Interim Report 2019

MUTARES

MUTARES AT A GLANCE

		H1 2019	H1 2018
Revenues	EUR million	443.2	467.0
EBITDA	EUR million	67.1	21.6
Adjusted EBITDA	EUR million	0	9.3
Net income	EUR million	36.6	–1.5
Return on equity	in %	16%	–1%
Total assets[1]	EUR million	843.5	630.8
thereof cash	EUR million	80.9	108.1
thereof equity	EUR million	229.3	208.1
thereof non-current financial liabilities	EUR million	201.9	23.8
Earnings per share[2]	in EUR	2.45	–0.05
Shares[3]	Number	15,234,417	15,234,417
Countries	Number	20	11
Portfolio companies	Number	12	9
Employees worldwide	Number	>6,000	<4,000
Transactions closed[4]	Number	5	1

[1] Key balance sheet figures refer to 31 December 2018
[2] Basic and diluted
[3] Circulating as of 30 June 2019 and 31 December 2018 respectively; total number of shares: 15,496,292, of which treasury shares 261,875
[4] Further two transactions signed after report date

COMPANY PROFILE

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

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

OUR IDENTITY

Since our foundation in 2008, we are an active and **entrepreneurial investor**. Through our investments, we develop sustainable and long-term value by implementing operational improvements and strategically compatible acquisitions. We see our role clearly defined as a supportive and ambitious strategic **partner**. We apply an analytical and implementation-oriented approach – something that we also expect from our portfolio companies. We see ourselves as **value creators** and will continue to successfully support companies in realizing their full potential.

CONTENT

FURTHER INFORMATION

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

MUTARES GROUP
As of 30 June 2019, the Mutares Group comprised 13 operating companies.

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

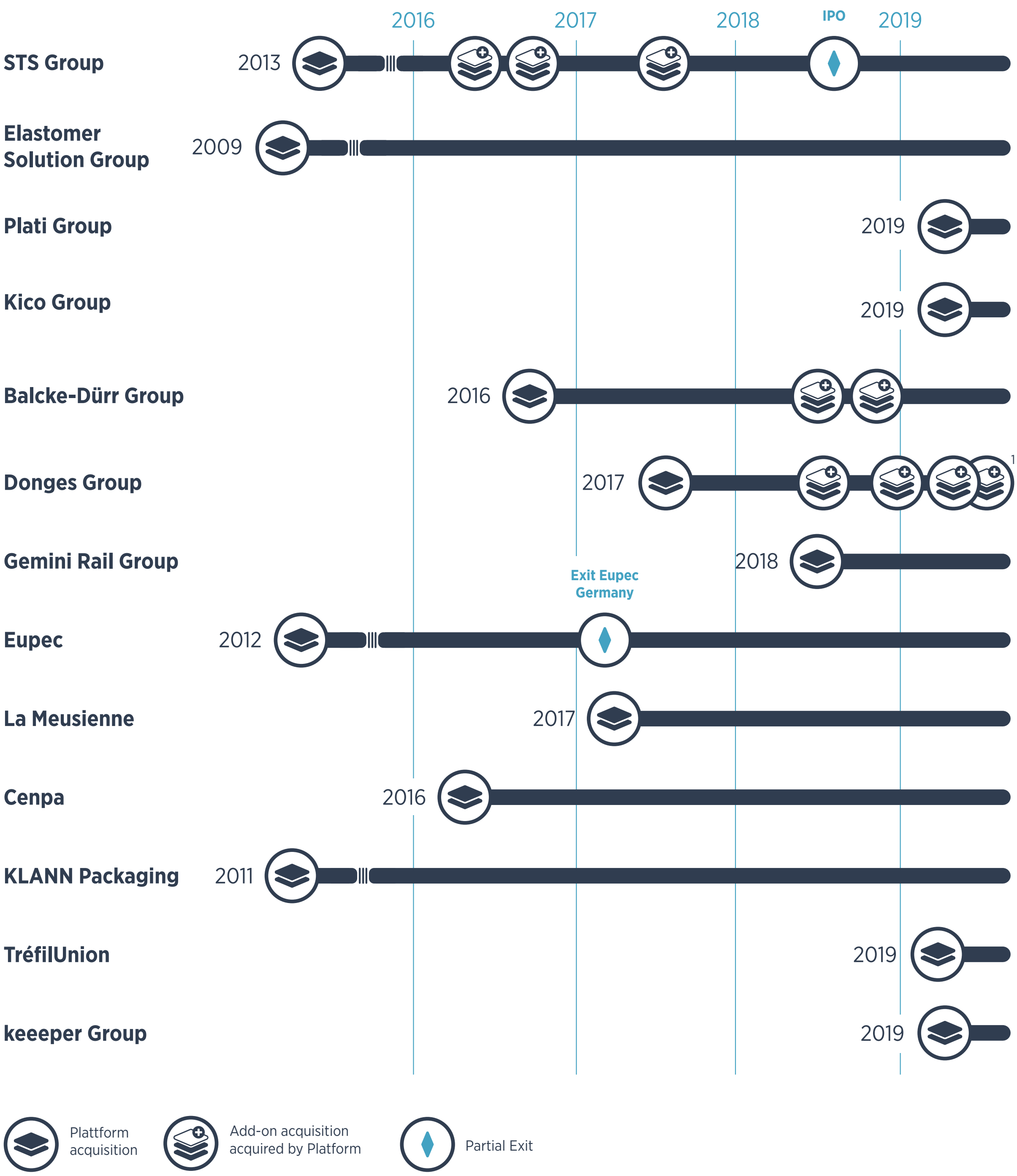
→ www.mutares.com

ACTIVE DEVELOPMENT OF OUR PORTFOLIO

Portfolio company	Industry	Headquarters	Country
AUTOMOTIVE & MOBILITY			
STS Group	System supplier of components for vehicles	Hallbergmoos	DE
Elastomer Solutions Group	Automotive supplier of rubber mouldings	Wiesbaum	DE
Plati Group	Provider of cables and harnesses	Bergamo	IT
Kico Group[1]	Supplier for high-quality automotive technology	Halver	DE
ENGINEERING & TECHNOLOGY			
Balcke-Dürr Group	Manufacturer of power plant components	Duesseldorf	DE
Donges Group	Full-service provider for bridge and steel construction as well as roof and facade systems	Darmstadt	DE
Gemini Rail Group	Provider for engineering & maintenance services for rail vehicles	Wolverton	GB
Eupec	Manufacturer of coatings for oil and gas pipelines	Gravelines	FR
GOODS & SERVICES			
La Meusienne	Manufacturer of stainless-steel tubes	Ancerville	FR
Cenpa	Producer of coreboard	Schweig-house-sur-Moder	FR
KLANN Packaging	Manufacturer of packaging solutions	Landshut	DE
TréfilUnion	Iron wire and prestressing steel manufacturer	Commercy	FR
keeeper Group	Manufacturer of plastic household products	Stemwede	DE

[1] Signed; closing 16 July 2019

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



[1] Transaction signed in July 2019

OUR EXECUTIVE BOARD

ROBIN LAIK

CEO

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

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

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

DR. KRISTIAN SCHLEEDE

CRO

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

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

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

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.

JOHANNES LAUMANN

CIO

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

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

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

MESSAGE FROM THE EXECUTIVE BOARD

Dear Shareholders,

we have set our sights firmly on our goal of continuing to grow exponentially – in the first half of 2019 we did everything we could to achieve this goal. We look back on six months rich in transactions and laying the structural foundations for the future Mutares Group:

Transactions

The start into 2019 has been extremely successful for us: Signing seven, and thereof completing five transactions, we were able to convince the respective seller of Mutares, our teams and our expertise – thus adding an attractive boost to our portfolio with two add-ons and three platform investments. We have already met our goal of achieving further growth and achieving consolidated Group sales of well over EUR 1 billion in 2019, and we want to continue to do so in the further course of the year. This success confirms the strategy of deploying local M&A teams in Munich, Paris, Milan and London, who are constantly identifying and evaluating attractive buy and exit opportunities in close collaboration with the Mutares board and our portfolio companies.

Annual General meeting

In addition, on the basis of the resolutions adopted by the Annual General Meeting on 23 May 2019 regarding a change of legal form to an SE & Co. KGaA, we have also designed the legal framework for further future growth. With the registration of the new legal form on 24 July 2019, the departure of Dr. Wolf Cornelius from the Management Board of Mutares AG and the appointment of Johannes Laumann as Chief Investment Officer (CIO) to the Management Board of Mutares Management SE, we implemented the corresponding resolutions. We are pleased that you, our shareholders, approved these measures at the Annual General Meeting and thank you for your support. We would like to thank Dr. Wolf Cornelius for his achievements as a member of the Management Board of Mutares AG and are pleased that he will continue to support Mutares with his experience in the newly created role as Senior Advisor to the Board.

Strategy

In 2019, we will continue to pursue a value-oriented buy-and-build strategy for selected portfolio companies. We intend to continue to develop platform investments in the portfolio with strategic acquisitions in order to realize their full value potential. These acquisitions, which we call add-ons, have already enabled portfolio companies such as Balcke-Duerr Group, Donges Group and STS Group to successfully acquire new customer groups, new markets and complementary technologies and thus significantly expand their market positions.

Performance in the first half of 2019

Our portfolio companies generated consolidated revenues of EUR 443.2 million in the first six months of the financial year (first half of 2018: EUR 467.0 million). This development is largely due to changes in the scope of consolidation. The reported Group EBITDA of EUR 67.1 million tripled (first half of 2018: EUR 21.6 million) and reflects our brisk transaction activity: In the five completed transactions, we were able to generate profits from bargain purchase totalling EUR 70.8 million. At the same time, the first restructuring expenses were incurred. Adjusted EBITDA is also strongly influenced by our acquisitions of the past twelve months: these are included in an overall balanced Group Adjusted EBITDA of the first half of the year with operating losses of EUR 6.0 million.

Stock

In 2019, following the resolution passed by the Annual General Meeting on 23 May 2019, we once again let our shareholders participate in the company's success with a dividend of EUR 1.00 and thus an attractive dividend yield of around 11.1% (based on the closing price at the end of 2018). A positive operative development as well as two successful exits contributed to the consolidated annual result of EUR 12.0 million for the financial year 2018 and the net income of Mutares AG of EUR 20.1 million. Also in the future, we want to create a shareholder-friendly dividend policy and allow our shareholders to participate in our company's performance with an attractive level of dividends.

Outlook

For the financial year 2019, we expect consolidated sales of well over EUR 1 billion and earnings above the level of 2018, as a result of our acquisitions. We confirm our announced target of at least three further transactions in 2019. With seven transactions to date in fiscal 2019 and a shareholder-friendly dividend policy, 2019 got off to a fantastic start. In light of a promising transaction pipeline, we are equally optimistic about the second half of the year.

We would like to thank our shareholders for their trust and open dialogue, as well as our employees in the Group and the portfolio companies for their extraordinary commitment.

Sincerely,

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

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

From left:
Mark Friedrich
Dr. Kristian Schleede
Robin Laik
Johannes Laumann

FIRST HALF-YEAR 2019 AT A GLANCE

JANUARY

Mutares, for the first time, takes part in the 18th German Corporate Conference in Frankfurt organized by UniCredit and Kepler Cheuvreux, one of the Top Equity Capital Markets conferences in the German-speaking area, which was attended by around 550 institutional investors.

FEBRUARY

Mutares participated for the first time in the 13th edition of the established Oddo BHF German Conference in Frankfurt and presented itself to a broad circle of investors.

First transaction in 2019: with the acquisition of Normek, Donges Group expands to the Nordics. The company, which is active in Finland and Sweden, is an established supplier of steel and facade solutions with four plants, around 250 employees and annual revenues of around EUR 65 million.

MARCH

Second transaction in 2019: With the acquisition of FDT Flachdach Technologie GmbH & Co. KG from Mannheim as part of a succession solution, Donges Group expands its product portfolio to include flat roof solutions made of polymer membranes. This increases the Group's targeted total annual revenues by around EUR 54 million.

APRIL

Mutares publishes annual report for the financial year 2018, and thus the pleasing results for the Group and the AG: An Adjusted EBITDA for the Group of around EUR 4.5 million and a net profit of EUR 20.1 million for Mutares AG were generated. At the same time, the Executive Board and the Supervisory Board announce that they will propose to the Annual General Meeting the transformation of legal form into an SE & KGaA as well as a dividend of EUR 1.00 per share.

Third transaction in 2019: Mutares makes a binding offer to acquire ArcelorMittal TréfilUnion SAS, a producer of steel wires and ropes. The company with two plants in France and revenues of EUR 42 million will strengthen the Goods & Services segment.

MAY

The Annual General Meeting approves the actions of the Executive Board and Supervisory Board by more than 95% and resolves to pay a dividend of EUR 1.00 per share once again and approves the proposed change of legal form to an SE & Co. KGaA.

JUNE

Fourth transaction in 2019: Plati Elettroforniture, an Italian group of companies with revenues of EUR 38 million in 2018, complements the Automotive & Mobility segment. The company, with headquarters in Bergamo and plants in Poland and Ukraine, manufactures cables and wiring harnesses.

Fifth transaction in 2019: With the acquisition of keeeper Group, Mutares' investment portfolio continues to grow. The company with two plants in Germany and Poland is one of the largest suppliers of plastic household products in Europe with annual revenues of EUR 65 million.

TréfilUnion: Collection of the raw material for further processing

4 REASONS TO INVEST IN THE MUTARES SHARE

Private equity investing in European SMEs with growth potential

The Mutares share offers the opportunity to participate directly and with a flexible term in a value-oriented investment approach in the otherwise illiquid, non-public private equity business. As an investment company listed in the Scale segment of the Frankfurt Stock Exchange, Mutares is a representative of the so-called “Listed Private Equity” and thus enables its shareholders to participate indirectly in the development and growth of private, medium-sized companies. In contrast to conventional private equity investments, such an equity investment has the advantage that the acquired shares are liquid and can be traded on the capital market at any time. In 2018 the Mutares share ranked among the top 2 most liquid stocks in its stock market segment, the scale segment of the Frankfurt Stock Exchange.

Attractive dividend policy

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

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

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

Transparency and active investor relations

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

MUTARES ON THE CAPITAL MARKET

Friendly stock market development in the first half of 2019

In the first half of 2019, the development of the global stock markets was marked by uncertainties resulting from geopolitical tensions and increasing protectionist currents, in particular the trade conflict between the People's Republic of China and the USA. At the same time, the unexpected turnaround in the monetary policy of leading central banks became the driver of a generally friendly environment on the international stock markets. In the first half of 2019, US equities led with an average gain of 17.6%, followed by European equities with a gain of 13.6% and Chinese equities with a gain of 11.3%[1].

Mutares share clearly outperformed the market

Mutares shares closed the first six months of 2019 at EUR 10.62, up 17.5% on the closing price of the previous year (EUR 9.04). Mutares shares thus outperformed both the DAX 30 price index (+13.6%) and the Scale 30 growth index (+14.3%), which includes Mutares shares. Including the dividend of EUR 1.00 per share paid in May, the pre-tax return for Mutares shareholders was +28.5% (DAX 30: +17.2%, Scale 30: +15.6%).

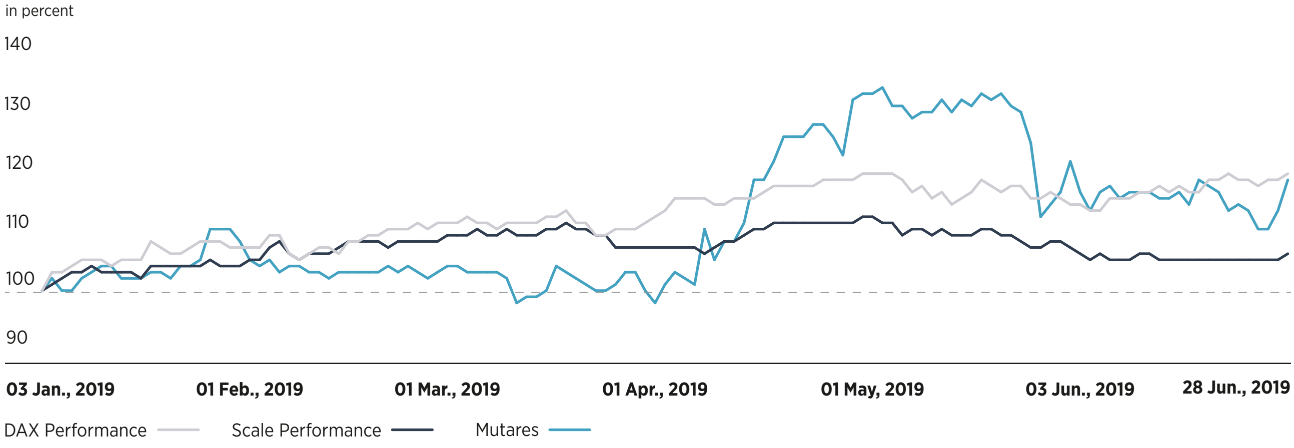
With an opening price of EUR 9.17, the shares of Mutares started into the stock market year 2019 and reached their half-year low of EUR 8.80 on 12 March 2019. Following the presentation of the 2018 Annual Report at the end of April, they reached their half-year high of EUR 12.26 on 2 May 2019. Capital market participants thus rewarded the successful business development in the past 2018 financial year as well as the sustainably oriented and attractive dividend policy. At the end of the first six months, after five successfully completed acquisitions, Mutares shares closed at EUR 10.62.

Mutares share in top 4 of the most liquid shares in the scale segment

Mutares shares are part of the "Scale 30" selection index of Deutsche Börse, which tracks the price performance of the 30 most liquid shares in the scale segment. Based on the average daily XETRA trading volume of the segment, the Mutares share was one of the four most liquid shares in the Scale segment[2] in the first half of 2019 with an average of 31,842 shares traded per day (first half of 2018: 90,132, due to the IPO of the subsidiary STS Group AG).

[1] Based on the respective MSCI indices in EUR at the beginning of the year and at the end of the reporting period
[2] After XETRA order book turnover in EUR. Source: https://www.deutsche-boerse-cash-market.com/dbcm-de/instrumente-statistiken/statistiken/kassamarktstatistiken/monatliche-umsatzstatistiken, accessed 11 July 2019

Stock performance including benchmark indices



As Designated Sponsors, mwb fairtrade Wertpapierhandelsbank AG and Oddo Seydler Bank AG ensure that the Mutares share price is quoted at a binding level and that liquidity is adequate.

Key figures of the Mutares share

		2016	2017	2018	H1 2019
Number of shares	million units	15.5	15.5	15.5	**15.5**
Thereof treasury shares	million units	–	–	0.3	**0.3**
Market capitalisation[3]	EUR million	176.8	247.9	140.1	**164.6**
Closing price	EUR	11.41	16.00	9.04	**10.62**
All-time high	EUR	18.73	16.15	21.00	**12.26**
All-time low	EUR	10.70	11.50	8.58	**8.80**
Trading volume (daily average)	slice	6,080	17,867	61,710[4]	**31,842**
Dividend per share	EUR	0.35	1.00	1.00	**n/a**
Dividend yield[3]		3.1%	6.3%	11.1%	**n/a**
Payout	EUR million	5.4	15.2	15.2	**n/a**

All courses correspond to XETRA courses

Sustainable and attractive dividend policy

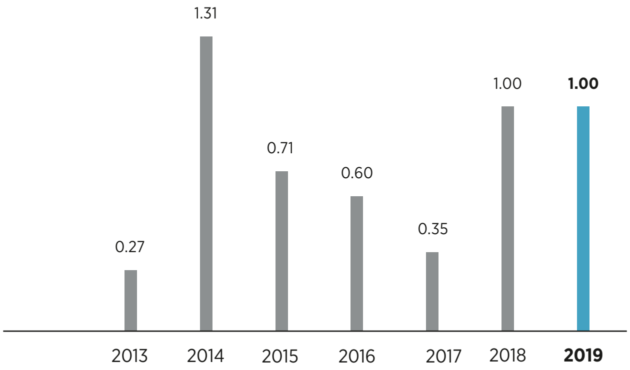
Mutares continues to pursue an attractive dividend policy geared to continuity and sustainability with the aim of enabling shareholders to participate appropriately in the company's success.

Due to the successful business development in 2018, Mutares was again able to distribute a dividend of EUR 1.00 per share to its shareholders following a resolution by the Annual General Meeting on 23 May 2019. Based on the year-end closing price of 2018, the Mutares share thus offered an extraordinarily high dividend yield of around 11.1%. The Management Board confirms that Mutares will continue to maintain its ability to pay dividends on a sustained basis and aims to maintain an attractive dividend level.

[3] Based on the closing price at the end of the respective fiscal year
[4] Extraordinarily higher average trading volume in the first half of 2018 due to the initial public offering of Mutares' subsidiary STS Group AG

Development of dividend per share

in EUR



	2013	2014	2015	2016	2017	2018	2019
Total dividends paid out in EUR million	4.1	20.3	11.0	9.3	5.4	15.2	**15.2**

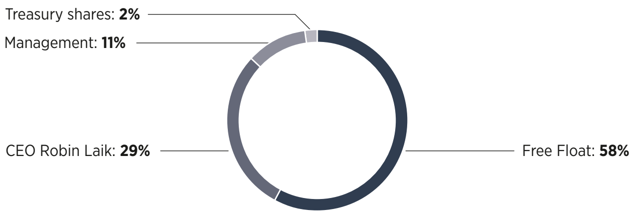
Management buybacks and share buyback program

In the period under review, members of the Management Board and the Supervisory Board acquired further shares amounting to around EUR 1.3 million in the context of so-called Directors' Dealings. They thus confirmed their confidence in the successful further development of Mutares and its investments.

Broad shareholder structure

The number of Mutares shareholders continued to increase slightly in the first half of 2019. At the end of the reporting period, around 6,300 shareholders were registered in the share register introduced in 2018.

Breakdown of ownership by investor



At approx. 79%, the largest proportion of outstanding shares is held by German investors, followed by approx. 6% by investors from the USA, Great Britain and Ireland, approx. 6% by investors from the Benelux countries[5] and approx. 6% by investors from the Alpine region[6]. The shareholder structure thus does not yet reflect the internationality of the Mutares portfolio.

The main shareholder with approx. 29% is Robin Laik, CEO and co-founder of Mutares, followed by members of the Management Board and Supervisory Board with a total shareholding of approx. 11%. Approx. 58% of the shares are in free float, as defined by Deutsche Börse. 2% of the share capital is held by Mutares itself.

Master data of the Mutares share

Icon	MUX
WKN	A2NB65
ISIN	DE000A2NB650
Index membership	Scale 30
Transparency level	Scale
Market segment	Over-the-counter market
Stock exchanges	Xetra, Frankfurt, Berlin, Dusseldorf, Munich, Stuttgart, Tradegate
Sector	Participations
Number of shares	15,496,292 (of which 261,875 treasury shares)
Class of shares	Registered shares
Designated sponsor	mwb fairtrade Wertpapierhandelsbank AG and Oddo Seydler Bank AG

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

Investor Relations activities in the first half of 2019

Mutares maintains a regular, constructive and transparent dialogue with all interest groups such as institutional investors, private investors, financial analysts and media representatives. In the first half of 2019, the company further expanded its activities in financial market communication and informed existing and potential investors in individual and group discussions at numerous conferences and roadshows in the financial centres of Frankfurt, Paris, Madrid, Amsterdam, Warsaw and Geneva. This year, Mutares participated for the first time in the 18th German Corporate Conference of UniCredit and KeplerCheuvreux in Frankfurt am Main, which was attended by about 550 institutional investors, as well as in the 13th Oddo BHF German Conference and thus presented strategy and business development to a broad circle of investors.

In the first half of 2019 Mutares continued to inform capital market participants beyond the minimum standards of the over-the-counter segment "Scale" of the Frankfurt Stock Exchange. On the basis of IFRS accounting standards, the company reported quarterly in German and English and conducted accompanying telephone conferences and webcasts for investors and analysts with members of the Mutares Management Board.

Investor relations in the first half of 2019

January 2019	Unicredit/Kepler Cheuvreux German Corporate Conference, Frankfurt am Main
February 2019	ODDO BHF German Conference, Frankfurt am Main
April 2019	Annual Report 2018 and Conference Call
	European Smallcap Event, Paris
March 2019	Munich Capital Market Conference, Munich
	Roadshow Madrid
	Spring Conference, Frankfurt am Main
	Press Release 1st Quarter and Conference Call
	Annual General Meeting
June 2019	Prior Conference, Frankfurt am Main
	Dr. Kalliwoda Conference, Warsaw
	European Midcap Event, Paris

General meeting

In the half-year under review, the Annual General Meeting on 23 May 2019 followed the proposal of the Management Board and resolved to pay a dividend of EUR 1.00 per share with a total distribution volume of EUR 15.2 million (previous year: EUR 15.2 million).

The management's proposal to convert Mutares AG into an SE & Co. KGaA was approved. The transformation of legal form became effective upon entry in the commercial register and after the reporting date on 24 July 2019. The company's share capital remained unchanged, as did the number of shares issued.

Recommendations from financial analysts

Four analysts evaluate the Mutares share and regularly publish studies and updates on Mutares, including three institutional financial analysts and a specialist in second-line stocks. In their latest studies, analysts recommend buying the Mutares share with price targets of up to EUR 16.90. This corresponds to a potential of up to 60% at the closing price on 28 June 2019.

Kepler Cheuvreux	12 June 2019	hold	EUR 11.40
Baader Helvea	16 July 2019	buy	EUR 12.00
SMC research	22 July 2019	buy	EUR 16.90
Hauck & Aufhäuser	22 July 2019	buy	EUR 14.50

SMC Research's German-language studies can be downloaded from the Investor Relations section of the company's website at www.mutares.com.

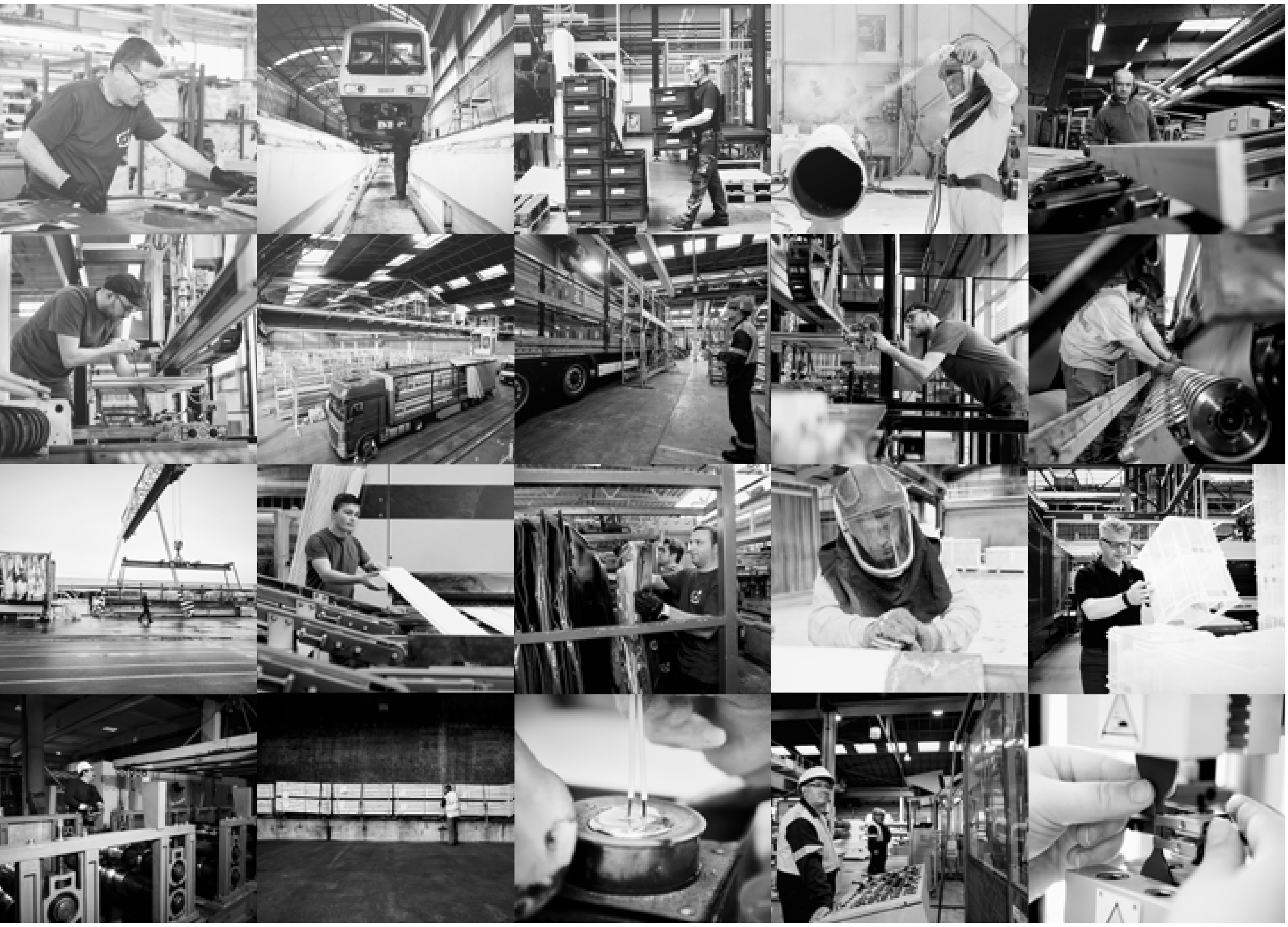
Financial calendar 2019

2 September 2019	Equity Forum Fall Conference, Frankfurt am Main
11 September 2019	Zurich Capital Market Conference, Zurich
20 September 2019	Midcap Event, Amsterdam
23–26 September	Baader Investment Conference, Munich
22 October 2019	Mutares Capital Market Day, Frankfurt am Main
7 November 2019	Press Release 3rd Quarter and Conference Call
25–27 November	German Equity Forum, Frankfurt am Main

Our portfolio companies

Automotive & Mobility

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



Engineering & Technology

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

Goods & Services

Our portfolio companies in the Goods & Services segment stand out thanks to their clearly defined positioning in their home markets. Their position and competetive edge result from specialized products and services with which our portfolio companies supply their customers in the paper industry, and in the oil, gas, chemical and in the packaging and plastics industry.

AUTOMOTIVE & MOBILITY

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

Company profile STS Group

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

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

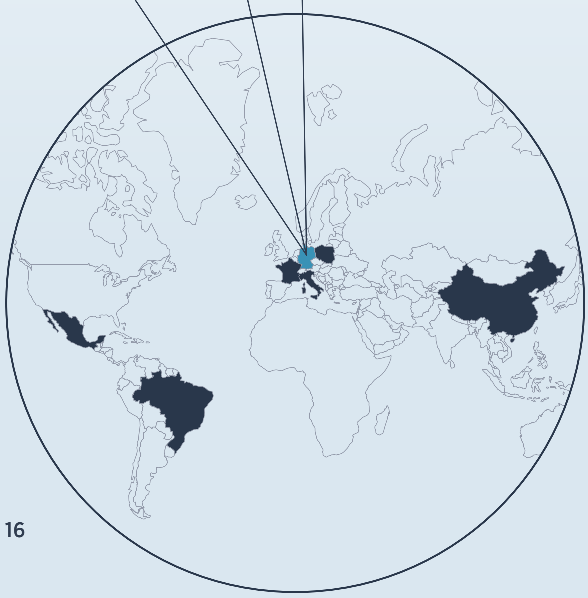
On 1 June 2018, STS Group AG celebrated its successful IPO on the Prime Standard of the Frankfurt Stock Exchange (ISIN: DE000A1TNU68). Following the transaction, Mutares retained a strategic majority holding in the STS Group with more than 60% of the shares.

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

2,500
Employees

In the portfolio since
2013

EUR million
401
revenue 2018



HEADQUARTERS
HALLBERGMOOS, GERMANY

Strategy

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

INDUSTRIES

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

PRODUCT SELECTION

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

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

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

Elastomer Solutions

AUTOMOTIVE & MOBILITY

Automotive supplier of molded rubber parts

HEADQUARTERS
WIESBAUM, GERMANY

Company profile Elastomer Solutions Group

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

→ www.elastomer-solutions.com

Strategy

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

INDUSTRIES

- Vehicle components

PRODUCT SELECTION

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

LATEST INNOVATION

- Fully-automated production of 2k thermoplastic grommets

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

AUTOMOTIVE & MOBILITY

Manufacturer of cable harnesses and wiring systems

Company profile Plati

Plati is an established, international supplier of cable harnesses, special cables and connectors with headquarters in Italy and two production sites in Poland and the Ukraine. The company serves a broad international customer base that includes manufacturers of household and consumer electronics, as well as customers in the automotive, healthcare and telecommunications industries. Plati manufactures customer specific and high quality products. The company is at the centre of the optimisation programme launched after the takeover by Mutares with the simplification of its logistics processes, the reduction of loss-making products and a strong improvement in work organisation and productivity.
→ www.plati.it

Strategy

With the most important international and industry-specific certifications, the Plati Group is developing its business along six main sectors: Automotive, Consumer Goods, Industry, Equipment, Healthcare and Telecommunications. The focus lies on the promising markets for vehicle wiring harnesses and healthcare. Driven by technological change in the automotive industry and the strategic partner Deren Group, Plati sees itself excellently positioned for the future.

EUR million
38
revenue 2018

PRODUCT SELECTION

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

In the portfolio since
2019

850
Employees

HEADQUARTERS
BERGAMO, ITALY

Manufacturing harness and various cables

AUTOMOTIVE & MOBILITY

Supplier for high-quality automotive technology

In the portfolio since
2019

EUR million
100
revenue 2018

830
Employees

HEADQUARTERS
HALVER, GERMANY

Company profile Kico

Kico is a German company rich in tradition that is an established supplier to the international automotive industry. In addition to its headquarters in Halver, Germany, Kico has two other locations in Poland and Mexico. For decades, the company has been developing, industrializing and manufacturing market-driven safety components for passenger cars. Current products – passive hinges, active pedestrian protection hinges, locking systems, mechatronic systems such as electric rear hood drives, soft top locks and drives for aerodynamic systems – meet the high requirements of the European automotive industry.

High flexibility and well-founded know-how provide customers with tailor-made solutions that are developed and produced using modern tools and production facilities. Competent employees ensure the highest product and delivery quality.
→ www.kico.de

Strategy

Kico's strategy is to be the preferred partner for customers in the automotive industry through a high degree of connectedness. The aim is to broaden the customer base in the areas of locking systems and hinges. The strategic goal for the new aerodynamic systems division is to expand its market position. As a new company in the Mutares Group, Kico focuses on pushing operational excellence as the basis for profitable growth.

PRODUCT SELECTION

- Closure systems
- Cinges
- Casteners
- Mechatronic Systems

INNOVATION

- Drives for aerodynamic systems – in particular for sports cars and high-performance electric cars

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

Gemini
RAIL GROUP

ENGINEERING & TECHNOLOGY

Engineering, maintenance and modernization servies for rail vehicles

Company profile Gemini Rail Group

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

Strategy

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

EUR million
77
2018 revenue

INDUSTRIES

Industrial services for railway vehicles and components

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

In the portfolio since
2018

410
Employees

HEADQUARTERS
WOLVERTON, UNITED KINGDOM

BALCKE DÜRR

ENGINEERING & TECHNOLOGY

Service provider and component manufacturer for power plants

480
Employees

EUR million
116
revenue 2018

In the portfolio since
2016

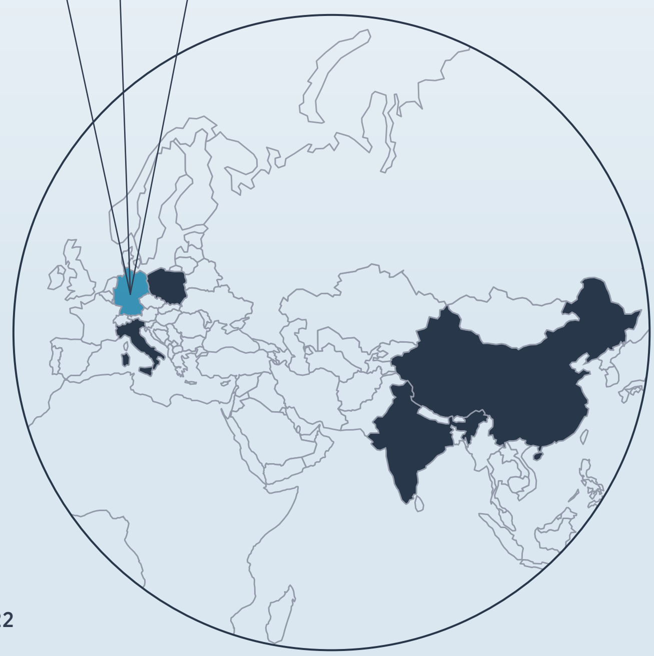
Company profile Balcke-Duerr Group

The Balcke-Duerr Group has been wholly owned by the Mutares Group since December 2016. With over 130 years of experience, the Balcke-Duerr Group offers cutting edge solutions for electricity generators and power plant constructors with products and services ranging from standard modules to complete thermal systems. Balcke-Duerr's experienced engineers specialise in solutions that meet the highest safety and sustainability requirements. The Balcke-Duerr Group portfolio comprises the production of heat exchangers and apparatus for applications in chemical processes and power plants, the production of filter systems for flue gas cleaning as well as the provision of services. At its production sites in Neubeckum (Germany), Magenta/Milan, Perugia (Italy) and Wuxi (China), Balcke-Duerr produces components for boosting the energy efficiency and reducing emissions for the energy industry. At seven key service, engineering and sales centres in Germany, Italy, Poland, India and France, the Balcke-Duerr Group currently employs more than 400 people worldwide.
→ www.balcke-duerr.com

Strategy

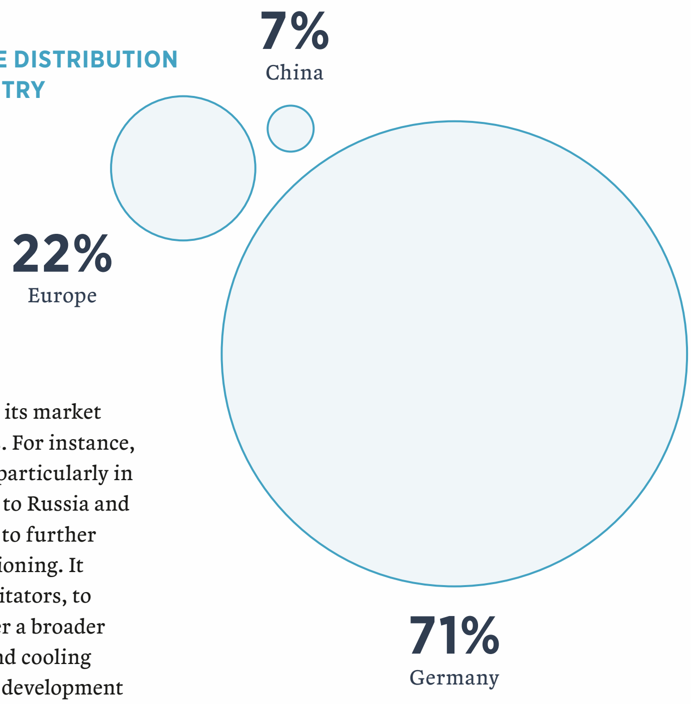
Following a repositioning successfully completed in the previous year, the Balcke-Duerr Group is now following a growth and buy-and-build strategy that has already resulted in two successfully completed acquisitions in 2018.

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



HEADQUARTERS
DUESSELDORF, GERMANY

REVENUE DISTRIBUTION BY COUNTRY



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

INDUSTRY

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

PRODUCT SELECTION

- Turbine condensers
- Air preheaters

SERVICES

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

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

Welding work on a feedwater preheater for a nuclear power plant

DONGES GROUP

ENGINEERING & TECHNOLOGY

Complete supplier for steel structures, roof and facade systems and wood panelling

Company Profile Donges Group

The Donges Group is a leading full-range supplier of bridges, steel structures, roof and facade systems in Europe. Since November 2017, 100% of Donges' platform investment has belonged to the Mutares Group. Following the integration of four add-ons, the Donges Group expects cumulative annual revenues of around EUR 280 million. The company offers its products on the market under the brands Donges SteelTec, Kalzip, Normek FDT and Norsilk.

The product portfolio includes steel bridges for road, rail and pavement construction, building construction, industrial steel construction, steel frame constructions, aluminium roof and facade solutions, glass facade solutions, flat roof, roof systems and a complete range of wood products for gardens and building claddings. The Donges Group is internationally active with twelve locations in Germany, France, Spain, Italy, England, Finland, Sweden, Singapore, India and Dubai.
→ www.donges-group.com

500
Employees

In the
portfolio since
2017

EUR million
400
revenue[1]

Strategy

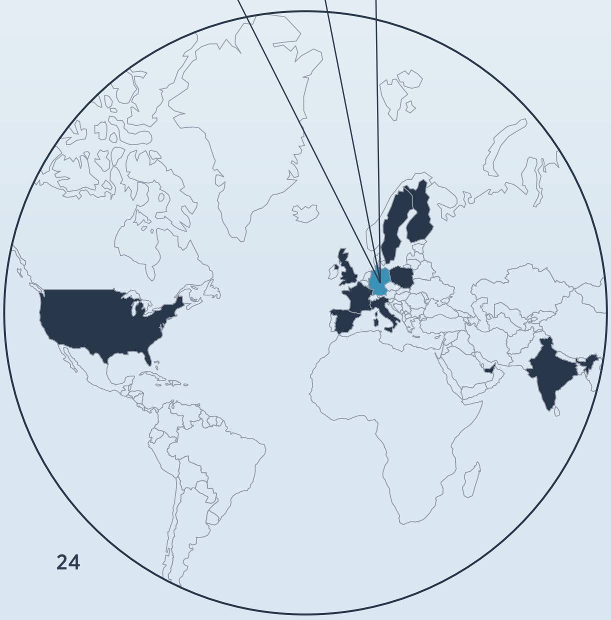
After the successful completion of a fifth add-on acquisitions – Kalzip, Normek, FDT and Norsilk, and signing of a fifth add-on acquisition, Ruukki, in July 2019 – Donges strives for further growth and a consolidation of its very good positioning in the European market. The pillars of this strategy are the development of Northern European markets for bridge construction, the realization of synergies in the areas of building construction and buildings, and the use of existing sales channels in sales across the entire product portfolio.

INDUSTRIES

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

PRODUCT SELECTION

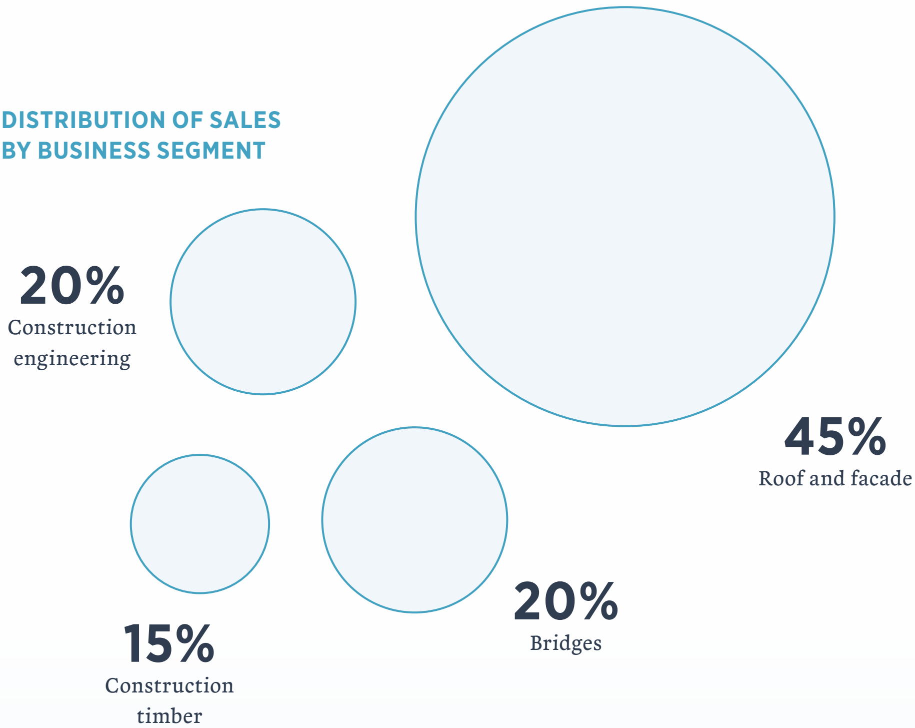
- Steel bridges
- Steel structures
- Roof and facade systems for new buildings and refurbishment
- DIY product for roofing
- Construction timber
- Exterior and interior cladding
- Panels



HEADQUARTERS
DARMSTADT, GERMANY

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

DISTRIBUTION OF SALES BY BUSINESS SEGMENT



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

Construction of a highway bridge

ENGINEERING & TECHNOLOGY

Provider of pipline coatings

In the
portfolio since
2012

70
Employees

EUR million
14
revenue 2018

HEADQUARTERS
GRAVELINES, FRANCE

Company profile Eupec

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

Strategy

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

INDUSTRIES

- Industrial services
- Building suppliers

PRODUCT SELECTION

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

Heated pipe before application
of epoxy powder

LA MEUSIENNE
Stainless steel tubes

ENGINEERING & TECHNOLOGY

Manufacturer of stainless steel pipes

Company profile La Meusienne

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

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

In the portfolio since
2017

EUR million
55
revenue 2018

140
Employees

HEADQUARTERS
ANCERVILLE, FRANCE

Strategy

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

INDUSTRIES

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

PRODUCT SELECTION

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

Bundling and final inspection of the stainless steel pipes before shipment

GOODS & SERVICES

Producer of coreboard

In the portfolio since
2016

EUR million
35
revenue 2018

90
Employees

HEADQUARTERS
SCHWEIGHOUSE-SUR-MODER, FRANCE

Company profile Cenpa

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

Strategy

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

INDUSTRY

Paper production

Cutting and packaging area of finished paper rolls

KLANN

GOODS & SERVICES

Producer of high-end tin packaging

In the
portfolio since
2011

EUR million
14
revenue 2018

90
Employees

HEADQUARTERS
LANDSHUT, GERMANY

Company profile KLANN Packaging

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

Strategy

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

PRODUCT SELECTION

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

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

TrefilUnion

GOODS & SERVICES

Manufacturer of iron wire and prestressing steel

Company profile TréfilUnion

TréfilUnion with factories in Commercy and Saint-Colombo, France, is an established manufacturer and recognised expert in the manufacture, processing and finishing of specialised spring steel and iron wire products. The assortment includes high and low carbon wire, spring steel wire, iron wire, galvanized wire, prestressing steel or prestressing strands. With modern machinery, efficient production methods and strategic international certifications, TréfilUnion provides a high-quality product range for customers in various industries such as mechanical engineering, packaging industry, automotive industry, upholstery industry as well as concrete, bridge and track construction. Since May 2019 TréfilUnion is part of the Mutares Group in the portfolio segment Goods & Services.

→ www.trefilunion.com

150
Employees

In the portfolio since
2019

EUR million
42
revenue 2018

HEADQUARTERS
COMMERCY, FRANCE

Strategy

TréfilUnion aims to position itself as a specialist supplier of prestressing steel products and to focus its product range on iron wire and spring steel wire. In addition, the optimization program accompanied by Mutares includes modernization and sales measures as well as the internationalization of both product areas.

PRODUCT SELECTION

- Spring steel wire
- Iron end steel wire
- Prestressing steel
- Prestressing steel strands
- Prestressing steel wire

Labeled products ready for shipment to the customer

keeeper

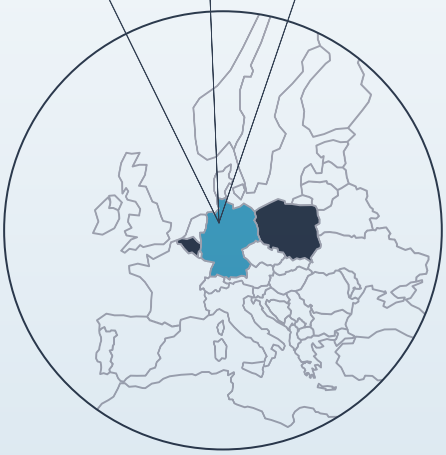
GOODS & SERVICES

Manufacturer of high-quality plastic household products

In the portfolio since
2019

EUR million
65
revenue 2018

500
Employees



HEADQUARTERS
STEMWEDE, GERMANY

Company profile keeeper

The keeeper group is one of the largest European suppliers of innovative and high-quality plastic household products. The company produces at two plants in Stemwede, Germany and in Bydgoszcz, Poland. With four product lines for kitchen, household, storage and children, the group serves renowned customers from the DIY, food retailing, wholesale and furniture retail sectors in around 35 countries worldwide. keeeper takes into account regional characteristics and meets all global standards. The company with over 30 years of tradition has grown from a family-run group of companies into a global player and since June 2019 has added the Goods & Services segment to our portfolio.
→ www.keeeper.com

Strategy

keeeper positions itself as a quality supplier of plastic household products and distributes them via both B2B and B2C channels. The company sells its products as its customers' own brands and under its own established brand keeeper, which received the German Brand Award in 2017.

PRODUCT SELECTION

- Kitchen help
- Household helper
- Storage solutions
- Children and baby products

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

INTERIM GROUP MANAGEMENT REPORT

1. ECONOMIC REPORT

1.1 Business performance

The business performance of Mutares in the first half of 2019 was marked by the following substantial events:

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

  Normek is one of the leading providers for steel building construction and facade solutions in Finland and mainly active on the Finnish and Swedish market. The product portfolio and distribution channels of the Donges Group are thus expanded and complemented. In 2018, Normek generated revenues of around EUR 65 million and employed around 250 people. The transaction resulted in a bargain purchase of EUR 0.5 million, which is reported under other income.

  With its subsidiaries in France and Belgium, FDT Flachdach Technologie GmbH & Co KG is an established supplier of flat roof systems. In the 2018 financial year, the company generated revenues of around EUR 54 million and employed over 200 people. The transaction complements the product range, creates synergies and supports the Donges Group's strategy of establishing itself as a leading European market player in the fields of steel construction, roofing and facade systems. The transaction resulted in a bargain purchase of EUR 10.8 million, which is reported under other income.

  In addition, Norsilk, a French manufacturer of wood panelling and floor coverings, which was previously managed as an independent platform in the Goods & Services segment, will be integrated into the Donges Group. Donges Group is thus striving for further growth in the French market and the cross-beneficial use of existing distribution channels in Europe.

- **Attractive long-term dividend policy**
  In April 2019, the Mutares Management Board decided on an attractive long-term dividend policy. Against this background, the Management Board and Supervisory Board have proposed a dividend of EUR 1.00 per share for the 2018 financial year, unchanged from the previous year, to be distributed to shareholders, which was approved by 99.99% of the Annual General Meeting. The Management Board remains confident that it will also be able to propose an attractive dividend for the 2019 financial year, allowing shareholders to participate in Mutares' business success.

- **Completion of three platform investments**
  In the reporting period, the Automotive & Mobility as well as the Goods & Services segment was strengthened and further developed by a total of three successfully completed platform investments:

  At the end of May 2019, Mutares acquired all shares in TréfilUnion SAS, based in Commercy (France). With annual sales of EUR 42 million, the company strenghtens the Goods & Services segment as a new platform investment: The transaction resulted in a gain of EUR 29.9 million from a bargain purchase, which is reported under other income.

  At the beginning of June 2019, Mutares acquired 80% of the shares in Plati Elettroforniture S.p.A., Bergamo (Italy), and its subsidiaries in Poland and Ukraine from the Chinese Deren Group. The company generated revenues of around EUR 38 million in 2018. The product portfolio includes cable harnesses, automotive cables, connectors, PVC extrusion and electromechanical assemblies. Following the acquisition, Elastomer and Plati will benefit from each other's sales and operational expertise within the Automotive & Mobility segment. The transaction resulted in a gain of EUR 1.9 million from a bargain purchase, which is reported under other income.

Also in June 2019, Mutares acquired all shares in keeeper GmbH in Stemwede and its subsidiaries. The company is one of the largest suppliers of plastic household products in Europe with annual revenues of EU 65 million. It will strenghten the Goods & Services segment as a new platform investment. With two production sites in Germany and Poland and a sales office in Belgium, the Group serves renowned customers in the do-it-yourself, food retailing, wholesale and furniture sectors in around 35 countries worldwide. The transaction resulted in a gain of EUR 27.6 million from a bargain purchase, which is reported under other income.

- **Annual General Meeting resolves change of legal form to an SE & Co. KGaA structure**
  On 23 May 2019, the Annual General Assembly approved the management's proposal and adopted the identity-preserving change of legal form from Mutares AG to Mutares SE & Co. KGaA. With the entry of the transformation of legal form in the commercial register on 24 July 2019, the approved transformation of legal form was implemented.

1.2 Reports from the portfolio companies

Up to and including the 2018 financial year, Mutares' business activities were divided into five segments.

In order to drive further growth and develop the portfolio in a targeted manner, Mutares categorises its portfolio companies into the following three segments since the beginning of the 2019 financial year:

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

The following explanations reflect the development of the individual portfolio companies of the Mutares Group in the first half of 2019. As of 30 June 2019, the Group comprised twelve operating subsidiaries, which are divided into the three segments mentioned above:

SEGMENT AUTOMOTIVE & MOBILITY

No.	Portfolio Company	Industry	Headquarters	Acquisition
1	STS Group	System supplier of components for vehicles	Hallberg-moos/DE	07/2013
2	Elastomer Solutions Group	Automotive supplier of rubber mouldings	Wiesbaum/DE	08/2009
3	Plati Group	Harness provider	Bergamo/IT	06/2019

According to data from the market research company IHS Markit, total production volume in the European market for medium and heavy commercial vehicles (MHCV) was 2.0% down on the prior-year figure in the first half of 2019. The decline was most pronounced in France (–6.3%). While Germany was down –5.4% on the same period last year, Italy recorded an increase (+10.7%).

As reported by the China Association of Automobile Manufacturers (CAAM), the Chinese commercial vehicle market recorded a 4.1% year-to-year decline in sales in the first six months of 2019.

According to IHS Markit, international automobile production in the first half of 2019 was predominantly negative at –5.9%. In Europe, 5.7% fewer vehicles were produced than in the prior-year period.

The Automotive segment continues to be the largest segment within Mutares with revenues of EUR 214.5 million in the first half of fiscal 2019 (first half of 2018: EUR 237.2 million). Segment EBITDA boosted to EUR 12.5 million (first half of 2018: EUR 7.8 million), boosred by the profit from the bargain purchase of Plati (EUR 1.9 million), and the Adjusted EBITDA to EUR 11.0 million (first half of 2018: EUR 13.9 million).

STS GROUP

STS Group is one of the world's leading suppliers of components and systems for the commercial vehicle and automotive industries. With more than 2,500 employees worldwide as well as a total of 17 plants and four development centres in France, Italy, Germany, Poland, Mexico, Brazil and China, it has a strong geographic footprint. STS produces trim and acoustic components that enhance the vehicle's interior and exterior design, offer comfortable storage functions in the interior and create a pleasant background noise.

In the first half of 2019, STS Group was able to acquire a major order from one of the leading truck manufacturers on the Chinese market. Over the next six years, the group will produce the complete front and side panels for a long-nose truck. This type of commercial vehicle has been registered in China since 2016, offering several benefits to the end customer, such as lower total cost of ownership and lower emissions due to the more favourable aerodynamic profile. With the further spread of these models on the Chinese market, STS expects that it will be possible to expect a higher share of revenue per vehicle. The components for this job, which starts in 2020, will be produced at the STS Group's new plant in Shiyan, which started operating in April 2019.

At the end of the first half of 2019, STS Group signed a license agreement with AMA Composites for the manufacture of additional weight reduction components, which expands the STS Group's portfolio of innovative lightweight solutions. With the fibre-reinforced thermoplastic technology LWRT (Leight Weight Reinforced Thermoplastic), weight reductions of 30% to 50% can be achieved compared to aluminium or steel, which will make an important contribution to reducing emissions and developing electric mobility.

The main drivers for the decline in revenues in the first six months of fiscal 2019 compared with the same period of the previous year are the expiry of a major order in the Plastics division, declines in the relevant passenger car market and a continued decline in the Chinese market environment. Due to the successful integration of the acquired companies, no further extraordinary expenses were incurred in the reporting period, which contributed to the significant[1] increase in EBITDA. Despite efficiency gains achieved in production, negative earnings effects due to lower business volumes were only partially offset, so that Adjusted EBITDA declined materially compared with the prior-year period.

For the second half of 2019, STS no longer expects a positive development of the market environment in the relevant European passenger car business and the entire Chinese automotive market. Accordingly, STS expects a considerable decline in revenue and operating profit for the current financial year.

[1] We use the following nomenclature for the explanations on the individual investments: changes up to 2% are referred to as „slight“, changes between 2% and 5% as „noticeable“ or „perceptible“, changes between 5% and 10% as „considerable“, changes between 10% and 30% as “material” or “substantial”, changes between 30% and 50% as „significant“ or „sharp“ and changes greater than 50% as „exceptional“.

ELASTOMER SOLUTIONS GROUP

Elastomer Solutions, a manufacturer of rubber and thermoplastic components (based in Wiesbaum, Germany) with production sites in Slovakia, Portugal, Morocco and Mexico, which is active as an automotive supplier, achieved revenues at the previous year's level in the first half of the year. In response to the decline in profitability in fiscal year 2018, management initiated a comprehensive action plan for all locations and business units and implemented it in the first half of 2019. Quality and output problems were thus eliminated, and logistics expenses reduced. In addition, measures to adjust the headcount in the direct and indirect functions were started. As a result, Adjusted EBITDA returned to a considerable positive level in the period under review. For the full year 2019, the Group expects a slight increase in revenues compared to the 2018 financial year with an exceptionally improved operating result.

The growth of Elastomer was financed to a considerable extent by financial institutions. The financing is subject to covenants that were not met by one company due to temporary weak earnings development. ESG has taken steps to restore the conditions and expects the financing to remain at least to a substantial extent. Due to the improved earnings situation, the financing partners have presented the prospect of line continuation.

PLATI GROUP

In June 2019 Mutares acquired Plati Elettroforniture S.p.A., Bergamo (Italy) and its subsidiaries in Poland, Morocco and Ukraine from the Chinese Deren Group. The Group's product portfolio includes cable harnesses, automotive cables, connectors, PVC extrusion and electromechanical assemblies. Following the acquisition, the Operations team started initiating the restructuring program. The program concentrates on the material simplification of logistics processes, a comprehensive reduction of the number of suppliers and the associated cost advantages of larger order quantities as well as a reduction of indirect costs.

SEGMENT ENGINEERING & TECHNOLOGY

No.	Portfolio Company	Industry	Headquarters	Acquisition
1	Balcke-Dürr Group	Manufacturer of power plant components	Dusseldorf/ DE	12/2016
2	Donges Group	Full-service provider for bridge and steel construction as well as roof and facade systems	Darmstadt/ DE	11/2017
3	Gemini Rail Group	Provider of engineering & maintenance services for rail vehicles	Wolverton/ UK	11/2018
4	EUPEC	Manufacturer of coatings for oil and gas pipelines	Gravelines/ FR	01/2012

The Engineering & Technology segment generated revenues of EUR 184.8 million in the first half of fiscal 2019 (first half of 2018: EUR 98.7 million). The main reasons for the increase were the inclusion of the Donges Group add-on acquisitions and the Gemini Rail Group platform investment. The segment's EBITDA amounts to EUR 1.9 million (first half of 2018: EUR 4.7 million). The main reason for the decline in Adjusted EBITDA to EUR −6.9 million (first half of 2018: EUR −0.1 million) is the segment's companies acquired within the last twelve months, which made a negative contribution of EUR 4.7 million to the result.

BALCKE-DÜRR GROUP

Balcke-Dürr Group, headquartered in Dusseldorf (Germany) and with more than 130 years of experience, offers power generators and power plant construction solutions ranging from standard modules to complete thermal systems.

Following the successful turnaround, Balcke-Dürr Group launched a growth and active buy-and-build strategy in fiscal year 2018. The Group thus positions itself as a system supplier for the entire life cycle of power plants. In the first half of 2019, Balcke-Dürr Group successfully pushed ahead with the integration of the two Italian companies and market development in France. In addition, first orders from the chemical industry were started, which are expected to become even more important in the future.

The order backlog of the Balcke-Dürr Group as of 30 June 2019 amounts to around EUR 114 million (31 December 2018: EUR 120 million). For the full year 2019, Balcke-Dürr Group expects a substantial increase in revenues compared to the 2018 financial year, driven in particular by the contribution by the acquired STF business, the processing of a major order in the Polish company and the new business unit. Adjusted EBITDA for the full year 2019 is also expected to develop positively compared to the 2018 financial year.

DONGES GROUP

Donges Group is one of the leading European construction and engineering companies specialising in the design and manufacture of building structures including building envelope solutions based on steel, aluminium, polymer membranes and wood.

Following the successful completion of the restructuring of Donges SteelTec GmbH in fiscal 2018, the management focused on the strategic development of the company into a full-service provider. With the acquisitions of Kalzip in financial year 2018, Normek and FDT and the integration of Norsilk in the reporting period, Donges Group succeeded in expanding both regionally and productwise.

At Kalzip, the restructuring that began immediately after the takeover in the last quarter of financial year 2018 was successfully continued: Personnel measures were agreed on the representatives of the workforce that will considerably reduce the Company's cost base, especially in the second half of fiscal year 2019. At the same time, Kalzip has a high order backlog.

Following the acquisition of FDT and Normek, both companies launched a cost-cutting program covering all areas of the value chain and a program to identify and realize concrete revenue synergies. This aims at realizing both regional and product synergies.

Revenues in the first half of 2019 increased exceptionally compared to the same period of the previous year, mainly due to the inclusion of new acquisitions. Donges Group achieved an Adjusted EBITDA that was still negative.

For the full year 2019, Donges Group expects an exceptionally increase in revenues and a considerably positive operating result due to the inclusion of new acquisitions.

GEMINI RAIL GROUP

Gemini Rail Group provides engineering and maintenance services for rail vehicles to its customers in the UK and Irish railway markets. The Group's customers include the owners and operators of the trains as well as the OEMs (Original Equipment Manufacturers) of rail vehicles.

Most of the work is carried out on vehicles built prior to rail privatisation in 1996/97. From trains equipped with simple technology built before and in the first years after privatization, Gemini Rail Group is now increasingly evolving into a modernization specialist for the new generation of highly technical and comfortable trains, equipped with WiFi, audio and other information systems. The product range includes structured and innovative services such as turnkey repair services, modernization programs, design engineering and project management.

EU rules require all trains in Britain to be equipped for people with disabilities by January 2020. The corresponding modernization orders will fully utilize the capacity of the Wolverton and Birmingham sites in 2019. In addition to processing the order backlog, Gemini will focus in 2019 on implementing an efficiency program to improve productivity. As a significant milestone in the Group's realignment, the closure of the originally third production site was completed later this year and is to be completed in full later in the year.

Revenues in the reporting period were at the planned level. Gemini's Adjusted EBITDA was still negative due to the ongoing restructuring. For the remainder of the year, management expects a considerable increase in profitability as a result of the measures initiated and a slightly positive operating result for the full year 2019.

EUPEC

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

In the financial year 2019, Eupec will continue the strategic projects begun in the previous year: one major project is to increase the productivity of the pipe coating line and thus further increase competitiveness. On the cost side there was an expected rise in energy costs across Europe. The initiated projects and investments, coupled with the promotion of a continuous improvement culture, are intended to compensate for this increase as far as possible.

In the reporting period, Eupec achieved an exceptional increase in revenues compared to the same period of the previous year. For 2019 as a whole, the Company anticipates a substantial increase in revenues and, due to market-related lower project margins, a slightly positive EBITDA materially below the level of 2018.

SEGMENT GOODS & SERVICES

No.	Portfolio Company	Industry	Headquarters	Acquisition
1	La Meusienne	Manufacturer of stainless-steel tubes	Ancerville/FR	04/2017
2	Cenpa	Manufacturer of coreboard	Schweighouse/FR	05/2016
3	KLANN Packaging	Manufacturer of packaging solutions	Landshut/DE	06/2011
4	TréfilUnion	Iron wire and prestressing steel manufacturer	Commercy/FR	05/2019
5	keeeper Group	Manufacturer of plastic household products	Stemwede/DE	06/2019

The market environment of the Goods & Services segment was characterized by restrained demand from customers and intense competition in the reporting period. As a result of this and due to adjustments of the product range in order to increase profitability, the segment's revenues declined, in some cases significantly, compared with the first half of 2018. Due to the completion of the transactions close to the reporting date, the new platform investments contributed little or no revenues. As a result of the profits from the bargain purchase associated with the new acquisitions, EBITDA for the segment amounts to EUR 55.5 million (first half of 2018: EUR 1.6 million) and Adjusted EBITDA to EUR –2.0 million (first half of 2018: EUR 1.8 million).

LA MEUSIENNE

La Meusienne, based in Ancerville (France), is a manufacturer of welded stainless-steel tubes in Western and Central Europe. The market is characterized by fluctuations in nickel and stainless-steel prices, which have an impact on profitability.

La Meusienne's strategic measures initially focused on rationalising its product and customer portfolio and, in recent months, on optimised warehouse management. The company has removed negative-margin products from its offerings and increased the production of higher-value products, obtained certifications to enter new markets, developed new high-quality ferritic steel products for the sanitary, chemical and pharmaceutical industries and reduced inventory levels.

As a result of the adjustment, La Meusienne generated lower revenues in the reporting period than in the prior-year period. However, due to the clear focus on high-margin, higher-value products, the gross profit margin has improved. Adjusted EBITDA was slightly negative in the period under review due to the transition phase to higher-margin products. For the full year 2019, management expects revenues to be below the level of the 2018 financial year but also an exceptional improvement in profitability towards a slightly positive EBITDA.

CENPA

The manufacturer of sleeve cartons from Schweighouse (France) began its strategic realignment in fiscal 2018: Measures included the continuation of the development of attractive new products, recipe improvements, process optimization and the introduction of a proactive sales approach.

The market environment in the period under review was characterised by a strongly intensifying competitive situation and an expected rise in energy costs. As a result, Cenpa recorded a substantial decline in revenue in the first half of 2019 compared to the same period of the previous year. For the year as a whole, management expects revenues to be materially below the previous year's level combined with a slightly positive EBITDA.

KLANN PACKAGING

KLANN produces high-quality metal packaging at its Landshut location and is positioned as a quality supplier of a premium product portfolio for an extended customer base.

In fiscal year 2018, additional costs for temporary employment and increased material costs due to problems with suppliers had a negative impact on the company's earnings. Measures initiated by the management to counter these negative influences had a considerable effect in the reporting period, with a positive effect on the company's costs. On the opposite, delayed and unrealized customer orders had a negative impact on the operating result, which is expected to improve considerably in the second half of the year due to catch-up effects and seasonal influences. In addition, the company is in advanced discussions with customers about expanding its activities in the next fiscal year.

For the full year 2019, the company expects revenues to be considerably below the level of the 2018 financial year. However, the initiated improvement measures are effective, with the result that Adjusted EBITDA will again be positive.

TRÉFILUNION

After the acquisition of TréfilUnion SAS, a manufacturer of iron wire and prestressing steel with two plants in France at the end of May 2019, a team of experienced Mutares restructuring consultants started the development of a comprehensives program of measures to realign the company together with the local management. The aim is to increase production stability, production volume and product quality while at the same time reducing material purchasing and indirect costs.

KEEEPER

In June 2019 Mutares acquired keeeper GmbH based in Stemwede, and its subsidiaries in Poland and Belgium. Immediately afterwards, a Mutares team started to work on site and developed a plan of action in close cooperation with the keeeper team. In addition to the necessary reduction in costs, the focus will also be on a sensible reduction in the scope and diversity of the product portfolio in line with profitability.

2. POSITION OF THE GROUP INCLUDING FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The Mutares Group acquires low-performance companies and provides operational support for its portfolio companies as part of active restructuring and reorganization management.

The indicator for success in the Group is essentially the restructuring and development progress of the portfolio companies as well as completed M&A transactions, which contribute to an increase in value in the Group after a successful turnaround. The Management Board is very satisfied with the course of business in the first half of 2019 for some of the portfolio companies and still sees considerable potential for improvement in some of the other portfolio companies. The Management Board considers the start of the restructuring of the newly acquired portfolio companies to be overall successful. All in all, the Management Board of Mutares believes that the company is well equipped to further increase Group revenues and sustainably improve earnings.

The consolidated financial statements of Mutares are significantly affected by changes in the scope of consolidation. In this respect, the comparability of the reporting period with the comparable period of the previous year is only possible to a limited extent. The operating result of the Mutares Group depends on the business performance of the individual portfolio companies as well as the timing of acquisitions and the recognition of differences from business combinations (“bargain purchase”).

2.1 Financial performance

The Mutares Group generated revenues of EUR 443.2 million in the first half of 2019 (first half of 2018: EUR 467.0 million). The decline is largely due to changes in the scope of consolidation: A total decrease of EUR 78.9 million results from the deconsolidation of companies in the fiscal year 2018, who still contributed to the revenues of the Mutares Group in the same period of the previous year. By contrast, consolidated revenues in the first half of 2019 increased by EUR 63.5 million due to the companies acquired in the second half of fiscal year 2018 and by EUR 31.7 million due to the companies acquired in the reporting period, which are only included pro rata temporis from the date of completion of the acquisition. With regard to the revenues development in the holdings, i.e. those that were part of the Mutares Group for a full six months both in the reporting period and in the comparable period of the previous year, we refer to the comments above within the reports from the portfolio companies.

Other income of EUR 77.1 million (first half of 2018: EUR 53.9 million) is attributable in particular to consolidation effects, as in the prior-year period: In the reporting period, income from bargain purchases of EUR 70.8 million resulted from new acquisitions, while in the first half of 2018, mainly profits from the deconsolidation of subsidiaries of EUR 39.4 million were reported. Other income in the same period of the previous year also included income from the settlement agreement with the sellers of Balcke-Dürr Group (EUR 5.8 million).

The costs of material amounted to EUR 277.7 million for the first half of 2019 (first half of 2018: EUR 287.3 million). The costs of material ratio (in relation to revenues) thus increased slightly from 62% to 63%.

Personnel expenses amounted to EUR 133.7 million (first half of 2018: EUR 125.9 million) for the first six months of fiscal year 2019. Part of the increase is attributable to costs for the implementation of social plans at Kalzip and Gemini in addition to the costs recognised as provisions in the 2018 financial year.

Other expenses of EUR 54.6 million (first half of 2018: EUR 79.2 million) include positive effects from the progress made in implementing restructuring measures. Furthermore, the first-time application of the new leasing regulations of IFRS 16 resulted in other expenses being reduced by EUR 7.3 million. In the same period of the previous year, this figure still included special effects of the IPO, legal and consulting costs, severance costs and fees for Transition Service Agreements (“TSA”) from STS (EUR 5.9 million) as well as expenses in connection with the settlement of a legal dispute at Mutares (EUR 5.5 million). In addition, in the first half of 2018 further one-off expenses in connection with the IPO of STS Group AG and the conversion to IFRS at Mutares (EUR 1.6 million) had an impact on this category.

As a result, EBITDA of the Mutares Group for the first half of 2019 amounts to EUR 67.1 million (first half of 2018: EUR 21.6 million).

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

Adjusted EBITDA amounted to EUR 0.0m (first half of 2018: EUR 9.3 million). Adjusted EBITDA will be negatively impacted in particular by the negative contributions from the acquisitions made in the past twelve months.

The reconciliation of reported EBITDA to Adjusted EBITDA is presented below:

Mio. EUR	H1 2019	H1 2018
EBITDA	**67.1**	21.6
Income from bargain purchases	**–70.8**	–5.8
Restructuring and other non-recurring expenses	**3.7**	32.9
Deconsolidation effects	**0.0**	39.4
Adjusted EBITDA	**0.0**	9.3

With regard to the transaction-related income (bargain purchases) of the reporting period and the deconsolidation effects from the same period of the previous year, we refer to the comments above on the course of business and in the reports from the portfolio companies.

The restructuring and other non-recurring expenses for the reporting period include in particular costs for the implementation of social plans at Kalzip and Gemini.

Restructuring and other non-recurring expenses in the first half of 2018 include those from the measurement of assets and liabilities of Artmadis in connection with the liquidation and deconsolidation (EUR 15.9 million). The above-mentioned special effects are also included in personnel expenses and other expenses at STS and Mutares.

The financial result of EUR –5.3 million (first half of 2018: EUR –2.6 million) consists of financial income of EUR 0.3 million (first half of 2018: EUR 0.7 million) and financial expenses of EUR 5.6 million (first half of 2018: EUR 3.3 million). Therein, EUR 2.7 million are attributable to the adjustment of the fair value of expected subsequent payments from the sale of Geesink Group B.V. in the 2017 financial year.

Consolidated net income in the first half of 2019 amounted to EUR 36.6 million (first half of 2018: EUR –1.5 million).

2.2 Financial position

As of 30 June 2019, the Mutares Group had total assets of EUR 843.5 million (31 December 2018: EUR 630.8 million). The increase is mainly due to the inclusion of newly acquired portfolio companies and the first-time recognition of previously unrecognised operating lease assets due to the first-time application of the new leasing provisions of IFRS 16.

Non-current assets increased from EUR 210.2 million as of 31 December 2018 to EUR 358.1 million as of 30 June 2019, mainly due to an increase in property, plant and equipment (EUR +45.2 million) and intangible assets (EUR +10.4 million), which in turn resulted in particular from the first-time consolidation of the newly acquired portfolio companies. The valuation of rights of use in accordance with the new leasing regulations amounts to EUR 87.9 million.

The increase in current assets to EUR 485.4 million (31 December 2018: EUR 420.6 million) results from EUR 88.7 million in higher inventories, trade receivables and other receivables.

Cash and cash equivalents at 30 June 2019 amount to EUR 80.9 million (31 December 2018: EUR 108.1 million). This is offset by short-term liabilities to banks and loans as part of the balance sheet item short-term financial liabilities amounting to EUR 85.3 million (31 December 2018: EUR 66.4 million), which mainly result from loan liabilities and the disclosure of recourse factoring. The net cash position thus amounts to EUR –4.4 million (31 December 2018: EUR 41.7 million).

Assets held for sale amounted to EUR 6.3 million as of 30 June 2019 and mainly include the premises of Kalzip GmbH, which will be sold as part of a sale-and-leaseback transaction. As of 31 December 2018, the assets held for sale included the premises of Donges SteelTec GmbH, which were sold in the meantime as part of a sale-and-leaseback transaction and are now reported as a right of use.

Equity amounted to EUR 229.3 million as of 30 June 2019 (31 December 2018: EUR 208.1 million). The main reason for the increase is the positive consolidated result of EUR 36.6 million for the first half of 2019; in contrast, the distribution to shareholders of EUR 15.2 million reduced equity. The equity ratio amounts to 27.2% (31 December 2018: 33.0%). A large part of the decrease is attributable to the balance sheet extension due to the first-time application of the new leasing regulations. Please refer to the disclosures in the notes to the interim consolidated financial statements for information on the acquisition of treasury shares pursuant to section 160 (1) no. 2 of the AktG.

Non-current liabilities of EUR 201.9 million (31 December 2018: EUR 93.1 million) consist of EUR 91.0 million (31 December 2018: EUR 60.3 million) of non-current provisions, of which EUR 73.3 million (31 December 2018: EUR 47.0 million) mainly comprise pension provisions. The increase is mainly due to the acquisition of FDT. Long-term leasing liabilities resulting from the first-time application of the new leasing regulations amount to EUR 72.1 million.

Other financial liabilities of EUR 145.6 million (31 December 2018: EUR 129.3 million) mainly relate to liabilities to credit institutes and loans (EUR 94.2 million; 31 December 2018: EUR 74.6 million).

Liabilities to former shareholders of the portfolio companies within other financial liabilities mainly result from the STS subgroup with EUR 6.3 million (previous year: EUR 6.8 million) at nominal interest rates between 1.0% and 5.0% and terms between one and five years. In addition, Klann Packaging GmbH has a liability to the sellers of EUR 2.3 million (31 December 2018: EUR 3.3 million) with a variable interest rate of between 1% and 3.5%. In the reporting period, a partial amount of EUR 1.0 million was repaid in return for a payment of EUR 0.3 million; the difference is reported under other income.

Cash flow from operating activities is attributable to the business model of Mutares. The result was traditionally negative and amounted to EUR –44.3 million in the first half of 2019 (first half of 2018: EUR –18.1 million). Starting with a consolidated result of EUR 36.6 million (first half of 2018: EUR –1.5 million), non-cash expenses included therein were corrected with an effect of EUR –43.7 million (first half of 2018: EUR –17.0 million), changes in the relevant balance sheet items with a decrease of EUR 7.2 million (first half of 2018: EUR 3.5 million) and effects from interest and taxes of EUR 5.5 million (first half of 2018: EUR 3.9 million) are included. Cash flow from investing activities of EUR +31.4 million (first half of 2018: EUR –18.4 million) resulted primarily from cash inflows of EUR 24.5 million (first half of 2018: EUR 0.0 million) from additions to the scope of consolidation, and disposals of assets held for sale of EUR 18.9 million (first half of 2018: EUR 0.0 million), partially offset by (net) cash payments for investments of EUR 13.7 million (first half of 2018: EUR 12.2 million) and EUR 1.3 million (first half of 2018: EUR 0.0 million) for additions to the scope of consolidation. In addition, a subsequent payment of EUR 2.9 million from the earn-out agreement of A+F Automation und Fördertechnik GmbH, which was sold in fiscal 2017, was recorded here in the reporting period. In the first half of 2018, cash outflows from disposals from the consolidated group of EUR 6.4 million reduced cash flow from investing activities. The cash flow from financing activities amounts to EUR –14.6 million and essentially includes the dividend to shareholders (EUR 15.2 million) as well as payments for the repayment of leasing liabilities (EUR 6.4 million) and (financial) loans (EUR 3.6 million). This was offset by proceeds of EUR 7.5 million from the raising of (financial) loans. The cash flow from financing activities of EUR 46.0 million in the same period of the previous year resulted in particular from payments in connection with the IPO of STS Group AG, while the dividend payment to shareholders (EUR 15.2 million) did not flow until the second half of the 2018 financial year. As a result, cash and cash equivalents amounted to EUR 80.9 million as of 30 June 2019 (31 December 2018: EUR 108.1 million).

As of 30 June 2019, unused credit lines totalled approximately EUR 12 million (31 December 2018: EUR 7 million) and were largely attributable to available factoring lines.

2.3 Subsequent events

With regard to the supplementary report, we refer to the information provided in the notes to the interim consolidated financial statements.

3. FORECAST, OPPORTUNITIES AND RISKS

3.1 Forecast report

The business development of Mutares Group is significantly influenced by the acquisitions and disposals of portfolio companies on the one hand and on the other hand is dependent on the development in the existing portfolio companies.

In its forecast for fiscal year 2019, the Executive Board assumed that in addition to the two add-on acquisitions of Donges Group made up to the date of signing the Group Annual Report as of 31 December 2018, at least three further acquisitions would be made. In view of the seven transactions signed in the course of the 2019 financial year to date, this forecast will be considerable exceeded in the 2019 financial year.

Against the background of the acquisitions made up to the date of preparation and the planning of the individual segments, the Management Board expects a significant increase in revenues for the 2019 financial year. The Engineering & Technology segment (revenues in fiscal year 2018: EUR 206.1 million) is expected to contribute an exceptional increase in revenues compared to the level of fiscal year 2018. Additionally, a substantial increase in revenues compared to FY18 is expected in the the Goods & Services segment (revenues in fiscal year 2018: EUR 141.2 million) and the Automotive & Mobility segment (revenues in fiscal year 2018: EUR 437.0 million) is expected to increase significantly in revenues.

Taking into account the acquisitions made up to the date of preparation, the reported EBITDA is expected to exceed the level of the 2018 financial year by an exceptional amount.

Taking into account the acquisitions already completed in 2019, Adjusted EBITDA is expected to increase exceptionally. The exceptional increase in Adjusted EBITDA is expected on the one hand due to the disposals of operating companies with negative operating results in fiscal 2018 and on the other hand in particular due to the planned substantial progress in the Engineering & Technology segment. The current losses of the newly acquired companies will have an opposite effect.

Cash flow from operating activities is expected to be negative in fiscal year 2019 due to the implementation of restructuring measures at the newly acquired portfolio companies as in fiscal year 2018.

On the basis of the current portfolio, the Management Board expects the net cash position for 2019 as a whole to fall substantially compared with the 2018 financial year.

In addition, the Management Board has no new knowledge that the forecasts and other statements made in the last Group management report – despite some changes in the underlying conditions – have changed materially with respect to the expected development of the Group for the 2019 financial year.

3.2 Opportunities and risks of future development

The substantial changes with respect to the Group's opportunities and risks in comparison with the 2018 financial year are described below. For a detailed overall presentation of the Group's opportunities and risks, please refer to the Group management report for the 2018 financial year.

Guarantees/statements of patronage and from acquisitions obligations

Mutares has committed to the seller of keeeper GmbH for a limited period of time until 30 December 2020, to transfer financial funds of up to EUR 1.5 million, if this should be necessary to avoid insolvency. Insofar as this financing obligation has not yet been fulfilled in the event of insolvency despite the requirement, Mutares has undertaken to indemnify the seller against any claims by third parties in connection with this insolvency, whereby this obligation is limited in amount to the financing contribution not yet paid and to twelve months after completion of the acquisition. Furthermore, Mutares has undertaken to indemnify the seller in the event of a claim in connection with a former financing commitment as well as previously given guarantees, whereby this obligation is limited to an amount of EUR 3.5 million. This obligation ends at the latest five years after completion of the acquisition. At present, the Management Board does not expect these obligations to be utilized.

Mutares 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 given by Mutares to ensure the fulfilment of indemnification obligations first increases while limited to an amount of EUR 5.0 million and then reduces to EUR 0 in the period up to 31 December 2021. At present, it is not expected that Mutares will be called upon under this guarantee. The additional guarantee provided by Mutares to secure the temporary financing of affiliated companies has been cancelled and replaced by a guarantee from Mutares to provide net dividends received until 30 December 2020 again as financing if required. Both Mutares guarantees with respect to the above matters are still limited to a total of EUR 10.0 million.

Litigations

Mutares is sued by some of the former employees of the Artmadis Group in France. One lawsuit concerns liability arising from alleged employee creation, the other concerns alleged corporate responsibility. Mutares will fully defend itself against all claims which it considers to be unfounded.

Mutares is also being sued by four former employees of its former subsidiary Pixmania SAS in France. The complaint is based on an alleged employee creation. Mutares considers the complaints to be unfounded and we fully defend ourselves against them.

For these actions, defense costs in the mid-six-figure range were deferred.

Other obligations

Mutares' indirect subsidiaries are jointly and severally liable as participants in civil-law partnerships under joint ventures or consortium agreements with a maximum term of 2025. As of 30 June 2019, this liability relates to projects with a total contract value of approximately EUR 277 million (31 December 2018: EUR 208 million). The company's own share in these amounts to EUR 110.2 million (31 December 2018: EUR 88.8 million). Based on the ongoing credit ratings of the ARGE/consortium partners, we do not assume that the shares of other companies will be drawn upon. With the exception of the amounts recognized as provisions for onerous contracts or as part of loss-free valuation, we do not expect any utilization of the equity portion either.

Munich, 7 August 2019

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

The Board of Directors

Robin Laik — Mark Friedrich
Dr. Kristian Schleede — Johannes Laumann

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

From 1 January to 30 June 2019

EUR million	Anhang	H1 2019	H1 2018
Revenues	3	443.2	467.0
Change in inventories		12.8	–6.9
Other income	4	77.1	53.9
Cost of material		–277.7	–287.3
Personnel expenses		–133.7	–125.9
Other expenses	5	–54.6	–79.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**67.1**	**21.6**
Depreciation and amortisation expenses	7, 8	–21.3	–16.5
Earnings before interest and taxes (EBIT)		**45.8**	**5.1**
Financial income interest and similar income		0.3	0.7
Financial costs interest and similar expenses		–5.6	–3.3
Profit before tax		**40.5**	**2.5**
Income tax expense/income		–3.9	–4.0
Net income		**36.6**	**–1.5**
Of which attributable to:			
Shareholders of the parent company		37.4	–0.8
Non-controlling interest		–0.8	–0.7
Earnings per share in EUR (basic)		**2.45**	**–0.05**
Earnings per share in EUR (diluted)		**2.45**	**–0.05**
Other comprehensive income			
Net income		**36.6**	**–1.5**
Other comprehensive income after income taxes		**–0.1**	**–0.4**
Items reclassified to profit or loss in future if certain conditiones are met			
Currency translation differences		0.4	–0.3
Items not subsequently reclassified to profit or loss			
Actuarial gains/losses		–0.5	–0.2
Total comprehensive income		**36.5**	**–1.9**
Of which attributable to:			
Shareholders of the parent company		37.4	–1.1
Non-controlling interest		–0.9	–0.8

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2019

Assets

EUR million	Note	30 Jun. 2019	31 Dec. 2018
Intangible assets	7	51.8	41.4
Property, plant and equipment	8	178.5	133.3
Rights of use assets	15	87.9	0.0
Trade and other receivables		0.4	0.6
Other financial assets		14.6	16.9
Income tax receivables		0.1	0.5
Other non-financial assets		4.6	4.1
Deferred tax assets		20.2	13.3
Non-current contract assets		0.0	0.1
Non-current assets		**358.1**	**210.2**
Inventories	9	153.1	100.8
Current contract assets		26.8	15.7
Trade and other receivables		183.4	147.0
Other financial assets		12.5	8.5
Income tax receivables		2.5	3.1
Other non-financial assets		19.9	17.8
Cash and cash equivalents		80.9	108.1
Assets held for sale	10	6.3	19.6
Current assets		**485.4**	**420.6**
Total assets		**843.5**	**630.8**

Equity and liabilities

EUR million	Note	30 Jun. 2019	31 Dec. 2018
Share capital		**15.2**	15.2
Capital reserves		**37.0**	36.8
Retained earnings		**151.3**	129.4
Other equity components		**–0.7**	–0.7
Share of equity attributable to shareholders of the parent company		**202.8**	**180.7**
Non-controlling interests		**26.5**	27.4
Total equity	11	**229.3**	**208.1**
Trade payables and other liabilities		**2.6**	1.0
Other financial liabilities		**16.2**	21.7
Lease liabilities		**72.1**	2.1
Provisions for pensions and other post-employment benefits		**73.3**	47.0
Other provisions		**17.7**	13.3
Deferred tax liabilities		**18.6**	6.4
Non-current contract liabilities		**1.4**	1.6
Non-current liabilities		**201.9**	**93.1**
Trade payables and other liabilities		**146.7**	110.9
Other financial liabilities		**129.4**	100.7
Lease liabilities		**16.6**	4.8
Provisions		**28.5**	33.5
Income tax liabilities		**2.8**	2.9
Other non-financial liabilities		**70.9**	46.2
Current contract liabilities		**17.4**	30.6
Current liabilities		**412.3**	**329.6**
Total equity and liabilities		**843.5**	**630.8**

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1 January 2018 to 30 June 2019

	Equity attributable to owners of the parent						
EUR million	Share capital	Capital reserve	Retained earnings	Other equity components	Total	Non-controlling interest	Total equity
Balance at 01 Jan. 2018 (before adjustment IFRS 9 & 15)	**15,5**	**36,5**	**112,6**	**1,8**	**166,4**	**–0,9**	**165,5**
Adjustment IFRS 9	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Adjustment IFRS 15	0,0	0,0	0,5	0,0	0,5	0,0	0,5
Balance at 01 Jan. 2018 (after adjustment IFRS 9 & 15)	**15,5**	**36,5**	**113,1**	**1,8**	**166,9**	**–0,9**	**166,0**
Net income	0,0	0,0	–0,8	0,0	–0,8	–0,7	–1,5
Other comprehensive income after income taxes	0,0	0,0	0,0	–0,3	–0,3	–0,1	–0,4
Total comprehensive income for the financial year	**0,0**	**0,0**	**–0,8**	**–0,3**	**–1,1**	**–0,8**	**–1,9**
Purchase of treasury stock	–0,3	0,0	–2,7	0,0	–3,0	0,0	–3,0
Equity-settled share-based payment	0,0	0,1	0,0	0,0	0,1	0,0	0,1
Reclassifications due to business disposals	0,0	0,0	3,2	–3,2	0,0	0,0	0,0
Minority interest transactions	0,0	0,0	21,4	0,0	21,4	30,7	52,1
Costs of minority interest transactions	0,0	0,0	–5,2	0,0	–5,2	0,0	–5,2
As at 30 June 2019	**15,2**	**36,6**	**129,0**	**–1,7**	**179,1**	**29,0**	**208,1**
Balance at 1 Jan. 2019	**15,2**	**36,8**	**129,4**	**–0,7**	**180,7**	**27,4**	**208,1**
Net income	0,0	0,0	37,4	0,0	37,4	–0,8	36,6
Other comprehensive income after income taxes	0,0	0,0	0,0	0,0	0,0	–0,1	–0,1
Total comprehensive income	**0,0**	**0,0**	**37,4**	**0,0**	**37,4**	**–0,9**	**36,5**
Dividends paid	0,0	0,0	–15,2	0,0	–15,2	0,0	–15,2
Equity-settled share-based payment	0,0	0,2	0,0	0,0	0,2	0,0	0,2
Minority interest transactions	0,0	0,0	–0,3	0,0	–0,3	0,0	–0,3
As at 30 June 2019	**15,2**	**37,0**	**151,3**	**–0,7**	**202,8**	**26,5**	**229,3**

4. CONSOLIDATED STATEMENT OF CASH FLOW

From 1 January to 30 June 2019

EUR million	Anhang	H1 2019	H1 2018
Net income for the year		36.6	–1.5
Increase (-)/decrease (+) in inventories	9	–11.1	–1.5
Increase (-)/decrease (+) in trade receivables		–10.2	–6.3
Increase (-)/decrease (+) in contract assets		–6.9	–6.3
Increase (-)/decrease (+) in other receivables		6.9	4.3
Increase (+)/decrease (-) in provisions		–9.1	–9.4
Increase (+)/decrease (-) in trade payables		–1.7	5.5
Increase (+)/decrease (-) in contract liabilities		–13.2	0.0
Increase (+)/decrease (-) in other liabilities		2.6	10.2
Depreciation and amortisation of intangibles and non-current assets	7, 8	21.3	16.5
Gain (-)/loss (+) from the disposal of non-current assets	7, 8	0.0	–0.2
Bargain purchase gains (-) from business combinations	1	–70.8	0.0
Result from deconsolidations (-)	2	0.0	–39.4
Other non-cash expenses (+)/income (-)		6.0	6.0
Currency translation effects		–0.2	0.1
Interest expenses (+)/interest income (-)		2.8	2.6
Income tax expense (+)/income (-)		3.9	4.0
Income tax payments (-)		–1.2	–2.7
Cash flow from operating activities		**–44.3**	**–18.1**
Proceeds (+) from the disposal of property, plant and equipment	8	0.6	0.7
Disbursements (-) for investments in property, plant and equipment	8	–12.7	–10.6
Proceeds (+) from disposal of intangible assets	7	–1.6	–2.3
Proceeds (+) from disposal of assets held for sale	10	18.9	0.0
Payments (-) for additions to the consolidation group	2	–1.3	0.0
Proceeds (+) from additions to consolidation group	2	24.5	0.0
Proceeds (+) from disposals from the consolidation group	2	2.9	0.0
Payments (-) for disposals from the consolidation group	2	0.0	–6.4
Interest received (+)		0.1	0.2
Cash flow from investing activities		**31.4**	**–18.4**
Proceeds (+) from additions to equity by non-controlling interests		0.0	48.0
Disbursement (-) in connection with payments received from equity contributions by non-controlling shareholders		0.0	–4.4
Dividends paid (-) to shareholders of the parent company	11	–15.2	0.0
Proceeds (+) from (financial) loans		7.5	7.5
Repayments (-) of (financial) loans		–3.6	–8.6
Derecognition (-) of (financial) loans from changes in consolidated group		–6.4	0.0
Proceeds (+)/payments (-) from factoring		4.3	7.4
Interest received (+)		0.0	0.3
Interest paid (-)		–1.2	–1.2
Disbursements (-) for the acquisition of treasury shares to non-controlling interests	11	0.0	–3.0
Cash flow from financing activities		**–14.6**	**46.0**
Change in cash and cash equivalents		**–27.5**	**9.5**
Effect of currency translation on cash and cash equivalents		0.3	–0.2
Cash and cash equivalents at the beginning of the period		108.1	98.9
Cash and cash equivalents at the end of the period		**80.9**	**108.2**

A. BASIC AND GENERAL INFORMATION

Mutares SE & Co KGaA, Munich (hereinafter referred to as "the Company" or "Mutares"), emerged from Mutares AG, Munich, after a completed change of legal form. At the Annual General Meeting on 23 May 2019 in Munich, the transformation of Mutares AG into a "Kommanditgesellschaft auf Aktien (KGaA)" with the accession of Mutares Management SE as general partner was resolved. With the entry in the commercial register on 24 July 2019, the change in legal form was completed.

The Company is headquartered in Munich and is registered there at the Local Court in the Commercial Register Department B under the number 250347. The registered seat and headquarter of the company is Arnulfstraße 19, 80335 Munich, Germany.

These interim consolidated financial statements were prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting". They do not include all information, which are required for a complete consolidated statement; rather the consolidated financial statements for the 2018 financial year should be used complementary.

Mutares focuses on the acquisition of medium-sized companies in special situations with the goal of guiding these companies back on a stable path of profitable growth through intensive operative cooperation. Together with the management of the investments, our own operative team uncovers potential for improvement and works on strengthening profitability in order to increase the company's success sustainably and over the long term. Extensive operational industry and restructuring experience paired with financial and operational support form the foundation for mastering the challenges of restructuring.

In contrast to traditional investment companies, Mutares increases the earnings situation of companies through active restructuring and reorganization management. Thus, it does not limit itself to the mere holding and management of its portfolio. Instead, acquired associated companies are systematically further developed in order to exploit their potential and thereby increase the value of the entire Mutares Group.

B. CHANGES IN THE SCOPE OF CONSOLIDATION

1. First time consolidations

The following subsidiaries were acquired and consolidated for the first time in the period from 1 January to 30 June 2019:

ACQUISITION OF NORMEK OY AND OTHER SUBSIDIARIES

On 28 February 2019, Donges SteelTec GmbH, a Mutares platform investment, completed the acquisition of 100% of the shares in Normek Oy, Vantaa, Finland, and its subsidiaries in Finland and Sweden ("Normek") through a newly established intermediate holding company. Normek is one of the leading companies for steel building construction and facade solutions in Finland and is mainly active on the Finnish and Swedish markets. The product portfolio and distribution channels of the Donges Group will thus be expanded and supplemented. In 2018, Normek generated revenues of around EUR 65 million and employs around 250 people.

The purchase price amounts to EUR 1.5 million and is due in three tranches (at the time of the transfer of economic ownership and further payments in 2019 and 2020). In addition, bank liabilities of the seller and Normek Oy amounting to approx. EUR 0.3 million were repaid as part of the acquisition. In addition, a liability of the seller to Normek Oy in the amount of approx. EUR 4.2 million was assumed. Acquisition-related incidental costs for the transaction were incurred only to an unsubstantial extent. These are recognised in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 6.5 million, resulting in a profit from a bargain purchase of EUR 0.5 million.

ACQUISITION OF FDT FLACHDACH TECHNOLOGIE GMBH & CO. KG AND OTHER SUBSIDIARIES

In addition, Donges SteelTec GmbH completed the acquisition of 100% of the shares in FDT Flachdach Technologie GmbH & Co. KG, including its subsidiaries in France and Belgium, and BFS GmbH, Mannheim ("FDT"), on 19 March 2019 via a newly formed intermediate holding company. FDT is an established supplier in the German market for flat roof systems. The company generated revenues of around EUR 54 million in the 2018 financial year and employs over 200 people. The transaction complements the product range, creates synergies and supports the Donges Group's strategy of establishing itself as a leading European market player in the fields of steel construction, roofing and facade systems.

The symbolic purchase price for the acquisition of FDT was EUR 2. Acquisition-related incidental costs for the transaction were incurred only to an unsubstantial extent. These are recognised in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 10.8 million, resulting in a profit from a bargain purchase of EUR 10.8 million.

ACQUISITION OF TRÉFILUNION SAS

By agreement dated 31 May 2019 and completion of the transaction on the same day, Mutares acquired all shares in TrefilUnion SAS, based in Commercy (France), through its direct subsidiary Mutares Holding-31 GmbH. The company with two plants in France produces steel wires and ropes for a customer portfolio diversified by industry and strengthens the Goods & Services segment with revenues of EUR 42 million as a new platform investment.

The consideration for the acquisition of the company amounted to EUR 1. Acquisition-related incidental costs for the transaction were incurred only to an unsubstantial extent. These are recognised in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 29.9 million, resulting in a profit from a bargain purchase of EUR 29.9 million.

ACQUISITION OF PLATI ELETTROFORNITURE S.P.A. AND OTHER SUBSIDIARIES

On 7 June 2019 Mutares Holding-02 AG completed the acquisition of 80% of the shares in Plati Elettroforniture S.p.A., Bergamo (Italy), and its subsidiaries in Poland and Ukraine. In 2018, the company generated revenues of around EUR 38 million. The product portfolio includes cable harnesses, automotive cables, connectors, PVC extrusion and electromechanical assemblies. After the acquisition, Elastomer and Plati will benefit from each other's sales and operational expertise within the Automotive & Mobility segment.

The symbolic purchase price for the acquisition was EUR 1. Acquisition-related incidental costs for the transaction were incurred only to an unsubstantial extent. These are recognised in the statement of comprehensive income under other expenses. The net assets acquired were measured at a fair value of EUR 2.4 million. Based on the 80% share of Mutares, a profit of EUR 1.9 million resulted from a bargain purchase.

ACQUISITION OF KEEEPER GMBH AND OTHER SUBSIDIARIES

Mutares acquired all shares in keeeper GmbH in Stemwede and its subsidiaries in Poland and Belgium as of 20 June 2019 via its direct subsidiary Mutares Holding-26 AG. The company is one of the largest suppliers of plastic household products in Europe with annual revenues of EUR 65 million in fiscal year 2018 and is strengthening the Goods & Services segment as a new platform investment. With two production sites in Germany and Poland and a sales office in Belgium, the Group serves renowned customers in the DIY, food retailing, 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 unsubstantial extent. These are recognised in the statement of comprehensive income under other expenses. The net assets acquired were valued at a fair value of EUR 27.6 million, resulting in a profit from a bargain purchase of EUR 27.6 million.

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

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

No subsidiaries were acquired in the prior-year period from 1 January to 30 June 2018.

2. Deconsolidations

No subsidiaries were deconsolidated in the reporting period.

For information on the deconsolidation of subsidiaries in the period from 1 January to 30 June 2018, we refer to the explanations in the notes to the consolidated financial statements as part of the consolidated financial statements as of 31 December 2018.

C. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHEN-SIVE INCOME

3. Revenues

The development of revenues by segment is presented in the segment report in accordance with IFRS 8.

4. Other income

Other income breaks down as follows:

EUR million	H1 2019	H1 2018
Bargain purchase gains	70,8	0,0
Income from other services	1,0	1,0
Other own work capitalised	0,7	0,9
Income from risk allowance	0,4	0,0
Currency translation	0,4	0,3
Income from raw material and waste recycling	0,4	2,7
Non-periodic income	0,3	0,8
Income from the reversal of impairments	0,3	0,0
Income from the disposal of fixed assets	0,1	0,3
Gains from deconsolidation	0,0	39,4
Settlement agreements with previous owners	0,0	5,8
Rental and lease income	0,0	0,2
Income from the reversal of valuation allowances on receivables	0,0	0,2
Miscellaneous other income	2,7	2,3
Other operating income	77,1	53,9

With regard to transaction-related income (bargain purchases), we refer to the comments on acquisitions of subsidiaries under “first-time consolidations”.

For information on other income in the first half of 2018, please refer to the notes to the consolidated financial statements as part of the consolidated financial statements as of 31 December 2018.

5. Other expenses

The breakdown of other expenses is as follows:

EUR million	2018	2017
Legal and consulting expenses	8,8	11,1
Maintenance and servicing	8,5	9,7
Selling expenses	8,4	12,9
Rent, leases and licence fees	6,7	15,2
Administration	5,8	3,5
Advertising and travel expenses	5,7	5,1
Base levies and other taxes	2,4	2,5
Insurance premiums	2,2	1,9
Fleet	1,3	1,5
Research and development expenses	1,1	0,9
Fees and contributions	1,0	0,3
Compensations, warranties and guarantees	0,8	7,5
Currency translation	0,5	0,3
Losses from the disposal of assets	0,1	0,2
Additions to write-downs on receivables	0,0	1,7
Miscellaneous expenses	1,3	4,9
Other operating expenses	54,6	79,2

6. Selected segment information

According to IFRS 8, operating segments are to be defined on the basis of the 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 profitability. Information reported to the Executive Board as the chief operating decision maker for the purpose of allocating resources to the Group's operating segments and evaluating their performance relates to the products and services manufactured or performed. The Company's Management Board has decided to structure its reporting accordingly. No business segment has been combined to reach the level of the Group's reportable segments.

Up to and including the 2018 financial year, Mutares' business activities were divided into five segments.

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

AUTOMOTIVE & MOBILITY

The investments in the Automotive & Mobility segment are active in the global supply business for commercial vehicles and passenger cars. With plants and employees worldwide, renowned international commercial vehicle and passenger car manufacturers are supplied.

ENGINEERING & TECHNOLOGY

The Engineering & Technology segment bundles the industrial production of Mutares, especially in the area of plant and mechanical engineering as well as related industries. The investments in this segment serve customers in the energy industry, chemical industry, public infrastructure, sports infrastructure and railway industry.

GOODS & SERVICES

The investments in the Goods & Services segment offer their specialized products and services to their customers in the paper and hygiene industries, as suppliers to the oil, gas and chemical industries as well as in the packaging and plastics industries.

The three segments each consist of several legal entities. The allocation of the legal units to the segments is clear; there are no so-called zebra companies. All parts of the company generate income and expenses within the meaning of IFRS 8.5.

EUR million	Segments									
	Automotive & Mobility		Engineering & Technology		Goods & Services		Corporate/ Consolidation		Mutares Group	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Revenues	**214.5**	237.2	**184.8**	98.7	**43.9**	52.3	**0.0**	-0.0	**443.2**	388.1
Cost of Material	**-124.1**	-134.9	**-124.3**	-53.4	**-28.7**	-37.4	**-0.6**	0.0	**-277.7**	-225.7
Personnel expenses	**-60.5**	-60.4	**-55.8**	-28.0	**-10.1**	-10.2	**-7.4**	-5.0	**-133.7**	-103.5
Other expenses	**-27.8**	-37.1	**-26.0**	-16.3	**-5.8**	-5.8	**5.0**	-0.8	**-54.6**	-60.0
EBITDA	**12.5**	7.8	**1.9**	4.7	**55.5**	1.6	**-2.8**	-11.2	**67.1**	2.9
Adjusted EBITDA	**11.0**	13.9	**-6.9**	-0.1	**-2.0**	1.8	**-2.2**	0.6	**-0.0**	16.2
Timing of revenue recognition										
At point in time	**70.4**	70.0	**141.5**	42.2	**44.2**	52.5			**256.1**	164.7
Over time	**144.7**	167.2	**45.3**	58.2	**0.0**	0.0			**190.0**	225.4

The new division into the three above-mentioned segments took place at the beginning of the 2019 financial year. On this basis, the Management Board, as the main decision-maker, has also been managing since the beginning of the 2019 financial year. Accordingly, investments deconsolidated in the course of the 2018 financial year were not allocated to the above-mentioned segments. The reconciliation to the statement of comprehensive income for the first half of 2018 is therefore as follows:

EUR million	Reconcilation to statement of comprehensive income H1 2018		
	Current portfolio	**Subsidiaries decon.**	**Statement of comprehensive income H1 2018**
Revenues	**388.1**	78.9	467.0
Cost of Material	**–225.7**	–61.7	–287.3
Personnel expenses	**–103.5**	–22.5	–125.9
Other operating expenses	**–60.0**	–19.2	–79.2
EBITDA	**2.9**	18.7	21.6
Adjusted EBITDA	**16.2**	–6.9	9.3

The reconciliation of reported segment results to pre-tax profit is as follows:

EUR million	H1 2019	H1 2018
Total segment EBITDA	**69.9**	32.8
Corporate/consolidation	**–2.8**	–11.2
Depreciation/amortisation	**–21.3**	–16.2
Financial result	**–5.3**	–2.6
Profit before tax	**40.5**	2.8

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

The Executive Board, as the chief operating decision maker, has also been measuring the success of the segments since mid-2018 on the basis of a key performance indicator adjusted for special effects, which is referred to as "Adjusted EBITDA" in internal management and reporting. The basis for the calculation of this alternative performance measure is the reported Group EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for transaction-related income (bargain purchases), restructuring and other one-off expenses as well as deconsolidation effects. This alternative performance measure is intended to make operating developments within the segments transparent and enable the chief operating decision maker to assess the operating performance of the individual segments.

The reconciliation of reported EBITDA to adjusted EBITDA is as follows:

EUR million	H1 2019	H1 2018
EBITDA	**67.1**	21.6
Income from bargain purchases	**–70.8**	–5.8
Restructuring and other non-recurring expenses	**3.7**	32.9
Deconsolidation effects	**0.0**	–39.4
Adjusted EBITDA	**0.0**	9.3

With regard to transaction-related income (bargain purchases), we refer to the comments on acquisitions of subsidiaries under "first-time consolidations".

The restructuring and other non-recurring expenses for the reporting period include in particular costs for the implementation of social plans at the companies Kalzip and Gemini.

Restructuring and other non-recurring expenses in the first half of 2018 include those from the measurement of assets and liabilities of Artmadis in connection with the liquidation and deconsolidation (EUR 15.9 million). Also included here are special effects of the IPO, legal and consulting costs, severance costs and fees for Transition Service Agreements ("TSA") from STS (EUR 5.9 million) as well as expenses in connection with the settlement of a legal dispute at Mutares SE & Co. KGaA (EUR 5.5 million). In addition, it includes further one-off expenses in connection with the IPO of STS Group AG and the conversion to IFRS at Mutares SE & Co KGaA (EUR 1.6 million) as well as costs for severance payments and indemnities at various companies of the Mutares Group (EUR 1.4 million).

D. NOTES TO THE CONSOLIDATED BALANCE SHEET

7. Intangible assets

The development of intangible assets is as follows:

EUR million	Internally generated intangible rights and assets	Software	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Historical cost					
As at 1 Jan. 2019	**13.8**	**8.6**	**27.3**	**4.1**	**53.8**
Changes in consolidated group	10.3	0.1	4.1	0.2	14.7
Reclassification	0.0	0.2	0.0	–0.2	0.0
Adjustments due to change in accounting methods	0.0	–2.0	0.0	0.0	–2.0
Additions	0.5	0.1	0.0	0.5	1.1
As at 30 Jun. 2019	**24.6**	**7.0**	**31.4**	**4.6**	**67.6**

EUR million	Internally generated intangible rights and assets	Software	Patents, concessions and other rights	Prepayments and intangible assets under development	Total
Accumulated depreciation and impairment					
As at 1 Jan. 2019	**–3.2**	**–2.2**	**–6.9**	**–0.1**	**–12.4**
Adjustments due to change in accounting methods	0.0	0.2	0.0	0.0	0.2
Depreciation	–0.9	–0.8	–1.4	–0.5	–3.6
As at 30 Jun. 2019	**–4.1**	**–2.8**	**–8.3**	**–0.6**	**–15.8**
Net carrying amounts					
As at 1 Jan. 2019	10.6	6.4	20.4	4.0	41.4
30 Jun. 2019	**20.5**	**4.2**	**23.1**	**4.0**	**51.8**

The decrease in intangible assets due to the first-time application of IFRS 16 is shown in the line “Adjustments due to change in accounting policies”.

8. Property, plant and equipment

Property, plant and equipment developed as follows:

Historical cost	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Historical cost					
As at 1 Jan. 2019	**69.5**	**208.7**	**27.7**	**8.4**	**314.3**
Changes in consolidated group	29.9	23.0	1.2	1.8	55.9
Assets held for sale	−5.0	0.0	0.0	0.0	−5.0
Reclassification	0.3	1.6	0.2	−2.1	0.0
Adjustments due to change in accounting methods	−2.0	−5.6	−1.3	0.0	−8.9
Additions	2.7	3.5	0.6	6.0	12.8
Disposals	0.0	−1.2	−0.1	0.0	−1.3
Foreign translation effects	0.1	0.1	0.0	0.0	0.2
As at 30 Jun. 2019	**95.5**	**230.1**	**28.3**	**14.1**	**368.0**

EUR million	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under development	Total
Accumulated depreciation and impairment					
As at 1 Jan. 2019	**−15.0**	**−148.2**	**−17.8**	**0.0**	**−181.0**
Assets held for sale	0.2	0.0	0.0	0.0	0.2
Appreciation	0.2	0.0	0.0	0.0	0.2
Reclassification	0.0	0.2	−0.2	0.0	0.0
Adjustments due to change in accounting methods	0.0	1.3	0.3	0.0	1.6
Depreciation	−1.8	−8.3	−1.2	0.0	−11.3
Disposals	0.1	0.6	0.0	0.0	0.7
As at 30 Jun. 2019	**−16.3**	**−154.4**	**−18.9**	**0.0**	**−189.6**
Net carrying amounts					
As at 1 Jan. 2019	54.5	60.5	9.9	8.4	133.3
30 Jun. 2019	**79.2**	**75.7**	**9.4**	**14.1**	**178.4**

The decrease in property, plant and equipment due to the first-time application of IFRS 16 is shown in the line “Adjustments due to change in accounting policies”.

9. Inventories

The impairment of inventories to the lower net realizable value recognised in the statement of comprehensive income for the first half of 2019 amounted to EUR 0.2 million (first half of 2018: EUR 11.5 million).

10. Assets held for sale

Assets held for sale amounted to EUR 6.3 million as of 30 June 2019 and mainly comprise the premises of Kalzip GmbH (Engineering & Technology segment). This is to be sold as part of a sale-and-leaseback transaction and subsequently leased. The transaction is highly probable as of 30 June 2019.

As of 31 December 2018, the assets held for sale included the premises of Donges SteelTec GmbH (Engineering & Technology segment), which have been sold as part of a sale-and-leaseback transaction and are now reported as a right of use.

11. Equity

By resolution of the Annual General Meeting on 23 May 2019, a partial amount of EUR 15.2 million was distributed from the balance sheet profit under commercial law as at 31 December 2018 in the form of a dividend of EUR 1.00 per dividend-bearing share.

The authorisation granted by the Annual General Meeting of the Company on 22 May 2015 to the Management Board, with the consent of the Supervisory Board, to increase the share capital of the Company in the period up to 21 May 2020 (inclusive) once or several times by up to EUR 5.6 million by issuing up to 5,600,000 no-par value registered shares against cash contributions and/or contributions in kind ("Authorised Capital 2015/I") was cancelled by the Annual General Meeting on 23 May 2019. At the same time, the Management Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 7.7 million by issuing up to 7,748,146 new no-par value registered shares against cash and/or non-cash contributions ("Authorized Capital 2019/I") on one or more occasions until 22 May 2024.

The Contingent Capital 2016/I of up to EUR 1.5 million created to service the stock options from the Stock Option Plan 2016 was reduced from EUR 0.8 million to EUR 0.7 million by a resolution of the Annual General Meeting on 23 May 2019 by the portion of the unissued stock options and otherwise cancelled. In addition, the Annual General Meeting of the Company resolved to conditionally increase the share capital of the Company by up to EUR 3.0 million by issuing up to 3,000,000 new no-par value registered shares ("Conditional Capital 2019/I"). In this context, the Executive Board was authorized to grant a total of up to 802,176 subscription rights for registered shares of the Company with a notional value of EUR 1.00 per share of the share capital of the Company to members of the Executive Board of the Company and selected employees of the Company as well as to members of the management and selected employees of Affiliated Companies under a stock option plan 2019 of the Company ("Mutares Stock Option Plan 2019").

The authorization to acquire treasury shares granted by the Company's Annual General Meeting on 22 May 2015 and expiring on 21 May 2020 was revoked by resolution of the Annual General Meeting on 23 May 2019. At the same time, the Management Board was authorized to acquire treasury shares of up to a total of 10% of the Company's share capital by the end of 22 May 2024. 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 pursuant to Sections 71a et seq. of the German Stock Corporation Act (AktG), may at no time exceed 10% of the respective share capital of the Company. The authorization may be exercised once or several times, in whole or in part, in pursuit of one or more purposes by the Company, but also by dependent companies or companies in which the Company holds a majority interest or by third parties for the account of the Company or by dependent companies or companies in which the Company holds a majority interest. The Management Board has not made use of this authorization to date, so that the Company continues to hold a total of 261,875 treasury shares as of 30 June 2019. Their share in the share capital amounts to EUR 261,875 or 1.7%.

The transformation of the legal form of the Company into a partnership limited by shares ("Kommanditgesellschaft auf Aktien – KGaA") resolved by the Annual General Meeting on 23 May 2019 with the accession of Mutares Management SE as general partner was, completed with the entry in the commercial register, on 24 July 2019. The shareholders who are shareholders of Mutares AG at this time will become limited shareholders of Mutares SE & Co KGaA.

12. Financial instruments

Financial assets and liabilities are classified according to the measurement categories of IFRS 9 as follows:

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Measurement in accordance with IFRS 16	Fair value	
Financial assets by class		**30 Jun. 2019**	**Amortized costs**	**Fair value OCI**	**Fair Value PL**		**30 Jun. 2019**	**Hierarchy**
Other non-current financial assets								
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	**6.0**			6.0		**6.0**	Level 3
Other non-current financial assets	AC	**6.8**	6.8				**6.8**	
Trade and other receivables	AC	**159.0**	159.0				**159.0**	
Trade and other receivables	FVOCI	**24.8**		24.8			**24.8**	Level 2
Other current financial assets								
Security deposits	AC	**2.4**	2.4				**2.4**	Level 2
Other financial assets	AC	**4.1**	4.1				**4.1**	
Restricted other financial assets	AC	**6.0**					**6.0**	
Cash and cash equivalents	AC	**76.6**	76.6				**76.6**	
Restricted cash	AC	**4.3**	4.3				**4.3**	

The decrease in other non-current financial assets (FVPL) compared to 31 December 2018 is mainly due to an adjustment in the fair value of expected subsequent payments of EUR 2.7 million from the sale of Geesink Group B.V. in fiscal year 2017. A received subsequent payment of EUR 2.9 million from the earn-out agreement of A+F Automation und Fördertechnik GmbH, which was sold in fiscal year 2017, is reflected in the decrease in the item “other financial assets”.

EUR million	Categories according to IFRS 9	Carrying amount	Measurement in accordance with IFRS 9			Measurement in accordance with IFRS 16	Fair value	
Financial liabilities by class		30 Jun. 2019	Amortized costs	Fair value OCI	Fair Value PL		30 Jun. 2019	Hierarchy
Non-current financial liabilities								
Liabilities to banks	FLAC	8.9	8.9				8.9	Level 3
Third party loans	FLAC	5.8	5.8				5.8	Level 3
Liabilities from finance leases	n/a	72.1				72.1	72.1	Level 3
Miscellaneous financial liabilities								
Other	FLAC	0.2	0.2				0.2	Level 2
Derivatives	FLFVPL	0.1			0.1		0.1	Level 2
Trade payables and other liabilities	FLAC	3.6	3.6				3.6	
Current financial liabilities								
Liabilities to banks	FLAC	29.9	29.9				29.9	Level 3
Liabilities from factoring	FLAC	53.3	53.3				53.3	
Third party loans	FLAC	5.6	5.6				5.6	Level 3
Liabilities from finance leases	n/a	16.6				16.6	16.6	Level 3
Other financial liabilities		2.1	1.8		0.4		2.2	
Other financial liabilities	FLAC	1.8	1.8				1.8	
Miscellaneous other current financial liabilities	FLFVPL	0.3			0.4		0.4	Level 3
Trade payables and other liabilities	FLAC	200.3	200.3				200.3	

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

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

Total by category

EUR million	Categories according to IFRS 9	Carrying amount 30 Jun. 2019	Carrying amount 31 Dec. 2018
Financial assets measured at amortised cost	AC	**260.9**	248.4
Financial assets measured at fair value through profit or loss	FVPL	**6.2**	11.3
Financial assets measured at fair value through equity	FVOCI	**24.8**	21.6
Financial liabilities measured at amortised cost	FLAC	**309.4**	266.3
Financial liabilities measured at fair value through profit or loss	FLFVPL	**0.4**	0.4

The fair value of the financial instruments is determined taking into account current parameters such as interest rates or exchange rates on the balance sheet date and recognized customary valuation models. For further details, in particular on the allocation to the fair value levels, please refer to the notes to the consolidated financial statements as of 31 December 2017. In the event of reclassifications to and from the levels of the measurement hierarchy, these are recognized at the end of the respective reporting period.

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

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

- Level 1: Input parameters are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Input parameters are prices other than those quoted in Level 1 that are either directly observable or can be indirectly derived from the asset or liability.
- Level 3: Input parameters are unobservable parameters for the asset or liability.

E. OTHER INFORMATION

13. Contingent liabilities, guarantees and legal disputes

For a comprehensive presentation of contingent liabilities, guarantees and legal disputes, please refer to the information in the notes to the consolidated financial statements as part of the consolidated financial statements as of 31 December 2018. The information below is limited to new contingent liabilities, guarantees and legal disputes or a change in our assessment with respect to contingent liabilities, guarantees and legal disputes already existing as of 31 December 2018.

CONTINGENT LIABILITIES/GUARANTEES

Obligations from company acquisitions

Mutares has committed to the seller of keeeper GmbH for a limited period of time until 30 December 2020, to transfer liquid funds of up to EUR 1.5 million to the seller of keeeper GmbH, if this should be necessary to avoid insolvency. Insofar as this financing obligation has not yet been fulfilled in the event of insolvency despite a requirement, Mutares has undertaken to indemnify the seller against any claims by third parties in connection with this insolvency, whereby this obligation is limited in amount to the financing contribution not yet paid and to twelve months after completion of the acquisition. Furthermore, Mutares has undertaken to indemnify the seller in the event of a claim in connection with a former financing commitment as well as previously given guarantees, whereby this obligation is limited to an amount of EUR 3.5 million. This obligation ends at the latest five years after completion of the acquisition. At present, the Management Board does not expect these obligations to be utilized.

Mutares 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 given by Mutares to ensure the fulfilment of indemnification obligations increases and is again limited to an amount of EUR 5.0 million and then reduces to EUR 0 in the period up to 31 December 2021. At the present time, it is not expected that Mutares will be called upon under this guarantee. The additional guarantee provided by Mutares to secure the temporary financing of affiliated companies has been cancelled and replaced by a guarantee from Mutares to provide net dividends received until 30 December 2020 again as financing if required. Both Mutares guarantees with respect to the above matters are still limited to a total of EUR 10.0 million.

Other obligations

Mutares' indirect subsidiaries are jointly and severally liable as participants in civil-law partnerships under joint ventures or consortium agreements with a maximum term of 2025. As of 30 June 2019, this liability relates to projects with a total contract value of approximately EUR 277 million (31 December 2018: EUR 208 million). The company's own share in these amounts to EUR 110.2 million (31 December 2018: EUR 88.8 million). Based on the ongoing credit ratings of the consortium partners, we do not assume that the shares of other companies will be drawn upon. With the exeption of the amounts recognized as provisions for impending losses or amounts recognized in the context of less-free valuation, we also do not expect any claim to be due.

LEGAL DISPUTES

Mutares is sued by some of the former employees of the Artmadis Group in France. One lawsuit concerns liability arising from alleged employee employment, the other concerns alleged corporate responsibility. Mutares will fully defend itself against all claims which it considers to be unfounded.

Mutares is also sued by four former employees of its former subsidiary Pixmania SAS in France. The complaint is based on an alleged employee creation. Mutares considers the complaints to be unfounded and will fully defend itself against them.

For these actions, defense costs in the mid-six-figure range were deferred.

14. Events after the end of the reporting period

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

At the Annual General Meeting of Mutares AG in Munich on 23 May 2019, the transformation of the Mutares Company into a partnership limited by shares (KGaA) was resolved with the accession of Mutares Management SE as general partner. With the entry in the commercial register on 24 July 2019, the change in legal form was completed. The shareholders who are shareholders of Mutares AG at this time will become limited shareholders of Mutares SE & Co KGaA.

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. The group develops and manufactures market-driven components for passenger cars and is therefore assigned to the Automotive & Mobility segment. The product portfolio includes hinges, locking systems and mechatronic systems. In the 2018 financial year, the company generated revenues of around EUR 100 million. The purchase price for the shares amounts to EUR 1.0 million.

F. ACCOUNTING POLICIES

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

As a result of the first-time application of IFRS 16 since 1 January 2019, the Mutares Group has experienced conversion effects in the following areas, which have led to a change in accounting methods.

15. New Standards and Interpretations

IFRS 16 "LEASES" (IFRS 16)

Description of accounting policies

IFRS 16 was published in January 2016 and replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Leases - Incentives" and SIC 27 "Assessing the Economic Content of Transactions in the Legal Form of Leases" for fiscal years beginning on or after 1 January 2019. The EU endorsement was issued on 31 October 2017.

IFRS 16 contains a comprehensive model for identifying leasing agreements and for accounting by the lessor and lessee. IFRS 16 is generally applicable to all leases. A lease as defined by the standards exists if the lessee is contractually granted the right by the lessor to control an identified asset for a specified period and the lessor receives consideration from the lessee in return.

For lessees, the previous distinction between rental leasing and finance leasing no longer applies. Instead, the lessee must in future recognise the right to use a leased asset ("right-of-use asset" or "RoU asset") and a corresponding lease liability for all leases. The only exceptions are short-term leases and leases for low-value assets. The amount of the RoU asset at the time of acquisition corresponds to the amount of the lease liability plus any initial direct costs incurred by the lessee. In subsequent periods, the RoU asset (with two exceptions) is measured at amortised cost. The lease liability is measured as the present value of the lease payments made during the lease term. In the following, the carrying amount of the lease liability is compounded using the interest rate used for discounting and reduced by the lease payments made. Changes in lease payments result in a revaluation of the lease liability.

For lessors, on the other hand, the accounting method known under IAS 17 "Leases" with a distinction between finance and rental leases remains the same. The catalogue of criteria for assessing a finance lease was adopted unchanged from IAS 17.

IMPLEMENTATION AT MUTARES

Mutares applies IFRS 16 "Leases" from 1 January 2019. This resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions of IFRS 16, the Mutares Group adopted the new rules retrospectively and in a modified form. The comparative figures have not been restated.

The transition to IFRS 16 is based on the assumption that RoU assets can be measured at the same value as leasing liabilities. In addition, extension and termination options are measured on the basis of current information in the course of IFRS 16 conversion. With reference to IFRS 16.C8(c) and IFRS 16.C10(b), no impairment test was performed on the rights of use at the time of first-time application. IFRS 16 is not applied for the transition to contracts that were not previously classified as leased assets in accordance with IFRIC 4 or IAS 17.

The Group makes use of the simplified provisions of IFRS 16 for low-value assets and for short-term leases (leases with a term of less than 12 months). Leases with a remaining term of less than 12 months as of 1 January 2019 are accounted for as short term leases. A value limit of EUR 5,000 is used for the low-value assets.

Mutares has also decided to apply IFRS 16 to other intangible assets. Leasing and service components of Mutares must be shown separately from each other. In addition, a uniform interest rate is applied to similar leased assets grouped as a portfolio (e.g. grouped by value, term, credit spread, country, currency or collateral).

Assumptions and estimates

The following key assumptions were made in determining the interest rates with equivalent maturities, which are used to calculate the present value of leasing liabilities:

REFERENCE INTEREST RATES:

- Where available, the reference interest rates are generally based on yields on government bonds with equivalent maturities, which can be downloaded from the Bloomberg financial information system.
- In cases where no original yields on government bonds in the desired currency were available, synthetic yields were derived from available yield curves in USD or EUR, country risk premia (to reflect country specific creditworthiness) and inflation differentials (to translate to the target currency).
- Country risk premiums are based on credit default swap spreads of the respective countries, which are available in the Bloomberg financial information system.
- Inflation differentials are based on data from the World Economic Outlook Database October 2018 published by the International Monetary Fund (IMF).

COMPANY-SPECIFIC CREDIT RISK PREMIUMS:

- Specific credit ratings for the segments were determined using the "S&P Credit Analytics" financial information system.
- The synthetic rating levels (according to S&P CreditAnalytics) of the individual segments are within a range of B+ to B-.
- Rating-dependent credit risk premiums were determined (for reasons of availability) on the basis of US corporate bonds and US government bonds.
- Since the interest rates determined for the individual segments hardly differ from each other, a uniform credit risk premium was applied for all segments.

CONTRACT-SPECIFIC ADAPTATIONS:

- Contract-specific adaptions were not taken into account.

The weighted average marginal debt interest rates used for discounting are between 1.2% and 9.7%.

Some leases in the Mutares Group include renewal and termination options. In determining the lease term, 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 term are only taken into account if there is sufficient certainty that extension or terminationoptions will be exercised or not exercised during the term of the contract.

Repercussions

The Group leases buildings, office space, technical equipment and machinery as well as other equipment, factory and office equipment and vehicles. Mutares analyzed the effects of IFRS 16 on the Group during the past fiscal year. With the first-time application of IFRS 16 as of 1 January 2019, the Group recognized lease liabilities of EUR 62.7 million and rights of use of EUR 62.7 million for leases previously classified as operating leases in accordance with IAS 17.

There were no onerous leases at the time of initial application.

For leases previously classified as finance leases in accordance with IAS 17, the carrying amounts of the leased assets and the lease liabilities in accordance with IAS 17 existing prior to the first-time application of IFRS 16 are adopted as the initial carrying amounts of the rights of use and the lease liabilities in accordance with IFRS 16, respectively. The valuation principles of IFRS 16 were applied only thereafter. There were no valuation adjustments.

The rights of use recognised relate to the following types of assets:

EUR million	30 Jun. 2019
Intangible assets	1.8
Land and buildings	71.2
Vehicle fleet	3.4
Technical equipment and machinery, operating and office equipment	11.5
Total Rights-of-Use assets	**87.9**

Substantial effects in connection with the reconciliation of the non-cancellable minimum payments for operating lease agreements as at 31 December 2018 (EUR 58.0 million) and the leasing liabilities recognised as at 1 January 2019 (EUR 62.7 million) result from the finance leases (EUR 6.9 million) previously recognised as liabilities, from term adjustments, from the facilitation of the application of "short term" and "low value" leasing agreements and from discounting using the marginal borrowed capital interest rate.

The following table shows the impact of IFRS 16 on the balance sheet as of 1 January 2019:

EUR million

	1 Jan. 2019	Effects IFRS 16	31 Dec. 2018 without application of IFRS 16
Assets			
Intangible assets	39.6	–1,8	41.4
Property, plant and equipment	126.4	–6.9	133.3
Rights-of-Use assets	64.5	64.5	0.0
Deferred taxes assets	13.3		13.3
Non-current assets	**266.0**	**55.8**	**210.2**
Current assets	**420.6**	**0.0**	**420.6**
Total assets	**686.6**	**55.8**	**630.8**
Equity and liabilities			
Total equity	**208.1**	**0.0**	**208.1**
Liabilities from finance leases	48.0	45.9	2.1
Deferred tax liabilities	6.4		6.4
Non-current liabilities	**139.0**	**45.9**	**93.1**
Liabilities from finance leases	14.7	9.9	4.8
Current liabilities	**339.5**	**9.9**	**329.6**
Total equity and liabilities	**686.6**	**55.8**	**630.8**

If IFRS 16 had not been applied as of 30 June 2019, the following values would have resulted:

EUR million

	30 Jun. 2019	Effects IFRS 16	30 Jun. 2019 without application of IFRS 16
Assets			
Intangible assets	51.8	–1.8	53.6
Property, plant and equipment	178.5	–7.0	185.5
Rights-of-Use assets	87.9	87.9	0.0
Deferred taxes assets	20.2	–0.1	20.3
Non-current assets	**358.1**	**79.0**	**279.1**
Current assets	**485.4**	**0.0**	**485.4**
Total assets	**843.5**	**79.0**	**764.5**
Equity and liabilities			
Total equity	**229.3**	**0.0**	**229.3**
Liabilities from finance leases	72.1	64.5	7.6
Deferred tax liabilities	18.6	0.0	18.6
Non-current liabilities	**201.9**	**64.5**	**137.4**
Liabilities from finance leases	16.6	14.5	2.1
Current liabilities	**412.3**	**14.5**	**397.8**
Total equity and liabilities	**843.5**	**79.0**	**764.5**

EUR million

	30 Jun. 2019	Effects IFRS 16	30 Jun. 2019 without application of IFRS 16
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**67.1**	**7.3**	**59.8**
Earnings before interest and taxes (EBIT)	45.8	–6.4	52.2
Financial income	–5.3	–1.0	–4.3
Net income for the year	36.6	–0.1	36.7

Leases in which the Group is the lessor do not have a material impact on this interim report.

The EBITDA of the segments rose in all segments as a result of the transition to IFRS 16. The effects of IFRS 16 on segment EBITDA in the first half of 2019 are shown in the following table:

EUR million	EBITDA
Automotive & Mobility	2.9
Engineering & Technology	3.2
Goods & Services	0.8
Corporate/Consolidation	0.4

Munich, 7 August 2019

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

The Board of Directors

Robin Laik — Mark Friedrich
Dr. Kristian Schleede — Johannes Laumann

IMPRINT & CONTACT DETAILS

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
Executive Board: Robin Laik (Chairman), Dr. Ing. Kristian Schleede, Mark Frederick, Johannes Laumann
Chairman of the Supervisory Board: Prof. Dr. Micha Bloching

Contact

Corinna Lumpp
Manager Investor Relations & Strategy

ir@mutares.com
→ www.mutares.com/investor-relations

Concept, Layout

Kirchhoff Consult AG, Hamburg, Germany

Mutares SE & Co. KGaA
Arnulfstr. 19
80335 Munich
Germany
www.mutares.com