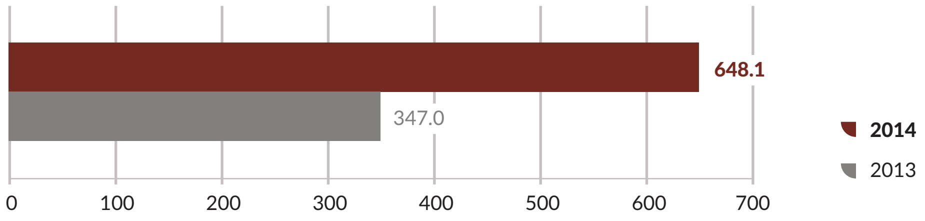
Annual Report 2014

Group management report and consolidated financial statements as of December 31, 2014

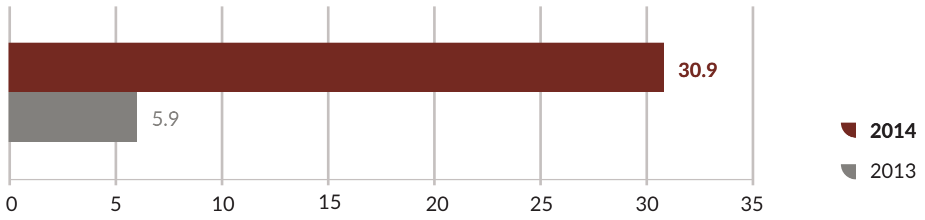
mutares.

Key figures

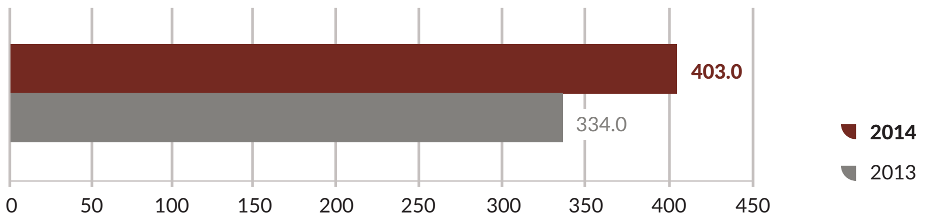
Revenues
EUR m



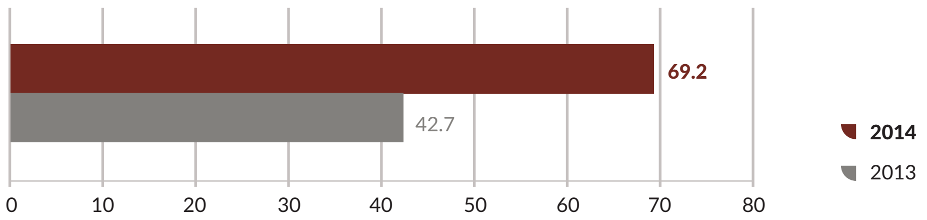
EBITDA
EUR m



Assets
EUR m



Cash funds
EUR m



Contents

Letter of the Executive Board

Dear shareholders,

2014 was a record year for the mutares Group. All performance indicators were increased to new record levels. We owe this fantastic success to our employees, numbering more than 3,300, who work tirelessly to achieve profitable growth. The entire Executive Board would like to express its particular thanks to them.

The mutares Group increased sales revenues by 86.7% to EUR 648.1 million in financial year 2014 (previous year: EUR 347.0 million). Operating earnings (EBITDA) have increased more than five-fold compared with the previous year. At EUR 30.9 million (2013: EUR 5.9 million), they have reached the highest figure in the Group's history. In total, the Group generated net income of EUR 8.5 million (2013: EUR -7.9 million). We therefore fulfilled our promise of profitable growth.

Our subsidiary EUPEC provides an admirable example of this. The company, which specialises in the coating of oil and gas pipelines, was acquired in 2012 with previous year's (adjusted) revenue of EUR 22.7 million and EBITDA of EUR -10.5 million. Following a very successful restructuring programme and targeted changes to personnel, EUPEC was able to exploit its regained competitiveness to acquire large numbers of new clients. Last year, EUPEC generated operating earnings of EUR 10.4 million on sales of EUR 62.9 million.

Outstanding progress with restructuring was also achieved in some other parts of the portfolio. Artmadis, a market leading wholesaler of crockery and kitchen equipment in France, is back in the black after ten years of losses and has further expanded its market leadership. With operating earnings of EUR 4.6 million, Artmadis significantly exceeded this important milestone.

STS Acoustics, an Italian supplier of insulating materials for cars and trucks, was able with its social partners to implement a sustainable solution to the closure of two unprofitable locations without damaging supplier reliability with regard to its customers. This effort by the workforce and management was rewarded with operating earnings of EUR 7.7 million. STS Acoustics is currently planning to open a new location in Poland to create the basis for additional profitable growth.

The automotive supplier Elastomer Solutions, which specialises in rubber moulded parts, is two steps further along in this process. Having successfully opened a production site in Morocco in 2013, an additional plant was constructed in Mexico last year. Despite substantial start-up costs, the management succeeded in generating positive operating earnings. Incoming orders already received promise to virtually triple revenue in 2016 compared with the level when the company was acquired in 2009, making Elastomer the largest growth story in the mutares Group.

mutares was also actively involved in acquisitions in 2014. The largest transaction in the Group's history to date was concluded with Pixmania. Major progress has been achieved in restructuring Pixmania in the first twelve months. Accordingly, the most extensive redundancy scheme to date, which mutares had to implement in France, was successfully concluded in only seven months. mutares wishes to exploit the substantial need for consolidation in the European and particularly the French e-commerce market and proactively shape its development going forward.

A+F Automation + Fördertechnik, a German manufacturer of end-of-life packaging machines, is another acquisition in 2014. In particular, our COO, Dr. Cornelius, has over 20 years' experience in the packaging machine industry. We are confident of improving the operating performance of A+F and view the development of a more diverse customer base very optimistically.

To strengthen our M&A team, we have decided to open a branch in Paris. Two experienced M&A specialists will be responsible there for cultivating the French market, which has become a second domestic market for mutares, having concluded many transactions successfully and built up an outstanding reputation.

The mutares Group's healthy balance sheet structure has improved again in financial year 2014. On the reporting date, December 31, 2014, equity had increased by EUR 12.8 million compared with the previous year's figure to EUR 50.7 million and liquid funds by EUR 24.7 million to the record level of EUR 69.8 million. The Executive Board would like shareholders to participate in this success and will therefore propose a dividend of EUR 4.70 per share to the annual general meeting.

Our success was palpable on the stock exchange. The price of the mutares share has increased from EUR 58.45 (December 30, 2013) by 23.2% to EUR 72.00 (December 30, 2014). In April 2015, the price already stood at over EUR 95. The switch to the Entry Standard segment of the Frankfurt Stock Exchange and the capital increase of EUR 25 million in May 2014 dominated the year's trading. The significantly increased free float of over 35% now has significantly increased trading in the share. Awareness of the share has increased a great deal as a result of our more active capital communication. We shall pursue this course consistently in 2015.

Finally, we would like to express our heartfelt thanks for your trust in our company. We look forward to sharing a successful future!

The Executive Board of mutares AG
Munich, April 2015

Dr. Axel Geuer Co-CEO	Robin Laik Co-CEO	Dr. Kristian Schleede CRO
Dr. Wolf Cornelius COO	Mark Friedrich CFO	

Executive Board

Dr. Axel Geuer, Co-CEO

Degree in Engineering (Mechanical Engineering), TU Munich

Doctorate in Production Technology, TU Munich

Previously a manager at Bain & Company

Co-CEO of mutares AG since 2008

Robin Laik, Co-CEO

MBA, University of Augsburg

Previously ran the M&A team at Escada AG

Previously CFO of a listed investment company

Co-CEO of mutares AG since 2008

Dr. Kristian Schleede, CRO

Degree in Engineering (Mechanical Engineering), RWTH Aachen

Doctorate in Plastics Processing, RWTH Aachen

Previously Senior Manager at McKinsey & Company

Member of the Executive Board of mutares AG since February 2010

Dr. Wolf Cornelius, COO

Degree in Engineering (Mechanical Engineering), RWTH Aachen

Doctorate in Process Engineering at Schering AG

Numerous management roles in manufacturing industry

Member of the Executive Board of mutares AG since February 2010

Mark Friedrich, CFO

MBA, University of Tübingen

Auditor and tax advisor examinations

Previously a manager and authorised signatory (Prokurist) at Ernst & Young

Member of the Executive Board of mutares AG since April 2015

Supervisory Board report

Dear shareholders,

Prof. Dr.
Micha Bloching

Chairman of the Supervisory Board

The mutares Group has posted significant growth in sales in financial year 2014 and, happily, also in earnings. Due to consolidation, sales increased by EUR 301 million to EUR 648 million and net income improved by EUR 16 million to EUR +8.5 million. The Pixmania Group, which was acquired on January 1, 2014, contributed EUR 213 million to the increase in sales. The increase in earnings was attributable, in particular, to the very good performance in the Artmadis and STS Acoustics portfolio companies as well as to Eupec, which is involved in oil and gas pipeline construction and concluded several large projects in 2014.

mutares AG again tackled many challenges effectively in financial year 2014. A capital increase of EUR 25 million was successfully placed on the capital market. This led to a considerable expansion in the free float and was accompanied by the transfer to the Entry Standard segment of the Frankfurt Stock Exchange. The sale of the HIB Group was concluded successfully; the entire credit balance held in trust was paid to mutares AG.

mutares AG's sales remained largely constant, only falling slightly; however, total assets increased further, due to the capital increase in particular. The operational restructuring activities, which constitute the focal point of mutares AG's business activities, were still very profitable. At Eupec, Artmadis, STS Acoustics and Klann Packaging, in particular, tangible progress was achieved in improving their operations. Good results were achieved in adjusting the cost base of the Pixmania Group, which was acquired on January 1, 2014.

This gratifying circumstance resulted in a decline in the consulting services provided, particularly to Artmadis, STS Acoustics and Eupec. However, this was partly offset by the provision of consulting services to the Pixmania Group, which was acquired on January 1, 2014. mutares AG's revenues therefore fell in comparison with fiscal year 2014 from EUR 7.9 million to EUR 7.1 million. Net income in 2014 was mainly generated from income from portfolio companies and the release of provisions, especially as provisions for expected losses of ca. EUR 1.6 million were not used. As a result, equity rose from 79.5% to 88.9%.

The Supervisory Board has also supervised and monitored the commercial development of mutares AG and its corporate governance continuously and advised the Executive Board on running the company. Risk management was again reviewed in depth. The Supervisory Board met four times in the financial year. It also prepared and negotiated additional resolutions by telephone and adopted them by this means or by correspondence. The Executive Board also kept the Chairman of the Supervisory Board, in particular, regularly and promptly informed of current business data and of matters of particular significance including possible liability risks. The Supervisory Board reviewed this on the basis of the Executive Board's reports as well as insight into the company's documents and books; the Executive Board had presented all documents it requested and answered all questions posed by the Supervisory Board.

This also included the risks from the following legal disputes: mutares AG is taking action with the insolvency administrator about the assets of Platinum GmbH i.I. against Diehl AKO Stiftung & Co. KG (Diehl) in connection with the acquisition of the Photovoltaics division from Diehl, inter alia for a declaration that all contracts associated therewith are invalid and for a declaration that the company has a claim for damages. The plaintiffs justify the action inter alia with the fact that they have contested their respective contractual statements. For its part, Diehl is taking action against mutares AG for damages on account of non-fulfilment of a letter of comfort provided by mutares AG in connection with the acquisition as well as certain guarantees assumed in this connection. Diehl has also filed an application for annulment against resolutions by the annual general meeting and demands that the annual financial statements as at December 31, 2013 be declared invalid.

There were no changes to the composition of the Supervisory Board and the Executive Board in financial year 2014.

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of mutares AG prepared by the Executive Board and the consolidated financial statements, as at December 31, 2014 in both cases. The annual financial statements were given an unqualified auditor's report. The consolidated financial statements were given a qualified auditor's report; this was justified by the auditor with an obstacle that related to the lack of explanation of the going concern assumptions for a key portfolio company and its assets and liabilities accounted for at going concern values. In its meeting on February 27, 2015, the Supervisory Board examined the annual financial statements of mutares AG in detail and did the same for the consolidated financial statements at its meeting on April 10, 2015. The auditor's audit reports were available to the Supervisory Board in each case. The auditor and his employees were available each time and explained the financial statements in detail; they answered all questions from the Supervisory Board to its complete satisfaction. The Supervisory Board concurred with the results of the audit of the financial statements and approved the annual financial statements of mutares AG for the financial year 2014 prepared by the Executive Board on February 27, 2015 and approved the consolidated financial statements on April 10, 2015. The annual financial statements have therefore been adopted.

At the meeting on April 10, 2015, the Supervisory Board also resolved to propose paying an amount of EUR 10,996,693.40 (without taking account of own shares) to shareholders from the retained earnings of EUR 11,123,803.35 as at December 31, 2014, which equates to a dividend of EUR 4.70 per share entitled to profits and carrying the remaining amount of EUR 127,109.95 forward.

The Supervisory Board thanks the members of the Executive Board and the employees of mutares AG and all Group companies for their work. They have again contributed to a successful business year.

The Supervisory Board of mutares AG
Munich, April 2015

Prof. Dr. Micha Bloching
Chairman of the Supervisory Board

Highlights of the year 2014

January 1, 2014

mutares acquires Pixmania

mutares AG acquired Pixmania S.A.S and all its subsidiaries from Dixons Retail plc on January 1, 2014.

April 3, 2014

mutares announces the Group's result for the record year 2013

The financial year 2013 was another record year for mutares with substantial growth in sales and earnings. This was based, in particular, on the successful operational development of the portfolios as well as the largest and most profitable sale of a portfolio company in the company's history.

May 10, 2014

Shareholders benefit from the successful 2013 annual financial statements

The company's 2013 annual financial statements were presented at the annual general meeting, which took place on May 9, 2014 and payment of a dividend of EUR 10.00 per share was decided here. The total amount paid out was EUR 20.2 million.

May 13, 2014

mutares completes the change of segment to the Entry Standard

With effect from May 14, 2014, mutares AG was included in the Entry Standard segment of the Frankfurt Stock Exchange with a share capital of EUR 2,027,760. The subscription price for the capital increase was set at EUR 80.00.

June 3, 2014

Capital increase placed successfully – gross issue proceeds of around EUR 25 million

mutares AG successfully placed the cash capital increase announced on May 9, 2014 on the market in the planned amount of 311,962 shares. As part of the capital measure, the company's free float increased to over 35%. As a result, mutares AG emphasised its strategic repositioning on the capital market as well as its aim to increase the trading liquidity of the mutares share.

September 30, 2014

mutares confirms half-yearly figures at a record level and publishes its half-yearly report

mutares AG published its half-yearly report. Revenues in the group increased by 111% to the record figure of EUR 307.5 million (first half of 2013: EUR 145.8 million). Earnings (EBITDA) rose by 55% to EUR 10.4 million (first half of 2013: EUR 6.8 million).

December 1, 2014

mutares successfully concludes the acquisition of A+F

mutares AG successfully concluded the acquisition of A+F Automation + Fördertechnik GmbH („A+F") following approval from the cartel authorities with completion of the purchase agreement on December 1, 2014. A+F is a leading manufacturer of packaging machinery for final packaging based in Kirchlengern (Westphalia).

December 18, 2014

mutares portfolio: EUPEC expects a significant increase in sales in 2014 and acquires another large order

EUPEC, a portfolio company owned by mutares AG, which specialises in the coating of oil and gas pipelines, has acquired a large order from Nigeria. The company expects a sharp rise in sales in financial year 2014.

mutares on the capital markets

Inclusion in the Entry Standard segment and price performance

With effect from May 14, 2014, the mutares AG share switched to the Entry Standard segment of the Frankfurt Stock Exchange from the Open Market (OTC trading) of the Berlin Stock Exchange. On this date, mutares AG was included in the Entry Standard segment with a share capital of EUR 2,027,760. The backdrop to the switch was the strategic repositioning of mutares AG on the capital market.

Trading in the mutares share started in Frankfurt on May 15, 2014 (XETRA). The shares opened their listing at a price of EUR 79.53. The mutares share marked its high in the period from May 15 to December 30, 2014 (final day of trading in 2014) at EUR 88.30 on May 26. The mutares share closed stock exchange trading in 2014 at a closing price of EUR 70.87. Compared with the closing price in 2013 of EUR 58.50 on the Berlin Stock Exchange, the mutares share increased in value by 21.1% over the entire period under review. On March 31, 2015, the mutares share closed at EUR 85.99 (XETRA). This corresponds to a current market capitalisation of EUR 201.2 million.

The average number of mutares shares traded daily on all German stock exchanges was 544 shares in the period from May 15 to December 30. The market capitalisation of mutares AG has increased significantly at the 2014 balance sheet date compared with the 2013 balance sheet date because of the capital increase and the increase in the share price. At the 2014 balance sheet date, the market capitalisation of mutares AG based on 2,339,722 shares in circulation came to EUR 165.8 million (XETRA). Based on 2,027,760 shares, the market value stood at EUR 118.6 million on the 2013 balance sheet date.

At the end of the financial year 2014, mutares AG had a free float of 37%. 63% of the shares are owned by the founding shareholders.

Dividend payment

On May 9, 2014, the Executive Board provided information on business performance in 2013 at the annual general meeting of mutares AG and took questions from the shareholders. All resolutions proposed by the board were accepted by the vast majority of the shareholders represented. The annual general meeting decided to pay a dividend of EUR 10.00 per share. The dividend consisted of a basic dividend of EUR 0.85 per share and a special dividend of EUR 9.15 per share. Therefore, the total amount paid out was EUR 20.2 million.

Capital increase

In the second quarter of 2014, mutares AG successfully placed a cash capital increase of 311,962 shares on the market. As a result of the issue of 311,962 new shares, the company's stock increased by EUR 311,962 from EUR 2,027,760 to EUR 2,339,722. The new shares will be entitled to profits from January 1, 2014. The transaction was supported by Hauck & Aufhäuser Privatbankiers KGaA, Frankfurt am Main, as Sole Lead Manager.

This measure was carried out against the background of the strategic repositioning of mutares AG, in particular, as well its aim to increase the trading liquidity of the mutares share. The gross proceeds from the capital increase came to EUR 24.96 million, which will be used to finance the future growth of mutares AG.

Investor relations

The more stringent transparency requirements associated with the switch to the Entry Standard segment standard as well as the wider investor base form the basis for the exploiting the capital market listing of mutares AG for the company's future development and its continuing growth.

As part of this switch mutares AG has significantly increased its communication on the capital market in the year under review. Accordingly, the management have provided institutional investors, among others, with information on current business performance at roadshows in the financial centres of Frankfurt, Paris, London, Amsterdam, Zurich and Geneva. The Executive Board gave presentations to institutional investors and representatives of the financial press at the DVFA's Small Cap Conference in Frankfurt in May 2014 and to the German Equity Forum in November 2014. The Executive Board has also actively sought contact with financial media and investors through large numbers of personal discussions.

In the year under review, Hauck & Aufhäuser Institutional Research AG published analysts' reports on the company. A research update was also provided after the balance sheet date on March 16, 2015< in which Hauck & Aufhäuser analyst Torben Teichler recommended buying mutares shares with a price target of EUR 150.00. All the reports provided by Research are available to download from the mutares website under Investor Relations. VEM Aktienbank AG and Oddo Seydler Bank AG act as designated sponsors.

Group management report

as at December 31, 2014

Contents

1. Basis of the group

1.1. Business model

The mutares business model comprises the acquisition and reorganisation of unprofitable companies with a clear growth potential. Among other things, companies with the following criteria are highly interesting:

_Spin-offs from larger corporations
_Revenue of EUR 30 to 500 million
_Established market position (products, brand, customer base)
_Focus of activities in Europe
_Economically challenging situations or turn-around situations (e.g. Short-term liquidity problems, planned restructuring or reorganisation)

Mutares engages in long term commitments with its portfolio companies and considers itself as a responsible shareholder, who provides active support based on its extensive, longstanding experience as a reliable companion in upcoming phases of change. The goal is to form independent medium sized enterprises with a competitive, high-earning, expanding business model from companies that are usually unprofitable on acquisition. Therefore, a condition is that performance improvement potential, which can be achieved through suitable strategic and operational optimisation measures within one to two years is clearly discernible in the acquisition phase.

Unlike many other investment companies, the management of mutares has extensive operational and business turn around experience. The service of mutares after an acquisition includes operational and financial support up to the sale of the portfolio companies.

_After acquisition, mutares initiates cash management procedures and an extensive operational improvement programme in the portfolio companies. These activities are carried out on site by portfolio managers from mutares AG. The portfolio managers have extensive experience in the particular sector and function. The implementation of these projects is carried out in close cooperation and collaboration with the relevant management of the portfolio company.

_With the use of specialists for project-related support and the development of financial resources for investments in innovative products, sales and installations, mutares is able to develop its portfolio companies operationally and strategically so that they may enjoy long term success.

_After a portfolio company has become established as a stable and independent company on course for growth, a sale considered.

Mutares does not limit itself to merely holding and administrating its equity investments and monitoring their performance. Its acquisitions are continuously evaluated with a view to new business opportunities using active portfolio management techniques and supported in their development. Add-on acquisitions are examined on a regular basis.

1.2. Research and development

Product-related research and development is carried out in the mutares Group's technology-driven portfolio companies in particular. In total, a figure in the mid-single digit millions was invested in the development of new and existing products and services in financial year 2014. A large part of this was attributable to the development of the Pixmania IT platform. At STS Acoustics, major developments were undertaken with regard to customer contracts from Ferrari, Maserati and FIAT. In 2014, Geesinknorba started development of the new generation of „GPM4" products.

2. Economic report

2.1. General economic and industry-specific-conditions

Following the recovery in global economic activity in 2013, growth in the global economy slowed slightly in the first half of 2014 and this was followed by a further slowdown in the second half according to the report on the economy produced by the ifo Institute in Munich („ifo Economic Forecast 2014/2015" – published on December 11, 2014).

The weakness in the global economy is mainly due to problems within the Euro area. The crisis-stricken countries in southern Europe and France have not been able to return to the path of economic recovery. The trend in Japan has also visibly deteriorated since summer 2014. The conflict with Russia and the resulting economic sanctions have also depressed global economic development in 2014. While the emerging economies posted growth, they were unable to compensate for the downward trend in industrialised countries.

Monetary policy remained very expansionary in 2014. The Euro area and Japan, in particular, have increased their rate of monetary expansion yet again. China has also eased provision of liquidity since summer 2014 and cut the headline interest rate by 0.4 percentage points in November. The UK and the USA remain expansionary in their focus despite posting stronger economic growth. On the other hand, some emerging countries had to adopt tighter monetary policies because of higher inflation (e.g. Brazil) and disruptions on the currency market (e.g. Russia).

All in all, according to the forecast by the ifo Institute, the global economy grew by 2.7% in 2014. Growth has therefore cooled slightly (previous year: 3.3%). Momentum should pick up slightly in 2015 with growth reaching 3.0%. The USA and emerging countries, in particular, should contribute to this, whereas the economy in the Euro area and in Japan will only grow slowly. The low oil price will give the global economy additional tail wind. Risks to the economy include the persistent debt crisis in Europe with the threat of Greece leaving the Euro area as well as geopolitical tensions such as the conflict in Ukraine.

The economic performance of the Euro area, which is most relevant to the mutares group has improved but only at a slow pace. The development of France and Italy, the second and third largest economies in the Euro area, is still a source of concern. By contrast, Spain, the fourth largest economy, is on course for recovery after implementing tough reforms. With solid growth, Germany, the largest economy, is still the engine driving the European economy and is picking up speed.

The ifo Institute expects growth of 0.9% for the Euro area in 2015 and a slight reduction in the unemployment ratio to 11.5% (previous year: 12.0%). EU countries outside the Euro area should provide growth momentum. In particular, the economy in the UK should grow by 2.6% in 2015, while Eastern European countries post growth of 2.4%.

Considering that mutares AG has specialised in acquiring unprofitable companies, the economic situation in Europe provides favourable conditions for the acquisition of portfolio companies, especially in countries affected by the crisis. In existing portfolio companies that are located and involved in emerging economies, the ongoing restructuring will be helped by the tail wind.

Sentiment in the German private equity sector remains very positive for 2015. According to the Private Equity Forecast 2015 provided by the BVK (Federal Association of German Capital Investment Companies) in February 2015, on the acquisitions side, 18% of German private equity companies (capital investment companies in the growth/buy-out segment) expect a sharp increase in their investment activities. 36% expect a slight increase, 43% see no change in the market in 2015 and only 3% expect a slight fall.

On the sales side, 7% expect a sharp increase in exits in 2015 compared with 2014. 38% expect a slight increase and 48% see no change in the situation. Only 5% expect a slight fall and 2% anticipate a sharp fall. Mutares AG shares these optimistic expectations and is expecting a sharp increase on both the acquisition side and the sales side.

2.2. Business performance and results

The company, in its seventh financial year, was once again successful in the acquisition of new portfolio companies. On January 1, 2014, the Pixmania Group was acquired from the English Dixons Group. Pixmania (Paris, France) is a leading e-commerce retailer operating across Europe, which mainly sells consumer electronics and toys. A + F Automation + Fördertechnik was also acquired from the German Oystar Group on December 1, 2014. A+F is a leading provider of packaging machinery based in Kirchlengern (Germany).

Thus, mutares AG consolidates eleven operating participations at the end of financial year 2014. Six of these portfolio companies represent their own subgroups and consist of several entities. The consolidated companies of mutares AG are listed in the notes. Because of the aforementioned changes in consolidated companies, the figures of the reporting period are only to a limited extent comparable to the figures of the prior year.

2. Economic report

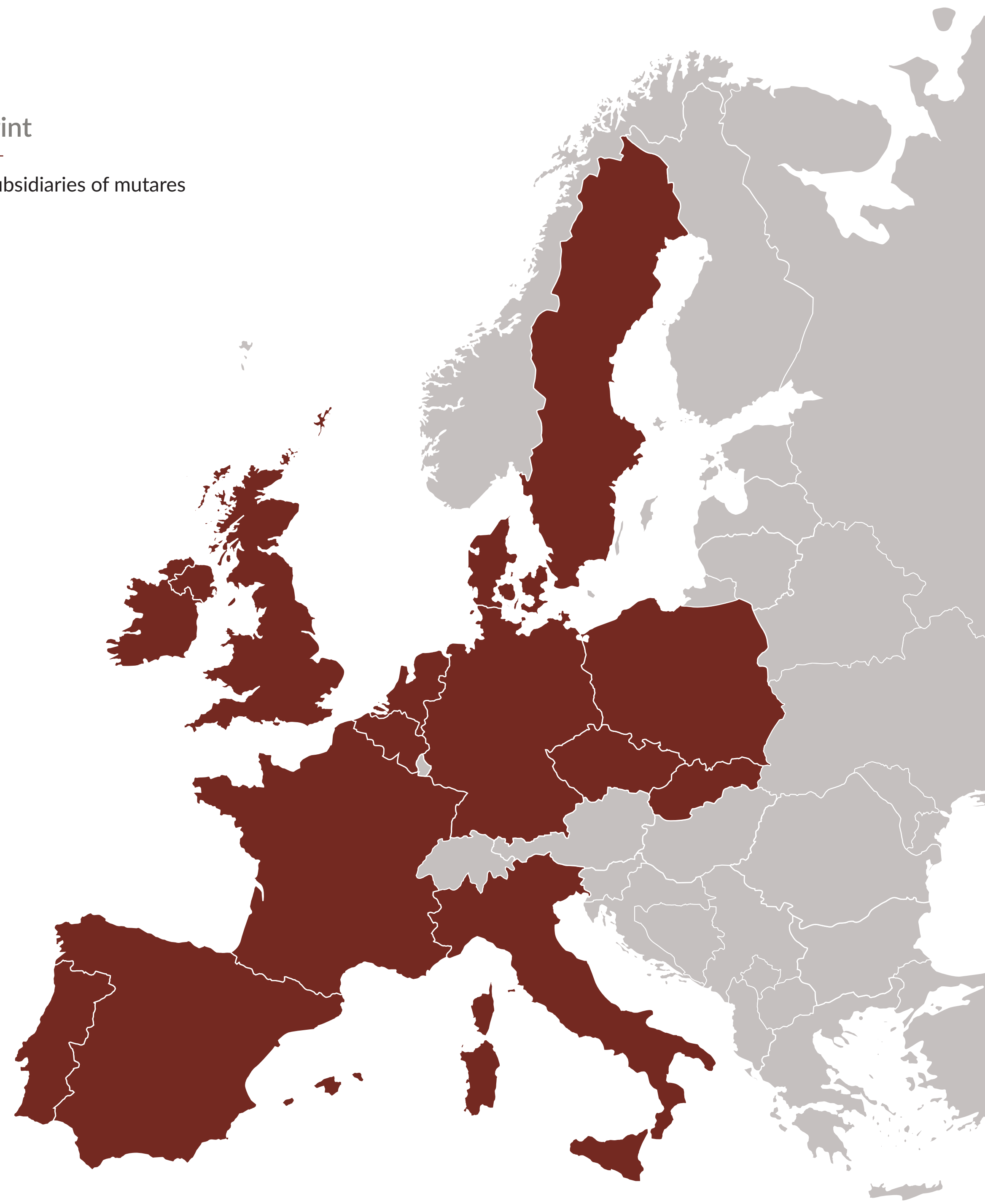
2.3. Reports from the portfolio companies

The following commentary reflects the developments of the individual portfolio companies in the mutares Group. On 31 December 2014, the Group has eleven operating portfolio companies:

Nr.	Segment	Portfolio Company	Industry	Headquarters	Acquisition
1	Industry	**Elastomer Solutions Group**	Automotive	Wiesbaum_DE	Aug_2009
2	Industry	**Fertigungstechnik Weissenfels**	Supplier for machine tool industry	Weissenfels_DE	Feb_2010
3	Industry	**Eupec Group**	Coatings of pipelines for oil, gas and water	Gravelines_FR Sassnitz_DE	Jan_2012
4	Industry	**Geesinknorba Group**	Producer of efficient waste management solutions	Emmeloord_NL	Feb_2012
5	Industry	**STS Acoustics Group**	Provider of innovative acoustic solutions	Leini_IT	Jul_2013
6	Industry	**A + F Automation + Fördertechnik**	Provider of end-of-line packaging machinery	Kirchlengern_DE	Dec_2014
7	Consumer Goods	**Klann Packaging**	Decorative metal packaging	Landshut_DE	Jun_2011
8	Consumer Goods	**SN CGVL**	Transportation	Lyon_FR	Dec_2011
9	Consumer Goods	**Suir Pharma Ireland**	Generic manufacturer for the pharmaceutical industry	Clonmel_IE	Feb_2012
10	Consumer Goods	**Artmadis Group**	Dealer of household goods	Wasquehal_FR	Aug_2012
11	Consumer Goods	**Pixmania Group**	E-commerce provider	Asnières-sur-Seine_FR	Jan_2014

European footprint

Subsidiaries of mutares



The following data on revenue or EBITDA development refer to, if not in any other way explained, the contribution to the respective group revenues or group-EBITDA including the release of the difference resulting from capital consolidation. The business performance for the individual portfolio companies is as follows:

Industry segment

Elastomer solutions group

Paula Dias
CEO

Description

The Elastomer Solutions Group (ESG) develops, produces and distributes rubber moulded parts, primarily for the automotive industry. It employs approximately 400 employees at its five locations in Germany, Portugal, Slovakia, Morocco and Mexico. The core expertise of ESG is the development and production of covers for the protection of wiring harnesses in automotive electrical systems, e.g. Between vehicle doors and bodywork. The Elastomer Solutions Group (ESG) emerged from the Diehl Group in August 2009.

Development

To ensure the profitable growth of the Elastomer Solutions Group moving forward, extensive investment in machinery for the development and expansion of production capacity at the production sites in Morocco, Mexico, Portugal and Slovakia was made in the period under review. The new plant established in Morocco in 2013 was successfully commissioned in 2014. Options for expansion at the site are currently being evaluated. The production of the new plant established in Mexico in 2014 was validated by customers in 2014. On the market side, ESG acquired new contracts, most notably from Audi and VW. Yazaki also nominated ESG as a global supplier. The company's market image was also optimised by a new website, among other factors. In 2014, ESG received a large order to supply the „Delta2xx" GM/Opel vehicle platform from Leoni. In the same period, incoming orders again increased sharply to EUR 55 million. The plans for growth over the next few years were confirmed again as a result. Sales in financial year 2014 increased by 10% year on year to EUR 23.4 million. Despite the very high start-up costs of the two new plants in Morocco and Mexico, positive operating earnings (EBITDA) were achieved. An increase in sales revenues of ca. 30% compared with financial year 2014 and significantly positive EBITDA are expected for financial year 2015.

ElastomerSolutions

Fertigungstechnik Weissenfels

Dr.-Ing.
Helmut Naber
Managing Director

Description

Fertigungstechnik Weißenfels (FTW) develops, manufactures and distributes NC rotary table systems and special devices for the machine tool industry. It employs about 100 employees at its site in Weißenfels near Leipzig. FTW offers end-to-end solutions tailored to customers' specifications, which can be integrated optimally in their machines. FTW's customers are leading European machine tool manufacturers.

Development

In financial year 2014, FTW pressed ahead with the development of new products and presented itself as technology leader in high speed rotary tables and multi-axle systems at the AMB trade fair in the autumn. Newly developed axles from the Blue Line series were successfully introduced at the company's new customer EMCO. Further improvements in the ERP system and to the production facilities were implemented and will contribute to making processes more efficient in future. Accordingly, a new large grinding machine was commissioned among others in 2014. The new website and a far stronger image at established machine tool trade fairs has also boosted customer interest significantly since the fourth quarter of 2014. Sales in financial year 2014 decreased slightly year on year by EUR 0.4 million to EUR 10.4 million. However, under difficult market conditions, FTW significantly improved its negative operating earnings compared with financial year 2013. On the basis of strong incoming orders in the fourth quarter of 2014, FTW expects a sharp increase in revenue and a positive result for financial year 2015.

FTW

Industry segment

EUPEC

Bernard Guisol
CEO

Description

In January 2012, EUPEC Group was acquired from the Indonesian Korindo Group. EUPEC has been the largest European provider of coatings of oil and gas pipelines for over 40 years. The EUPEC Group currently has three plants in France and one plant in Germany and employs on average 120 employees. EUPEC proved its high expertise in delivering technologically advanced solutions in numerous international projects. During the years 2008 to 2012 EUPEC provided all concrete coatings for the gas pipelines of the Nord Stream Project.

Development

The „Martin Linge“ project was successfully completed in the first half of 2014. At the same time, the „Boyla“ project in Norway was started as planned and the preparation for new projects, which have already been commissioned, was vigorously addressed. Sales activities were stepped up, most notably by contacting large numbers of new customers. This value of this initiative was confirmed through the acquisition of a large order from Nigeria at the end of the year. Sales in financial year 2014 increased very significantly year on year by EUR 53.2 million to EUR 62.9 million. On the basis of acquiring additional large orders, EUPEC expects positive revenue development for financial year 2015, which will be critically dependent on the completion of projects. Operating earnings (EBITDA) also improved significantly by EUR 11.9 million to EUR 10.4 million. EUPEC expects a profit at the level of the year under review for 2015.

Geesinknorba

Dr. Albrecht Reiter
Executive Director

Description

The geesinknorba Group (GNG) is a leading provider of solutions for waste management. Geesinknorba develops, produces and distributes innovative, high quality garbage trucks and stationary presses. The company sells its products mainly in Europe and has its own sales and service organisations in the Netherlands, United Kingdom, Italy, France, Spain and Sweden. A further subsidiary in Germany was founded in January 2014. Other European and non-European countries are served via an export sales team and a network of agents and distributors. GNG operates a main plant in the Netherlands and an assembly plant in Sweden.

Development

Various new products including the new generation of waste collection vehicles, the GPM IV, at the international waste trade fair IFAT in May 2014, which were well received by customers. Product innovations and the more concentrated focus on projects in Eastern Europe were the main drivers for a large number of new orders in the period under review, which led to full utilisation of production capacity in the fourth quarter of 2014. On October 1, 2014, a new highly experienced CEO, whose mandate is to focus on sales, took over the management of GNG. Operating earnings (EBITDA) were depressed by the need to employ more temporary staff and were slightly negative. The negative trend in sales under difficult market conditions caused by the introduction of the EURO-6 standard for trucks in the first half of 2014 could not be offset in the second half. As a result, revenue fell by EUR 86.0 million to EUR 72.0 million in financial year 2014. The company therefore fell far short of its expectations for revenue and operating earnings. The difficult earnings situation put a strain on GNG’s liquidity position. This circumstance was exacerbated by the advance financing of larger projects. GNG is therefore required to develop sources of financing or increase customers’ participation in the advance financing of production contracts in financial year 2015 (see section 3.3). On the basis of strong incoming orders since the fourth quarter of 2014, GNG expects a sharp increase in revenue and a significant improvement in operating earnings for financial year 2015.

Industry segment

STS Acoustics

Andreas Becker
CEO

Description

In July 2013 mutares acquired Autoneum Italy S.p.A, which was renamed to STS Acoustics. STS develops and produces innovative solutions in acoustic and heat insulation systems for the engine compartment and interior of vehicles. As one of the leading suppliers the STS customer base includes large truck manufacturers such as CNH Industrial, Daimler, MAN, Scania and Volvo as well as luxury manufacturers such as Ferrari and Maserati plus Fiat Chrysler in the automotive segment. STS operates from three different sites within the country. In financial year 2012, before it was acquired by mutares AG and included in the Group, STS achieved revenue of EUR 112 million with a negative EBIT of EUR 13 million. The reasons for the considerable losses were high structural costs and inefficient production, over manning and sustained quality and supply issues. In the last financial year, mutares succeeded in reducing the complexity of its production operations by closing two of the five production sites. Production was relocated to the three remaining locations at the same time.

Development

The restructuring plan developed in collaboration with the management, which focused on improving product quality and supplier reliability as well as reducing overhead and personnel costs, was largely implemented successfully. The first step was to get a grip on quality issues. In terms of costs, the headquarters at the Leini site was transferred and joined to the plant in Santhia. The relocation of the Vicolungo site to Santhia was also completed. STS is now optimally equipped for further growth. Sales in financial year 2014, were EUR 115.7 million with operating earnings (EBITDA) of EUR 7.7 million. For financial year 2015, STS is expecting a slight increase in revenue and improved EBITDA.

acoustics®
SHAPE THE SOUND

A + F Automation + Fördertechnik

Robert Roiger
Managing Director

Description

Mutares AG acquired A + F Automation + Fördertechnik on December 1, 2014. A + F, which has been a leading provider of end-of-line packaging machines for more than 40 years, has an excellent reputation worldwide for its expertise in implementing high-quality packaging solutions. The company currently employs 175 employees at Kirchlengern in Germany. As a globally active provider of integrated and innovative system solutions, A + F offers a comprehensive range of customer-specific solutions. The company's customer base includes well-known market leaders in the milk and foodstuffs industry.

Development

Following the acquisition and first-time consolidation of A + F on December 1, 2014, a team of experienced restructuring managers with considerable expertise in the sector developed a comprehensive restructuring programme to achieve growth and sustainable profitability. In terms of marketing, the programme concentrates on developing sales structures in previously neglected regions, such as Scandinavia as well as the UK and Ireland. Sales in the USA and Asia are to be boosted by the development of a country-wide network of sales representatives. In terms of costs, a sustainable reduction in costs along the entire value chain is to be achieved. A comprehensive revision of machine designs aimed at reducing complexity will make a major contribution here. A + F only made a minor contribution of EUR 1.2 million to Group revenue in 2014 because first-time consolidation occurred so late in the year.

PACKAGING
SOLUTIONS

Segment consumer goods

Klann Packaging

Dr. Lennart Schley
Managing Director

Description

In June 2011 mutares acquired the business unit Decorative from the HUBER Packaging Group and renamed it KLANN Packaging gmbh (KPG). With ca. 100 employees, KPG's main competence is the development, manufacture and sale of high quality promotional packaging made of pressed tinplate at its location in Landshut. KLANN's products can be distinguished by their particular colour intensity and the special embossing techniques used. The customers of KLANN are wellknown brand manufactures and commercial companies of different sectors.

Development

The management implemented extensive measures to improve market positioning while simultaneously reducing costs along the entire value chain in 2014. By employing a new head of sales, marketing measures were stepped up substantially and large numbers of new clients acquired. The product portfolio was streamlined and production processes optimised through increased automation. Despite falling revenue of EUR 13.4 million in financial year 2014, operating earnings (EBITDA) were increased considerably to the extent a slightly positive figure was achieved. KPG expects a sharp increase in revenue and earnings in 2015 thanks to the improvements in its cost structure and the new marketing activities.

KLANN

SN CGVL

Philip Szlang
Head of mutares France

Description

At the end of December 2011, the business unit CGVL was acquired from the French Star's Service Group. The Société Nouvelle Compagnie Générale de Voitures de Lyon (SN CGVL) is a French transport company with over 800 vehicles and 550 employees. SN CGVL was founded in 1906 and has a well-established market position in the business sectors post/press (39% share of corporate sales), packaging (38%), transport/logistic (18%) and temperature-controlled distribution for the retail sector (6%). The business model is based on long-running contracts to provide trucks with drivers in France.

Development

CGVL also invested in modernising its fleet in financial year 2014. The product range in the logistics/value added services and in the company's charter business was extended. Upgraded IT systems allow the operating performance of the vehicle fleet to be controlled efficiently and, at the same time, improves links with customers. CGVL also makes more use of sub-contractors to be able to respond more flexibly to customers' requests at short notice. Revenue in financial year 2014 amounted to EUR 42.1 million and was consequently just under 2% up on the previous year in a falling market environment. Operating earnings (EBITDA), at EUR 1.0 million, matched the level of the previous year. For 2015 CGVL expects a slight improvement in operating earnings with slightly higher revenue.

CGVL

Segment consumer goods

Suir Pharma Ireland

Anthony Sheehan
Managing Director

Description

In February 2012, mutares AG acquired STADA Production Ireland Ltd, a contract manufacturer of medicines headquartered in Clonmel Ireland, from the MDAX listed company STADA Arzneimittel AG. The company was renamed Suir Pharma Ireland (SPI). SPI was established in 1984 to manufacture and distribute a variety of drugs, mainly tablets and capsules, for the European and the U.S. market. The company has – one of only two plants throughout Europe – antibiotic production facilities, which are certified by the U.S. Food and Drug Administration (FDA).

Development

The measures to acquire new customers continued to be very successful in 2014. With the manufacture of numerous test batches for new products, the preconditions for certification and a rapid start to series production in the next 12 months have been created. In the fiscal year 2014, STS generated revenue of EUR 21.7 million and was consequently slightly down on the previous year's figure. Concessions on pricing led to a fall in gross profit and operating earnings. Focus will remain concentrated on the acquisition of new customers in 2015. Revenue will continue to fall slightly with operating earnings also decreasing slightly. A further depreciation in the euro to the US dollar would have a positive impact on earnings.

Suir Pharma
IRELAND

Artmadis

Pascal Dupenloup
CEO

Description

In August 2012, mutares AG acquired Arc Distribution France (ADF), the leading French wholesaler of household goods, from ARC International, the world's largest manufacturer of crystal and glass. ADF was renamed Artmadis in October 2012. The company's customers include all major French retail chains such as Carrefour, Intermarché, Auchan, Leclerc, Casino, Système U as well as specialised retailers and leading online mail order houses. Artmadis has a market share of over 60% in France.

Development

Essential elements of the restructuring plan, which was based in particular on the consolidation of sites – closure of the site in Nimes – and subsidiary companies, were already successfully completed in financial year 2013. A procurement branch was established in Hong Kong in 2014. Development of the Belgian market was stepped up with corresponding investment in new resources. Additional sales measures were also initiated to diversify sales, which will contribute to higher earnings in 2015.

Revenue stood at EUR 71.8 million in financial year 2014 and was consequently below the level of the previous year. However, optimised product management meant that the company succeeded in expanding the gross profit margin. Operating earnings (EBITDA) increased significantly from EUR -1.9 million (financial year 2013) to EUR 4.6 million (financial year 2014) thanks to the new cost structure. For 2015, Artmadis expects a marked increase in revenue in a difficult market environment and a further improvement in operating earnings.

artmadis
LE SPECIALISTE DES ARTS DE LA TABLE ET DE LA CUISINE

Segment consumer goods

Pixmania

Jens Becker
President

Description

Dixons Retail plc sold the Pixmania Group to mutares on January 1, 2014 as part of a strategic realignment of the Dixons Group. Pixmania is one of the leading European e-commerce retailers, which operates in 14 European countries – with France as its primary focus. Pixmania employs approximately 500 employees at two locations in France and a location in the Czech Republic. The Group operates various e-commerce portals, which target both consumers as well as companies and traders. It has 2.4 million active customers in total.

Development

The operational management was replaced virtually entirely in the course of the first quarter of 2014. A corporate strategy and a restructuring programme designed to take two years were worked out with the new management. The planned contribution to earnings from the programme consists of 70% cost adjustments and 30% increase in revenue/margins. As part of this planning, negotiations on a redundancy scheme were started with members of the works council and trade unions in Paris and successfully completed in September. In financial year 2014, revenue amounted to EUR 213.2 million and operating earnings (EBITDA) to EUR 8.6 million. The continuing decline in sales revenues has not been sufficiently reduced. The difficult earnings situation as well as non-recurring expenses for the adjustments to the cost structure and a significant reduction in financing lines at suppliers squeezed the Pixmania Group's liquidity. In financial year 2015, the Pixmania Group has to turn its operating business around and open up new sources of financing to be able to post the planned growth in the peak season (see section 3.3).

PIXmania.com

3. Net assets, financial position & cash flow

The mutares Group acquires unprofitable companies and provides operational support for these investments. As seen in previous years, changes to the consolidation scope have affected the balance sheet structure of the mutares Group significantly. The acquisitions of the Pixmania Group and A + F Automation + Fördertechnik have had a significant impact on the balance sheet in 2014. The inclusion of the portfolio companies acquired in 2013 and 2014 with earnings issues, combined with economic weaknesses in the sectors and/or main markets of particular investments had an adverse impact on the operating result. This situation was reflected in the respective purchase prices and could be largely offset by the release of negative goodwill (difference from consolidation).

3.1. Net assets and financial position

As of December 31, 2014 total assets in the mutares Group amount to EUR 403.0 million (previous year: EUR 334.0 million). The reason for the increase is primarily the acquisition of the Pixmania Group, which has been consolidated for the first time and has substantial working capital positions. Cash and cash equivalents amounted to EUR 69.2 million (previous year EUR 42.7 million). They are matched by accounts payable to banks of EUR 32.3 million (previous year EUR 28.5 million), which – as in the previous year – largely resulted from recognition of „recourse“ factoring.

In financial year 2014, equity in the mutares Group rose from EUR 37.9 million on December 31, 2013 to EUR 50.7 million on December 31, 2014. Of the increase, EUR 25.0 million is attributable to the capital increase at mutares AG and EUR 8.5 million to positive consolidated net income. In particular, the payment to the shareholders of EUR 20.3 million decided by the annual general meeting had a countering effect. The equity ratio as at December 31, 2014 rose by 1.2 percentage points year on year to 12.6% (previous year: 11.3%).

Cash flow from operating activities in financial year 2014 of EUR -54.5 million (previous year EUR -22.7 million) was largely driven by the operating performance of the portfolio companies, in particular, the newly acquired Pixmania. The cash flow from investment activities amounting to EUR 73.0 million was mainly related to the acquisition of cash and cash equivalents in Pixmania. The cash outflow from financing activities of EUR 6.6 million mainly comprises the EUR 20.3 million dividend payment and the inflow from the capital increase at mutares AG of EUR 25.0 million. As a result, the cash fund increased by EUR 24.7 million to EUR 69.8 million.

The capital increase through the partial utilisation of authorised capital decided by the Executive Board and Supervisory Board on May 9, 2014 was entered in the Commercial Register on June 6, 2014 and has increased the stock accordingly by EUR 311,962. The shares were issued at a placement price of EUR 80.00, which resulted in the company receiving gross issue proceeds of ca. EUR 25 million.

3. Net assets, financial position & cash flow

3.2. Results of operations

In financial year 2014, sales revenues rose by 86.7% year on year from EUR 347.0 million to EUR 648.1 million, which was the sixth successive increase. The first time consolidation of the Pixmania Group on January 1, 2014, the inclusion of STS Acoustics for the full 12 months as well as the sharp increase in revenue at the EUPEC Group continued to the growth in revenue.

Other operating income increased by EUR 34.4 million to EUR 74.7 million in financial year 2014. This was mainly caused by the increase in the release of the difference from capital consolidation amounting to EUR 48.5 million (previous year: EUR 22.2 million) and the reversal of provisions. In the previous year, non-recurring income was generated from the deconsolidation of the HIB Group of EUR 3.7 million. The cost of materials of EUR 417.1 million (previous year: EUR 210.3 million) increased as a result of the inclusion of the e-commerce retailer Pixmania, in particular.

EBITDA increased to EUR 30.9 million in financial year 2014 (previous year: EUR 5.9 million). In particular, the performance of the Artmadis Group, the successful restructuring of STS and the very positive development in the earnings position at the EUPEC contributed to this. In financial year 2014, the operating losses at Geesink and PIX were largely offset by the release of the difference from the capital consolidation. The portfolio companies in the group differentiate themselves through their market, business model, progress in the restructuring cycle and the date of acquisition, all of which lead to fluctuations in group EBITDA. Therefore, the EBITDA of the mutares Group is only a limited indicator for the actual operating performance of the portfolio companies. Consolidated net income increased by EUR 16.4 million to EUR 8.5 million (previous year: EUR -7.9 million).

3.3. Companies whose status as a going concern is at risk

Geesinknorba suffered considerably from the introduction of the new EURO-6 exhaust emission standard for trucks in financial year 2014. The company was confronted with a sharp fall in sales in the first quarter of 2014 because of supply shortages and marked restraint among customers demanding models compliant with the new standard. This fall was not offset during the course of the year. The difficult earnings position, persistently high development costs for the completely redeveloped „GPM4“ product series as well as the start-up costs for the development of the German market have put a strain on the company's liquidity situation. The payment terms of most customers, who only pay the full purchase price on delivery, are forcing the company to look for options for advance funding production and changing payment terms. Should this not be possible, the company would be faced with liquidity problems. The sales department is making every effort only to conclude large orders with corresponding advance payments. The first fruits of their efforts are already apparent. The company has longstanding, trusting relationships with its suppliers. Having optimised its management of working capital, the company is also expecting to overcome this challenging situation in 2015. Incoming orders were well over budget in the first quarter and the management rates the outlook for incoming orders as excellent. The newly developed product generation is being very positively received. The sales strategy introduced in 2014 and the optimisation of marketing activities are demonstrating sustained success. The management therefore assumes that it will overcome the current shortage of liquidity in 2015. Should it fail to do so, the continued existence of the sub-group would be in jeopardy.

Pixmania made very substantial progress in restructuring the business in financial year 2014. Personnel expenses and overheads were reduced significantly. There were also major improvements to procurement. However, there have been negative changes to the payment terms for the company. The loss of trade credit insurance means that the company is forced to pay some suppliers in advance. This is having a very adverse impact on the company's liquidity, the extent of which was not anticipated in the budget. Tough competition in the entire e-commerce market – particularly in the electronics segment – is also putting the gross margin under pressure. The fall in sales was only reduced towards the end of the year. The company must now regain its reduced competitiveness with its optimised cost structure. Unless there is an improvement in the earnings situation and a change in purchasing conditions, the company is also facing a shortage of liquidity towards the end of the year. The company wishes to shape the consolidation pressures in the market proactively to its benefit. It is therefore looking at all strategic options. The company's aim is to emerge stronger from the fraught market situation. Nevertheless, the sub-group's liquidity situation is currently very strained, putting the continued existence of the sub-group at risk.

3.4. Board of directors' assessment of business performance

The Executive Board is satisfied overall with the course of the year. The board is confident that mutares is well equipped to achieve sustained increases in sales and earnings moving forward. The Group achieved an increase in its sales of 86.7% and a significant surge in earnings. However, the performance of the participations is mixed. The Executive Board was very pleased with the performance of EUPEC, Elastomer Solutions and Artmadis. STS and Klann made progress. CGVL, Suir Pharma and FTW held their own in a difficult market environment. The Executive Board was unhappy with the performance of Geesinknorba and also with the performance of Pixmania, despite all its success in restructuring. The Executive Board rates the début at A + F as very pleasing. The Executive Board essentially measures the success of the Group on the basis of progress in restructuring the portfolio companies, cash-flow of mutares AG and the dividends payable to shareholders. Consequently, with the benefit of hindsight, the Executive Board views 2014 as more successful than most years.

3. Net assets, financial position & cash flow

3.5. Financial and non-financial performance indicators

The financial performance indicators of the mutares Group are in particular

- _operating earnings (EBITDA = earnings before interest, taxes, depreciation and amortization)
- _the net cash position (liquid funds less bank liabilities) and
- _the cash flow from operating activities.

Operating earnings (EBITDA) increased to EUR 30.9 million in financial year 2014 (previous year: EUR 5.9 million). The net cash position as of December 31, 2014 amounted to EUR 36.9 million and has therefore developed very positively (previous year: EUR 14.2 million). The cash flow from operating activities amounted to EUR -54.5 million in financial year 2014 (previous year: EUR -22.7 million).

Non-financial performance indicators of the mutares Group include

- _Environmental concerns and
- _Employee concerns

The companies of the mutares Group have set themselves the task to cutback environmental burdens as much as possible. This also includes the permanent improvement of productivity and consumption of fuels. Many of the portfolio companies were granted the ISO 14001 certification from the certification companies.

Satisfied employees have satisfied customers thereby ensuring the long term success of the company. Success in the company is highly unlikely without highly qualified and motivated personnel. That is why we develop our employees according to their strengths, delegate responsibility and enforce the self- and co-determination. This results in employee loyalty and satisfaction. Because of the different characteristics of each portfolio company, specific surveys are conducted in regular intervals.

4. Subsequent event report

Mr Mark Friedrich was appointed to the Executive Board on April 1, 2015. Mr Friedrich has worked for mutares AG as Head of Finance since 2012. As CFO, he will assume responsibility for finance and administration.

5. Forecast, opportunities and risks

5.1. Opportunities and risks of future development

The future development of the mutares Group is associated with risks and opportunities related to the business model. Risk management has an essential role. The objective of the risk management is to identify risks as early as possible in order to minimise these or to bring potential risks in line with associated benefits. Deviations from agreed goals have to be identified as early as possible in order to react adequately.

General opportunities and risks
In 2014 the European economy has developed in two ways. Northern Europe, especially Germany, has developed satisfactorily while Southern Europe and France continue to suffer from the consequences of the crisis. This situation presents mutares AG with opportunities as much as it does risks. Declining markets caused by economic downturns can have a negative impact on the net assets, financial and earnings position of the Group, although the portfolio companies are active in various business fields and thus there is a diversification of risk. Conversely, many countries with economic difficulties provide attractive investment opportunities.

Opportunities and risks of acquisitions and restructuring of companies
The success of the business model largely depends on the capability to identify suitable portfolio companies, to acquire such companies at a favourable price and to support these by active portfolio management. At this point, the selection of appropriate executives as well as portfolio managers is crucial due to the fact that mutares aims to sell portfolio companies at a price exceeding the expenditures of acquiring, supporting, developing and holding the respective portfolio company.

Strategic realignments of large corporations as a consequence of the economic crisis in Europe resulted in a stabilised market of acquisition opportunities. However, driven by expansionary monetary policy, price expectations among sellers are continuing to firm. The fundamental attractiveness of "companies with improvement potentials" has also led to increasing competition. Besides the rising number of direct competitors, strategic buyers, especially from China, are increasingly entering the market segment in order to expand their business activities. Here, mutares is relying successfully on its reliability and expertise as an experienced restructuring expert for companies wishing to reposition.

The investment focus of mutares lies on companies in turnaround situations with below average profitability and carrying a high value enhancement potential when mutares succeeds in developing the portfolio companies as planned. In individual cases mutares can also acquire companies where the restructuring process turns out to be more difficult than anticipated during the due diligence. Even in cases of careful and conscientious selection of the portfolio companies it cannot be ruled out that the planned success of the turnaround situation in single case does not materialise or materialise later than expected or that the economic environment of countries important for the portfolio companies develops adversely. In some cases a bankruptcy can never be ruled out entirely due to the difficult situation in essential countries and the frequent need for quick purchase decisions.

5. Forecast, opportunities and risks

It cannot be ruled out that the restructuring ability of the portfolio company is misjudged or that the risks are not identified or wrongly evaluated prior the acquisition. Therefore it is possible that the value of a portfolio company decreases or the company becomes insolvent. In case of failure of the reorganisation, there is a risk of loss of the resources and services provided as well as a risk that guarantees have to be fulfilled. Specifically, these risks currently exist in connection with geesinknorba and Pixmania. Please see our detailed explanations in section 3.3 above.

Significant tax risks, legal risks and economic risks are associated with an acquisition of portfolio companies in special situations and also in cases in which an extensive due diligence analysis has been conducted in advance. Payables, obligations and other liabilities of a portfolio company that are not known or identified at the point of the acquisition, despite a due diligence analysis, can lead to significant potential harm to the mutares Group. This is especially possible in situations in which mutares AG issued guarantees to sellers. The mutares Group frequently acquires deficient parts of larger corporations, while selling companies request time limited guarantees regarding the going concern of the company being sold. In such cases, it is possible that the net assets, financial positions and earnings of the mutares Group are negatively affected, even if the selling company provides significant financial resources for the restructuring. A guarantee of this kind exists, for example, in connection with the Pixmania acquisition.

Due to basic considerations, neither profit transfer agreements nor cash pooling agreements are contracted. In individual cases and after detailed analysis, guarantees, loans or the like are extended to portfolio companies in order to take business opportunities, to finance growth or working capital. The utilisation of such guarantees or the default of loans can result in negative consequences for the net assets, financial positions and earnings of the mutares Group.

To avoid the maximum extent of possible risks, mutares uses a corporate structure in which each portfolio company is owned by a legally separated intermediate holding that is mainly a joint-stock company.

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

Price risk, credit risk and liquidity risk
Price, sales and demand fluctuations or supply shortages on the side of customers or suppliers as well as general trends from the commodity and capital markets can negatively affect the net assets, financial positions and earnings of the mutares Group. Mutares covers these risks at the level of portfolio companies through continuous and timely monitoring of the results and the development of a restructuring project by following key indicators (such as cash and cash-flow development) in order to intervene at an early stage. Besides the extensive reviews on site, mutares additional introduced a central management information system (MIS) in 2010. That enables on-going comprehensive monitoring of performance in the investments. The cash level is monitored on a weekly basis and especially supported by company specific key performance indicator (KPI's) during critical phases. Nevertheless, there remains a risk that the management information system provides necessary information which is insufficient, late or incorrect, so that bad or wrong decisions are made.

The proper quantification of the restructuring program and future prospects, the provision of adequate funding and the provision of appropriate staffing of resources from mutares AG are the main risks of new acquisitions. Mutares tries to narrow the risks due to a focused due diligence and continuously monitors the risks afterwards.

Personnel risk
The purchase, restructuring and sale of businesses, requires the persons involved to have a high degree of professional competence, management experience and personnel management experience. As part of its business model mutares AG must ensure that adequately qualified personnel resource are available. Mutares AG regularly reviews the members of its management, conducts interviews with recruiting companies and continuously expands its management team qualitatively and quantitatively. Through careful staff selection, a great autonomy of employed restructuring managers and a high share of variable, performance-based remuneration, mutares provides an attractive working environment for entrepreneurial oriented personalities.

Risk of lifting the corporate veil
The mutares Group frequently operates in foreign legal systems. Given that legal systems abroad are more restrictive than the German system, there is a higher liability risk, e.g. Risks associated with lifting the corporate veil. In France, where several portfolio companies have their main economic focus, there are verdicts that extend the obligations of an employer to its parent company. The mutares Group has managed its human resources in such a way that prevents lifting the corporate veil. However, the risk of future liabilities cannot be ruled out.

Legal opportunities and risks
Mutares buys and sells companies. As a result, various opportunities and risks can arise. On the one hand, certain commitments arising from the purchase agreements or communicated business plans cannot be met. On the other hand, legal cases of acquired companies can become more positive or critical as they progress than previously thought. Both may end up in litigation in which the outcome of the judicial proceeding is not clearly assessable.

5. Forecast, opportunities and risks

In relation to agreements regarding the disposal of investments, under certain circumstances, mutares AG as a seller issues guarantees that may result in enforcement by the buyer or can result in legal disputes. In individual cases, the potential enforcement of such guarantees by the buyer can lead to negative consequences for the net assets, financial positions and earnings of the mutares Group.

There is an insolvency guarantee, which will expire in June 2015, in favour of the seller of an affiliated company, which has not been called to date. The insolvency guarantee was unlimited up to December 31, 2014 and is limited to EUR 10 million up to June 2015. On the basis of the subsidiary's economic situation, the Executive Board currently assumes that the insolvency guarantee will not be called. There is an indemnification guarantee, which will expire in December 2016, in favour of the seller of an affiliated company for claims which may be raised against the seller in the event of the affiliated company becoming insolvent in the period up to December 2016. On the basis that insolvency has not occurred, the Executive Board currently assumes that the indemnification guarantee will not be called. There are also other guarantees totalling EUR 11.0 million (previous year: EUR 3.4 million); possible utilisation was taken into account in accordance with commercial principles in other provisions in the amount of EUR 1.6 million.

Mutares AG is involved in a lawsuit with Diehl in connection with the acquisition of the Photovoltaics division from Diehl AKO Stiftung & Co. KG („Diehl“) through its (indirect) subsidiary Platinum gmbh („acquisition“). Mutares AG entered into certain obligations towards Diehl in connection with the acquisition of the Photovoltaics division. Firstly, mutares AG had agreed to guarantee the continued existence of Platinum gmbh and the fulfilment of all liabilities of Platinum gmbh in favour of Diehl for a limited period („letter of comfort“). Secondly, mutares AG had guaranteed the fulfilment of certain obligations of Platinum gmbh arising from the agreement to acquire the company in favour of Diehl („guarantee“). Mutares AG and Platinum gmbh have contested all declarations made in favour of Diehl in December 2013 in connection with the acquisition of the Photovoltaics division on the grounds of fraudulent misrepresentation. Platinum gmbh filed for insolvency on March 3, 2014. The insolvency proceedings were opened on June 1, 2014.

On March 3, 2014, mutares AG together with Platinum gmbh filed a suit with the Ravensburg District Court against Diehl to have the obligations entered into in connection with the acquisition declared void („rescission proceedings“). In this connection, mutares AG is asserting claims for damages against Diehl. Diehl for his part filed a (partial) suit with the Ravensburg District Court in May 2014, asking mutares AG to pay him ca. EUR 15.4 million under the letter of comfort and the guarantee. Diehl also demands the court declare that mutares AG is obliged to reimburse Diehl for all additional losses Diehl incurs from non-fulfilment of the obligations entered into by mutares AG in connection with the acquisition of the Photovoltaics division. Diehl has estimated the provisional value of the lawsuit at ca. EUR 22.5 million in total. Mutares AG disputes the basis for damages and the amount of the loss and for its part demands compensation for all expenses incurred in connection with the investment in Platinum gmbh and management thereof. The two proceedings before the Ravensburg District Court were combined into single proceedings. The insolvency administrator commenced the rescission proceedings on the side of Platinum gmbh i.I. in September 2014. The first hearing before the Ravensburg District Court took place on March 25, 2015. The court suggested composition proceedings between the parties. The parties have agreed to comply with this suggestion by the court. The first composition discussions are expected to be held during April 2015.

The Executive Board of mutares AG as well as its legal advisors are still of the opinion that mutares AG effectively contested the obligations entered into in connection with the acquisition in December 2013 and mutares AG also has a claim to be released from the obligations entered into in favour of Diehl. The Executive Board of mutares AG and its legal advisors therefore assume that mutares AG will not have to make any significant payments to Diehl under the letter of comfort described above and the guarantee. Mutares AG has therefore only again made provisions for legal costs. Should, contrary to the Executive Board's current assessment, the effectiveness of the challenges filed not be substantiated, it is entirely possible that mutares AG could be defeated in the legal dispute described above and might have to pay substantial claims, which could have a sustained adverse impact on the future development of mutares AG.

Financial risks

Mutares management sees the further development of the Group to a certain extent depending on currency and interest rates as well as financing risks, which can have a major impact on the net assets, financial positions and earnings of the mutares Group.

Portfolio companies with existing credit or credit insurance facilities at the time of acquisition are always exposed to the risk that the funding partners terminate these facilities at short notice after the change of ownership. Mutares tries to manage this threat by contacting the financing partner shortly before or after acquisition to discuss the current financial situation and the current restructuring program.

For investments that continue to grow with new strategies after a successful restructuring, access to sustainable credit facilities is essential. Due to high levels of risk aversion on the financial market as a consequence of the financial crisis, such a financing may not always be ensured. Additionally, the Ukraine crisis (including a decline in sales to Russia) and the potential departure of any EU country from the Euro area could cause substantial business risks and distortions within the portfolio companies.

5. Forecast, opportunities and risks

Bad debts
In the past and in particular in respect of changes in ownership, trade credit insurances providers have undertaken intensive examinations of the ongoing contract, with is a risk of deterioration or termination of the insurance conditions. This can lead to the fact that some portfolio companies have higher liquidity needs due to the requirement of payments in advance by suppliers. At the same time, the risk of increased bad debts due to the lack of insurance coverage arises. Mutares tries to counteract these risks of the portfolio companies by implementing standardised accounts receivable and payables management.

It risks
The business and production processes as well as the internal and external communication of companies within the Group are largely based on information technologies. A major disruption or a failure of these systems could lead to a deterioration of business and production systems up to a complete loss of data. Especially acquired carve-outs of groups are confronted with the challenge of extracting the existing IT structure from the previous owner as quickly as possible and without system failures. Such conversions are always risky. Therefore, the generation and oversight of IT documentation for the hardware used, software licenses, network and security policies including access and data security concepts are an essential part of mutares' risk management system.

Tax risks
Tax risks are constantly monitored and must often be worked out in close cooperation with external tax advisors because of their complexity. Due to tax field audits (especially for years prior acquisition) and ever-changing tax legislation negative consequences on the results of operations of the mutares Group cannot be entirely excluded.

Risk management system
The board installed an early risk warning system to allow early identification of developments that could threaten the company´s future. All critical contract modules, business developments and potential claims or liabilities are subjected to regular review and discussed on a regular basis in the monthly meetings of the Executive Board. Standardised reporting by all portfolio companies on a monthly basis gives the Executive Board a comprehensive picture of the entire portfolio. Mutares is also represented by experienced restructuring managers in all portfolio companies. The Executive Board supervises the business performance of all portfolio companies in quarterly review meetings on site; mutares maintains enough free capacity to be able to react flexibly, if necessary.

5.2. Forecast report

The future development of the mutares AG largely depends on acquisitions and disposals of companies and the development of the existing portfolio companies. Mutares AG will continuously analyse new targets and will constantly develop regarding the size and attractiveness of their businesses. Mutares assumes that the acquisitions within the target segment "companies with improvement potential" will further show a positive development in the future due to continuing economic uncertainties despite a very tough competitive environment. The Executive Board therefore plans to make at least three new acquisitions per financial year in 2015 and subsequent years. The largely mature portfolio offers the opportunity to sell portfolio companies and mutares plans to sell one to two companies successfully in 2015.

Considering potential divestitures, mutares intends to achieve group revenue and positive consolidated operating earnings (EBITDA) in 2015 that is slightly above the corresponding revenue and EBITDA in 2014. The cash flow from operating activities should develop very positively compared with 2014. As a result of the current portfolio, the Executive Board expects mutares AG to develop positively over the coming years.

The Executive Board expects a slight increase in the net cash position for 2015 depending on the timing of potential new acquisitions.

Consolidated financial statements

as at December 31, 2014

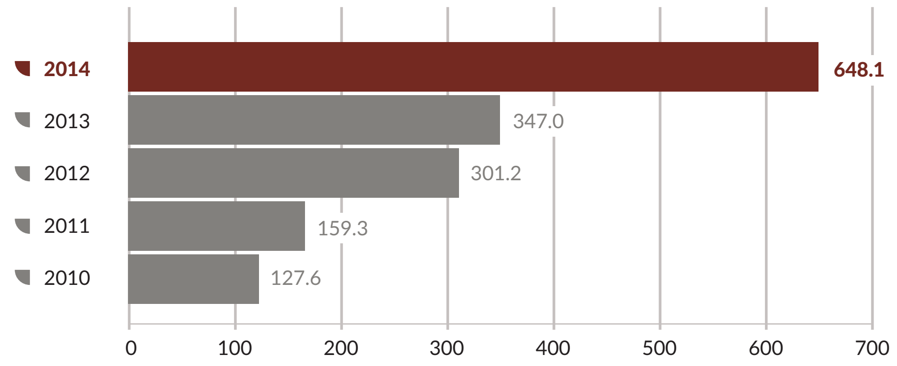
Contents

1. Consolidated income statement

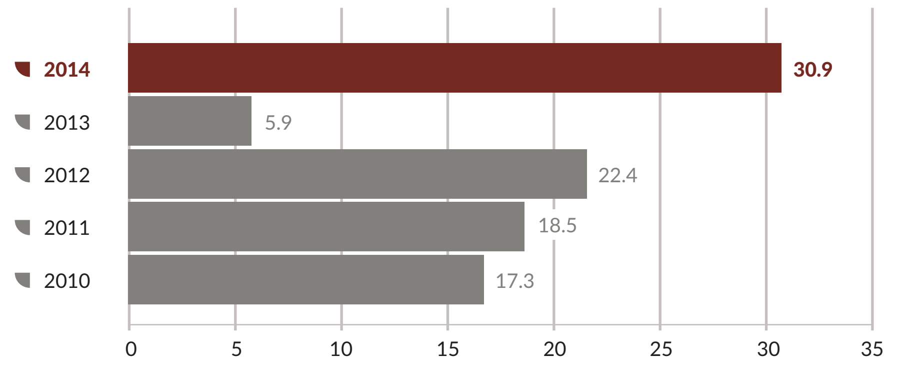
of mutares AG for the financial year from January 1 to December 31, 2014

in EUR	1.1. - 31.12.2014	1.1. - 31.12.2013
Revenues	648,051,504	347,007,724
Reduction (previous year: increase) in inventories of finished goods and work in progress	-5,072,965	14,451,255
Other own work capitalized	3,662,372	704,699
Other operating income	74,673,995	40,226,271
Gross revenue for the period	**721,314,906**	**402,389,949**
Cost of materials	417,106,918	210,347,885
Personnel expenses	156,715,895	106,469,410
Other operating expenses	116,567,862	79,669,373
Earnings before depreciation, interest and taxes (EBITDA)	**30,924,231**	**5,903,281**
Amortization of intangible assets and depreciation of property, plant and equipment	15,428,976	10,418,524
Earnings before interest and taxes (EBIT)	**15,495,255**	**-4,515,243**
Other interest and similar income	136,796	967,184
Depreciation of securities classified as current assets	27,968	580,492
Interest and similar expenses	2,490,232	1,828,242
Profit from ordinary activities	**13,113,851**	**-5,956,793**
Extraordinary expenses	0	152,386
Taxes on income and earnings	909,071	510,239
Other taxes	3,693,043	1,250,009
Consolidated net income	**8,511,737**	**-7,869,427**
Minority interests	9,278	0
Group share of consolidated net incom	**8,521,015**	**-7,869,427**
Profit carry forward	11,578,695	39,827,110
Transfer to other revenue reserves	0	101,388
Consolidated retained earnings (balance sheet result)	**20,099,710**	**31,856,295**

Revenues
EUR m



EBITDA
EUR m



2. Consolidated balance sheet

of mutares AG as at December 31, 2014

ASSETS

in EUR	31.12.2014	31.12.2013
Fixed assets		
Immaterielle Vermögensgegenstände	8,930,728	2,333,499
Intangible assets	8,930,728	2,333,499
Tangible assets	45,765,032	31,616,640
Financial assets	882,029	1,053,902
Total fixed assets	**55,577,789**	**35,004,041**
Current assets		
Inventory	93,889,635	82,451,099
Account receivables and other assets	175,773,179	166,684,281
Short term investments	5,015,079	5,027,465
Cash in hand, bank balances and cheques	69,244,564	42,665,704
Total current assets	**343,922,457**	**296,828,549**
Prepaid expenses	**3,435,472**	**2,135,123**
Deferred tax assets	**19,000**	**43,277**
Excess of plan assets over pension liabilities	**30,997**	**0**
Total assets	**402,985,715**	**334,010,990**

EQUITY & LIABILITIES

in EUR	31.12.2014	31.12.2013
Equity		
Subscribed capital	2,339,722	2,027,760
Capital reserves	24,716,086	71,088
Retained earnings	3,956,117	3,956,117
Equity difference from currency conversion	-307,199	-33,594
Minority interests	-146,960	0
Consolidated retained earnings (balance sheet result)	20,099,710	31,856,295
Total equity	**50,657,476**	**37,877,666**
Difference resulting from capital consolidation	**30,820,323**	**20,539,197**
Provisions	**107,891,380**	**87,808,074**
Liabilities		
Accounts payable due to banks	32,278,435	28,482,629
Advance payments received for orders	34,224,799	41,801,164
Trade accounts payable	104,918,438	66,859,450
Other liabilities	40,984,819	49,153,597
Total liabilities	**212,406,491**	**186,296,840**
Deferred income	**1,210,045**	**1,489,213**
Total assets	**402,985,715**	**334,010,990**

3. Group cash flow statement

of mutares AG for the financial year from January 1 to December 31, 2014

EUR thousand	2014	2013
Consolidated net income for the period	8,512	-7,869
Depreciation on fixed assets	15,429	10,815
Increase (+) / decrease (-) of provisions	-18,248	-4,240
Other non-cash expenses (+) / income (-)	-49,998	-25,670
Gain (-) / loss (+) from disposal of assets	-926	-1,277
Increase (-) / decrease (+) in inventories, trade receivables and other assets, that are not allocated to investing or financing activities	61,519	-14,567
Increase (+) / decrease (-) of trade liabilities and other liabilities, that are not allocated to investing or financing activities	-70,766	20,092
Cash flow from operating activities	**-54,478**	**-22,716**

EUR thousand	2014	2013
Proceeds (+) from disposals of tangible assets	3,695	4,657
Payments (-) for investments in tangible assets	-11,466	-9,199
Proceeds (+) from disposals of intangible assets	257	1
Payments (-) for investments in intangible assets	-5,153	-1,522
Proceeds (+) from disposals of financial assets	414	1,019
Payments (-) for investments in financial assets	-243	-473
Proceeds (+) from the sale of consolidated companies	0	7,395
Payments (-) from the sale of consolidated companies	0	-558
Proceeds (+) from the acquisition of consolidated companies	85,534	11,405
Cash flow from investing activities	**73,038**	**12,725**

EUR thousand	2014	2013
Payments (-) to company's owners	-20,278	-4,137
Proceeds (+) from company's owners	24,957	0
Proceeds (+) from share issues	1,965	9,183
Payments (+) for the repayment of (financial) loans	0	-1,160
Cash flow from financing activities	**6,644**	**3,886**

EUR thousand	2014	2013
Change in the financial funds from cash relevant transactions	25,204	-6,105
Exchange rate, consolidation scope, valuation-related and other changes of the financial funds	-468	-33
Financial funds at beginning of the period	45,074	51,212
Financial funds at end of the period	**69,810**	**45,074**

Composition of the financial fund

EUR thousand	2014	2013
Liquid funds	69,245	42,666
Other securities	5,015	5,027
Bank liabilities repayable at any time	-4,450	-2,619
TOTAL	**69,810**	**45,074**

4. Consolidated statement of changes in equity

of mutares AG as at December 31, 2014

in EUR	Subscribed capital	Capital reserves	Legal reserves	Surplus reserves	Consolidated balance sheet result	Equity difference from currency conversion	Equity of the parent company	Equity attributable to minorities	**Consolidated equity**
As of December 31, 2012	**1,013,880**	**768,120**	**30,300**	**19,156,488**	**29,069,442**	**-120,912**	**49,917,318**	**0**	**49,917,318**
Capital increase from company funds	1,013,880	-697,032	0	-316,848	0	0	0	0	0
Allocations to retained earnings	0	0	101,388	0	-101,388	0	0	0	0
Dividend	0	0	0	0	-4,136,631	0	-4,136,631	0	-4,136,631
Changes in consolidation scope	0	0	0	-15,015,211	14,894,299	120,912	0	0	0
Consolidated net result	0	0	0	0	-7,869,427	0	-7,869,427	0	-7,869,427
Currency translation difference	0	0	0	0	0	-33,594	-33,594	0	-33,594
As of December 31, 2013	**2,027,760**	**71,088**	**131,688**	**3,824,429**	**31,856,295**	**-33,594**	**37,877,666**	**0**	**37,877,666**
Capital increase from authorised capital	311,962	24,644,998	0	0	0	0	24,956,960	0	24,956,960
Dividend	0	0	0	0	-20,277,600	0	-20,277,600	0	-20,277,600
Changes in consolidation scope	0	0	0	0	0	0	0	-137,682	-137,682
Consolidated net result	0	0	0	0	8,521,015	0	8,521,015	-9,278	8,511,737
Currency translation difference	0	0	0	0	0	-273,605	-273,605	0	-273,605
As of December 31, 2014	**2,339,722**	**24,716,086**	**131,688**	**3,824,429**	**20,099,710**	**-307,199**	**50,804,436**	**-146,960**	**50,657,476**

5. Notes to the consolidated financial statements

5.1. mutares AG – at a glance

mutares AG was founded on February 1, 2008. It is headquartered in Munich and registered at the District Court in the commercial register section B under number 172278.

mutares AG acquires companies in special situations, such as corporate spin-offs, unregulated business succession, pending restructuring and reorganization or earnings weakness. mutares increases the earnings of the companies by an active restructuring and turnaround management unlike traditional holding firms. mutares is thus not limited to the mere holding and administration of investments. Acquired portfolio companies are consistently developed to exploit their potential as much as possible in order to enhance shareholder value of the entire mutares Group.

On December 31, 2014 the mutares portfolio consists of eleven operative investments in 17 different countries. The investments operate in the industry and consumer goods segments.

5.2. General information on accounting standards

The consolidated financial statements of mutares AG as of December 31, 2014 were prepared in accordance with the provisions of the German Commercial Code (HGB) and with due consideration of the supplementary provisions of the German Stock Corporation Act.

The structure of the consolidated balance sheet is in accordance with § 266 HGB. The structure of the consolidated income statement is compiled using the nature of expense method (total cost method) outlined under § 275 paragraph 2 HGB.

The principle of presentation continuity was observed.

All figures are in thousands of Euro (in short: kEUR).

Consolidation scope
All subsidiaries included in the consolidated financial statements of mutares AG, Munich, – with the exception of Pixmania S.A.S and A + F Automation + Fördertechnik GmbH – report on December 31. The Group-based evaluations were made in accordance with uniform principles; the consolidated financial statements were prepared on the assumption that the company is a going concern. Please see our comments in section 3.3 of the Group management report.

The consolidated financial statements include both mutares AG as a parent company as well as its affiliated portfolio companies in which mutares owns the majority of voting rights, either directly or indirectly. In mutares' scope of consolidation, all material holding companies and the following operational units were included:

_Elastomer Solutions Group (ESG), Wiesbaum/Germany, Mindelo/Portugal, Belusa/Slovakia, Tangier/Morocco, Fresnillo/Mexico

_Fertigungstechnik Weißenfels GmbH (FTW). Weißenfels/Germany
_KLANN Packaging GmbH (KPG), Landshut/Germany

_Société Nouvelle Compagnie Générale de Voitures de Lyon S.A.S.U. (CGVL), Lyon/France

_Suir Pharma Ireland Ltd. (SPI), Clonmel/Ireland

_EUPEC Group (EUPEC), Gravelines/France, Sassnitz/Germany

_Geesink Group B.V., Emeloord/Netherlands and the affiliated subsidiaries, which include the operative business of GeesinkNorba-Group (GNG)

_artmadis Group (ADF), Wasquehal/France

_STS Acoustics S.p.A. (STS), Leini/Italy and the affiliated subsidiary Porfirma Due S.r.l., Turin/Italy

_Pixmania SAS, Asnières sur Seine/France and the affiliated subsidiaries, which include the operative business of the Pixmania-Group (PIX)

_A + F Automation + Fördertechnik GmbH (AUF), Kirchlengern/Germany

In the financial year, the scope of consolidation has changed as follows[1]:

_January 2014: first time consolidation of 100% of the shares in PIX. PIX is a leading e-commerce retailer focused on France and a provider of programming services for e-commerce platforms for retailers.

_January 2014: first time consolidation of 100% of the shares in the newly established Elastomer Solutions Mexico S. de R.L. de C.V. (Mexico), which will supply customers of the Elastomer Solutions Group in the USA, in particular.

_July 2014: first time consolidation of 100% of the shares in Porfima Due S.r.l. (Italy) as an affiliated subsidiary of STS, which was acquired from the seller of STS and owns a key business property for the STS Group in fixed assets.

_September 2014: first time consolidation of 100% of the shares in artmadis Hongkong Ltd. (China), which was established to extend the acquisition portfolio and to strengthen business relationships in China and also aims to optimise logistics costs.

_December 2014: first time consolidation of 100% of the shares in AUF, which was acquired from the Oystar Group. AUF is a leading provider of end-of-line packaging machinery and has been in business for more than 40 years automotive industry.

[1] *Foundations, acquisitions and deconsolidations of holding companies are not listed separately.*

5. Notes to the consolidated financial statements

According to § 296 HGB, the following subsidiaries in which mutares holding companies directly or indirectly hold 100% of the shares of capital are not included in the consolidated financial statements as of December 31, 2014:

_Rubbens NV, Kruibeke/Belgium; EGC Stavelot SA, Stavelot/Belgium: Revenues and total assets of the companies are immaterial with respect to the consolidated financial statements and to give a true and fair view of the assets, financial and earnings position. Inclusion in the consolidated financial statement has been waived in accordance to § 296 paragraph 2 HGB.

_Alsace Meubles S.A.S.U., France: The company filed for insolvency in 2013. Inclusion in the consolidated financial statement has been waived in accordance with§ 296 paragraph 1 No. 1 HGB.

_Castelli S.p.A., Italy: The company filed for insolvency in 2013. Inclusion in the consolidated financial statement has been waived in accordance with§ 296 paragraph 1 No. 1 HGB.

_Platinum GmbH, Wangen im Allgaeu: In 2013 the company acquired the division ”Photovoltaics“ from Diehl-Group through an asset deal. mutares AG together with Platinum GmbH appealed in writing on December 19, 2013 and through the court on March 3, 2014 against all agreements with the seller in regard to the acquisition of the division “Photovoltaics” by Platinum GmbH. mutares AG as well as Platinum GmbH have initiated legal proceedings with an application on February 28, 2014 against the seller at the district court of Ravensburg. In the context of this lawsuit mutares AG and Platinum GmbH claim to reverse the acquisition of the division “Photovoltaics” including the release from all commitments and guarantees made in relation to this acquisition. The board of mutares AG, the executive management of Platinum GmbH and its legal advisers believe that it is more likely than not that the reversal of the transaction and the release from the commitments and guarantees resulting from the conducted contracts with the seller is successful. Due to the constraints concerning the exercise of the rights relating to the acquired assets and liabilities, which inevitably result from the reversal of the transaction pursued through the lawsuit, Platinum GmbH as a whole will not be included in the consolidated financial statement in accordance with § 296 paragraph 1 No. 1 HGB. Moreover, due to the depicted legal situation, the delivery of the required information for the consolidated financial statement is not possible without disproportionate delay, therefore an inclusion in the consolidated financial statement must also be omitted in accordance with § 296 paragraph 1 No. 2 HGB. Furthermore on March 3, 2014, Platinum GmbH filed for insolvency proceedings, which were opened on June 1, 2014. This also constitutes a reason in accordance with § 296 paragraph 1 No. 1 HGB to omit the inclusion in the financial statements.

As of December 31, 2014 a total of 57 Group companies are included and fully consolidated in the consolidated financial statements of mutares. The “list of shareholdings” is attached within the annex to the notes to the consolidated financial statement.

Methods of consolidation
The capital consolidation of acquisitions, which took place before April 1, 2010, will be carried out unchanged using the book value method in accordance with § 301 paragraph 1 sentence 2 No. 1 HGB, valid up to May 28, 2009, based on the first time consolidation in the financial statements of the Group.
For acquisitions made after April 1, 2010 the capital consolidation is conducted using the revaluation approach according to § 301 paragraph 1 HGB.

As part of the debt consolidation all intercompany receivables and liabilities in accordance with § 303 paragraph 1 HGB have been eliminated between consolidated companies. The resulting difference is recognised as income.

Eliminations of intercompany results were made in accordance with § 304 paragraph 1 HGB.

Consolidation of income and expenses was done pursuant to § 305 paragraph 1 HGB.

Deferred taxes are calculated for temporary differences between the commercial law and tax based valuations of assets, liabilities and deferred income as well as of tax loss carry forwards. In addition, deferred taxes are accrued on consolidation bookings with effect on income, if they are expected to balance out in subsequent years. The term temporary differences also covers profit neutral capital consolidation differences between commercial law and tax balance sheet values arising from the realisation of hidden reserves and hidden charges.

The capitalisation of a surplus of deferred tax assets arising from temporary differences between commercial law and tax balance sheet values coming from the annual financial statements of the integrated affiliated companies has been waived according to § 274 paragraph 1 sentence 2 HGB in conjunction with §§ 298 and 300 paragraph 2 HGB.

The calculation of deferred taxes based on temporary differences is assessed at the respective company’s individual tax rate. For the deferred taxes considered, this amounted to 19.0% for a foreign company.

In financial year 2014 the offsetting of deferred tax assets against deferred tax liabilities resulted in a surplus of deferred tax assets in the amount of kEUR 19 (previous year: kEUR 43).

5. Notes to the consolidated financial statements

Comparability of the consolidated financial statement
Due, in particular, to the aforementioned first time consolidation of PIX, the consolidated financial statement as of December 31, 2014 is only comparable in a limited way to the previous consolidated financial statement.

PIX, which was initially consolidated as of January 1, 2014, is reflected in the consolidated financial statement in the following main positions:

Balance Sheet as of December 31, 2014	EUR thousand
Intangible assets	5,304
Inventory	13,422
Accounts receivables	4,860
Cash funds	24,111
Other accruals	17,979
Trade account payables	19,772
Other liabilities	1,546

Profit and Loss from 1.1. - 31.12.2014	EUR thousand
Revenues	213,196
Cost of materials	-174,349
Personnel expenses	-38,436
Other operating expenses	-37,007
Share of consolidated net income	214

The portfolio company STS, which was initially consolidated as of August 1, 2013, is reflected in the consolidated income statement as follows:

Profit and Loss from 1.1. - 31.12.2014	**2014** EUR thousand	**2013** EUR thousand
Revenues	115,590	44,534
Cost of materials	-70,867	-27,647
Personnel expenses	-30,689	-12,081
Other operating expenses	-17,763	-11,997
Share of consolidated net income (previous year: since Group affiliation)	2,341	-866

German Accounting Standards (DRS)
With the exception of the following areas, the DRS were considered:

The disclosure requirements and recommendations contained in DRS 2 „Cash flow statement", DRS 4 „Company acquisitions in the consolidated financial statement" and DRS 7 „Group Equity and Group Income", which exceed the legal requirements, were not considered in full.

Different to DRS 4 "Company acquisitions in the consolidated financial statement", the equity consolidation for acquisitions before 1 April 2010 was permissibly based on the book value method (§ 301 paragraph 1 sentence 1 No. 1 HGB in the version valid till 28 May 2009) and the valuations were permissibly assessed at the time of the initial inclusion into the consolidated financial statement. The consolidation bookings were continued accordingly.

DRS 18 "Deferred taxes"
The notes contain a permissible deviation of DRS 18 in respect of the representation of the relationship between the expected and actual tax expenses in form of reconciliation.

DRS 20 "Group management report"
Recommendations included in DRS 20 "Group management report", which exceed the legal disclosure requirements, were generally not considered.

5.3. Accounting policies and valuation methods

The intangible assets acquired against payment are evaluated at acquisition cost less orderly linear depreciation over lifetime and if applicable under consideration of extraordinary impairments losses.

Internally generated intangible fixed assets were recognised at production cost less orderly linear depreciation over lifetime and if applicable under consideration of extraordinary impairment losses.

Goodwill created by the capital consolidation is amortised according to the straight-line method over a useful life of three years. The estimation of the useful life is based on the short to medium -term orientation of the business model. Goodwill is depreciated to its realizable amount if any impairment is identified. As per § 309 HGB, negative goodwill (badwill) created by the capital consolidation will be released either upon occurrence of the expected future expenditures or losses respectively based upon the originally expected but not incurred expenditures or losses respectively if they correspond to a realised profit.

Tangible fixed assets are valued at their purchase price and are depreciated according to the straightline method over their useful life and if applicable valued under consideration of extraordinary impairments losses.

5. Notes to the consolidated financial statements

Financial assets are valued at acquisition cost or at the lower attributed value on the reporting date. Value increases due to reinstatement of original values (§ 280 paragraph 1 HGB) take place basically up to the continued acquisition cost, when the reasons for the permanent decrease in value no longer exist. The shares of affiliated companies are defined as shares in majority stakes, which are in terms of the exercise of voting rights not included in the scope of consolidation according to § 296 HGB.

Inventories are valued at acquisition or production cost or at a lower net realisable value.

The raw materials and supplies as well as merchandise are shown at the weighted average cost of acquisition. Lower replacement cost at the reporting date is taken into account.

The production costs of the unfinished and finished goods contain costs for directly attributable labour costs as well as a reasonable part of the production costs, production material costs as well as material related overhead costs including adequate depreciation.

Trade receivables and other assets are valued at the nominal value less a lump sum depreciation for the general credit risk. Specific bad debt allowances are created for doubtful accounts.

Marketable securities are stated at acquisition cost; the lowest value principle was considered.

Cash and cash equivalents are set at their nominal value.

The excess of plan assets over pension liabilities resulting from offsetting assets against partial retirement obligations is reported on the assets side.

The pension provisions relate mainly to KLANN Packaging GmbH and A + F Automation + Fördertechnik GmbH; the following statements therefore relate to these two companies. The valuation of the pension provisions was made according to accepted insurance principles using the so called „Projected Unit Credit“ method (PUC). The mortality statistics applied are derived from the actuarial tables published by Dr. Klaus Heubeck 2005G. The discount rate applied to the obligations was set flat at the average market interest rate according to the German Bundesbank with a rate of 4.62% assuming a remaining maturity of 15 years. Additional assumptions underlying the valuation are as follows: Salary increase of 0 to 2.5%, employee fluctuation 0 to 2% and pension increase 1.75 to 2%.

To fulfil obligations under partial retirement agreements, corresponding funds were invested in reinsurance policies. Creditors have no access to them. Accordingly, the obligations of kEUR 44 and the capitalised value of the reinsurance policy of kEUR 75 (with historical acquisition costs of kEUR 104) are reported net as the excess of plan assets over pension liabilities. Changes with effect on income (kEUR 51) from the change in the discount rate, changes in the fair value of cover assets and current income from cover assets are shown net in personnel expenses; the capitalised value of the reinsurance policy is also recognised at fair value on the balance sheet date.

The tax and other provisions were made correspondent to reasonable commercial assessment, taking into account all identifiable risks and uncertain obligations. Other provisions contain an appropriate and sufficiently accrued amount of individual provisions for all identifiable risks from uncertain liabilities and for anticipated losses on transactions made by taking into account expected future price and cost increases. Essential provisions with a remaining maturity of more than one year are discounted at the durationsuited average market rate of interest of the past seven years, which is determined and announced by the Deutsche Bundesbank.

Liabilities are carried at their settlement amount on the reporting date.

As of December 31, 2014 all existing deferred tax assets and liabilities in the financial statements of the subsidiaries results primarily from provisions. In the consolidated financial statements, the net positive amount of deferred tax assets from sum of consolidated companies are not recognised in accordance to § 274 paragraph 1 No. 2 HGB. Deferred tax assets of kEUR 19 result from debt consolidation. Total deferred tax assets amounted to kEUR 19 (previous year: kEUR 43).

Foreign currency liabilities with a maturity of less than one year were evaluated with the average spot market exchange rate on the reporting date. All other foreign currency liabilities are assessed at their exchange rate at invoicing or with the higher spot market exchange rate on the reporting date.

Foreign currency receivables with a maturity of less than one year were evaluated with the average spot market exchange rate on the reporting date. All other foreign currency receivables are assessed at their exchange rate at invoicing or with the higher spot market exchange rate on the reporting date.

The currency conversion of the consolidated foreign subsidiaries is performed using the modified closing rate method (§ 308a HGB). Equity is translated at historical rates, all other balance sheet items at the spot market exchange rate on the reporting date. The items in the income statements are translated at average exchange rates. Differences from currency translation are recorded in Group equity, not affecting the income statement, under the heading “Equity difference from currency conversion”.

5.4. Notes to the consolidated balance sheet

The development of fixed assets is shown in the table of assets (see annex 2 to the notes of the consolidated financial statement).

In financial year 2014, internally generated intangible fixed assets were capitalised due to the first time consolidation of Pixmania SAS with a book value of kEUR 4,590 and with an amount of kEUR 3,711 due to additions of other group companies in the course of the year. The total book value was kEUR 6,715 in the consolidated financial statement. The total cost for research and development in the financial year 2014 amounts to kEUR 4,551 (previous year: kEUR 2,332).

5. Notes to the consolidated financial statements

The receivables have of a maturity of up to one year except for an amount of kEUR 343 (previous year: kEUR 1,213).

Other assets have a maturity of up to one year except for an amount of kEUR 247 (previous year: kEUR 429).

By resolution of the Executive Board and the Supervisory Board on May 9, 2014, the authorised capital 2011/1 of EUR 322,000.00 was partially utilised for a capital increase against cash investments in the amount of EUR 311,962.00. The increase in subscribed capital from EUR 2,027,760.00 to EUR 2,339,722.00 took place by issuing 311,962 bearer shares against cash investment at a share price of EUR 80.00. The proportion exceeding the issue price of EUR 1.00 amounting to EUR 79.00 per share or EUR 24,644,998.00 in total was transferred to the capital reserves. The capital increase was entered in the commercial register on June 6, 2014.

The subscribed capital (share capital) in the amount of EUR 2,339,722.00 corresponds to the constitution and the registration in the commercial register.

The Annual General Meeting on May 9, 2014 agreed upon a dividend for each dividend bearing share at the time of the Annual General Meeting of EUR 10.00, adding up to EUR 20,277,600.00, distributed from the retained earnings which amounted to EUR 26,486,259.42. EUR 6,208,659.42 is carried forward.

On March 19, 2010 the Annual General Meeting decided to increase the stock by up to EUR 14,800.00 through issuing ordinary bearer shares (conditional capital 2010-I). The conditional capital is used to grant option rights to the members as well as to the members of the management of affiliated companies according to this decision. Bearer shares are issued. The new shares take part in the profit of the company. The issuance of stock options is possible until December 31, 2014.

On November 25, 2011 the Annual General Meeting decided to increase the stock by up to EUR 5,685.00 through issuing ordinary bearer shares (conditional capital 2011-I). The conditional capital is used to grant option rights to the Executive Board. Bearer shares were issued. The new shares take part in the profit of the company. Beginning from the issue date, the issued stock options have duration of five years. The Supervisory Board is authorised to determine the further details of the option terms and the issue and the structure of the stock options.

In the financial years 2011/2012, the short financial year 2012 and in the financial year 2013 and the reporting period no share options have been issued under the conditional capital 2010-I and 2011-I.

Due to the decision of the Annual General Meeting of November 25, 2011, the share capital of the Company can be increased by a total of up to EUR 5,685.00 by issuing up to 5,685 bearer shares. Due to the increase in the share capital in the financial years 2010/2011, 2011/2012, 2013 and the reporting year 2014 the conditional capital increased to EUR 37,386 in total according to § 218 AktG in the same ratio as the share capital.

The share options were not yet recognised in the balance sheet and income statement on December 31, 2014 because the Executive Board of the mutares AG assumes in relation to the accounting policy that the share options are a shareholders' portion and no earnings materialised. Therefore, no balance sheet consideration is required, as long as the exercise of stock options has not taken place.

On November 25, 2011 the Annual General Meeting decided that the board is authorised until November 25, 2016 with the approval of the Supervisory Board, to increase the share capital once or several times by up to EUR 322,000.00 against cash and/or investment in kind through the issuance of up to 322,000 new bearer shares (authorised capital 2011-I). For capital increases against cash investment, the subscription rights are available to the shareholder. However, the board is authorised with approval of the Supervisory Board to exclude for capital increases against cash investments shareholders' subscription rights in specific cases. The authorised capital 2011/I was partially utilised in the amount of EUR 311,962.00 by resolution of the Executive Board and the Supervisory Board on May 9, 2014.

On May 9, 2014 the Annual General Meeting decided that the board is authorised until May 9, 2016 with the approval of the Supervisory Board, to increase the share capital once or several times by up to EUR 691,000.00 against cash and/or investment in kind through the issuance of up to 691,000 new bearer shares (authorised capital 2014-I). For capital increases against cash investment, the subscription rights are available to the shareholder. However, the board is authorised with approval of the Supervisory Board to exclude for capital increases against cash investments shareholders' subscription rights in specific cases.

Consequently the authorised capital as at December 31, 2014 amounts to EUR 10,038.00 from authorised capital 2011/1 and EUR 691,000.00 from authorised capital 2014/1.

On March 19, 2010 the Annual General Meeting approved the resolution for "Approval for the purchase of own shares". The Executive Board is authorised to buy back shares of the own company up to 10 of hundreds of the total stock up to five years with the consent of the Supervisory Board. The shares can be acquired on the stock exchange or by way of a public bid to all shareholders.

In case of a purchase at the stock exchange, the price offer by the company per share (excluding ancillary purchase cost) may not be higher or lower than 10% of the opening auction price for the shares on the Frankfurt Stock Exchange (or one that came in its place as a functionally comparable successor system).

If the purchase is done through a public tender offer to all shareholders, the offered purchase price or the limits of the offered purchase price range per share (excluding ancillary purchase cost) may not be higher or lower than 15% of the average price in the closing auction of the Frankfurt Stock Exchange (or one that came in its place as a functionally equivalent successor system) for shares of the Company at the second to fourth trading day prior to the date of publication of the offer. Is the subscription higher than the offered volume, acceptance occurs after quotas.

5. Notes to the consolidated financial statements

In this case a preferential adoption of small quantities can be made up to 100 tendered shares per shareholder. The provisions of the German Securities Acquisition and Takeover Act shall be observed to the applicable extent.

The Executive Board is further authorised, with the consent of the Supervisory Board, to divest the acquired own shares otherwise than via the stock exchange or via a public offer to all shareholders (excluding the subscription rights of shareholders), if the acquired shares are sold at a price, which is not significant lower than the stock market price of shares of the same class at the same time. The stock market price in accordance with the above regulation is defined as the mean of the closing auction on the Frankfurt Stock Exchange (or one that came in its place as a functionally comparable successor system) for shares of the Company during the last five trading days prior to the sale of the shares.

Beyond that the Executive Board will be authorised, with the consent of the Supervisory Board, to divest the acquired own shares with exclusion of shareholders' subscription rights, as far as this happens with the objective to acquire investments, companies or company divisions.

The Executive Board is also authorised, with the approval of the Supervisory Board and without further resolution of the general assembly of the shareholders, to withdraw the own shares and to adapt the statutes of the company according to the achieved implementation.

At the reporting date and also during the financial year no own shares were held by the company. On January 9, 2015, the Executive Board decided and obtained the consent of the Supervisory Board to make use of the authorisation to acquire own shares. The weekly amount of shares to be bought back will be announced on the mutares AG website. The share buyback programme was successfully concluded on March 19, 2015; in total 1,002 shares were bought back.

Action for annulment
On June 10, 2014, a shareholder took action at the Munich District Court I to have the annual financial statement of mutares AG as of December 31, 2013 declared invalid and to appeal against individual decisions by the Annual General Meeting of mutares AG on May 9, 2014. mutares AG submitted its defence on October 6, 2014, to which the opposing party responded in a reply dated December 8, 2014. mutares AG submitted another response on March 5, 2015. The court has set April 23, 2015 as the date for the hearing. The Executive Board of mutares AG and its legal advisors are of the opinion that the action is unjustified. Another shareholder has joined the legal dispute on the side of mutares AG. The plaintiff disputes the effectiveness of the third-party intervention.

In the financial year 2014 the negative goodwill (badwill) resulting from capital consolidation increased by kEUR 10,281 to kEUR 30,820. Of the increase, kEUR 58,826 (previous year: kEUR 13,142) is the result of the first-time consolidation of portfolio companies acquired in financial year 2014. Releases in the amount of kEUR 48,545 (previous year: kEUR 22,157) are shown in other operating income. These releases relate to expected expenditures or losses or expected expenditures or losses which were originally planned and which did not materialise.

The remaining negative goodwill at the end of the financial year is intended primarily for pending restructuring expenses of five portfolio companies in the next two years.

Other provisions are recognised in the amount that covers all probable expenditures required for the settlement of present obligations, according to a reasonable commercial assessment.

Other provisions mainly cover staff-related obligations, obligations from restructuring and outstanding invoices.

The liabilities comprise the following:

Liabilities (EUR thousand)	**31.12.2014**	**31.12.2013**
Accounts payable due to banks	32,278	28,483
Advance payments received for orders	34,225	41,801
Trade accounts payable	104,918	66,859
Other liabilities	40,985	49,154
TOTAL	**212,406**	**186,297**

Liabilities to banks in the amount of kEUR 28,847 (previous year: kEUR 24,467) are secured with trade accounts receivable and the advance payments received for orders are secured in the amount of kEUR 96 (previous year: kEUR 96) with raw material, consumables and supplies. The other liabilities with an amount of kEUR 2,509 (previous year kEUR 2,845) are secured with inventories.

The other liabilities comprise the following:

Other liabilities (EUR thousand)	**31.12.2014**	**31.12.2013**
Taxes	4,652	8,199
Social security	6,748	5,630
Former shareholders	15,153	26,049
Other	14,432	9,276
TOTAL	**40,985**	**49,154**

5. Notes to the consolidated financial statements

The maturities of debts are as follows:

31.12.2014 (EUR thousand)	≤1 year	>1-5 years	>5 years	TOTAL
Accounts payables due to banks	29,595	2,567	116	32,278
Advance payments received for orders	34,225	0	0	34,225
Trade accounts payable	104,918	0	0	104,918
Other liabilities	28,924	10,846	1,215	40,985
TOTAL	**197,662**	**13,413**	**1,331**	**212,406**

31.12.2013 (EUR thousand)	≤1 year	>1-5 years	>5 years	TOTAL
Accounts payable due to banks	26,363	2,120	0	28,483
Advance payments received for orders	41,801	0	0	41,801
Trade accounts payable	66,859	0	0	66,859
Other liabilities	37,819	8,019	3,316	49,154
TOTAL	**172,842**	**10,139**	**3,316**	**186,297**

5.5. Notes to the consolidated income statement

The revenue is broken down as follows:

Revenue (EUR thousand)	2014	2013
Germany	59,866	37,563
European Union	520,725	287,477
Rest of Europe	33,530	10,352
America	28,779	7,496
Asia	1,930	924
Other	3,222	3,196
TOTAL	**648,052**	**347,008**

Industry (EUR thousand)	2014	%	2013	%
Industrial Products	285,757	44.1%	172.385	49.7%
Consumer Goods	362,295	55.9%	174,623	50.3%
TOTAL	**648,052**	**100.00%**	**347,008**	**100.00%**

The substantial increase in sales is mainly due to changes to the scope of consolidation.

Other operating income increased by kEUR 34,448 to kEUR 74,674 in comparison to the previous year. The release of negative goodwill provides other operating income of kEUR 48,545 (previous year: kEUR 22,157). The other operating income includes income from currency conversion with an amount of kEUR 813 (previous year: kEUR 529). The other operating income also comprises income from other periods of kEUR 14,140 (previous year: 2,605 kEUR) due to the reversal of provisions.

Depreciation included non-recurring depreciation of kEUR 2,338 in the previous year.

Other operating expenses include a loss from currency conversion in the amount of kEUR 467 (previous year: kEUR 361).

The depreciation on financial assets and marketable securities includes extraordinary impairments in the amount of kEUR 1 (previous year: kEUR 397) on the fixed financial assets.

The interest result mainly includes expenses for factoring kEUR 1,063 (previous year: kEUR 672) as well as expenses from the accrued interest on provisions in the amount of kEUR 238 (previous year: kEUR 675).

5.6. Other information

Financial Obligations
Financial obligations exist in the amount of kEUR 34,343 for the fixed lease term of short, medium and long term rental and lease agreements. In addition, there are other financial commitments amounting to kEUR 3,256. The financial obligations show the following breakdown according maturity:

Term 31.12.2014 (EUR thousand)	≤1 year	>1-5 years	>5 years	TOTAL
Rent	6,110	13,964	1,552	21,626
Leasing	4,761	7,956	0	12,717
Commitments	1,300	0	0	1,300
Other	1,028	928	0	1,956
Other financial obligations	**13,199**	**22,848**	**1,552**	**37,599**

Contingencies
There is an insolvency guarantee, which will expire in June 2015, in favour of the seller of an affiliated company, which has not been called to date. The insolvency guarantee was unlimited up to December 31, 2014 and is limited to EUR 10 million up to June 2015. On the basis of the subsidiary's economic situation, the Executive Board currently assumes that the insolvency

5. Notes to the consolidated financial statements

guarantee will not be called. There is also an indemnification guarantee, which will expire in December 2016, in favour of the seller of an affiliated company for claims which may be raised against the seller in the event of the affiliated company becoming insolvent in the period up to December 2016. On the basis of the subsidiary's economic situation, the Executive Board currently assumes that the indemnification guarantee will not be called.

There are also other guarantees totalling EUR 11.0 million (previous year: EUR 3.4 million); possible utilisation was taken into account in accordance with commercial principles in other provisions in the amount of EUR 1.6 million.

mutares AG is involved in a lawsuit with Diehl in connection with the acquisition of the Photovoltaics division from Diehl AKO Stiftung & Co. KG („Diehl") through its (indirect) subsidiary Platinum GmbH („acquisition"). mutares AG entered into certain obligations towards Diehl in connection with the acquisition of the Photovoltaics division. Firstly, mutares AG had agreed to guarantee the continued existence of Platinum GmbH and the fulfilment of all liabilities of Platinum GmbH in favour of Diehl for a limited period („letter of comfort"). Secondly, mutares AG had guaranteed the fulfilment of certain obligations of Platinum GmbH arising from the agreement to acquire the company in favour of Diehl („guarantee").

mutares AG and Platinum GmbH have contested all declarations made in favour of Diehl in December 2013 in connection with the acquisition of the Photovoltaics division on the grounds of fraudulent misrepresentation. Platinum GmbH filed for insolvency on March 3, 2014. The insolvency proceedings were opened on June 1, 2014.

On March 3, 2014, mutares AG together with Platinum GmbH filed a suit with the Ravensburg District Court against Diehl to have the obligations entered into in connection with the acquisition declared void („rescission proceedings"). In this connection, mutares AG is asserting claims for damages against Diehl. Diehl for his part filed a (partial) suit with the Ravensburg District Court in May 2014, asking mutares AG to pay him ca. EUR 15.4 million under the letter of comfort and the guarantee. Diehl also demands the court declare that mutares AG is obliged to reimburse Diehl for all additional losses Diehl incurs from non-fulfilment of the obligations entered into by mutares AG in connection with the acquisition of the Photovoltaics division. Diehl has estimated the provisional value of the lawsuit at ca. EUR 22.5 million in total. mutares AG disputes the entitlement to claim damages both in terms of the reasons for the claim and the amount involved and for its part demands compensation for all expenses incurred in connection with the investment in Platinum GmbH and management thereof. The two proceedings before the Ravensburg District Court were combined into single proceedings. The insolvency administrator started rescission proceedings against the assets of Platinum GmbH i.I. in September 2014 on the side of Platinum GmbH i.I. No ruling has been issued to date. The first hearing before the Ravensburg District Court took place on March 25, 2015. The court suggested composition proceedings between the parties. The parties have agreed to comply with this suggestion by the court. The first composition discussions are expected to be held during April 2015.

The Executive Board of mutares AG as well as the legal advisors of mutares AG are still of the opinion that mutares AG effectively contested the obligations entered into in connection with the acquisition in December 2013 and mutares AG also has a claim to be released from the obligations entered into in favour of Diehl. The Executive Board of mutares AG and its legal advisors therefore assume that mutares AG will probably not have to make any payments to Diehl under the letter of comfort and the guarantee. mutares AG has therefore only again made provisions for legal costs in this connection. Should, contrary to the Executive Board's current assessment, the effectiveness of the challenges filed not be substantiated, it is entirely possible that mutares AG could be defeated in the legal dispute described above and might have to pay substantial claims, which could have a sustained adverse impact on the future development of mutares AG.

Transactions not included in the balance sheet
The KLANN Packaging GmbH (KPG) has signed on 10 September 2013 a factoring agreement with CommerzFactoring. The contract is limited to a maximum amount of kEUR 3,500 for future receivables. As of 31 December 2014 the volume of the transferred receivables was kEUR 847 (previous year: kEUR 1,147).

The purpose of these off-balance sheet factoring agreements lies in the envisaged procurement of cash and the lowering of trade credit risk caused from a partial or comprehensive loss of receivables. A resulting advantage is less effort in the collection of outstanding receivables.

For the years up to 2021, there are "earn-out agreements" with the seller in place resulting from purchase agreements of related companies, which are in case of the fulfilment of agreed upon targets limited to a maximum of kEUR 72,700 in total. Furthermore there is an unlimited "earn out agreement" for one related company which is dependent on the selling price. Based on our current assessment we classify the risk of claims from the earn out agreements specified to be low.

Cash flow statement
The total amount of interest paid during the year amounts to kEUR 2,277 (previous year kEUR 1,154). The total amount of income taxes paid during the year is kEUR 1,352 (previous year kEUR 938). Other non-cash income and expenses mainly relate to the release of negative goodwill.

Class of shares
The 2,339,722 shares are 100% ordinary bearer shares. Each individual share has a nominal share value of EUR 1.00.

5. Notes to the consolidated financial statements

Executive and Supervisory Board
Board of Directors

_Dr.-Ing. Axel Geuer, Co-Chief Executive Officer, Munich
_Mr. Robin Laik, Co-Chief Executive Officer, Munich
_Dr.-Ing. Kristian Schleede, Chief Restructuring Officer, Zurich/Switzerland
_Dr.-Ing. Wolf Cornelius, Chief Operations Officer, Waldstetten
_Mr. Mark Friedrich, Chief Financial Officer, Munich; since April, 1 2015

_Dr.-Ing. Axel Geuer and Mr. Robin Laik always represent the company individually.

Dr.-Ing. Kristian Schleede, Dr.-Ing. Wolf Cornelius and Mr. Mark Friedrich represents the company in each case together with another board member or together with an authorised representative.

Supervisory Board
Members of the Supervisory Board are:
_Prof. Dr. iur. Micha Bloching, Tax Accountant, Munich (Chairman)
_Mr. Volker Rofalski, Business Diploma, Managing Director of Only Natural Munich GmbH, Munich (Deputy Chairman)
_Dr. Ulrich Hauck, Chief Financial Officer, Schaeffler AG, Leverkusen

Total remuneration of the Board of Directors and the Supervisory Board
The remuneration of the Board of Directors during the financial year 2014 amounted to kEUR 2,219. The members of the Supervisory Board are entitled to remuneration for their activities of a total amount of EUR 40,000 p.a. plus VAT pursuant to the decision of the Annual General Meeting on July 19, 2013.

As part of the existing stock option plan no options have been allocated to the Executive Board in the fiscal year 2014. In the fiscal year no options from the originally allocated options were exercised.

Relations to related parties
mutares AG maintains normal commercial relations with affiliated, consolidated and nonconsolidated subsidiary companies. The transactions with these companies are small in scale, result from the normal course of business and were concluded at normal market conditions. In addition, the companies of the mutares Group have not made any material business with the Executive Board or the Supervisory Board of the mutares AG. This applies also to close family members of this Group of persons.

Audit fees
The following fees for the group auditor were expensed within mutares AG and its subsidiaries for the financial year:

31.12.2014	(EUR thousand)
Audit services	203
Other assurance services	257
Tax services	8
Other services	20
TOTAL	**488**

The audit services include services for voluntary audits at an affiliated company for the financial years 2012 and 2013 in the amount of kEUR 83.

Consolidation scope
In the consolidation scope on 31 December 2014, apart from the parent company, the companies which are marked with 1) in “list of shareholdings” (annex 1 to the notes of the consolidated financial statement) were fully consolidated.

Employees
In the financial year 2014 the mutares Group employed on average 3,345 employees in accordance with § 267 paragraph 5 HGB.

31.12.2014	
Industrial employees	1,812
Salaried employees	1,533
TOTAL	**3,345**

5.7. List of subsidiaries of mutares AG as at December 31, 2014

Direct portfolio companies	Location	Share in %
mutares Automobilguss AG [1]	Munich	100
mutares Holding-02 AG [1]	Munich	100
mutares Holding-03 AG [1]	Weißenfels	100
mutares Holding-04 AG [1] [4]	Weißenfels	100
mutares Holding-05 UG (haftungsbeschränkt) [2] [4]	Munich	100
mutares Holding-06 UG (haftungsbeschränkt) [1]	Weißenfels	100
mutares Holding-07 UG (haftungsbeschränkt) [1]	Weißenfels	100
mutares Holding-08 AG [1]	Weißenfels	100
mutares Holding-09 AG [1]	Weißenfels	100
mutares Holding-10 AG [1]	Weißenfels	100
mutares Holding-11 AG [1]	Weißenfels	100
mutares Holding-12 AG [1]	Weißenfels	100
mutares Holding-13 AG [1]	Weißenfels	100
GeesinkNorba Group AG [1]	Weißenfels	100
mutares Holding-15 AG [1]	Weißenfels	100
mutares Holding-16 AG [1]	Weißenfels	100
mutares Holding-17 AG [1]	Weißenfels	100
mutares Holding-18 AG [1]	Weißenfels	100
mutares Holding-19 GmbH [2]	Bad Wiessee	100
mutares Holding-20 AG [2]	Bad Wiessee	100
mutares Holding-21 AG [2]	Bad Wiessee	100
mutares Holding-22 AG [2]	Frankfurt am Main	100
Verkehrssysteme Holding AG [2] [4]	Munich	100
mutares Sphäroguss AG [2] [4]	Munich	100
mutares Geoinformationssysteme UG (haftungsbeschränkt) [2] [4]	Munich	100
Blitz 09-232 GmbH [1]	Weißenfels	100

Indirect portfolio companies	Location	Share in %
mutares France SAS [2]	Paris	100
Platinum GmbH [3] [4]	Wangen im Allgäu	100
Platinum Italia GmbH [3] [4]	Bolzano_IT	100
Cast Iron Components Group GmbH [2] [4]	Munich	100
Fertigungstechnik Weißenfels GmbH [1]	Weißenfels	100
Elastomer Solutions GmbH [1]	Wiesbaum	100
DF Elastomer Solutions Lda [1]	Mindelo_PT	100
Elastomer Solutions s.r.o. [1]	Belusa_SK	100
Elastomer Solutions Maroc Sarl [1]	Tangier Free Trade Zone_MA	100
Elastomer Solutions Mexico S. de R.L. de C.V. [1]	Fresnillo_ME	100
Alsace Meubles S.A.S.U. [3] [4]	Masevaux_FR	100
KLANN Packaging GmbH [1]	Landshut	100
EGC Stavelot S.A. [2] [4]	Stavelot_BE	100
Rubbens N.V. [2] [4]	Kruibeke_BE	100
Société Nouvelle Compagnie Générale de Voitures de Lyon S.A.S.U. [1]	Lyon_FR	100
Castelli S.p.A. [3] [4]	San Giovanni in Persiceto_IT	100
Eupec Pipecoatings France S.A. [1]	Gravelines_FR	100
Eupec PipelineServices GmbH [1]	Mühlheim	100
Suir Pharma Ireland Ltd. [1]	Clonmel_IE	100
Geesink Group B.V. [1]	Emmeloord_NL	100
Norba A.B [1]	Kalmar_SE	100
GeesinkNorba Ltd. [1]	Llantrisant_UK	100
Geesink B.V. 1)	Emmeloord_NL	100
Geesink Vastgoed B.V. [1]	Emmeloord_NL	100
Geesink Polska sp z.o.o. [1]	Pabianice_PL	100
Norba A/S [1]	Karlslunde_DK	100
Geesink 1 B.V. [1]	Emmeloord_NL	100
Geesink 2 B.V. [1]	Emmeloord_NL	100
Geesink 3 B.V. [1]	Emmeloord_NL	100
GeesinkNorba GmbH [1]	Erkrath	100
artmadis S.A.S.U. [1]	Wasqueha_FR	100
Cofistock Srl [1]	Wasquehal_FR	100
artmadis Hongkong Ltd. [1]	Hong Kong_CN	100
STS Acoustics S.p.A. [1]	Leini_IT	100
Porfima Due Srl [1]	Turin_IT	100
Pixmania S.A.S [1]	Asnières sur Seine_FR	100
E-Merchant SAS [1]	Asnières sur Seine_FR	100
Apavad SAS [1]	Asnières sur Seine_FR	75
Japan Diffusion SA [1]	Asnières sur Seine_FR	100
Foto Prensa Universel Color SA [1]	Barcelona_ES	100
Press Labo Services Sprl [1]	Anderlecht_BE	100
Fotovista Srl [1] [4]	Mailand_IT	100
Fotovista Ltd. [1] [4]	London_UK	100
Fotovista BV [1] [4]	Rotterdam_NL	100
Pixmania SRO [1]	Brno_CZ	100
Pixmania Cesu Ltda. [1] [4]	Lisbon_PT	100
A + F Automation + Fördertechnik GmbH [1]	Kirchlengern	100

1) Included in full consolidation
2) Not consolidated in accordance to § 296 para. 2 HGB
3) Not consolidated in accordance to § 296 para. 1 No. 1 HGB
4) i.L.

5.8. Development of consolidated fixed assets of mutares AG from January 1 to December 31, 2014

Intangible assets EUR thousand	Internally generated industrial rights	Acquired concessions and industrial rights	Goodwill	Prepayments	TOTAL
Historical purchase and production costs					
Accumulated Depreciation	1,582	5,687	3,059	5	**10,333**
Additions	3,711	1,086	25	331	**5,153**
Disposals	676	102	0	5	**783**
Reclassification	0	537	4	-106	**435**
Change Consolidation scope	11,379	3,660	712	516	**16,267**
Currency translation difference	0	0	0	0	**0**
As of Dec. 31, 2014	15,996	10,868	3,800	741	**31,405**
Accumulated depreciation					
Accumulated Depreciation	323	4,668	3,009	0	**8,000**
Additions	2593	1828	75	0	**4,496**
Disposals	424	104	0	0	**528**
Reclassification	0	-4	4	0	**0**
Change Consolidation scope	6,789	3,002	712	0	**10,503**
Currency translation difference	0	3	0	0	**3**
As of Dec. 31, 2014	9,281	9,393	3,800	0	**22,474**
Net book value					
As of Dec. 31, 2014	6,715	1,475	0	741	**8,931**
As of Dec. 31, 2013	1,259	1,019	50	5	**2,333**

Tangible assets EUR thousand	Land and leasehold rights	Technical equipment and machinery	Other plant, factory & office equipment	Advance payments and assets under construction	TOTAL
Historical purchase and production costs					
Accumulated Depreciation	38,190	185,085	29,653	2,069	**254,997**
Additions	316	8,211	2,042	897	**11,466**
Disposals	721	3,008	2,569	1,248	**7,546**
Reclassification	128	-1,720	2,041	-884	**-435**
Change Consolidation scope	15,760	1,009	16,663	0	**33,432**
Currency translation difference	80	-30	0	0	**50**
As of Dec. 31, 2014	53,753	189,547	47,830	834	**291,964**
Accumulated depreciation					
Accumulated Depreciation	31,548	165,132	26,688	12	**223,380**
Additions	505	6,605	3,822	0	**10,932**
Disposals	178	2,195	2,404	0	**4,777**
Reclassification	2	-2,053	2,062	-11	**0**
Change Consolidation scope	4,015	1,001	11,657	0	**16,673**
Currency translation differ	1	-11	1	0	**-9**
As of Dec. 31, 2014	35,893	168,479	41,826	1	**246,199**
Net book value					
As of Dec. 31, 2014	17,860	21,068	6,004	833	**45,765**
As of Dec. 31, 2013	6,642	19,953	2,965	2,057	**31,617**

5.8. Development of consolidated fixed assets of mutares AG from January 1 to December 31, 2014

Financial assets EUR thousand	Shares in affiliated companies	Investment securities	Other assets	TOTAL
Historical purchase and production costs				
Accumulated Depreciation	961	62	1,203	**2,226**
Additions	177	1	65	**243**
Disposals	54	0	625	**679**
Reclassification	0	0	0	**0**
Change Consolidation scope	0	0	0	**0**
Currency translation difference	0	0	0	**0**
As of Dec. 31, 2014	1,084	63	643	**1,790**
Accumulated depreciation				
Accumulated Depreciation	961	0	211	**1,172**
Additions	1	0	0	**1**
Disposals	54	0	211	**265**
Reclassification	0	0	0	**0**
Change Consolidation scope	0	0	0	**0**
Currency translation difference	0	0	0	**0**
As of Dec. 31, 2014	908	0	0	**908**
Net book value				
As of Dec. 31, 2014	176	63	643	**882**
As of Dec. 31, 2013	0	62	992	**1,054**

Financial calendar

April 4, 2015
Publication of the 2014 Annual Report

May 20, 2015
Munich Capital Markets Conference, Munich

May 22, 2015
Annual General Meeting

September 17, 2015
Publication of the Report on the First Half of 2015

November 23-25, 2015
German Equity Forum, Frankfurt/Main

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