



Annual Report 2010/2011 mutares Group

Munich, September 30, 2011

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A. LETTER OF THE EXECUTIVE BOARD

Dear Shareholders

The financial year 2010/11 turned out to be a very good year for the mutares Group due to the significant growth in sales and earnings, based on the recovering economy since the beginning of 2010 and the successful restructuring measures taken in our portfolio companies.

During the reporting period from 1 April 2010 to 31 March 2011 Group sales increased by 110% from EUR 60.7 million to EUR 127.6 million. In the same period the operating income (EBITDA) increased by 95% from EUR 8.1 million to EUR 15.8 million. The net income amounts to EUR 8.3 million which is a 108% improvement compared with EUR 4.3 million in the previous period. Group sales and Group net income were increased again in the third year in a row.

The successful restructuring of the portfolio companies is well reflected in the improvement of the operating cash flow from EUR -1.4 million to EUR 3.2 million. The liquid funds increased from EUR 12.5 million to EUR 14.0 million.

On 31 March 2011 mutares holds five portfolio companies in Europe with over 1'500 employees.

On the participation of shareholders in the success of the mutares Group we propose to the annual general meeting for the first time a dividend of EUR 0.48 per share.

For the current financial year, we are confident to continue the further development of mutares. This confidence is based on the successes of the initiated restructuring measures with the associated increase of the operational results in our portfolio companies as well as the prospect on new acquisitions to expand our portfolio.

In the new financial year we have already successfully completed two transactions and have taken over the Decorative Division of the HUBER Packaging Group and the Rubbens Group.

With total assets of over EUR 100 million and equity ratio of 32% the mutares Group is well positioned for further growth in the restructuring business.

Thank you for the confidence you have placed in us.

Best regards



Robin Laik
CEO



Dr. Axel Geuer
CEO



Dr. Kristian Schleede
CFO



Dr. Wolf Cornelius
COO

B. KEY FIGURES RELATING TO THE ASSET, FINANCIAL AND EARNINGS POSITION

[in kEUR]	2010/11	2009/10	2008/09
Group revenues	127'575	60'691	5'508
EBITDA	15'756	8'086	1'017
Consolidated Net Income	8'254	4'012	514
Cash flow from operating activities	3'215	-1'351	4'294
Total assets	100'261	105'604	11'334
Equity	32'028	23'207	854
Tangible assets	36'570	44'135	9'365
Cash and Cash equivalents	14'054	12'544	820
Liabilities to banks	0	0	0

C. GROUP MANAGEMENT REPORT

1. General economic conditions and business model

- Heterogeneous but positive development of the framework in the Euro area

In the first half of 2010, the recovery of world economy, which had already been used in the previous year continued. According to the Institute for World Economics (Kiel Institute) the world trade grew significantly during this period and almost reached the record level of the first half of 2008. For this development, especially the emerging economies of Asia and Latin America were responsible. But some western countries guaranteed by a high export activity and growing consumer spending makes an important contribution to economic recovery. In the third quarter of 2010 the dynamics of the global economic recovery slowed down a bit. This is due to, among other things, the stimulus packages of austerity measures and the run-off for budgetary consolidation in some countries. Overall, the economic outlook remains positive. Primarily export-driven economies can continue to benefit from the dynamic growth of Asia. Overall the Kiel Institute expects that global production in 2011 is growing by around 4.5 percent, nearly as much as in the years before the financial crisis.

Economic recovery has accelerated the in the first half of 2010 in the euro area. Particularly export-oriented economies such as Germany benefited from the revival of world trade. While in Germany the production increase was 2.2 percent, the gross domestic product grew in the euro area excluding Germany by only 0.6 percent. Below-average increases in production were registered in Portugal, Spain and Italy, while the total production in Greece and Ireland declined even. Overall, economic growth slowed slightly in the second half of 2010.

The debt crisis in Europe and the United States since July 2011 has led to uncertainty in the financial markets. At the time of writing this report, however, no effects on operations of mutares portfolio companies have been found. Any future slowdown in economy could lead to the deterioration of the results of associated companies. On the other hand, arise from the crisis situation, additional opportunities to further expand the portfolio of mutares by acquisitions.

- mutares business model

mutares acquires stakes in businesses with strong growth potential as well as firms in special situations. Among other things, the following examples of situations may lead to acquisitions:

- spin-off from larger corporations
- unregulated business succession
- short-term liquidity squeeze
- unbalanced balance sheet structure
- pending restructuring and reorganization

The common feature is the ability to identify potentials for strategic and operational improvements and revenue growth to realize.

The value chain of mutares ranges from acquisition of the company or any part thereof on the support of operational management to the sale of investments. These activities are carried out here by our own staff and / or external consultants of mutares. These consultants are recognized industry experts, who participate through their share in the success of the company.

mutares is not limited to the mere holding and administration of equity investments. Acquired portfolio companies are supported through an active management on site and consistently further developed to exploit their full potential as much as possible in order to increase shareholder value.

In contrast to many other investment companies, the management of mutares has their own operative restructuring experience. Among other things, all board members have personally headed and restructured companies over several years. In addition to its own employees mutares also has a broad contact network of operationally experienced managers who are available for restructuring in the acquired companies. Due to their various background mutares can cover from this pool different industries as well as all the essential functions of the value chain. With this knowledge pool the availability of management expertise to portfolio companies is guaranteed at all times flexible.

The board constantly checks new acquisition opportunities. The current focus is on:

- Companies in the industrial or consumer goods sector
- Companies based in Europe
- Investments in medium-sized companies with an established market position
- Transactions with an annual turnover of preferred EUR 20 million to EUR 150 million
- Identifiable operational improvement potential (also restructuring cases)
- Opportunity to acquire a majority stake, preferably 100%

2. Business performance and reports on the portfolio companies

mutares AG is the parent company of the mutares Group. It is directly or indirectly involved in all activities within the Group. As in previous years mutares was fully funded in 2010/11 with equity.

The company has acquired in its third financial year the business activities of LeBed SAS in Masevaux / France through an asset deal from the Recticel Group and has incorporated these activities into the newly formed company Alsace Meubles S.A.S.U., based in Masevaux / France. Alsace Meubles manufactures slatted frames for beds. The company achieved a turnover at acquisition date in the amount of 12'636 kEUR and posted an EBIT-loss of -685 kEUR.

In preparation for further transactions, there were in FY 2010/11 four intermediate holding companies newly established. As part of an operational portfolio cleanup, the two investments SHH GmbH SystemHaus Hemminger, Esslingen, and the Ledertech GmbH, Bopfingen, were sold and de-consolidated. The Guss Komponenten GmbH i.L., Hall / Austria, was also deconsolidated.

mutares holds at the financial year-end a total of five operational investments. Two of these investments represent separate subgroups, consisting of several legal units. All these investments have clearly improved their operating profit during the FY 2010/11. Overall, 28 subsidiaries are involved in the consolidated financial statements directly and indirectly at financial year-end. These units are listed in the notes under consolidation scope.

The five operational investments belong to two business segments and are described as following:

- Industry segment
 - Elastomer Solutions Group (ESG)

The Elastomer Solutions Group develops, produces and distributes rubber molded parts, primarily for the automotive industry. It employs approximately 200 employees at three locations in Germany, Portugal and Slovakia. The core expertise of the company Group is the production of covers for protection of wiring harnesses in automotive electrical systems.

The Elastomer Solutions Group was formed by the Elastomer Diehl Group, which separated from the Diehl Group in August 2009 following a refocusing on core business.

Since taking over in August 2009, sales increased significantly. The overhead costs were reduced site-cross through the elimination of redundant functions. In addition, the production processes are optimized systematically through the consistent application of "lean manufacturing" concepts and the new, consistent focus on the elimination of waste.

The resulting cost savings associated with streamlined processes and significantly higher sales have more than offset the rise in rubber prices. In FY 2010/11, ESG in addition to a significant increase in sales was able to achieve a clear result improvement.

- HIB - Trim Part Solutions (HIB)

The HIB-Trim Part Solutions (previously Dräxlmaier Decorative Design) produces, develops and sells decorative parts for car interiors. HIB employs approximately 1'000 employees at the sites in Bruchsal, Altdorf in Germany and Codlea in Romania. Sales of decorative trim parts were in FY 2010/11 at EUR 65.7 million. The HIB customers include the leading OEMs in the premium segment of the automotive industry. As a specialist for high quality, authentic trim surfaces made of real wood, carbon or aluminum, the company is a key technology partner in the development and production of luxury vehicles.

Together with the new owner HIB-Trim Part Solutions reduced its cost position in 2010 considerably. At the same time the production processes have been improved, which resulted in less scrap and material consumption. The serial production of new high-volume orders, such as for the new BMW 5-Series, was successfully implemented according to plan. In overheads significant savings could be identified from approximately 5'000 kEUR, which led to a thirty-percent cost reduction. Taking into account the extraordinary income from grants of the former owner, HIB already recorded during FY 2010/11 a positive result.

- Fertigungstechnik Weißenfels (FTW)

The Fertigungstechnik Weißenfels GmbH develops, manufactures and distributes NC rotary table systems and sub-assemblies for the machine tool industry. It employs about 90 employees at the site Weißenfels, near Leipzig. FTW's customers are the leading German machine tool manufacturers, whose machines are using the FTW components for efficient multiple machining of complex work pieces. As a development partner, FTW team places particular emphasis to offer holistic solutions that can be flexibly integrated in the control systems and manufacturing processes of the machines at the customers.

The manufacturing technology Weißenfels GmbH was acquired in February 2010 from the Roemheld Group, Laubach, who has separated from this activity in the course of the transaction, which is no longer been part of their core business.

Two initiatives were vital for the turnaround under the leadership of mutares: On the one hand the corporate organization was streamlined through the reduction and combination of several layers of management. This increased efficiency in the decision-making processes and the subsequent implementation and therefore also reduced costs. On the other hand, FTW optimized the design and construction of major products and entered strategic partnerships with suppliers, in order to enable material cost savings.

Since the third quarter of calendar year 2010, improved economic conditions, a more customer-oriented service and an expanded product portfolio resulted in an increase of revenues by a total of 23% compared to 2009. In FY 2010/11 FTW generated revenues of 10'186 kEUR with a break-even operating result. In relation with further cost savings in materials and overhead costs, FTW expects a clear positive contribution to earnings for the FY 2011/12.

- Consumer goods segment
 - Sicara (SIC)

Sicara in France is a leading system provider for the trade with sunglasses and reading glasses. The customers are primarily big commercial retailers with large shop areas, such as food stores and hypermarkets. With approximately 13 million sold sunglasses per year, Sicara SARL achieved a market share of approximately 30% in the segment for fashionable and low-priced sunglasses in France. The company employs approximately 40 employees. The majority of them are working in the logistics center Bois le Roi, near Paris, from which more than 1'500 customers are annually served on a regular basis.

The company was sold in August 2008 by the Uvex Group, Furth, in line with its refocusing strategy on its core business.

Since the takeover by the mutares Sicara could increase sales by 30% and fixed costs were reduced by 18%. New customers were acquired and the stocks were cut to reduce the working capital further. At the same time the product return rate could be lowered.

For FY 2011/12, the management expects a further improvement in earnings due to the development of additional distribution channels and the expanding of the product portfolio with products of the new partner company DeFonseca, a manufacturer of house shoes and slippers.

- Alsace Meubles S.A.S.U. (BED)

Alsace Meubles develops, manufactures and distributes slatted frames and sprung bases for beds in different sizes with market focus on Western Europe. The company employs 64 employees at the site Masevaux in Mulhouse, France. Alsace Meubles offers a wide range of own designs and constructions, which are sold through specialty retailers or large retail chains mainly in France. The Recticel Group separated from this business through the transaction, as BED was no longer related to its core businesses.

mutares helps the company to separating from the former parent Recticel and becoming an independent mid-sized companies with fully-developed business functions. As part of the separation process new IT technology has been implemented, and new customers have

been gained .

Under the leadership of mutares the organizational and operational independence of Alsace Meubles is being driven. The plan-compliant implementation of the individually tailored program is closely monitored with primarily financially oriented performance indicators.

3. Financial position of the Group: Net assets, cash flow and results of operations

The mutares Group acquires respectively sells investments and provides operational as well as financial support for the investments. Based on the progress in the restructuring projects and due to the strong economic growth in Europe in the first half of 2010, the results improved compared to previous year. Group revenues and net income could again be increased in the third year in a row.

Because of the strong revenue growth, the internal structures of mutares were adapted to the growing business. On 1 January 2011 the Board appointed Dr. Kristian Schleede as CFO and Dr. Wolf Cornelius as Chief Operations Officer.

All investments have been able to participate from the economic tailwind. In particular in FY 2010/11, the first time for 12 months included HIB Group could achieve significant progress in restructuring. The Board is satisfied with the course of business in the financial year.

- Net assets, financial position and cash flow

At the balance sheet date on 31 March 2011, total assets in the mutares Group amount to 100'261 kEUR (previous year: 105'604 kEUR). The reason for this decrease is in particular the carried out portfolio streamlining undertaken in the financial year 2010/11. The Group equity ratio increased to 31.9% (previous year: 22.0%) due to the changes in scope of consolidation and the rise in net profit. Cash and cash equivalents amount to 14'054 kEUR at financial year-end. The liabilities towards banks amount to 559 kEUR.

Cash flow from operating activities in FY 2010/11 was increased by 4'566 kEUR to 3'215 kEUR. Cash and cash equivalents show an increase of 1'510 kEUR to 14'054 kEUR.

- Results of operations

In the financial year 2010/11, revenues rose by 110% or 66'884 kEUR to 127'575 kEUR (previous year 60'691 kEUR). HIB Group contributed most with 65'659 kEUR through the first-time full year consolidation. Additional revenues come from FTW with 10'186 kEUR, Sicara with 4'902 kEUR, the ESG Group with 20'223 kEUR and from the addition of Alsace Meubles with 5'691 kEUR. The deconsolidation of three units caused a decline in sales of 11'772 kEUR.

The increase in other operating income by 15'635 kEUR to 29'676 kEUR is mainly attributable to the first-time full year consolidation of the HIB Group. The same applies to personnel costs, which increased from 20'104 kEUR to 47'797 kEUR and to other operating expenses, which increased from 10'226 kEUR to 31'881 kEUR.

The result from ordinary business activities increased in all operating companies in the consolidated Group with the exception of the newly acquired Alsace Meubles in FY 2010/11 and amounts to 8'874 kEUR (previous year: 5'729 kEUR). This represents an improvement compared the previous year by 3'145 kEUR or 54.9%.

The consolidated net result amounts to 8'254 kEUR (previous year: 4'012 kEUR) and increased by 4'242 kEUR.

4. Opportunities and risks of future development

The economic upswing in Germany in 2010 was much better than expected. This provides for the mutares an opportunity, because the acquired companies benefit from the upturn. In almost all investments, the economic environment helped to exceed the planned business development.

The prosperous market environment but also exacerbated the selection of companies with "in principle" problems. The existing range of acquisition opportunities not declined contrary to expectations.

The positive market environment was reflected in higher purchase price expectations of the sellers. If the strong economic environment is proving to be robust, these higher valuations are justified. However, the above described companies in "basic crisis" situations can also lead to more attractive acquisition opportunities for mutares.

In special cases, mutares can also acquire participations; where the restructuring process turns out to be more difficult than anticipated. Because of the legal structure of mutares Group and the therefore limited risks associated with acquisitions, the overall risk for the mutares AG is limited.

- Price risk, credit risk and liquidity risk

Price, sales and demand fluctuations up to supply shortages on the side of customers or suppliers as well as general trends from the commodity and capital markets can negatively affect the assets, financial position and results of the mutares Group. mutares meet these risks at the level of portfolio companies through continuous monitoring of key indicators in order to counteract at an early stage. Beside the central management information system

(MIS), mutares additionally introduced in 2011 extensive quarterly reviews on site. That enables ongoing comprehensive monitoring of performance in the investments. During critical phases, e.g. shortly after a takeover, a weekly monitoring of the progress in the restructuring projects including key performance indicators (KPIs) is standard. Nevertheless there remains a risk that the management information system provides necessary information insufficient, late or incorrect, so that poor or wrong decisions are made.

The proper quantification of the restructuring program impact/expenses, the provision of adequate funding and the provision of appropriate staffing of resources from the mutares is the main risk in new acquisitions. This risk is monitored continuously.

- Personal risk

The purchase, restructuring and sale of businesses require of the persons involved, a high degree of professional competence and management experience of the characters.

mutares must ensure as part of their business model that is adequately qualified personnel resource available.

Through a 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. mutares regularly conduct reviews of its existing management as well as recruiting interviews in order to continuously expand its management team qualitatively and quantitatively.

- Financial risks

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

- Tax risks

Tax risks arise on the basis of the business model. They are constantly monitored and must often be worked out in close cooperation with external tax advisors because of their complexity. Due to the ever-changing tax legislation, it is not to exclude that from it can grow negative consequences on the results of operations of the mutares Group.

- Risk management system

The Board installed an early warning system, to allow early identification of developments that could jeopardize the future of the company. All critical contract modules, business de-

velopments, and potential claims or liabilities are discussed on a regular basis. Resulting actions are included and followed up in the monthly management meetings.

5. Significant events after the reporting date

The company's headquarter was moved during April 2011 in Munich with an unchanged zip code from Schubertstrasse 2 into Uhlandstrasse 3.

In the first half of financial year 2011/12 sales contracts for two new transactions were closed:

- mutares acquired on 16 June 2011 the Decorative Division from the HUBER Packaging Group GmbH, Öhringen. The HUBER Decorative Packaging GmbH & Co. KG, Landshut, develops and produces high quality packaging made of tinplate. Its customers include well-known brand-name manufacturers and trading companies from different industries. At the site Landshut, Huber Decorative has 135 employees and a turnover of approximately EUR 15 million. Huber Decorative Packaging operates today under the name KLANN Packaging GmbH & Co. KG, located in Landshut.
- mutares acquired from the Italian Ali Group with effect from 10 August 2011 Rubbens EGC, a leading manufacturer of commercial kitchen equipment with headquarters in Belgium. Rubbens EGC develops, manufactures and sells custom-made kitchen equipment for restaurants, cafeterias and catering operations. The company currently has 73 employees on its sites in Kruikebeke and Stavelot and achieves a turnover of approximately EUR 9 million.

6. General outlook

The future development of mutares Group is on the one hand heavily influenced by acquisitions and disposals of investments and on the other hand depending on the development of the existing portfolio companies. mutares has successfully started into the financial year 2011/12 and will continuously evaluate possible new acquisitions. In doing so mutares will further develop with regard to the sizes and the attractiveness of the acquired businesses. mutares anticipates that the acquisition business will return to a normal level with realistic company valuations. The Board plans therefore remain unchanged to purchase up to four operative companies during each financial year.

Because of the over the financial year distributed closing dates, it is expected that the consolidated annual revenues in both financial years 2011/12 and 2012/13 respectively increases by approximately EUR 50 million to EUR 70 million. The sale of a portfolio company may prove attractive, following the positive macroeconomic environment.

Against the background of these plans the Group intends, taking into account possible divestitures, to achieve a turnover of approximately EUR 170 million in the financial year 2012/13. However mutares cannot give statements concerning earnings expectations, since this depends heavily on the amount and size as well as the level of restructuring needs of the future investments.

For the upcoming financial year 2011/12, the management of mutares believes that the operating income of the existing portfolio companies on 31 March 2011 will significantly improve for three reasons: completed portfolio adjustments, successful implementation of the operational improvement programs and the ongoing economic recovery.

Due to the current portfolio and the good start into the financial year 2011/12, the Executive Board of mutares is confident of a continued successful development for the coming years.

Munich, September 23, 2011

mutares AG
Dr. Axel Geuer

mutares AG
Robin Laik

mutares AG
Dr. Kristian Schleede

mutares AG
Dr. Wolf Cornelius

E. CONSOLIDATED INCOME STATEMENT

mutares AG, Munich

Consolidated income statement for the financial year from 01 April 2010 to 31 March 2011

	EUR	EUR	FY 2010/11 EUR	Previous year kEUR
1. Revenues		127'575'437		60'691
2. Changes in inventories of finished goods and work in progress		6'416'880		11'898
3. Other own work capitalized		10'595		39
4. Other operating income		<u>29'676'362</u>		<u>14'041</u>
			163'679'274	86'669
5. Cost of materials				
a) Cost of raw materials, auxiliary materials and supplies and purchased goods	61'227'571			42'659
b) Cost of services	<u>5'483'412</u>			<u>5'657</u>
		66'710'983		48'316
6. Personnel expenses				
a) Wages and salaries	37'736'211			16'455
b) Social security contributions and expenditures for retirement benefits and other support payments thereof for pensions: EUR 1'165'592 (Previous year: kEUR 378)	10'061'103			3'649
		<u>47'797'314</u>		<u>20'104</u>
7. Amortization of intangible assets and depreciation of property, plant and equipment		6'415'531		1'951
8. Other operating expenses		<u>31'880'581</u>		<u>10'226</u>
			152'804'409	80'597
			10'874'865	6'072
9. Other interest and similar income		376'532		64
10. Write-downs of financial assets and other investments in marketable securities		822'124		0
11. Interest and similar expenses		<u>1'555'515</u>		<u>407</u>
			-2'001'107	-343
12. Profit from ordinary activities			8'873'758	5'729
13. Extraordinary income		7'712'129		101
14. Extraordinary expenses		<u>8'714'117</u>		<u>38</u>
15. Extraordinary result			-1'001'988	63
16. Taxes on income and earnings thereof income from the change in unrecognized deferred taxes: EUR 1'392'268 (Previous year: kEUR 1'469)			868'287	-1'780
17. Other taxes			<u>-486'312</u>	<u>0</u>
18. Consolidated net income			8'253'745	4'012
19. Minority interests			42'281	51
20. Group share of consolidated net income			8'296'026	4'063
21. Profit carry forward			4'127'330	500
22. Transfer to legal reserve			16'100	0
23. Transfer to other revenue reserves			<u>209'391</u>	<u>188</u>
24. Consolidated retained earnings (balance sheet result)			<u>12'197'865</u>	<u>4'375</u>

F. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. mutares AG – at a glance

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

mutares AG acquires companies in special situations (corporate spin-offs, unregulated business succession, pending restructuring and reorganization or earnings weakness) and 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.

Currently the mutares AG portfolio consists of seven investments in six different countries. The investments belong to the industry and consumer goods sector.

2. General information on accounting standards

The consolidated financial statements of mutares Group as per 31 March 2011 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 rules and regulations that have changed as a result of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz - BilMoG) from 25 May 2009 have been applied in full in the preparation of these consolidated financial statements.

Where the first-time application of the BilMoG rules has resulted in changes in the previous form of presentation or the measurement methods hitherto applied, the prior figures were not restated, except for deferred taxes, in accordance with Article 67 (8) paragraph 2 of the Introductory Act on the German Commercial Code (EGHGB).

The structure of the consolidated balance sheet is in accordance with § 266 HGB. The structure of the consolidated income statement is compiled with 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).

Due to changes in the consolidation scope, the income figures for the financial year 2010/11 are comparable to the corresponding previous year's figures only in a limited manner. The

differences result mainly from the first-time complete, full-year consolidation (previous year: one month) of the HIB-Trim Part Solutions Bruchsal GmbH & Co. KG.

2.1 Scope of consolidation

All in the consolidated financial statements of the mutares AG included subsidiaries reported on March 31 or were included based on an interim report dated on March 31. The Group-based evaluations were made in accordance to uniform principles.

The consolidated financial statement includes both the mutares AG as a parent company as well as its affiliated portfolio companies, which entitles mutares to the majority of voting rights, either directly or indirectly. In mutares' consolidation all holding companies* and the following five operational units were included:

- HIB-Trim Part Solutions Group (Bruchsal, Altdorf in Germany, Codlea/Romania)
- Elastomer Solutions Group (Wiesbaum/Germany, Mindelo/Portugal, Belusa/Slovakia)
- Fertigungstechnik Weißenfels (Weißenfels/Germany)
- Sicara (Bois le Roi/France)
- Alsace Meubles (Bois le Roi/France)

In the financial year, the scope of consolidation has changed as follows*:

- June 2010: Sale of 100% of the shares of SHH GmbH SystemHaus Hemminger in Esslingen (SHH). SHH is a consulting, services and development company with a focus on geographical information systems, network management systems and facility management. The deconsolidation was completed by 1 June 2010.
- July 2010: Takeover of LeBed SAS from the Alsace Meubles S.A.S.U. through an asset deal. All related employees of the French company were taken over from the Recticel Group (Brussels, Belgium). LeBed develops, manufactures and distributes slatted frames for beds with an emphasis in Western Europe.
- October 2010: 100% stake sale of Ledertech GmbH in the context of a Management buy-in. Ledertech is one of the leading suppliers of leather fiber materials for the world of handbag and shoe industry and is located in Bopfingen, Germany. The deconsolidation was completed by 1 October 2010.
- November 2010: Acquisition of the remaining 10% stake of Fertigungstechnik Weißenfels from the Tabula GmbH.
- December 2010: Deconsolidation of Guss Komponenten GmbH i.L., Hall, Austria (GKG). As laid down in § 296 (1), Nr. 1 HGB the GKG is no longer included in the consolidated financial statements due to the sustained deterioration in the exercise of the rights of the parent company in relation to the assets and management of this company. The deconsolidation was completed by 1 December 2010.

(* Holding companies are not listed separately.)

On 31 March 2011 a total of 28 Group companies are included and fully consolidated in the consolidated financial statements of mutares. The scope of consolidation with the list of all included legal units is shown under Section 6, "Other information".

2.2 Methods of consolidation

The book value method in accordance with § 301 (1), paragraph 2, Nr. 1 HGB a.F. is used unchanged for the capital consolidation of acquisitions, that took place before 1 April 2010, on the basis of the first-time consolidation made in the consolidated financial statements.

For acquisitions made after 1 April 2010 the capital consolidation is conducted using the re-valuation approach according to § 301 (1) HGB.

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

Eliminations of intercompany results in accordance with § 304 (1) HGB were not carried out because of minor importance.

Consolidation of income and expenses was drawn up pursuant to § 305 Section 1 of the German Commercial Code (HGB) by netting out revenue, other operating income and interest income between the consolidated companies with the expenses of those companies.

Deferred taxes are calculated for temporary differences between the commercial and tax-based valuations of assets and liabilities and for deferred income as well as on 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 cover profit-neutral capital consolidation differences between commercial and tax balance sheet values arising from the realization of hidden reserves and hidden charges.

The surplus of deferred tax assets over deferred tax liabilities, arising from temporary differences between commercial and tax balance sheet values on a level of the individually affected companies, to be included in the annual financial statements of the affiliated companies has been waived as per § 274 (1), paragraph 2 HGB in conjunction with §§ 298 and 300 (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, these amounted to 12.6% for the trade tax of a domestic company and to 19.0% for a foreign company.

In the financial year 2010/11 the offsetting of deferred tax assets against deferred tax liabilities resulted in a surplus of deferred tax liabilities in the amount of 9 kEUR.

3. Accounting policies and valuation methods

The acquired **intangible assets** against payment are evaluated at acquisition costs less orderly linear depreciation over lifetime and under consideration of extraordinary impairment losses.

Goodwill created by the capital consolidation will be amortized over a period of three years. The estimation of the useful life is based on short to medium-termed orientation of the business model. Goodwill is written down to its realizable amount if any impairment is identified. As per § 309 HGB, negative goodwill (badwill) created by the capital consolidation will be reversed upon occurrence of the expected unfavorable development of the future earnings or when expected expenses are incurred or if it is certain on the cut-off date that it correspond to a realized gain (lucky buy).

Tangible fixed assets are accounted at purchase price or production cost less the cumulative ordinary depreciation over its useful life and cumulative impairment.

Financial assets are valued at acquisition cost or at the lower market value on the reporting date. On account of the requirement to reverse write-downs under section 280 (1) HGB, such write-downs on securities in previous years were reversed to fair value, not exceeding the amortized cost of acquisition. Investments in companies and participations with majority interest, which are not consolidated due to lack of control, will be declared as investments in affiliated companies.

Inventories are recognized at acquisition or production cost or at lower net realizable value. The raw materials and supplies as well as merchandise are shown at the weighted average cost of acquisition. Lower replacement costs at the reporting date are taken into account. The production costs of the unfinished and finished goods contain costs for directly attributable production material resp. labor costs and a reasonable part of the necessary indirect costs for material and production-related overhead costs including depreciation.

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

Marketable securities are stated at their nominal value or a lower market value.

Cash and cash equivalents are stated at nominal value.

The **pension provisions** were calculated on the basis the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz - BilMoG). Thereby, the valuation of the

liability for the pensions 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, for instruments with a remaining maturity of 15 years. Additional assumptions underlying the valuation are as follows: Salary increase by 1.5% p.a., employee fluctuation as a function of age between 5% and 0% and pension increases by 1.50% p.a. Costs related to the first time application of German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz - BilMoG) for the obligations from direct pensions in the amount of 1'256 kEUR were fully provided to provisions in the financial year through extraordinary expenses. In contrast to the previous year, the net interest share in the pension provision is now recognized separately as interest expense.

For reasons of simplification, the pension provisions for smaller subsidiaries are calculated by approximation methods that lead almost to the same values compared to the uniform Group evaluation process. Based on business realities in the approximation methods discount interest rates between 5.15% and 5.17% as well as 1.0% to 2.0% for future salary increases were used.

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 in regard 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 average market rate of interest of the past seven years, which is determined and announced by the Deutsche Bundesbank. Due to the changed valuation of provisions caused by the BilMoG, adjustments of 53 kEUR were included equity-neutral in retained earnings.

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

On 31 March 2011 all existing **deferred tax assets and liabilities** in the financial statements of the subsidiaries consist primarily of provisions and tax losses carry forward. In the consolidated financial statements, the deferred tax assets from each consolidated unit are not recognized. Deferred taxes assets of 10 kEUR arise from the capital consolidation and deferred tax liabilities of 19 kEUR result from the debt consolidation. The deferred taxes are netted out and the balance of 9 kEUR is listed under the item "Deferred tax liabilities".

Foreign-currency denominated assets and liabilities, not exceeding the term to maturity of one year, were translated at the average spot market exchange rate on the reporting date in accordance with § 256a HGB. Acquired fixed assets or inventories in foreign currency are generally assessed at the average spot exchange rate on the date of transaction.

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 exchange rate on the reporting date. The items in the income statements are translated at average exchange rates. Differences from currency translation are recorded directly in Group equity under the heading "Equity difference from currency conversion".

4. Notes to the consolidated balance sheet

The breakdown and development of **fixed assets** is shown in the table of assets (see appendix to the notes).

For **intangible assets** impairments were made in the amount of 414 kEUR. The additional goodwill on 31 March 2011 results from the first time consolidation of an increase of shares by 10% in the Fertigungstechnik Weißenfels GmbH. This goodwill amounts to 828 kEUR.

In the **financial assets** the shares of the affiliated company Guss Komponenten GmbH i.L. were extraordinarily depreciated in the amount of 564 kEUR, because of the deconsolidation. A loan to a former portfolio company was re-grouped into other financial assets and was also impaired.

Trade receivables in the amount of 4 kEUR (previous year: 0 kEUR) and **Other receivables** in the amount of 186 kEUR (previous year: 110 kEUR) are long-term.

Cash and cash equivalents include a deposit at the Commerzbank AG in the amount of 28 kEUR for the protection of granted warranty bonds. The affected company cannot freely dispose about this deposit.

The **prepaid expenses and deferred charges** include accruals of an activated discount in the amount of 4 kEUR (previous year: 8 kEUR) referred to § 250 paragraph 3 HGB. The included discount is released in accordance with the loan maturity.

On the 31 March 2010 the **subscribed capital** registered at the commercial register amounted to 322'000.00 EUR. The subscribed capital was fully paid in and divided into 322'000 ordinary bearer shares with no par value.

The board is entitled until 31 December 2012 to increase the stock with the consent of the supervisory board once or several times by up to 161'000.00 EUR through issuing up to 161'000 shares against contribution in cash and/or investment in kind and in doing so exclude the existing shareholders subscription rights. The board was also entitled to determine the further details and the implementation of the capital increase, with the consent of the supervisory board.

The annual general meeting from 29 November 2010 approved that the balance sheet result of the parent company mutares AG in the amount of 247'559.38 EUR was transferred into retained earnings. Furthermore the annual general meeting decided to increase the existing

subscribed capital of the company in the amount of 322'000.00 EUR out of retained earnings according to §§ 207 ff. AktG by 161'000.00 EUR to 483'000.00 EUR. The increase is done through converting a partial amount from the surplus reserves shown under retained earnings on the 31 March 2010. The capital increase was based on the audited annual financial statements of the financial year 2009/10, which are provided with an unqualified certification of the auditors and which are approved by the supervisory board. The subscribed capital therefore corresponds with the articles of association of the mutares AG and the entry in the commercial register.

The capital increase was carried out through the issue of 161'000 new shares. The new shares are available to the shareholders at a ratio of two old shares for one new share. The new shares are bearer shares. After issue, the new shares are entitled for dividends from the beginning of the current financial year, if at the time of their issue no decision about the appropriation of earnings exists. Otherwise the shares are profit-entitled from the beginning of the subsequent financial year of its issue. After the increase of subscribed capital the capital stock is divided into 483'000 ordinary bearer shares.

After transferring of 16'100.00 EUR into the **legal reserves** according to § 150 paragraph 2 AktG and of 209'390.67 EUR in the **other revenue reserves** referred to § 58 paragraph 2 AktG the **balance sheet profit** results to 12'197'865.42 EUR on 31 March 2011.

The first-time application of the BilMoG rules caused, that the **other revenue reserves** increased by 52'825.00 EUR.

On 18 April 2008 the annual general meeting decided to increase the subscribed capital by 17'400.00 EUR by issuing 17'400 ordinary bearer shares as part of a conditional capital increase (conditional capital 2008-I). The **conditional capital** is used for granting of option rights to the members of the board of directors and employees of the company and of affiliated companies as well as for the members of the management of affiliated companies according to this decision. Bearer shares are offered. The new shares take part in the profit of the company. The board of directors is authorized to define the terms and conditions of the option rights inclusive the issuance and arrangement of the share options, with consent of the supervisory board. In the case of options to the board of directors this regulation applies only to the supervisory board.

On 19 March 2010 the annual general meeting decided to increase the stock by 14'800.00 EUR through issuing 14'800 ordinary bearer shares (conditional capital 2010-I). The **conditional capital** is used for granting of option rights to the members of the board of directors and employees of the company and of affiliated companies as well as for the members of the management of affiliated companies according to this decision. Bearer shares are offered. The new shares take part in the profit of the company. The board of directors is authorized to define the terms and conditions of the option rights inclusive the issuance and arrangement of the share options, with consent of the supervisory board. In the case of options of the board of directors this regulation applies only to the supervisory board.

Because of the resolutions from the general assembly meetings of 18 April 2008 and of 19 March 2010 the share capital can be increased as part of a conditional increase of capital (conditional capital 2008-I and 2010-I) in the amount of 32'200.00 EUR by issuing up to 32'200 ordinary bearer shares. Due to the increase of the stock in financial year 2010/11 the conditional capital increases in the same ratio, as the stock in the amount of 48'300.00 EUR referred to § 218 AktG. The share option plan from 2008 plan expired on 31 December 2010; the exercising of option rights is no longer permitted. According to this, the conditional capital has been reduced and amounts to 42'615.00 EUR in total on 31 March 2011.

The share options were not yet recognized in the balance sheet and income statement on 31 March 2011, because the board of directors of the mutares AG is the opinion in relation to the accounting policy that the share options are a shareholders' portion and no earnings materialized. Therefore, no balance sheet consideration is required, as long as the exercise of stock options has not taken place.

In addition the subscribed capital of the company is conditionally increased by 5'394.00 EUR (conditional capital 2008-II). The conditional increase of capital only takes place in so far, if the owners of the 5'349 convertible bonds make use of their right to change this into ordinary shares. On 09 April 2008 the annual general meeting authorized the board of directors to spend the 5'349 convertible bonds. The new shares take part in the profit of the company from the beginning of the financial year of issuing. The board of directors is authorized to determine the terms and conditions of the conditional increase of capital, with the approval of

the supervisory board. The convertible bonds were completely issued to the supervisory board of the financial year 2008/09.

On 19 April 2008 the general assembly approved the resolution for “Approval for the purchase of own shares”. In this resolution the board of directors is authorized to buy back own shares for the duration of 18 months. The authorization from 19 April 2008 was replaced by the resolution of the general assembly on 19 March 2010.

The board of directors is authorized to buy back shares of the own company up to 10 of hundreds of the total stock up to five years long, with the consent of the supervisory board. The shares may be purchased at the stock exchange or by means of a public purchase offer to all shareholders.

- In the case of a purchase at the stock exchange, the price offer by the company per share (excluding ancillary purchase costs) 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 costs) 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 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. If the subscription is greater than the offered volume, acceptance occurs after quotas. 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 extent they are applicable.

The board of directors is authorized, 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 significantly 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 a functionally comparable successor system) for shares of the Company during the last five trading days prior to the sale of the shares.

In addition, the board of directors is authorized, with the consent of the supervisory board, to sell the acquired own shares excluding the subscription rights of shareholders, provided this is done for the purpose of acquiring investments, businesses or parts of companies.

The board of directors is also authorized, 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.

In the financial year 2010/11 the **passive difference resulting from capital consolidation** (badwill) is reduced from 17'245 kEUR to 9'617 kEUR. Made releases in the amount of 14'075 kEUR are shown under other operating income. These releases are on the one hand expected and materialized expenses and/or losses respectively originally planned expenses and/or losses, which did not materialize, in the amount of 10'075 kEUR and on the other hand a realized gain in the financial year 2010/11 in the amount of 4'000 kEUR.

Moreover, the disclosure of hidden charges, from off-balance sheet pension obligations in the individual financial statements of a Group company, lead, neutral to earnings, to a re-classified pension provision in the amount of 5'593 kEUR.

In addition, the passive difference from the capital consolidation is increased, both through initial consolidation of an acquired affiliated company in the financial year 2010/11 in the amount of 2'331 kEUR as well as through the earnings-neutral change of the netted representation of goodwill and badwill in last year's financial statements in the amount of 92 kEUR.

The remaining passive difference resulting from capital consolidation (badwill) at the end of the financial year 2010/11 is intended primarily for planned and pending restructuring expenses and other expenditures for the development of alternative markets in the next two financial years for three Group companies.

Other provisions are recognized in the amount, which covers all probable expenditures required for the settlement of present obligations, according to a reasonable commercial assessment. In assessing the settlement amount, a cost increase between 0.5% p.a. and 2.0% p.a. was considered. Other provisions with a maturity of more than one year were discounted pro rata with the prescribed interest rate of the Deutsche Bundesbank. For the discounting purposes, the interest rates for 2010 are 3.9% to 4.59%, depending on the maturity.

Other provisions mainly cover staff-related obligations, obligations from potential losses on pending transactions, restructuring and warranty obligations.

The **liabilities** are made up as follows:

	31.03.2011	31.03.2010
	kEUR	kEUR
Bonds	5	5
Account payables due to banks	559	1'294
Advance payments received for orders	4'547	192
Trade account payables	13'662	18'253
Other liabilities	9'860	8'012
	<u>28'633</u>	<u>27'756</u>

Liabilities to banks in the amount of 162 kEUR are secured with tangible assets and the advance payments received for orders are secured in the amount of 96 kEUR with raw material, consumables and supplies.

The other liabilities are separated as follows:

	31.03.2011 kEUR	31.03.2010 kEUR
Taxes	1'897	1'345
Social security	874	300
Others	7'089	6'367
	<u>9'860</u>	<u>8'012</u>

The maturities of debts are as follows:

	<1 Year kEUR	1–5 Year kEUR	>5 Year kEUR	Total kEUR
31.03.2011				
Bonds	5	0	0	5
Liabilities to banks	559	0	0	559
Advance payments received for orders	4'547	0	0	4'547
Trade account payables	13'648	14	0	13'662
Other liabilities	5'263	4'597	0	9'860
	<u>24'022</u>	<u>4'611</u>	<u>0</u>	<u>28'633</u>
31.03.2010				
Bonds	5	0	0	5
Liabilities to banks	371	750	173	1'294
Advance payments received for orders	192	0	0	192
Trade account payables	18'253	0	0	18'253
Other liabilities	4'333	3'372	307	8'012
	<u>23'154</u>	<u>4'122</u>	<u>480</u>	<u>27'756</u>

5. Notes to the consolidated income statement

The sales are broken down as follows:

	2010/2011 kEUR
Germany	96'336
European Union	19'305
Rest of Europe	4'804
America	1'925
Asia	2'586
Rest of the world	2'619
	<u>127'575</u>

Sector	2010/2011 kEUR
Automotive	84'395
Industrial Goods	31'838
consumer Goods	10'593
IT / Consulting	749
	<u>127'575</u>

The strong increase in sales is mainly due to the extension of the Group's consolidation scope.

Other operating income increased by 15'635 kEUR in comparison to previous year. Other operating income includes income unrelated to the accounting period in the amount 33 kEUR (previous year: 0 kEUR), income from the release of provisions amounting to 2'140 kEUR and income from the reversal of impairment losses amounting to 257 kEUR. In addition, gains from currency conversion resulted in the amount of 1'413 kEUR. The resolution of badwill contributes in financial year 2010/11 to other operating income in the amount of 14'075 kEUR.

Other operating expenses increased in the financial year 2010/11 by 21'655 kEUR compared to previous year. This includes a loss from currency conversion expenses in the amount of 1'604 kEUR.

Personnel expenses significantly increased compared to previous year. This marked rise is mainly attributable to the first time full-year consolidation of the HIB Group (previous year one month).

Interest result

	2010/2011 kEUR	2009/2010 kEUR
Interest and similar income		
Interest income from banks	57	31
Other interest income	320	33
	<u>377</u>	<u>64</u>
Interest and similar expenses		
Interest expenses to banks	-82	-107
Factoring interest expense	-100	-33
Other interest expenses	-1'374	-267
	<u>-1'556</u>	<u>-407</u>
	<u>-1'179</u>	<u>-343</u>

Other interest income includes interest income from the discounting of provisions amounting to 277 kEUR. Other interest expenses include an amount of 1'107 kEUR from compounding of provisions.

Extraordinary income / expense

The extraordinary expenses consist to a large extend of HIB-expenses for severance pay from a social plan and restructuring costs amounting to 7'434 kEUR. The extraordinary income includes a grant of a former shareholder amounting to 7'528 kEUR. Moreover, the extraordinary expenses also include an amount of in total 1'280 kEUR related to the BilMoG - conversion.

6. Other information

Financial Obligations

Financial obligations exist in the amount of 5'540 kEUR for the fixed lease term periods, of short-, medium- and long-term rental and lease agreements.

The financial obligations show following breakdown according maturity:

Maturity status on 31.03.2011

	<1 Year kEUR	1–5 Year kEUR	>5 Year kEUR	Total kEUR
Rent	492	1'727	1'060	3'279
Leasing	361	735	0	1'096
Commitments	1'143	0	0	1'143
Others	22	0	0	22
	<u>2'018</u>	<u>2'462</u>	<u>1'060</u>	<u>5'540</u>

Contingencies

On 31 March 2011 the contingencies amount to 80 kEUR due to a factoring agreement and 907 kEUR for guarantee commitments issued for two companies which have been divested in the financial year 2010/11. Claims from the cited contingencies are not expected because of the current economic situation of the companies.

Other transactions not included in the balance sheet

The HIB has signed on the 12 August 2010 a factoring agreement with the Commerzbank AG. The size of the transferred receivables allows for a maximum amount of 8'000 kEUR. The contract expires on 28 February 2012. On the reporting date of the balance sheet, the volume of the transferred assets is 5'000 kEUR.

On 31 March 2011 the ESS has contracted a factoring agreement with the UniCredit Bank, Slovakia. The contract is limited to a maximum amount of 350 kEUR of future arising receivables. The agreement expires on 30 November 2011. On the reporting date of the balance sheet, the volume of the transferred assets is 0 kEUR.

The purpose of these both off-balance sheet transactions 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 2011, 2012 and 2013 there is an "earn-out agreement" in place with the seller of an affiliated company, if a positive EBIT shows up in the respective years. The earn-out is limited to maximum amount of 1'500 kEUR.

Class of shares

The 483'000 shares are 100% ordinary bearer shares. Each individual share has a nominal share value of 1.00 EUR.

Executive and Supervisory Boards

Board of directors

Dr. Axel Geuer, Dipl.-Ing., Munich

Mr. Robin Laik, Dipl.-Kaufmann, Munich

Dr. Kristian Schleede, Dipl.-Ing., Zurich / Switzerland (since 1 January 2011)

Dr. Wolf Cornelius, Dipl.-Ing., Waldstetten (since 1 January 2011)

Dr. Axel Geuer and Mr. Robin Laik always represent the company individually.

Dr. Wolf Cornelius and Dr. Kristian Schleede represent the company in each case together with another board member or together with an authorized representative.

Supervisory Board

Prof. Dr. Micha Bloching, Lawyer, Tax Advisor, Munich (Chairman)

Mr. Volker Rofalski, Dipl.-Kaufmann, Munich (Deputy Chairman)

Dr. Ulrich Hauck, Dipl.-Kaufmann, Leverkusen

Dr. Helmut Naber, Dipl.-Ing., Munich (substitute member)

Total remuneration of the Board of directors and the Supervisory Board

The remuneration of the Board of directors during the financial year 2010/11 amounted to 663'110 EUR. The members of the Supervisory Board are entitled to remuneration for their activities in financial year 2010/11 to a total amount of 8'000 EUR plus VAT pursuant to the decision of the general assembly on 19 April 2008.

As part of the existing stock option plan the board of directors has been granted 18'000 of the 21'000 available stock options for the board of directors. The allocation of the stock options took place in two tranches, with a waiting period of two years. The term is five years each. As part of the capital increase on 29 November 2010, the strike price per stock option has been reduced from 50.00 EUR to 33.33 EUR.

Relations to related parties

The mutares AG maintains normal commercial relations with affiliated, consolidated and unconsolidated 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 board of directors 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 of the auditors Deloitte & Touche GmbH were calculated for the mutares AG and its subsidiaries:

	2010/2011
	EUR
Audit services	82'000
Other assurance services	0
Tax services	0
Other services	0
	<u>82'000</u>

Consolidation scope

In the consolidation scope on 31 March 2011, the following companies were fully consolidated:

Companies	Location	Share in %
Sonnen Holding AG	Munich	100
Verkehrssysteme Holding AG i.L.	Munich	100
mutares Sphäroguss AG	Munich	100
mutares Geoinformationssysteme UG (limited liability) i.L.	Munich	100
mutares Mode-Holding 01 AG	Munich	100
mutares Mode-Holding 02 AG	Munich	100
mutares autotrim 01 AG	Munich	100
mutares autotrim 02 GmbH	Weissenfels	100
Blitz 09-232 GmbH	Weissenfels	100
mutares Automobilguss AG	Munich	100
mutares Holding-02 AG	Munich	100
mutares Holding-03 AG	Weissenfels	100
mutares Holding-04 AG	Weissenfels	100
mutares Holding-05 UG (limited liability)	Munich	100
mutares Holding-06 UG (limited liability)	Weissenfels	100
mutares Holding-07 UG (limited liability)	Weissenfels	100
SICARA Fashion Accessories SARL	Bois Le Roi/FR	100
Cast Iron Components Group GmbH	Munich	100
HIB Verwaltungsgesellschaft mbH	Bruchsal	100
HIB-Trim Part Solutions Bruchsal GmbH & Co KG	Bruchsal	100
HIB-Trim Part Solutions Altdorf GmbH	Altdorf	100
Rolem S.R.L.	Codlea/RO	100
Fertigungstechnik Weißenfels GmbH	Weissenfels	100
Elastomer Solutions GmbH	Wiesbaum	100
DF Elastomer Solutions Lda	Mindelo/PT	100
Elastomer Solutions s.r.o.	Belusa/SK	100
Holzindustrie Bruchsal Unterstützungskasse GmbH	Bruchsal	100
Alsace Meubles S.A.S.U.	Masevaux/FR	100

The Guss Komponenten GmbH i.L., Hall / Austria, on which the Group holds 97% of the shares, was deconsolidated in the financial year 2010/11.

Employees

In financial year 2010/11 the mutares AG employed in average 1'445 employees in accordance with § 267 paragraph 5 HGB.

	<u>2010/2011</u>
Industrial employees	980
Salaried employees	<u>465</u>
	<u><u>1'445</u></u>

Applied simplification rules according to § 264b HGB

Based on the provisions of § 264b HGB, the disclosure of the financial statements of the HIB-Trim Part Solutions Bruchsal GmbH & Co. KG, Bruchsal has been waived.

Munich, 23 September 2011

mutares AG
Dr. Axel Geuer

mutares AG
Robin Laik

mutares AG
Dr. Kristian Schleede

mutares AG
Dr. Wolf Cornelius

7. Annexes to the notes of the consolidated financial statements

Development of the fixed assets

mutares AG, München

Development of consolidated fixed assets for the financial year from April 1 2010 to March 31 2011

	Historical purchase and production costs						Accumulated depreciation						Net book value		
	Cost at 01 April	Additions	Disposals	Transfers	Consolidation scope	Currency translation differences	Cost at 31 March	Accumulated depreciation at 01 April	Additions	Disposals	Consolidation scope	Currency translation differences	Accumulated depreciation at 31 March	on 31 Mar 2011	on 31 Mar 2010
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
I. Intangible assets															
1. Acquired concessions, industrial rights and similar rights and licenses in such rights and values	12'730	736	4	0	-1'849	0	11'613	9'736	1'173	4	-1'597	0	9'308	2'305	2'994
2. Goodwill	1'250	0	0	0	923	0	2'173	1'250	32	0	0	0	1'282	891	0
3. Prepayments	0	477	0	0	459	0	936	0	0	0	0	0	0	936	0
	<u>13'980</u>	<u>1'213</u>	<u>4</u>	<u>0</u>	<u>-467</u>	<u>0</u>	<u>14'722</u>	<u>10'986</u>	<u>1'205</u>	<u>4</u>	<u>-1'597</u>	<u>0</u>	<u>10'590</u>	<u>4'132</u>	<u>2'994</u>
II. Tangible assets															
1. Land, leasehold rights and buildings including buildings on leasehold land	48'332	16	62	0	-1'279	-17	46'990	25'196	1'113	0	-216	2	26'095	20'895	23'136
2. Technical equipment and machinery	125'155	1'050	2'533	1'313	-27'716	-12	97'257	109'323	3'069	1'537	-25'494	-12	85'349	11'908	15'832
3. Other plant, factory & office equipment	26'583	608	1'390	183	-4'753	0	21'231	22'289	1'029	1'049	-4'499	-2	17'768	3'463	4'294
4. Advance payments and assets under construction	873	1'680	9	-1'496	-747	3	304	0	0	0	0	0	0	304	873
	<u>200'943</u>	<u>3'354</u>	<u>3'994</u>	<u>0</u>	<u>-34'495</u>	<u>-27</u>	<u>165'782</u>	<u>156'808</u>	<u>5'211</u>	<u>2'586</u>	<u>-30'209</u>	<u>-12</u>	<u>129'212</u>	<u>36'570</u>	<u>44'135</u>
III. Financial assets															
1. Shares in affiliated companies	438	0	0	0	126	0	564	439	564	0	-439	0	564	0	0
2. Investment securities	87	0	0	0	-86	0	1	0	0	0	0	0	0	1	87
3. Other assets	14	222	0	0	0	0	236	0	211	0	0	0	211	25	14
	<u>539</u>	<u>222</u>	<u>0</u>	<u>0</u>	<u>40</u>	<u>0</u>	<u>801</u>	<u>439</u>	<u>775</u>	<u>0</u>	<u>-439</u>	<u>0</u>	<u>775</u>	<u>26</u>	<u>101</u>
	<u>215'462</u>	<u>4'789</u>	<u>3'998</u>	<u>0</u>	<u>-34'922</u>	<u>-27</u>	<u>181'305</u>	<u>168'233</u>	<u>7'191</u>	<u>2'590</u>	<u>-32'245</u>	<u>-12</u>	<u>140'577</u>	<u>40'728</u>	<u>47'230</u>

Group cash flow statement

mutares AG, Munich

Consolidated cash flow statement for the financial year from 1 April 2010 to 31 March 2011

	2010/2011 kEUR	previous year kEUR
Consolidated net income for the period (including profit share of minority shareholders)	8'254	4'012
Depreciations (+) / write-ups (-) on fixed assets	7'191	1'951
Increase (+) / decrease (-) of provisions	705	2'562
Other non-cash expenses (+) / income (-)	-17'270	-9'455
Gain (-) / loss (+) from disposal of assets	-108	0
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-4'267	-1'452
Increase (+) / decrease (-) of trade liabilities and other liabilities	8'710	1'031
Cash flow from operating activities	3'215	-1'351
Proceeds (+) from disposals of tangible assets	1'516	0
Payments (-) for investments into tangible assets	-3'354	-185
Proceeds (+) from disposals of intangible assets	0	0
Payments (-) for investments into intangible assets	-1'213	0
Proceeds (+) from disposals of financial assets	0	0
Payments (-) for investments into financial assets	-222	0
Cash flow from investing activities	-3'273	-185
Proceeds (+) from taking out (financial) loans	170	415
Payments (-) for the repayment of (financial) loans	-178	0
Cash flow from financing activities	-8	415
Change in the financial funds from cash relevant transactions	-66	-1'121
Exchange rate, consolidation scope, valuation-related and other changes of the financial funds	1'576	12'845
Financial funds at beginning of the period	12'544	820
Financial funds at end of the period	14'054	12'544
Composition of the financial fund	31.03.2011 kEUR	previous year kEUR
Liquid funds	14'054	12'544
Bank liabilities repayable at any time	0	0
	14'054	12'544

G. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

mutares AG, Munich

Consolidated statement of changes in equity for the financial year from 1 April 2010 to 31 March 2011

	Parent company						Equity of the parent company	Minority shareholder Equity attributable to minorities	Consolidated Equity
	Subscribed capital	Capital reserves	Retained earnings		Consolidated retained earnings	Accumulated other group result			
			Legal reserves	Surplus reserves	Consolidated balance sheet result	Differences from currency conversion			
	EUR	EUR	EUR	EUR	EUR	EUR			
31 March 2009	322'000	18'000	14'200	0	499'711	0	853'911	0	853'911
Changes in consolidation scope	0	0	0	0	0	0	0	-445'246	-445'246
Allocations to retained earnings	0	0	0	18'974'815	-188'000	0	18'786'815	0	18'786'815
Consolidated net income	0	0	0	0	4'063'178	0	4'063'178	-51'194	4'011'984
31 March 2010	322'000	18'000	14'200	18'974'815	4'374'889	0	23'703'904	-496'440	23'207'464
First-time adoption of BilMoG	0	0	0	52'825	0	0	52'825	0	52'825
Changes in consolidation scope	0	0	0	0	0	0	0	538'721	538'721
Capital increase from company funds	161'000	0	0	-161'000	0	0	0	0	0
Allocations to retained earnings	0	0	16'100	456'950	-473'050	0	0	0	0
Consolidated net income	0	0	0	0	8'296'026	0	8'296'026	-42'281	8'253'745
Other group result	0	0	0	0	0	-24'713	-24'713	0	-24'713
31 March 2011	483'000	18'000	30'300	19'323'590	12'197'865	-24'713	32'028'042	0	32'028'042

H. AUDITORS' REPORT

We have audited the consolidated financial statements, consisting of balance sheet, income statement, as well as cash flow statement, the statement of changes in equity and notes prepared by mutares AG, Munich, as well as the Group management report for the financial year from 1 April 2010 to 31 March 2011. The Executive Board is responsible for the preparation of the consolidated financial statements as well as the Group management report in accordance with German Commercial Code. Our responsibility is to express an opinion of the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit in such manner that material misstatements affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting rules and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group as well as evaluations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control relating to the accounting system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our assessment has not led to any reservations.

In our opinion, which is based on our audit findings, the consolidated financial statements of mutares AG, Munich, comply with the legal requirements and gives under observation of the principles for proper bookkeeping and accounting a true and fair representation of the net assets, financial position and results of operations of the Group in accordance with such provisions. The Group management report is consistent with the consolidated financial statements, provides a suitable understanding of the position of the Group and suitably presents the chances and risks of future development.

Munich, 23 September 2011

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Bäßler)
Auditor

(Braun)
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The English translation of this annual report was done to the best knowledge and belief in accordance with the principles of proper professional practice. However no guarantee is made to its accuracy.

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