committee of the Supervisory Board of Mutares SE & Co. KGaA met seven times in the reporting period in addition to several informal votes. In addition to the mentioned lead role in the tender for the annual financial statements 2020 and the preparation of the adoption of the annual financial statements, topics included a review of the preparation process of the annual financial statements and the consolidated financial statements of the Company for the financial year 2019 together with the auditor and the finance department as well as an update on the upcoming audit preparation and determination of audit focal points.

Audit of the annual financial statements and consolidated financial statements for the financial year 2020

Deloitte GmbH Wirtschaftsprüfungsgesellschaft has audited the annual financial statements prepared by the managing Mutares Management SE as general partner of Mutares SE & Co. KGaA (prepared in accordance with the German Commercial Code) and the consolidated financial statements of Mutares SE & Co. KGaA (voluntarily prepared in accordance with IFRS), each as of 31 December 2020. The annual financial statements and the consolidated financial statements were each issued with an unqualified audit opinion.

In its meeting on 1 April 2021, which was also held by means of telecommunications against the background of the current COVID-19 pandemic, the Supervisory Board of Mutares SE & Co. KGaA approved the annual financial statements and the consolidated financial statements of Mutares SE & Co. KGaA for the financial year 2020 in detail; the auditor's reports were available to the Supervisory Board in each case. Both the Management Board of the managing Mutares Management SE and the signing auditors of Deloitte GmbH Wirtschaftsprüfungsgesellschaft were present at the meeting, were thus available for detailed explanations of both sets of financial statements and answered all questions of the Supervisory Board of Mutares SE & Co. KGaA to its complete satisfaction.

As a final result of its own audits, the Supervisory Board of Mutares SE & Co. KGaA – following the proposal of the Audit Committee – found that there were no objections to either set of financial statements. The Supervisory Board of Mutares SE & Co. KGaA agrees with the respective management report of the general partner. The Supervisory Board of Mutares SE & Co. KGaA thereupon approved – following the proposal of the Audit Committee – both the annual financial statements of Mutares SE & Co. KGaA and the consolidated financial statements of Mutares SE & Co. KGaA. At the same time, in agreement with the Management Board of the managing Mutares Management SE, it resolved to propose to the Company's Annual General Meeting to approve the annual financial statements of Mutares SE & Co. KGaA for the financial year 2020 pursuant to Section 286 (1) sentence 1 of the German Stock Corporation Act (AktG) as prepared by the general partner.

Assessment of the financial year 2020

In the view of the Supervisory Board of Mutares SE & Co. KGaA, the business model of the Mutares Group as a listed private equity house focused on restructuring has proven to be not only resilient but also promising in the pandemic-related economic crisis of 2020.

All pandemic-related threats to the continued existence of individual portfolio companies were successfully averted, not least thanks to the intensive support provided by the Group's own consultants; significant restructuring progress was achieved at numerous portfolio companies.

In addition, the market opportunities that open up for restructuring specialists in economic crises were very actively exploited: portfolio revenue as the core of the Mutares business model was increased again to a record number of fourteen completed transactions in 2020, eleven of them on the buy side and three on the sell side.

As a basis for a further intensified use of opportunities, a corporate bond of EUR 50 million was placed for the first time in the Company's history in Q1 2020 and increased by another EUR 20 million in Q3 2020.

Thanks to significant contributions from all three revenue pillars of the Mutares business model – intra-group consulting services, dividend payments from portfolio companies and exit proceeds – Mutares SE & Co. KGaA thus achieved the best business result in its more than ten-year history in 2020, including a change of legal form that preserved the Company's identity, to the great satisfaction of the Supervisory Board.

A resistant and promising business model alone does not guarantee such outstanding economic successes in a year with an unforeseeable economic crisis of singular proportions; rather, these are very much based on the impressive commitment and outstanding drive with which the enormous challenges of 2020 were tackled by the Management Board of the managing Mutares Management SE. The Supervisory Board expresses its great appreciation and special thanks to the Management Board for this.

Great thanks and appreciation also go to all employees of the Mutares Group for their once again excellent performance and great commitment – especially in the current difficult pandemic situation.

Proposal for the appropriation of profits

According to the German Stock Corporation Act (AktG), the dividend distributable to shareholders is based on the net retained profits reported in the annual financial statements of Mutares SE & Co. KGaA's unappropriated retained earnings.

The Supervisory Board of Mutares SE & Co. KGaA follows the proposal for the appropriation of profits of the general partner Mutares Management SE and has in turn also resolved to propose to the Annual General Meeting of Mutares SE & Co. KGaA to distribute from the net retained profits of Mutares SE & Co. KGaA as of 31 December 2020 of EUR 43,233,546.65 to the shareholders in the amount of EUR 23,116,225.50 (excluding treasury shares), which corresponds to a dividend of EUR 1.50 per dividend-bearing share, and to carry forward the remaining amount of EUR 20,117,321.15 to new account. The amount to be distributed shall be reduced, if necessary, 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.

As a private equity company listed on the stock exchange, Mutares thus allows its shareholders to participate very directly in the profits of its successful business model, which is focused on restructuring, subject to a corresponding resolution by the Annual General Meeting.

Outlook

The Supervisory Board of Mutares SE & Co. KGaA has no reason to believe that the Group's success factors – its promising business model, excellent management and highly committed employees – will not continue to have a positive impact in 2021.

With this assessment, the Supervisory Board assumes that Mutares SE & Co. KGaA and the entire Mutares Group will continue their success story in the financial year 2021, despite a persistently difficult economic environment due to the pandemic.

The Supervisory Board of Mutares SE & Co. KGaA,

Volker Rofalski
Chairman of the Supervisory Board

Munich, 1 April 2021

OUR SUPER-VISORY BOARD

The Supervisory Board consists of four 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. Prof. Dr. Micha Bloching, Dr. Lothar Koniarski, Dr. Axel Müller, Vice Chairman, and Volker Rofalski, Chairman of the Supervisory Board, were elected memebers on the Annual General Meeting on 23 May 2019 of the Supervisory Board. The terms of office of the members end at the end of the Annual General Meeting 2024.

VOLKER ROFALSKI

CHAIRMAN OF THE SUPERVISORY BOARD

Volker Rofalski, born in 1970, has been, since the identity-preserving change of legal form from Mutares AG to Mutares SE & Co. KGaA on 24 July 2019, a member of the Supervisory Board of Mutares SE & Co. KGaA and Chairman of this body; until this change of legal form he has been a member of the Supervisory Board of Mutares AG since 2008 and it's Chairman since 2018. Since July 2019 he is also a member of the Supervisory Board of Mutares Management SE.

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

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

DR. AXEL MÜLLER

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Axel Müller, born in 1957, has been, since the identity-preserving change of legal form from Mutares AG to Mutares SE & Co. KGaA on 24 July 2019, a member of the Supervisory Board of Mutares SE & Co. KGaA and Deputy Chairman of this body; until this change of legal form he has been a member of the Supervisory Board of Mutares AG since 2018 and it's Deputy Chairman since 8 April 2019. Since July 2019 he is also a member of the Supervisory Board of Mutares Management SE.

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 and also Chairman of the Advisory Board of the MIP Pharma Group since 2020.

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 as Dr. rer. nat. in pharmaceutical technology.

DR. LOTHAR KONIARSKI

MEMBER OF THE SUPERVISORY BOARD

Dr. Lothar Koniarski, born in 1955, has been, since the identity-preserving change of legal form from Mutares AG to Mutares SE & Co. KGaA on 24 July 2019, a member of the Supervisory Board of Mutares SE & Co. KGaA; until this change of legal form he has been a member of the Supervisory Board of Mutares AG since 2018. Since July 2019 he is also Deputy Chairman of the Supervisory Board of Mutares Management SE.

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. From 2003 until 2019 he was Chairman of the finance and tax committee of the Chamber of Industry and Commerce Regensburg. From 2013 until 2020 he was member and chairman of the Supervisory Board of CANCOM SE. From 2021, he is a member of the Audit Committee of CANCOM SE. In addition, he serves as Chairman of the Supervisory Board of the SBF AG and is member of the Board of Administration at Alfmeier SE.

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

PROF. DR. MICHA BLOCHING

MEMBER OF THE SUPERVISORY BOARD

Prof. Dr. Micha Bloching, born in 1968, has been, since the identity-preserving change of legal form from Mutares AG to Mutares SE & Co. KGaA on 24 July 2019, a member of the Supervisory Board of Mutares SE & Co. KGaA; until this change of legal form he has been a member of the Supervisory Board of Mutares AG since 2008. Since July 2019, he has also been Chairman of the Supervisory Board of Mutares Management SE.

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.

SUSTAINABILITY AT MUTARES

Foreword by the Management Board – Together for a more Sustainable Future

"The greatest danger to our planet is the belief that someone else will save it". This quote from the English polar explorer Robert Swan sums it up: Every person, and especially every company, has a responsibility to preserve our (still) comfortable living conditions. We all have to do our part to reduce the impact on our environment as much as possible. And not only that. Sustainability that is actually practiced goes beyond ecologically sensible measures and also includes social aspects as well as principles of good corporate governance.

At Mutares, we see sustainable action and management as an integral part of our corporate philosophy. For us, sustainability is inextricably linked to business success. Environmental, Social, Governance (ESG) is increasingly gaining acceptance as a term for the three most important sustainability-related areas of responsibility of a company, which we also use as a guideline.

For more than ten years, Mutares has been acting as an international investor, actively supporting its portfolio companies in defining and implementing comprehensive turnaround and optimization programs. The aim here is also to increasingly focus both our own company and our portfolio companies on sustainable growth. In all our decisions, we not only focus on organic growth and the lasting success of the portfolio companies. We also pay attention to compliance with and implementation of ecological, social and corporate values and standards. Responsible action is anchored in the corporate values of Mutares SE & Co. KGaA and has thus been the order of the day for many years.

We define ourselves as a "Master of Special Situations" and want to act as a long-term and sustainable player in the market. For us, this also means integrating the values of sustainability even more strongly into our international growth strategy. This is one of the reasons why we signed the UN Global Compact this year. By doing so, we are sending a strong signal that sustainability plays a fundamental role at Mutares – also towards all our employees, who, following our example as a company, should also assume their own personal responsibility for the environment and society.

By signing the UN Global Compact, we commit to respecting and implementing the 10 sustainable principles set out therein and to promoting sustainable development worldwide. At Mutares, we are committed to expanding and improving all aspects of sustainability over the long-term, both at the Holding Company level and in all portfolio companies, in order to actively help shaping a more sustainable future.

Sincerely,

the Management Board of Mutares Management SE,
Munich, April 2021

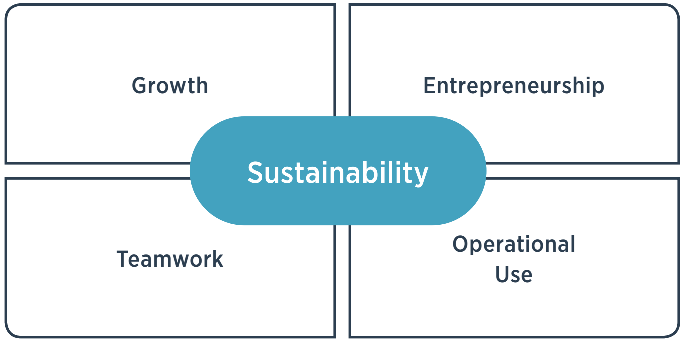
SUSTAINABILITY STRATEGY – MASTERING A SUSTAINABLE FUTURE

As an investment company, Mutares focuses on European companies with high development potential that already have an established business model. The segments in which Mutares acquires its portfolio companies are:

The implementation of ESG aspects in our corporate strategy helps us to better assess sustainability risks and respond to them more effectively. In addition, it also serves to identify and benefit from new opportunities for value enhancement. Already during the acquisition phase, we pay attention to the ESG aspects of the Company and include them in our investment process. Always with the clear goal of achieving a stable growth course and a sustainably oriented success of the acquired company.

Our first task is always to ensure a long-term and profitable presence of the acquired company in the market. In addition to our financial support, we make this possible with our experienced team of operational specialists, who develop an individual future-oriented strategy together with the management of the acquired company.

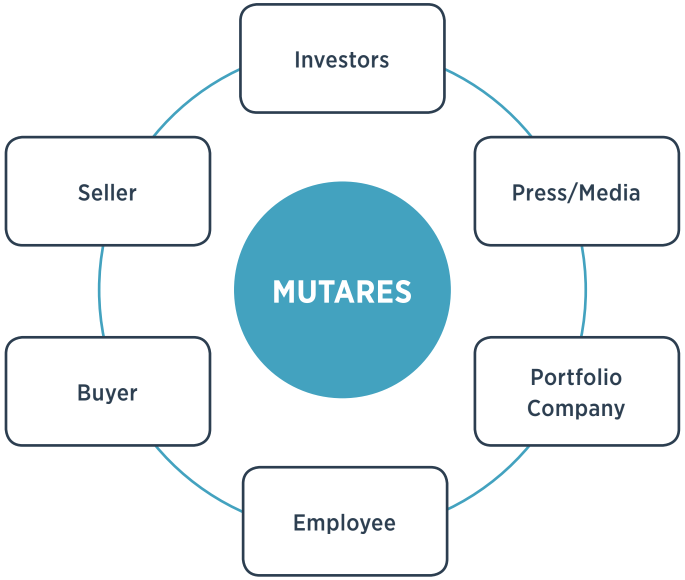
Through our corporate acquisitions, we aim to create long-term added value by following five principles:



The integration of sustainability into our daily business activities is ensured at Mutares with a defined structure. Mutares sets targets and regulations within the framework of ESG aspects not only at the Holding level, but also for each portfolio company. To this end, Mutares implements defined processes in its organization and creates an “ESG Portfolio Review” to determine where each portfolio company is in terms of ESG issues. To this end, various development opportunities are worked out together with the company, which serve to consolidate existing ESG issues and approaches and, at the same time, to be able to react more quickly to identified risks. In addition, key performance indicators (KPIs) are developed together with the company to further promote both the visibility and measurability of ESG issues.

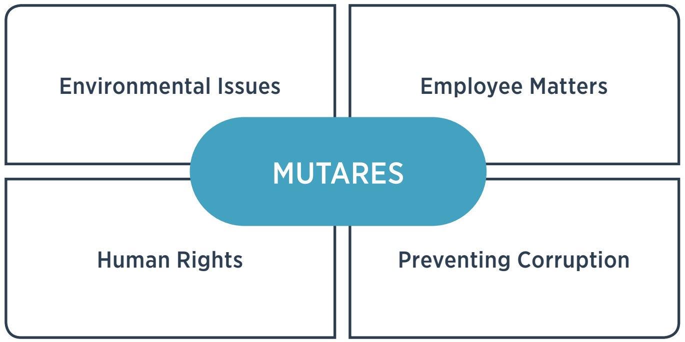
STAKEHOLDER ANALYSIS AND SIGNIFICANCE ANALYSIS

As an internationally operating group of companies, Mutares has an impact on people and institutions in many areas. An intensive and continuous dialog with these stakeholders is a matter of course for Mutares and creates trust. Thanks to this open exchange, we can identify trends and new developments as well as opportunities and risks relevant to our corporate responsibility and sustainability goals at an early stage. Important stakeholder groups for Mutares are all persons and economic actors who have an interest in our actions and with whom we have a direct or indirect relationship through our business.



OUR GUIDELINES – THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT

At Mutares, we firmly believe that successful social responsibility creates value. In implementing our sustainability strategy, we pay attention to the following topics:



As a signatory of the UN Global Compact, we recognize its 10 principles as binding guidelines for the implementation of our sustainable goals and processes. The UN Global Compact grew out of the Paris Climate Agreement in 2015 and is the world's largest initiative for responsible corporate governance and thus also a seal of quality in sustainability. The vision is a sustainable global economy based on 10 universal principles in the areas of human rights, labor standards, environment & climate, and corruption prevention. Worldwide, more than 13,500 companies and organizations have already joined the UN Global Compact, Mutares SE & Co. KGaA is now also part of this network.

THE 10 GOALS OF THE UN GLOBAL COMPACT:

Human rights

1. Businesses should support and respect the protection of international human rights.

2. Companies should ensure that they are not complicit in human rights abuses.

Labor

3. Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4. Businesses should be committed to the elimination of all forms of forced labor.

5. Businesses should be committed to the abolition of child labor.

6. Businesses should advocate for the elimination of discrimination in employment and occupation.

Environment

7. Companies should follow the precautionary principle in dealing with environmental problems.

8. Companies should take initiatives to promote greater environmental awareness and responsibility.

9. Companies should accelerate the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against all forms of corruption, including extortion and bribery.

Since

2021

Mutares is part of the 13,500 organizations that have joined the UN Global Compact

„Sustainable management is a firm component of Mutares. As an active operating investor, we also pay close attention to the compliance and implementation of ecological, social and corporate values and standards. To me, all this is the definition of a responsible entrepreneur."

Robin Laik, CEO of Mutares

MATERIALITY ANALYSIS

The analysis and determination of the most important topics from the perspective of our stakeholders and our portfolio forms the basis for the structure of the following materiality matrix and is an integral part of Mutares' sustainability strategy.

ENVIRONMENT

DOING MORE TO PROTECT THE ENVIRONMENT

ISO 14001:2015 for 60% of the subsidiaries companies

360,000 kg CO_2 compensated in 2020

With the growing awareness that we only have one earth, whose “health” is the crucial basis of life and economy for all of us, we at Mutares associate a far-reaching decision: We see environmental protection as one of the key success factors for the sustainable development of our business. We firmly believe that green technologies, resource-conserving production methods and renewable energy sources are the keys to a holistic approach to sustainable business.

Both at the Holding Level and at our subsidiaries, we are committed to being a role model in the marketplace when it comes to environmentally conscious practices. For example, with the aim of minimizing our environmental impact, we are implementing continuous measures to reduce our carbon footprint on a consolidated basis. For this purpose, Mutares participated in climate protection projects of **atmosfair** and compensated all flights of the Holding employees in 2019 and 2020. 566,000 kg of CO_2 greenhouse gases were offset in 2019, and 360,000 kg in 2020. In this way, we actively supported projects in the areas of renewable energies, alternative power producers and environmental education. **atmosfair** is a climate protection organization with a focus on “travel” that operates its projects according to the rules of the Clean Development Mechanism (CDM) anchored in the Kyoto Protocol. The projects comply with the established “Gold Standard” of international environmental organizations. For this CO2 compensation, airline passengers voluntarily pay a climate protection contribution that depends on the emissions. This supports climate protection projects in developing and newly industrializing countries and at the same time offsets CO2 emissions. This funding thus reaches the countries that are already most affected by climate change and improves not only their ecological but also their economic and social situation.

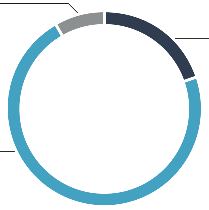
At our portfolios, we also pay attention to the implementation of environmentally friendly behavior in internal corporate processes. 60% of our 20 portfolio companies are certified to ISO 14001:2015 (environmental management system) as of 31 December 2020.

One of the many examples of a subsidiary in which sustainability plays a decisive role is the Balcke-Dürr Group. With more than 130 years of experience, the Group offers innovative solutions for increasing energy efficiency and reducing emissions for utilities as well as the chemical industry. The portfolio ranges from standard modules to complete thermal systems. The Group specializes in solutions that meet the highest safety and sustainability requirements. In addition, a significant reduction of 60% in energy consumption has been achieved at Balcke-Dürr through an extensive LED retrofit program and the renewal of the complete heating and hot water supply in the production plant.

SOCIAL

HUMAN CAPITAL AS A FUNDAMENTAL VALUE

Age structure



As of 31 December 2020

Mutares' most important asset shows emotions! Our success is based on the expertise and professionalism of our dedicated employees. Each one of them contributes daily to the growth of the portfolio of Mutares Group with their competencies and individual personalities. Worldwide, we employ more than 12,000 people in the Group. With eight locations in Germany, France, Great Britain, Italy, Austria, Spain and Sweden, we rely on an intensive exchange with our international colleagues as well as on flat hierarchies and fast communication channels. At Mutares, we place a particularly high priority on the health and occupational safety of our employees.

Mutares is guided by the four principles of the labor standards of the United Nations Global Compact. All portfolio companies also understand safety and health protection of employees as management tasks. At all our portfolio companies, we also pay attention to high standards in the design of workplaces and processes in operation. As a matter of principle, workplaces are planned, furnished and equipped with the aim of preventing work-related illnesses, eliminating hazards and avoiding accidents. Compliance with occupational health and safety is strengthened through the introduction of a "Zero accident" safety culture.

At Mutares, respect for and observance of human rights are anchored in our Code of Conduct and are thus essential components of our corporate responsibility. Furthermore, we strictly reject any form of forced labor and child labor. We recognize the right of all employees to form trade unions and employee representatives on a democratic basis and within the framework of national regulations. Likewise, all employees have the right to adequate remuneration. Remuneration and other benefits are at least in line with the respective national and local legal standards or the level of the national economic sectors/industries and regions. We offer equal opportunities for all and prevent discrimination in the recruitment of employees and in the promotion or granting of training and further education measures. In addition, it is our standard to treat everyone equally with respect, trust and dignity. Our goal is to create a work environment that is free from discrimination and harassment. We treat all employees equally, regardless of gender, age, skin color, culture, ethnic origin, sexual identity, disability, religious affiliation or world view.

Mutares is aware of its social responsibility. We consider the demonstration and initiation of participation in humanity to be essential fixed points of our social value framework. Among other things, Mutares supports the selfless and important work of numerous helpers of the **Outpatient Children's Hospice Munich**. For this purpose, we as a company that has always been deeply connected to the city of Munich and its people, take over a family sponsorship. This is another sign of our commitment to humanity that goes far beyond the financial aspect of our involvement.

Workplace safety and social commitment also play a prominent role for our portfolio companies. For example, **Kalzip GmbH**, a company of the Donges Group, set a new record with 1,000 accident-free days in 2019. In this context, the external certification for occupational safety OHSAS 18001 confirms that Kalzip treats the well-being of its own employees as a top priority. The **Donges Group** has also been supporting the charity Aid Kenya with an annual Christmas donation since 2019, actively supporting school construction and basic care for deaf children in Kenya.

GOVERNANCE

CORPORATE MANAGEMENT AS A GOOD ROLE MODEL

Zero messages in the complaint box

Zero violations against the Code of Conduct

At Mutares, we also see being the change we want others to be an integral part of our corporate leadership culture. Mutares is committed to acting with integrity and in compliance with the law according to nationally and internationally recognized standards, assumes corporate responsibility and pays attention to the impact of its business activities. Accordingly, we have established a compliance system with a Code of Conduct for all relevant areas. This Code of Conduct provides employees with guidance and helps to avoid undesirable actions. All employees at all levels are expected to behave responsibly, ethically and with integrity. This expectation also applies to third parties, such as business partners and suppliers, who contribute to the good image of our Company.

All employees, our suppliers and third parties who do business with us must comply with the applicable laws of the country in which the site is located. As a global Company, we are subject to the laws and regulations of each location in which we do business. Failure to comply with these laws can have civil and criminal consequences. Accordingly, we also comply with capital market laws, among others. Insider information is treated as strictly confidential at Mutares and is not disclosed to third parties. It is prohibited to buy, sell or recommend to others Mutares shares or shares of other listed companies with which we have business relationships using inside information.

Mutares condemns all forms of corruption and bribery. We also adhere to the policy on the prevention of corruption and conflicts of interest and the protection of Mutares Group assets. The implemented policy management software ensures that employees always have access to the applicable policy. It also provides whistleblower protection through an anonymous email service available to all employees, thus promoting transparency.

ESG TOPICS AT OUR PORTFOLIO COMPANIES

SFC SOLUTIONS
SFC Solutions works closely with OEMs to develop new technologies with a special focus on weight and component size reduction to meet the growing requirements for BEV (Battery Electric Vehicles) and HEV (Hybrid Electric Vehicles).

PRIMOTECS
PrimoTECS focuses on e-mobility to develop technologies for power transmission in electric vehicles and received the awards for a certified quality management (IATF 16949) and audited environmental management system (ISO 14001).

IINOVIS
iinovis was able to minimize the consumption of natural resources in 2020 through more efficient use of energy and materials, thus over 60% of purchased energy came from green energy.

ELASTOMER SOLUTIONS
Elastomer Solutions is striving for the full integration of quality, environmental and safety system. The introduction of a Code of Ethics and Business Conduct establishes principles and values for employees.

DONGES GROUP
For the Donges Group, safety in the workplace is paramount, thus in 2019, Kalzip production set a new record with 1,000 accident-free days. The external certification for occupational safety OHSAS 18001 confirms that the well-being of Kalzip's own employees is treated with the highest priority.

BALCKE-DÜRR
Balcke-Dürr Group has achieved a reduction in energy consumption through an extensive LED retrofit program and a renewal of the entire heating and hot water supply in the production plant.

ROYAL DE BOER
Royal de Boer produces barn cleaners that, in combination with the floor system, reduce ammonia emissions and are approved and certified by the Dutch/German government.

GEMINI RAIL GROUP
Gemini Rail Group has founded a new "GemECO" product line with a focus on hybrid retrofitting for existing rolling stock.

EUPEC
EUPEC shows responsibility and respect for the environment by acquiring ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certifications. With a QSHE management, EUPEC ensures its employees' health and safety at work and a high level of quality for all products, while at the same time they are manufactured in a resource-efficient and environmentally friendly way.

BEXITY
With BEXgreen, BEXity enables a sustainable solution and a low-emission transport through e-mobility and rail. This saves up to 33.2% CO_2 per shipment.

KEEEPER GROUP
The keeeper Group has developed a resource-friendly "keeeper eco line" that is made of 100% recycled plastic. The keeeper eco line is not only sustainably produced, but also sustainably disposed of and recycled after approximately 10 years. keeeper received the German government's "Blue Angel" eco-label for the use of environmentally friendly recycled plastics and the creation of incentives for sustainable consumption.

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

CENPA
In 2020, Cenpa was awarded the Forest Stewardship Council (FSC) certificate, an environmental seal that rewards companies with outstanding traceability of their production and helps promote responsible management of the world's forests.

SABO
SABO focuses on the use of modern, powerful battery technology to protect the environment. Not only can exhaust gases and local emissions be avoided, but the devices also operate extremely quietly and energy-efficiently.

60%

of our portfolios are certified according to ISO 14001:2015 (Environmental Management).

COMBINED MANAGEMENT AND GROUP MANAGEMENT REPORT

1. BASIC INFORMATION ON THE GROUP

1.1 Business model and organization

The business approach of Mutares SE & Co. KGaA, Munich (hereinafter referred to as "the Company" or also "Mutares") comprises the acquisition, restructuring and further development of companies in turnaround situations as platform investments. Companies with the following characteristics are particularly interesting for Mutares as platform investments:

- Group spin-off
- Revenues of EUR 50–500 million
- Established market position (products, brand, customer base)
- Focus of activities in Europe
- Economically challenging or situation of upheaval (e. g. pending restructuring or reorganization)

Mutares is committed to its investments in the long term and sees itself as a responsible shareholder that actively supports the upcoming phases of change – based on its extensive, long-standing experience – as a reliable companion. The goal is to turn companies that were unprofitable at the time of the takeover into independent and dynamically operating medium-sized companies with a competitive, profitably growing business model. A prerequisite for this is that, even before the takeover, potential for improving earnings is clearly identifiable in the company and can be leveraged within one to two years through appropriate strategic and operational optimization.

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

- After the Acquisition, Mutares always initiates a comprehensive operational improvement program in the portfolio companies in addition to cash management, in particular through the use of Mutares' own operational team (in-house consulting). The set-up and implementation of the projects defined therein are carried out in close collaboration with the respective investment.
- With this deployment of specialists to support the optimization projects and with the tapping of financial resources for investments in the development of innovative products, in sales and in (production) facilities, Mutares intends to successfully develop its holdings strategically and operationally to the point of long-term realignment.
- Once a platform investment has been operationally stabilized, internal growth is often accelerated by broadening the product portfolio or developing new markets and sales channels. In addition, Mutares systematically seeks opportunities for inorganic growth. In this sense, the platform is strategically complemented by add-on acquisitions in order to implement the planned growth strategy faster.
- Ideally, the value-enhanced investment should be sold within three to five years of acquisition with the aim of achieving a high return on invested capital. Over the entire life cycle (i.e. the period between acquisition and disposal), a return on invested capital (ROIC) of 7–10 is targeted for each Mutares investment.

Once the initial improvement program has been completed, Mutares does not limit itself to merely holding/managing and monitoring performance in the portfolio companies. Instead, acquired companies are supported in the implementation of the initial improvement program with the help of active investment management, which also includes regular reviews of the restructuring or development progress (so-called "audits"), and then continuously improved in the sense of a "continuous improvement" program.

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

In addition to its home market Germany, Mutares is present in other strategic core markets in Europe through its own offices.

As of 31 December 2020, the portfolio of Mutares SE & Co. KGaA includes 20 operating investments or investment groups (previous year: 13), which are divided into three segments:

- Automotive & Mobility:
  STS Group
  SFC Solutions Group
  PrimoTECS
  KICO Group
  iinovis Group
  Elastomer Solutions Group
  Plati Group
- Engineering & Technology:
  Donges Group
  Balcke-Dürr Group
  Lacroix + Kress
  Gemini Rail Group
  Royal de Boer und Japy Tech Group
  EUPEC
- Goods & Services:
  Nexive Group
  BEXity
  Terranor Group
  keeeper Group
  TréfilUnion
  Cenpa
  SABO

1.2 Research & Development

Product-related research & development (R&D) is conducted in particular in the technology-based investments of the Mutares Group. As in the previous year, a single-digit million amount was invested in research & development in the financial year 2020, the capitalized development costs are of minor significance. The research and development activities at STS and SFC Solutions accounted for the majority of this amount.

Innovative products are a cornerstone of **STS**'s strategy and are intended to contribute to the medium-term goals of profitable and sustainable growth. The development of new products for the commercial vehicle and automotive industries is a long-standing competence of the Group and is increasingly demanded by automotive producers (Original Equipment Manufacturers, "OEMs"). In the financial year 2020, restrictions related to the COVID-19 pandemic led to limitations and delays in customers' programs, yet the budget for R&D was maintained. STS Group's strategy was to leverage available resources from the engineering centers to accelerate innovation programs. The integrated know-how on injection molding, composite and insulation materials based on a felt production gives the Group the exceptional ability to combine structural, aesthetic, acoustic and thermal solutions. The three (previous year: four) research & development centers in France and China intensified their cooperation and successfully networked their competencies. Methods, processes and organizations were standardized and harmonized. In the financial year, around 60 (previous year: 80) people were employed in the STS Group's research & development centers. The decrease is mainly due to the sale of the Acoustics division with a development center in Italy.

Research and development also play a key role at **SFC Solutions**: The availability of resources and in-house laboratories should enable the Group to be competitive in a dynamic market that requires short response times and fast solutions. For example, the SFC companies are addressing the opportunities presented by electrification in the automotive sector and are developing battery packs and thermal management solutions. Developing solutions that meet the new specifications required by OEMs is the key to success and should support the company's profitable growth. The new technology roadmap, created by R&D staff in collaboration with process engineers at the plant, demonstrates the performance thrust of the new SFC organization. During the financial year, around 30 people were employed in the research and development centers of the SFC Solutions Group.

2. ECONOMIC REPORT

2.1 General economic and industry-specific conditions

WORLD

The global economy in 2020 was determined by the COVID-19 pandemic. According to the Munich-based ifo Institute's economic report ("ifo economic forecast Winter 2020", published in December 2020), global gross domestic product fell by nearly 10% in the first half of 2020 compared with the final quarter of 2019. The gradual easing of infection control measures brought an increase in overall economic production in the advanced economies compared with the first half of 2020. Nevertheless, growth remained 4% below the pre-crisis level in the third quarter of 2020. In the emerging economies, the overall production slump in the first half of the year was much more moderate: China in particular contributed to this development, as its production recovered quickly after the shutdown at the beginning of 2020. Some other Asian countries were also able to exceed pre-crisis levels in the summer. The ifo Institute cites a more successful pandemic response as the reason for this.

Private consumer spending was also well below the pre-crisis level. This was due not only to restrictions on restaurants, tourist businesses and other services, but also to uncertainty about future income trends.

The price of crude oil, which bottomed out in April 2020, rose again in the third quarter, followed by a short-term increase in the inflation rate. However, the core inflation rate has declined due to the overall rather low level of economic activity, concerns about new increases in infections, the rise in unemployment and the increased propensity to save.

EUROPE

According to the economic report of the Munich-based ifo Institute ("ifo economic forecast Winter 2020", published in December 2020), the economy of the euro area, which is important for the business activities of the Mutares Group, slumped in 2020 due to the measures taken to contain the COVID-19 pandemic. While economic output declined by 11.7% in the second quarter of 2020, a catch-up effect was seen in the third quarter of 2020 with +12.5%. This was mainly due to the strong increase in private consumption and gross fixed capital formation in industry.

The slump in economic activity was of varying severity in the four largest countries of the euro zone: Compared with the pre-crisis level, gross domestic product in Germany fell to 88% in the second quarter. The decline was significantly greater in Italy, France and Spain (80% of the pre-crisis level). While the gross domestic product of Germany, Italy and France recovered in the third quarter of 2020, reaching around 96% of the pre-crisis level, it fell well short of this in Spain, at only 91%.

Since the summer of 2020, inflation has lost momentum, which recently even resulted in a negative inflation rate in the euro area. This was due to declining energy prices and the weak core inflation rate. In view of the sharp decline in economic output, the increase in the unemployment rate in the Euro area from 7.2% to 8.7% was still moderate as a result of economic policy measures such as short-time working.

In response to the COVID-19 pandemic, the European Central Bank once again intensified its expansionary money market policy, so that financing conditions remained favorable. The pandemic emergency purchase program to buy bonds issued by public and private borrowers, which was decided in March 2020, was increased again in the summer and subsequently in December 2020.

CAPITAL INVESTMENT SECTOR

According to the German Private Equity and Venture Capital Association (BVK) ("The German Private Equity Market 2020", March 2021), the private equity industry was also heavily impacted by the COVID-19 pandemic.

Despite this, investments by German-based private equity companies reached EUR 12.6 billion (previous year: EUR 16.6 billion). The volume of investment sales in 2020 was EUR 2.9 billion, even higher than the previous year's figure of EUR 2.7 billion. The exit channels that are significant for Mutares, namely strategic investors or other investee companies (16% and 46%), were responsible for the majority of the total exit volume.

2.2 Business performance

Mutares' business performance in the financial year 2020 was characterized by the following significant events:

- **Spread of COVID-19**
  WHO declared the SARS-CoV-2 (hereafter "COVID-19") infection pandemic on 11 March 2020. To contain the **COVID-19 pandemic**, public life was drastically restricted first in China, then in Europe and increasingly in much of the world, which has led to significant economic burdens globally with partly disruptive effects that have also affected Mutares' investments.

  Therefore, Mutares has taken numerous measures with the entire management team and the employees of the portfolio companies to secure liquidity and to counteract the situation. During the first wave in March and April 2020, the Management Board coordinated with the managing directors of the portfolio companies on a daily basis in order to ensure a coordinated operational approach and the maintenance of liquidity throughout the Group and to immediately pass on experience and successful concepts. A collapse in the consolidated earning power of the portfolio companies could thus be partially mitigated, but not completely avoided. To secure liquidity, parts of the Mutares portfolio companies have taken out loans with government guarantees. With regard to transaction activity, the Management Board sees additional opportunities opening up for Mutares in the M&A area, particularly on the buy side.

- **Placement of a senior secured bond in the total amount of EUR 70.0 million**
  With a value date of 14 February 2020, Mutares SE & Co. KGaA as issuer has issued a senior secured bond with a nominal volume of EUR 50.0 million and a maturity date of 14 February 2024. The bond is listed on the OTC market of the Frankfurt Stock Exchange and on the Oslo Stock Exchange. The bond bears interest quarterly, for the first time on 14 May 2020, at the 3-month EURIBOR (EURIBOR floor of 0.00%) plus a margin of 6.00% and can be increased to up to EUR 80.0 million depending on current market conditions. In connection with the placement of the bond, the Company has undertaken to comply with standard market financial covenants.

  On 26 August 2020, the bond was increased by a nominal volume of EUR 20.0 million under the aforementioned increase option at unchanged interest terms. In the course of the increase, amendments to the terms and conditions of the bond were implemented.

- **Closing of eight platform acquisitions, three more signed**
  In the reporting period, the three segments of the Mutares Group were strengthened and further developed through a total of eight completed platform acquisitions:

  On 31 January 2020, Mutares completed the acquisition of Tekfor S.p.A. (now operating as **PrimoTECS** S.p.A.). PrimoTECS is a supplier for the automotive and related industries. At two locations in Northern Italy, the company produces forgings with application in conventional, hybrid as well as electric powertrains and thus strengthens the Automotive & Mobility segment as a new platform investment.

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

  Also on 1 July 2020, Mutares completed the acquisition of an 80% stake in the business of **Nexive**, the second largest mail and parcel provider in Italy. The previous shareholder, PostNL, received a minority stake of 20% in the company that took over the Nexive business as part of the disposal. The acquisition is allocated to the Goods & Services segment. In November 2020, Mutares initially signed a letter of intent to sell its shares in Nexive to the Italian market leader Poste Italiane. The closing of the transaction took place in January 2021.

  Effective 31 August 2020, Mutares acquired **SABO** Maschinenfabrik GmbH, a manufacturer of lawn mowers and other outdoor power tools, from Deere & Company (“John Deere”). The company will strengthen the Goods & Services segment as a new platform investment. The long-established company operates a production site in Gummersbach.

  Mutares successfully completed the acquisition of Nexans’ German metallurgical business on 1 November 2020, strengthening the Engineering & Technology segment. The company now operates under the name **Lacroix + Kress** and is a manufacturer of oxygen-free copper wire with two German production sites in Bramsche and Neunburg.

  The acquisition of NCC’s Swedish and Finnish road service business was successfully completed on 4 November 2020. This adds a presence in Scandinavia to the Goods & Services segment. The companies now operate under the name **Terranor** and offer winter (snow removal and sanding/salting) and summer (road repairs and green space management) and other related services. Customers are mainly government and municipal authorities.

  Mutares successfully completed the acquisition of the Engineering Services of Valmet Automotive on 13 November 2020. The company now operates under the name **iinovis** and strengthens the Automotive & Mobility segment with its engineering expertise. Mutares expects the acquisition to generate significant synergy potential for the existing portfolio companies in this segment.

  As of 31 December 2020, Mutares successfully completed the acquisition of GEA Farm Technologies **Japy Tech** S.A.S. in France and **Royal de Boer** Stalinrichtingen B.V. in the Netherlands. The companies manufacture milk cooling tanks and barn equipment for dairy farms and expand the Goods & Services Segment.

  The eight platform acquisitions resulted in a gain on bargain in the consolidated financial statements totaling EUR 167.3 million, which is recognized in other income.

  In addition, Mutares was able to announce further acquisitions in November and December 2020. Accordingly, agreements were signed to acquire **Lapeyre** S.A.S. and its subsidiaries, a manufacturer and distributor of home renovation products in France, the steel processing company **Primetals Technologies France** S.A.S., as well as a majority stake of 80% in **Carglass Maison** Group, a French service provider for private household repairs and emergencies.

- **Strengthening of existing holdings through add-on acquisitions**
  In the reporting period, the Balcke-Dürr, keeeper Group and Donges Group shareholdings were each strengthened and further developed through add-on acquisitions:

  On 4 February 2020, Balcke-Dürr GmbH, a platform investment from the Engineering & Technology segment, acquired 100% of the shares in the Italian company **Loterios** S.r.l. as an add-on. Loterios designs and manufactures high-pressure equipment mainly from titanium for the petrochemical industry.

  On 29 February 2020, **keeeper tableware** GmbH, a newly founded subsidiary of keeeper GmbH, completed the purchase of the paper napkin business of the Finnish Metsä Tissue Corporation. This will expand the existing product portfolio in the household segment, as the same customer groups will be addressed. With the acquisition, keeeper Group’s annualized sales grow to over EUR 100 million, strengthening the Goods & Services segment.

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

The three add-on acquisitions resulted in a bargain in the consolidated financial statements totaling EUR 40.5 million, which is recognized in other income.

- **Completion of four exits, two more signed**
Four exits were successfully completed in the reporting period: In April 2020, in addition to the sale of the **Polish company of the Balcke-Dürr Group** to the Wallstein Group, the **activities of BEXity in the Czech Republic** were also sold as part of a management buyout. In addition, the long-standing subsidiary **KLANN Packaging GmbH** was sold to the investment holding Accursia Capital GmbH in May 2020. Finally, on 7 August 2020, **STS Group** concluded a purchase agreement with the strategic investor Adler Pelzer Group for the sale of its Acoustics division. The closing of the transaction took place on 29 October 2020. Through the divestment, STS Group is focusing on its core business in Plastics and Materials in Europe and China and also on the expansion of the North American market.

The deconsolidation result in the consolidated financial statements from these exits amounts to a total of EUR +4.9 million and is shown under other income or other expenses.

Following the sale of its Polish company in April 2020, Balcke-Dürr also signed an agreement to sell its **German Rothemühle business** in December 2020. Accordingly, Balcke-Dürr Rothemühle GmbH, an integrated service, engineering and original equipment supplier for heat exchangers in air and flue gas passages of power plants and industrial facilities, is to be sold to the strategic investor Howden Group. The transaction was successfully completed in January 2021.

In November 2020, Mutares initially signed a letter of intent to sell its shares in **Nexive** to the Italian market leader Poste Italiane. The closing of the transaction then took place in January 2021. The rapid resale takes advantage of a narrow time frame in Italian legislation to allow acquisitions to consolidate in the Italian postal and parcel services market under certain conditions.

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

2.3 Reports from the portfolio companies

The Mutares Group generated revenues of EUR 1,583.9 million (previous year: EUR 1,015.9 million) and EBITDA of EUR 142.7 million (previous year: EUR 79.2 million) in the financial year 2020. Adjusted EBITDA (as defined below in connection with the presentation of financial performance indicators) amounts to EUR –28.8 million (previous year: EUR 7.5 million).

The following explanations reflect the developments of the individual segments or investments in the Mutares Group.

Automotive & Mobility segment

No.	Participation	Industry	Headquarters	Acquisition
1	**STS** Group	System supplier of components for the commercial vehicle and automotive industries	Hallberg-moos/DE	07/2013, partial exit of approx. 35% in 2018
2	**SFC Solutions** Group	Automotive supplier for fluid transfer systems and sealing solutions	various	07/2020
3	**PrimoTECS**	Supplier of components in the engine, transmission and driveline sectors	Avigliana/IT	01/2020
4	**KICO** Group	System supplier for automotive technology	Halver/DE	07/2019
5	**iinovis** Group	Engineering service provider for automotive technology	Munich/DE	11/2020
6	**Elastomer Solutions** Group	Automotive supplier of rubber mouldings	Wiesbaum/DE	08/2009
7	**Plati** Group	Manufacturer of wire and cable harnesses	Madone/IT	06/2019

The global commercial vehicle market recorded production declines of historic proportions in 2020 as a result of the lockdown measures in the fight against the COVID-19 pandemic. The resulting burdens put producers and suppliers under additional enormous pressure. According to industry service IHS Markit ("Europe Medium and Vehicle Production Forecast – First quarter 2021"), production in Europe fell by around 25.7% in 2020. In Germany, the decline was 26.6%, in France 31.7% and in Italy 20.9%. While the markets mainly bottomed out in April, production resumed as early as May with the easing of containment measures. In the course of the second half of the year, the global commercial vehicle market largely recovered from the pandemic-related production declines. For example, production figures in the fourth quarter of 2020 showed a return to growth compared with the declines of the first nine months in almost all major European markets.

Germany fell by 23.6%; while the market in Italy declined comparatively moderately by 8.6%. In North America, the market for light commercial vehicles and passenger cars also showed a downward trend. Production in the USA, for example, was down 18.5% on the previous year, while the market in Mexico contracted by 20.3%.

The automotive market in China contracted by 5.9% in the passenger car segment, while the commercial vehicle sector as a whole recorded a decline of 18.7%. This contrasted with a year-on-year increase of 21.7% in the number of trucks produced.

Sales in the Automotive & Mobility segment amounted to EUR 602.4 million (previous year: EUR 450.4 million). The inclusion of the new platform investments more than compensated for the negative impact of the COVID-19 pandemic. Segment EBITDA for the financial year 2020 amounts to EUR 65.7 million (previous year: EUR 13.6 million). This includes bargain purchase gains from the acquisitions totaling EUR 84.3 million (previous year: EUR 4.1 million). Adjusted EBITDA, on the other hand, was impacted by the negative effects of the COVID-19 pandemic and the still negative earnings contributions from the new acquisitions, and thus declined to EUR –13.3 million (previous year: EUR +15.6 million).

STS GROUP

STS Group ("STS") produces and develops plastic injection molding and composite components at its total of twelve plants and three development centers in France, Germany, Mexico, China and, in the future, also in the USA. The customer portfolio includes leading international manufacturers of commercial vehicles, passenger cars and electric vehicles.

At the start of the year, STS won its first e-mobility order for the European market, thus further expanding its position in the strategically relevant market for electric vehicles on another continent in addition to China.

In the first half of the financial year, the spread of COVID-19 and the associated containment measures impacted the business performance of the STS Group: As early as February 2020, the manufacturing facilities in China were closed. While the STS Group had to immediately adjust its capacities to the current situation at key locations in Europe and America in March 2020, short-time working was introduced at all European sites. The plants in China were able to resume production as early as the end of March 2020, and by April 2020 they were already producing at the same high level as before the plant closure. The plants in Germany, Italy, Poland, France and Brazil were closed from mid-March to the end of April 2020. This led to a significant negative sales trend in the Acoustics, Plastics and Materials segments. The cost-cutting measures, in particular the introduction of nationwide short-time working in France and Italy, only partly offset the revenue-related negative earnings effects. In Europe, too, there were signs of an increasing recovery in the automotive and commercial vehicle markets following the plant closures, but at a significantly lower level. The production volume prior to the plant closures was not achieved again until the end of the second quarter. A further significant recovery was visible at the end of the fiscal year, however, production volumes for the year as a whole remained below those of the previous year.

To safeguard liquidity, STS introduced a large number of cost-cutting measures in the financial year. These include far-reaching structural adjustments to administrative functions, in the course of which tasks at the headquarters in Germany were partially discontinued, returned to subordinate operating units or transferred to external parties. As a result of this development, the Management Board of STS decided to terminate a large number of employment contracts at STS Group AG for operational reasons. To further secure liquidity, French companies of the STS Group were able to take out loans under publicly funded programs to deal with the COVID-19 pandemic.

In August 2020, STS entered into a purchase agreement with Adler Pelzer Group for the sale of its Acoustics business. The closing of the transaction took place on 29 October 2020. Through the divestment, STS Group is focusing on its core business in Plastics and Materials in Europe and China and also on the expansion of the North American market.

Due to the significant drop in sales in the context of the COVID-19 pandemic and the sale of the Acoustics division, STS generated revenues in financial year 2020 that were materially below those of the previous year. However, due to the cost-cutting measures introduced and benefiting from a recovery in the second half of the year, a visibly positive operating result was achieved, which nevertheless fell substantially short of the previous year. For the financial year 2021, the management assumes that, despite a recovery in the organic development of revenues, revenues will continue to decline materially due to the full-year effect of the sale of the Acoustics division. In contrast, the operating result (EBITDA) is expected to develop positively and to increase extraordinarily compared to the financial year 2020.

SFC SOLUTIONS GROUP

Mutares has acquired various companies and assets (now operating under the name SFC Solutions) in Europe and India in the area of sealing and fluid activities from automotive supplier Cooper Standard Automotive Inc.

High-performance fluid transfer systems (FTS) for the automotive industry are manufactured at the plants in Poland and Spain. AGVs are used for thermal management to control the temperature of vehicles as well as for the transport of fluids or for air transport in the Vacuum & Emissions segment. The Italian plant produces seals for the automotive sector and the industrial and specialty segments, as well as rubber compounds. The focus in Italy is also on customers in the automotive industry as well as adjacent sectors (trucks, agriculture, construction). The Indian sites supply sealing solutions as well as fuel and brake supply systems for the automotive industry from seven production facilities. The customer base includes both major global and local OEMs and several Tier 1 suppliers.

Immediately after the acquisition, a Mutares team worked with management to develop a restructuring plan. This plan provides for an increase in efficiency in production processes and a reduction in personnel costs. Furthermore, the market position in Europe is to be expanded. In doing so, SFC Solutions is following the current market trend towards battery electric vehicles (BEV) and hybrid electric vehicles (HEV). As a result of the measures introduced, a significant increase in productivity has already been achieved in some plants. Implementation of the comprehensive cost reduction program will be a key component of activities in the financial year 2021, and management expects the positive effects of this to be reflected in significantly improved operating earnings. On the market side, there were already signs of a recovery in the third and fourth quarters of 2020 following a slump in demand in the context of the spread of the COVID-19 pandemic. However, the market environment will remain challenging for the time being.

PRIMOTECS

In January 2020, Mutares acquired PrimoTECS, an Italian supplier for the automotive and related industries. The company produces forgings with application in electric, hybrid as well as conventional powertrains at two sites in northern Italy. The spread of COVID-19 has significantly impacted PrimoTECS' value chain at various points. Temporary short-time work was used for a large part of the workforce. The Mutares team, in cooperation with local management and with the support of major customers, managed to successfully implement measures to partially offset the negative effects. The implementation of the actual restructuring program, which focuses primarily on reducing direct and indirect costs and stabilizing and further developing revenue, was delayed in the meantime as a result, but got off to a full start later in the year.

Due to the significantly lower sales in the context of the COVID-19 pandemic, PrimoTECS will achieve a materially negative operating result in the financial year 2020. On the basis of the measures initiated, the management expects an extraordinary improvement for the business year 2021, but still a visibly negative operating result.

KICO GROUP

KICO develops, industrializes and manufactures safety components for passenger cars as a supplier to the automotive industry. The product portfolio includes hinges, closure systems as well as mechatronic and aerodynamic systems. Following the acquisition in financial year 2019, Mutares has initiated a program of measures that is mainly focused on the implementation of operational excellence as well as an optimization of working capital. In the new product area of aerodynamic systems, the high complexity found during industrialization burdened the Group's operating result.

Revenues in financial year 2020 fell significantly short of the original planning due to the spread of COVID-19 and, in particular, the temporary plant closures in the European automotive industry. Although revenues recovered in the second half of the year, revenues for the full year 2020 failed to reach the originally planned level, and despite the improvement measures initiated, the operating result was accordingly still clearly negative.

In financial year 2020, the management was able to conclude additional financing by means of government support. For the financial year 2021, KICO expects a significant increase in revenues and an operating result at a recognizably positive level due to the initiated program of measures.

IINOVIS GROUP

Mutares successfully completed the acquisition of Valmet Automotive's Engineering Services in November. The company now operates under the name iinovis and provides engineering services with a focus on the automotive industry, especially for German premium car manufacturers. Due to this, Mutares expects the acquisition to generate high synergy potential for the existing portfolio companies of the segment.

Immediately after the acquisition, a Mutares team together with the management developed a restructuring plan, which is mainly aimed at stabilizing sales and reducing costs, especially in the area of personnel and material costs. The management assumes that a sustainable market recovery due to the ongoing spread of COVID-19 will not occur before the third quarter of financial year 2021 at the earliest. Therefore, iinovis will still achieve a materially negative operating result in the financial year 2021.

ELASTOMER SOLUTIONS GROUP

The Elastomer Solutions Group, headquartered in Wiesbaum (Germany) with production sites in Portugal, Slovakia, Morocco and Mexico, manufactures rubber and thermoplastic components primarily for the automotive industry.

In the original planning for the financial year 2020, Elastomer Solutions Group assumed a significant increase in revenues due to the start of series production. However, the slump in demand in the context of the COVID-19 pandemic led to a significant decline in revenues in the meantime and, despite a recovery in the second half of the year, revenues for the full financial year 2020 fell significantly short of those of the financial year 2019. The associated negative impact on the Group's profitability was cushioned, but not fully offset, by the consistent implementation of cost-cutting measures for all sites and business units. Liquidity was secured through agreements with banks on debt service relief for existing financing and new, additional loans.

For the financial year 2021, Elastomer Solutions Group expects a further increase in the positive operating result through the continued consistent implementation of efficiency-enhancing measures and on the basis of the recovery in demand that has already occurred.

PLATI GROUP

After Mutares acquired the Plati Group, a manufacturer of cable harnesses, special cables and connectors, in the financial year 2019, the focus for the financial year 2020 was on winning new orders in addition to optimizing costs at the company's headquarters in Italy and at the two production sites in Poland and Ukraine. However, these efforts were significantly hampered by the spread of the COVID-19 virus. Nevertheless, Plati was able to successfully complete the conversion of the supply chain and thus the efficiency-enhancing cooperation between the sites, as well as the introduction of a new Group-wide ERP system. The number of employees at the administrative site in Italy was further reduced.

In the context of the COVID-19 pandemic, Plati's revenues declined significantly in the interim and, despite a recovery in the second half of the year, were unable to reach the planned level. As a result, the operating result was still materially negative, contrary to the original planning.

For the financial year 2021, Plati expects a significant increase in sales revenues based on the recovery in demand that has already occurred, which, together with the measures introduced to simplify logistics processes, should have a positive impact on profitability. Therefore, the management expects that the operating result should already reach a recognizably positive level.

Engineering & Technology segment

No.	Participation	Industry	Headquarters	Acquisition
1	**Donges** Group	Full-range supplier of steel structures, roof and facade systems	Darmstadt/ DE	11/2017
2	**Balcke-Dürr** Group	Manufacturer of components to increase energy efficiency and reduce emissions	Düsseldorf/ DE	12/2016
3	**Lacroix + Kress**	Oxygen free copper wire manufacturer	Bramsche/ DE	11/2020
4	**Gemini Rail** Group	Service provider for engineering, maintenance and modernization work for rail vehicles	Wolverton/ UK	11/2018
5	**Royal de Boer and Japy Tech** Group	Cooling tank and barn equipment manufacturer	Leeuwarden/NL; Dijon/FR	12/2020
6	**EUPEC**	Supplier of coatings for oil and gas pipelines	Gravelines/ FR	01/2012

The investments of the Engineering & Technology segment generated revenues of EUR 534.7 million in the financial year 2020 (previous year: EUR 482.0 million). The full-year effect of the add-on acquisitions for the Donges Group, Normek and FDT acquired in the course of the previous year, as well as Lacroix + Kress and Loterios acquired in the financial year 2020, contributed to the increase in revenues. Due to the closing of the Royal de Boer and Japy Tech transaction at the end of the financial year 2020, these did not yet contribute with revenues in the reporting period and – apart from the recognized gain from favorable acquisition ("bargain purchase") – also did not contribute to the segment's earnings. Benefiting from the bargain purchase gains of EUR 67.4 million in connection with the segment's transactions, EBITDA amounted to EUR 59.7 million (previous year: EUR –3.8 million). Adjusted EBITDA increased to EUR 7.6 million (previous year: EUR 4.7 million).

DONGES GROUP

With the acquisitions of Kalzip in financial year 2018 and of Normek and FDT and the integration of Norsilk in financial year 2019, Donges Group has succeeded in expanding geographically and in terms of products. This continued in financial year 2020 with the acquisition of Ruukki Building Systems, which together with Normek now operates under the name NORDEC. A program launched throughout the Donges Group to identify sales and cost synergies should lead to the realization of regional as well as product-side and operational synergies, thus achieving integration of the formerly independent units. The integration is intended to strengthen and further expand the market position of the Donges Group as a "one-stop store" for facade solutions and steel structures.

The spread of COVID-19 had less of an overall impact on the development of the Donges Group than initially assumed. It is true that in the facade solutions business demand in the relevant markets declined significantly in the meantime and individual construction sites (e.g. in India) and production facilities were temporarily closed in the context of measures to prevent the further spread of the pandemic. However, the Donges Group achieved a significant year-on-year increase in revenues of steel structure solutions in the Scandinavian market and also raised its sales level slightly year-on-year in the German market. In addition to the inclusion of the new acquisitions, this resulted in Donges Group's overall revenues increasing significantly in the financial year 2020. Despite costs for expansion and other non-recurring costs, and burdened by the partly negative effects in connection with COVID-19, the Donges Group achieved an already visibly positive operating result.

For the financial year 2021, management expects the facade solutions business to recover at least to the sales level of the financial year 2019 and the steel structure solutions business to maintain its current high sales level. In addition, cost synergies mainly in the areas of production and purchasing as well as the largely completed restructuring and continuous optimization measures are expected to further improve the operating result to a clearly positive level overall.

BALCKE-DÜRR GROUP

The Balcke-Dürr Group, headquartered in Düsseldorf, Germany, offers power plant operators and the chemical industry equipment and services ranging from heavy equipment to annual overhauls. Furthermore, the Group is engaged in clearance measurement and dismantling of nuclear facilities.

In financial year 2020, the Balcke-Dürr Group was able to conclude several transactions: First, the Italian company Loterios was acquired in February 2020. Loterios designs and manufactures titanium high-pressure equipment for the petrochemical industry. This further expanded the Balcke-Dürr Group's Italian business following an initial add-on transaction in financial 2019. In April 2020, the Polish company of the Balcke-Dürr Group was sold after successful realignment. In addition, Balcke-Dürr signed an agreement to sell the German Rothemühle business in December 2020. The transaction was successfully completed in January 2021. Thus, Balcke-Dürr Group has now completely exited all activities related to coal-fired power generation and at the same time strengthened its focus on product developments for chemical processes as well as on dismantling in the nuclear sector.

At operating level, sales and earnings performance fell short of management's forecasts. This was mainly due to the absence of awards of major international projects and a significant decline in auditing activities. This development is primarily a consequence of the measures taken to contain the spread of COVID-19, such as restrictions on travel and the implementation of hygiene concepts by plant operators. In response to these developments, management has initiated further measures in addition to short-time working, aimed in particular at further leveraging synergy potential and adjusting cost structures in Germany and Italy.

On this basis, Balcke-Dürr's management expects a significant market recovery in the financial year 2021 with strong order intake, especially in the area of major nuclear projects. In addition, the cost-cutting measures will have a positive impact on the Group's profitability, so that management expects a recognizably positive operating result.

LACROIX + KRESS

Mutares successfully completed the acquisition of Nexans' German metallurgical business in November 2020. The company now operates under the name Lacroix + Kress GmbH. The company is a leading producer of oxygen-free copper drawing; customers include Tier 1 and Tier 2 representatives from the automotive industry as well as white goods and general industrial applications.

Immediately after the acquisition, a Mutares team worked with management to develop a transformation plan aimed primarily at increasing productivity, optimizing working capital and increasing capacity at the two German plants in Bramsche and Neunburg.

For the financial year 2021, management expects a positive development in terms of revenues and operating improvements, which should have a positive impact on operating earnings. The ongoing trend of renewable energies also supports the demand for copper use in electric vehicles.

GEMINI RAIL GROUP

Gemini Rail Group provides rail vehicle engineering & maintenance services to its customers in the UK rail market. The group's customer base includes train owners and operators as well as manufacturers of rolling stock.

In the financial year 2020, Gemini Rail Group saw the positive effects of implementing the efficiency enhancement program to improve production productivity. This was due in particular to the positive operating performance of the company's remaining site in Wolverton. With revenues significantly below the level of the previous year, a clearly positive operating result was still achieved. In the context of the COVID-19 pandemic, several train operators were placed under government control and regularly scheduled tenders were suspended. Despite a lockdown in the context of the COVID-19 pandemic, there was no production downtime at the Wolverton site. In contrast, however, access to customers' production sites was restricted in some cases due to infection control measures. The resulting project postponements had a negative impact on productivity.

As part of the transformation, Gemini Rail Group is now focusing on implementing a newly defined market strategy and further developing its product portfolio. Under the GemECO brand, the company has already secured its first orders for the conversion of rail vehicles to hybrid drive systems and sees itself as a pioneer for these drive systems in the UK. A first order in the context of GemECO is scheduled for completion in the financial year 2021. At the same time, management expects further GemECO order intake. Overall, the operating result for the financial year 2021 is expected to return to a visibly positive level.

ROYAL DE BOER AND JAPY TECH GROUP

As of 31 December 2020, Mutares successfully completed the acquisition of GEA Farm Technologies Japy S.A.S. and Royal De Boer Stalinrichtingen B.V. with production sites in France and the Netherlands. The companies manufacture milk cooling tanks and barn equipment for dairy farms.

Since January 2021, a Mutares team has been working with local management on a restructuring plan, which is essentially aimed at streamlining the product portfolio, reducing indirect costs and establishing new sales structures.

EUPEC

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

In the current environment of low oil prices, Eupec's project-dominated business activity is characterized by investment restraint on the part of customers. Restrictions in connection with the measures to contain COVID-19 have delayed additional projects and tenders for new projects. Accordingly, revenues in the financial year were substantially lower than in the prior-year period and the budget. Thus, contrary to the original planning, the company was not able to achieve a positive operating result in the financial year.

For the financial year 2021, management expects the market to recover, even though uncertainties remain with regard to the development in the oil and gas industry. Management is hoping for positive impetus from projects relating to the new market segment of underground carbon dioxide storage. On this basis, revenues in the financial year 2021 are expected to increase extraordinarily compared to the financial year 2020, and operating profit is expected to reach a significantly positive level.

Goods & Services segment

No.	Participation	Industry	Headquarters	Acquisition
1	**Nexive** Group	Postal and parcel services provider	Milan/IT	07/2020
2	**BEXity** Group	Provider of transport and logistics services	Vienna/AT	12/2019
3	**Terranor** Group	Provider of road operation and maintenance services	Solina/SE; Helsinki/FI	11/2020
4	**keeeper** Group	Manufacturer of plastic and paper household products	Stemwede/DE	06/2019
5	**TréfilUnion**	Iron wire and prestressing steel manufacturer	Commercy/FR	05/2019
6	**Cenpa**	Producer of coreboard	Schweighouse/FR	05/2016
7	**SABO**	Lawnmower manufacturer	Gummersbach/DE	08/2020

Revenues of the Goods & Services segment amounted to EUR 446.7 million in the financial year 2020 (previous year: EUR 83.5 million). The development is mainly due to acquisitions: In addition to the platform (Nexive, Terranor and SABO) and add-on acquisitions (keeeper Tableware) of the financial year, the effect of including the acquisitions of the previous year (BEXity and keeeper) also had an impact for a full year. EBITDA amounts to EUR 29.0 million (previous year: EUR 79.5 million), benefiting from bargain purchase gains of EUR 56.1 million in connection with the aforementioned transactions. Adjusted EBITDA in the financial year 2020 was impacted by the negative earnings contribution of the new investments and amounted to EUR –17.0 million (previous year: EUR –7.3 million).

NEXIVE

Following the acquisition of an 80% stake in the business of Nexive, the second largest mail and parcel delivery company in Italy, a Mutares team worked with local management to develop a comprehensive restructuring plan, mainly aimed at consolidating the core business and achieving growth in the mail as well as in the parcel business with acknowledgement by the recipient.

Following the negative impact of COVID-19, particularly in the second quarter of the financial year, due to the sharp decline in mail items in particular as a result of office closures, Nexive has been on a strong economic recovery path since its acquisition by Mutares. In addition, the first essential, successful turnaround measures have already been implemented, such as the introduction of a margin-oriented product policy, the consolidation of the partner network, and the automation of sorting.

In November 2020, Mutares signed a letter of intent to sell its shares in Nexive to the Italian market leader Poste Italiane together with the minority shareholder. The closing of the transaction took place in January 2021.

BEXITY

BEXity is a provider of cross-border transport logistics and warehousing services with a nationwide network in Austria. In the area of contract logistics, the company serves customers from various sectors, such as retail, food producers, automotive and manufacturing industries.

The restructuring plan was drawn up immediately after the takeover at the end of the financial year 2019 in the first half of the financial year 2020 and its implementation started without delay. In this context, a new management team was also appointed at BEXity. The restructuring plan aims to stabilize revenue and reduce costs, particularly in the area of personnel and non-personnel costs, and the first positive effects can be seen in the second half of 2020. In the financial year 2020, BEXity's subsidiary in the Czech Republic, European Contract Logistics, was also sold as part of a management buy-out.

A key pillar of the restructuring is the focus on profitable customer contracts. In this context, a streamlining of the product range was carried out, with the result that revenues declined in the financial year 2020, but profitability increased. For the financial year 2021, BEXity already expects an increase in revenues again due to new customer contracts and the implementation of price adjustments. Profitability will also improve as a result of the cost-cutting measures introduced in the financial year 2020, so that management already expects a clearly positive operating result for the financial year 2021.

TERRANOR GROUP

Mutares successfully completed the acquisition of NCC's Swedish and Finnish road services businesses in November 2020. The companies now operate under the name Terranor and offer winter (snow removal and sanding/salting) as well as summer (road repairs and green space management) and other related services in Sweden and Finland. Key customers are mainly state and municipal authorities.

Immediately after the takeover, a Mutares team worked with management to develop a restructuring plan aimed primarily at optimizing tender management and thereby stabilizing revenues and improving cost structures. In addition, the targeted expiration of underperforming contracts and operational improvements at the start of new contracts should contribute to a reduction in the cost base.

On this basis, Terranor's management already expects a positive operating result for the financial year 2021 with revenues above the level of the full year 2020.

KEEEPER GROUP

keeeper is a manufacturer of innovative household products headquartered in Stemwede, Germany. In the financial year 2020, all production activities were relocated to the Polish subsidiary as part of the social plan concluded. Despite the restrictions imposed in the context of COVID-19 with regard to freedom of travel, it was possible to implement this measure in full. The action plan also provides for a reduction in product diversity in addition to productivity increases and cost reductions.

In February 2020, keeeper was already able to implement a first step in its buy-and-build strategy with the acquisition of the paper napkin business from the Finnish Metsä Tissue Corporation in Germany. Since then, the business has been operating under the name keeeper Tableware. Due to the restrictions imposed on hotels, restaurants, cafés and canteens (Horeca) in the context of COVID-19, the company's revenues, profitability and liquidity suffered. The slump in revenues was mitigated by switching to production for toilet paper later in the year. The financial resources accruing to the company from the sale-and-leaseback transaction of the premises are to be used, among other things, to implement profitability-enhancing investments.

In the financial year 2020, keeeper (excluding keeeper Tableware) achieved revenues noticeably above the planned level and a significantly positive operating result benefiting from special effects. keeeper Tableware, on the other hand, was strongly affected by the restrictions imposed in the context of COVID-19 with regard to the Horeca segment, so that the operating result in the financial year 2020 was significantly negative.

For the financial year 2021, the management expects total sales revenues (including keeeper Tableware) to exceed the triple-digit million range and a clearly positive operating result.

TRÉFILUNION

TréfilUnion, a producer of iron wire and prestressing steel with two plants in France, was severely affected by the spread of the COVID-19 virus in the reporting period. Production was temporarily shut down at both plants in the first half of the financial year, but was then gradually ramped up again. The use of short-time working only partially compensated for the negative impact on earnings. The postponement of customer orders led to a slump in orders, and at the same time there were delays in the supply of raw materials by suppliers.

In the financial year 2020, revenues fell significantly short of the originally planned level, with a corresponding negative impact on profitability. For the financial year 2021, the management expects a market recovery which, in combination with the optimization measures introduced, will have a positive effect on the profitability of the company. Nevertheless, the operating result will still be at a substantially negative level in the financial year 2021.

CENPA

The market environment of Cenpa, a manufacturer of coreboard from Schweighouse in Alsace, was influenced by the effects of the COVID-19 pandemic in the financial year 2020: On the one hand, demand for toilet paper cores increased significantly at times. On the other hand, due to the rapid spread of COVID-19 in Alsace, the company recorded high absenteeism rates among its workforce in some cases and was therefore unable to fully meet customer demand. The management countered these influences with extensive safety and hygiene measures, which meant that a production shutdown could be avoided. In parallel, Cenpa continued to expand its sales function to cover new geographical areas.

In the financial year 2020, Cenpa achieved revenues significantly below those of the previous year. However, despite strongly fluctuating procurement prices on the relevant raw material market for recovered paper, a slightly positive operating result was achieved. For the financial year 2021, the management expects a material recovery in the sales level, which should be reflected in a further improved and recognizably positive operating result.

SABO

Mutares acquired SABO Maschinenfabrik GmbH, a manufacturer of lawnmowers and other outdoor power tools, from Deere & Company ("John Deere") in August 2020. At the time of acquisition, the tradition-rich company employed around 125 people at its site in Gummersbach.

Immediately after the takeover, the Mutares team worked with management to develop a restructuring plan aimed primarily at increasing sales and reducing personnel and overhead costs. The increase in revenues is to be achieved through measures to optimize the portfolio, internationalization, and improvement of the condition system. The reduction in personnel costs will be achieved through a social plan, the main elements of which were already negotiated and concluded in the financial year 2020. In addition, overheads will be significantly reduced through numerous measures as part of a comprehensive improvement project. This has laid the foundation for a successful transformation.

Management expects demand to remain constant or increase slightly in the financial year 2021. The expansion of the product portfolio to include handheld devices is expected to result in an increase in sales for SABO. Despite realization of savings in all business areas, SABO expects a negative operating result.

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

This business model is associated with regular changes in the scope of consolidation, which have a significant impact on Mutares' consolidated financial statements. In the financial year, the first-time consolidations presented above had a significant impact on the items of the consolidated statement of comprehensive income and statement of financial position. The operating result of the Mutares Group develops depending on the business performance in the individual investments or portfolio companies and is also influenced by the timing of the acquisition of new investments and the resulting gains from bargain purchases.

3.1 Earnings

Mutares generated consolidated **revenues** of EUR 1,583.9 million in the financial year 2020 (previous year: EUR 1,015.9 million). The increase is largely due to changes in the scope of consolidation: Due to the first-time inclusion of the platform investments acquired during the financial year 2020 and BEXity acquired at the end of the previous year, revenues increased by EUR 485.8 million and by a further EUR 130.3 million due to the add-on acquisitions; in addition, the companies acquired during the previous year now contributed with a full twelve months in the financial year 2020. With regard to the revenues of investments that were part of the Mutares Group for a full twelve months in the financial year 2020 as well as in the previous year, we refer to the above comments on the portfolio companies.

With regard to the allocation of revenues to the individual segments, we refer to the above comments on the individual portfolio companies.

Sales are broken down by geographical markets based on the customer's registered office as follows:

EUR million	2020	2019
Europe	1,406.2	880.8
Germany	356.9	252.5
Italy	222.0	86.6
France	211.1	191.2
Austria	154.3	34.1
Sweden	107.8	47.3
United Kingdom	79.9	81.0
Finland	58.0	12.6
Poland	35.0	41.5
Czech Republic	29.4	12.6
The Netherlands	28.9	17.1
Belgium	24.3	21.8
Other Europe	98.4	82.4
Asia	133.6	88.9
America	33.2	35.6
Africa	10.9	10.6

As in the previous year, the **other income** of EUR 241.3 million in the financial year 2020 (previous year: EUR 119.1 million) is attributable in particular to consolidation effects: The acquisitions of the financial year resulted in gains from bargain purchases of EUR 207.8 million (previous year: EUR 102.6 million). The deconsolidation gains included in other income amount to EUR 6.9 million (previous year: EUR 0.0 million). A further breakdown of other income can be found in the notes to the consolidated financial statements.

The **cost of materials** for the financial year 2020 amounts to EUR 974.6 million (previous year: EUR 622.6 million). The cost of materials ratio (in relation to sales) amounts to 62% (previous year: 61%).

Personnel expenses for the financial year 2020 amount to EUR 423.9 million (previous year: EUR 291.8 million). The increase reflects the higher number of employees due to the high transaction activity of Mutares. The use of short-time work helped to reduce personnel expenses in the reporting period.

The **other expenses** of EUR 260.8 million (previous year: EUR 137.5 million) are broken down further in the notes to the consolidated financial statements.

As a result, the **EBITDA** of the Mutares Group for the financial year 2020 amounts to EUR 142.7 million (previous year: EUR 79.2 million).

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

To improve transparency, Mutares uses **Adjusted EBITDA** as a key performance indicator. This Adjusted EBITDA (as defined below in the presentation of financial performance indicators) amounts to EUR –28.8 million (previous year: EUR +7.5 million). The Adjusted EBITDA is burdened in particular by the negative effects in connection with the spread of the COVID-19 pandemic and the still negative earnings contributions of the companies acquired in the past twelve months.

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

EUR million	2020	2019
EBITDA	142.7	79.2
Income from bargain purchases	-207.8	-102.6
Restructuring and other non-recurring expenses	41.1	31.0
Deconsolidation effects	-4.9	0.0
Adjusted EBITDA	**-28.8**	7.5

For information on bargain purchases and deconsolidation effects, please refer to the comments above on business performance and in the reports on the portfolio companies.

Restructuring and other non-recurring expenses in the financial year 2020 include expenses for severance payments and social plans totaling EUR 15.0 million (previous year: EUR 17.2 million), expenses for carve-outs (particularly in the IT area) totaling EUR 5.9 million (previous year: EUR 0.3 million), and consulting expenses in connection with restructuring (EUR 2.6 million; previous year: EUR 1.4 million) or M&A activities (EUR 3.9 million; previous year: EUR 0.4 million). Also included are expenses from the valuation of an earn-out agreement in connection with a company sold in the financial year 2017 of EUR 3.3 million (previous year: EUR 4.2 million).

Depreciation and amortization of EUR 101.5 million (previous year: EUR 53.0 million) includes impairment losses of EUR 18.3 million (previous year: EUR 1.7 million) due to impairment losses. These relate mainly to two subsidiaries for which the review of the recoverable amount identified a need for impairment as a result of changes in the economic environment, which were significantly exacerbated by the outbreak of the COVID-19 pandemic.

The **financial result** of EUR –24.3 million (previous year: EUR –9.5 million) comprises financial income of EUR 3.9 million (previous year: EUR 1.5 million) and financial expenses of EUR 28.2 million (previous year: EUR 11.0 million). A further breakdown of financial income and expenses can be found in the notes to the consolidated financial statements.

Income taxes of EUR 2.8 million (previous year: EUR 0.0 million) includes current taxes (EUR –3.8 million; previous year: EUR –4.2 million) and deferred taxes (EUR 6.6 million; previous year: EUR 4.2 million).

The developments described above resulted in a positive **consolidated result** of EUR 19.7 million (previous year: EUR 16.7 million).

Other comprehensive income includes actuarial gains of EUR 0.4 million (previous year: losses of EUR 3.1 million) in connection with the measurement of provisions for pensions at portfolio companies. Furthermore, other comprehensive income includes exchange rate differences of EUR –6.1 million (previous year: EUR 1.3 million).

3.2 Net assets and financial position

Total assets in the Mutares Group amounted to EUR 1,327.2 million as of 31 December 2020 (previous year: EUR 848.5 million). The increase is mainly due to the inclusion of the newly acquired investments.

Non-current assets increased from EUR 399.2 million as of 31 December 2019 to EUR 498.3 million as of 31 December 2020, mainly due to increases in property, plant and equipment (EUR +66.2 million), accounts in use (EUR +27.6 million) and intangible assets (EUR +17.3 million).

The increase in **current assets** to EUR 828.9 million as of 31 December 2020 (previous year: EUR 449.3 million) resulted primarily from an increase in trade and other receivables (EUR +114.0 million), inventories (EUR +69.4 million), cash and cash equivalents (EUR +65.6 million), and other assets (EUR +15.0 million).

Cash and cash equivalents amounted to EUR 145.3 million as of 31 December 2020 (previous year: EUR 79.7 million). This is offset by current liabilities to banks and loans as part of the balance sheet item current financial liabilities in the amount of EUR 63.4 million (previous year: EUR 57.5 million), which result from current account and loan liabilities and from the recognition of "unreal" factoring. The **net cash position** as of 31 December 2020 thus amounts to EUR 81.9 million (previous year: EUR 22.2 million).

Assets and liabilities held for sale in connection with non-current assets held for sale include the assets and liabilities of Balcke-Dürr Rothemühle GmbH and the Nexive Group, which were classified as disposal groups in the context of IFRS 5.

Equity amounts to EUR 207.2 million as of 31 December 2020 (previous year: EUR 208.2 million). The consolidated profit of EUR 19.7 million (previous year: EUR 16.7 million) increased equity in the financial year 2020, while the dividend distribution to the shareholders of the parent company, the shareholders of Mutares SE & Co. KGaA, of EUR 15.2 million (previous year: EUR 15.2 million) had an opposite effect. Further factors influencing the development of equity are presented in the statement of changes in equity. The equity ratio as of 31 December 2020 amounts to 16% (previous year: 24%). With regard to the disclosures concerning the acquisition of treasury shares pursuant to Section 160 (1) No. 2 AktG, we refer to the disclosures in the notes to the consolidated financial statements of Mutares SE Co. KGaA.

Non-current liabilities of EUR 405.4 million (previous year: EUR 235.4 million) include EUR 115.8 million in other financial liabilities. The increase is mainly due to the placement of a bond with a nominal volume of EUR 70.0 million in the financial year and to loans taken out with banks, most of which were taken out as part of publicly funded programs to deal with the COVID-19 pandemic. Furthermore, non-current liabilities mainly include non-current lease liabilities of EUR 115.1 million (previous year: EUR 95.2 million) and provisions for pensions and similar obligations of EUR 116.1 million (previous year: EUR 87.3 million).

Current liabilities amount to EUR 714.6 million as of 31 December 2020 (previous year: EUR 404.9 million) and relate to trade payables of EUR 250.0 million (previous year: EUR 157.7 million). The increase in other financial liabilities (EUR 110.1 million; previous year: EUR 94.8 million) and other liabilities (EUR 91.6 million; previous year: EUR 58.9 million) reflects, among other things, the easing of payment terms, deferrals of payments to public-sector creditors and the raising of additional financing, partly as part of publicly funded programs to deal with the COVID-19 pandemic.

Cash flow from operating activities amounted to EUR –43.0 million in the financial year 2020 (previous year: EUR 10.6 million). This is due to a consolidated net profit for the year of EUR 19.7 million (previous year: EUR 16.7 million), non-cash expenses and income totaling EUR 101.1 million (previous year: EUR 46.9 million), changes in the balance sheet items of working capital (trade working capital and other working capital) with an increase of EUR 22.5 million (previous year: EUR 12.5 million), and effects from interest and taxes of EUR 18.6 million (previous year: EUR 7.9 million).

The **cash flow from investing activities** of EUR 51.4 million in the financial year 2020 (previous year: EUR +44.4 million) resulted mainly from proceeds from disposals of property, plant and equipment and assets held for sale (EUR 16.1 million; previous year: EUR 40.3 million). This was offset by payments for investments in property, plant and equipment and intangible assets (EUR –35.5 million; previous year: EUR –31.4 million). Additions to the scope of consolidation resulted in a net increase in cash and cash equivalents of EUR 78.6 million (previous year: EUR 32.6 million). This item was also affected by cash inflows and outflows from disposals from the consolidated group of EUR –9.1 million (previous year: EUR +2.9 million).

Cash flow from financing activities amounted to EUR 57.8 million (previous year: EUR –62.5 million) and mainly comprises proceeds from the issuance of bonds and (financial) loans (EUR 133.0 million; previous year: EUR 22.4 million), of which a large part is attributable to the proceeds from the bond with a nominal volume of EUR 70.0 million. In contrast, (financial) loans of EUR 29.0 million (previous year: EUR 22.5 million) and leasing liabilities of EUR 27.6 million (previous year: EUR 15.9 million) were repaid in the financial year. Cash inflows and outflows from (unreal) factoring amounted to EUR 5.9 million (previous year: EUR –24.1 million). The dividend to the shareholders of the parent company, the shareholders of Mutares SE & Co. KGaA, amounted to EUR 15.2 million, as in the previous year.

As a result, **cash and cash equivalents** amounted to EUR 145.3 million as of 31 December 2020 (previous year: EUR 79.7 million).

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

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

4. POSITION OF THE COMPANY INCLUDING NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial statements of Mutares SE & Co. KGaA have been prepared in accordance with the provisions of the German Commercial Code (HGB) for medium-sized corporations and the German Stock Corporation Act (AktG), supplemented by the provisions of the Articles of Association. The Company is the parent company of the Mutares Group. In this respect, its business development is fundamentally subject to the same risks and opportunities as those of the Mutares Group and its economic conditions correspond to those of the Mutares Group. However, the annual result of Mutares SE & Co. KGaA is fed from different sources, namely on the one hand from revenues from the consulting business and on the other hand from dividends of portfolio companies as well as exit proceeds from the sale of investments. Even in an operationally difficult year for various portfolio companies, Mutares thus sees itself in principle in a position to generate a sufficiently high net profit for the year to be able to continue its long-term sustainable dividend policy.

The following comments on the results of operations, net assets and financial position relate to the annual financial statements of the Company, which have been prepared in accordance with the requirements of the German Commercial Code and the German Stock Corporation Act.

4.1 Earnings

The **revenues** result from consulting services to affiliated companies and management fees. The increase to EUR 31.9 million (previous year: EUR 19.3 million) is a consequence of the high transaction activity in the past and a resulting enlarged portfolio, which was countered by a timely build-up of internal, operational consulting capacities.

Other operating income amounts to EUR 13.0 million (previous year: EUR 10.5 million) and mainly includes income of EUR 11.8 million (previous year: EUR 0.0 million) from a direct subsidiary, where hidden reserves in the shares were disclosed as part of a contribution, and income of EUR 0.8 million (previous year: EUR 2.6 million) from the reversal of impairment losses on receivables that had been written down in the past. In the previous year, other operating income also included income from the write-up of financial assets (EUR 5.8 million).

The **cost of materials** of EUR 2.8 million (previous year: EUR 1.8 million) consists exclusively of purchased services and relates to services provided by external consultants that are invoiced to the company and charged on by the company to affiliated companies in connection with the provision of consulting services.

Personnel expenses in the financial year 2020 amounted to EUR 11.5 million, compared with EUR 9.2 million in the previous year. The increase results from the addition of employees in the company (53; previous year: 40) in connection with the enlarged portfolio.

Other operating expenses of EUR 25.7 million (previous year: EUR 18.1 million) include services of EUR 16.5 million (previous year: EUR 8.4 million) from the recharging of Mutares Management SE and the Mutares national companies and legal and consulting expenses of EUR 5.4 million (previous year: EUR 4.6 million). Furthermore, bad debt allowances and losses on receivables of EUR 0.2 million (previous year: EUR 1.6 million) are included in other operating expenses.

Income from investments includes income from the recognition of profits from investments in the same period and amounts to EUR 34.6 million (previous year: EUR 22.0 million). The **interest result** of EUR –3.8 million (previous year: EUR 0.5 million) includes interest income of EUR 1.0 million (previous year: EUR 0.4 million) and interest expenses of EUR 4.8 million (previous year: EUR 0.0 million). The latter includes current coupon payments and expenses incurred in connection with the issue of the bond.

As a result, **net income** for the year amounted to EUR 33.4 million, compared with EUR 22.5 million in the previous year.

4.2 Net assets and financial position

The **non-current assets** of Mutares SE & Co. KGaA amounting to EUR 70.1 million (previous year: EUR 43.0 million) mainly comprise financial assets of EUR 69.6 million (previous year: EUR 42.6 million), which in turn are divided into shares in affiliated companies (EUR 51.4 million; previous year: EUR 30.7 million) and loans to affiliated companies (EUR 18.2 million; previous year: EUR 11.9 million).

Current assets include EUR 81.9 million (previous year: EUR 41.0 million) in receivables from affiliated companies and EUR 26.5 million (previous year: EUR 9.2 million) in bank balances.

After payment of a dividend of EUR 15.2 million in the previous year, which corresponds to EUR 1.00 per no-par value share entitled to dividend, the Company's **equity** amounts to EUR 94.5 million (previous year: EUR 78.9 million).

Provisions amount to EUR 6.3 million as of 31 December 2020 (previous year: EUR 4.5 million) and, as in the previous year, consist primarily of provisions for personnel costs. **Liabilities** increased to EUR 79.4 million (previous year: EUR 10.3 million), mainly resulting from the placement of a bond with a nominal volume of EUR 70.0 million.

5. PERFORMANCE INDICATORS AND THE MANAGEMENT BOARD'S ASSESSMENT OF BUSINESS PERFORMANCE

5.1 Financial performance indicators

The significant financial performance indicators of the **Mutares Group** are:

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

Gains on bargain purchases are recognized in income immediately in the year of the transaction. Restructuring and other non-recurring expenses, such as expenses arising from the valuation of assets and liabilities in connection with a liquidation and deconsolidation, or legal and consulting fees (e.g. in connection with an IPO), may also be incurred in subsequent periods. Due to the regularly significant non-operational volatility of Group EBITDA associated with this, the Management Board has introduced an additional performance measure for reasons of transparency in the form of EBITDA adjusted for non-recurring effects – referred to 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 bargain purchase gains, restructuring and other non-recurring expenses, and deconsolidation effects. This provides a more transparent presentation of operating developments and enables a better assessment of operating earnings power.

The Management Board has issued an attractive and long-term dividend policy, so that it sees its ability to pay dividends as another significant financial performance indicator for **Mutares SE & Co. KGaA**. The annual result of Mutares is fed by various sources, namely on the one hand revenues from the consulting business and on the other hand dividends from portfolio companies as well as exit proceeds from the sale of investments. Even in an operationally difficult year for various portfolio companies, Mutares sees itself in principle in a position to generate a sufficiently high net income to be able to continue its long-term sustainable dividend policy.

For information on the development of the individual financial performance indicators, please refer to the comments above on the results of operations of the Group (3.1) and the Company (4.1) as well as the net assets and financial position (3.2).

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

- The Management Board expected a significant increase in revenues for the Mutares Group in the financial year 2020 due to the acquisitions despite already foreseeable declines in **revenues** in the context of the spread of the COVID-19. With an increase of EUR 568.0 million or 56%, this target was exceeded due to the continued high acquisition activity. With regard to the contribution of the individual segments to this development, we refer to the comments above under 2.3.

- With regard to **EBITDA**, the previous year's forecast of achieving a clearly positive (reported) EBITDA was also achieved. Benefiting from bargain purchase gains in connection with the acquisitions in the financial year 2020, EBITDA amounted to EUR 142.7 million (previous year: EUR 79.2 million). Please refer to the above comments for details of the main influencing factors.

- As expected, **Adjusted EBITDA** was impacted by the negative effects of the spread of the COVID-19 virus on economic development and thus also the restructuring progress at the individual portfolio companies and amounts to EUR –28.8 million for the financial year 2020 (previous year: EUR +7.5 million). Furthermore, the still negative earnings contributions from the new acquisitions also had a negative impact on Adjusted EBITDA, resulting in an overall decline compared with the financial year 2019.

- The **net cash position** increased in line with expectations compared to 31 December 2019. The development was mainly supported by the placement of a bond with a nominal volume of EUR 70.0 million and the raising of long-term loans, partly in the context of publicly funded programs to cope with the COVID-19 pandemic.

- According to the forecast, **cash flow from operating activities** was negatively impacted by the negative effects of the spread of the COVID-19 virus on the economic development and thus also the restructuring progress in the individual investments and amounts to EUR –43.0 million for the financial year 2020.

- The **net income of Mutares SE & Co. KGaA** as a prerequisite for the continuation of the long-term, sustainable dividend policy could again be increased compared to the previous year and thus the ability to pay dividends was expanded.

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

5.2 Assessment of the Management Board on the course of business

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

The Management Board is very satisfied with the progress of restructuring and development at some portfolio companies – particularly in view of the negative impact of the spread of COVID-19 – but still sees significant potential for improvement at other portfolio companies. In particular, the Management Board considers the development of the Donges Group, the Elastomer Solutions Group, the KICO Group and BEXity to be positive. The Management Board considers the start of the restructuring, especially in SABO, to be very promising.

With regard to the transaction activities in the financial year 2020, the Management Board is extremely satisfied due to the large number of acquisitions. It considers the large number of platform acquisitions, which offer new potential for the future, as well as the promising add-on acquisitions, in particular for Donges Group and keeeper Group, as positive.

The Management Board is satisfied with the course of the financial year 2020 in view of the special charges in the context of the COVID-19 pandemic.

6. SUBSEQUENT EVENTS

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

7. FORECAST, OPPORTUNITIES AND RISK REPORT

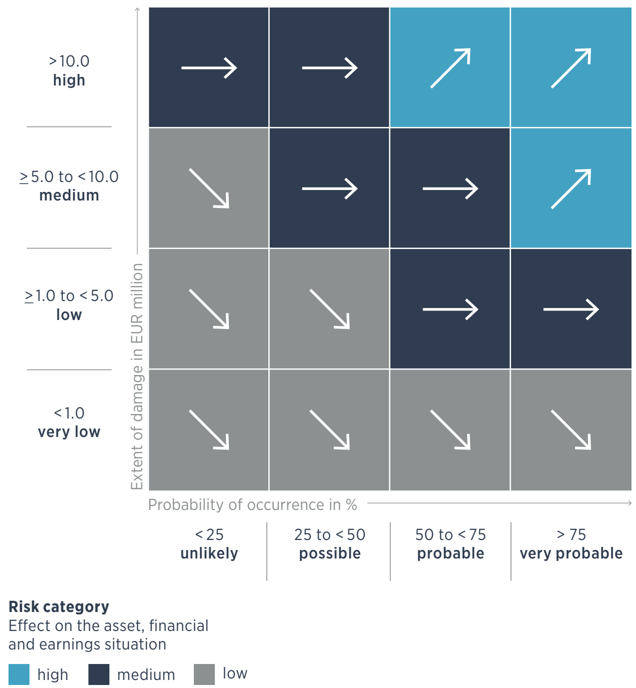
7.1 Risk management and internal control system

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

RISK MANAGEMENT SYSTEM

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

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



The identified risks are actively managed in order to achieve the risk reduction targeted by the Company. The management of risks that have only a minor impact on the Group is the responsibility of the operational management of the respective subsidiary.

Mutares has installed a standardized reporting process for the reporting of actual and potential risks: Accordingly, quarterly reports are submitted by the operating portfolio companies to the corporate headquarters and assessed together with the risk analysis of the Mutares Holding Company. In the case of particularly significant new risks or material changes in existing risk positions, there is also immediate reporting (ad hoc). This has proven particularly effective in the current developments in connection with the spread of COVID-19. The risk management process is regularly reviewed, evaluated and continuously optimized by the Management Board.

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS PART OF THE ACCOUNTING PROCESS

The internal control and risk management system as part of the accounting process is designed to ensure that all business processes and transactions are recorded in a timely, uniform and correct manner for accounting purposes. The aim of the internal control system for the consolidation of the subsidiaries included in the consolidated financial statements is to ensure compliance with legal standards, accounting regulations and internal accounting instructions. Changes therein are analyzed on an ongoing basis with regard to their relevance and impact on the consolidated financial statements and taken into account accordingly. The Group's finance department actively supports all business areas and Group companies in this regard, both in developing uniform guidelines and work instructions for accounting-relevant processes and in monitoring operational and strategic targets. In addition to defined controls, system-related and manual reconciliation processes, the separation of executive and controlling functions, and compliance with guidelines and work instructions are an essential component of the internal control system.

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

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

7.2 Opportunities and risks of future development

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

		Risk class
Future economic conditions	Economic development	High
	Geopolitical development	Medium
Business model-immanent opportunities and risks	Increased competitive situation	Medium
	Risks from the acquisition process	Medium
	Failure to achieve restructuring success	Medium
	Diversification of the portfolio	Low
Other risk areas and significant individual risks	Legal opportunities and risks	Medium
	Financial risks and financing risks	High
	Distribution and sales risks	High
	Supply chain risks	Medium
	Personnel risks	Low
	IT risks and data security	Medium
	Tax risks	Low

The order in which the following explanations are presented does not reflect the Management Board's assessment of the extent of damage and/or probability of occurrence. In addition to the presentation of risks, information on opportunities is also provided below (where relevant).

FUTURE ECONOMIC CONDITIONS

Economic development

According to the ifo Institute ("ifo Konjunkturprognose Winter 2020", published in December 2020), global economic development depends crucially on the assumed course of the pandemic and the associated protective measures.

Restrictions on public life and mobility were largely maintained in Europe in the first quarter of 2021. However, the overall impact of the restrictions on economic activity is expected to be significantly less severe than in the spring of last year. Depending on progress with vaccinations, infection control measures are expected to be relaxed in Europe and the U.S. later in the year, so economic activity should pick up again. However, due to the continuing uncertainty in the context of the COVID-19 pandemic, the assessment of future economic development is subject to greater uncertainty than usual.

Geopolitical development

With the **withdrawal of the United Kingdom from the EU**, a partnership agreement between the two parties will provisionally come into force on 1 January 2021. This regulates a comprehensive economic partnership, which essentially comprises a free trade agreement. Accordingly, tariffs and quotas are not envisaged, so that significant trade barriers are to be averted. In order to guarantee fair competition, far-reaching regulations have been agreed on both sides. The partnership agreement also regulates other forms of cooperation, such as a close security partnership, which enables cooperation on legal and domestic issues.

The new **U.S. administration** under the newly elected President Joe Biden could improve transatlantic relations. The new president is likely to be more predictable, which could have a positive impact on European and international economic stability and growth prospects. Likewise, the government in Europe hopes for improved trade relations, which could lead in particular to fewer tariffs. For the UK, agreeing a trade deal with the U.S. could become more difficult under the new administration. The U.S. relationship with China is expected to change little. The trade dispute could continue to be fought out, especially in the technology sector.

BUSINESS MODEL-IMMANENT OPPORTUNITIES AND RISKS

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

Increased competitive situation

Strategic realignments of major groups are leading to a stable supply of acquisition opportunities, which could be particularly high as a result of additional opportunities due to the current uncertain economic development. Price expectations on the seller side remain fundamentally high, but could also be depressed by current economic developments. The fundamental attractiveness of the “companies in transition” market segment has also led to increased competition. For example, funds have entered the market as competitors, particularly in France. In addition to the growing number of direct competitors, strategists, particularly from China, are increasingly entering the market segment with the aim of expanding entrepreneurially. However, Mutares successfully relies on its reliability and competence as an experienced restructuring expert for repositioning.

Risks from the acquisition process

Significant tax, legal and economic risks are associated with the acquisition of investments in upheaval and special situations, even if an in-depth analysis of the company (due diligence) has taken place prior to the acquisition. Liabilities, obligations and other encumbrances of the respective target company that were not known or identifiable at the time of acquisition despite the due diligence performed may have a material adverse effect on the Mutares Group. This applies in particular if Mutares provides as-is guarantees to the sellers. The Mutares Group often acquires loss-making parts of companies from larger groups, where the sellers require guarantees for a certain period of time to maintain the sold company. In these cases, even if the seller provides significant financial resources for a reorganization or restructuring as consideration, the net assets, financial position and results of operations of the Mutares Group may be significantly impacted.

As a matter of principle and in order to minimize the effects of insolvency of group companies, no profit transfer or cash pooling agreements are concluded in the Mutares Group. In individual cases, guarantees, sureties, loans or similar are granted to group companies after detailed examination in order to take advantage of business opportunities, growth or working capital financing. The utilization of the guarantees and sureties or the default of the loans may have negative consequences on the net assets, financial position and results of operations of the Mutares Group.

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

Failure to achieve restructuring success

Provided that the investments can be successfully developed as planned, there is a high potential for value enhancement for Mutares. In individual cases, Mutares may also acquire investments whose restructuring turns out to be more difficult than assumed in the previous due diligence. Even with a careful and conscientious selection of portfolio companies, it cannot be excluded that the success Mutares is aiming for from the turnaround situation may in individual cases not occur or not occur quickly enough, or that the economic or political framework conditions in the countries important for the portfolio companies may deteriorate. For example, significant changes in energy policy may have a negative impact on the business models of individual portfolio companies in the Mutares Group. In this context, the consequences of the COVID-19 pandemic on economic development, which cannot be fully assessed at present, should also be mentioned.

If the achievable market position, earnings potential, profitability, growth opportunities or other key success factors are incorrectly assessed, this will have consequences for the operational development of the company and thus for the return on the investment. Furthermore, it cannot be ruled out that the ability to restructure the company is incorrectly assessed or that risks are not recognized or are incorrectly assessed prior to an acquisition. It is therefore possible that the value of investee companies is reduced, that the measures initiated are not successful and that the break-even point for Mutares is not reached for a variety of reasons. This would result in portfolio companies being resold below their acquisition price or, in the worst case, ultimately having to file for insolvency. In this case, Mutares would suffer a total loss of the capital invested, i.e. lose all financial resources that the Group has used for the acquisition, ongoing support and, if applicable, financing of this company. Sellers could also attempt to assert claims against Mutares.

Diversification of the portfolio

When selecting investments, Mutares is not limited to specific industries or regions. The focus is on medium-sized companies or parts of companies in the European economic area that are in transitional situations. The focus is on existing segments. This can lead to a concentration of investments within one industry or region, which exposes the company to industry or regional risk. Mutares strives to minimize these risks through a diversified investment portfolio and thus to limit the risks of individual investments, industries, or regions from economic fluctuations. However, diversification of the investment portfolio can only reduce risks that are limited to specific industries or regions. However, economic developments and the development of the financial markets as a whole take place across all sectors and regions. Their influence on business success can only be reduced to a limited extent by diversification.

OTHER RISK AREAS AND SIGNIFICANT INDIVIDUAL RISKS

Legal opportunities and risks

On the one hand, in individual cases commitments made in the purchase agreements or business plans communicated prior to a transaction are not met, and on the other hand, legal cases taken over for the investments may turn out to be significantly more positive or critical in the course of time than originally assumed. Both may result in legal disputes, the probable outcome of which cannot always be clearly estimated.

In connection with agreements on the sale of investments, Mutares as seller may issue guarantees under which it can be held liable by the buyer or which may lead to legal disputes. The issuance of guarantees can be a differentiating factor in the competition for potential investments if competitors cannot issue guarantees due to their own articles of association. In individual cases, a possible claim under the guarantees given may have significant negative effects on the net assets, financial position and results of operations of the Mutares Group.

Risk from pass-through liability

The Mutares Group operates in many foreign jurisdictions. There is a risk that, due to the more restrictive legal systems abroad compared to Germany, there are increased liability risks, for example in the form of a pass-through liability. In France, for example, where several of the shareholdings have their economic center of gravity, there are rulings on pass-through liability with regard to the status of employee (so-called “co-employer” or so-called “employer conjoint”), which extends the obligations of an employer to its parent company as well. Most recently, the argumentation towards co-employer status has been clarified by case law. Mutares has aligned its employee deployment in such a way that a pass-through liability is avoided as far as possible. However, it cannot be ruled out that a claim will nevertheless be made.

Obligations from business combinations

Mutares SE & Co. KGaA and one of its direct subsidiaries have signed a settlement agreement with the sellers of **Balcke-Dürr GmbH** and other subsidiaries, under which the guarantee provided by Mutares SE & Co. KGaA to ensure the fulfillment of indemnification obligations increases and is again limited to an amount of EUR 5.0 million and then reduces to EUR 0 over time until 31 December 2021. As of the reporting date, this guarantee amounts to EUR 1.0 million. At the present time, it is still not expected to be called upon. The further guarantee issued by Mutares SE & Co. KGaA to secure the temporary financing of affiliated companies no longer applies and has been replaced by a guarantee. This guarantee expired on 30 December 2020 without being utilized.

Mutares SE & Co. KGaA has issued rental guarantees in connection with the acquisition of **Gemini Rail Group** to ensure the fulfillment of its contractual obligations, whereby the liability under these guarantees is limited to an amount of approximately EUR 9.7 million and reduces over time in the amount of the rental payments made. As of the reporting date, the liability under this rental guarantee amounts to EUR 6.3 million.

Mutares SE & Co. KGaA had made a commitment to the seller of **keeeper GmbH** for a limited period until 30 December 2020 to provide up to EUR 1.5 million in financing if this should be necessary to avoid insolvency. This commitment expired on 30 December 2020 without being drawn upon. In addition, Mutares has undertaken to indemnify the seller in the event of a claim in connection with a previous financing commitment as well as previously issued guarantees, whereby this obligation is limited to an amount of EUR 3.5 million. This obligation expires on 30 December 2023.

Mutares SE & Co. KGaA had agreed to pay a purchase price for the acquisition of the shares in **La Meusienne S.A.S.**, which is determined depending on the working capital at the time of the transfer of beneficial ownership. There is disagreement on the interpretation of the purchase agreement. The seller is demanding an amount of EUR 1.7 million; however, due to the legal and factual situation, we currently assume a significantly lower payment obligation and have recognized a corresponding amount as a provision.

In connection with the acquisition of the transport logistics and warehouse business operations of Q Logistics GmbH, Mutares SE & Co. KGaA has undertaken to provide the purchaser **BEXity GmbH** with unsecured loans of up to EUR 9.0 million for a limited period until 30 December 2020, in particular for the financing of the operating business operations. This obligation increases by payments received by Mutares SE & Co. KGaA from BEXity GmbH before 31 March 2020. At the same time, Mutares SE & Co. KGaA has undertaken vis-à-vis the seller to indemnify the seller from these claims in the event of a claim by third parties in connection with legal relationships assumed as well as in the event of insolvency of BEXity GmbH. The indemnification claim of the seller is limited in time and amount to EUR 9.0 million until 30 December 2021, to EUR 6.0 million until 30 December 2022, and to EUR 3.0 million until 30 December 2023. The aforementioned liability limits increase by profit distributions of BEXity GmbH and decrease by loans of Mutares SE & Co. KGaA granted under the above financing line and not yet repaid. The obligation in respect of an unsecured loan expired without being utilized as of the reporting date.

Donges Teräs Oy, an indirect subsidiary of Mutares SE & Co. KGaA, has entered into a purchase agreement for the acquisition of Ruukki Building Systems Oy in the financial year 2019. Mutares SE & Co. KGaA guaranteed to the seller the payment of a partial amount of the purchase price in the amount of EUR 3.5 million. The guarantee expired upon payment of the purchase price by the acquirer in December 2020.

Mutares SE & Co. KGaA and one of its direct subsidiaries have committed to the seller of **PrimoTECS S.p.A.** to provide up to EUR 5.0 million in financing for a limited period of twelve months from 31 January 2020, should this be necessary to avoid insolvency.

Mutares SE & Co. KGaA has committed to the seller of the paper napkin business acquired by **keeeper tableware GmbH** to provide the buyer with funding of up to EUR 10.0 million for a period of 24 months from 28 February 2020, if necessary to avoid insolvency. In addition, Mutares SE & Co. KGaA will indemnify the seller against certain claims of the assigned employees for a period of four years from 28 February 2020. In the first two years, the indemnification is limited in amount to EUR 10 million; this amount is reduced by any financial resources that Mutares SE & Co. KGaA has provided to keeeper tableware GmbH. In the third year, the maximum exemption amount is reduced to EUR 7.5 million and in the fourth year to EUR 5.0 million.

Mutares SE & Co. KGaA has declared on 1 July 2020, in connection with the acquisition of the majority stake of 80% in the mail and parcel business of **Nexive** in Italy, to guarantee obligations from the purchase agreement in the amount of up to EUR 5.0 million as of closing of the transaction. In addition, Mutares undertakes to provide the company with liquid funds up to the amount of EUR 5.0 million for a period of twelve months to the extent necessary to avert insolvency. In November 2020, Mutares initially signed a letter of intent to sell its shares in Nexive to the Italian market leader Poste Italiane. The closing of the transaction took place in January 2021.

In connection with the acquisition of **SFC Solutions** with companies in Poland, Italy, Spain and India in the sealing and liquid activities as of 1 July 2020, Mutares SE & Co. KGaA has committed to the seller to provide financing and support up to a total amount of EUR 5.0 million until 31 December 2021 for all obligations of the buyer assumed under the purchase agreement.

On 1 September 2020, a direct subsidiary of Mutares SE & Co. KGaA acquired **SABO Maschinenfabrik GmbH**, a manufacturer of lawnmowers and outdoor power tools in Europe, from Deere & Company ("John Deere"). As part of the acquisition, Mutares guarantees to be fully responsible for the fulfillment of the buyer's contractual obligations should the buyer fail to fulfill these obligations. In particular, the purchaser has undertaken to indemnify the vendor as well as any corporate bodies from any claims by third parties in connection with the legal relationships of SABO Maschinenfabrik GmbH. The indemnification obligation of the Purchaser is limited in time to 24 months and to an amount of EUR 5.0 million. In addition, the purchaser has undertaken for a period of 24 months to provide SABO Maschinenfabrik GmbH with liquid funds to the extent necessary to avoid insolvency of the company and to the extent that the purchaser has received payments from SABO Maschinenfabrik GmbH during this period.

In connection with the acquisition of **Lacroix + Kress GmbH**, Mutares has undertaken to indemnify the seller, a direct subsidiary, against any avoidance claims in the event of insolvency of the target company. The indemnification is limited in time to a period of 27 months and an amount of EUR 2.0 million. In addition, the purchaser indemnifies bodies of the seller from a claim by third parties in connection with the legal relationships of the company. Mutares SE & Co. KGaA guarantees to the seller the fulfillment of the contractual obligations of the buyer.

In connection with the acquisition of **Terranor** in Sweden and Finland, Mutares SE & Co. KGaA has committed to the seller to provide up to EUR 5.0 million in financing for a limited period until 4 November 2021, should this be necessary to avoid insolvency.

In connection with the acquisition of the **iinovis Group**, Mutares SE & Co. KGaA has undertaken to indemnify the seller against any rescission claims in the event of insolvency of the target company. The indemnification is limited to a period of 48 months and to an amount of EUR 5.0 million. Furthermore, Mutares has undertaken to provide the company with financial resources of up to EUR 5.0 million to avoid insolvency. The two guarantees coexist and are reduced to EUR 2.5 million each after 24 months.

In November 2020, a direct subsidiary of Mutares SE & Co. KGaA signed an agreement to acquire **Japy Tech S.A.S. and Royal de Boer Stalinrichtingen B.V.** In connection with the acquisition of Royal de Boer, Mutares SE & Co. KGaA has committed to the seller to provide the company with financial resources to avoid insolvency in the amount of EUR 1.0 million until 31 December 2022. In addition, Mutares provides a guarantee for general financing in the amount of EUR 1.0 million until 30 April 2020. The amount of the guarantee is reduced by payments made thereunder. As part of the acquisition of Japy Tech S.A.S., Mutares SE & Co. KGaA has committed to provide the company with financial resources in the amount of EUR 4.0 million until 30 April 2021 to avoid insolvency. This commitment increases to EUR 5.0 million as of 1 May 2021 and is valid until 31 December 2022. The closing of the transaction took place on 31 December 2020.

A direct subsidiary of Mutares SE & Co. KG has signed a binding offer to acquire **Lapeyre S.A.S.** and its subsidiaries in France. The closing of the transaction is subject to the approval of Lapeyre's works council and the French authorities and is planned for the first half of 2021. As part of this offer, Mutares has committed to make a capital contribution to Lapeyre S.A.S. in the amount of EUR 15.0 million at the time of closing. Furthermore, Mutares has committed to provide the company with financial resources in the amount of EUR 5.0 million no later than two years after the closing of the transaction.

A direct subsidiary of Mutares SE & Co. KGaA has signed an irrevocable offer for the acquisition of the steel processing company **Primetals Technologies France S.A.S.**, with a production site in Savigneux, France, on 15 December 2020. As part of the offer, Mutares has guaranteed to vouch for purchase price obligations of the buyer up to the amount of EUR 2.0 million. Furthermore, Mutares undertakes to provide the Company with financial resources in the maximum amount of EUR 5.0 million until 22 months after closing of the acquisition. Finally, Mutares undertakes to indemnify the seller against all third party claims relating to the company. The closing of the acquisition is subject to approval by the French authorities and a consultation process with employee representatives.

On 21 December 2020, a direct subsidiary of Mutares SE & Co. KGaA signed an irrevocable offer to acquire a majority stake of 80% in **Carglass Maison Group**, a French provider of home repair and emergency services. In connection with the acquisition of the companies, Mutares has committed to provide the company with financial resources of up to EUR 4.0 million until 18 months after the closing of the acquisition. The closing of the transaction is subject to the approval of the French authorities.

In principle, the Management Board does not expect any obligations arising from business combinations to be utilized. However, in connection with the adverse economic developments due to the COVID-19 pandemic, which cannot be fully assessed at present, the probability of utilization is generally increasing and it cannot be ruled out that the obligations entered into may be utilized.

Obligations from company disposals

In connection with the sale of all shares in **A+F Automation und Fördertechnik GmbH** by a direct subsidiary in the financial year 2017, Mutares SE & Co. KGaA has issued a directly enforceable guarantee for the fulfillment of certain obligations of the direct subsidiary towards the acquirer regarding possible warranty claims, possible specific indemnification claims as well as possible specific cost reimbursement claims, which are valid until 30 September 2019 with regard to regular warranty claims with the exception of fundamental warranties (no claim was made with regard to these fundamental warranties). With regard to these fundamental warranty claims, they are limited in time until 31 December 2020 (no claim was made), with regard to the indemnification claims until 31 December 2022, and with regard to the cost reimbursement they are unlimited in time. In terms of amount, these claims are limited to an amount of EUR 4.0 million with regard to the regular warranty claims with the exception of fundamental warranties, to an amount of EUR 50 thousand with regard to the cost reimbursement claims, and otherwise to the base purchase price in total with regard to all claims together.

The obligations in connection with the sale of all shares in **BSL Pipes & Fittings S.A.S.** in November 2018 expired in the reporting period without being utilized.

Litigation

Mutares is being sued by some of the former employees of the Artmadis Group in France. One claim is based on alleged employee liability, another on alleged corporate liability. Mutares is defending itself in full against all claims, which it considers to be without merit.

Another lawsuit is being pursued by the liquidator of the former investment Grosbill, based on an alleged responsibility under company law. At the same time, the former seller of this investment is being sued on similar grounds. Mutares is defending itself in full against this action, which it considers to be without merit.

The maximum risk from these lawsuits amounts to approximately EUR 34 million. However, the Management Board does not expect any claims to be asserted; accordingly, only defense costs in the mid-six-digit range have been accrued.

Other obligations

One direct subsidiary in the Engineering & Technology segment is jointly and severally liable as a participant in civil law companies under joint ventures and consortium agreements with a maximum term until 2031. As of the balance sheet date, this liability relates to projects with a total order value equivalent to approximately EUR 342 million (previous year: EUR 272 million). The subsidiaries' own share of the liability amounts to EUR 126.4 million (previous year: EUR 106.7 million). Based on the ongoing credit assessments of the consortium partners, we do not expect any claims to be made on the shares of other companies. With the exception of the amounts recognized as provisions for onerous contracts or as part of the loss-free valuation, we also do not expect any utilization for our own share.

There are further guarantees, warranties, commitments and obligations totaling EUR 1.4 million (previous year: EUR 16.0 million).

Financial risks and financing risks

Price change, default and liquidity risk

Price, sales and demand fluctuations up to delivery bottlenecks on the part of customers and suppliers as well as general fluctuations on the commodity and capital markets may have a negative impact on the financial position and results of operations of the Mutares Group. Mutares counters the risks at the level of the portfolio companies by continuously and promptly monitoring the business results and project progress, among other things with the help of indicators (e.g. cash balance and cash flow development), in order to be able to take countermeasures at an early stage. To this end, in addition to extensive on-site reviews, a central management information system has been introduced which enables the performance of the portfolio companies to be monitored in real time. Cash and cash equivalents are monitored on a weekly basis. Nevertheless, there is a risk that the management information system may provide insufficient, late or incorrect information, resulting in incorrect decisions being made.

The main risks are the correct quantification of the future prospects and the restructuring effort of the portfolio companies, the provision of appropriate financing and the provision of the corresponding human resources on the part of Mutares. This risk is limited as best as possible through focused due diligence and subsequently continuously monitored.

In the case of trade receivables, there is a risk of loss for the Group if one of the parties does not meet its contractual obligations. To hedge this risk, the Mutares Group partly takes out credit default swaps. In addition, business relationships are only to be entered into with creditworthy contractual parties and, if appropriate, with the provision of collateral, in order to mitigate the risks of loss from the non-fulfillment of obligations. Nevertheless, especially in connection with negative effects of the COVID-19 pandemic on the economic performance of customers of Mutares companies, additional bad debt losses cannot be excluded.

Financing risks

The Management considers the further development of the Mutares Group to be dependent to a not insignificant extent on financing risks, which can have an important influence on the net assets, financial position and results of operations of the Mutares Group.

A change in the credit rating of individual Mutares investments may lead to more difficult or less favorable financing conditions or to more difficult and more expensive procurement of guarantees. In addition to the terms and conditions of the bonds, the contracts in connection with financing lines at Mutares investments generally include covenants and other obligations, the breach of which may give the financing partner the right to terminate and thus have a negative impact on the financial position.

Investments with existing financing in the form of credit, loan, leasing, guarantee or factoring agreements at the time of acquisition are exposed to the risk that the financing partners may terminate these financing agreements at short notice in the event of a change of ownership or provide them with less favorable terms. In addition, if the company's development is behind schedule, the repayment of (loan) liabilities may be delayed or not possible in full. Mutares tries to counter this risk by contacting financing partners already before or shortly after the takeover and, as a rule, also explaining in detail the current financial situation as well as the restructuring program of the investment. In the case of a takeover, there is always the risk that the financing partner cannot be fully convinced of the restructuring program and that the financing partner will terminate the financing. The same can happen due to a breach of agreed covenants.

In the case of financing transactions entered into, there may be an interest rate risk which can be hedged by suitable instruments (e.g. interest rate swaps, options) after reviewing the individual case.

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

Distribution and sales risks

Adjusting the product and customer portfolio for negative contribution margins is usually part of the restructuring process. The loss of important profitable customers or the delay of major orders in particular can have a negative impact on the net assets, financial position, and results of operations of portfolio companies whose business is highly concentrated on a small number of major customers or projects. The same applies to sales markets characterized by high competitive pressure, from which the contribution margins and margins of Mutares' portfolio companies suffer.

Finally, problems with customers that have arisen at one investment may also have a negative impact on other investments of the Group, especially those in the same segment. Due to the COVID-19 pandemic and the resulting continuing economic uncertainties, the Management Board generally sees an intensification of the aforementioned risks. Due to the continuing uncertainty in the context of the COVID-19 pandemic and further measures to combat its spread, the forecast of sales and unit sales figures is subject to greater uncertainties than usual.

This is countered by active relationship management with customers and a systematic sales structure and work at the level of the respective subsidiary. Particularly for customers who account for a large share of the respective portfolio company's sales, the aim is to conclude longer-term contracts, thereby increasing the ability to plan. The intensive cultivation of relationships can lead to better opportunities for orders or for major contracts, especially if order processing has been satisfactory to both sides in the past.

Supply chain risks

Procurement risks

In the area of purchasing, the Group companies are exposed to risks such as supplier default, late or poor-quality delivery, and price fluctuations, especially of raw materials. Mutares counters these risks by establishing a procurement management system and strictly monitoring the respective suppliers. On 3 March 2021, the German parliament passed the government's draft of a Due Diligence Act, also known as the Supply Chain Act ("Lieferkettengesetz"), which is intended to ensure compliance with basic human rights standards. This was already a matter of course for the companies of the Mutares Group before. Additional requirements for the Group resulting from the amendments to the law are currently under review.

Production risks

The individual subsidiaries of the Mutares Group are exposed to various production risks. There is a risk that, after the acquisition of a company, the optimization measures implemented by Mutares may not have an effect or may only have an effect with a delay, and that cost savings may not be implemented or may only be implemented with a delay. In addition, quality problems and delays in new and further product developments may lead to a loss of orders and customers at individual investments, which may have a negative impact on the net assets, financial position and results of operations of the respective company. Mutares addresses such risks by deploying personnel and closely monitoring production processes. Due to the COVID-19 pandemic and the increased regulations on infection control imposed by the legislators (up to possibly government-imposed plant closures), the Management Board sees an increased risk of production downtime.

Trade credit insurance

In the past, it has been observed that trade credit insurers subject their commitments to intensive scrutiny, particularly in the event of changes of ownership (and especially in the case of those in the context of asset deals), with the risk of a deterioration in the insurance conditions or cancellation of the cover commitments. For individual subsidiaries, this may result in increased liquidity requirements due to advance payments required from suppliers. At the same time, risks may arise from increased bad debt losses if these cannot be sufficiently covered by trade credit insurance. Mutares counteracts these risks in the portfolio companies by a tight accounts payable and receivable management adapted to the circumstances or tries to reach an agreement with the seller already in the purchase agreement, provided that the seller remains a major supplier after the acquisition.

Personnel risks

The acquisition and sale of companies as well as restructuring and strategic further development require a high degree of professional competence and management experience from the acting persons. As part of its business model, Mutares must ensure that it has sufficient qualified personnel at its disposal. For this reason, management reviews and recruitment interviews are conducted on a regular basis, thus developing the management team both qualitatively and quantitatively. Mutares offers an attractive working environment for entrepreneurial personalities through careful personnel selection, a high degree of autonomy for the restructuring managers deployed, and remuneration that is as variable and highly performance-related as possible. In the portfolio companies, the recruitment of qualified personnel is also a key success factor. Especially in the partly rural regions of our investments, the lack of staff can be a risk in achieving the targets. This effect is intensified if there are other major employers in the region.

IT risks and data security

The business and production processes and internal and external communications of companies are based to a large extent on information technologies. The data protection requirements resulting from the new General Data Protection Regulation are increasing and changing continuously – particularly with regard to the confidentiality, availability and integrity of personal data. Secure protection against unauthorized access is particularly important, for example to sensitive information on potential transactions, the portfolio companies or economic information of the Mutares Group. There is a risk of unauthorized access due to a hacker attack or vulnerabilities in the Mutares Group network. A significant disruption or failure of the systems used may lead to an impairment of the business and production systems up to a complete loss of data.

Therefore, the preparation, monitoring and training of IT documentation on the hardware used, software licenses, the network and security policies, including access and data protection security concepts, is an integral part of risk prevention in the Mutares Group. The IT structures and data flows in the Mutares Group are largely standardized. In order to prevent potential failures, data loss, data manipulation and unauthorized access to the IT network, Mutares SE & Co. KGaA uses current, and in some cases industry-specific, standard software from renowned providers. If necessary, this is supplemented by the Group's own specific developments, which are subject to continuous quality control. Back-up systems, mirrored databases and defined contingency planning safeguard the data inventory and ensure availability. The IT systems are protected by special access and authorization concepts as well as effective and continuously updated anti-virus software.

In the course of an extensive audit as well as in the context of an implemented project, the business processes of Mutares SE & Co. KGaA were recorded, evaluated and transferred to a data protection management system in 2019 in the context of DSGVO or GDPR compliance. All employees of Mutares SE & Co. KGaA were provided with detailed guidelines and work instructions on the topic of data protection, data security as well as general IT security. For the year 2020, a new project was additionally set up in Mutares SE & Co. KGaA to further modernize the IT infrastructure of Mutares SE & Co. KGaA.

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

Tax risks

Mutares SE & Co. KGaA and its subsidiaries operate worldwide and are therefore subject to various tax laws. Significant uncertainties for the net assets, financial position and results of operations of the Mutares Group thus result in particular from ongoing, but also in connection with the COVID-19 pandemic, changes in legislation, case law and different legal interpretations by the respective tax authorities. In order to be able to respond appropriately to the associated tax risks, changes in tax legislation are continuously monitored by the tax department and countered by means of appropriate measures. External experts are consulted where necessary.

OVERALL STATEMENT ON THE OPPORTUNITY AND RISK SITUATION

Based on the information currently available to us from our systematic, multi-level risk management system, no risks can be identified that individually or in combination could jeopardize the continued existence of the Mutares Group. However, it is generally possible that future results may deviate from the Management Board's current expectations. In particular, the further course of the COVID-19 pandemic and its economic impact cannot be estimated with complete validity at the time of preparation of this group management report; however, from the Management Board's perspective, the positive going concern forecast for the Mutares Group is not affected by this. The issuance of a bond in the amount of EUR 70.0 million in the financial year 2020 provides the Management Board with sufficient financial resources.

7.3 Forecast Report

With a total of eleven new acquisitions, Mutares again significantly exceeded the expectation expressed in the previous year's forecast report for the financial year 2020 of at least reaching the level of the financial year 2019 in terms of new acquisitions (incl. add-on transactions) in the reporting period. With regard to the comparison of the forecasts made in the previous year's management report for the financial year with the actual development in relation to the significant financial performance indicators of the Mutares Group, we refer to the above statements under 5.1.

The business development of the Mutares Group continues to be significantly influenced by the acquisitions and sales of investments on the one hand and is dependent on the development of the existing portfolio companies on the other hand. With the successful placement of a bond of EUR 70.0 million in the financial year 2020 and the exercise of the increase option by another EUR 10.0 million in February 2021 to the nominal volume of now EUR 80.0 million in total, the expansive development of the Mutares Group shall be further advanced.

Due to the continued high level of uncertainty regarding future economic development, the forecast for the financial year 2021 is subject to greater uncertainty than usual.

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

- the transactions signed to date are also completed and the composition of the Group remains unchanged as of the date of preparation;
- the spread of the COVID-19 virus no longer has a significant impact on the global economy by the third quarter at the latest as a result of appropriate countermeasures, manufacturing companies fully resume production, the retail sector is reopened without restrictions and gradually returns to the pre-pandemic level by the end of 2021;

- the growth rate in Europe in 2021 more than compensates for the decline in economic output in the previous year 2020;
- inflation, the oil price and the prices of other relevant raw materials such as steel rise only slightly;
- the availability of raw materials without restrictions and bottlenecks is given;
- central banks and governments worldwide at least implement their announced measures to stabilize and, above all, stimulate demand;
- the interest rate level in the main currency areas worldwide remains at the current low level and
- the existing trade conflicts do not escalate further and no new trade conflicts arise between economic areas relevant from the Group's point of view.

The Mutares Group will continue to continuously review potential new acquisitions and add-on opportunities in the future and will further develop itself in this regard with regard to company sizes and the attractiveness of the businesses. Also due to the established brand "Mutares", the Management Board assumes that the acquisition business in the target segment of "companies in special situations" will develop positively due to the ongoing economic uncertainties and changes despite further intensifying competition. For 2021, the Management Board is aiming for a transaction volume at least at the high level of the financial year 2020.

Against the backdrop of the acquisitions of the current financial year 2021 completed and signed by the date of preparation as well as the planning of the individual segments, the Management Board expects a significant increase in revenue for the Mutares Group in the financial year 2021 due to the acquisitions completed, signed or intended by the date of preparation. All three segments are expected to contribute to this.

Taking into account the acquisitions of the current financial year 2021 completed, signed and intended by the time of preparation, (reported) **EBITDA** is again expected to reach a clearly positive level, in particular due to the gains from bargain purchases arising in this context.

Adjusted EBITDA and **cash flow from operating activities** are expected to be negatively impacted by the negative earnings contributions of the newly acquired investments. Accordingly, the Management Board expects a decrease for both performance indicators compared to the financial year 2020.

The Management Board expects the net **cash position** to increase compared to the reporting date 2020 due to the completed, signed and intended acquisitions.

The ability to **pay dividends** of Mutares SE & Co. KGaA is fed by revenues from the consulting business, dividends from portfolio companies and exit proceeds from the sale of investments. Based on the current planning and taking into account the risk factors, the Management Board assumes that also for the financial year 2021 the dividend ability of Mutares SE & Co. KGaA will remain at least at the level of market expectations[1].

Munich, 31 March 2021

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

The Management Board

Robin Laik　　Mark Friedrich

Dr. Kristian Schleede　　Johannes Laumann

[1] See for example the article of BÖRSE ONLINE from 12 February 2021; www.boerse-online.de/nachrichten/aktien/scale-unternehmen-stellen-sich-vor-mutares-1030061783

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF PROFIT AND LOSS

From 1 January to 31 December 2020

EUR million	Note	2020	2019
Revenues	6	1,583.9	1,015.9
Change in inventories		–23.1	–3.9
Other income	7	241.3	119.1
Cost of material	8	–974.6	–622.6
Personnel expenses	9	–423.9	–291.8
Other expenses	10	–260.8	–137.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**142.7**	**79.2**
Depreciation and amortization expenses		–101.5	–53.0
Earnings before interest and taxes (EBIT)		**41.2**	**26.2**
Financial income	11	3.9	1.5
Financial expenses	11	–28.2	–11.0
Profit before tax		**16.9**	**16.7**
Income tax expense/income	12	2.8	0.0
Net income for the year		**19.7**	**16.7**
Of which attributable to:			
Shareholders of the parent company		27.1	20.8
Non-controlling interest		–7.4	–4.1
Earnings per share in EUR (basic)	14	**1.78**	**1.37**
Earnings per share in EUR (diluted)	14	**1.78**	**1.37**

EUR million	Note	2020	2019
Other comprehensive income			
Net income	13	**19.7**	**16.7**
Other comprehensive income		**–5.5**	**–1.8**
Items reclassified to profit or loss in future if certain conditions are met			
Currency translation differences		–6.1	1.3
Items not subsequently reclassified to profit or loss			
Actuarial gains/losses	37	0.4	–3.1
Change in fair value of financial assets/liabilities		0.2	0.0
Total comprehensive income	13	**14.2**	**14.9**
Of which attributable to:			
Shareholders of the parent company		22.2	19.4
Non-controlling interest		–8.0	–4.5

2. CONSOLIDATED BALANCE SHEET

At 31 December 2020

ASSETS

EUR million	Note	31/12/2020	31/12/2019
Intangible assets	16	76.0	58.7
Property, plant and equipment	17	242.6	176.4
Right of use assets	18	147.4	119.8
Trade and other receivables	23	1.9	0.4
Other financial assets	21	8.7	16.6
Income tax receivables	12	0.9	0.0
Other non-financial assets	22	1.8	3.5
Deferred tax assets	12	18.9	23.8
Non-current contract assets	20	0.0	0.0
Non-current assets		**498.3**	**399.2**
Inventories	19	203.5	134.0
Current contract assets	20	36.7	29.1
Trade and other receivables	23	256.6	142.6
Other financial assets	21	29.3	39.3
Income tax receivables	12	2.7	2.1
Other non-financial assets	22	37.2	22.2
Cash and cash equivalents	25	145.3	79.7
Assets held for sale	24	117.6	0.3
Current assets		**828.9**	**449.3**
Total assets		**1,327.2**	**848.5**

EQUITY AND LIABILITIES

EUR million	Note	31/12/2020	31/12/2019
Share capital	26	15.0	15.2
Capital reserves	27	37.9	37.3
Retained earnings	28	144.0	134.9
Other components of equity	29	–6.6	–2.1
Share of equity attributable to shareholders of the parent company		**190.3**	**185.3**
Non-controlling interests	30	16.9	22.9
Total equity		**207.2**	**208.2**
Trade payables and other liabilities	34	0.4	2.2
Other financial liabilities	35	115.8	20.3
Lease liabilities	36	115.1	95.2
Provisions for pensions and other post-employment benefits	37	116.1	87.3
Other provisions	38	40.4	12.2
Other non-financial liabilities	39	2.3	0.0
Deferred tax liabilities	12	15.1	15.1
Non-current contract liabilities	20	0.1	3.1
Non-current liabilities		**405.4**	**235.4**
Trade payables and other liabilities	34	250.0	157.7
Other financial liabilities	35	109.7	94.8
Lease liabilities	36	33.4	23.7
Provisions	38	50.2	35.7
Income tax liabilities	12	3.5	2.6
Other non-financial liabilities	39	91.6	58.9
Current contract liabilities	20	68.6	31.5
Liabilities related to assets held for sale	24	107.6	0.0
Current liabilities		**714.6**	**404.9**
Total equity and liabilities		**1,327.2**	**848.5**

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1 January 2019 to 31 December 2020

	Equity attributable to shareholders of the parent company						
EUR million	Share capital	Capital reserve	Retained earnings	Other equity components	Total	Non-controlling interest	Total equity
As at 01/01/2019 (before adjustment IFRIC 23)	**15.2**	**36.8**	**129.4**	**–0.7**	**180.7**	**27.4**	**208.1**
Adjustment IFRIC 23	0.0	0.0	–0.4	0.0	–0.4	0.0	–0.4
As at 01/01/2019	**15.2**	**36.8**	**129.0**	**–0.7**	**180.3**	**27.4**	**207.7**
Net income for the year	0.0	0.0	20.8	0.0	20.8	–4.1	16.7
Other comprehensive income after income taxes	0.0	0.0	0.0	–1.4	–1.4	–0.4	–1.8
Total comprehensive income for the financial year	**0.0**	**0.0**	**20.8**	**–1.4**	**19.4**	**–4.5**	**14.9**
Dividends paid	0.0	0.0	–15.2	0.0	–15.2	0.0	–15.2
Equity-settled share-based payment	0.0	0.5	0.0	0.0	0.5	0.0	0.5
Minority interest transactions	0.0	0.0	0.3	0.0	0.3	0.0	0.3
As at 31/12/2019	**15.2**	**37.3**	**134.9**	**–2.1**	**185.3**	**22.9**	**208.2**
As at 01/01/2020	**15.2**	**37.3**	**134.9**	**–2.1**	**185.3**	**22.9**	**208.2**
Net income for the year	0.0	0.0	27.1	0.0	27.1	–7.4	19.7
Other comprehensive income after income taxes	0.0	0.0	0.0	–4.9	–4.9	–0.6	–5.5
Total comprehensive income for the financial year	**0.0**	**0.0**	**27.1**	**–4.9**	**22.2**	**–8.0**	**14.2**
Dividends paid	0.0	0.0	–15.2	0.0	–15.2	0.0	–15.2
Shares buyback	–0.2	0.0	–2.3	0.0	–2.5	0.0	–2.5
Equity-settled share-based payment	0.0	0.6	0.0	0.0	0.6	0.0	0.6
Minority interest transactions	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Reclassification due to consolidation	0.0	0.0	–0.4	0.4	0.0	0.0	0.0
As at 31/12/2020	**15.0**	**37.9**	**144.0**	**–6.6**	**190.3**	**16.9**	**207.2**

4. CONSOLIDATED CASH FLOW STATEMENT

From 1 January to 31 December 2020

EUR million	Note	2020	2019
Net income for the year	13	19.7	16.7
Bargain purchase gains (–) from business combinations	5	–207.8	–102.6
Result from deconsolidations (–)	5	–4.9	0.0
Depreciation and amortisation of intangibles and fixed assets	16, 17	101.5	53.0
Gain (–)/loss (+) from the disposal of non-current assets	16, 17	0.4	–0.5
Other non-cash expenses (+)/income (–)		9.7	3.2
Interest expenses (+)/interest income (–)	11	24.3	9.5
Income tax expense (+)/income (–)	12	–2.8	0.0
Income tax payments (–)	12	–2.9	–1.6
Increase (–)/decrease (+) in inventories	19	16.5	20.1
Increase (–)/decrease (+) in trade receivables	23	7.1	34.4
Increase (+)/decrease (–) in trade payables	34	48.0	–1.9
Variations in trade working capital		**71.6**	**52.6**
Increase (–)/decrease (+) in contract assets	20	2.2	–9.2
Increase (–)/decrease (+) in other receivables	21, 22	–54.2	2.9
Increase (+)/decrease (–) in provisions	37, 38	7.2	–15.2
Increase (+)/decrease (–) in contract liabilities	20	24.5	0.9
Increase (–)/decrease (+) in other liabilities	35, 39	–28.9	–19.5
Variations in other working capital		**–49.1**	**–40.1**
Currency translation effects		–2.7	–0.8
Cash flow from operating activities		**–43.0**	**–10.6**

EUR million	Note	2020	2019
Proceeds (+) from the disposal of property, plant and equipment	16	5.6	20.7
Disbursements (–) for investments in property, plant and equipment	16	–28.7	–26.2
Proceeds (+) from disposal of intangible assets	17	0.9	0.0
Disbursements (–) for investments in intangible assets	17	–6.8	–5.2
Proceeds (+) from disposal of assets held for sale	24	10.5	19.6
Payments (–) for additions to the consolidation group	5	–13.7	–2.4
Proceeds (+) from additions to consolidation group	5	92.3	35.0
Proceeds (+) from disposals from the consolidation group	5	7.1	2.9
Payments (–) for disposals from the consolidation group	5	–16.2	0.0
Interest received (+)	11	0.4	0.0
Cash flow from investing activities		**51.4**	**44.4**
Dividends paid (–) to shareholders of the parent company	28	–15.2	–15.2
Payments (–) for the acquisition of own shares	33	–2.5	
Proceeds (+) from (financial) loans	35	133.0	22.4
Repayments (–) of (financial) loans	35	–29.0	–22.5
Payments (–) for the redemption of lease liabilities	36	–27.6	–15.9
Proceeds (+)/payments (–) from factoring	35	5.9	–24.1
Interest paid (–)	11	–6.7	–7.1
Cash flow from financing activities		**57.8**	**–62.4**
Change in cash and cash equivalents		**66.2**	**–28.7**
Effect of currency translation on cash and cash equivalents		–0.5	0.3
Cash and cash equivalents at the beginning of the period	25	79.7	108.1
Cash and cash equivalents at the end of the period	**25**	**145.3**	**79.7**

A. BASICS/GENERAL INFORMATION

1. Reporting company

Mutares SE & Co. KGaA, Munich (hereinafter referred to as "the Company" or also "Mutares") has its registered office in Munich and is registered there with the local court in the commercial register section B under number 250347. The registered office and at the same time the head office of the Company is Arnulfstraße 19, 80335 Munich.

Mutares' business approach comprises the acquisition, restructuring and further development of companies in transitional situations. Mutares is committed to its investments in the long term and sees itself as a responsible shareholder who actively supports the upcoming phases of change – based on its extensive, long-standing experience – as a reliable companion. The goal is to transform companies that were unprofitable at the time of acquisition into independent and dynamically operating medium-sized enterprises with a competitive, profitable and growing business model.

In addition to its home market Germany, Mutares is present in other strategic core markets in Europe through its own offices.

As of 31 December 2020, the portfolio of Mutares SE & Co. KGaA includes 20 operating investments or investment groups (previous year: 13), which are classified into the three segments (1) Automotive & Mobility, (2) Engineering & Technology and (3) Goods & Services.

2. Basis of preparation of the financial statements

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

The Company's financial year is the calendar year. The consolidated financial statements of Mutares for the financial year 2020, consisting of the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. The term IFRS also includes all International Accounting Standards (IAS) still in force as well as all interpretations and amendments of the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) – and the former Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared under the historical cost convention. This does not apply to selected financial instruments and share-based payments, which are measured at fair value. A corresponding explanation is provided in the context of the respective accounting policies.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between market participants in an orderly transaction at the date of the transaction. It is irrelevant for the price whether it is directly observable or determined using a valuation technique.

If the fair value is determined using a valuation technique, it must be classified in one of the following three categories depending on the observable parameters available and the 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 for the asset or liability or can be derived indirectly.
- Level 3: Input parameters are unobservable for the asset or liability.

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

The consolidated statement of comprehensive income is prepared using the nature of expense method. Mutares SE & Co. KGaA prepares and publishes the consolidated financial statements in euros (EUR). Unless otherwise stated, all figures are generally presented in millions of euros (EUR million for short). Differences of up to one unit (million, %) are due to rounding differences for computational reasons.

All IASs/IFRSs mandatory for 31 December 2020 and all interpretations (SIC/IFRIC) adopted by the European Union and effective as of 31 December 2020 have been taken into account.

The consolidated financial statements have been prepared on a going concern basis.

3. Estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect reported amounts and related disclosures. The estimates and judgments in these consolidated financial statements relate primarily to the purchase price allocations in the context of business combinations (in particular the determination of the fair value of acquired assets and liabilities and the assessment of contingent purchase price components), deconsolidation due to loss of control, the assessment of the recoverability of intangible assets, property, plant and equipment, and trade accounts receivable, the determination of uniform useful lives for property, plant and equipment and intangible assets throughout the Group, and the recognition and measurement of retirement benefit plans/pension provisions, income taxes and deferred tax assets on loss carryforwards.

The assumptions underlying the discretionary decisions and estimates are based on the knowledge currently available. In particular, the expected future business development and the circumstances prevailing at the time of preparation of the consolidated financial statements are taken into account. The future development of the business environment, which is assumed to be realistic, is also taken as a basis. Due to the increased uncertainty regarding future economic developments in the context of the COVID-19 pandemic, the premises for discretionary decisions and estimates are therefore subject to greater uncertainty than usual. Should the conditions that occur deviate from the premises, or should developments occur that differ from the underlying assumptions and are beyond management's control, the amounts that materialize may differ from the original estimates. The estimates are based on historical experience and other assumptions that are believed to be reasonable under the prevailing circumstances. The estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are only recognized in the period in which they occur if the change affects only one period. Revisions to estimates that affect both the current and subsequent reporting periods are recognized accordingly in this and subsequent periods.

3.1. ESTIMATES

In the context of **business combinations**, estimates are generally made with regard to the determination of the fair value of the acquired assets and liabilities. Land and buildings are generally valued according to standard land values or, like technical equipment and machinery, by an independent expert. Depending on the nature of the asset and the complexity of the valuation, independent external experts are generally consulted for the valuation of intangible assets. Depending on the type of asset and the availability of information, different valuation techniques are used, which can be divided into cost, market price and capital value-oriented methods.

The total amount of net assets acquired from business combinations in financial year 2020, for which the determination of fair value was partly subject to estimation uncertainties, amounts to EUR 220.2 million (previous year: EUR 110.8 million).

The fair value of contingent consideration in connection with business acquisitions and disposals that are subsequently measured at Level 3 fair value is determined in accordance with generally accepted valuation techniques based on discounted cash flow analyses. The main input parameters are expectations of future cash flows and discount rates.

The accounting treatment of business combinations for which the measurement period of IFRS 3.45 has not yet expired is still provisional in some cases.

Mutares recognizes **pension plans/pension provisions** on the basis of actuarial models. For this purpose, estimates are required and made with regard to the discount rate, remuneration and life expectancy, among other things. Changes in market and economic conditions can lead to deviating probabilities of current developments for the parameters mentioned. Differences in significant parameters are calculated on the basis of sensitivity analyses. For details of the estimates made, please refer to the relevant explanatory notes on pension plans/pension provisions in note 37.

Mutares estimates the expected **useful lives** of intangible assets with finite useful lives (note 53.4) and property, plant and equipment (note 54.5) and tests them for **impairment** when events or changes in circumstances indicate that they might be impaired, as well as annually for intangible assets with indefinite useful lives. The recoverable amount is estimated. This corresponds to the higher of fair value less costs to sell and value in use. Determining the recoverable amount regularly involves making estimates regarding the forecasting and discounting of future cash flows. Management considers the estimates made with regard to the expected useful lives and recoverability of certain assets, assumptions about macroeconomic conditions and developments in the industries in which Mutares operates, and estimates of the present values of future payments to be reasonable. Nevertheless, changed assumptions or changed circumstances may necessitate corrections. These may lead to additional impairments or even reversals of impairments in the future, if the developments expected by Mutares cannot be fully realized. For details on the estimates made, please refer to the relevant explanations on assets in note 16 and note 17.

Some **leases** in the Mutares Group include renewal and termination options. When determining the term of leases, Mutares considers all relevant facts and circumstances that provide an economic incentive to exercise or not exercise renewal or termination options. Any changes in the lease term are only taken into account if there is sufficient certainty that renewal or termination options will be exercised or not exercised during the lease term. This generally leads to a remeasurement of the lease liability and a corresponding adjustment to the right-of-use asset not recognized in profit or loss.

3.2. JUDGMENTS

Management has made judgments in the process of applying the Group's accounting policies that affect the consolidated financial statements. The judgments described below include estimates.

In accordance with IFRS 15, Mutares makes judgments in determining the amount and timing of **revenue from contracts with customers**. For contracts that are fulfilled over a period of time, both the input method (cost-to-cost) and the output method are applied, depending on the assessment of Mutares' ability to convey a true and fair view of the performance. For time-period related services, performance is deemed to be fulfilled when the service is rendered. For contracts that are fulfilled at a specific point in time, revenue recognition is based on the transfer of control over the good. As a rule, the assessment of the transfer of control is based on the agreed Incoterms.

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

For the recognition of deferred tax assets on loss carryforwards, Mutares estimates the future taxable income and the timing of the future realization and thus reversal of deferred tax assets. Estimates of the planned operating result, the result from reversing taxable temporary differences and realistic tax policies are consulted. Due to the uncertainty about future developments of the respective companies, Mutares has to make appropriate assumptions regarding deferred tax assets on loss carryforwards. Accordingly, deferred tax assets are only recognized to the extent that future usability is sufficiently probable. For details on the discretionary decisions made, please refer to the explanations on deferred tax assets on loss carryforwards in note 12.6.

If the respective assets do not generate cash inflows that are largely independent of other cash inflows, the **impairment test** is performed at the level of the cash-generating unit to which the assets to be tested are allocated.

In accounting for **leases**, Mutares regularly uses the incremental borrowing rate when calculating the present value of lease liabilities in order to discount the lease payments relevant for measurement due to the lack of availability of the interest rate on which the lease is based. This is determined for each lease on a term-equivalent basis and on a currency-specific risk-equivalent basis and is generally made up of three components. These generally comprise corresponding reference interest rates, company-specific credit risk premiums, and contract-specific adjustments. Mutares derives the reference interest rates from maturity-equivalent government bonds using a database. The company-specific credit risk premiums are determined on the basis of capital market data via synthetic ratings. Contract-specific adjustments are implicitly taken into account.

B. COMPOSITION OF THE GROUP

4. Scope of consolidation

FULLY CONSOLIDATED COMPANIES

As of 31 December 2020, the consolidated group of Mutares SE & Co. KGaA comprises 151 (previous year: 108) fully consolidated companies in addition to the parent company. Of these, 66 (previous year: 43) companies have their registered office in Germany and 85 (previous year: 65) companies have their registered office abroad.

As of 31 December 2020, the scope of consolidation includes the intermediate holding companies and the following operating units and national companies:

Automotive & Mobility segment

No.	Entities	Description
1	**STS** Group	STS Group AG, Hallbergmoos, and its subsidiaries
2	**SFC Solutions** Group	SFC companies in Poland, Italy, Spain, Germany, France and India
3	**PrimoTECS**	PrimoTECS S.p.A., Avigliana/Italy
4	**KICO** Group	KICO GmbH, Halver, and its subsidiaries
5	**iinovis** Group	iinovis Beteiligungs GmbH, Munich, and its subsidiaries
6	**Elastomer Solutions** Group	Elastomer Solutions GmbH, Wiesbaum, and its subsidiaries
7	**Plati** Group	Plati Elettroforniture S.p.A., Madone/Italy and its subsidiaries

Engineering & Technology segment

No.	Entities	Description
8	**Donges** Group	Donges Steeltec GmbH, Darmstadt, and its subsidiaries
9	**Balcke-Dürr** Group	Balcke-Dürr GmbH, Düsseldorf, and its subsidiaries
10	**Lacroix + Kress**	LACROIX + KRESS GmbH, Bramsche
11	**Gemini Rail** Group	Gemini Rail Services UK Ltd. and Gemini Rail Technology UK Ltd. both Wolverton/United Kingdom
12	**Royal de Boer** and **Japy Tech** Group	Royal de Boer Stalinrichtingen B.V., Leeuwarden/The Netherlands and Japy Tech S.A.S., Dijon/France
13	**EUPEC**	Eupec Pipecoatings France S.A.S., Gravelines/France

Goods & Services segment

No.	Entities	Description
14	**Nexive** Group	Nexive Group S.r.l., Milan/Italy
15	**BEXity**	BEXity GmbH, Vienna/Austria
16	**Terranor** Group	terranor Oy, Helsinki/Finland; terranor AB, Solina/Sweden;
17	**keeeper** Group	keeeper GmbH, Stemwede, as well as its subsidiary companies
18	**TréfilUnion**	TréfilUnion S.A.S., Commercy/France
19	**Cenpa**	Cenpa S.A.S., Schweighouse/France
20	**SABO**	SABO Maschinenfabrik GmbH, Gummersbach

National subsidiaries

No.	Entities	Description
1	**Mutares France**	Mutares France S.A.S., Paris/France
2	**Mutares Italy**	Mutares Italy Srl, Milan/Italy
3	**Mutares UK**	Mutares UK Ltd, London/ United Kingdom
4+5	**Mutares Nordics**	Mutares Nordics Oy, Vantaa/ Finland ; Mutares Nordics AB, Stockholm/Sweden
6	**Mutares Iberia**	Mutares Iberia S.L., Madrid/Spain
7	**Mutares Austria**	Mutares Austria GmbH, Vienna/Austria

Details of the scope of consolidation are provided in the list of shareholdings, which forms part of these notes to the consolidated financial statements as Annex 1.

5. Changes in the scope of consolidation

5.1. ACQUISITIONS OF SUBSIDIARIES

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

5.1.1. Acquisitions of subsidiaries in the 2020 financial year

Acquisition of Tekfor S.p.A. (now operating as PrimoTECS S.p.A.)

Mutares acquired all shares in Tekfor S.p.A. (now operating as PrimoTECS S.p.A.), Avigliana (Italy), on 31 January 2020. PrimoTECS is a supplier to the automotive and related industries. At two sites in northern Italy, the company produces components with applications in electric, hybrid and conventional powertrains, thus strengthening the Automotive & Mobility segment as a new platform investment.

The consideration for the acquisition of the company amounted to initially EUR 1. in the context of a purchase price mechanism, the purchase price was adjusted. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 16.0 million, resulting in a bargain purchase gain of EUR 18.6 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	0.3
Property, plant and equipment	18.4
Right of use assets	2.4
Other non-current assets	0.0
Non-current assets	**21.2**
Inventories	16.8
Current trade and other receivables	25.2
Other current assets	10.7
Current assets	**52.7**
Deferred tax liabilities	0.0
Other non-current liabilities	18.5
Non-current liabilities	**18.5**
Current liabilities	**39.4**
Net assets	**16.0**
Bargain purchase	**18.6**
Consideration	**–2.6**

The fair value of the acquired receivables in relation to a gross receivable amount of EUR 24.5 million amounts to EUR 24.1 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.4 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 64.2 million and net income of EUR –20.7 million from the acquired company. If the company had already been acquired as of 1 January 2020, it would have contributed sales of EUR 72.4 million and net income of EUR –21.8 million to the Group's earnings in the 2020 financial year.

Acquisition of Loterios s.r.l.

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

The consideration for the acquisition of the company amounted to EUR 1, in addition an earn-out was agreed. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are recognized in the statement of comprehensive income under other expenses. The acquired net assets were measured at a fair value of EUR 3.8 million, resulting in a bargain purchase gain of EUR 3.6 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	0.2
Property, plant and equipment	1.0
Right of use assets	0.0
Other non-current assets	0.2
Non-current assets	**1.4**
Inventories	4.7
Current trade and other receivables	6.9
Other current assets	0.8
Current assets	**12.4**
Deferred tax liabilities	0.2
Other non-current liabilities	1.1
Non-current liabilities	**1.3**
Current liabilities	**8.7**
Net assets	**3.8**
Bargain purchase	**3.6**
Consideration	**0.2**

The fair value of the acquired receivables based on a gross receivable amount of EUR 7.6 million amounts to EUR 6.9 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.7 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 11.0 million and net income of EUR –1.5 million from the acquired company. If the company had already been acquired as of 1 January 2020, it would have contributed sales of EUR 14.6 million and net income of EUR –1.7 million to the Group's earnings in the 2020 financial year.

Acquisition of the paper napkin business of Metsä Tissue Corporation

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

The consideration for the acquisition of the paper napkin business of Metsä Tissue Corporation amounted to EUR 3; at the same time, the acquirer received financial resources from the seller. Acquisition-related incidental costs for the transaction result in particular from the real estate transfer tax of EUR 0.7 million incurred in connection with the acquisition, which is included in other expenses in the statement of comprehensive income. The acquired net assets were measured at a fair value of EUR 16.2 million, resulting in a bargain purchase gain of EUR 19.6 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	0.1
Property, plant and equipment	17.1
Right of use assets	0.1
Other non-current assets	0.0
Non-current assets	**17.4**
Inventories	8.3
Current trade and other receivables	0.0
Other current assets	0.0
Current assets	**8.4**
Deferred tax liabilities	8.1
Other non-current liabilities	0.6
Non-current liabilities	**8.7**
Current liabilities	**0.8**
Net assets	**16.2**
Bargain purchase	**19.6**
Consideration	**–3.4**

The consolidated financial statements for the 2020 financial year include sales of EUR 31.2 million and net income of EUR –4.5 million from the acquired company. If the company had already been acquired on 1 January 2020, it would have contributed sales of EUR 37.9 million and net income of EUR –4.8 million to the Group's earnings in the 2020 financial year.

Acquisition of Ruukki Building Systems Oy

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

The preliminary consideration for the acquisition of the Company amounted to EUR 13.5 million, of which EUR 10.0 million was paid initially and a further EUR 3.7 million was paid by the balance sheet date (including an adjustment of the purchase price depending on the target figures net working capital and net debt at the time of transfer of beneficial ownership of EUR 0.2 million). Acquisition-related incidental costs for the transaction of EUR 0.8 million are included in other expenses in the statement of comprehensive income. The net assets acquired were measured at a fair value of EUR 31.0 million, resulting in a bargain purchase gain of EUR 17.3 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	9.0
Property, plant and equipment	15.9
Right of use assets	0.7
Other non-current assets	2.3
Non-current assets	**28.0**
Inventories	4.7
Current trade and other receivables	25.8
Other current assets	10.7
Current assets	**41.2**
Deferred tax liabilities	2.1
Other non-current liabilities	1.1
Non-current liabilities	**3.1**
Current liabilities	**35.1**
Net assets	**31.0**
Bargain purchase	**17.3**
Consideration	**13.7**

The fair value of the acquired receivables in relation to a gross receivable amount of EUR 26,1 million amounts to EUR 25.8 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.3 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 88.1 million and net income of EUR –1.9 million from the acquired company. If the company had already been acquired on 1 January 2020, it would have contributed sales of EUR 143.8 million and net income of EUR –1.1 million to the Group's earnings in the 2020 financial year.

Acquisition of the SFC Solutions Group

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

The consideration for the acquisition amounted to EUR 4. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 57.8 million, resulting in a bargain purchase gain of EUR 57.8 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	3.7
Property, plant and equipment	46.4
Right of use assets	4.1
Other non-current assets	5.6
Non-current assets	**59.8**
Inventories	16.2
Current trade and other receivables	23.8
Other current assets	19.9
Current assets	**59.9**
Deferred tax liabilities	1.8
Other non-current liabilities	34.9
Non-current liabilities	**36.8**
Current liabilities	**25.1**
Net assets	**57.8**
Bargain purchase	**57.8**
Consideration	**0.0**

The fair value of the acquired receivables in relation to a gross receivable amount of EUR 21.5 million at the acquisition date is EUR 19.8 million. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 1.7 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 89.5 million and net income of EUR –10.8 million from the acquired company. If the companies had already been acquired as of 1 January 2020, they would have contributed sales of EUR 133.4 million and net income of EUR –18.9 million to the Group’s earnings in the 2020 financial year.

Acquisition of Nexive Group S.r.l.

On 1 July 2020, Mutares completed the acquisition of an 80% stake in the business of Nexive, the second largest mail and parcel provider in Italy. The previous shareholder, PostNL, received a minority stake of 20% in Nexive Group S.r.l., Milan (Italy), as part of the disposal, which takes over the Nexive business. The acquisition is allocated to the Goods & Services segment.

The consideration for the acquisition amounted to EUR 4. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 14.3 million, resulting in a bargain purchase gain of EUR 11.3 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	0.0
Property, plant and equipment	0.0
Right of use assets	14.8
Other non-current assets	15.1
Non-current assets	**29.9**
Inventories	0.6
Current trade and other receivables	64.0
Other current assets	14.1
Current assets	**78.7**
Deferred tax liabilities	0.0
Other non-current liabilities	30.9
Non-current liabilities	**30.9**
Current liabilities	**63.4**
Net assets	**14.3**
Non-controlling interests (NCI)	**3.0**
Bargain purchase	**11.3**
Consideration	**0.0**

The fair value of the acquired receivables based on a gross receivable amount of EUR 72.5 million amounts to EUR 63.0 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 9.5 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 92.3 million and net income of EUR –10.3 million from the acquired company. If the companies had already been acquired as of 1 January 2020, they would have contributed sales of EUR 183.0 million and net income of EUR –13.3 million to the Group’s earnings in the 2020 financial year.

Acquisition of SABO Maschinenfabrik GmbH

Effective 31 August 2020, Mutares acquired SABO Maschinenfabrik GmbH, a manufacturer of lawn mowers and other outdoor power tools, from Deere & Company ("John Deere"). The company will strengthen the Goods & Services segment as a new platform investment.

The consideration for the acquisition taking into account a purchase price adjustment depending on the circumstances at the closing of the acquisition amounted to EUR 0.4 million. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 19.2 million, resulting in a bargain purchase gain of EUR 18.8 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	1.7
Property, plant and equipment	5.4
Right of use assets	0.2
Other non-current assets	0.4
Non-current assets	**7.8**
Inventories	6.3
Current trade and other receivables	5.3
Other current assets	7.7
Current assets	**19.4**
Deferred tax liabilities	1.1
Other non-current liabilities	1.7
Non-current liabilities	**2.8**
Current liabilities	**5.1**
Net assets	**19.2**
Bargain purchase	**18.8**
Consideration	**0.4**

The fair value of the acquired receivables based on a gross receivable amount of EUR 4.9 million at the acquisition date is EUR 4.9 million. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.0 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 4.0 million and net income of EUR –6.1 million from the acquired company. If the company had already been acquired as of 1 January 2020, it would have contributed sales of EUR 22.1 million and net income of EUR –11.4 million to the Group's earnings in the 2020 financial year.

Acquisition of Nexans Metallurgie Deutschland GmbH (now trading as Lacroix + Kress GmbH)

Mutares successfully completed the acquisition of Nexans' German metallurgical business on 1 November 2020, strengthening the Engineering & Technology segment. The company now operates under the name Lacroix + Kress GmbH and is a manufacturer of oxygen-free copper wire with two German production sites in Bramsche and Neunburg.

The consideration for the acquisition amounted to EUR 1. Acquisition-related incidental costs for the transaction were incurred only to an insignificant extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 30.2 million, resulting in a bargain purchase gain of EUR 30.2 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	4.1
Property, plant and equipment	16.7
Right of use assets	2.1
Other non-current assets	3.9
Non-current assets	**26.8**
Inventories	22.9
Current trade and other receivables	24.4
Other current assets	3.2
Current assets	**50.4**
Deferred tax liabilities	3.9
Other non-current liabilities	8.3
Non-current liabilities	**12.3**
Current liabilities	**34.8**
Net assets	**30.2**
Bargain purchase	**30.2**
Consideration	**0.0**

The fair value of the acquired receivables based on a gross receivable amount of EUR 15.3 million at the acquisition date is EUR 15.3 million. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.0 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 18.1 million and net income of EUR –0.7 million from the acquired company. If the company had already been acquired as of 1 January 2020, it would have contributed sales of EUR 116.1 million and net income of EUR –4.8 million to the Group's earnings in the 2020 financial year.

Acquisition of the Nordic Road Services companies in Finland and Sweden (now operating as Terranor AB and Terranor Oy)

On 4 November, the acquisition of NCC's Swedish and Finnish road service businesses was successfully completed, adding a presence in Scandinavia to the Goods & Services segment. The companies now operate under the names Terranor AB and Terranor Oy and offer winter (snow removal and sanding/salting) and summer (road repairs and green space management) and other related services. Key customers are mainly government and municipal authorities.

The consideration for the acquisition amounted to EUR 0.7 million. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 7.2 million, resulting in a bargain purchase gain of EUR 6.5 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	5.5
Property, plant and equipment	3.4
Right of use assets	2.6
Other non-current assets	0.0
Non-current assets	**11.5**
Inventories	0.7
Current trade and other receivables	8.3
Other current assets	15.1
Current assets	**24.1**
Deferred tax liabilities	2.0
Other non-current liabilities	6.2
Non-current liabilities	**8.2**
Current liabilities	**20.2**
Net assets	**7.2**
Bargain purchase	**6.5**
Consideration	**0.7**

The fair value of the acquired receivables based on a gross receivable amount of EUR 8.3 million amounts to EUR 8.3 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.0 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 22.5 million and profit after tax of EUR 0.7 million from the acquired company. If the company had already been acquired on 1 January 2020, it would have contributed sales of EUR 104.3 million and net income of EUR 0.6 million to the Group's earnings in the 2020 financial year.

Acquisition of Engineering Services from Valmet Automotive (now operating as iinovis)

Mutares successfully completed the acquisition of the Engineering Services of Valmet Automotive on 13 November. The company now operates under the name iinovis and strengthens the Automotive & Mobility segment with its engineering expertise. Mutares expects the acquisition to generate high synergy potential for the existing portfolio companies of this segment.

The consideration for the acquisition amounted to EUR 0.6 million. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are recognized in the statement of comprehensive income under other expenses. The acquired net assets were measured at a fair value of EUR 8.6 million, resulting in a bargain purchase gain in the amount of EUR 8.0 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	0.3
Property, plant and equipment	4.6
Right of use assets	3.8
Other non-current assets	0.0
Non-current assets	**8.7**
Inventories	7.3
Current trade and other receivables	17.6
Other current assets	1.3
Current assets	**26.3**
Deferred tax liabilities	0.2
Other non-current liabilities	15.1
Non-current liabilities	**15.3**
Current liabilities	**11.1**
Net assets	**8.6**
Bargain purchase	**8.0**
Consideration	**0.6**

The fair value of the acquired receivables based on a gross receivable amount of EUR 4.7 million amounts to EUR 4.5 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.2 million.

The consolidated financial statements for the 2020 financial year include sales of EUR 9.9 million and net income of EUR –4.9 million from the acquired company. If the company had already been acquired as of 1 January 2020, it would have contributed sales of EUR 40.0 million and net income of EUR –20.2 million to the Group's earnings in the 2020 financial year.

Acquisition of Royal de Boer Stalinrichtingen B.V. and Japy Tech S.A.S.

As of 31 December 2020, Mutares successfully completed the acquisition of GEA Farm Technologies Japy S.A.S. and Royal De Boer Stalinrichtingen B.V. with production sites in France and the Netherlands. The companies manufacture milk cooling tanks and barn equipment for dairy farms and expand the Goods & Services segment.

The consideration for the acquisition amounted to EUR 0.0 million. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These are -recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 16.3 million, resulting in a bargain purchase gain of EUR 16.3 million.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	0.7
Property, plant and equipment	12.2
Right of use assets	0.6
Other non-current assets	0.8
Non-current assets	**14.2**
Inventories	8.9
Current trade and other receivables	1.9
Other current assets	2.1
Current assets	**12.9**
Deferred tax liabilities	1.4
Other non-current liabilities	1.6
Non-current liabilities	**3.0**
Current liabilities	**7.9**
Net assets	**16.3**
Bargain purchase	**16.3**
Consideration	**0.0**

The fair value of the acquired receivables based on a gross receivable amount of EUR 2.0 million amounts to EUR 1.9 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that are not expected to be collected amounts to EUR 0.1 million.

The consolidated financial statements for the 2020 financial year do not yet include any sales or net income from the acquired companies due to the completion of the transaction at the end of the 2020 financial year. If the companies had already been acquired as of 1 January 2020, they would have contributed sales of EUR 44.3 million and net income of EUR –3.0 million to the Group's earnings in the 2020 financial year.

In all of the acquisitions described above, a comparison of the acquisition costs of the acquired companies and the revalued net assets resulted in a bargain purchase gain in each case, which is recognized in the statement of comprehensive income under other income. The acquisition price favorable to Mutares and the resulting bargain purchase are attributable to the seller's efforts to realign its business activities. While the acquired market segments appear unattractive to other investors, the acquisition is lucrative for Mutares as companies in transition situations fit into the Group's strategic direction. Mutares Group sees its opportunities in its extensive operational industry and turnaround experience, which will help to guide the acquired companies onto a stable path of profitable growth.

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

5.1.2. Acquisitions of subsidiaries in financial year 2019

Acquisition of Normek Oy and its subsidiaries

On 28 February 2019, Donges SteelTec GmbH completed the acquisition of 100% of the shares in Normek Oy, based in Vantaa, Finland, and its subsidiaries in Finland and Sweden ("Normek"). Normek is a steel building and facade solutions company in Finland and mainly active in the Finnish and Swedish markets. Thus, the product portfolio and distribution channels of the Donges Group will be expanded and complemented.

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

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

EUR million	Fair Value
Intangible assets	8.6
Property, plant and equipment	1.8
Right of use assets	3.9
Other non-current assets	5.2
Non-current assets	**19.4**
Inventories	0.4
Current trade and other receivables	9.6
Other current assets	1.5
Current assets	**11.5**
Deferred tax liabilities	1.6
Other non-current liabilities	3.6
Non-current liabilities	**5.2**
Current liabilities	**20.1**
Net assets	**5.7**
Bargain purchase	**0.0**
Consideration	**5.7**

The fair value of the acquired receivables based on a gross receivable amount of EUR 5.5 million amounted to EUR 5.5 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that were not expected to be collected amounts to EUR 0.0 million.

The consolidated financial statements for financial year 2019 included sales of EUR 37.1 million and net income of EUR –7.4 million from the acquired company. If the companies had already been acquired as of 1 January 2019, they would have contributed sales of EUR 45.8 million and net income of EUR –6.6 million to the Group's earnings in financial year 2019.

Acquisition of FDT Flachdach Technologie GmbH & Co. KG and its subsidiaries

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

The symbolic purchase price for the acquisition of the companies was EUR 2. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These were recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 6.9 million, resulting in a bargain purchase gain of EUR 6.9 million, was included in other income.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

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

The fair value of the acquired receivables based on a gross receivable amount of EUR 3.5 million amounted to EUR 3.5 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that were not expected to be collected amounted to EUR 0.0 million.

The consolidated financial statements for financial year 2019 included sales of EUR 38.3 million and net income of EUR –5.4 million from the acquired company. If the companies had already been acquired as of 1 January 2019, they would have contributed sales of EUR 50.3 million and net income of EUR –10.1 million to the Group's earnings in financial year 2019.

Acquisition of TréfilUnion S.A.S.

With an agreement dated 31 May 2019 and closing of the transaction on the same day, Mutares acquired all shares in TréfilUnion S.A.S, headquartered in Commercy (France). The company with two plants in France produces steel wires and ropes for a customer portfolio diversified by industries and strengthens the Goods & Services segment as a new platform investment.

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

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

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

The fair value of the acquired receivables in relation to a gross receivable amount of EUR 6.2 million at the acquisition date was EUR 6.2 million. Accordingly, the best estimate made at the acquisition date for contractual cash flows that were not expected to be collected amounts to EUR 0.0 million.

The consolidated financial statements for financial year 2019 included sales of EUR 15.8 million and net income of EUR –8.6 million from the acquired company. If the company had already been acquired on 1 January 2019, it would have contributed sales of EUR 29.3 million and net income of EUR –12.7 million to the Group's earnings in financial year 2019.

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

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

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

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

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

The fair value of the acquired receivables based on a gross receivable amount of EUR 4.4 million amounted to EUR 4.4 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that were not expected to be collected amounts to EUR 0.0 million.

The consolidated financial statements for financial year 2019 included sales of EUR 15.4 million and net income of EUR –2.9 million from the acquired company. If the companies had already been acquired as of 1 January 2019, they would have contributed sales of EUR 28.6 million and net income of EUR –6.0 million to the Group's result.

In the 2020 financial year, the remaining shares in the Company were also subscribed by way of a capital reduction and subsequent capital increase, as the newly issued shares to which the existing shareholder was entitled were not acquired by the latter within the statutory regulations and subscription period. The former shareholder is taking legal action against this and has initiated proceedings on the merits. Mutares considers the claim to be unfounded and estimates the risk from the lawsuit to be approximately EUR 0.2 million.

Acquisition of keeeper GmbH and its subsidiaries

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

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

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	1.7
Property, plant and equipment	17.4
Right of use assets	4.9
Other non-current assets	1.7
Non-current assets	**25.7**
Inventories	12.1
Current trade and other receivables	5.2
Other current assets	6.2
Current assets	**23.5**
Deferred tax liabilities	1.4
Other non-current liabilities	4.2
Non-current liabilities	**5.6**
Current liabilities	**15.3**
Net assets	**28.3**
Bargain purchase	**28.3**
Consideration	**0.0**

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

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

Acquisition of Kirchhoff GmbH & Co. KG and its subsidiaries

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

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

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

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

The fair value of the acquired receivables based on a gross receivable amount of EUR 2.1 million amounted to EUR 2.1 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that were not expected to be collected amounts to EUR 0.0 million.

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

Acquisition of the business of Q Logistics GmbH

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

The purchase price for the shares amounted to EUR 0.1 million. Acquisition-related incidental costs for the transaction were incurred only to an immaterial extent. These were recognized in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 28.4 million, resulting in a bargain purchase gain of EUR 28.3 million, which is included in other income.

The following table shows the results of the purchase price allocation and the calculation of the income from bargain purchase recognized in other income:

EUR million	Fair Value
Intangible assets	5.7
Property, plant and equipment	2.5
Right of use assets	19.6
Other non-current assets	6.0
Non-current assets	**33.8**
Inventories	0.8
Current trade and other receivables	30.3
Other current assets	0.6
Current assets	**31.7**
Deferred tax liabilities	2.1
Other non-current liabilities	23.6
Non-current liabilities	**25.7**
Current liabilities	**11.4**
Net assets	**28.4**
Bargain purchase	**28.3**
Consideration	**0.1**

The fair value of the acquired receivables based on a gross receivable amount of EUR 2.9 million amounted to EUR 2.8 million at the acquisition date. Accordingly, the best estimate made at the acquisition date for contractual cash flows that were not expected to be collected amounts to EUR 0.1 million.

Due to the date of completion of the transaction, the consolidated financial statements for the financial year 2019 did not include any revenue or net income from the acquired company. If the companies had already been acquired as of 1 January 2019, they would have contributed sales of EUR 212.8 million and earnings after income taxes of EUR –24.0 million to the Group's earnings in financial 2019.

In all of the acquisitions described above, a comparison of the acquisition costs of the acquired companies and the revalued net assets resulted in a bargain purchase gain in each case, which was recognized in the statement of comprehensive income under other income. The acquisition price favorable to Mutares and the resulting bargain purchase are attributable to the seller's efforts to realign its business activities. While the acquired market segments appear unattractive to other investors, the acquisition is lucrative for Mutares as companies in transition situations fit into the Group's strategic direction. Mutares Group sees its opportunities in its extensive operational industry and turnaround experience, which will help to guide the acquired companies onto a stable path of profitable growth.

5.2. DECONSOLIDATION OF SUBSIDIARIES

5.2.1. Deconsolidations of subsidiaries in 2020

The following subsidiaries were sold and deconsolidated in the reporting period:

Deconsolidation of Klann Packaging GmbH

Klann Packaging GmbH is a manufacturer of promotional and sales packaging made of printed tinplate based in Landshut. The company was acquired as a carve-out from the HUBER Packaging Group in 2011 and was established in the market after successful restructuring. The company was part of the Goods & Services segment.

Mutares has sold Klann Packaging GmbH to the investment holding Accursia Capital GmbH with a purchase agreement dated 15 May 2020. The initial, symbolic sales price can be further increased by subsequent payments (earn-out) under certain conditions until 2023. The deconsolidation result amounts to EUR –1.8 million and is included in other expenses.

Deconsolidation of Balcke Dürr Polska Sp. z o.o

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

The initial sales price of EUR 5.5 million increased by a further EUR 1.0 million due to subsequent payments based on the fulfillment of certain conditions within the 2020 financial year. The deconsolidation gain amounts to EUR 2.8 million and is included in other income.

Deconsolidation of European Central Logistics s.r.o.

BEXity GmbH, an indirect subsidiary of Mutares from the segment Goods & Services, has, by purchase agreement dated 30 April 2020, sold European Central Logistics s.r.o. Prague (Czech Republic) ("ECL"), by way of a management buy-out (MBO) to the managing director of the company for a purchase price of EUR 0.5 million.

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

Deconsolidation of STS Acoustics

STS Group AG, a direct subsidiary of Mutares from the Automotive & Mobility segment, entered into a purchase agreement with Adler Pelzer Group on the sale of its Acoustics business on 7 August 2020. The closing of the transaction took place on 29 October 2020. Through the divestment, STS Group is focusing on its core business in Plastics and Materials in Europe and China and also on the expansion of the North American market. The deconsolidation gain amounts to EUR 3.9 million and is included in other income.

The disposal of net assets, the consideration and the result from deconsolidation are presented below:

EUR million	Fair Value
Intangible assets	1.1
Property, plant and equipment	28.0
Right of use assets	14.2
Other non-current assets	1.6
Non-current assets	**44.9**
Inventories	10.4
Current trade and other receivables	30.0
Other current assets	18.5
Current assets	**58.9**
Deferred tax liabilities	0.9
Other non-current liabilities	42.9
Non-current liabilities	**43.8**
Current liabilities	**60.3**
Disposal of net assets	**–0.3**
Profits/losses from deconsolidations	**4.9**
Consideration	**4.6**

5.2.2. Deconsolidations of subsidiaries in 2019

No subsidiaries were deconsolidated in the 2019 financial year.

C. NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

6. Revenues from contracts with customers

The development of sales by segment and region is presented 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	2020	2019
Bargain purchase Income	207.8	102.6
Gains from deconsolidation	6.9	0.0
Income from raw material and waste recycling	3.0	1.6
Currency translation	2.9	1.1
Income from renting and leasing	2.7	0.1
Income from other services	1.8	1.6
Other capitalized self-produced assets	1.6	1.6
Income from the disposal of fixed assets	1.3	1.0
Income from risk allowance	1.2	1.7
Income from the reversal of provisions	0.0	0.6
Miscellaneous other income	12.2	7.2
Other operating income	**241.3**	**119.1**

Bargain purchase income is presented in detail in note 5.1 “Acquisitions of subsidiaries” and gains on deconsolidation in note 5.2 “Deconsolidation of subsidiaries”.

8. Cost of materials

The breakdown of the cost of materials is as follows:

EUR million	2020	2019
Cost of raw materials, consumables and supplies	609.1	484.6
Cost of purchased services	365.5	138.0
Cost of materials	**974.6**	**622.6**

9. Personnel expenses

Personnel expenses break down as follows:

EUR million	2020	2019
Wages and salaries	335.2	232.9
Social security contributions and pension contributions	88.6	58.9
Personnel expenses	**423.9**	**291.8**

In the financial years 2020 and 2019, personnel expenses for share-based payment, service cost relating to defined benefit obligations, and personnel expenses for defined contribution plans were recognized. For further details, please refer to the explanations in the respective notes (note 32 “Contingent capital and share-based payment” and note 37 “Retirement benefit plans/pension provisions”).

In response to the negative effects of the COVID-19 pandemic, the Group’s units were able to take advantage of relief in personnel expenses amounting to EUR 4.7 million as a result of government support measures (“short-time work”). The conditions attached to these government grants were met in full, and there are no uncertainties in this respect.

10. Other expenses

The breakdown of other expenses is as follows:

EUR million	2020	2019
Selling expenses	49.0	25.1
Administration	39.5	12.8
Legal and consulting expenses	38.7	24.6
Maintenance and servicing	30.1	20.5
Rent, leases and licence fees	22.2	13.8
Advertising and travel expenses	14.5	12.9
Damage claims, guarantee and warranty	8.8	6.2
Basic levies and other taxes	6.9	4.7
Expenses for general partners	5.6	3.6
Fleet	3.9	2.6
Expenses from subsequent measurement of earn-out receivables	3.6	4.2
Expenses from expected credit loss	2.7	2.7
Losses from deconsolidation	2.0	0.0
Miscellaneous expenses	33.4	3.8
Other operating expenses	**260.8**	**137.5**

Due to an adjustment of the assessment regarding the realizability of the corresponding receivable, an earn-out receivable in the amount of EUR 3.6 million (previous year: EUR 4.2 million) was written down in the reporting period.

With regard to losses from deconsolidation, we refer to note 5.2 “Deconsolidation of subsidiaries”.

11. Financial result

The breakdown of the financial result is as follows:

EUR million	2020	2019
Interest and similar income	1.4	0.6
Gains from currency translation	2.4	0.9
Financial income	**3.9**	**1.5**
Interest expenses from the unwinding of discount on provisions	1.3	1.4
Interest expenses from the unwinding of discount on finance liabilities	0.2	2.2
Interest expenses from factoring	2.5	0.9
Interest expenses from leasing liabilities	7.5	4.3
Expense from changes in value of derivatives	4.0	0.0
Losses from currency translation	3.0	0.0
Other interest and similar expenses	9.7	2.2
Financial expenses	**28.2**	**11.0**
Financial result	**–24.3**	**–9.5**

12. Income taxes

12.1. INCOME TAXES AND TAX RECONCILIATION

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

EUR million	2020	2019
Current income tax		
Current income tax expense for the year	–4.7	–4.1
Adjustments for income tax expense of prior periods	0.9	–0.1
Deferred taxes		
Income from deferred taxes	16.9	13.1
Expense from deferred taxes	–10.3	–8.9
Income tax expense/income	**2.8**	**0.0**

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

The income tax rates applicable to the Group companies range between 8,75% and 33.0% (previous year: 19.0% and 33.3%).

EUR million	2020	2019
Profit before tax	**16.9**	**16.7**
Domestic tax rate of the parent company (in %)	33	33
Tax expense at the domestic tax rate of the parent company	**–5.6**	**–5.5**
Increases/deductions due to		
Use of unrecognised loss carryforwards	0.7	0.4
Unrecognised deferred taxes on temporary differences and loss carryforwards	–43.4	–19.8
Subsequently recognised deferred taxes on temporary differences and loss carryforwards	1.6	0.2
Non-deductible goodwill amortization	–10.4	0.0
Other non-deductible expenses including withholding tax	–7.7	–9.7
Tax benefits	0.2	0.3
Tax effect on appreciation of negative difference	68.5	33.8
Tax rate differences	–3.9	–1.6
Tax-exempt income	1.5	1.6
Additional payments and refunds of taxes for previous years	0.9	–0.1
Change in valuation allowance for deferred tax assets	0.0	–0.4
Other effects	0.4	0.8
Income recognized for income taxes	**2.8**	**0.0**

12.2. DEFERRED TAXES RECOGNIZED IN EQUITY AND IN OTHER COMPREHENSIVE INCOME

EUR million	2020	2019
Deferred taxes recognised directly in equity	0.1	0.0
Deferred taxes recognised in other comprehensive income	0.2	1.1
Deferred taxes on the revaluation of the defined benefit obligation	0.2	1.1
Total	**0.3**	**1.1**

12.3. CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities break down as follows:

Tax assets

EUR million	31/12/2020	31/12/2019
Tax assets with a remaining term of more than 1 year		
Income tax receivables	0.9	0.0
Tax assets with a remaining term of less than 1 year		
Income tax receivables	2.7	2.1
Tax assets	**3.6**	**2.1**

Tax liabilities

EUR million	31/12/2020	31/12/2019
Tax liabilities with a remaining term of less than 1 year		
Income tax receivables	3.5	2.6
Tax liabilities	**3.5**	2.6

12.4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are composed as follows:

EUR million

	Deferred taxes at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition/ disposals	Deferred taxes at close
Goodwill	-0.2	0.0	0.0	0.0	-0.2
Other intangible assets	-9.4	3.7	0.0	-9.3	-14.9
Property, plant and equipment	-7.6	-10.2	0.0	-6.0	-23.8
Non-current financial assets	-0.4	-1.5	0.0	0.2	-1.7
Financial assets at fair value through profit or loss	-1.0	1.0	0.0	0.0	0.0
Financial assets available for sale (AfS)	-6.9	0.1	0.0	0.0	-6.8
Inventories	-2.5	-1.4	0.0	-0.1	-4.0
Trade receivables	0.2	-0.2	0.0	0.1	0.1
Other assets and receivables	-1.2	-0.1	0.0	1.1	-0.2
Non-current financial lease liabilities	8.5	6.1	0.0	1.0	15.6
Non-current financial liabilities	0.3	1.5	0.0	0.0	1.8
Pension obligations	8.2	-1.2	-0.2	1.2	8.0
Currency translation differences from foreign business	3.0	0.0	0.0	0.0	3.0
Long-term provisions	0.8	-0.4	0.0	1.2	1.6
Trade liabilities	0.7	0.0	0.0	-0.1	0.6
Current lease liabilities	2.8	2.3	0.0	0.2	5.3
Current financial liabilities	0.0	0.1	0.0	0.0	0.1
Short-term provisions	1.4	-0.6	0.0	0.7	1.5
Other current liabilities	0.6	4.0	0.0	0.1	4.7
Subtotal	**-2.8**	**3.2**	**-0.2**	**-9.7**	**-9.3**
Tax losses	11.3	0.0	0.0	1.8	13.0
Other deferred taxes	0.1	3.4	0.0	-3.5	0.0
Total	**8.7**	**6.6**	**-0.2**	**-11.4**	**3.8**

12.5. TEMPORARY DIFFERENCES

No deferred taxes are recognized for outside basis differences, i.e. differences between the IFRS equity value of an investment and its carrying amount for tax purposes, amounting to EUR 323.4 million (previous year: EUR 235.3 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 are recognized for temporary differences in the amount of EUR 12.5 million (previous year: EUR 0.5 million), as it is not probable that taxable profit will be available against which they can be utilized in the future.

12.6. UNUSED TAX LOSSES AND UNUSED TAX CREDITS

Deferred tax assets of EUR 15.0 million were recognized for existing corporate income tax and trade tax loss carryforwards and other tax credits (previous year: EUR 8.6 million).

Deferred tax assets for unused tax losses and tax credits were recognized in the amount of EUR 14.8 million (previous year: EUR 7.6 million) with regard to Group companies that generated a negative result in the current period or in the previous period. Capitalization was made because it is considered probable, based on planning, that taxable profit will be available in the future to offset these losses. This arises in particular in cases where companies have realized start-up losses or it is assumed that the restructuring measures will result in positive earnings in the foreseeable future.

Deferred tax assets of EUR 6.9 million were recognized in connection with the purchase price allocations (previous year: EUR 1.3 million).

In addition, no deferred tax assets are recognized for corporate income tax and trade tax loss carryforwards and other tax credits amounting to EUR 464.7 million (previous year: EUR 404.6 million), as there are legal or economic restrictions on their future utilization.

For the tax losses and tax credits unused in the reporting year, EUR 27.7 million are subject to a time restriction of less than five years. In the previous year, tax losses and tax credits in the amount of EUR 29.7 million were subject to a time limitation of less than five years.

12.7. UNCERTAIN TAX LIABILITIES/ASSETS

There are no uncertain tax positions in the reporting period.

Furthermore, the application of IFRIC 23 did not have a material impact on the consolidated financial statements, as it did not change the measurement of the tax liabilities or assets recognized in the balance sheet.

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

13. Consolidated and comprehensive income

The consolidated net profit of EUR 19.7 million (previous year: EUR 16.7 million) includes non-controlling interests of EUR −7.4 million (previous year: EUR −4.1 million).

In the overall result of EUR 14.2 million (previous year: EUR 14.9 million) non-controlling interests of EUR −8.0 million (previous year: EUR −4.5 million) are included, mainly resulting from STS Group AG.

14. Earnings per share

Earnings per share are as follows:

		2020	2019
Net income for the year after taxes attributable to the shareholders of Mutares	EUR million	**27.1**	20.8
Weighted average number of shares for calculating earnings per share			
Basic	Number	**15,181,767**	15,234,417
Diluted	Number	**15,181,767**	15,234,417
Earnings per share			
Basic	EUR	**1.78**	1.37
Diluted	EUR	**1.78**	1.37

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

15. Segment information

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

As of 31 December 2020, the portfolio of Mutares SE & Co. KGaA includes 20 operating investments or investment groups (previous year: 13), which are divided into three segments:

- Automotive & Mobility,
  (1) STS Group
  (2) SFC Solutions Group
  (3) PrimoTECS
  (4) KICO Group
  (5) iinovis Group
  (6) Elastomer Solutions Group
  (7) Plati Group

- Engineering & Technology,
  (8) Donges Group
  (9) Balcke-Dürr Group
  (10) Lacroix + Kress
  (11) Gemini Rail Group
  (12) Royal de Boer and Japy Tech Group
  (13) EUPEC

- Goods & Services
  (14) Nexive Group
  (15) BEXity
  (16) Terranor Group
  (17) keeeper Group
  (18) TréfilUnion
  (19) Cenpa
  (20) SABO

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

The individual segments are reported and managed in accordance with IFRS. The accounting policies of the reportable segments generally also apply to transactions between the reportable segments and correspond to the Group accounting policies described in note 53. Intersegment sales are accounted for at arm's length prices.

As the chief operating decision maker, the Executive Board also measures the performance of the segments on the basis of a performance indicator adjusted for special effects, which is referred to as "adjusted EBITDA" in internal management and reporting. This alternative performance measure is calculated on the basis of reported Group EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for transaction-related income (bargain purchases), restructuring and other non-recurring expenses, and deconsolidation effects. This alternative performance measure is intended to make the operating development within the segments transparent and to enable the chief operating decision maker to assess the operating earnings power of the individual segments.

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

EUR million	2020	2019
EBITDA	**142.7**	**79.2**
Income from bargain purchases	**–207.8**	–102.6
Restructuring and other non-recurring expenses	**41.1**	31.0
Deconsolidation effects	**–4.9**	0.0
Adjusted EBITDA	**–28.8**	**7.5**

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

EUR million	Segments: Automotive & Mobility 2020	Automotive & Mobility 2019	Engineering & Technology 2020	Engineering & Technology 2019	Goods & Services 2020	Goods & Services 2019	Corporate/ Consolidation 2020	Corporate/ Consolidation 2019	Mutares Group 2020	Mutares Group 2019
Revenues	602.4	450.4	534.7	482.0	446.7	83.5	0.0	0.0	1,583.9	1,015.9
Cost of Material	-349.7	-262.0	-344.1	-311.0	-280.8	-49.7	0.0	0.0	-974.6	-622.6
Personnel expenses	-173.1	-130.6	-134.7	-125.9	-97.0	-22.2	-19.2	-13.0	-423.9	-291.7
Other operating expenses	-101.5	-62.2	-68.0	-53.4	-98.7	-23.2	7.4	1.3	-260.8	-137.5
EBITDA	65.7	13.6	59.7	-3.8	29.0	79.5	-11.6	-10.2	142.7	79.2
Ajusted EBITDA	-13.3	15.6	7.6	4.7	-17.0	-7.3	-6.1	-5.5	-28.8	7.5
Timing of revenue recognition										
Transferred at a point in time	414.1	190.1	283.3	333.1	424.8	83.5	0.0	0.0	1,122.2	606.7
Over period	188.3	260.3	251.5	148.9	21.9	0.0	0.0	0.0	461.7	409.2

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

EUR million	31/12/2020	31/12/2019
Europe	**409.8**	**314.4**
Germany	138.2	103.3
France	74.9	83.9
Austria	50.1	26.4
Italy	39.1	33.8
Poland	35.6	28.5
United Kingdom	15.4	19.4
Finland	32.2	11.6
Rest of Europe	24.3	7.5
Rest of world	**58.0**	**40.5**

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

In the financial year 2020, revenues from no customer amounted to more than 10% of total third-party revenues in the Mutares Group. In the financial year 2019, revenues from one customer in the Automotive & Mobility segment amounted to EUR 102.0 million and thus to more than 10% of total third-party revenues in the Mutares Group.

The geographical breakdown of sales by market is based on the location of the respective customer.

EUR million	2020	2019
Europe	**1,406.2**	**880.8**
Germany	356.9	252.5
Italy	222.0	86.6
France	211.1	191.2
Austria	154.3	34.1
Sweden	107.8	47.3
United Kingdom	79.9	81.0
Finland	58.0	12.6
Poland	35.0	41.5
Czech republic	29.4	12.6
The Netherlands	28.9	17.1
Belgium	24.3	21.8
Other	98.4	82.4
Asia	**133.6**	**88.9**
America	**33.2**	**35.6**
Africa	**10.9**	**10.6**

Sales for each group of comparable products and services are not disclosed because the necessary information is not available and the cost to prepare them is excessive.

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

EUR million	2020	2019
Total segment EBITDA	154.4	89.4
Corporate/consolidation	-11.6	-10.2
Depreciation	-101.5	-53.0
Financial result	-24.3	-9.5
Profit before tax	**16.9**	**16.7**

D. NOTES ON ASSETS

16. Intangible assets

The development of other intangible assets is as follows:

EUR million	Internally generated intangible rights and assets	Software	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Historical cost					
As at 01/01/2019	**13.8**	**8.6**	**27.3**	**4.1**	**53.8**
Additions	1.1	0.7	0.3	3.1	5.2
Disposals	0.0	0.0	0.0	0.0	0.0
Reclassification	–12.8	1.2	11.6	–1.2	–1.2
Changes in consolidated group	0.2	1.8	22.3	0.1	24.4
Currency translation effects	0.0	0.0	0.2	0.1	0.3
Adjustments due to change in accounting policies	0.0	–1.8	0.0	0.0	–1.8
As at 31/12/2019	**2.3**	**10.5**	**61.7**	**6.2**	**80.7**
Additions	0.1	4.3	0.3	2.0	6.7
Disposals	0.0	–1.1	–0.8	0.0	–2.0
Reclassification	–0.1	0.2	1.4	–1.5	0.0
Changes in consolidated group	–1.0	0.6	23.8	0.2	23.5
Currency translation effects	0.0	–0.1	–0.5	–0.2	–0.7
Reclassification IFRS 5	0.0	0.0	0.0	0.0	0.0
As at 31/12/2020	**1.3**	**14.5**	**85.8**	**6.8**	**108.3**

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 01/01/2019	**–3.2**	**–2.2**	**–6.9**	**–0.1**	**–12.4**
Amortization	–0.4	–1.6	–5.6	–1.6	–9.2
Impairment	0.0	–0.7	0.0	0.0	–0.7
Disposals	0.0	0.0	0.0	0.0	0.0
Reclassification	3.0	0.0	–2.6	0.0	0.4
Changes in consolidated group	0.0	0.0	0.0	0.0	0.0
Stand per 31/12/2019	**–0.6**	**–4.5**	**–15.2**	**–1.7**	**–22.0**
Amortization	–0.4	–2.3	–8.7	–0.2	–11.6
Impairment	0.0	–0.7	–0.5	0.0	–1.2
Disposals	0.0	0.8	0.3	0.0	1.0
Reclassification	0.0	0.0	–1.4	1.4	0.0
Changes in consolidated group	0.3	0.5	0.3	0.0	1.1
Currency translation effects	0.0	0.0	0.2	0.0	0.2
Reclassification IFRS 5	0.0	0.0	0.0	0.0	0.0
As at 31/12/2020	**–0.7**	**–6.2**	**–24.9**	**–0.5**	**–32.3**
Net carrying amounts					
01/01/2019	10.6	6.4	20.4	4.0	41.4
31/12/2019	1.7	6.0	46.5	4.5	58.7
01/01/2020	1.7	6.0	46.5	4.5	58.7
31/12/2020	**0.5**	**8.3**	**60.9**	**6.3**	**76.0**

Intangible assets of EUR 25.7 million (previous year: EUR 24.4 million) were acquired as part of the acquisitions made in the reporting period; we refer to the comments above (note 5.1 "Acquisitions of subsidiaries").

In the reporting period, research and development expenses recognized as an expense amounted to EUR 2.3 million (previous year: EUR 1.8 million).

For intangible assets pledged as collateral as of 31 December 2020, see note 35.

Intangible assets with indefinite useful lives

As of 31 December 2020, two subsidiaries in the Engineering & Technology segment had intangible assets with indefinite useful lives of EUR 4.6 million (previous year: EUR 4.6 million). In the segments Goods & Services (EUR 1.2 million) and Automotive & Mobility (EUR 1.1 million) intangible assets with indefinite useful lives remain unchanged compared to the previous year at one and two group companies respectively. These are brands acquired in the course of business combinations. The useful life was estimated to be indefinite, as the management has no plans to change the brand name and the asset can therefore be used indefinitely by the company.

In valuing the trademarks at the respective acquisition dates, the relief from the royalty method was applied. This method is based on the assumption that if the Company did not own the trademark, it would be willing to enter into a license agreement. Under this hypothetical license transaction, the licensee would have to pay royalties to the licensor. The value of the trademark can thus be estimated as the present value of all future royalty payments in a hypothetical licensing transaction. In such transactions, royalties are generally determined by applying a royalty rate to sales of the product or products associated with the trademark. The recoverable amount is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a three-year period. As in the previous year, the discount rate used for the cash flow projections ranges between 7.2% and 12.8%. Cash flows beyond the three-year period were extrapolated using a growth rate of 1.0% (previous year: 1.0%). As in the previous year, there was no need for impairment losses in the 2020 financial year.

Furthermore, no intangible assets with indefinite useful lives were acquired in the reporting period as part of business combinations.

Impairment of intangible assets

In the reporting period an impairment loss of EUR 0.5 million was recognized at a subsidiary of the Engineering & Technology segment, as the positive order backlog of a project with an ongoing project duration had to be reassessed.

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

17. Property, plant and equipment

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

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Historical cost					
As at 01/01/2019	**69.5**	**208.7**	**27.7**	**8.4**	**314.3**
Additions	2.6	11.3	3.4	8.9	26.2
Disposals	−19.9	−2.4	−0.4	−1.4	−24.1
Reclassification	0.6	4.5	0.4	−4.4	1.1
Changes in consolidated group	34.3	28.2	4.6	0.9	68.0
Currency translation effects	0.1	0.1	0.0	0.0	0.2
Adjustments due to change in accounting policies	0.0	−7.0	−1.1	0.0	−8.1
Assets held for sale	−0.3	0.0	0.0	0.0	−0.3
As at 31/12/2019	**86.9**	**243.4**	**34.6**	**12.4**	**377.3**
Additions	1.9	15.2	5.5	6.9	29.4
Disposals	−10.2	−7.8	−4.0	−2.1	−24.1
Reclassification	3.6	−2.8	1.0	−1.8	0.0
Changes in consolidated group	52.6	−49.6	−5.6	1.6	−1.0
Currency translation effects	−2.0	−1.7	−0.2	−0.3	−4.2
Reclassification IFRS 5	−3.1	0.0	−0.3	0.0	−3.5
As at 31/12/2020	**129.6**	**196.6**	**30.9**	**16.7**	**373.8**

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 01/01/2019	**–15.0**	**–148.2**	**–17.8**	**0.0**	**–181.0**
Amortization	–4.7	–17.7	–3.4	0.0	–25.8
Impairment	–0.1	–0.9	0.0	0.0	–1.0
Disposals	2.5	1.6	0.4	0.0	4.5
Reclassification	0.0	0.0	–0.4	0.0	–0.4
Changes in consolidated group	0.0	0.0	0.0	0.0	0.0
Currency translation effects	0.2	0.0	0.1	0.0	0.3
Adjustments due to change in accounting policies	0.0	2.4	0.1	0.0	2.5
As at 31/12/2019	**–17.1**	**–162.8**	**–21.0**	**0.0**	**–200.9**
Current depreciation	–6.7	–23.8	–4.7	–0.1	–35.3
Impairment	–9.1	–8.1	–0.5	0.0	–17.7
Disposals	0.2	4.7	2.8	0.0	7.7
Reclassification	0.0	0.0	0.0	0.0	0.0
Changes in consolidated group	2.1	101.2	10.5	0.0	113.8
Currency translation effects	0.2	0.8	0.0	0.0	1.0
Reclassification IFRS 5	0.0	0.0	0.0	0.0	0.0
As at 31/12/2020	**–30.3**	**–88.0**	**–12.8**	**–0.1**	**–131.2**
Net carrying amounts					
01/01/2019	54.5	60.5	9.9	8.4	133.3
31/12/2019	69.8	80.6	13.6	12.4	176.4
01/01/2020	69.8	80.6	13.6	12.4	176.4
31/12/2020	**99.3**	**108.7**	**18.0**	**16.6**	**242.6**

As part of the acquisitions made in the reporting period, property, plant and equipment amounting to EUR 141.3 million was acquired (previous year: EUR 68.0 million); we refer to the comments above (note 5.1 “Acquisitions of subsidiaries”).

The movements shown in the lines “Reclassification IFRS 5” mainly relate to a highly probable sale and leaseback transaction as of the balance sheet date of a company acquired in the reporting period from the segment Goods & Services, which is why the value of the property concerned in the amount of EUR 3.0 million has been reclassified in accordance with IFRS 5. The transaction was completed at the beginning of 2021. Please refer to the comments in note 24.

With regard to property, plant and equipment pledged as collateral as of 31 December 2020, see note 35.

Impairment of property, plant and equipment

Impairment losses on property, plant and equipment in the 2020 financial year mainly relate to two subsidiaries.

Due to changes in the economic environment, which were significantly exacerbated by the outbreak of the COVID-19 pandemic, two investments undertook a review of the recoverable amount for their respective cash-generating unit in the financial year 2020. The review resulted in an impairment loss of EUR 10.5 million recognized in profit or loss for the subsidiary in the segment Goods & Services. The second impairment loss of EUR 6.6 million relates to a subsidiary in the segment Automotive & Mobility. The discount factor used to determine the value in use was 7.2%, or 9.6% p.a.

Due to persistently difficult economic conditions, a subsidiary in the Automotive & Mobility segment carried out a review of the recoverable amount for several cash-generating units in financial 2019. One of these units was a plant that was still independent. The review resulted in an impairment loss of EUR 0.8 million being recognized in profit or loss (previous year: EUR 1.1 million), which was allocated to technical equipment and machinery.

18. Right of use assets

Mutares has leases for buildings, office space, technical equipment and machinery as well as other equipment, furniture and fixtures, vehicles and, to a minor extent, software.

The development of the rights of use breaks down as follows:

EUR million	Intangible assets	Land and buildings	Vehicle fleet	Technical equipment and machinery	Total
Changes in rights of use recognised in the balance sheet					
As at 01/01/2019	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Rights of use from initial application	1.7	45.7	3.3	11.9	62.6
Additions	0.2	60.9	4.1	6.5	71.7
Disposals	0.0	-0.2	-0.1	0.0	-0.3
Currency translation effects	0.0	0.5	0.0	0.0	0.5
Change due to revaluation or contractual adjustment	0.0	1.2	0.0	0.0	1.2
As at 31/12/2019	**1.9**	**108.1**	**7.3**	**18.4**	**135.7**
Additions	0.1	63.6	2.9	5.3	72.0
Changes in consolidated group	0.0	5.3	6.0	3.4	14.8
Currency translation effects	0.0	-0.9	0.0	-0.1	-1.0
Reclassification IFRS 5	0.0	-10.1	-2.6	-2.6	-15.3
Change due to revaluation or contractual adjustment	0.0	-11.3	-1.1	-2.1	-14.5
As at 31/12/2020	**2.0**	**154.7**	**12.5**	**22.5**	**191.8**
Accumulated depreciation and value adjustment					
As at 01/01/2019	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Ongoing amortization	-0.3	-10.6	-2.0	-3.4	-16.3
Disposals	0.0	0.2	0.2	0.0	0.4
As at 31/12/2019	**-0.3**	**-10.4**	**-1.8**	**-3.4**	**-15.9**
Ongoing amortization	-0.3	-24.0	-3.6	-5.7	-33.5
Impairment	0.0	-0.1	0.0	0.0	-0.1
Changes in consolidated group	0.0	1.8	0.4	0.3	2.5
Currency translation effects	0.0	0.2	0.0	0.0	0.2
Reclassification IFRS 5	0.0	1.3	0.7	0.5	2.5
As at 31/12/2020	**-0.6**	**-31.2**	**-4.2**	**-8.2**	**-44.4**
Net carrying amounts					
01/01/2019	0.0	0.0	0.0	0.0	0.0
31/12/2019	1.6	97.7	5.5	15.0	119.8
01/01/2020	1.6	97.7	5.5	15.0	119.8
31/12/2020	**1.5**	**123.4**	**8.3**	**14.3**	**147.4**

The leases entered into by the Group are generally subject to restrictions. These result from termination or sublease restrictions. Some leases also contain an option to purchase the underlying leased asset outright at the end of the lease or to extend the lease for a further term. In some cases, the lease entails corresponding maintenance, servicing and/or insurance obligations.

For explanatory comments on the corresponding lease liabilities, please refer to note 36 “lease liabilities”.

19. Inventories

Inventories break down as follows:

EUR million	31/12/2020	31/12/2019
Raw materials, consumables and supplies	75.5	54.0
Work in progress	79.9	46.1
Finished goods and goods for resale	46.0	31.0
Prepayments on inventories	2.0	2.9
Inventories	**203.5**	**134.0**

Inventories recognized as an expense amount to EUR 609.1 million (previous year: EUR 484.0 million).

For information on inventories pledged as collateral as of 31 December 2020, see note 35.

The write-down of inventories to the lower net realizable value recognized in the statement of comprehensive income amounts to EUR 0.9 million (previous year: EUR 1.6 million).

The reversals of impairment losses recognized for inventories in the statement of comprehensive income amount to EUR 1.3 million (previous year: EUR 1.6 million) and result from changes in economic circumstances that indicate an increase in net realizable values.

20. Contract balances

Contract balances consist of contract assets and contract liabilities and are as follows by maturity:

EUR million	31/12/2020	31/12/2019
Non-current receivables from contracts with customers	1.9	0.4
Current receivables from contracts with customers	233.0	139.4
Receivables from contracts with customers	**234.9**	**139.9**
Non-current contract assets	0.0	0.0
Current contract assets	36.7	29.1
Contract assets	**36.7**	**29.1**
Non-current contract liabilities	0.1	3.1
Current contract liabilities	68.6	31.5
Contract liabilities	**68.7**	**34.6**

The contract assets as of the balance sheet date largely result from long-term projects that meet the criteria for recognizing revenue over time. The contract assets represent the legal entitlement from goods and services provided in excess of the payments received. In the Engineering & Technology segment, the contract assets mainly relate to services with time-based revenue recognition in the area of plant construction and bridge building, and in the Automotive & Mobility segment in the area of series production. The contract liabilities as of 31 December 2020 result mainly from advance payments received from customers in connection with long-term production contracts.

The change in contract balances in the 2020 financial year is the result of ongoing business activities and the associated changes in project progress and billings, particularly in the Engineering & Technology segment, as well as changes in the composition of the Group. In the amount of EUR 23.1 million (previous year: EUR 12.3 million), revenue from contracts with customers was recognized in the current reporting period, which was included in contract liabilities at the beginning of the period. In the amount of EUR 3.1 million (previous year: EUR 0.8 million) were reclassified from non-current contract liabilities at the beginning of the period to current contract liabilities as of 31 December 2020.

A total transaction price of EUR 300.3 million (previous year: EUR 196.0 million) has been allocated to the performance obligations that have not been settled or not fully settled as of 31 December 2020. Management expects that EUR 143.2 million of this amount will be recognized as revenue in the next year (previous year: EUR 124.6 million) and EUR 157.1 million (previous year: EUR 71.4 million) in subsequent periods. The open performance obligations mainly relate to long-term construction contracts from the Balcke-Dürr Group and the Donges Group, obligations from the production of series tools from the Automotive & Mobility segment and obligations from long-term maintenance contracts from the Goods & Services segment. In accordance with IFRS 15, the transaction price is not disclosed for performance obligations with a term of one year or less.

21. Other financial assets

Other financial assets are as follows:

EUR million	31/12/2020	31/12/2019
Receivables from company acquisitions	8.9	31.6
Receivables from earn-out agreements	1.1	4.4
Cash and term deposits	4.1	6.5
Loans	2.5	0.0
Security deposits	4.7	4.3
Retentions from recourse factoring	11.5	4.1
Creditors with debit balances	1.9	0.8
Supplier bonuses	0.5	0.5
Miscellaneous financial assets	2.8	3.7
Other financial assets	**38.0**	**55.9**
Current	29.3	39.3
Non-current	8.7	16.6

Receivables from business combinations and earn-out receivables are described in note 41 “Fair value measurement”.

22. Other non-financial assets

Other non-financial assets are as follows:

EUR million	31/12/2020	31/12/2019
Other non-financial assets	19.4	12.3
Prepaid expenses	10.9	6.4
Other tax assets	5.9	6.0
Miscellaneous other assets	2.8	1.0
Other non-financial assets	**39.0**	**25.7**
Current	37.2	22.2
Non-current	1.8	3.5

23. Trade accounts receivable and other receivables

Trade and other receivables break down as follows:

EUR million	31/12/2020	31/12/2019
Trade and other receivables	242.3	145.1
Less expected credit losses	–7.5	–5.3
Other receivables	23.6	3.2
Trade and other receivables	**258.5**	**143.0**
Current	256.6	142.6
Non-current	1.9	0.4

Trade and other receivables are non-interest bearing and, with the exception of receivables in the amount of EUR 1.9 million, have a term of less than one year.

Impairment losses are initially recognized in allowance accounts unless it can be assumed at the time the reason for the impairment loss arose that the receivable will be wholly or partly uncollectible. In such cases, the carrying amount of the receivables is impaired directly through profit or loss.

For the calculation of impairment losses, please refer to note 42.1.

In the previous year there were impairments of EUR 1.0 million for trade receivables measured at fair value through other comprehensive income. As of 31 December 2020, there were no trade receivables measured at fair value through other comprehensive income.

For receivables pledged as collateral as of 31 December 2020, see note 35.

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

EUR million	2020	2019
As at 1 Jan.	**5.3**	**5.9**
Changes in consolidated group	12.0	0.0
Additions	1.6	2.6
Utilization	–0.9	–1.5
Reversal	–1.1	–1.7
Currency translation and other effects	0.9	0.0
Reclassification to disposal groups	–10.5	0.0
As at 31 Dec.	**7.5**	**5.3**

Assignment of trade receivables

Mutares Group companies sell trade receivables to factoring companies in exchange for the granting of rights of recourse. These trade receivables are not derecognized from the balance sheet as Mutares retains substantially all the risks and rewards of ownership. These are primarily credit risk. The amounts received from the sale of trade receivables are recognized as other financial liabilities. Depending on the agreement with the respective factoring company, customers settle the corresponding open items directly to Mutares Company, which then transfers the amounts received to the factoring companies. The carrying amount of trade receivables not derecognized amounts to EUR 40.3 million at the balance sheet date (previous year: EUR 29.8 million). The corresponding liabilities amount to EUR 32.2 million as of the balance sheet date (previous year: EUR 23.6 million). Due to the short-term nature of the trade receivables sold and the associated liabilities, the fair value approximates the carrying amount. The net position from this amounts to EUR 8.1 million (previous year: EUR 6.2 million).

Mutares also sold trade receivables with a carrying amount of EUR 63.5 million (previous year: EUR 33.3 million) to third parties on the basis of factoring agreements, for which no material risks remain for Mutares. Therefore, the receivables were derecognized in accordance with IFRS 9.3.2.6(a). Retentions in connection with these assigned receivables amount to EUR 10.1 million (previous year: EUR 5.6 million) and are recognized under other current financial assets. Due to the short-term nature of the trade receivables sold, the fair value approximates the carrying amount. In the event of a payment default by the customer, Mutares is exposed to a remaining payment risk of EUR 0.0 million (previous year: EUR 0.0 million) to the factoring company. The amounts to be repaid to the factoring company would be considered short-term and represent the maximum risk of loss for Mutares.

24. Non-current assets held for sale and disposal groups

Balcke-Dürr, an investment from the Engineering & Technology segment, signed an agreement in December 2020 to sell its German Rothemühle business. Balcke-Dürr Rothemühle GmbH, an integrated service, engineering and original equipment supplier for heat exchangers in air and flue gas passages of power plants and industrial facilities, is to be sold to the Howden Group. The transaction was successfully completed in January 2021.

The assets and liabilities of Balcke-Dürr Rothemühle GmbH break down as follows:

EUR million	31/12/2020
Right of use assets	0.4
Non-current assets	**0.4**
Inventories	0.7
Current Trade and other receivables	2.0
Other current assets	4.0
Current assets	**6.6**
Deferred tax liabilities	0.2
Other non-current liabilities	0.3
Non-current liabilities	**0.5**
Current liabilities	**3.8**

In November 2020, Mutares initially signed a letter of intent to sell its shares in Nexive, an investment from the Goods & Services segment, to the Italian market leader Poste Italiane. The closing of the transaction then took place in January 2021.

Nexive's assets and liabilities break down as follows:

EUR million	31/12/2020
Property, plant and equipment	0.3
Right of use assets	12.4
Non-current assets	**12.8**
Inventories	0.7
Current trade and other receivables	69.5
Other current assets	25.8
Current assets	**96.0**
Other non-current liabilities	29.5
Non-current liabilities	**29.5**
Current liabilities	**74.7**

Furthermore, as of the balance sheet date a sale and leaseback transaction of a company acquired in the reporting period from the segment Goods & Services was highly probable, which is why the carrying amount of the property concerned in the amount of EUR 3.0 million has also been reclassified in accordance with IFRS 5. The transaction was completed at the beginning of 2021.

In the previous year, non-current assets held for sale amounted to EUR 0.3 million and relate to a partial property of KICO of an investment from the Automotive & Mobility segment in Poland. The transaction was highly probable as of 31 December 2019 and was completed in the 2020 financial year.

25. Cash and cash equivalents

Cash and cash equivalents are as follows:

EUR million	31/12/2020	31/12/2019
Bank balance	140.5	75.3
Cash equivalents	4.7	4.3
Cash balance	0.1	0.1
Cash and cash equivalents	**145.3**	**79.7**

As of 31 December 2020, EUR 3.5 million in cash and cash equivalents were restricted (previous year: EUR 4.1 million). For cash and cash equivalents pledged as collateral as of 31 December 2020, see note 35.

E. NOTES ON EQUITY AND LIABILITIES

The individual components of equity and their development for financial years 2019 and 2020 are presented in the consolidated statement of changes in equity.

26. Share capital

The subscribed capital of the parent company Mutares SE & Co. KGaA is fully paid in and, as in the previous year, consists of 15,496,292 no-par value registered shares with a notional interest in the share capital of EUR 1.00 each as of 31 December 2020. With regard to the shares in circulation, we refer to the comments under note 33 “Acquisition of treasury shares”.

27. Capital reserve

The capital reserve as of 31 December 2020 amounted to EUR 37.9 million (previous year: EUR 37.3 million). The increase results from the recognition of share-based payments (see note 32 below).

The capital reserve thus consists of the premium on 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 amounting to EUR 1.8 million (previous year: EUR 1.2 million).

28. Retained earnings

By resolution of the Annual General Meeting on 18 May 2020, a partial amount of EUR 15.2 million of the net retained profits of the Company as of 31 December 2019 under German commercial law was distributed in the form of a dividend of EUR 1.00 per no-par value share carrying dividend rights.

The Executive Board of the general partner of Mutares SE & Co. KGaA has decided, subject to the proviso and condition that the Supervisory Board of the Company also fully supports the proposed resolution and also submits it to the Annual General Meeting of the Company, to distribute the retained earnings of Mutares SE & Co. KGaA for the financial year 2020 to distribute a dividend in the amount of EUR 1.50 per no-par value share entitled to dividend and otherwise to carry it forward to new account. This corresponds to a total amount of EUR 22.5 million in relation to the shares currently outstanding.

29. Other components of equity

Other components of equity include the foreign currency translation reserve and the revaluation reserve for pension obligations. The development in financial years 2019 and 2020 is presented in total in the consolidated statement of changes in equity. Details of the development are shown in the following table:

EUR million	Actuarial gains/losses	Currency adjustment	Fair value changes of financial assets/ liabilities	Total	Non-controlling interest	Attributable to the shareholders of the parent company
As at 01/01/2019	**1.6**	**−2.0**	**0.0**	**−0.4**	**−0.3**	**−0.7**
Other comprehensive income after income taxes	−3.1	1.3	0.0	−1.8	0.4	−1.4
As at 31/12/2019	**−1.5**	**−0.7**	**0.0**	**−2.2**	**0.1**	**−2.1**
Other comprehensive income after income taxes	0.4	−6.1	0.2	−5.5	0.6	−4.9
Changes in consolidated group	0.4	0.0	0.0	0.4	0.0	0.4
As at 31/12/2020	**−0.6**	**−6.8**	**0.2**	**−7.3**	**0.7**	**−6.5**

30. Non-controlling interests

At Mutares, non-controlling interests exist at the reporting date in the subsidiaries STS, Nexive and Plati and – due to a management participation program – also in BEXity, keeper, Nexive and SABO.

On 1 June 2018, **STS Group AG**, headquartered in Hallbergmoos, was listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard). In this context, 1,000,000 new shares were placed from a capital increase of STS Group AG as well as from a re-placement of a further 1,172,172 shares of the previous sole shareholder Mutares SE & Co. KGaA at an offer price of EUR 24.00 per share.

The share capital of STS Group AG was increased to 6,000,000 no-par value shares as a result of the aforementioned transaction. The proceeds from the issue totaling EUR 52.1 million were recognized directly in equity, as were the related costs of EUR 5.2 million. This resulted in non-controlling interests of EUR 30.6 million. Mutares repurchased 355,559 (previous year: 78,000) shares of STS Group AG for a total of EUR 1.0 million (previous year: EUR 1.0 million) in the financial year 2020. In addition, Mutares subscribed for 500,000 new shares in the context of an increase of the share capital by EUR 0.5 million against cash contributions under exclusion of subscription rights. In each case, these were transactions with minority interests, which are shown as such in the statement of changes in equity. Following the acquisition of shares by Mutares SE & Co. KGaA, the shareholding and voting rights of the non-controlling shareholders of STS Group AG amounted to 26.7% as of 31 December 2020 (previous year: 34.9%).

On 1 July 2020, Mutares completed the acquisition of an 80% stake in the business of **Nexive**, the second largest mail and parcel provider in Italy. The previous shareholder, PostNL, received a minority stake of 20% in Nexive Group S.r.l., Milan (Italy), as part of the disposal, which takes over the Nexive business. The transaction resulted in non-controlling interests of EUR 3.0 million.

Mutares completed the acquisition of 80% of the shares in **Plati Elettroforniture S.p.A** and its subsidiaries on 7 June 2019. The transaction resulted in non-controlling interests of EUR 0.2 million. In the financial year 2020, the remaining shares in the company were also subscribed to by way of a capital reduction and subsequent increase, as the newly issued shares due to the existing shareholder were not acquired by the latter within the statutory regulations and subscription period.

There are no restrictions on Mutares' ability to access or use assets of the subsidiaries and to settle liabilities. The following table refers exclusively to the above-mentioned subsidiaries in which shares are held by non-controlling shareholders:

EUR million	31/12/2020	31/12/2019
Non-current assets	191.9	147.1
Current assets	318.6	129.1
Non-current liabilities	104.8	59.2
Current liabilities	294.7	145.1
Equity attributable to shareholders of the parent company	119.6	48.9
Non-controlling interests	-8.6	22.9
Revenues	705.3	378.2
Other income and expenses (cumulative)	-720.0	-393.1
Net income	**-14.7**	**-14.9**
Net income for the year attributable to shareholders of the parent company	-7.4	-10.8
Net income for the year attributable to non-controlling interests	-7.4	-4.1
Other comprehensive income attributable to the shareholders of the parent company	-1.1	-0.2
Other comprehensive income attributable to non-controlling interests	-0.7	-0.3
Other comprehensive income	**-1.9**	**-0.5**
Comprehensive income attributable to shareholders of the parent company	-8.5	-10.8
Comprehensive income attributable to non-controlling interests	-8.0	-4.5
Total comprehensive income	**-16.6**	**-0.5**
Dividends paid (–) to non-controlling interests	0.0	0.0
Cash flow from operating activities	-8.2	35.0
Cash flow from investing activities	24.3	-14.0
Cash flow from financing activities	17.5	-34.8
Change in cash and cash equivalents	**33.7**	**-13.8**

31. Authorized capital

By resolution dated 23 May 2019, the Annual General Meeting of the Company resolved to cancel Authorized Capital 2015/I and instead to authorize the Board of Management, with the approval of the Supervisory Board, to increase the Company's share capital by a total of up to EUR 7.7 million by issuing up to 7,748,146 new registered no-par value shares in exchange for cash contributions and/or contributions in kind in the period up to 22 May 2024 ("Authorized Capital 2019/I").

32. Conditional capital and share-based payment

32.1. SHARE-BASED PAYMENT AT THE PARENT COMPANY

32.1.1. Conditional capital

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

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

After the partial cancellation of the Conditional Capital 2016/I became effective, the share capital of Mutares SE & Co. KGaA was conditionally increased by up to EUR 0.8 million by issuing up to 802,176 no-par value registered shares ("Conditional Capital 2019/II") by resolution of the Annual General Meeting on 23 May 2019. The Conditional Capital 2019/II serves to grant subscription rights to members of the Executive Board and employees of the Company, members of the management and employees of companies affiliated with the Company.

32.1.2. Stock option plan 2016

On 13 October 2016, the Board of Management, with the approval of the Supervisory Board, adopted option conditions under which up to 900,000 stock options from Conditional Capital 2016/I may be issued to members of the management of affiliated domestic and foreign companies of the Company and to employees of the Company and of affiliated domestic and foreign companies by 2 June 2020. Upon fulfillment of certain exercise conditions – in particular a waiting period of at least four years – the stock options entitle the holder to subscribe to a total of up to 900,000 no-par value bearer shares of the Company with a notional interest in the share capital of the Company with a notional interest in the share capital of EUR 1.00 each

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

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

32.1.3. Stock option plan 2019

On 9 August 2019, the Executive Board adopted option conditions under which up to 360,979 stock options from Conditional Capital 2019/II may be issued to members of the management of affiliated domestic and foreign companies of the Company and to employees of the Company and employees of affiliated domestic and foreign companies by 22 May 2024. Upon fulfillment of certain exercise conditions – in particular a waiting period of at least four years – the stock options entitle the holder to subscribe to a total of up to 360,979 no-par value registered shares of the Company with a notional interest in the share capital of EUR 1.00 each.

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

In two tranches to date in September 2019 and May 2020, 646,000 stock options were issued from the 2019 Stock Option Plan, of which 370,000 stock options were granted to members of the Management Board. The stock options granted are not entitled to dividends and do not grant any voting rights.

32.1.4. Valuation of the stock option plans

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

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

	Option tranche					
Model parameters	**16/09/2016**	**22/05/2017**	**08/11/2017**	**23/04/2018**	**05/09/2019**	**19/05/2020**
Share price as at grant date (in EUR)	12.60	13.86	13.28	18.05	8.60	11.22
Strike price (in EUR)	8.83	9.76	9.13	12.44	6.12	8.07
Expected volatility (as a %)	30.00	30.00	30.00	30.00	30.00	30.00
Option term (in years)	6.00	6.00	6.00	6.00	6.00	6.00
Dividend yield (in %)	4.50	4.50	4.50	4.50	4.50	4.50
Risk-free interest rate (as a %)	–0.36	0.02	–0.13	0.25	–0.76	–0.55

The range of exercise prices of the options outstanding at the end of the reporting period is EUR 6.12 to EUR 12.44, as in the previous year, and the weighted average exercise price is EUR 8.53 (previous year: EUR 8.75). The weighted average remaining contractual term is 3.67 years (previous year: 3.92 years). The weighted average fair value of the stock options granted in the financial year is EUR 3.20 (previous year: EUR 3.10).

The development of the number of outstanding stock options at the respective reporting dates is shown in the following table:

	Option tranche						
Number of share options	**16/09/2016**	**22/05/2017**	**08/11/2017**	**23/04/2018**	**05/09/2019**	**19/05/2020**	**Total**
As at 31 Dec. 2018	**484,500**	**30,450**	**82,500**	**165,000**	**0**	**0**	**762,450**
+ new options granted	0	0	0	0	267,500	0	267,500
– expired options	–60,000	–1,950	0	0	0	0	–61,950
As at 31/12/2019	**424,500**	**28,500**	**82,500**	**165,000**	**267,500**	**0**	**968,000**
+ new options granted	0	0	0	0	0	378,500	378,500
– expired options	–22,500	–11,250	–22,500	0	0	0	–56,250
As at 31/12/2020	**402,000**	**17,250**	**60,000**	**165,000**	**267,500**	**378,500**	**1,290,250**
of which can be exercised	0	0	0	0	0	0	0

In the financial year 2020, personnel expenses of EUR 0.6 million (previous year: EUR 0.5 million) were recognized for the above-mentioned stock option plans.

32.2. SHARE-BASED PAYMENT AT SUBSIDIARIES

In financial year 2018, STS Group AG had set up a stock option program for members of the company's Executive Board, members of the management of subsidiaries, and employees of the company and employees of subsidiaries.

No new stock options (previous year: 5,625) were issued under this stock option plan in 2020. With the retirement of the beneficiaries, the personal exercise requirements of the stock option plan ceased to apply and all 58,125 (previous year: 15,500) stock options expired in the reporting period.

33. Acquisition of treasury shares

The authorization of the Board of Management to acquire treasury shares up to 10% of the share capital by the Annual General Meeting on 22 May 2015 was originally valid until 21 May 2020, but was revoked by resolution of the Annual General Meeting on 23 May 2019. At the same time, by resolution of the Annual General Meeting on 23 May 2019, the Executive Board was authorized until the end of 22 May 2024 to acquire treasury shares in the Company up to a total of 10% of the Company's capital stock existing at the time the resolution was adopted or – if lower – at the time the authorization was exercised, in compliance with the principle of equal treatment (Section 53 AktG). The shares acquired on the basis of this authorization, together with other treasury shares of the Company which the Company has acquired and still holds or which are attributable to the Company in accordance with sections 71a et seq. of the AktG, may at no time exceed 10% of the respective capital stock of the Company.

On the basis of corresponding resolutions, the Management Board, with the approval of the Supervisory Board, has launched share buyback programs in the past financial years. In this context, a total of 261,875 shares were acquired in the period from 15 January to 6 March 2015, and in the period from 1 June to 15 July 2018, with each share representing EUR 1.00 of the capital stock.

The Executive Board of the general partner of Mutares SE & Co. KGaA resolved on 17 September 2020, with the approval of the Supervisory Board of the general partner, to launch a share buyback program using the authorization granted by the Annual General Meeting on 23 May 2019 ("Share Buyback Program 2020/I"). Under the share buyback program 2020/I, up to a total of 250,000 treasury shares (corresponding to up to 1.61% of the Company's share capital) may be repurchased in a period from 17 September 2020 to 31 March 2021 at a total purchase price (excluding incidental acquisition costs) of up to EUR 2.5 million. A total of 210,600 shares had been acquired by the reporting date. The difference between the acquisition cost and the nominal value of the treasury shares amounts to a total of EUR 2.3 million and was offset against retained earnings.

The Company thus holds a total of 472,475 (previous year: 261,875) treasury shares as of the reporting date 31 December 2020. They represent EUR 472,475 or 3.0% of the share capital (previous year: EUR 261,875 or 1.7%).

34. Trade payables

Trade accounts payable amount to EUR 250.4 million (previous year: EUR 159.9 million) and are due to third parties. They are recognized at the settlement or repayment amount and are due in full within one year, except for EUR 0.4 million (previous year: EUR 2.2 million), which are due in more than one year.

As the Mutares Group is a conglomerate, practices regarding payment terms – including interest accrued on outstanding amounts, if any – may diverge at least in part.

35. Other financial liabilities

Other financial liabilities developed as follows:

EUR million	31/12/2020	31/12/2019
Liabilities to banks	57.2	41.3
Outstanding invoices	36.3	26.4
Liabilities from factoring	32.2	23.6
Liabilities to former shareholders	4.7	11.1
Third party loans	4.4	2.2
Liabilities for trade discounts and rebates	1.4	0.7
Debtors with credit balances	1.4	0.7
Miscellaneous financial liabilities	17.9	9.1
Bond	70.0	0.0
Other financial liabilities	**225.5**	**115.1**
Current	109.7	94.8
Non-current	115.8	20.3

Liabilities to banks amounting to EUR 20.7 million (previous year: EUR 12.4 million) mainly result from the STS subgroup. A credit agreement clause of a bank loan in the STS subgroup with a carrying amount of EUR 0.9 million (previous year: EUR 1.9 million) and a regular term until 2021 was not met. As the bank loan expires in 2021 and is already fully accounted for as a current liability, there is no change in the disclosure despite the breach of the credit agreement clause and the possibility of the outstanding amount falling due. In addition, credit agreement conditions were not fulfilled in the reporting period with regard to two further bank loans with carrying amounts of EUR 0.3 million each and regular maturities until 2023. As the outstanding amount could be called in the event of a breach of the loan agreement clauses, the loans are recognized in full as current liabilities. At the time of preparation of the consolidated financial statements, an agreement with the bank regarding a waiver that the violations of the agreement will not be sanctioned has not yet been definitively reached.

The KICO subgroup has secured liabilities to banks amounting to EUR 13.6 million (previous year: EUR 9.6 million), of which EUR 7.3 million (previous year: EUR 8.4 million) are due within one year. The Elastomer Solutions subgroup also has liabilities to banks in the amount of EUR 9.0 million (previous year: EUR 8.7 million) with a maximum term of six years. In the reporting year, credit agreement clauses for liabilities to banks with a carrying amount of EUR 1.4 million (previous year: EUR 1.9 million) were not complied with. The financing banks have declared a waiver of a possible maturity.

In addition, the subgroups Balcke-Dürr, Donges, keeeper, Plati and the subsidiaries Cenpa and EUPEC have minor liabilities to banks.

The interest rates on all liabilities to banks range from 0.5% (previous year: 0.7%) to 13.5% (previous year: 5.9%) and include both fixed and variable interest rate agreements. The maturities of the main non-current liabilities to banks are a maximum of 6 years (previous year: 5 years).

Liabilities to former shareholders mainly result from a non-interest-bearing loan from the Plati subgroup in the amount of EUR 4.1 million (previous year: EUR3.7 million), the repayment of which is fixed at a minimum of EUR 0.8 million depending on the fulfillment of certain conditions. The liability is due in 2024.

Liabilities from factoring include liabilities from factoring agreements where the default risk of the transferred receivables is not transferred to the contractual partner, i.e. Mutares retains substantially all the risks and rewards incidental to ownership of the transferred receivables and no derecognition takes place. With regard to factoring, we refer to the explanations in note 23.

The item bonds exclusively comprises the senior secured bond issued in February 2020 at a nominal volume of EUR 50.0 million and a term of four years, which was increased to a nominal volume of EUR 70.0 million in August 2020 under an existing increase option. The bond, which is listed on the Open Market of the Frankfurt Stock Exchange and on the Nordic ABM of the Oslo Stock Exchange bears interest quarterly at the 3-month EURIBOR (EURIBOR floor of 0.00%) plus a margin of 6.00% and can be increased up to a nominal volume of EUR 80.0 million depending on current market conditions. In connection with the placement of the bond, the Company has undertaken to comply with standard market financial covenants.

The bond has been designated by the Company as at fair value through profit or loss (FVTPL). From the Company's perspective, there are no items in the statement of financial position or the income statement in connection with the bond that would give rise to accounting mismatches from the recognition of the default risk in other comprehensive income. As of the reporting date, there was a difference of EUR 0.2 million between the carrying amount (i.e. fair value) of the bond and the repayment amount at maturity. The cumulative change in the fair value of the bond attributable to changes in its default risk amounted to EUR 0.2 million as of the reporting date. No reclassifications of the cumulative gain or loss within equity have been made since the issuance of the bond and up to the reporting date. Furthermore, no (partial) derecognition of the bond has occurred during this period.

The following assets are pledged as collateral for liabilities:

EUR million	31/12/2020	31/12/2019
Intangible assets	0.0	0.0
Property, plant and equipment	20.3	36.7
Other non-current non-financial assets	0.0	2.6
Inventories	13.2	21.0
Trade and other receivables	4.1	4.1
Cash and cash equivalents	0.7	1.4
Pledged assets	**38.3**	**65.8**

The term of the collateral is generally congruent with the term of the underlying loan or credit agreement. As a rule, the collateral granted may not be sold by the collateral taker.

36. Leasing liabilities

The expense for lease payments not included in the measurement of the lease liability is as follows:

EUR million	2020	2019
Leasing expenses from short-term leasing relationships	–7.2	–3.4
Leasing expenses from low-value leasing relationships	–1.2	–1.4
Expenses from subleases	–0.3	0.0
Variable leasing expenses (not included in the leasing liability)	0.0	0.0
Leasing liabilities	**–8.7**	**–4.8**

The total cash outflow from leases for the 2020 financial year amounted to EUR 43.8 million (previous year: EUR 25.0 million).

Possible future cash outflows from renewal, termination and purchase options that are not considered sufficiently certain were not included in the measurement of lease liabilities. As of the balance sheet date, there were no leases entered into but not yet commenced that would result in significant cash outflows.

The lease liabilities are generally secured by the leased asset underlying the lease. For explanatory comments on the corresponding rights of use, please refer to note 18 "rights of use".

37. Pension plans/pension provisions and similar obligations

37.1. DEFINED CONTRIBUTION PLANS

For all employees of Group companies in Germany, there is a defined contribution plan under the German statutory pension insurance scheme to which the employer must contribute at a currently applicable rate of 9.35% (employer's contribution) of pensionable compensation. Furthermore, there are defined contribution plans mainly in Italy, France and other European countries.

The expenses totaling EUR 21.7 million (previous year: EUR 13.6 million) recognized in the consolidated statement of comprehensive income represent the Group's contributions due to these pension plans in accordance with the contribution rates regulated therein.

37.2. DEFINED BENEFIT PLANS

EUR million	31/12/2020	31/12/2019
Present value of defined benefit obligation	126.4	89.3
Fair value of plan assets	10.1	2.0
Plan deficit	116.3	87.3
Net liability from defined benefit obligation	**116.3**	**87.3**

The accrued pension and similar obligations result from country-specific obligations of various Group units primarily in Germany, France, Italy, Austria, the United Kingdom, India and Poland. The amount of the obligations is derived predominantly from the performance-related remuneration, length of service and age.

Pension commitments in **Germany** are governed by various pension regulations and essentially comprise the granting of retirement, invalidity and surviving dependents' benefits. The amount of the pension benefits is determined by the eligible period of service and the The amount of the pension is determined by the pension group to which it is assigned and the amount of the pension determined by the individual pension commitment.

The commitments in **France** include government-mandated lump-sum payments upon retirement.

The plans in **Italy** mainly include commitments for benefits provided previous to 2007. Due to a change in legislation, all plans were restructured into defined contribution plans as of 2007. Accordingly, only interest effects and actuarial effects change the defined benefit obligations of the Italian subsidiaries.

The defined benefit **Austria** entitle employees leaving the company to one-time payments depending on their length of service.

The pension plan in the **United Kingdom** provides retirement and surviving dependents' benefits. The benefits are service- and pay-related. There are statutory minimum funding requirements. A trustee is responsible for the plan and makes decisions regarding funding and investment strategies together with the subsidiary. The subsidiary is obligated to bear 60% of the expenses and to cover 60% of any plan deficit. The remaining 40% is borne by active beneficiaries. The investment strategy is to invest approximately 70% in assets with volatile returns and 30% in defensive assets – mainly government bonds. This strategy reflects the liability profile of the plan and the risk attitude of the trustee and the subsidiary company. A risk mitigation strategy is included which aims to reduce the proportion of assets with volatile returns to 20% over the next 19 years.

With the acquisition of the SFC Solutions Group, defined benefit plans have also been in place in India and Poland since this financial year. The plans of the units in both countries entitle employees leaving the company to one-time payments depending on their length of service and the last remuneration received.

The Group is usually exposed to the following actuarial risks through the plans:

- Investment risk:
  The present value of the defined benefit obligation under the plan is determined using a discount rate determined on the basis of yields on senior, fixed-rate corporate bonds. To the extent that the return on plan assets (if any) is below this rate, this will result in a shortfall in the plan.
- Interest rate risk:
  A decrease in the bond interest rate leads to an increase in the plan liability.
- Longevity risk:
  The present value of the defined benefit obligation under the plan is determined on the basis of the best estimate of the probability of death of the beneficiary employees both during the employment relationship and after its termination. An increase in the life expectancy of the beneficiary employees leads to an increase in the plan liability.
- Salary risk:
  The present value of the defined benefit obligation under the plan is determined partly on the basis of the future salaries of the beneficiary employees. Thus, salary increases of the beneficiary employees lead to an increase in the plan liability.

The accrual for pensions and similar obligations was measured in accordance with generally accepted actuarial principles using the projected unit credit method.

The provision for pensions and similar obligations developed as follows as of 31 December 2020 compared with the previous year:

EUR million	31/12/2020	31/12/2019
Opening balance of defined benefit obligation	89.4	48.4
Service cost	1.5	0.9
Current service cost	2.9	1.4
Gains (–)/losses (+) from plan curtailment	–1.4	-0.5
Interest expense	1.3	1.3
Actuarial gains (–) and losses (+)	–1.3	4.2
Due to experience-based adjustments	–4.9	-1.3
Due to change in demographic assumptions	0.4	-0.6
Due to change in financial assumptions	3.2	6.1
Benefits paid	–4.5	-3.0
Changes in the consolidated group	39.9	37.7
From additions	53.3	37.7
From disposals	–13.5	0.0
Miscellaneous	0.1	-0.2
Closing balance of defined benefit obligation	**126.4**	**89.3**

The change in the scope of consolidation is mainly due to the acquisitions of PrimoTECS (EUR 11.4 million), SABO (EUR 11.0 million), Nexive (EUR 6.7 million), iinovis (EUR 9.6 million) and SFC Group (EUR 7.2 million). The disposals recorded relate primarily to Nexive (EUR 6.5 million) due to the corresponding IFRS 5 disclosure and STS Group (EUR 6.9 million).

The amounts recognized in net income and other comprehensive income – before income taxes and deferred taxes – for the two periods are as follows:

EUR million	31/12/2020	31/12/2019
Service cost	1.5	0.9
Current service cost	2.9	1.4
Gains (–)/losses (+) from plan curtailment	–1.4	-0.5
Net interest expense	1.3	1.3
Components of defined benefit obligations recognised in consolidated net income	2.8	2.2
Actuarial gains (–) and losses (+)	–1.3	4.1
Due to experience-based adjustments	–4.9	-1.3
Due to change in demographic assumptions	0.4	-0.6
Due to change in financial assumptions	3.2	6.1
Components of defined benefit obligations recognised in other comprehensive income	–1.3	4.1
Comprehensive income from defined benefit obligations	**1.6**	**6.3**

Interest expense is recognized in the financial result under interest expense from compounding of provisions.

The fair value of plan assets developed as follows:

EUR million	31/12/2020	31/12/2019
Opening balance of plan assets measured at fair value	2.0	1.4
Employer contributions	0.3	0.3
Gains (+) and losses (–) from revaluation	–2.9	0.1
Income from plan assets	–2.9	0.1
Paid services	0.0	-0.1
Changes in the consolidated group	10.8	0.2
Due to addition	10.8	0.2
Due to disposal	0.0	0.0
Exchange rate differences	0.0	0.1
Closing balance of plan assets measured at fair valu	**10.1**	**2.0**

The changes in the scope of consolidation in 2020 relate to the acquisition of SABO (EUR 9.7 million) and the addition of iinovis (EUR 1.1 million).

The fair values of the major categories of plan assets at the balance sheet date for each category are as follows:

EUR million	31/12/2020	31/12/2019
Cash and cash equivalents	0.1	0.1
Equity instruments	1.1	1.0
Debt instruments	0.8	0.9
Securities funds	6.6	0.0
Miscellaneous	1.6	0.0
Closing balance of plan assets measured at fair value	**10.1**	**2.0**

The fair values of the above equity and debt instruments were determined on the basis of quoted prices in active markets.

37.2.1. Actuarial assumptions

The pension obligations are determined on the basis of actuarial assumptions using the following significant parameters – if relevant for the respective company-specific plan:

EUR million	German plans		Italian plans		French plans		UK plans	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Discount rate	**0.85%–1.37%**	1.11%–1.57%	**0.34%–0.86%**	0.74%–1.01%	**0.79%**	1.01%	**1.30%**	2.20%
Salary trends	**2.75%**	2.00%	**n.a.**	n.a.	**2.00%**	1.95%	**1.90%**	1.90%
Pension trends	**1.80%**	1.90%	**2.10%**	2.00%	**n.a.**	n.a.	**2.50%**	2.40%
Mortality tables	**Heubeck 2018G**	Heubeck 2018G	**RG48 & IPS55**	RG48	**INSEE 2012-16**	INSEE 2012-14	**Series 3 SAPS**	Series 2 SAPS

EUR million	Austrian plans		Indian Plans		Polish plans	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Discount rate	**0.85%**	1.25%	**6.20%**	–	**1.98%**	–
Salary trends	**2.50%**	4.01%	**8.00%**	–	**5.07%**	–
Pension trends	**n.a.**	n.a.	**n.a.**	–	**n.a.**	–
Mortality tables	**AVÖ-P18 GEM**	AVÖ-P18 GEM	**IALM 2012-14**	–	**GUS 2012**	–

37.2.2. Sensitivity analysis

The significant actuarial assumptions used to determine the defined benefit obligation are the discount rate, pension trend, salary trend and mortality expectations. The sensitivity analyses presented below were performed on the basis of reasonably possible changes in the respective assumptions as of the balance sheet date, with the other assumptions remaining unchanged in each case. The table shows the changed defined benefit obligation at the respective reporting date under the changed assumption.

EUR million		German plans		Italian plans		French plans		UK plans	
		31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Defined benefit obligation		**80.3**	57.0	**15.7**	7.1	**19.4**	18.1	**2.3**	1.8
Interest rate	+50 bp	**73.7**	53.0	**15.3**	6.9	**15.1**	17.1	**2.1**	1.6
	–50 bp	**86.6**	61.4	**16.1**	7.4	**16.9**	19.2	**2.5**	2.0
Salary trends	+50 bp	**80.1**	57.6	**n. a.**	n. a.	**16.9**	19.2	**2.4**	1.9
	–50 bp	**78.4**	56.2	**n. a.**	n. a.	**15.1**	17.1	**2.2**	1.7
Pension trends	+25 bp	**80.3**	57.8	**15.7**	7.2	**n. a.**	n. a.	**2.4**	1.8
	–25 bp	**79.1**	56.1	**15.6**	7.1	**n. a.**	n. a.	**2.2**	1.7
Longevity	+1 year	**81.9**	59.9	**15.7**	7.1	**16.0**	18.2	**2.4**	1.9
	–1 year	**75.4**	54.8	**15.7**	7.1	**15.9**	17.1	**2.2**	1.7

EUR million		Austrian plans		Indian Plans		Polish plans	
		31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Defined benefit obligation		**4.0**	5.2	**3.1**	–	**1.5**	–
Interest rate	+50 bp	**3.7**	4.9	**3.1**	–	**1.4**	–
	–50 bp	**4.2**	5.6	**3.1**	–	**1.5**	–
Salary trends	+50 bp	**4.2**	5.6	**3.1**	–	**1.5**	–
	–50 bp	**3.7**	4.9	**3.1**	–	**1.4**	–
Pension trends	+25 bp	**n. a.**	n. a.	**n. a.**	–	**n. a.**	–
	–25 bp	**n. a.**	n. a.	**n. a.**	–	**n. a.**	–
Longevity	+1 year	**4.0**	5.2	**3.1**	–	**1.5**	–
	–1 year	**4.0**	5.2	**3.1**	–	**1.5**	–

The above sensitivity analysis is not expected to be representative of the actual change in the defined benefit obligation, as it is considered unlikely that deviations from the assumptions made will occur in isolation from each other, as some of the assumptions are interrelated. Furthermore, the present value of the defined benefit obligation in the above sensitivity analysis was determined using the projected unit credit method, the same method used to calculate the defined benefit liability recognized in the consolidated statement of financial position. The sensitivity analysis does not include the plans of one company (in the previous year two companies) , which is not located in the respective countries listed and whose DBO as of 31 December 2020 cumulatively amounts to less than EUR 0.2 million (previous year: EUR 0.2 million).

37.2.3. Expected payments for defined benefit obligations

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

EUR million	2020	2019
Within a year	**4.8**	3.5
Between one and two years	**5.0**	3.6
Between two and three years	**5.7**	4.1
Between three and four years	**6.3**	4.2
Between four and five years	**6.6**	4.6

The weighted average duration of the defined benefit obligation as of 31 December 2019 is 15.2 years (previous year: 15.9 years).

38. Other accrued liabilities

The development of other provisions is as follows:

EUR million	Other staff provisions	Legal costs	Warranties	Restructuring and severance	Anticipated losses	Miscellaneous other	Total
As at 01/01/2019	**6.6**	**1.8**	**5.6**	**11.5**	**14.7**	**6.6**	**46.8**
Foreign exchange differences	0.0	0.0	0.1	0.3	0.7	0.0	1.1
Changes in consolidated group	5.0	0.5	3.7	2.2	3.7	3.8	18.9
Addition	1.6	0.9	3.4	10.4	0.1	4.9	21.3
Utilization	-2.6	-0.6	-1.5	-10.8	-0.7	-4.7	-20.9
Reversal	-0.3	-0.8	-4.4	-2.1	-10.8	-0.9	-19.3
As at 31/12/2019	**10.3**	**1.8**	**6.9**	**11.5**	**7.7**	**9.7**	**47.9**
Current	5.0	1.8	4.5	10.2	6.0	8.2	35.7
Non-current	5.3	0.0	2.4	1.3	1.7	1.5	12.2
Foreign exchange differences	0.0	0.0	0.0	0.0	-0.3	-0.1	-0.4
Changes in consolidated group	3.6	3.2	2.0	0.5	27.1	4.4	40.8
Addition	5.6	2.5	3.3	12.7	3.4	11.2	38.6
Utilisation	-2.5	-0.2	-1.3	-9.0	-0.2	-6.6	-19.8
Effects from discounting	0.0	-0.8	0.0	0.0	0.0	0.0	-0.7
Reversal	-0.7	-0.1	-2.2	-1.0	-8.0	-1.3	-13.3
Reclassification IFRS 5	-0.2	-4.6	-0.1	-0.1	0.0	-0.1	-5.2
Reclassifications	0.0	0.4	0.1	0.0	0.0	2.4	2.9
As at 31/12/2020	**16.2**	**2.3**	**8.6**	**14.5**	**29.6**	**19.6**	**90.7**
Current	9.2	2.3	6.2	13.5	4.8	14.3	50.2
Non-current	7.0	0.0	2.4	1.0	24.7	5.4	40.4

Provisions for personnel amounted to EUR 16.2 million as of 31 December 2020 (previous year: EUR 10.3 million) and resulted mainly from provisions for jubilee benefits in the amount of EUR 5.4 million (previous year: EUR 5.4 million) and provisions for early retirement (EUR 3.1 million; previous year: EUR 0.3 million). The anniversary provisions mainly relate to French and Austrian subsidiaries. They are accrued in accordance with the employee's length of service to date and discounted at an interest rate of 0.79% (previous year: 1.01%) for the French subsidiaries and 0.85% (previous year: 1.25%) for the Austrian subsidiary. Another component of personnel provisions are provisions for employee bonuses (EUR 8.5 million; previous year: EUR 4.8 million). The increase in personnel provisions mainly results from the new acquisitions in the 2020 financial year.

The warranty provisions of EUR 8.6 million (previous year: EUR 6.9 million) are largely attributable to the Engineering & Technology segment.

The increase in provisions for restructuring and severance payments compared to 31 December 2019 in the amount of EUR 3.0 million is mainly due to the restructuring plans, in particular for the units acquired in the financial year 2020. This was offset by the payments from the provisions for restructuring and termination benefits recognized in the previous year, which led to a reduction of EUR 9.0 million.

The increase in provisions for onerous contracts is mainly due to new acquisitions in the reporting period, in particular order backlogs in the Automotive & Mobility segment recognized at a negative value.

Miscellaneous other provisions amount to EUR 19.6 million (previous year: EUR 9.7 million). The increase of EUR 4.4 million results, among other things, from the new acquisitions in the financial year 2020.

39. Other liabilities

The development of other liabilities is as follows:

EUR million	2020	2019
Employee related liabilities	44.3	27.9
Social security	22.7	13.4
VAT liabilities	9.8	7.5
Liabilities from payroll and church taxes	5.8	3.8
Other levies	3.1	2.6
Deferred income	1.9	1.7
Advance payments received	0.6	0.7
Miscellaneous other liabilities	5.8	1.3
Other non-financial liabilities	**93.9**	**58.9**

F. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

40. Capital Risk Management

The Group's objectives with regard to capital management are, on the one hand, to safeguard the Group's ability to continue as a going concern in order to continue to provide its shareholders with returns and other stakeholders with the benefits to which they are entitled and, on the other hand, to maintain an optimal capital structure in order to reduce the cost of capital. The monitoring of the capital structure and its management is largely decentralized. Standardized reporting of all portfolio companies on a monthly basis provides the Executive Board with a comprehensive picture of the entire portfolio. The Executive Board monitors the situation of the portfolio companies (including with regard to the capital structure) in regular reviews and is informed about all investments on the basis of the reporting system implemented.

EUR million	31/12/2020		31/12/2019	
		as % of total capital and financial liabilities		as % of total capital and financial liabilities
Equity attributable to shareholders of the parent company	188.2	23.2	185.3	32.0
Current financial liabilities	393.1	48.4	276.2	47.7
Non-current financial liabilities	231.3	28.5	117.7	20.3
Financial liabilities	624.4	76.8	393.9	68.0
Total capital and financial liabilities	**812.5**	**100.0**	**579.2**	**100.0**

41. Valuation at fair value

A breakdown of financial assets or liabilities by IFRS 9 measurement category for the financial years ended 31 December 2020 and 31 December 2019 is as follows:

Financial assets by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31/12/2020	Amortized costs	Fair value OCI	Fair Value PL	31/12/2020	Hierarchy
Non-current financial liabilities							
Trade accounts receivable and other receivables	AC	**1.9**	1.9			**1.9**	
Other non-current financial assets		**8.7**					
Security deposits	AC	**2.6**	2.6			**2.6**	Level 2
Securities	FVPL	**0.1**			0.1	**0.1**	Level 3
Other non-current financial assets	FVPL	**1.3**			1.3	**1.3**	Level 3
Other non-current financial assets	AC	**4.7**	4.7			**4.7**	
Current financial assets							
Trade accounts receivable and other receivables	AC	**256.6**	256.6			**256.6**	
Other non-current financial assets		**29.3**					
Security deposits	AC	**2.1**	2.1			**2.1**	Level 2
Loans	AC	**2.5**	2.5			**2.5**	
Other current financial assets	AC	**15.5**	15.5			**15.5**	
Other current financial assets	FVPL	**8.7**			8.7	**8.7**	Level 3
Derivatives	FVPL	**0.5**			0.5	**0.5**	Level 2
Cash and cash equivalents	AC	**145.3**	145.3			**145.3**	

Financial liabilities by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31/12/2020	Amortized costs	Fair value OCI	Fair Value PL	31/12/2020	Hierarchy
Non-current financial liabilities							
Trade payables and other liabilities	FLAC	0.4	0.4			0.4	
Other financial liabilities		115.8					
Liabilities to banks	FLAC	27.9	27.9			27.4	Level 3
Third party loans	FLAC	2.5	2.5			2.5	Level 3
Bonds	FLFVPL	70.0			70.0	70.0	Level 1
Miscellaneous financial liabilities							
Other non-current financial liabilities	FLAC	14.6	14.6			14.6	Level 3
Other non-current financial liabilities	FLFVPL	0.6			0.6	0.6	Level 3
Derivatives	FLFVPL	0.2			0.2	0.2	Level 2
Current financial assets							
Trade accounts receivable and other receivables	FLAC	250.0	250.0			250.0	
Other current financial assets		109.7					
Outstanding invoices	FLAC	36.3	36.3			36.3	
Liabilities to banks	FLAC	29.3	29.3			28.8	Level 3
Liabilities from factoring	FLAC	32.2	32.2			32.2	
Third party loans	FLAC	2.0	2.0			2.0	Level 3
Other financial liabilities						0.0	
Other current financial liabilities	FLAC	7.4	7.4			7.4	Level 3
Other current financial liabilities	FLFVPL	0.4			0.4	0.4	Level 3
Derivatives	FLFVPL	2.1			2.1	2.1	Level 2

Financial assets by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31/12/2019	Amortized costs	Fair value OCI	Fair Value PL	31/12/2019	Hierarchy
Non-current financial liabilities							
Trade accounts receivable and other receivables	AC	0.4	0.4			0.4	
Other non-current financial assets		16.6					
Security deposits	AC	1.7	1.7			1.7	Level 2
Securities	FVPL	0.2			0.2	0.2	Level 3
Other non-current financial assets	FVPL	7.5			7.5	7.5	Level 3
Other non-current financial assets	AC	7.2	7.2			7.2	
Current financial assets							
Trade accounts receivable and other receivables	AC	121.9	121.9			121.9	
Trade accounts receivable and other receivables	FVOCI	20.7		20.7		20.7	Level 2
Other current financial assets		39.9					
Security deposits	AC	2.7	2.7			2.7	Level 2
Other financial assets	AC	35.6	35.6			36.3	
Other financial assets	FVPL	1.0			1.0	1.0	Level 3
Cash and cash equivalents	AC	79.7	79.7			79.7	

Financial liabilities by class

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Fair value	
		31/12/2019	Amortized costs	Fair value OCI	Fair Value PL	31/12/2019	Hierarchy
Non-current financial liabilities							
Trade payables and other liabilities	FLAC	2.2	2.2			2.2	
Other financial liabilities		20.3					
Liabilities to banks	FLAC	8.3	8.3			8.5	Level 3
Third party loans	FLAC	10.1	10.1			11.0	Level 3
Miscellaneous financial liabilities							
Other	FLAC	1.8	1.8			1.8	Level 2
Derivatives	FLFVPL	0.1			0.1	0.1	Level 2
Current financial assets							
Trade accounts receivable and other receivables	FLAC	157.7	157.7			157.7	
Other current financial assets		94.8					
Outstanding invoices	FLAC	26.4	26.4			26.4	
Liabilities to banks	FLAC	33.2	33.2			33.3	Level 3
Liabilities from factoring	FLAC	23.6	23.6			23.6	
Third party loans	FLAC	3.1	3.1			3.3	Level 3
Other financial liabilities						0.0	
Other financial liabilities	FLAC	8.1	8.1			8.1	
Other current financial liabilities	FLFVPL	0.4			0.4	0.4	Level 3

Total by category

EUR million		Carrying amounts 31/12/2020	Carrying amounts 31/12/2019
Financial assets measured at amortized cost	AC	**431.2**	249.2
Financial assets measured at fair value through profit or loss	FVPL	**10.6**	8.7
Financial assets measured at fair value through equity	FVOCI	**0.0**	20.7
Financial liabilities measured at amortized cost	FLAC	**402.6**	274.5
Financial liabilities measured at fair value through profit or loss	FLFVPL	**73.3**	0.5

The three steps for determining the fair value of financial instruments are described in note 2 “Basis of preparation of the financial statements”. The fair value of financial instruments is calculated based on current parameters such as interest rates and exchange rates at the balance sheet date and by using accepted models such as the discounted cash flow (DCF) method and taking into account credit risk. The fair values for derivatives are determined on the basis of bank valuation models. The fair value of contingent consideration in connection with acquisitions and disposals of subsidiaries that are based on a Level 3 fair value measurement in the context of subsequent measurement is determined in accordance with generally accepted valuation techniques based on discounted cash flow analyses. In addition to the specific discount rates, the main input parameters are the expectations of future cash flows, as well as the earnings figures specified in the purchase agreements and relevant to the earn-out, including maturity-specific probabilities of default.

For current financial instruments, the carrying amount is a reasonable approximation of fair value.

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

Net gains and losses

EUR million	2020	2019
On financial assets at fair value	**–3.0**	–3.5
On financial liabilities at fair value	**–7.2**	–1.2
Financial liabilities at fair value through profit or loss (OCI)	**0.2**	0.0
On financial assets measured at amortised cost	**–1.1**	0.8
On financial assets at fair value through other comprehensive income (debt instruments)	**0.0**	0.0
On financial liabilities measured at amortized cost	**–9.2**	–2.7
Total	**–20.3**	**–6.6**

Net gains and net losses on financial instruments arise from changes in fair value for financial instruments measured at fair value through profit or loss, with changes in the value of financial liabilities measured at fair value through profit or loss resulting from changes in own credit risk recognized in OCI, expenses and income for expected credit losses, expenses for interest on financial liabilities measured at amortized cost and expenses for interest on financial liabilities measured at fair value through profit or loss.

Total interest income and expenses are as follows:

Total interest income and expenses

EUR million	2020	2019
Financial assets measured at amortised cost	**0.7**	–0.7
Financial assets at fair value through other comprehensive income (without recycling)	**0.0**	–0.6
financial liabilities measured at amortized cost	**–9.2**	–1.5
Total	**–8.5**	**–2.8**

The changes in financial instruments measured at fair value at Level 3 are as follows:

EUR million	Other financial assets	Other financial liabilities	Total
Opening balance at 01/01/2020	8.7	–0.4	8.3
Total gains and losses	–3.1	0.0	–3.1
Recognised in the income statement	–3.1		–3.1
Acquisitions	5.5	–0.8	4.7
Disposals	–0.1		–0.1
Earn-out payments	–0.9		–0.9
Ending balance at 31/12/2020	10.1	–1.2	8.9

EUR million	Other financial assets	Other financial liabilities	Total
Opening balance at 01/01/2019	11.3	–0.4	10.9
Total gains and losses	–4.2		–4.2
Recognised in the income statement	–4.2		–4.2
Acquisitions	4.2		4.2
Earn-out payments	–2.6		–2.6
Ending balance at 31/12/2019	8.7	–0.4	8.3

42. Financial Risk Management

The Group's management monitors and manages the financial risks associated with the Group's business areas using internal risk reporting, which analyzes risks by degree and extent. These risks include credit, liquidity and market risks (currency and interest rate risks).

In some cases, the Group minimizes the impact of these risks by using derivative financial instruments. The use of derivative financial instruments is governed by policies established by the Group's management. These contain guidelines for the management of currency, interest rate and default risks. Compliance with the guidelines and risk limits is monitored on an ongoing basis. The Group does not contract or trade financial instruments, including derivative financial instruments, for speculative purposes.

42.1. CREDIT AND DEFAULT RISK

Credit and default risk is the risk of losses to the Group if a counterparty fails to meet its contractual obligations. In the Group, business relationships shall only be entered into with creditworthy contracting parties and, if appropriate, with the provision of collateral in order to mitigate the risks of losses from non-performance of obligations. The Group only enters into business relationships with companies that are rated equally or better than investment grade. This information is provided by independent rating agencies. If such information is not available, the Group uses other available financial information as well as its own trading records to rate its major customers.

Credit risks are managed through limits per counterparty, which are reviewed and approved by local management.

Trade receivables are due from a large number of customers spread across different industries and geographical areas. Due to the business activities and the resulting diversification of Mutares, there was no significant concentration risk in the financial year 2020.

For the application of the expected credit loss model according to IFRS 9.5.5, Mutares mainly uses the simplified approach for trade receivables. For this purpose, probabilities of default are determined. These are based either on individual rating information of the customers or the customer group to which a corresponding probability of default is assigned, or on an allowance matrix that is prepared with reference to the previous default and an analysis of various factors. In order to determine the expected credit losses, the loss given default is applied in addition to the probability of default. Mutares generally assesses this with the value of 100%, which corresponds to the expectation of the default amount by Mutares.

Based on the risk ratings, the gross carrying amounts per rating class are as follows:

Gross carrying amounts of financial assets per credit risk rating class as of 31/12/2020

EUR million	Trade and other receivables	Contract assets	Other financial assets
Rating			
A rating	249.4	31.7	26.0
B rating	11.4	5.0	1.4
C rating	5.2	0.0	0.1
Total	266.0	36.7	27.5

Gross carrying amounts of financial assets per credit risk rating class as at 31/12/2019

EUR million	Trade and other receivables	Contract assets	Other financial assets
Rating			
A rating	108.4	28.4	50.8
B rating	37.7	0.6	5.1
C rating	2.2	0.1	0.1
Total	148.3	29.1	56.0

The rating grades are based on both an individually assigned probability of default and a risk rating for individual customer groups with a comparable risk structure. The following table shows the default probabilities or rating classes assigned to the individual rating grades:

	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

The allowances for trade receivables changed as follows:

EUR million	Lifetime ECL (level 2) simplified model	Lifetime ECL (level 3) simplified model
Impairment as at 01/01/2020	0.9	4.4
Changes in consolidated group	12.8	–0.8
Transfers		
Transfer to level 2	0.4	–0.4
Transfer to level 3	–6.6	6.6
Additions	0.8	0.8
Utilization	–0.8	–0.1
Reversals	–0.6	–0.5
Exchange rate and other effects	1.1	0.0
Reclassification to disposal groups	–3.7	–6.8
Impairment as at 31/12/2020	4.3	3.2

EUR million	Lifetime ECL (level 2) simplified model	Lifetime ECL (level 3) simplified model
Impairment as at 01/01/2019	0.7	5.2
Transfers		
Transfer to level 3	–0.1	0.1
Additions	0.9	1.7
Use	–0.2	–1.3
Reversals	–0.4	–1.3
Impairment as at 31/12/2019	0.9	4.4

The increase in impairment is mainly due to a higher level of receivables compared with the previous year and an increase in risk provisions in the Engineering & Technology segment.

For all other assets subject to the impairment model in accordance with IFRS 9.5.5, there were no significant expected credit losses.

The carrying amount of trade and other receivables at the balance sheet date is EUR 258.5 million (previous year: EUR 143.0 million). The maximum default risk without taking into account collateral corresponds to the carrying amount. As in the previous year, there were no credit default swaps as of the reporting date.

The maximum default risk of the other financial assets also corresponds to their carrying amount, as there are no significant agreements in this respect that reduce the default risk.

42.2. LIQUIDITY RISK

Liquidity risk comprises the following risks:

- Not being able to meet potential payment obligations at the time they are due.
- Not being able to procure sufficient liquidity at the expected conditions when needed (refinancing risk).
- Not being able to terminate, extend or close out transactions, or only being able to do so at a loss or at excessive cost, due to market inadequacies or market disruptions (market liquidity risk).

Prudent liquidity management includes maintaining an adequate reserve of cash and cash equivalents and marketable securities, as well as the possibility of financing through an adequate amount of committed credit lines. Due to the dynamic nature of the business environment in which the Group operates, the aim of the Group's finance department is to ensure the necessary flexibility in financing through sufficient unused credit lines in the Group, which as of the balance sheet date, as in the previous year, amounted to a mid-single-digit million amount.

The management of the Mutares Group monitors the liquidity of the operating companies as well as of the Group as a whole within the framework of rolling cash flow forecasts.

In certain countries (e.g. China), the Group can only dispose of local means of payment on a cross-border basis subject to applicable foreign exchange restrictions. There are no other significant restrictions.

The following overviews show the maturity structure of the financial liabilities. In contrast to the balance sheet, the future cash flows are presented here on an undiscounted basis:

	31/12/2020			
EUR million	Due within a year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	410.8	219.3	63.2	693.1
Lease liabilities	45.2	96.4	59.5	201.1
Other non-derivative financial liabilities	365.6	122.8	3.7	492.0
Cash outflows from derivative financial liabilities	2.1	0.2	0.0	2.3
Total	**412.8**	**219.5**	**63.2**	**695.4**

	31/12/2019			
EUR million	Due within a year	Due in one to five years	Due in over five years	Total
Cash outflows from non-derivative financial liabilities	258.4	72.8	56.1	387.4
Lease liabilities	22.4	55.7	50.8	128.9
Liabilities from loans from third parties	236.0	17.2	5.3	258.5
Cash outflows from derivative financial liabilities	0.0	0.1	0.0	0.1
Total	**258.4**	**72.9**	**56.1**	**387.5**

42.3. MARKET PRICE RISK

The Group's activities expose it principally to minor financial risks from changes in foreign exchange rates and interest rates. The Group selectively enters into derivative financial instruments on a small scale to manage its existing commodity, interest rate and foreign exchange risks.

42.4. EXCHANGE RATE RISK

The operating business is subject to minor exchange rate risks from purchases and sales not agreed in euros. The main currency risks for Mutares arise from transactions in GBP, SEK and USD (previous year: GBP, CNY).

Existing risk positions are monitored on an ongoing basis and mitigated by offsetting existing foreign currency cash flows. Due to the manageable currency exposure, active currency risk management through the use of derivative financial instruments is currently only carried out in isolated cases.

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

	2020		2019	
	+10%	–10%	+10%	–10%
USD	–0.3	0.3	0.0	0.0
CNY	0.0	0.0	0.2	–0.2
PLN	0.0	0.0	0.0	0.0
GBP	–0.2	0.2	–2.3	2.3
SEK	–0.2	0.2	0.0	0.0

42.5. INTEREST RATE RISK

The Group is exposed to interest rate risk from variable rate loans as well as interest rate risk for fixed rate loans at the time of refinancing. The majority of the loans have variable interest rates. The interest rate risk results from changes in market interest rates, particularly for medium- and long-term variable-rate liabilities. In the case of current liabilities, and generally in the case of liabilities with fixed interest rates, the interest rate risk is immaterial.

EUR million	31/12/2020	31/12/2019
Carrying amount of fixed-interest loans	37.5	29.3
Carrying amount of variable-interest loans	24.6	21.6
Carrying amount of variable-interest bonds	70.0	0.0
Total	132.2	50.9

The risk from variable-interest loans is partially hedged by using corresponding interest rate swaps with matching maturities and conditions. However, no hedge accounting is applied. In addition, the development of interest rates and possible loan expiries is continuously monitored by management. Depending on the individual case, management concludes transactions to reduce the risk position as required. In addition, there is an interest rate risk from the variable-interest liabilities from factoring.

The sensitivity analysis for interest rate risks represents the effect of the change in the risk-free market interest rate on profit before tax if the market interest rate level had been 100 basis points higher or lower compared to the level as of 31 December 2020 (or 31 December 2019) with all other variables held constant. Furthermore, for some included financial instruments, the analysis is prepared assuming that the amount of the outstanding liability at the end of the reporting period was outstanding for the full year.

EUR million	2020		2019	
	–100 bp	+100 bp	–100 bp	+100 bp
Effects on the income statement before taxes	0.4	–1.2	0.4	–0.8

G. OTHER INFORMATION

43. Notes to the cash flow statement

Cash and cash equivalents comprise cash on hand, bank balances and cash equivalents. Cash equivalents are used to meet short-term payment obligations. They are allocated to cash and cash equivalents as they are readily convertible to a fixed amount of cash and are subject to an insignificant risk of changes in value.

The consolidated net income includes gains from company acquisitions ("bargain purchase") of EUR 207.8 million (previous year: EUR 102.6 million), which do not increase the cash flow from operating activities and therefore have to be adjusted. In connection with the acquisitions of the financial year and the previous year, cash and cash equivalents of EUR 92.3 million (previous year: EUR 35.0 million) were acquired in the reporting period. This amount is shown in cash flow from investing activities.

In addition, the consolidated result included gains (EUR 6.9 million; previous year: EUR 0.0 million) and losses (EUR 2.0 million; previous year: EUR 0.0 million) from deconsolidation, which also did not increase cash flow from operating activities and therefore have to be adjusted. In connection with the deconsolidation, there was a net outflow of EUR 9.1 million in cash and cash equivalents (previous year: inflow of EUR 2.9 million), which is reported in cash flow from investing activities.

Expenses of EUR 3.6 million (previous year: EUR 4.2 million) from the measurement of financial receivables from possible subsequent payments in connection with company disposals (earn-outs) were recognized in the consolidated result in the 2020 financial year, which are included in the cash flow statement under other non-cash expenses in the cash flow from operating activities.

An amount of EUR 3.5 million (previous year: EUR 4.1 million) within bank balances is subject to a drawing restriction.

The reconciliation between opening and closing balance sheet values for liabilities from financing activities is as follows:

EUR million	Liabilities from financing activities
Total as at 31 Dec. 2018	**79.4**
Cash transactions	
Proceeds (+) from (financial) loans	22.4
Repayments (–) of (financial) loans	–22.5
Repayments (–) of leasing liabilities	–15.9
Proceeds (+)/payments (–) from factoring	–24.1
Interest received (+)	0.0
Interest paid (–)	–7.1
Total cash transactions	**–47.3**
Non-cash effects	
Addition to finance lease liabilities	127.8
Addition/derecognition of (financial) loans from changes in consolidated group	17.8
Interest expenses (+)/interest income (–)	9.5
Other changes	–2.5
Total non-cash effects	**152.6**
Total as at 31/12/2019	**184.7**

EUR million	Liabilities from financing activities
Cash transactions	
Proceeds (+) from (financial) loans	133.0
Repayments (–) of (financial) loans	–29.0
Repayments (–) of leasing liabilities	–27.6
Proceeds (+)/payments (–) from factoring	5.9
Interest received (+)	0.4
Interest paid (–)	–6.7
Total cash transactions	**75.9**
Non-cash effects	
Addition to finance lease liabilities	57.1
Addition/derecognition of (financial) loans from changes in consolidated group	19.0
Interest expenses (+)/interest income (–)	24.3
Other changes	–10.9
Total non-cash effects	**51.6**
Total as at 31/12/2020	**312.2**

The reconciliation includes non-current and current liabilities to banks, liabilities from (recourse) factoring, leasing liabilities, and loans to third parties.

During the financial year 2020, the Group carried out the following significant non-cash investing and financing activities, which are not reflected in the statement of cash flows:

- In accordance with the provisions of IFRS 16, rights of use were capitalized and corresponding lease liabilities were recognized as liabilities; payments for the redemption of lease liabilities are reported in cash flow from financing activities.
- In connection with the first-time consolidations and deconsolidations, EUR 16.0 million in (financial) loans were derecognized from the Group.

During the financial year 2019, the Group performed the following significant non-cash investing and financing activities that are not reflected in the statement of cash flows:

- In connection with the first-time application of IFRS 16, rights of use were capitalized and corresponding lease liabilities were recognized.
- At Klann Packaging GmbH, a partial amount of EUR 2.0 million of the former shareholder liability was repaid against payment of EUR 0.5 million in financial year 2019; the difference is reported under other income.

44. Participations in joint arrangements

One company from the Engineering & Technology segment is involved as a partner in joint ventures and consortia agreements. The joint ventures have been entered into with the aim of implementing infrastructure projects. The registered offices of the consortiums are located in Germany. The ownership interests of the Mutares Group range from 27% to 75%.

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

45. Contingent liabilities and litigations

CONTINGENT LIABILITIES/LIABILITIES

Obligations from business combinations

Mutares SE & Co. KGaA and one of its direct subsidiaries have signed a settlement agreement with the sellers of **Balcke-Dürr GmbH** and other subsidiaries, under which the guarantee provided by Mutares SE & Co. KGaA, to ensure the fulfillment of indemnification obligations, increases and is again constrained to an amount of EUR 5.0 million and then reduces to EUR 0 over time until 31 December 2021. As of the reporting date, this guarantee amounts to EUR 1.0 million. At the present time, it is still not expected to be called upon. The further guarantee issued by Mutares SE & Co. KGaA to secure the temporary financing of affiliated companies no longer applies and has been replaced by a guarantee. This expired on 30 December 2020 without being utilized.

Mutares SE & Co. KGaA has issued rental guarantees in connection with the acquisition of **Gemini Rail Group** to ensure the fulfillment of its contractual obligations, whereby the liability under these guarantees is limited to an amount of approximately EUR 9.7 million and reduces over time in the amount of the rental payments made. As of the reporting date, the liability under this rental guarantee amounts to EUR 6.3 million.

Mutares SE & Co. KGaA had made a commitment to the seller of **keeeper GmbH** for a limited period until 30 December 2020 to provide up to EUR 1.5 million in financing if this should be necessary to avoid insolvency. This commitment expired on 30 December 2020 without being utilized. In addition, Mutares has undertaken to indemnify the seller in the event of a claim in connection with a previous financing commitment as well as previously issued guarantees, whereby this obligation is limited in amount to an amount of EUR 3.5 million. This obligation expires on 30 December 2023.

Mutares SE & Co. KGaA had agreed to pay a purchase price for the acquisition of the shares in **La Meusienne S.A.S.**, which is determined depending on the working capital at the time of the transfer of beneficial ownership. There is disagreement on the interpretation of the purchase agreement. The seller is demanding an amount of EUR 1.7 million; however, due to the legal and factual situation, we currently assume a significantly lower payment obligation and have recognized a corresponding amount as a provision.

In connection with the acquisition of the transport logistics and warehouse business operations of Q Logistics GmbH, Mutares SE & Co. KGaA has undertaken to provide the buyer **BEXity GmbH** with unsecured loans of up to EUR 9.0 million for a limited period of time until 30 December 2024, in particular for the financing of operating business operations. This obligation increases by payments received by Mutares SE & Co. KGaA from BEXity GmbH before 31 March 2020. At the same time, Mutares SE & Co. KGaA has committed towards the seller to indemnify the seller from these claims, in the event of a claim by third parties in connection with legal relationships assumed as well as in the event of insolvency of BEXity GmbH. The indemnification claim of the seller is limited in time and amount to EUR 9.0 million until 30 December 2021 to EUR 6.0 million until 30 December 2022, and to EUR 3.0 million until 30 December 2023. The aforementioned liability limits increase by profit distributions of BEXity GmbH and decrease by loans of Mutares SE & Co. KGaA granted under the above financing line and not yet repaid. The liability amounts to EUR 9.3 million as of the reporting date.

Donges Teräs Oy, an indirect subsidiary of Mutares SE & Co. KGaA, has entered into a purchase agreement for the acquisition of Ruukki Building Systems Oy in financial year 2019. Mutares SE & Co. KGaA guaranteed to the seller the payment of a partial amount of the purchase price in the amount of EUR 3.5 million. The guarantee expired upon payment of the purchase price by the acquirer in December 2020.

Mutares SE & Co. KGaA and one of its direct subsidiaries have committed to the seller of **PrimoTECS S.p.A.** to provide up to EUR 5.0 million in financing for a limited period of twelve months from 31 January 2020, should this be necessary to avoid insolvency.

Mutares SE & Co. KGaA has committed to the seller of the paper napkin business acquired by **keeeper tableware GmbH** to provide the buyer with funding of up to EUR 10.0 million for a period of 24 months from 28 February 2020, if necessary to avoid insolvency. In addition, Mutares SE & Co. KGaA will indemnify the seller against certain claims of the assigned employees for a period of four years from 28 February 2020. In the first two years, the indemnification is limited in amount to EUR 10 million; this amount is reduced by any financial resources that Mutares SE & Co. KGaA has provided to keeeper tableware GmbH. In the third year, the maximum exemption amount is reduced to EUR 7.5 million and in the fourth year to EUR 5.0 million.

Mutares SE & Co. KGaA has declared on 1 July 2020, in connection with the acquisition of the majority stake of 80% in the mail and parcel business of **Nexive** in Italy, to guarantee obligations from the purchase agreement in the amount of up to EUR 5.0 million as of closing of the transaction. In addition, Mutares undertakes to provide the company with liquid funds up to the amount of EUR 5.0 million for a period of twelve months to the extent necessary to avert insolvency. In November 2020, Mutares initially signed a letter of intent to sell its shares in Nexive to the Italian market leader Poste Italiane. The closing of the transaction took place in January 2021.

In connection with the acquisition of **SFC Solutions** with companies in Poland, Italy, Spain and India in the sealing and liquid activities as of 1 July 2020, Mutares SE & Co. KGaA has committed to the seller to provide financing and support up to a total amount of EUR 5.0 million until 31 December 2021 for all obligations of the buyer assumed under the purchase agreement.

On 1 September 2020, a direct subsidiary of Mutares SE & Co. KGaA acquired **SABO Maschinenfabrik GmbH**, a manufacturer of lawn mowers and outdoor power tools in Europe, from Deere & Company ("John Deere"). As part of the acquisition, Mutares guarantees to be fully responsible for the fulfillment of the buyer's contractual obligations should the buyer fail to fulfill these obligations. In particular, the Purchaser has undertaken to indemnify the Vendor as well as any corporate bodies from any claims by third parties in connection with the legal relationships of SABO Maschinenfabrik GmbH. The indemnification obligation of the Purchaser is limited in time to 24 months and to an amount of EUR 5.0 million. In addition, the purchaser has undertaken for a period of 24 months to provide SABO Maschinenfabrik GmbH with liquid funds to the extent necessary to avoid insolvency of the company and to the extent that the purchaser has received payments from SABO Maschinenfabrik GmbH during this period.

In connection with the acquisition of **Lacroix + Kress GmbH**, Mutares has undertaken to indemnify the seller, a direct subsidiary, against any avoidance claims in the event of insolvency of the target company. The indemnification is limited in time to a period of 27 months and an amount of EUR 2.0 million. In addition, the purchaser indemnifies bodies of the seller from a claim by third parties in connection with the legal relationships of the company. Mutares SE & Co. KGaA guarantees to the seller the fulfillment of the contractual obligations of the buyer.

In connection with the acquisition of **Terranor** in Sweden and Finland, Mutares SE & Co. KGaA has committed to the seller to provide up to EUR 5.0 million in financing for a limited period until 4 November 2021, should this be necessary to avoid insolvency.

In connection with the acquisition of the **iinovis Group**, Mutares SE & Co. KGaA has undertaken to indemnify the seller against any rescission claims in the event of insolvency of the target company. The indemnification is limited to a period of 48 months and to an amount of EUR 5.0 million. Furthermore, Mutares has undertaken to provide the company with financial resources of up to EUR 5.0 million to avoid insolvency. The two guarantees coexist and are reduced to EUR 2.5 million each after 24 months.

In November 2020, a direct subsidiary of Mutares SE & Co. KGaA signed an agreement to acquire **Japy Tech S.A.S.** and **Royal de Boer Stalinrichtingen B.V.** In connection with the acquisition of Royal de Boer, Mutares SE & Co. KGaA has committed to the seller to provide the company with financial resources to avoid insolvency in the amount of EUR 1.0 million until 31 December 2022. In addition, Mutares provides a guarantee for general financing in the amount of EUR 1.0 million until 30 April 2021. The amount of the guarantee is reduced by payments made thereunder. As part of the acquisition of Japy Tech S.A.S., Mutares SE & Co. KGaA has committed to provide the company with financial resources in the amount of EUR 4.0 million until 30 April 2021 to avoid insolvency. This commitment increases to EUR 5.0 million as of 1 May 2021 and is valid until 31 December 2022. The closing of the transaction took place on 31 December 2020.

A direct subsidiary of Mutares SE & Co. KGaA has signed an irrevocable offer for the acquisition of the steel processing company **Primetals Technologies France S.A.S.**, with a production site in Savigneux, France, on 15 December 2020. As part of the offer, Mutares has guaranteed to guarantee the purchase price obligations of the buyer up to the amount of EUR 2.0 million. Furthermore, Mutares undertakes to provide the Company with financial resources in the maximum amount of EUR 5.0 million until 22 months after closing of the acquisition. Finally, Mutares undertakes to indemnify the seller against all third party claims relating to the company. The closing of the acquisition is subject to approval by the French authorities and a consultation process with employee representatives.

On 21 December 2020, a direct subsidiary of Mutares SE & Co. KGaA signed an irrevocable offer to acquire a majority stake of 80% in **Carglass Maison Group**, a French provider of home repair and emergency services. In connection with the acquisition of the companies, Mutares has committed to provide the company with financial resources of up to EUR 4.0 million until 18 months after the closing of the acquisition. The closing of the transaction is subject to the approval of the French authorities.

In principle, the Executive Board does not expect any obligations arising from business combinations to be utilized. However, in connection with the currently not yet fully assessable negative impact of the economic development due to the COVID-19 pandemic, the probability of utilization is generally increasing and it cannot be ruled out that the obligations entered into may be utilized.

Obligations from company disposals

In connection with the sale of all shares in **A+F Automation und Fördertechnik GmbH** by a direct subsidiary, Mutares SE & Co. KGaA has issued a directly enforceable guarantee for the fulfillment of certain obligations of the direct subsidiary towards the acquirer regarding possible warranty claims, possible specific indemnification claims as well as possible specific cost reimbursement claims, which are limited in time with regard to regular warranty claims except for fundamental warranties until 30 September 2019 (no claim was made), with regard to these fundamental warranty claims until 31 December 2020 (no claim was made), with regard to the indemnification claims until 31 December 20 (no claim was made), and with regard to these fundamental warranty claims until 31 December 20 (no claim was made). With regard to these fundamental warranty claims, they are limited in time until 31 December 2020 (no claim was made), with regard to the indemnification claims until 31 December 2022, and with regard to the reimbursement of costs they are unlimited in time. In terms of amount, these claims are limited to an amount of EUR 4.0 million with regard to the regular warranty claims with the exception of fundamental warranties, to an amount of EUR 50 thousand with regard to the cost reimbursement claims, and otherwise to the base purchase price in total with regard to all claims together.

The obligations in connection with the sale of all shares in **BSL Pipes & Fittings S.A.S.** in November 2018 expired without being utilized in the reporting period.

Litigation

Mutares is being sued by some of the former employees of the Artmadis Group in France. One claim is based on alleged employee liability, another on alleged corporate liability. Mutares is defending itself in full against all claims, which it considers to be without merit.

Another lawsuit is being pursued by the liquidator of the former investment Grosbill, based on an alleged responsibility under company law. At the same time, the former seller of this investment is being sued on similar grounds. Mutares is defending itself in full against this action, which it considers to be without merit.

The maximum risk from these lawsuits amounts to approximately EUR 34 million. However, the Executive Board does not expect any claims to be asserted; accordingly, only defense costs mid-six-digit range have been accrued.

Other obligations

An indirect subsidiary in the Engineering & Technology segment is jointly and severally liable as a partner in civil law companies under joint ventures an consortium agreements with a maximum term until 2031. As of the balance sheet date, this liability relates to projects with a total contract value equivalent to approximately EUR 342 million (previous year: EUR 272 million). The subsidiary's own share of the liability amounts to EUR 126.4 million (previous year: EUR 106.7 million). Due to the ongoing credit assessments of the consortium partners, we do not expect any claims to be made on the shares of other companies. With the exception of the amounts recognized as provisions for onerous contracts or as part of the loss-free valuation, we also do not expect any utilization for our own share.

There are further guarantees, warranties, commitments and obligations totaling EUR 1.4 million (previous year: EUR 16.0 million).

46. Related parties and companies

According to IAS 24, related parties are defined as persons and entities that can be influenced by Mutares SE & Co. KGaA or that can influence Mutares SE & Co. KGaA. On the one hand, this includes subsidiaries, including those that are not consolidated, as well as associated companies. On the other hand, they also include natural persons with a significant share of voting rights and members of the management in key positions such as members of the Executive Board and Supervisory Board as well as their family members.

Mutares SE & Co. KGaA has identified the members of the Executive Board of the general partner and the members of the Supervisory Board of the parent company and the general partner as well as their family members and those companies over which these persons have significant influence and which are not consolidated as related parties.

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed here. Details of transactions between the Group and other related parties are given below.

The following balances due from related parties not belonging to the Group were outstanding at the end of the reporting periods:

EUR thousand	Receivables from related parties		Liabilities to related parties	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Subsidiaries	35	30	76	112
Other related parties	0	17	4,886	3,377
Supervisory Board	0	0	173	142
Executive Board	1	0	4	32
Total	**36**	**47**	**5,139**	**3,664**

During the financial year, Group companies conducted the following transactions with related parties not belonging to the Group:

EUR thousand	Services rendered		Services purchased	
	2020	2019	2020	2019
Subsidiaries	0	30	410	772
Other related parties	174	76	5,535	4,218
Supervisory Board	0	0	113	304
Executive Board	0	0	862	890
Total	**174**	**106**	**6,920**	**6,185**

The related parties are, on the one hand, the general partner and, on the other hand, companies that are related to members of the Executive Board of Mutares SE & Co. KGaA and that, in one case, provide consulting services and, in another case, lease office space to Mutares SE & Co. KGaA.

ORGANS OF THE COMPANY

The Executive Board of Mutares Management SE as general partner of Mutares SE & Co. KGaA is composed of the following people:

- Mr. Robin Laik, Chief Executive Officer, Munich
- Mr. Mark Friedrich, Chief Financial Officer, Munich
- Dr.-Ing. Kristian Schleede, Chief Restructuring Officer, Zurich/Switzerland
- Mr. Johannes Laumann, Chief Investment Officer, Bonn

The total compensation of the Executive Board for the 2020 financial year amounted to EUR 7.0 million (previous year: EUR 4.9 million), of which EUR 0.0 million (previous year: EUR 0.7 million) was paid to former members. The total compensation, with the exception of share-based compensation, is to be allocated to the category of short-term employee benefits according to IAS 24.17a. No payments were made to members of the Board of Management in connection with defined contribution plans. For disclosures relating to stock options granted, please refer to the comments on share-based payment (note 32).

Members of the Supervisory Board of the Company are or were:

- Mr. Volker Rofalski, Managing Director of only natural munich GmbH, Munich, Chairman
- Dr. Axel Müller, self-employed management consultant, Lahnstein, Vice Chairman
- Dr. Lothar Koniarski, Managing Director of Elber GmbH, Regensburg
- Prof. Dr. iur. Micha Bloching, tax consultant, lawyer, university lecturer, Munich

The members of the Supervisory Board of Mutares SE & Co. KGaA are entitled to remuneration for their activities in the total amount of EUR 92,500.00 per year plus statutory value added tax in accordance with the resolution of the Annual General Meeting 23 May 2019. If a Supervisory Board member does not belong to the Supervisory Board for the full financial year, the remuneration is reduced pro rata temporis. In addition, the members of the Supervisory Board receive attendance fees and committee fees for their work. The total amount of Supervisory Board compensation paid to the Supervisory Board is included in the table above.

In their capacity as shareholders of Mutares SE & Co. KGaA, members of the Supervisory Board and Executive Board received a mid-single-digit million amount as dividends in 2020, as in the previous year.

47. Employees

In the financial year 2020 and 2019, the Mutares Group employed the following average number of employees in accordance with section 267 (5) HGB:

	2020	2019
Wage workers	6,463	3,786
Salaried employees	5,017	2,719
Total	**11,480**	**6,505**

48. Fee of the auditor of the consolidated financial statements

The following fees of the group auditor were recognized at Mutares SE & Co. KGaA and its subsidiaries for the financial year and for the previous year:

EUR million	2020	2019
Audit of annual report	0.9	1.0
Other assurance services	0.0	0.0
Tax advisory services	0.1	0.3
Other services	0.1	0.0
Total	**1.1**	**1.3**

49. Declaration of Conformity of STS Group AG

The Executive Board and the Supervisory Board of STS Group AG have issued the declaration of conformity required by Section 161 of the German Stock Corporation Act (AktG) and made it available to shareholders on the STS Group website.

The full text of the Declaration of Conformity is available on the STS Group website (https://www.sts.group/investor-relations/corporate-governance).

50. Events after the balance sheet date

Following the sale of its Polish company in April 2020, Balcke-Dürr signed an agreement to sell its German Rothemühle business in December 2020. Balcke-Dürr Rothemühle GmbH, an integrated service, engineering and original equipment supplier for heat exchangers in air and flue gas passages of power plants and industrial facilities, was sold to the strategic investor Howden Group. The transaction was successfully closed in January 2021.

In November 2020, Mutares initially signed a letter of intent to sell its shares in Nexive to Italian market leader Poste Italiane. The transaction was then completed in January 2021. The quick resale takes advantage of a limited window in Italian legislation to allow acquisitions for consolidation in the Italian postal and parcel services market under certain conditions.

With a value date of 26 February 2021, Mutares increased the bond (ISIN NO0010872864) listed on the Open Market of the Frankfurt Stock Exchange and on the Nordic ABM of the Oslo Stock Exchange by a nominal volume of EUR 10.0 million to the maximum nominal volume of EUR 80 million under the terms and conditions of the bond valid at that time by exercising the existing increase option. The bond, which matures on 14 February 2024 continues to bear quarterly interest at the 3-month EURIBOR (EURIBOR floor of 0.00%) plus a margin of 6.00%.

On 11 March 2021, Mutares SE & Co. KGaA signed a share purchase agreement with Adler Pelzer Holding GmbH, a company of the Adler Pelzer Group, for the complete sale of its majority shareholding of approximately 73.25% in the share capital of STS Group AG at a purchase price of EUR 7.00 per share sold. The transaction is still subject to the approval of the financing partners on the part of the Adler Pelzer Group and the approval of the antitrust authorities. The closing of the transaction is expected to take place in the first half of 2021.

A direct subsidiary of Mutares SE & Co. KGaA signed an irrevocable offer to acquire the steel processing company Primetals Technologies France S.A.S., with a production site in Savigneux, France, on 15 December 2020. The closing of the acquisition was subject to approval by the French authorities and a consultation process with employee representatives and took place on 31 March 2021.

Another direct subsidiary of Mutares SE & Co. KGaA signed an agreement on 29 January 2021 to acquire all shares in the Italian communications service provider of Ericsson Services Italia S.p.A. (in the future operating as EXI S.p.A.). Ericsson Services Italia S.p.A. specializes in network expansion and maintenance services. The closing of the transaction took place on 31 March 2021.

H. ACCOUNTING POLICIES

51. New and amended IFRS

51.1. NEW AND AMENDED IFRSS TO BE APPLIED FOR THE FIRST TIME

In the reporting year, the IFRSs presented below were applied by the Group for the first time or in amended form. This did not have any material impact on these consolidated financial statements. However, it is not possible at the present time to make any statement on their effects on future transactions or agreements.

Amendments to IFRS 16 “Leases”: COVID-19-conditional lease concessions

On 28 May 2020, the IASB published amendments to IFRS 16. The amendments are effective from 1 June 2020 and explicitly apply only to rental concessions until 30 June 2021. The EU endorsement took place on 9 October 2020.

The amendments relate to lease concessions (deferrals, waivers) due to the COVID-19 pandemic and contain optional relief rules. Utilization of the relief option results in a revaluation of the lease liability in line with the amended terms using the original discount rate. The revaluation effect then has no impact on the right-of-use asset and is recognized in profit or loss.

There were no significant cases of application for these simplifications and therefore they do not have any material impact on the present consolidated financial statements.

Amendments to IFRS 3 “Definition of a Business”

On 22 October 2018, the IASB issued amendments to IFRS 3 relating to the “Definition of a business”. The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The EU endorsement took place on 21 April 2020.

The amendment is intended to make it easier to distinguish in future whether a business or a group of assets has been acquired. The amendment adds text to the notes, the application guidance and explanatory examples that clarify the three elements of a business within the meaning of the standard. An optional concentration test has also been introduced to facilitate the identification of groups of assets.

Due to the nature of the acquisitions typically undertaken by Mutares, these changes do not have a material impact on these consolidated financial statements.

Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”: Definition of Materiality

On 31 October 2018, the IASB issued amendments regarding the definition of materiality of financial statement information. The amendments are effective for financial years beginning on or after 1 January 2020. The EU endorsement took place on 29 November 2019.

The amendments relate to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Together with additional application notes, the amendments are intended to make it easier for the preparer of IFRS financial statements in particular to assess materiality. In addition, the amendments ensure that the definition of materiality is consistent across the IFRS framework.

This amendment has no material impact on these consolidated financial statements.

Amendments to IFRS 9 “Financial Instruments – Recognition and Measurement”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments – Disclosures”: Interest Rate Benchmark Reform (Phase 1)

On 26 September 2019, the IASB published the amendments to IFRS 9, IAS 39 and IFRS 7. The amendments are effective for financial years beginning on or after 1 January 2020. The EU endorsement took place on 15 January 2020.

The IASB is responding to the existing uncertainty regarding the IBOR reform. The amendments relate to hedging relationships under IFRS. They address the prospective effectiveness assessment of hedging relationships, the adjustment of the “highly probable” criterion in relation to cash flow hedges and the IBOR risk component.

This amendment does not have a material impact on these consolidated financial statements, as Mutares does not account for hedging relationships.

Revisions to the Framework and amendments to cross-references to the Framework in various IFRSs

On 29 March 2018, the IASB published a revised version of the Framework. The Framework itself will not be endorsed in EU law. The updates to the cross-references in the individual standards are effective for financial years beginning on or after 1 January 2020. The EU endorsement took place on 29 November 2019.

The amendments to the Framework relate to revised definitions of assets and liabilities and new guidance on measurement and derecognition, presentation and disclosures. However, the new framework does not represent a fundamental revision. Rather, the scope of regulation extends to those topics that were previously unregulated or that had identifiable deficiencies. In addition, the IASB has updated various cross-references to the Framework in individual IFRSs.

This amendment has no material impact on these consolidated financial statements.

51.2. NEW AND AMENDED IFRSS TO BE APPLIED IN THE FUTURE

The following new or amended IFRSs have already been adopted by the IASB, but are not yet mandatory or have not yet been endorsed in European law. Mutares has not applied the regulations early.

New and changed IFRS		Effective for annual periods beginning on or after that date:	Status of EU endorsement (as of statement period)
Changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform (phase 2)	01/01/2021	13/01/2021
Changes to IFRS 4	Deferral of IFRS 9	01/01/2021	15/12/2020
Changes to IFRS 1, IFRS 9, IFRS 16 und IAS 41	Annual Improvements to IFRS – 2018-2020 Cycle	01/01/2022	pending
Changes to IFRS 3	Reference to the 2018 framework	01/01/2022	pending
Changes to IAS 16	Revenue before intended use	01/01/2022	pending
Changes to IAS 37	Onerous contracts – cost of fulfilling contracts	01/01/2022	pending
IFRS 17	Insurance contracts	01/01/2023	pending
Changes to IAS 1	Classification of liabilities as current or non-current	01/01/2023	pending
Changes to IAS 1 and IFRS guidance document 2	Disclosure of accounting policies	01/01/2023	pending
Changes to IAS 8	Definition of changes in accounting estimates	01/01/2023	pending
Changes to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and an associated company or joint venture	Date of first-time application postponed indefinitely	pending

Amendments to IFRS 9 “Financial Instruments – Recognition and Measurement”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments – Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”: Interest Rate Benchmark Reform (Phase 2)

On 27 August 2020, the IASB published the finalized amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 from the IBOR reform (phase 2). The focus of the second phase is to support preparers in accounting for changes in contractual cash flows for financial instruments and hedging relationships from the transition to alternative reference interest rates.

The amendments are effective for financial years beginning on or after 1 January 2021. The EU endorsement took place on 13 January 2021.

In the Mutares Group, financing exists with reference to interest rates of the IBOR system, in particular EURIBOR. Mutares will consider the changes in financial years starting 1 January 2021 when replacing corresponding reference interest rates. The effects of the changes will be analyzed in due course.

Amendments to IFRS 4 “Insurance Contracts”: Deferral of IFRS 9

On 25 June 2020, the exemption from the temporary application of IFRS 9 was extended in line with the deferral of the first-time application date of IFRS 17 for corresponding users, so that IFRS 9 must also be applied in these cases for financial years beginning on or after 1 January 2023.

The amendment will enter into force on 1 January 2021. The EU endorsement took place on 15 December 2020.

Mutares is not affected by this change.

Annual improvements to IFRSs (2018-2020 cycle)

On 14 May 2020, the IASB published the amendment standard Annual Improvements to IFRSs (2018-2020 cycle). The amendments within the scope of the annual improvements serve to continuously adapt existing IFRSs and generally relate to certain narrowly defined topics. The planned amendments under the 2018-2020 cycle comprise four standards and relate in detail to:

- IFRS 1: Enabling simplified measurement of cumulative currency translation effects for subsidiaries whose first-time adoption of IFRS is later than that of the parent in the context of the application of IFRS 1.D16(a).
- IFRS 9: Clarification on the fees to be taken into account in the 10% present value test when assessing the derecognition of financial liabilities.
- IFRS 16: Amendment of the facts and deletion of part of the wording in Explanatory Example 13 “Measurement at the lessee and recognition of a change in lease term” relating to the reimbursement of leasehold improvements by the lessor. This is to avoid potential confusion regarding the accounting for lease incentives.
- IAS 41: Deletion of the requirement in paragraph 22 that tax cash flows should not be taken into account when determining the fair value of a biological asset at present value. This is to ensure consistency with IFRS 13.

The amendments are mandatory for financial years beginning on or after 1 January 2022. EU endorsement is expected in the second half of 2021.

The Management Board does not expect the amendments to have a material impact on future consolidated financial statements.

Amendments to IFRS 3 "Business Combinations": Reference to the Framework

On 14 May 2020, the IASB issued amendments to IFRS 3. The amendments relate to the updating and modification of references to the Framework. Accordingly, the modified definition criteria for assets and liabilities of the revised 2018 Framework are generally to be applied in the case of a business combination. Exceptions are matters within the scope of IAS 37 and IFRIC 21, for which the definitions of the respective standards are to be applied. In addition, an explicit prohibition on recognizing contingent assets from a business combination is included.

The amendments are effective for financial years beginning on or after 1 January 2022. EU endorsement is expected to take place in the second half of 2021.

The Management Board does not expect the amendments to have a material impact on future consolidated financial statements.

Amendments to IAS 16 "Property, Plant and Equipment": Revenue before Intended Use

On 14 May 2020, the IASB published the amendments to IAS 16. The amendments relate to the accounting recognition of revenue from the sale of goods that arise during the construction phase of an item of property, plant and equipment, for example in the context of test runs. Under certain conditions, the previous regulation allowed such revenue to be offset against the cost of production or construction and also allowed heterogeneous implementation in practice. The possibility of offsetting is now eliminated. Instead, such revenues and the corresponding costs are to be recognized uniformly in profit or loss for the period.

The amendments are effective for financial years beginning on or after 1 January 2022. EU endorsement is expected to take place in the second half of 2021.

The Management Board does not expect the amendments to have a material impact on future consolidated financial statements.

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets": Onerous Contracts – Costs of Fulfilling Contracts

On 14 May 2020, the IASB issued amendments to IAS 37. These serve to clarify which costs are to be taken into account when assessing whether a contract is onerous. Accordingly, both the direct additional costs of fulfilling the contract and other costs directly attributable to the fulfillment of the contract are to be taken into account.

The amendments are effective for financial years beginning on or after 1 January 2022. EU endorsement is expected to take place in the second half of 2021.

The Management Board does not expect the amendments to have a material impact on future consolidated financial statements.

IFRS 17 "Insurance Contracts" including "Amendments to IFRS 17"

IFRS 17 "Insurance Contracts" was issued on 18 May 2017. The new standard pursues the goal of consistent, principles-based accounting for insurance contracts and requires insurance liabilities to be measured at a current settlement value. This leads to a uniform measurement and presentation of all insurance contracts.

The effective date was postponed from 1 January 2021 to financial years beginning 1 January 2023 by resolution of 18 March 2020. The date of the EU endorsement is still open.

The Management Board does not expect the standard to have a material impact on future consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements": Classification of liabilities as current or non-current

On 23 January 2020, the IASB issued "Classification of Liabilities as Current or Non-Current" with amendments to IAS 1. The amendments are intended to clarify the criteria for classifying liabilities as current or non-current. Accordingly, the focus is to be on the existing rights at the reporting date and not on whether management intends to repay early or actually exercises these rights.

The effective date of the amendments was deferred on 15 July 2020, from 1 January 2022, to financial years beginning on or after 1 January 2023. The date of the EU endorsement is still open.

The Management Board does not expect the amendments to have a material impact on future consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements": Disclosure of Accounting Policies and Amendments to IFRS Guidance Document 2

On 12 February 2021, the IASB published further amendments to IAS 1 with "Disclosure of Accounting Policies". According to these amendments, IFRS users are to disclose their "material" accounting policies. Previously, "significant" accounting policies had to be disclosed. What is considered "material" is based on the usefulness of the information for decision-making by the users of the financial statements. To accompany this, the IASB has issued amendments to IFRS guidance document 2, which provides additional guidance on applying the concept of materiality to disclosures about accounting policies, as well as examples.

The amendments are effective for financial years beginning on or after 1 January 2023. The date of EU endorsement is still open.

The Management Board does not expect the amendments to a material impact on future consolidated financial statements.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates

On 12 February 2021, the IASB published amendments to IAS 8 entitled "Definition of Accounting Estimates". The amendment clarifies the distinction between "changes in accounting policies" and "changes in accounting estimates". Accordingly, changes in estimates are applied prospectively to transactions and other events from the date of the change in estimate, whereas changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for financial years beginning on or after 1 January 2023. The date of EU endorsement is still open.

The Management Board does not expect the amendments to a material impact on future consolidated financial statements.

Amendments to IFRS 10 and IAS 28 "Disposal or Contribution of Assets between an Investor and an Associate or Joint Venture"

The amendments address a conflict between the requirements of IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements". They clarify that in transactions with an associate or joint venture, the extent of income recognition depends on whether the assets sold or contributed constitute a business as defined by IFRS 3.

The date of first-time application of the amendments was postponed indefinitely by the IASB in December 2015, as any amendments to IAS 28 from the research project on accounting using the equity method are to be awaited. The latter was resumed in October 2020 after a longer break and in the context of the advancing Post Implementation Review on IFRS 11.

The Management Board assumes that these potential amendments to IFRS 10 and IAS 28 will have no impact on future consolidated results.

52. Consolidation principles

52.1. SUBSIDIARIES

Subsidiaries are entities that are controlled by Mutares SE & Co KGaA. The Group obtains control if it can exercise control over the investee, is exposed to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's return.

The assessment of control is reviewed by Mutares SE & Co. KGaA if there are indications that one or more of the aforementioned control criteria have changed.

A subsidiary is included in the consolidated financial statements from the date on which the Company obtains control over the subsidiary until the date on which control by the Company ceases.

The results of the subsidiaries over which control was obtained or lost during the year are recognized in the consolidated statement of income and other comprehensive income with effect from the date on which control is obtained or lost.

Where necessary, the financial statements of the subsidiaries are adjusted to bring the accounting policies into line with those used in the Group.

The acquisition of a business is accounted for using the purchase method (acquisition method). The consideration transferred in a business combination is the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. They also include the fair values of any recognized assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date. The exceptions to the recognition and measurement principles required by the standard, such as the recognition and measurement of deferred taxes on acquired assets and liabilities in accordance with IAS 12, are taken into account accordingly in the initial.

Goodwill is recognized and tested at least annually for impairment at an amount equal to the excess of the cost of the acquisition, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest at the date of acquisition over the Group's share of the net assets measured at fair value. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income after reassessment (bargain purchase revenue).

If the consideration transferred includes contingent consideration, it is measured at fair value at the acquisition date. Changes in the fair value of the contingent consideration within the measurement period are adjusted retrospectively and recorded against goodwill or bargain purchase revenue accordingly. Adjustments during the measurement period are adjustments to reflect additional information about facts and circumstances that existed at the acquisition date. However, the measurement period may not exceed one year from the acquisition date. Changes in the fair value of the contingent consideration that are not adjustments during the measurement period are accounted for depending on how the contingent consideration is classified.

Share disposals without loss of control (buy-down) are accounted for as transactions between the equity providers (Mutares SE & Co. KGaA and the minority shareholders) with no effect on profit or loss.

Non-controlling interests are generally measured at the non-controlling interest's proportionate share of the entity's net assets, so that any goodwill attributable to non-controlling interests is capitalized (full goodwill method). The non-controlling interests are entitled to a share of the profit or loss from the date of transfer of the shares, which is presented separately in the statement of comprehensive income.

Majority-owned increases are accounted for as equity transactions, or transactions between the majority shareholder and the minority.

In the case of deconsolidation, a single sale is deemed to have taken place, i.e. the sale of all shares is presented as a transfer of individual assets and liabilities including goodwill for consideration. The gain or loss on disposal is the difference between the proceeds on disposal and the carrying amount of the net assets disposed of, including hidden reserves and goodwill.

Balances and transactions with consolidated subsidiaries, and income and expenses arising therefrom, are eliminated in full for the purpose of preparing the consolidated financial statements.

The tax deferrals required by IAS 12 were made on temporary differences arising on consolidation.

52.2. ASSOCIATED COMPANIES 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 without controlling or jointly controlling it. If Mutares SE & Co. KGaA directly or indirectly holds between 20% and 50% of the voting rights in an investee, there is a presumption that significant influence can be exercised. In the case of a directly or indirectly held voting interest of less than 20%, significant influence is presumed if it can be clearly demonstrated.

Investments in associates are accounted for using the equity method and are therefore initially measured at cost.. Goodwill arising on the acquisition of an associate is included in the carrying amount of the investment in the associate. After initial recognition, the carrying amount of the investment increases or decreases in line with the investor's share of profit or loss or other comprehensive income of the investee - from the date that significant influence is first exercised until that influence ceases to exist. If Mutares' share in the losses of an associate equals or exceeds the value of the investment, the share is reduced to zero.

Unrealized gains based on transactions with associates are eliminated against the carrying amount of the investment in proportion to Mutares' interest. Unrealized losses are eliminated in the same way, but only to the extent that there is no indication of impairment.

The tax deferrals required by IAS 12 were made on temporary differences arising on consolidation.

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. Currently, no joint venture exists.

52.3. COMMUNITY ACTIVITY

Joint operation is a joint arrangement whereby the parties exercising joint control have rights to the assets and obligations for the liabilities of the arrangement. Joint control is the contractually agreed, jointly exercised control of an arrangement. This only occurs when decisions about the relevant activities require the unanimous consent of the parties involved in joint control.

Where a Group company undertakes activities as part of a joint operation, the Group recognizes the following items as a joint operator in relation to its interest in the joint operation:

- its assets, including its share of jointly held assets;
- its debts, including its share of debts incurred jointly;
- its proceeds from the sale of its share of the products or services of the joint activity;
- its expenses, including its share of expenses incurred jointly;

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRS applicable to those assets, liabilities, revenues and expenses.

When a group entity enters into a joint operation in which another group entity is a joint operator (for example, the sale or contribution of assets), the group considers the transaction to be carried out with the other parties to the joint operation and therefore recognizes any gain or loss only to the extent of the interest of the other parties in the joint operation.

In transactions such as the purchase of assets by a Group company, gains and losses to the extent of the Group's interest in the joint operation are not recognized until the assets are sold on to third parties.

52.4. FOREIGN CURRENCY

The consolidated financial statements have been prepared in accordance with the functional currency concept. The functional currency is the primary currency of the economic environment in which Mutares Group operates. It corresponds to the euro, which is also the presentation currency of the consolidated financial statements.

Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency using the exchange rate at the balance sheet date. Foreign currency gains and losses resulting from these translations are recognized in the consolidated statement of income under "Other income" or "Other expenses".

Balance sheet items of subsidiaries whose functional currency is not the euro are translated into the presentation currency at the closing rate, the items of the consolidated statement of income at the average rate for the respective period, and equity items at historical foreign currency rates. The resulting translation differences are recognized in the currency translation reserve in accumulated other comprehensive income. Where non-controlling interests are involved, the corresponding portion of the translation difference is offset against the minority interest.

In the event of the disposal of a foreign operation, the translation differences accumulated to that date are included in the gain or loss on disposal, i.e. reclassified from equity to profit or loss.

In principle, the functional currency of the subsidiaries of Mutares SE & Co. KGaA corresponds to the local currency. The following companies are an exception to this rule: Inoplast Trucks Mexico, S.A. de C.V. and Elastomer Solutions Mexico S. de R.L. de C.V. (for both companies the US dollar is the functional currency) as well as Elastomer Solutions Maroc Sarl and Plati Ukraine Limited (for these companies the euro is the functional currency).

The main exchange rates used for currency translation are presented below:

1 EUR in		Closing rate		Average rate	
	Code	31/12/2020	31/12/2019	2020	2019
USA	USD	1.227	1.123	1.142	1.119
China	CNY	8.023	7.820	7.871	7.733
Poland	PLN	4.560	4.257	4.441	4.297
UK	GBP	0.899	0.851	0.894	0.877
India	INR	89.661		87.565	
Sweden	SEK	10.034		10.189	

53. Significant accounting and valuation policies

The consolidated financial statements are based on uniform accounting policies. All companies included in the consolidated financial statements of Mutares SE & Co. KGaA prepare their financial statements as of 31 December or have prepared interim financial statements for the reporting date and the period covered by the consolidated financial statements.

The main accounting and valuation principles are explained below.

53.1. REVENUE RECOGNITION

Sale of goods

The Group recognizes revenue when control of identifiable goods or services is transferred to the customer. The customer must therefore have the ability to direct the use of, and obtain the residual benefits from, the goods or services. This is based on a contract between the Group and the customer. The contract and the agreements contained therein must have been agreed to by the parties, the individual obligations of the parties and the payment terms must be ascertainable, the contract must have economic substance and the Group must be likely to receive consideration for the service rendered. There must therefore be enforceable rights and obligations. The transaction price generally corresponds to the sales revenue. In individual companies, rebates and discounts are granted to the extent customary in the market and are included in the recognized sales revenue. If the contract includes more than one distinct performance obligation, the transaction price is allocated to the individual performance obligations on the basis of the relative individual selling prices. If individual selling prices are not observable, the Group estimates them. The individual identified performance obligations are realized either over a period of time or at a point in time.

The payment terms usually provide for payment within 90 days of invoicing at the latest. Significant financing components do not exist on a regular basis and the period between the transfer of the goods or services and the payment date does not regularly exceed twelve months, so that the consideration does not need to be adjusted for the time value of money. The Group's obligation to repair or replace defective products under statutory warranty is recognized as a provision.

Customer tools

Contracts for initial production tooling result in a separate performance obligation to the customer upon transfer of control. Revenue is recognized when control is transferred to the customer.

Customized products

Customized products are subject to revenue recognition over time if the products have no alternative use due to their specifications and have an enforceable payment claim against the customer at least in the amount of a reimbursement of the costs incurred as a result of the services already rendered, including a reasonable profit margin.

The percentage of completion is determined using the input method based on the ratio of costs incurred to planned costs. Due to detailed internal cost controlling, this method provides a true and fair view of the transfer of goods.

Provision of services

Revenue from service contracts is recognized when control is transferred to the customer and the time of performance is determined to be point-in-time or time-period. Services provided over a certain period of time are recognized according to the stage of completion of the service. If a service is not recognized over a specific period of time, revenue is recognized when control is transferred.

Rental income

The comments on leases in accordance with IFRS 16 apply.

Production orders

If the transfer of control already takes place during the construction phase, revenue from construction contracts with a corresponding margin is recognized over a period of time (overtime). A corresponding transfer of control is assumed if, in the event of termination of the contract, the compensation claim includes an appropriate margin in addition to the costs incurred to date and there are no alternative uses for the asset created.

The percentage of completion is determined on the basis of the contract costs incurred for the work performed in relation to the expected contract costs (input-based method). Management believes that this input-based method represents an appropriate estimate of the stage of completion.

If there is no entitlement to remuneration or if it only includes the costs incurred, revenue is not recognized until the order is completed.

If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense.

Where contract costs incurred plus recognized profits and less recognized losses exceed progress billings at the balance sheet date, the excess is recognized as a contract asset. For contracts in which progress billings exceed contract costs incurred plus recognized profits less recognized losses, the excess is recognized as a contract liability in the same way as amounts received before construction is complete. Amounts billed for services already rendered but not yet paid by the customer are included in trade and other receivables in the consolidated statement of financial position.

The regulations of IFRS 15 are of no or only very minor significance for Mutares Group in the following areas:

- Consignment store
- Contract acquisition or performance costs
- Principal-agent relationships
- Bill-and-hold agreements
- Repurchase agreements
- Guarantees

53.2. INCOME TAXES

Income tax expense represents the net of current tax expense and deferred taxes.

Current or deferred taxes are recognized either in the consolidated income statement, in other comprehensive income or directly in equity, depending on the underlying circumstances. Current or deferred taxes arising from the initial accounting for a business combination are recognized as part of the accounting for the business combination.

Current taxes

Current tax expense is determined on the basis of taxable income for the year. Taxable income differs from net income as reported in the consolidated statement of comprehensive income due to expenses and income that are taxable or tax deductible in later years or never. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred taxes

Deferred taxes are calculated in accordance with IAS 12 on the basis of the internationally accepted balance sheet liability method. Under this method, deferred tax assets and liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet, and for tax loss carryforwards.

Deferred taxes on these identified differences are generally always recognized if they result in deferred tax liabilities. Deferred tax assets are only recognized if it is probable that the corresponding tax benefits will also be realized. Deferred tax assets and liabilities are also recognized for temporary differences arising on business combinations, with the exception of temporary differences relating to goodwill, where these are not recognized for tax purposes.

Deferred taxes on so-called “outside basis differences”, i.e. differences between the assets of a subsidiary recognized in the consolidated financial statements and the tax base of the shares held by the Group parent in the subsidiary, are generally taken into account (to the extent that tax effects are anticipated which may result in the future from the sale of the shares or from the distribution of profits).

Deferred tax assets and liabilities are offset if the requirements of IAS 12 are met. Accordingly, offsetting takes place when there is a legally enforceable right to offset and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle on a net basis.

Deferred taxes are calculated on the basis of the tax rates applicable in future years to the extent that they have already been enacted by law or the legislative process is substantially complete. Changes in deferred taxes in the balance sheet generally result in deferred tax expense or income. If items resulting in a change in deferred taxes are recognized directly in equity, the change in deferred taxes is also recognized directly in equity.

53.3. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the share of profit after tax attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the financial year. Diluted earnings per share are calculated assuming that all potentially dilutive securities and share-based payment plans are converted or exercised.

53.4. INTANGIBLE ASSETS

Intangible assets acquired in the context of a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and measured at fair value at the acquisition date.

In subsequent periods, intangible assets acquired in a business combination are measured at cost less any accumulated amortization and any accumulated impairment losses, in the same way as individually acquired intangible assets.

Other intangible assets acquired separately

Intangible assets acquired separately, i.e. not as part of a business combination, with a definite useful life are recognized at cost less accumulated amortization and impairment losses. Amortization is recognized as an expense on a straight-line basis over the expected useful life. The expected useful life and the amortization method are reviewed at each reporting date and any changes in estimates are accounted for prospectively.

Separately acquired intangible assets with an indefinite useful life are recognized at cost less accumulated impairment losses.

Internally generated intangible assets

Internally generated intangible assets are capitalized at cost.

In order to determine whether internally generated intangible assets can be capitalized, research and development expenses must be separated. Expenditure on research activities with the prospect of gaining new scientific or technical knowledge and understanding is recognized as an expense in the period in which it is incurred.

The recognition of internally generated intangible assets requires the cumulative fulfillment of the capitalization criteria of IAS 38: the technical feasibility of the development project and a future economic benefit from the development project must be demonstrable, and the company must intend and be able to complete the intangible asset and use or sell it. Furthermore, adequate technical, financial and other resources must be available and the expenditure attributable to the intangible asset during its development must be reliably measurable.

Capitalized production costs comprise costs directly attributable to the development process as well as development-related overheads. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized as part of the cost of that asset in accordance with IFRS. In the reporting period and in the comparative period, no qualifying assets were acquired or manufactured for which capitalization of borrowing costs would be required.

If a useful life can be determined, these intangible assets are amortized on a straight-line basis over their respective useful economic lives.

The following useful lives were used as the basis for calculating depreciation:

	Useful life in years
Self-generated industrial property rights and similar right	1 to 10
Software	1 to 20
Concessions acquired for consideration, commercial property rights and similar rights and assets	1 to 20

Impairment of intangible assets

If there are indications of impairment and the carrying amount of intangible assets exceeds the recoverable amount, impairment losses are recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If the reason for an impairment loss already recognized no longer exists, the impairment loss is reversed to amortized cost. Intangible assets with indefinite useful lives are tested for impairment once a year. In addition, a review is carried out in each period to determine whether the assessment of an indefinite useful life continues to be justified. For intangible assets that do not generate cash flows themselves, the impairment test is performed at the level of their cash-generating unit.

Derecognition of intangible assets

An intangible asset shall be derecognized upon disposal or when no further economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the income statement when the asset is derecognized. This is reported under other income or other expenses.

53.5. PROPERTY, PLANT AND EQUIPMENT

Land and buildings and other property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation, if the assets are depreciable, and impairment losses.

The cost of an item of property, plant and equipment comprises all costs directly attributable to the acquisition of the asset. Repairs and maintenance are recognized as expenses in the consolidated income statement in the financial year in which they are incurred. Internally generated assets are initially measured at directly attributable production costs and production-related overheads.

Depreciation is recognized in the consolidated statement of income on a straight-line basis over the estimated useful life of the asset.

Land is not depreciated on a scheduled basis.

Where significant parts of property, plant and equipment contain components with significantly different useful lives, these are recognized separately and depreciated over their respective useful lives.

Under IFRS, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized as part of the cost of that asset. In the reporting period and in the comparative period, no qualifying assets were acquired or manufactured for which capitalization of borrowing costs would be required.

The residual values and economic useful lives are reviewed at each balance sheet date and adjusted if necessary. The economic useful lives are based on estimates and are largely based on experience regarding historical usage and technical development.

Gains and losses on the disposal of assets are determined as the difference between the proceeds on disposal and the carrying amount and are recognized in profit or loss.

The following useful lives were used as the basis for calculating depreciation:

	Useful life in years
Buildings	20 to 50
Technical equipment, machinery and vehicles	1 to 20
Operating and office equipment	1 to 13

Impairment of property, plant and equipment

If there are indications of impairment and the carrying amount of property, plant and equipment exceeds the recoverable amount, impairment losses are recognized. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If the reason for an impairment loss already recognized no longer exists, the impairment loss is reversed to amortized cost. For property, plant and equipment that do not generate any cash flows themselves, the impairment test is performed at the level of the cash-generating unit.

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. The gain or loss arising from the sale or retirement of an item of property, plant and equipment is determined as the difference between the proceeds on disposal and the carrying amount of the asset and is recognized in profit or loss.

53.6. LEASING

IFRS 16 contains a comprehensive model for identifying leases and accounting for them at the lessor and lessee. IFRS 16 is generally applicable to all leases. A lease as defined by the standard exists if the lessee is contractually granted the right to control an identified asset by the lessor for a specified period of time and the lessor receives consideration from the lessee in return.

Lessees do not distinguish between rental leases and finance leases. Instead, the lessee must recognize the right-of-use asset and a corresponding lease liability for all leases. The only exceptions to this rule are short-term leases and leases of low-value assets, for which payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Mutares makes use of these practical expedients. For low-value assets, a value limit of EUR 5,000 is applied.

The amount of the RoU asset at the inception of the lease is the amount of the lease liability plus any initial direct costs incurred by the lessee. In subsequent periods, the RoU asset is measured at amortized cost (with two exceptions) until the earlier of the end of the leased asset's useful life or the end of the lease term and is depreciated using the straight-line method.

The lease liability is measured as the present value of the lease payments relevant for measurement that are paid during the term of the lease. The marginal borrowing rate is regularly used for discounting purposes, as the interest rate on which the lease is based is generally not known to Mutares. The incremental borrowing rate is determined for each lease on a term-equivalent, country-specific and currency-specific risk-equivalent basis. Subsequently, the carrying amount of the lease liability is discounted using the discount rate and reduced by the lease payments made. Changes in the lease payments generally result in a revaluation of the lease liability against the corresponding right-of-use asset with no effect on profit or loss.

Mutares has also decided to apply IFRS 16 to other intangible assets. Leasing and service components are not presented separately at Mutares.

For lessors, IFRS 16 basically retains the accounting treatment familiar from IAS 17 "Leases" with a distinction between finance and operating leases. The criteria for assessing a finance lease have been taken over unchanged from IAS 17. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise, it is classified as an operating lease. If Mutares acts as lessor under a finance lease, a receivable is recognized in the amount of the net investment in the lease. In the case of an operating lease, Mutares recognizes the leased asset as an asset under property, plant and equipment. It is measured at amortized cost. The following useful lives were used as a basis for calculating depreciation:

	Useful life in years
Buildings	20 to 50
Technical equipment, machinery and vehicles	1 to 20
Operating and office equipment	1 to 13

Rental income is recognized in profit or loss on a straight-line basis over the lease term and reported in other income. As a lessor, Mutares essentially only enters into leases that are classified as operating leases.

For information on the judgments and estimates made in connection with leases, in particular for determining the lease term and the incremental borrowing rate, please refer to note 3.

53.7. COST OF DEBT

Borrowing costs directly associated with the acquisition, construction or production of qualifying assets are added to the cost of those assets until the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Income earned from the interim investment of specially borrowed funds until they are spent on qualifying assets is deducted from the capitalizable borrowing costs.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

53.8. 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 met if the non-current asset or disposal group is available for immediate sale in its present condition and its sale is highly probable. Management must be committed to a sale. It must be assumed that the disposal transaction will be completed within one year of such classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their original carrying amount and fair value less costs to sell.

In the event that the Group has committed to a disposal involving a loss of control of a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale if the above conditions are met. This applies regardless of whether or not the Group retains a non-controlling interest in the former subsidiary after the disposal.

53.9. INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of raw materials and supplies is calculated using the moving average method. Incidental acquisition costs are also taken into account. Work in progress and self-constructed finished goods are valued at manufacturing cost. In addition to direct material, production and special production costs, production cost also includes an appropriate share of the overheads attributable to production and production-related depreciation.

Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

53.10. FINANCIAL INSTRUMENTS

A financial instrument is defined as a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IFRS, they can include non-derivative financial instruments, such as trade receivables and payables, as well as derivative financial instruments.

Financial assets and financial liabilities are initially measured at fair value, which is generally the transaction price. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument are only included in the carrying amount if the financial instrument is not measured at fair value through profit or loss. In the case of trade receivables, the transaction price is determined in accordance with IFRS 15. Subsequent measurement depends on the classification of the financial instruments.

Regular way purchases or sales of financial assets are generally recognized on the trade date.

53.11. FINANCIAL ASSETS

Financial assets include in particular:

- Trade receivables and other receivables,
- Other financial assets and
- Cash and cash equivalents

Financial assets with a term of more than twelve months are reported under non-current financial assets.

The classification of financial assets depends on the underlying business model and the so-called cash flow criterion, according to which the contractual cash flows of a financial asset may only consist of interest and principal payments on the outstanding principal amount of the financial instrument. The cash flow criterion is always assessed at the level of the individual financial instrument. The assessment of the business model relates to the question of how financial assets are managed to generate cash flows. The management can either be aimed at holding, selling or a combination of both.

The Company classifies financial assets into one of the following categories:

- Financial assets measured at amortized cost (debt instruments)
- Financial assets measured at fair value through profit or loss (debt instruments)
- Financial assets measured at fair value through profit or loss

Financial assets measured at amortized cost (debt instruments)

The most significant category of financial assets for Mutares is the category of assets measured at amortized cost in relation to debt instruments. Measurement at amortized cost occurs when the following two criteria are met:

- The business model for managing these financial instruments is geared towards holding them in order to generate the underlying contractual cash flows and to
- the contractual cash flows generated from this consist solely of interest and repayment on the principal outstanding.

Subsequent measurement of these financial assets is based on the effective interest method and is subject to the impairment requirements of IFRS 9.5.5 et seq. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, less principal repayments, plus accumulated amortization using the effective interest method, adjusted for impairment. At Mutares, trade receivables, other assets and bank balances are mainly subject to this category.

Mutares continues to classify trade receivables that are sold under a factoring agreement without a disposal of the receivables as part of the sale of the receivables as part of the business model “hold” and thus as “amortized cost”. Within the business model criterion, Mutares defines the sale as an actual sale that also leads to an accounting disposal. According to Mutares’ interpretation, a purely legal sale without disposal does not constitute a business model of sale within the meaning of IFRS 9. Receivables portfolios that are generally subject to the possibility of factoring with disposal of the corresponding receivables are allocated to the category “hold and sell” and measured at fair value through profit or loss (FVOCI).

Financial assets measured at fair value through profit or loss (debt instruments)

The valuation with no effect on profit or loss with recycling at fair value for debt instruments is carried out if the following two criteria are met:

- The business model for managing these financial instruments is focused on holding them to generate the underlying contractual cash flows and also on selling them.
- The resulting contractual cash flows consist solely of interest and principal on the principal outstanding.

For these financial assets, interest, foreign currency valuation effects and expenses and income in connection with impairments are recognized in profit or loss. The remaining changes are recognized in other comprehensive income and reclassified to profit or loss on disposal (recycling).

At Mutares, mainly receivables related to a factoring agreement with disposal of the corresponding receivables are subject to this measurement.

Financial assets measured at fair value through profit or loss

The category includes financial assets held for trading, financial instruments using the fair value option, and financial assets for which mandatory fair value measurement is intended. A trading purpose exists if a short-term purchase or sale is intended. Derivatives that are not part of a hedging relationship are always held for trading purposes. Financial assets that do not meet the cash flow criterion are always measured at fair value through profit or loss, regardless of the underlying business model. The same measurement results for financial instruments that are subject to a “sell” business model.

The fair value option for financial assets is not used.

At Mutares, derivatives that are not part of a hedging relationship and securities are mainly subject to this measurement.

Any changes in the fair value of these instruments are recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income (equity instruments)

Upon initial recognition of an equity instrument, Mutares has the irrevocable option to measure it at fair value through other comprehensive income. This is subject to the condition that the equity instrument, in accordance with IAS 32, is not held for trading and is not a contingent consideration as defined by IFRS 3. The option can be exercised separately for each equity instrument.

Mutares does not exercise the option and measures all equity instruments at fair value through profit or loss.

Impairment of financial assetsn

Financial assets (with the exception of financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income), contract assets according to IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model as defined by IFRS 9.5.5. According to this model, Mutares recognizes 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 using the original effective interest rate. The expected cash flows also include proceeds from the sale of collateral and other loan collateral that are an integral part of the respective contract.

Expected credit losses are recognized in three stages. For financial assets for which there has been no significant increase in the risk of default since initial recognition, the impairment loss is measured in the amount of the expected 12-month credit loss (Level 1). In case of a significant increase in default risk, the expected credit loss for the remaining term of the asset is determined (level 2). Mutares generally assumes that there is a significant increase in credit risk if the asset is 30 days past due. This principle can be refuted if, in the respective individual case, reliable and justifiable information indicates that the credit risk has not increased. If there is objective evidence of impairment, the underlying assets are to be allocated to Level 3.

The relevant class of assets for Mutares for the application of the impairment model are trade receivables and contract assets. Mutares applies the simplified approach according to IFRS 9.5.15 for these. Accordingly, the impairment loss is always measured in the amount of the expected credit losses over the term.

For financial assets measured at fair value through other comprehensive income as debt instruments, Mutares considers all reasonable and reliable information that is available without unreasonable cost and time expenditure for the review of a possibly significantly increased expected credit risk. For this purpose, mainly the related default risk is used. Rating information is used for the default risk. Mutares only holds instruments for which there is a low default risk.

For the other assets that are within the scope of the amended impairment model of IFRS 9 and that are subject to the general approach, financial assets are grouped together accordingly or individual default information is used to measure expected losses on the basis of common credit risk characteristics. In each case, the calculation is based on current default probabilities as of the respective reporting date.

Mutares generally assumes a default if the contractual payments are overdue by more than 90 days. In addition, in individual cases, internal or external information is also used to indicate that the contractual payments cannot be made in full. Financial assets are derecognized if there is no reasonable expectation of future payment.

53.12. DERIVATIVES AND HEDGING RELATIONSHIPS

Within the Group, derivative financial instruments are used to manage risks arising from fluctuations in commodity prices and interest rates. Derivative financial instruments are initially recognized as financial assets or liabilities at fair value in the category of financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss.

Attributable transaction costs are recognized in profit or loss in the period in which they are incurred. With the exception of derivatives designated as hedging instruments in cash flow hedges, all derivatives are measured at fair value through profit or loss. They are presented in the consolidated statement of financial position under “other financial assets” or “other financial liabilities”.

The Group does not currently apply hedge accounting.

53.13. FINANCIAL LIABILITIES

Financial liabilities regularly give rise to a right of return in cash and cash equivalents or another financial asset. These include in particular bonds and other securitized liabilities, trade accounts payable, liabilities to banks and derivative financial instruments.

For the initial measurement of financial liabilities, please refer to the description of financial assets. Financial liabilities are generally measured at amortized cost using the effective interest method (FLAC).

The category of financial liabilities at fair value through profit or loss (FLtPL) includes all financial liabilities held for trading as well as derivative instruments, unless they are part of a hedging relationship, and financial instruments for which the fair value option has been exercised. This measurement category includes contingent consideration in connection with business combinations.

Financial liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

To increase the reliability of financial statement information and to reduce the complexity of preparing financial statements, also in connection with the measurement of embedded derivatives, financial liabilities can be irrevocably designated at fair value through profit or loss (“FVTPL”)the date of addition by exercising the fair value option

Subsequent measurement of financial liabilities measured by the Company at fair value through profit or loss is performed by recognizing net gains or losses and interest expenses in profit or loss. Changes in fair value due to changes in credit ratings are recognized by the Company in other comprehensive income.

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

53.14. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset only if a right of set-off exists for the net amount at that time.

53.15. EQUITY

Equity is defined as cash contributions and contributions in kind that give rise to a residual interest in the assets of an entity after deducting all related liabilities. The development of equity is presented for the financial years 2020 and 2019 in the consolidated statement of changes in equity.

Mutares SE & Co. KGaA accounts for acquired treasury shares using the so-called par value method, according to which the nominal amount of the acquired treasury shares is deducted from the subscribed capital. In addition, the acquisition costs in excess of this amount reduce the retained earnings of Mutares SE & Co KGaA.

53.16. SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. The fair value is determined taking into account the market-related performance condition relating to the share price.

Further information on share-based payments in the Mutares Group is presented in note 32 “Conditional capital and share-based payment”.

53.17. EMPLOYEE BENEFITS

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with an actuarial valuation performed at each reporting date. Remeasurements, consisting of actuarial gains and losses, changes resulting from the application of the asset ceiling and the return on plan assets (excluding interest on the net liability), are recognized directly in other comprehensive income and are therefore included directly in the consolidated statement of financial position. The remeasurements recognized in other comprehensive income are part of retained earnings and are no longer reclassified to the consolidated statement of profit or loss. Past service cost is recognized as an expense when the plan amendment occurs.

The net interest is calculated by multiplying the discount rate by the net liability (pension obligation less plan assets) or the net asset value, which results if the plan assets exceed the pension obligation, at the beginning of the financial year. The defined benefit cost includes the following components:

- Service cost (including current service cost, after service cost to be recognized, and any gain or loss on the plan amendment or curtailment)
- Net interest expense or income on net debt or net asset value
- Revaluation of net debt or net asset value

The Group reports the first two components in the consolidated statement of income. Curtailment gains or losses are recognized as past service cost.

The defined benefit obligation recognized in the consolidated statement of financial position represents the current underfunding or overfunding of the Group's defined benefit plans. Any surplus arising from this calculation is limited to the present value of future economic benefits available in the form of refunds from the plans or reduced future contributions to the plans.

Payments for defined contribution plans are recognized as an expense when the employees have rendered the service entitling them to the contributions.

For short-term employee benefits (wages, sick pay, bonuses, etc.), the undiscounted amount of the benefit expected to be paid in exchange for the service rendered is recognized in the period in which the service is rendered by the employee.

The expected cost of short-term employee benefits in the form of compensated absences is recognized, in the case of accumulating entitlements, when the employee services that increase the employee's entitlement to future compensated absences are rendered. In the case of non-accumulating entitlements, however, recognition occurs when the absence occurs.

All personnel-related obligations that cannot be allocated either to pension provisions or to accruals for personnel-related obligations (personnel-related liabilities, for example, for uncompensated leave or overtime, and outstanding wages and salaries) are recognized in other personnel-related provisions. These include, for example, obligations for employee bonuses or to mark employee anniversaries.

A liability for termination benefits is recognized when the Group is no longer able to withdraw the offer of such benefits or, if earlier, the Group has recognized related restructuring costs (refer to note 53.18).

53.18. OTHER PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the provision.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In this context, risks and uncertainties inherent in the obligation must be taken into account.

If a provision is measured on the basis of the cash flows estimated to be required to settle the obligation, these cash flows must be discounted if the interest effect is material.

If it can be assumed that parts or all of the economic benefit required to settle the provision will be reimbursed by an outside third party, this claim is capitalized as an asset if the reimbursement is virtually certain and its amount can be reliably estimated.

The following section describes special circumstances relating to the recognition of other provisions:

Legal costs

The companies of the Mutares Group may be plaintiffs or defendants in lawsuits and other proceedings in the course of their business activities. If the general recognition criteria are met, a provision is recognized for the best estimate of the cash flows expected to be required to settle the obligation and reported under other provisions. In cases where the general recognition criteria are not met, the existence of a contingent liability is assessed and disclosed in the notes to the consolidated financial statements.

Warranties

Provisions for the expected expenses from warranty obligations are recognized at the time of sale of the relevant products based on management's best estimate of the expenditure required to settle the Group's obligation.

Restructuring

A provision for restructuring costs is recognized when the Group has put in place a detailed formal restructuring plan which, by commencing implementation of the plan or announcing its main features, has raised a valid expectation in those affected that the restructuring will be completed. When measuring a restructuring provision, only the direct expenses for the restructuring are taken into account. Therefore, only the amounts resulting from the restructuring and not related to the Group's continuing operations are included in the measurement of the restructuring provision. For information on liabilities arising from the termination of employment contracts, please refer to note 53.17.

Impending losses

Present obligations arising in connection with onerous contracts are recognized as provisions. The existence of an onerous contract is presumed when the Group is party to a contract under which the unavoidable costs of meeting the obligations under the contract are expected to exceed the economic benefits associated with the contract.

Contingent liabilities

A contingent liability is a possible obligation that arises from the occurrence or non-occurrence future events and whose amount cannot be estimated with sufficient reliability. Contingent liabilities are not recognized as liabilities, but trigger disclosure requirements in the notes to the consolidated financial statements. Contingent liabilities assumed in the context of business combinations are recognized as liabilities.

53.19. GOVERNMENT GRANTS

Government grants, including non-monetary grants at fair value, are only recognized if there is reasonable assurance that:

- the company will comply with the conditions attached to it, and that
- the grants are awarded.

Grants related to expenses are offset against the corresponding expenses over the periods for which they are intended to compensate. Grants received to compensate for expenses already incurred or to provide immediate financial support irrespective of future expenses are recognized in profit or loss in the period in which the entitlement arises.

If Mutares merely prefinances claims by employees against the public sector and acquires a claim to reimbursement of the amounts paid out, the payment processing is treated as a transitory item and does not affect profit or loss. Such claims are recognized as soon as the reimbursement is virtually certain.

Approval of the financial statements

The financial statements were approved on 31 March 2021 by the Executive Board of Mutares Management SE as general partner of Mutares SE & Co. KGaA and released for publication.

Munich, 31 March 2021

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

The Board

Robin Laik	Mark Friedrich
Dr. Kristian Schleede	Johannes Laumann

Appendix 1: Scope of consolidation and list of shareholdings

	Registered office	Share in equity in % 31/12/2020	Share in equity in % 31/12/2019
Direct equity investments: intermediate holdings			
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
mutares Holding-07 GmbH[1]	Bad Wiessee	100	100
mutares Holding-09 AG i.L.[1]	Bad Wiessee	100	100
mutares Holding-10 GmbH[1]	Bad Wiessee	100	100
mutares Holding-11 AG i.L. [1]	Bad Wiessee	100	100
mutares Holding-13 AG i.L.[1]	Bad Wiessee	100	100
mutares Holding-14 AG[1]	Bad Wiessee	100	100
mutares Holding-15 GmbH[1]	Bad Wiessee	100	100
STS Group AG[1]	Hallbergmoos	73	65
mutares Holding-19 AG[1]	Bad Wiessee	–	100
mutares Holding-20 AG i.L.[1]	Bad Wiessee	100	100
mutares Holding-21 AG[1]	Bad Wiessee	100	100
mutares Holding-23 GmbH[1]	Bad Wiessee	100	100
mutares Holding-24 AG[1]	Bad Wiessee	–	100
mutares Holding-25 GmbH (previously: mutares Holding-25 AG)[1]	Bad Wiessee	100	100
mutares Holding-26 GmbH[1]	Bad Wiessee	90	100
mutares Holding-27 AG[1]	Bad Wiessee	–	100
mutares Holding-28 GmbH[1]	Bad Wiessee	100	100
mutares Holding-29 GmbH[1]	Bad Wiessee	90	100
mutares Holding-30 AG i.L.[1]	Bad Wiessee	100	100
mutares Holding-31 GmbH[1]	Bad Wiessee	100	100
mutares Holding-32 GmbH[1]	Bad Wiessee	90	100
mutares Holding-33 GmbH (previously: Donges Vorrats GmbH)[1]	Bad Wiessee (previously, Darmstadt)	100	100
mutares Holding-35 GmbH[1]	Bad Wiessee	90	–
mutares Holding-36 GmbH[1]	Bad Wiessee	100	–
mutares Holding-37 GmbH[1]	Bad Wiessee	100	–
mutares Holding-38 GmbH[1]	Bad Wiessee	100	–
mutares Holding-39 GmbH[1]	Bad Wiessee	100	–
mutares Holding-40 GmbH[1]	Bad Wiessee	100	–
mutares Holding-41 GmbH[1]	Bad Wiessee	100	–
mutares Holding-42 GmbH[1]	Bad Wiessee	100	–
mutares Holding-43 GmbH[1]	Bad Wiessee	100	–
mutares Holding-44 GmbH[1]	Bad Wiessee	100	–
mutares Holding-45 GmbH[1] (previously: Blitz 20-661 GmbH)	Munich	100	–
mutares Holding-46 GmbH[1] (previously: Blitz 20-662 GmbH)	Munich	100	–
mutares Holding-47 GmbH[1] (previously: Blitz 20-665 GmbH)	Munich	100	–
Mutares Verwaltungs GmbH[2]	Bad Wiessee	100	–
Mutares Management SE[5]	Munich	30	30
National subsidiaries			
mutares France S.A.S.[1]	Paris/FR	100	100
mutares Italy S.r.l.[1]	Milan/IT (previously: Turin/IT)	100	100
mutares UK Ltd.[1]	London/UK	100	100
mutares Nordics Oy[1]	Vantaa/FI	100	100
Mutares Nordics AB[1]	Stockholm/SE	100	–
Mutares Iberia S.L.[1]	Madrid/ES	100	–
Mutares Austria GmbH[1]	Vienna/AU	100	–
Indirect equity investments: operating entities/sub-groups			
STS Group			
STS Acoustics S.p.A.[1]	Turin/IT	–	100
STS Real Estate S.r.l.[1]	Turin/IT	–	100
STS Acoustics Poland Sp. z o.o[1]	Miedzyrzecz/PL	–	100
STS Plastics S.A.S.[1]	Saint-Désirat/FR	100	100
STS Plastics Holding S.A.S.[1]	Saint-Désirat/FR	–	100
STS MCR Holding S.A.S.[1]	Tournon-sur-Rhône/FR	–	100
STS Composites France S.A.S.[1]	Saint-Désirat/FR	100	100
MCR S.A.S.[1]	Tournon-sur-Rhône/FR	100	100
STS Composites Germany GmbH[1]	Kandel	100	100
Inoplast Trucks, S.A. de C.V.[1]	Ramos Arizpe/MX	100	100
STS Plastics Co. Ltd.[1]	Jiangyin/CN	100	100
STS Brazil Holding GmbH[1]	Munich	–	100
STS Brasil Fabricação de Autopeças Ltda.[1]	Betim/BR	–	100
STS Plastics (Shi Yan) Ltd.[1]	Shiyan/CN	100	100
STS Group North America Inc.[1]	USA	100	–

	Registered office	Share in equity in % 31/12/2020	Share in equity in % 31/12/2019
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/MX	100	100
Plati Group			
Plati Elettroforniture S.p.A.[1]	Madone/IT	100	80
Plati Logistics KFT i.L[1]	Budapest/HU	100	100
Plati Ukraine Limited[1]	Wynohradiw/UA	100	100
Plati Polska Sp. z o.o[1]	Kwidzyn/PL	95	95
Plati Maroc Sarl i.L.[1]	Mohammedia/MA	90	90
Plati Electronics UG[2]	Munich	100	–
KICO Group			
KICO GmbH (previously: Blitz 19–116 GmbH)[1]	Halver (previously: Munich)	100	100
Mesenhöller Verwaltungs-GmbH[1]	Halver	100	100
Kirchhoff GmbH & Co. KG[10]	Halver	–	100
Kirchhoff Immobilien GmbH & Co. KG[10]	Halver	–	100
KICO Kunststofftechnik GmbH[1]	Halver	100	100
KICO-Polska Sp. z o.o[1]	Swiebodzin/PL	100	100
KICO Sistemas Mexico S. de R.L. de C.V.[1]	Puebla/MX	100	100
Balcke-Dürr Group			
Balcke-Dürr GmbH[1]	Dusseldorf	100	100
STF Balcke-Dürr S.r.l.[6]	Rome/IT	20	20
Balcke-Dürr Technologies India Private Ltd.[2]	Chennai/IN	100	100
Wuxi Balcke-Dürr Technologies Co., Ltd.[1]	Wuxi/CN	100	100
Balcke-Dürr Polska Sp. z o.o[1]	Warsaw/PL	–	100
Balcke-Dürr Rothemühle GmbH[1]	Dusseldorf	100	100
Balcke-Dürr Engineering Private Ltd.[2]	Chennai/IN	100	100
Balcke-Dürr Nuklearservice GmbH[1]	Dusseldorf	100	100
Balcke-Dürr Torino Srl[1]	Turin/IT	100	100
STF Balcke-Duerr France[2]	St. Dizier/FR	100	100
La Meusienne S.A.S.[1]	Ancerville/FR	100	100
Loterios S.r.l.[1]	Gerenzano/IT	100	–

	Registered office	Share in equity in % 31/12/2020	Share in equity in % 31/12/2019
Donges Group			
Donges SteelTec GmbH[1]	Darmstadt	100	100
Kalzip GmbH[1]	Coblenz	100	100
Kalzip France S.A.S.[1]	Ancerville/FR	100	100
Kalzip FZE[1]	Dubai/AE	100	100
Kalzip Ltd.[1]	Haydock/UK	100	100
Kalzip India Private Ltd.[1]	Gurgaon/IN	100	100
Kalzip s.l.u.[1]	Madrid/ES	100	100
Kalzip Asia PTE Ltd.[1]	Singapore/SG	100	100
Kalzip Inc.[1]	Michigan/US	100	100
BFS GmbH[2]	Mannheim	100	100
Donges Buildings GmbH[1]	Darmstadt	–	100
FDT Flachdach Technologie GmbH (previously: FDT Flachdach Systeme FDT)[1]	Mannheim	100	–
FDT Flachdach Technologie GmbH & Co. KG[1]	Mannheim	–	100
FDT (cz) s.r.o. i.L[9]	Prague/CZ	–	100
3T France Toiture Terrasse Technologie Sarl[1]	Osny/FR	–	100
FDT Flachdach Technologie S.A./N.V.[1]	Nivelles/BE	100	100
Norsilk S.A.S.[1]	Boulleville/FR (previously: Honfleur/FR)	100	100
Nordec Group Oy (previously: Donges Teräs Oy)[1]	Vantaa/FI	100	100
Nordec Envelope Oy (previously: Normek Oy)[1]	Helsinki/FI (previously: Vantaa/FL)	100	100
Normek Sverige AB[1]	Saltsjö-Boo/SE	100	100
Kiinteistö Oy Normek Karvia i.L[9]	Helsinki/FI (previously: Vantaa/FL)	100	100
Kiinteistö Oy Alavuden Teollisuuspuisto[1]	Alavus/FI	100	100
Nippolas Oy i.L[1]	Vantaa/FI	–	100
Fuldenas Oy i.L[1]	Vantaa/FI	–	100
Normek Oü i.L[1]	Tallinn/EE	–	100
Nordec AS[1]	Oslo/NO	100	–
Nordec Oy[1]	Helsinki/FI	100	–
Nordec Sp. z o.o[1]	Oborniki/PL	100	–
Nordec s.r.o.[1]	Prague/CZ	100	–
UAB Nordec[1]	Gargzdai/LT	100	–

	Registered office	Share in equity in % 31/12/2020	Share in equity in % 31/12/2019
Gemini Rail Group			
Gemini Rail Holdings UK Ltd.[1]	Wolverton/UK (previously: Birmingham/UK)	100	100
Gemini Rail Technology UK Ltd.[1]	Wolverton/UK (previously: Birmingham/UK)	100	100
Gemini Rail Services UK Ltd.[1]	Wolverton/UK	100	100
keeeper Group			
keeeper GmbH[1]	Stemwede	100	100
keeeper Sp. z o.o[1]	Bydgoszcz/PL	100	100
keeeper S.A.[1]	Fleurus/BE	100	100
keeeper tableware GmbH[1]	Stemwede (previously: Munich)	100	100
Nexive Group			
Nexive Group S.r.l.[1]	Milan/IT	80	–
Nexive Network S.r.l.[1]	Milan/IT	100	–
Nexive Servizi S.r.l.[1]	Milan/IT	100	–
Nexive S.c.a.r.l.[1]	Milan/IT	100	–
SFC Group			
SFC Solutions Germany GmbH (previously: Donges Envelope GmbH)[1]	Mannheim (previously: Darmstadt)	100	100
SFC Solutions India Sealing Private Ltd. (previously: Cooper Standard Automotive India Private Ltd.)[1]	Delhi/IND	100	–
SFC Solutions India Fluid Private Ltd. (previously: Cooper Standard Private Ltd.)[1]	Chengalpattu/IND	100	–
SFC Solutions Poland Sp. z o.o (previously: Cooper Standard Polska Sp. z o.o)[1]	Czestochowa/PL	100	–
Coooper Standard Automotive Piotrkow Sp. z o.o[1]	Warsaw/PL	100	–
SFC Solutions Italy S.R.L.[1]	Cirié/IT	100	–
SFC Solutions Spain Borja SL[1]	Borja/ES	100	–
SFC Solutions France S.A.S.[1]	Rennes/FR	100	–
iinovis Group			
iinovis Beteiligungs GmbH (previously: Valmet Automotive Beteiligung GmbH)[1]	Munich	100	–
iinovis Verwaltungs GmbH (previously: Valmet Automotive Verwaltungs GmbH)[1]	Munich	100	–
iinovis Holding GmbH & Co. KG (previously: Valmet Automotive Holding GmbH & Co. KG)[1]	Munich	100	–
iinovis GmbH (previously: Valmet Automotive Engeneering GmbH)[1]	Munich	100	–
BAUR Karosserie- und Fahrzeugbau GmbH[1]	Bad Friedrichshall	100	–
iinovis Spain S.L. (previously: Valmet Automotive Spain S.L.)[1]	Antas/ES	100	–

	Registered office	Share in equity in % 31/12/2020	Share in equity in % 31/12/2019
Other			
PrimoTECS S.P.A.[1]	Avigliana/IT	100	–
Japy Tech S.A.S. (previously: GEA Farm Technologies Japy S.A.S.)[1]	Dijon/FR	100	–
Royal de Boer Stalinrichtingen B.V.[1]	Leeuwarden/NL	100	–
Lacroix + Kress GmbH (previously: Nexans Metallurgie Deutschland GmbH)[1]	Bramsche	100	–
Lackdraht Union Unterstützungseinrichtung GmbH[1]	Bramsche	100	–
terranor Oy (previously: Nordic Road Services Oy)[1]	Helsinki/FI	100	–
terranor AB (previously: Nordic Road Services AB)[1]	Solina/SE	100	–
SABO Maschinenfabrik GmbH[1]	Gummersbach	100	–
SAB 138 S.A.S.[2]	Paris/FR	100	–
Cenpa S.A.S.[1]	Schweighouse/FR	100	100
Eupec Pipecoatings France S.A.S.[1]	Gravelines/FR	100	100
KLANN Packaging GmbH[1]	Landshut	–	100
TréfilUnion S.A.S.[1]	Commercy/FR	100	100
BEXity GmbH[1]	Vienna/AU	100	100
European Central Logistics s.r.o.[1]	Hradec Kralove/CZ	–	100
Pixmania S.A.S. i.L.[4]	Asnières-sur-Seine/FR	100	100
Pixmania SRO i.L.[4]	Brno/CZ	100	100
E-Merchant S.A.S i.L.[4]	Asnières-sur-Seine/FR	100	100
Zanders-Abwicklungs GmbH[8]	Bergisch Gladbach	95	95
BGE Eisenbahn Güterverkehr GmbH i.L.[8]	Bergisch Gladbach	100	100
Artmadis S.A.S. i.L.[7]	Wasquehal/FR	100	100
Cofistock S.à.r.l.[7]	Wasquehal/FR	100	100
Cogemag S.A.S. i.L.[7]	Croix/FR	100	100
Platinum GmbH i.I.[3]	Wangen im Allgäu	100	100

[1] Included in full consolidation as the requirements of IFRS 10.7 are met.
[2] In accordance with the principle of materiality, no inclusion was made (cf. IAS 1.29 et seq.), as the subsidiary is of minor importance for the obligation to provide a true and fair view of the Group's net assets, financial position and results of operations. Together, the subsidiaries that are not included are also of minor importance. Inclusion would only result on an insignificant improvement in information.
[3] The Company filed for insolvency proceedings in 2014. With reference to IFRS 10.7, it is not included in the consolidated financial statements.
[4] The Company filed for insolvency proceedings in 2015 and is in liquidation, as are its subsidiaries. It is not included in the consolidated financial statements with reference to IFRS 10.7.
[5] In accordance with the principle of materiality,the investment is treated as an associated company as it is not material for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.
[6] Originally, Mutares Holding 24-AG and Balcke-Dürr GmbH were the legal owners of all shares in the company. By agreement dated 26 October 2017, both companies as trustors entered into a trust agreement with Schultze & Braun Vermögensveraltung- und Treuhandgesellschaft mbH as trustee. In the trust agreement, the trustors undertook to transfer their shares in the company to the trustee. The trustee in turn undertook to hold these shares in trust for the trustors until further notice. The trust serves as collateral for surety insurance policies concluded by Balcke-Dürr GmbH with two insurance companies. The above-mentioned obligations of the trustors were fulfilled with the share sale agreement dated 26 October 2017 and the shares in the Company were thus legally transferred to the trustee. As a result, the trustee became the sole legal owner of the shares in the Company. The beneficial ownership, on the other hand, remained with the trustors as the original shareholders. As the company continues to be controlled by Mutares, it continues to be included in the scope of consolidation.
[7] Artmadis S.A.S. filed for bankruptcy in 2018 due to persistent financial difficulties and, like its subsidiaries Cofistock and Cogemag, is in liquidation. Artmadis Belgium and Artmadis Hong Kong were sold in the financial year 2018. Consequently, all five companies were deconsolidated in 2018.
[8] In June 2018, in view of the threat of insolvancy, the management filed an application for the opening of insolvancy proceedings and planned to continue the restructuring precess in the context of a self-administration procedure. The company and its subsidiary were deconsolidated as of 30 June 2018 due to the resulting loss of control. The court finally opend insolvancy proceedings in regular proceedings over the company's assetswith a decision dated 1 September 2018.
[9] The Company is currently in liquidation. It is not included in the consolidated financial statements with reference to IFRS 10.7.
[10] As of 31 December 2020, Kirchhoff GmbH & Co. KG and Kirchhoff Immobilien GmbH & Co. KG were merged into KICO GmbH.

INDEPENDENT AUDITOR'S REPORT

To Mutares SE & Co. KGaA, Munich

Audit Opinions

We have audited the consolidated financial statements of Mutares SE & Co. KGaA, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the Group management report of Mutares SE & Co. KGaA, Munich, for the financial year from 1 January to 31 December 2020, which is combined with the management report of the parent company.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e (1) HGB and give a true and fair view of the financial position of the Group as of 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in accordance with these requirements and
- the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the propriety of the consolidated financial statements and the combined management report.

Basis for the audit judgments

We conducted our audit of the consolidated financial statements and the combined management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and standards is further described in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Combined Management Report" of our auditor's report. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

Other information

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises the Annual Report, the Report of the Supervisory Board, but not the audited consolidated financial statements, not the content of the audited combined management report, and not our associated auditor's report.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information, and accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and, in doing so, evaluate whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, management is responsible for the preparation of the combined management report that as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of the combined management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Combined Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, complies with German legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- identify and assess the risks of material misstatement of the consolidated financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher in the case of noncompliance than in the case of inaccuracy, as noncompliance may involve fraud, forgery, intentional omissions, misleading representations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner 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 § 315e Abs. 1 HGB.
- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the combined management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- we assess the consistency of the combined management report with the consolidated financial statements, its legality and the overall presentation of the Group's position in the consolidated financial statements.
- we perform audit procedures on the forward-looking statements made by management in the combined management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by management and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

Munich, 31 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Dirk Bäßler)	(Felix Mantke)
German Public Auditor	German Public Auditor

FINANCIAL CALENDER 2021

Date	Event
8 April 2021	Publication of Annual Report 2020 & conference call
11 May 2021	Press release on Q1 2021 & conference call
20 May 2021	Annual General Meeting
June 2021	Investor Weeks DACH
4 August 2021	Publication of half-year report 2021 & conference call
25 to 26 August 2021	Hamburg Investor Days
September 2021	Investor Weeks Europe
8 to 9 September 2021	IPEM 2021 Paris
October 2021	3rd Mutares Capital Markets Day, Frankfurt/Main
9 November 2021	Press release on Q3 2021 & conference call
22 to 24 November 2021	German Equity Forum
December 2021	Investor Weeks UK/USA

IMPRINT & CONTACT

Publisher

Mutares SE & Co. KGaA
Arnulfstr. 19
80335 Munich
Germany

Phone +49 89 9292 7760
Fax +49 89 9292 77622
Email info@mutares.com
→ www.mutares.com

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

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

Concept and Text

Kirchhoff Consult AG, Hamburg, Germany
CROSS ALLIANCE communication GmbH, Munich, Germany

Disclaimer

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

MUTARES

Mutares SE & Co. KGaA
Arnulfstr. 19
80335 Munich
Germany
www.mutares.com