Annual Report 2018

This is Exyte –
Bringing the future of technology to life

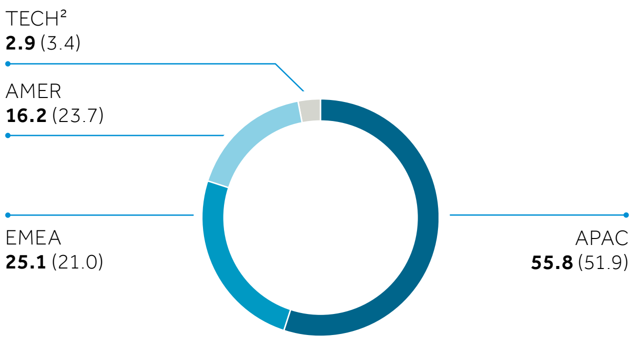
Figures at a glance

in € million	1.1.–31.12. 2018	1.1.–31.12. 2017	Change
Key figures			
Order backlog	2,902	2,072	+40.0%
Order intake	4,392	3,242	+35.5%
Sales revenue	3,531	2,383	+48.2%
Gross profit	289	207	+40.0%
Gross profit margin in %	8.2	8.7	–0.5 PP
EBIT	170	105	+61.9%
EBIT margin in %	4.8	4.4	+0.4 PP
Adjusted EBIT[1]	170	108	+57.4%
Adjusted EBIT margin in %	4.8	4.5	+0.3 PP
Group net profit	146	85	+71.6%
Group net profit in % of sales	4.1	3.6	+0.5 PP
Earnings per share	0.97	0.57	+70.2%
Employees (full-time positions at the end of the period)	5,561	4,846	+14.8%
Investments in property, plant and equipment	44	11	+300%
Amortization and depreciation	6	7	–14.3%
Cash flow from operating activities	562	275	+104.4%
Cash flow from investing activities	–42	–13	+223.1%
Free cash flow	521	262	+98.9%
	31.12.2018	**31.12.2017**	**Change**
Net working capital	–690	–267	+158.4%
Net working capital in % of sales	–19.5	–11.2	+8.3 PP

[1] The adjusted EBIT is defined as earnings before interest and tax, adjusted for restructuring costs incurred in connection with the strategic realignment of the Exyte Group, costs incurred for the closure and relocation of sites, costs in connection with capacity adjustments within the context of optimization programs, income or expenses deriving from litigation proceedings involving historical legacy issues and income or expenses in connection with the reorganization of the Exyte Group (allowances for impairment losses).

Sales development by region 2018[1]

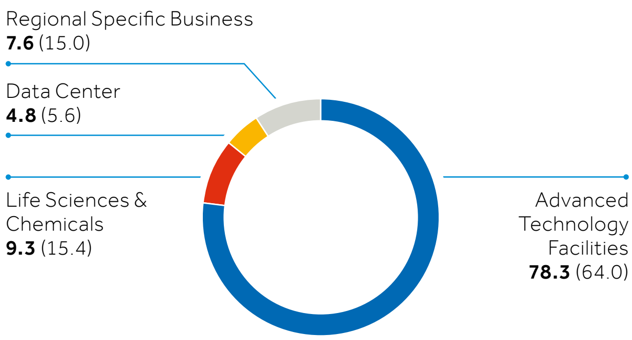
in % (previous year)



[1] Before consolidation between regional segments.
[2] Exyte Technology (equipment).

Sales development by Business Segment 2018[1]

in % (previous year)



[1] Before consolidation.

About Exyte

With a history of more than 100 years, the company has developed a special expertise in controlled and regulated environments. It serves the most technically demanding clients in growth markets such as semiconductors, life sciences, and data center across the full spectrum of services from consulting and design to managing turnkey solutions. Operating in more than 20 countries, Exyte is uniquely positioned to support clients locally and globally.

Exyte employs around 5,600 people around the world.



exyte.net

Contents

Exyte at a Glance

Exyte is a global leader in design, engineering and construction delivering high-tech facilities, plants and factories. With a history of more than 100 years, we have developed a special expertise in controlled and regulated environments.

Exyte provides added value solutions to the industry – from assessing the project feasibility through engineering works to executing a project in accordance with relevant standards and procedures.

Exyte's Value Proposition

Client needs	Technical expertise	Speed & schedule	Cost target
Our value proposition	• Unmatched process know-how • Leading in-house expertise • Highly skilled and experienced field execution • Expertise in cutting edge manufacturing technologies • Strong understanding of related regulatory requirements	• Integrated delivery reduces project friction • Contract flexibility allows for seamless execution • Long-term relationships with clients result in a critical understanding of their needs • Ability to trouble-shoot expediently	• Market leader with robust market data, cost information and sub-contractor intelligence • Project costs competitive and within clients' targets • Ability to ring-fence costs once scope is established

Full Spectrum of Services

Consulting & Planning → Engineering & Design → Project & Construction Management → Equipment & Services → Commissioning, Qualification & Validation

With our depth of knowledge in full lifecycle project delivery, Exyte offers expert, individual consulting to our customers for new facilities or processes, scale-up and project feasibility.

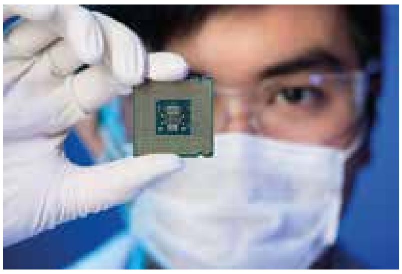
Exyte specialises in fully integrated facility design service to deliver high-end equipment, plants, buildings and laboratories.

With practical and effective methodology we reliably provide an integrated structure to take a project from early planning stage to successful completion.

Business Segments in growth industries

The expertise and strong commitment to perform make Exyte a valuable partner for customers, who entrust the company with their innovative and highly confidential projects. Exyte enables them to realize their projects and achieve extraordinary results.

Exyte supplies its customers in all key markets at both global and local level. The group manages its business primarily according to the three regions APAC, EMEA and AMER and focuses its activities on three strategic Business Segments Advanced Technology Facilities, Life Sciences & Chemicals and Data Center.[1]



Advanced Technology Facilities

Semiconductor
Flat Panel Display
Photovoltaics
Batteries

Life Sciences & Chemicals

Pharmaceuticals & Biotechnology
Food & Nutrition
Consumer Care
Specialty Chemicals

Data Center

Cloud Computing
Co-Location
High Performance Computing
Enterprise

[1] In addition, within the Regional Specific Business segment, the Exyte Group carries out some individual business activities.

Foreword

Dear Reader,

Our Annual Report gives us an opportunity to inform you about 2018 developments across the Exyte Group ("Exyte"), which was created last year through the legal restructuring of the former M+W Group, and to share some insights into the future direction of our business.

First things first: We are pleased to report that 2018 was a record year for our Group!

Following our decision in fiscal 2017 to completely realign the market activities of the M+W Group, the Exyte Group successfully completed the reorganization process last year. Our business has been developing in a positive direction since then, thanks to favorable market dynamics overall, combined with synergies from the strategic realignment and our focus on clearly defined target markets and core regions. We have benefited in particular from the successful refocusing of our business on three strategic lines, namely Advanced Technology Facilities (especially semiconductors), Life Sciences & Chemicals (especially pharma and biotech) and Data Center. Other success factors include our customer-centric, regional go-to-market strategy, a greater degree of differentiation, and the individual, country-specific positioning of Exyte – all of which contributed to further strengthening our market position as a global leader in the design, development and construction of high-tech plants, production facilities and factories.

Strong growth – record result

We easily achieved the targets outlined under our ambitious growth strategy over the past fiscal year. The Exyte Group reported significant increases in its sales, order intake and profit figures in 2018, setting new performance benchmarks. The sales figure of €3.5 billion represented a 48% increase on the previous year. This was primarily due to exceptional revenue growth in the semiconductor industry. We remain fortunate that our business in the semiconductor segment is largely volume-driven, so is linked to the production and not the price of wafers and chips. While volatile semiconductor prices have caused total revenue in the semiconductor industry to fluctuate, the overall production volume of wafers and chips has been rising at a steady rate of 7%–8% p.a., which has led to an increase in demand for our semiconductor solutions. This growth is being further driven by the digitalization trend, in particular by developments like the Internet of Things (IoT) and artificial intelligence (AI).

> "The Exyte Group reported significant increases in its sales, order intake and profit figures in 2018, setting new performance benchmarks."

Dr. Wolfgang Büchele
Chief Executive Officer

While Advanced Technology Facilities – with total sales of €2.8 billion – continued to outperform our other two strategic business lines, we were still satisfied with the development of Life Sciences & Chemicals and Data Center. Life Sciences & Chemicals benefited among other things from long-term master agreements with a leading consumer goods manufacturer. The Data Center segment's growth meanwhile was attributable to the sharp rise in demand for data centers.

"The order books are already well filled for the current fiscal year."

At a regional level, Asia-Pacific (APAC) continued its strong growth path and we expect this trend to continue. Exyte boosted its sales in this region by 59% compared with the previous year. The APAC region thus accounted for over half of our total sales and five of our top ten customers are Asian companies. Our sales in the Europe region (EMEA) also developed very strongly, up 78% on the previous year.

Our order intake increased by 35% in fiscal 2018 to reach €4.4 billion, and the order books are already well filled for the current fiscal year. As expected, the adjusted EBIT figure at €170 million was significantly higher than the comparable prior-year value (+57%).

Against the backdrop of this record year, I extend particular thanks to our 5,600 employees around the world who worked so hard towards achieving our success in 2018. All around the world, our people meet the highest standards of quality in supporting suppliers from the most technologically advanced sectors. Our organization's unmatched project management expertise and decades of experience in planning and executing complex projects across our various markets give us a clear lead over the competition.

We therefore dedicate the following image gallery to our highly motivated employees.

Exyte's "upside" strategy and outlook

We are determined to reach beyond the exceptional successes of fiscal 2018 in the continued pursuit of our strategic goals. In order to achieve our objectives and consolidate our position as market leader, we have complemented our solid strategic foundation – built on our strategic positioning, strong financials and earnings, clear differentiation, "I extend particular thanks to our employees who worked so hard towards achieving our success in 2018."

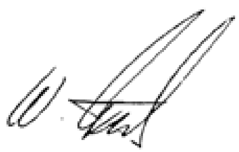
USPs and "oneCOMPANY culture" aimed at sustainable competitive gains – with our holistic "upside" strategic program. With upside, the focus will be on growing the strategic business lines through close customer alignment and value-add acquisitions for these segments. Upside will also drive the digitalization of all business units as well as the continuous optimization and further development of our organization to ensure that it is optimally synchronized with the needs of our customers.

In addition to the digitalization roll-out mentioned above, we are also ideally placed to capitalize on further global megatrends such as Industry 4.0 impacting market segments focused on semiconductors, food, as well as consumer and care products; global population growth impacting markets focused on batteries, pharmaceuticals & biotechnology as well as food & nutrition; rising living standards and regulatory initiatives impacting industries focused on batteries for electromobility and renewable energy sources (photovoltaics); and finally, the state subsidies benefiting certain industries, for example the Chinese backing of the semiconductor and battery markets.

Propelled by the momentum of these far-reaching strategic initiatives and by the impetus from the above-mentioned global megatrends, we have set ourselves ambitious targets for the current fiscal year and expect to build on the positive performance of last year. In 2019, we have set our sights on further growth in our core Business Segments and expect sales to exceed the level of year 2018, with an order intake below the record level achieved last year (due to a major order in the previous year). Our adjusted EBIT figure should remain on a stable growth path. Based on the steadily rising total volumes of wafers and chips produced and the associated increase in demand for our semiconductor solutions, we expect that Advanced Technology Facilities will remain our strongest business driver.

In conclusion, we are satisfied that our core business lines and target markets are well-positioned to capitalize on the prevailing growth trends. Together, we will work towards achieving our ambitious goals and further strengthening our excellent market position.

Kind regards,



Dr. Wolfgang Büchele
CEO Exyte AG

Executive Board

Roberto Penno
Chief Operating Officer

Responsibilities
Corporate Project Control

Head of the regional segments APAC, AMER and EMEA as well as the segment Regional Specific Business

Dr. Wolfgang Büchele
Chief Executive Officer

Responsibilities
Corporate Strategy/M&A, Corporate Compliance, Corporate Internal Audit, Corporate Human Resources, Investor Relations/Corporate Communications, Corporate Safety Health, Environment & Quality (SHEQ), Data Protection, Internal Control System

Head of the Business Segments Advanced Technology Facilities, Life Sciences & Chemicals and Data Center

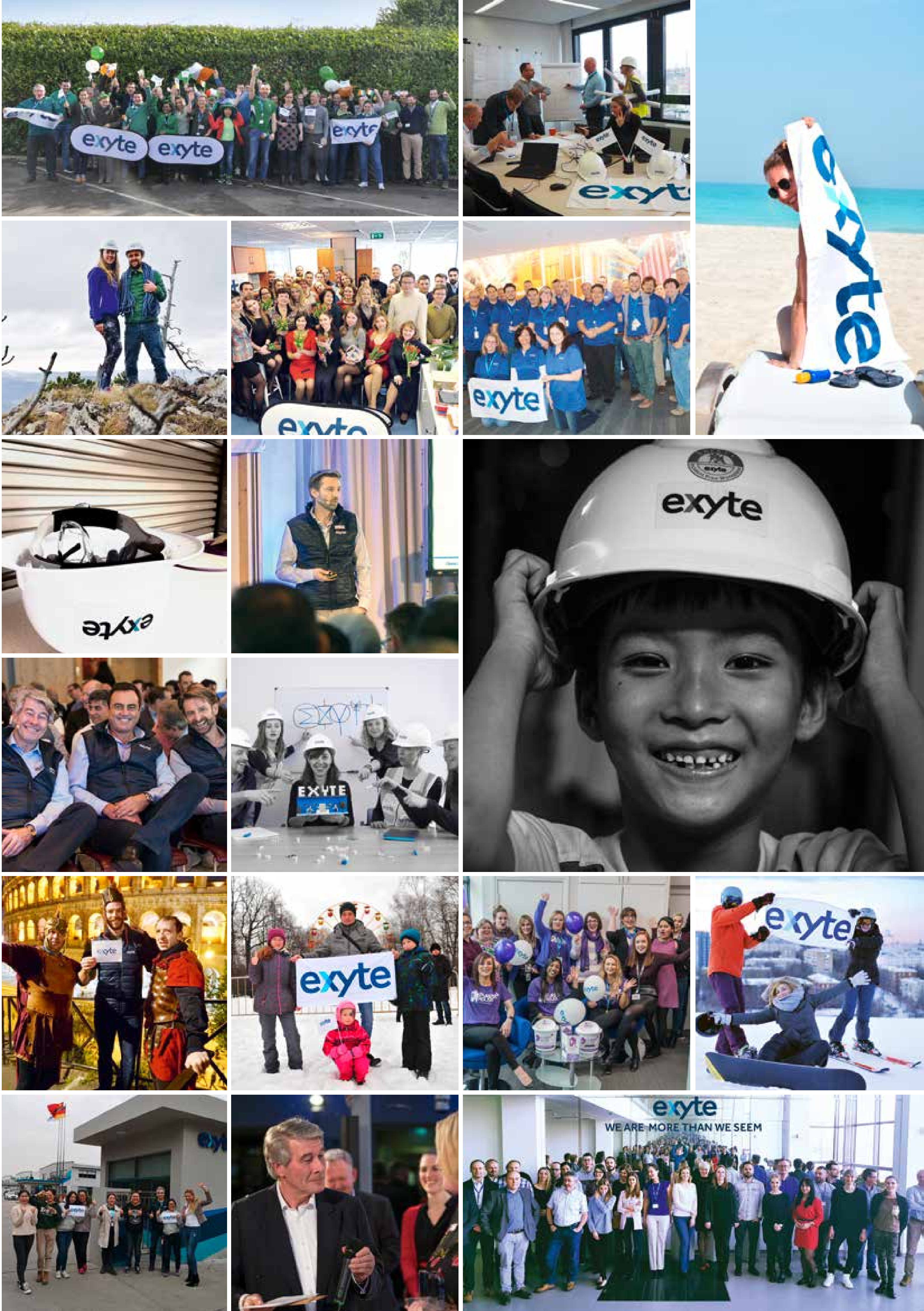
Wolfgang Homey
Chief Financial Officer

Responsibilities
Corporate Accounting, Corporate Treasury, Corporate Controlling, Corporate Legal & Insurance, Corporate IT, Corporate Tax, Corporate Risk Management

Head of the segment TECH (Exyte Technology)

We are Exyte.

Our mission is to bring the future of technology to life – powered by the agile mindset of our employees and their commitment to perform. Their extraordinary talent is a powerful and diverse driving force for our company.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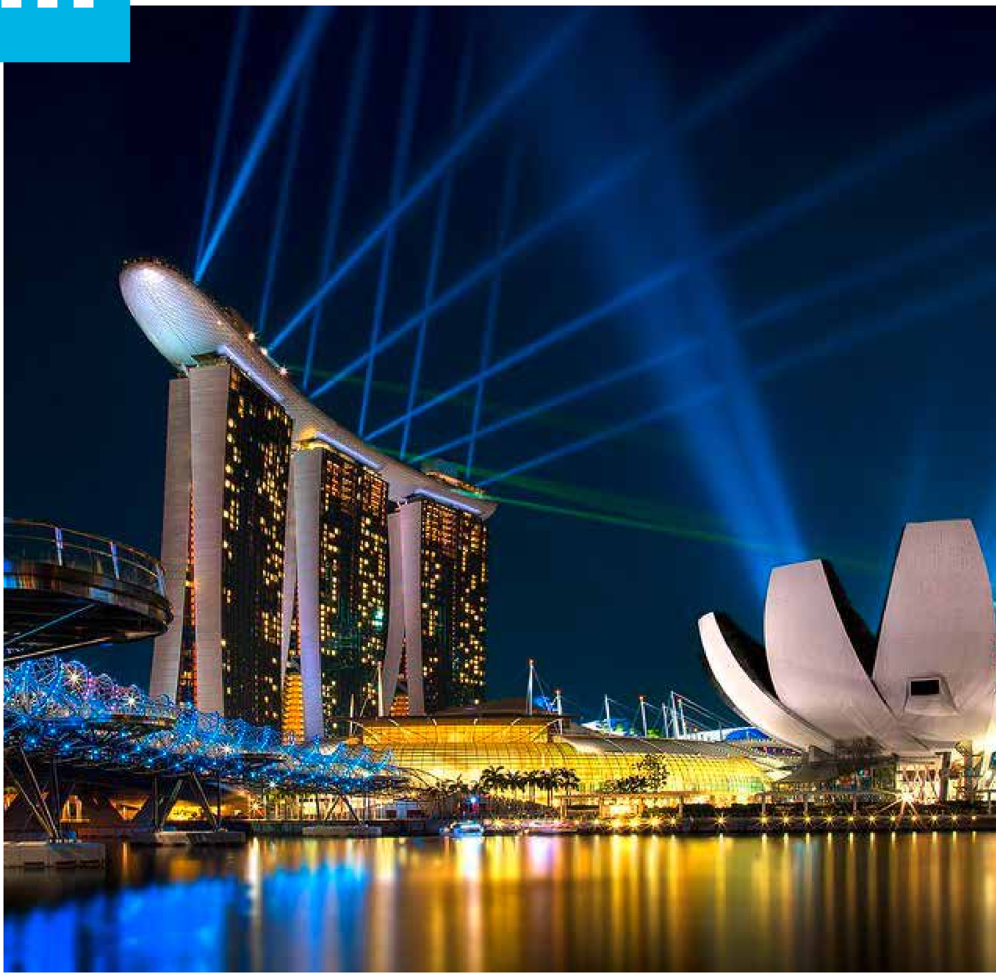
WE ARE MORE THAN WE SEEM

We are a global player ...



Client centric operations in

20+ COUNTRIES

The world is our home

Always there, whenever customers need us. We have realized landmark projects all around the globe – supporting some of the world's most influential companies. Our working environment thus has a truly international dimension, as does the training and development of our global network of engineering experts.

While our work environment is highly interconnected, our organization is also decentralized, empowering regional teams with the agility and speed they need to best serve their markets and execute local projects efficiently.

"Since our client base is progressively becoming more global, we strive to ensure that our experienced employees are best prepared to operate in an international environment. Therefore, they are able to advance their careers with extended roles and responsibilities and achieve new levels of personal development. We are proud to offer them such opportunities."

Herbert Blaschitz
President of Advanced Technology Facilities

... with a strong local presence.

We have always been a pioneer ...

100

History of
100 +
years

A long history of growth

Our history stretches back to 1912. We have developed from an "inventor of a wood chip extractor" to an "EPC contractor for high-tech facilities". For more than 100 years, we have been pioneering cleanroom technologies and have continuously expanded our expertise, earning us a reputation for engineering excellence.

"Over the thirty years of our presence in APAC, we have formed long-term partnerships with the leading players in our markets. Our relationship with these customers is built on a foundation of trust in Exyte's expertise, experience and commitment to excellence. To continue this in the future, we are dedicated to the continuous development of an engaged and talented workforce to enable the continued success of our customers and Exyte APAC.

Mark Garvey
President of Exyte
Region APAC

Special expertise
in controlled
and regulated
environments

Ready for what is yet to come

We drive our customers' success with best-in-class engineering and construction services. The resulting next-generation technology facilities enable breakthrough advances that improve peoples' lives and power our modern society.

... serving the most future-orientated high-tech markets.

We offer high quality engineering ...

Networking & collaboration

The most skilled, mobile and highly trained engineering specialists

Our people add lasting value, utilizing next-generation tools, advanced technology integration techniques and best practices to consistently deliver world-class standards in safety, health, environmental care and quality.

Why customers choose us

Long-term relationships with customers result in a critical understanding of their needs and allows for a success project execution.

... while keeping an eye on timing and budget.

Speed & schedule

"As experts in our field, our entire team is eager to bring the greatest technical skills to our projects. As reliability and predictability are elementary in our business, our employees themselves become entrepreneurs who deliver performance in time and on budget."

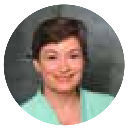
Wolfgang Homey
CFO of Exyte

We are a multicultural company ...

Countless cultures, connected by common values

The United Nations of Exyte

Our 5,600 employees come from many different countries and cultural backgrounds. This diversity enriches us and we consider it a major strength, because we can rely on our common values to connect these individual backgrounds and unite us as oneCOMPANY.



Regine Asser
Vice President Corporate Human Resources

"Our common principles and values guide our decisions, and ensure that our way of working is focused on solving our clients' most complex problems. We are proud of our heritage and our DNA and look forward to shaping our future together."

... connected by common values.

We are Exyte.

Teamwork breeds success

Building on our common values, our strong sense of team spirit enables us to deliver outstanding performance, also injecting fun, passion and excitement into our work.

Reaching beyond our teams, which form the heart of our oneCOMPANY, we also value our employees' families. We consider them important members of the global Exyte community as well.

5,600 +

Highly experienced and motivated employees

"It's all about teamwork. We know that when we unite our individuality with our common purpose, we achieve more."

Roberto Penno
COO of Exyte

We are oneCOMPANY.

Only by working together as oneCOMPANY, we can have the opportunity to fully utilize our potential and secure our long-term competitiveness. It is the small steps within standardizing and harmonizing business processes that drive the oneCOMPANY approach forward and, as a whole, make a big difference in business excellence.

Group Management Report

Group Management Report

Basic information about the Group

The Exyte Group sees itself as a leading global organization for the design, development and implementation of projects involving high technology production facilities. With a German engineering tradition that stretches back for more than 100 years, Exyte has developed in-depth expertise in the controlled and regulated environment sector. The services offered range from consultancy and design right through to the realization of turnkey solutions in the semiconductor and pharmaceutical industry sectors, as well as for data centers.

Realignment of the Group

The Exyte Group (hereinafter also referred to as "Exyte", "Exyte Group" or "Group") was formed in 2018, as a result of the corporate law reorganization of the former M+W Group within the context of a corporate spin-off. In financial year 2017, the boards of the M+W Group took a decision to comprehensively realign the market activities of the M+W Group. In this context, the business activities of the M+W Group were separated out into a core group ("Exyte") and a non-core group ("M+W").

The Exyte Group's focus is on its core Business Segments: "Advanced Technology Facilities" (particularly in the semiconductor sector), "Life Sciences & Chemicals" (particularly in the pharmaceutical and biotechnology sectors) and "Data Center". In these business areas, Exyte offers a comprehensive range of engineering and associated services. In order to make use of existing capacities, Exyte also performs certain local business activities (Regional Specific Business). Exyte has focused its attention on a total of some 20 core countries. Under the Exyte Technology label, the Group also manufactures equipment used in the cleanroom technology sector and in application-specific development and production environments.

In order to achieve the business combination of the core group for corporate law purposes, Exyte AG was incorporated in July 2018, as the new lead company (holding company) of the Exyte Group. Exyte AG is a wholly owned subsidiary of M+W Group GmbH. Under the mantle of Exyte Asia Pacific Holding Ltd., Singapore, the core companies were combined for corporate law purposes, mainly through related sales of share interests (and to a lesser extent through asset deals – covering the sale of individual projects and sub-operating units). Exyte Asia Pacific Holding Ltd, Singapore, including its direct and indirect subsidiary companies was then brought into Exyte AG as a contribution in kind within the context of a capital increase. In a converse process, within the context of the legal reorganization, the non-core companies were transferred to the "M+W" area by means of sales of share interests. The final transaction executed for corporate law purposes was carried out with effect from October 1, 2018. This finalized the legal establishment of the Exyte Group.

The companies, which are active in other than the previously mentioned core segments (primarily M+W UK, in the "Waste to Energy" sector, an engineering center in India, M+W Israel, M+W Italy, as well as some companies that are to be phased out) are not part of Exyte but are part of "M+W". The lead company in this case is M+W Group GmbH.

The Executive Board of Exyte AG is made up of a total of three board members: Dr. Wolfgang Büchele (Chief Executive Officer) has Executive Board responsibility for the three Business Segments: Advanced Technology Facilities, Life Sciences & Chemicals and Data Center. He is also responsible for these Corporate Functions: Corporate Strategy/M&A, Corporate Compliance, Corporate Internal Audit, Corporate Human Resources, Investor Relations/Corporate Communications, Corporate Safety, Health, Environment & Quality (SHEQ) and Data Protection, as well as for the Internal Control System.

Wolfgang Homey (Chief Financial Officer) has Executive Board responsibility for these Corporate Functions: Corporate Accounting, Corporate Treasury, Corporate Controlling, Corporate Legal & Insurance, Corporate IT, Corporate Tax and Corporate Risk Management, as well as for Exyte Technology (TECH).

Roberto Penno (Chief Operating Officer) is responsible for the management of the subsidiary companies in the Regions: APAC (Asia-Pacific), AMER (USA) and EMEA (Europe) and consequently also for Regional Specific Business, as well as for the Corporate Project Control function.

Exyte Management GmbH, Stuttgart, (a wholly owned indirect subsidiary of Exyte AG) manages the global activities of the Group as a non-operative management holding company. Within the context of an assets deal, Exyte Management GmbH took over those business activities of M+W Group GmbH that are necessary to perform the management functions for the Exyte Group, as well as taking over the related staff.

As the reorganization was only fully completed in 2018 from a corporate law perspective, the Exyte Group prepared combined financial statements for the financial years 2015 to 2017. The objective of these combined financial statements is to present the operations of the Exyte Group based on the assumption that the reorganization under corporate law had already taken place at the respective reporting dates.

Corporate structure

The subsidiary companies of the Exyte group are depicted in the following chart:

Legal Entities of Exyte Group

as of April 2019

Exyte Corporate

- Exyte AG
- Exyte Management GmbH

Exyte AMER

- Exyte Americas Holding, Inc.
- Exyte U.S., Inc.
- Total Facility Solutions, Inc.
- Exyte Energy, Inc.
- Exyte Gilbane JV

Exyte EMEA

- Exyte Europe Holding GmbH
- Exyte Central Europe GmbH
- Exyte Rus, LLC
- Exyte France SAS
- Exyte Northern Europe Ltd.
- Exyte Hargreaves Ltd.
- Exyte Israel Engineering Ltd.
- Exyte UK Ltd.

Exyte APAC

- Exyte Asia-Pacific Holding Ltd.
- Exyte Singapore Pte. Ltd.
- Exyte Trading (Singapore) Pte. Ltd
- Exyte Malaysia Sdn. Bhd.
- Exyte China Co. Ltd.*
- Exyte Trading (China) Co. Ltd.*
- Exyte Taiwan Co., Ltd.
- Exyte Japan Ltd.
- Exyte Vietnam Co., Ltd.
- Exyte Services (Singapore) Pte. Ltd.
- Exyte Services (Malaysia) Sdn. Bhd.

Exyte TECH

- Exyte Technology GmbH (Germany)
- Exyte Technology Co. Ltd.* (China)
- Exyte Technology CZ s.r.o. (Czech Republic)
- Exyte Technology Gebäude GmbH & Co. KG (Germany)

[1] Renaming has not been completed.

Status of the planned initial public offering

Together with the announcement of a significant growth in earnings for the first half of the year 2018, Exyte released information to the press, on September 24, 2018, that it was planning to apply for quotation on the regulated (Prime Standard) market of the Frankfurt Stock Exchange in the fourth quarter of 2018.

The intention behind gaining access to the capital market was to tap further growth potential in the targeted markets and to achieve a further significant increase in international awareness about Exyte for potential customers and as an employer. On October 5, 2018, Exyte made a decision, in conjunction with its shareholder, M+W Group GmbH, to take more time for the planned public offering, due to the less than ideal climate on the share markets at that time. Exyte intends to make an initial public offering as soon as the market situation is more suitable.

The Group's business model

The Exyte Group designs and constructs production facilities in the high technology sector throughout the world. In doing so, it focuses its efforts on customers that operate in technologically challenging industry sectors. The range of industries in which the Group is active covers, among others, the electronics sector (particularly the manufacture of semiconductors), the life sciences sector (pharmaceuticals, biotechnology, consumer care and food production), the specialty chemicals sector, as well as data centers.

The focus of its value-adding activities is in the "EPC" business sector, i.e. in the planning (Engineering) of facilities, the purchasing of all necessary components and trade services (Procurement) and the actual building of the facilities (Construction). The main factors that determine the Group's business success are its project management skills and the experience that has been gathered within the Group in carrying out a large number of complex projects within these industry sectors.

Our customer-oriented market approach with regional focus and our individual territory-specific presence make it possible for us to provide services to our customers, wherever they are active. In addition to information for our three regional segments (APAC, AMER and EMEA), we also disclose information for Exyte Technology (TECH). The scope of the business covered by Exyte Technology includes both business with highly developed cleanroom technology components and product solutions, which are used in a cleanroom environment and for customized systems for high-precision control of environmental factors (precision climatic chambers), as well as business with high-technology services. Such services cover the whole range from installation of machinery and related maintenance services through to the flexible deployment of technical experts. In addition to supplying goods and services to the global market, both sub-areas provide services internally to other companies within the Group. The customers are primarily active in the semiconductor and flat panel display industry sector, as well as in the life sciences and other high-tech industry sectors.

Business Segments

The Exyte Group has divided its business activities into three strategic Business Segments – Advanced Technology Facilities, Life Sciences & Chemicals and Data Center.

Advanced Technology Facilities is the largest of the strategic segments within the Exyte Group, if sales revenue is taken as the measurement basis. In this segment, the organization concentrates its efforts on consultancy and planning services, on project and construction management for factories, as well as research and development facilities in the electronics industry sector. Such projects involve complex physical- and chemical-based processes. In the Advanced Technology Facilities Business Segment, the Exyte Group provides its customers with professional expertise in state-of-the-art technology for the technical planning and construction of facilities in the semiconductor, flat panel display, photovoltaics and battery industry sub-sectors. In the semiconductor sector, its particular strengths are in the design, development and construction of production facilities. The Exyte Group's experience in the technical planning and construction of so-called mega fabrication facilities (mega-fabs) with a project volume in the range from €500 million to more than €1.5 billion provides a competitive advantage.

Life Sciences & Chemicals is the second largest strategic Business Segment within the Exyte Group from a sales revenue perspective. Exyte's main focus in this segment is on the planning, development and design, as well as the related project and implementation management, of complex processing facilities for customers in the pharmaceuticals & biotechnology, food & nutrition, consumer goods and personal care industry sectors, as well as in the specialty chemicals sector. It is very common that such facilities have to comply with GMP (good manufacturing practice) requirements. The Exyte Group can demonstrate its success in the design and construction of such complex facilities in compliance with the latest GMP standards and can support its customers in the initial operation of such facilities, as well with the validation and qualification processes involved.

Both the Advanced Technology Facilities and Life Sciences & Chemicals segments share the necessity to comply with similar requirements, which are covered by the Exyte Group's core competencies with respect to data centers, cleanroom products and controlled environments. Significant potential derives from this and the possibility of sharing resources between these two segments.

Data Center is the third strategic Business Segment within the Exyte Group. In this segment, the Exyte Group is concentrating its efforts on the most important global providers of cloud computing services, who providers install and operate data centers with the largest capacity. In the past two years, the objective of becoming a partner of international cloud providers has been achieved.

The required services covering planning, construction and operational start-up of data centers are provided to these strategic customers. The range of services offered includes initial studies, consultation and planning, development & design, as well as project & implementation management right through to overall preparation for the operational start-up. Within the framework of an integrated project realization process, including application of virtual planning and construction techniques (BIM), measures supporting an efficient construction process (lean construction), incorporation of alternative energy concepts and intelligent cooling systems, it is possible to meet very tight time plans (fast-track schedules). The increasing digitalization of business (Industry 4.0) and all aspects of life led to a further increase in demand during 2018 for data center capacity; this will become even more pronounced in subsequent years.

Strategic Business Segments

- Semiconductor
- Flat Panel Display
- Photovoltaics
- Batteries

- Pharmaceuticals & Biotechnology
- Food & Nutrition
- Consumer Care
- Specialty Chemicals

- Cloud Computing
- Co-Location
- High Performance Computing
- Enterprise

Regional Specific Business
In addition, within the Regional Specific Business segment, the Exyte Group carries out some individual business activities. Currently, activities in this segment primarily comprise the solar energy business of its subsidiary company, Exyte Energy Inc., Union, USA, and the HVAC (heating, ventilation and air-conditioning) business of its subsidiary company, Exyte Hargreaves Ltd. Chippenham, Great Britain.

Economic report

Overall economic environment and general industry-specific conditions

Overall economic situation

During the course of 2018, the global economy lost momentum. Factors contributing to this were not only uncertainty due to an increase in political trade conflicts but also the tightening of monetary policies in the United States. This led to a change in direction for international capital flows, which had the effect of slowing down economic expansion in the emerging market territories. Following a weak start to the year, global production picked up strongly in the second quarter but lost considerable momentum in the third quarter. In the final quarter, IMF indicators signaled a further slow-down in global economic activity. Whereas the IMF indicator for the advanced economies has recently increased significantly, and still shows an above-average level, the one for the emerging markets has fallen back to a low level. A decline in the economic situation in China contributed to this, but a further factor was the turnaround in capital flows, which put (at times significant) pressure on the currencies of many emerging territories and led to turbulence in financial markets.

Global production (calculated based on purchasing power parities) increased by 3.7% in 2018 (as in the previous year). A growth rate of 3.4% is forecasted for 2019.

After 2017 had been characterized by distinct economic synchronization (i.e. economic momentum had increased noticeably in nearly all territory economies), the economic situation in 2018 was increasingly more differentiated. Whereas the pace of expansion in the United States increased again, fueled by strong fiscal impulses, the economies in the euro area and Japan lost momentum significantly. Although the increase in production in the emerging market territories slowed down, due to the pressure exercised by increasingly more difficult financial circumstances, the extent of the economic slowdown was very varied overall. Whereas the pace of production expansion in many territories in South America and Asia, as well as Russia, only declined slightly, Argentina and Turkey were hit by severe turmoil and slid into recession.

The economy of the United States was comparatively robust. With a rate of 0.9% in the third quarter, GDP growth only slowed down slightly compared to the previous quarter. After considerable momentum had already been lost in the euro area in the first half of the year, comparing to the very strong economic upturn experienced in the previous year, production growth slowed down even more in the third quarter, with a growth rate of only 0.2%. This slowdown was mainly due to a strong reduction in automotive production, which was related to the introduction of new exhaust emission standards and is thus probably only temporary.

General economic conditions

Since the beginning of 2018, the US government has increasingly tried to meet its economic policy targets by means of trade measures. It has introduced various punitive customs tariffs or has threatened to conclude new, or renegotiate existing, bilateral trading agreements. In this manner, the North American Free Trade Agreement was first challenged and then renegotiated. At present, there is a particular conflict with China concerning access to markets and ownership rights, which increasingly escalated during the course of 2018. Most recently, goods representing more than half of the US imports from China were impacted by special customs tariffs. In July and September, customs tariff rates, of 25% and 10% respectively, came into effect. An agreement was reached between the USA and China at the G20 summit that these increases should be delayed for the time being and that a solution for the trade conflict should be sought within the following three months. In this connection, China announced its intention to increase imports of US goods and to revoke the special customs tariffs on cars produced in America; these had been increased from 15% to 40% in the summer, in retaliation for the punitive customs tariffs imposed by the United States. Thus, the spiral of measures and countermeasures has ceased for the time being, but the uncertainty concerning trading policy frameworks continues, especially as the US government continues to threaten to impose further trading sanctions.

Developments within the industry sectors

Our markets are impacted by a number of key trends, for the year 2018 and thereafter.

As far as the segment Advanced Technology Facilities is concerned, particularly in the semiconductor sector of our business, these are the Internet of Things ("IoT"), Artificial Intelligence ("AI") and Industry 4.0 but also government support for certain industries (e.g. in China with respect to the markets for semiconductors and batteries). As part of the digitalization process, increasing numbers of logic and memory chips are being introduced into an ever-increasing number of areas. Prominent examples are their use in smartphones and motor vehicle electronics.

The Life Sciences & Chemicals segment is impacted by an increase in the global population, a rise in prosperity and related purchasing power, as well as longer life expectancy for the human race. All this has led to an increasing demand in the pharmaceuticals & biotechnology (e.g. for medicinal products), food & nutrition (e.g. for baby food) and consumer care (e.g. for hand creams) industry sectors. Furthermore, there are increasing expectations towards manufacturers to comply with growing certification requirements, as exemplified by "Good Manufacturing Practice" (GMP).

The rapidly increasing volume of data storage for cloud computing purposes has led to an increasing demand for data centers, which has had a positive effect for both our Data Center and Advanced Technology Facilities (semiconductors) Business Segments.

The environmental factors as described, and the fact that the Exyte Group is very well positioned in the targeted markets referred to above, have had an overall positive impact on business in financial year 2018. The fact that Exyte is active for customers involved in high-technology industry sectors with a high growth potential provides a good basis for the further growth of the Group in the coming years.

Business performance

Significant financial performance indicators

The most important financial performance indicators used by the executive management to manage the business of the Exyte Group are the level of incoming orders, sales revenue, as well as the (adjusted) earnings before interest and tax (adjusted EBIT, or respectively, the adjusted EBIT margin). In addition, the order backlog and the gross profit (or respectively, the gross profit margin) are also used to manage the Group.

Business development in 2018

Overall, business development for the Exyte Group in 2018 went according to plan. Continuing market growth together with the strategic realignment and the focus that Exyte put on clearly defined target markets and core regions had a positive effect on new business for the Exyte Group during this time period; profitability, in particular, improved considerably. Incoming orders, sales revenue and adjusted EBIT were all significantly higher than in the previous year.

At a level of €4.4 billion, the **incoming orders** of the Exyte Group increased to a new record level. As of December 31, 2018, the order books of the Exyte Group were well filled with a **backlog of orders** of €2,902 million (an increase of +40.0% vs. 2017).

The **sales revenue** of the Exyte Group increased in 2018, by 48.1 %, to a level of some €3.5 billion – primarily due to the growth in the semiconductor industry sector.

Sales revenue in the APAC and EMEA regions increased significantly, whilst business in AMER developed merely at around the level of the previous year. The semiconductor industry sector within the Advanced Technology Facilities Business Segment continues to be the most important business sector for the Group. In the Life Sciences & Chemicals Business Segment, sales revenue continued at a high level that was comparable with that of the previous year, due to long-term framework agreements with a consumer goods manufacturer. In contrast, sales revenue deriving from the construction of data centers in the Data Center Business Segment increased significantly. As expected, sales revenue in the Regional Specific Business segment declined.

Comparison of actual business development with planned business development

The Exyte Group was able to achieve, or respectively exceed, the forecasted figures that it had communicated for 2018.

Forecast/actual comparison

	Forecast for 2018	Actual 2018	2017	Change 2018 vs. 2017
Incoming orders	>€4 billion	€4.4 billion	€3.2 billion	+35.4%
Sales revenue	Approx. €3.5 billion	€3.5 billion	€2.4 billion	+48.1%
Adjusted EBIT[1]	>€160 million	€170 million	€108 million	+57.4%

[1] For further disclosures relating to the adjustments involved with respect to "reported EBIT" and "adjusted EBIT", we refer to the section entitled "Results of operations".

Segment reporting

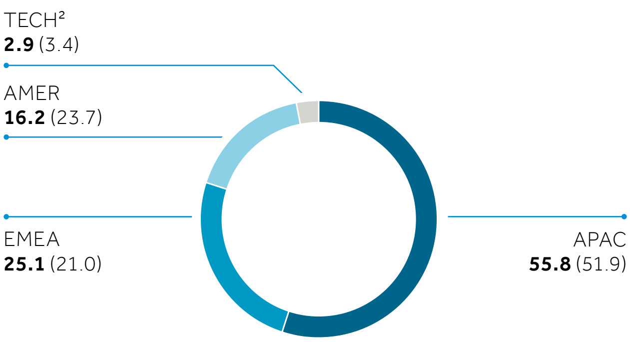
Regional development

Exyte supplies its customers in all key markets at both global and local level, with focus on specific regions; these are determined by the capital expenditure investment plans of the customers.

In financial year 2018, Exyte generated 55.8% of its sales revenue (determined based on external sales) in the APAC region, 25.1% in the EMEA region and 16.2% in the AMER region. The Technology segment (TECH), whose business encompasses the design, development and production of components and solutions for cleanroom facilities and controlled environments contributed 2.9% of the Group's total revenue.

Sales development by region 2018[1]

in % (previous year)



[1] Before consolidation between regional segments.
[2] Exyte Technology (equipment).

The following table lists the most important key figures/ratios that are applicable to the various regions.

Important key figures/ratios by region

in € million

	APAC		EMEA		AMER		TECH	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Incoming orders	2,807	1,938	1,040	546	478	708	117	97
Order backlog	2,106	1,267	484	357	301	417	55	40
Sales revenue	1,993	1,250	899	505	578	571	105	82
Gross profit	201	137	54	42	20	14	13	9
Gross profit margin	10.1%	11.0%	6.0%	8.3%	3.5%	2.5%	12.4%	11.0%
EBIT (adjusted)	151	101	31	16	–3	–15	8	4
EBIT margin (adjusted)	7.6%	8.1%	3.4%	3.2%	–0.5%	–2.6%	7.6%	4.9%

The APAC region

Total incoming orders in the APAC region in 2018 amounted to €2,807 million (2017: €1,938 million). This development primarily derives from increased capital expenditure investment in the semiconductor industry sector. The figure also includes a major project in the Life Sciences & Chemicals sector in China, where Exyte is performing work for a major global producer of food additives.

Accordingly, sales revenue increased in financial year 2018, by 59.4%, to a level of €1,993 million. The gross profit margin reduced slightly in comparison to the previous year, to a level of 10.1%, due to a change of portfolio.

In the APAC region, Exyte generated adjusted EBIT of €151 million (2017: €101 million). The increase in EBIT is directly related to the increase in sales revenue.

The EMEA region

Total incoming orders in the EMEA region in 2018 amounted to €1,040 million (2017: €546 million). It proved possible to significantly increase the incoming orders for the Advanced Technology Facilities Business Segment in the EMEA region in comparison to the previous year, due to some large volume projects in Ireland and Israel. In Denmark, a data center contributed to an increase in the incoming orders for the region. The Life Sciences & Chemicals Business Segment also developed positively due to a contract awarded for a blood fractionation facility in Switzerland.

Following the trend recorded for incoming orders, sales revenue in the EMEA region increased by 78.0%, to a level of €899 million (2017: €505 million)

The gross profit improved in comparison to the previous year, by €12 million to a level of €54 million. This was mainly due to the increase in sales revenue in Ireland and Israel. The gross profit margin reduced to a level of 6.0%, due to a change in the order portfolio.

In the EMEA region, Exyte generated adjusted EBIT of €31 million (2017: €16 million). The increase in EBIT, in comparison to the previous year, derived mainly from the increased sales revenue.

The AMER region

Total incoming orders in the AMER region in 2018 amounted to €478 million (2017: €708 million). The decline is mainly due to project delays in the Advanced Technology Facilities Business Segment and a lower volume of orders in the RSB segment (in the solar sector). Positive influences on the level of incoming orders derived from major project acquisitions in the flat panel display and life sciences sectors.

Due to the backlog of orders from 2017, the figure for sales revenue in AMER was almost unchanged at a level of €578 million (2017: €571 million).

The gross profit margin in 2018 increased to 3.5%. This was mainly due to an improvement in margin quality within our subsidiary company, Total Facility Solutions.

In the AMER region, Exyte generated adjusted EBIT of –€3 million (2017: –€15 million). The result improved in comparison to the previous year, due to an improvement in the gross profit margin and lower overhead costs.

Exyte Technology (TECH)

Total incoming orders for Exyte TECH in 2018 amounted to €117 million (2017: €97 million). This record for incoming orders meant that TECH received incoming orders in excess of €100 million for the very first time. A major contributing factor was business in the pharmaceuticals industry sector; in this sector, an increasing number of projects in the cleanroom environment were acquired with new customers in Asia and Europe.

In 2018, Exyte TECH generated sales revenue of €105 million with non-group customers (2017: €82 million). It significantly exceeds the sales revenue generated in the previous year, particularly due to the increased business with customers in the semiconductor industry sector. A large number of projects with semiconductor manufacturers, predominantly in Asia, made a major contribution to this growth in sales revenue. Business with tool manufacturers in the semiconductor area in the year reported also kept pace again with the extremely dynamic market development in this sector and provided significant impulses for the development of the sales revenue.

Exyte TECH generated adjusted EBIT of €8 million (2017: €4 million), largely deriving from the sales revenue development.

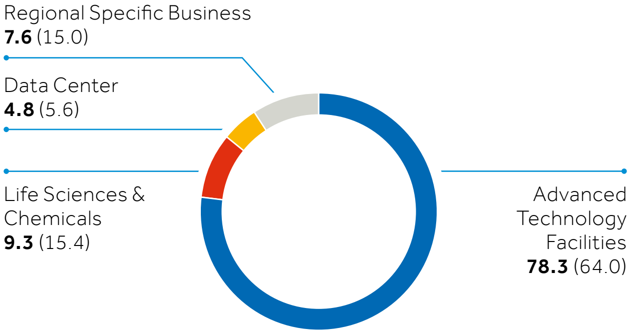
Development of Business Segments

Sales revenue development in the Business Segments

In financial year 2018, the Exyte Group generated 78.3% of its sales revenue in the Advanced Technology Facilities Business Segment, 9.3% with Life Sciences & Chemicals, 4.8% in the Data Center Business Segment and 7.6% from Regional Specific Business.

Sales development by Business Segment 2018[1]

in % (previous year)



[1] Before consolidation.

Important key figures/ratios by Business Segment

in € million

	Advanced Technology Facilities		Life Sciences & Chemicals		Data Center		Regional Specific Business	
	2018	2017	2018	2017	2018	2017	2018	2017
Incoming orders	3,833	2,351	245	444	145	131	164	315
Order backlog	2,500	1,427	274	398	32	58	112	236
Sales revenue	2,765	1,520	328	365	171	134	267	354
Gross profit	274	169	16	28	8	7	15	16
Gross profit margin	9.9%	11.1%	4.9%	7.7%	4.7%	5.2%	5.6%	4.6%

Advanced Technology Facilities Business Segment

Total incoming orders in the **Advanced Technology Facilities** Business Segment in 2018 amounted to €3,833 million (2017: €2,351 million). This was mainly due to increased capital expenditure investment in the semiconductor industry sector – above all in the Asia region. The Exyte Group was able to acquire contracts in the semiconductor, display manufacturing and silicon production sectors, predominantly in Singapore, Ireland, Israel, China, Taiwan and Germany.

Together with the level of incoming orders, the sales revenue of the **Advanced Technology Facilities** Business Segment increased significantly in 2018 by 81.9%, to a new level of €2,765 million (2017: €1,520 million).

The Exyte Group is one of only two firms in possession of a "Grade A General Contractor License" in China that are wholly owned by foreign shareholders. The other company is not active in the semiconductor-manufacturing sector. The license, which permits the independent execution of major construction projects in China, provides support not only for the activities undertaken in the Advanced Technology Facilities Business Segment (semiconductors, photovoltaics, displays and batteries) but also for the activities of the Life Sciences & Chemicals Business Segment and the construction of data centers in China.

The increase in the gross profit in comparison to the previous year derives from the increase in sales revenue.

Life Sciences & Chemicals Business Segment

The incoming orders of the **Life Sciences & Chemicals** Business Segment reduced from a level of €444 million in the previous year to a new level of €245 million in the reporting year 2018. This was mainly due to a major project in the consumer goods and care products market segment that had been acquired in 2017. Some important but low-volume contracts were acquired during 2018 in the pharmaceuticals and biotechnology sector in the USA, China and Switzerland.

Sales revenue in the **Life Sciences & Chemicals** Business Segment reduced in comparison to the previous year, to a level of €328 million (2017: €365 million). The reason for the disproportionately small decrease was the high order backlog from the previous year.

The gross profit reduced from €28 million to €16 million. This development derived from the slight reduction in sales revenue but particularly resulted from a project in Asia.

Data Center Business Segment

The incoming orders in the **Data Center** Business Segment amounted in total to €145 million (2017: €131 million). In 2018, a follow-up project in Denmark was acquired from a globally active provider of cloud services.

Sales revenue in the **Data Center** Business Segment increased to a level of €171 million in 2018 (+27.6% vs. the previous year).

In line with the increase in sales revenue, the gross profit increased to €8 million.

Regional Specific Business segment

The incoming orders in the **Regional Specific Business** segment reduced from €315 million in 2017 to €164 million in 2018. This represents a decline by 48%. The decrease is mainly related to a lower number of new contracts in the solar market segment in the USA.

Sales revenue for **Regional Specific Business** reduced to €267 million in financial year 2018 (2017: €354 million).

Despite the decline in sales revenue, the gross profit remained roughly at the level achieved in the previous year; this was mainly due to a significant improvement in earnings generated by the Hargreaves subsidiary in Great Britain.

Results of operations[1]

After deducting the cost of sales from the sales revenue, the residual **gross profit** of the Exyte Group for the reported year 2018 increased by 40%, to a level of €289.1 million (2017: €206.5 million), in line with the positive business development. The increase was mainly due to the strong growth achieved in the Advanced Technology Facilities Business Segment, which generated the highest gross profit. The gross profit margin decreased slightly, to a level of 8.2% (2017: 8.7%), due to a change in the product mix and regional mix in comparison to the previous year.

At a level of €30.0 million, **selling costs** reduced in comparison to the previous year (2017: €36.5 million). These mainly comprise the costs involved in the current tendering process for potential projects, costs for projects that were not awarded, marketing expenses, public relations costs and other selling costs.

Administration costs of €73.2 million increased in comparison to the previous year (2017: €60.7 million). The increase mainly derives from costs in connection with the strategic realignment of the Exyte Group. Among other measures, new functional units were established as well as processes and tools were further developed.

Most of the development activities are carried out in connection with customer contracts. The expenses that derive from these are treated as cost of sales and are therefore not included as **research and development costs**. The research and development costs of the Exyte Group that were not treated as cost of sales amounted to €0.2 million in financial year 2018 (2017: €0.3 million).

The adoption of IFRS 9 brought with it the mandatory requirement to present a new reporting line in the statement of comprehensive income ("Income/expenses deriving from the impairment of financial instruments"). This reporting line discloses the balance of increases in/reversals of impairment allowances relating to financial instruments. Due to the fact that Exyte opted for the modified retrospective application of the new standard, prior year figures did not have to be reclassified. In financial year 2018, the Exyte Group recorded income deriving from reversals of previous impairment loss allowances, amounting to €19.5 million, and expenses of €13.4 million deriving from impairment allowances that have been setup. The reversals of previously recognized impairment losses related nearly exclusively to financial receivables due from the M+W Group.

In the previous year, reversals of impairment losses previously recognized against financial instruments amounted to €7.7 million and were disclosed as **other operating income**. Impairment losses of €6.1 million were respectively disclosed as other operating expenses. In financial year 2018, other operating income amounted to €12.0 million (2017: €17.6 million). In China, other operating income of €3.5 million derived from government grants (2017: €0.6 million).

Other operating expenses increased from €21.9 million in 2017 to €33.9 million in 2018. These include restructuring costs and provisions deriving from a project in Malaysia, as well as €5.2 million of stamp duty that derived from the transfer of Exyte Asia Pacific to Exyte AG.

At a level of €170.0 million, the **(reported) result from operations (EBIT)** for financial year 2018 exceeded that of the previous year by 62.4% (2017: €104.6 million). The management assesses the profitability of the Exyte Group based on the adjusted EBIT. The **adjusted EBIT** in the year reported amounted to €170.2 million (2017: €108.3 million). The significant increase in comparison to the previous year, by 57.2%, is mainly due to developments in the APAC region.

The adjusted EBIT serves the purpose of presenting profitability after excluding positive or negative effects that derive from non-recurring effects, effects that do not derive from normal business activities or "one-time" effects (NB: none such "one-time" effects were included to date). This ensures comparability between different reporting periods, in order to show the real development of our operative business activities.

[1] Due to the first time application of IFRS 9 as of January 1, 2018, the classification of the income statement has been extended to include the reporting line "Income/expenses deriving from the impairment of financial instruments". This reporting line discloses the balance of increases in and reversals of impairment allowances deriving from the scope of application of IFRS 9. As a result of application of the standard (modified retrospective application), prior year figures have not been adjusted. For this reason, the reporting lines "other operating income" and "other operating expenses" are only comparable to a limited extent.

Adjusted EBIT

in € million

	2018	2017
EBIT (reported)	**170.0**	**104.6**
Adjustments	**0.2**	**3.7**
Of which:		
Adjustments due to litigation processes	0.0	0.0
Adjustment due to income deriving from the reversal of impairment allowances losses/expenses due to increases in impairment allowances against M+W Group	−12.4	−5.2
Adjustments due to restructuring measures	8.2	7.0
Adjustments due to relocations	4.4	1.9
Adjusted EBIT	**170.2**	**108.3**

The **result from financing activities** amounted to €5.5 million (2017: −€6.7 million). Further information concerning the development of the result from financing activities can be found in the section "Financial position" and in the notes to the consolidated financial statements under Note 9 "Result from financing activities".

Earnings before tax (EBT) amounted to €175.5 million and were thus significantly higher than in the previous year (2017: €97.9 million). The expense for taxes on income amounted to €29.4 million (2017: expense of €12.7 million), representing a group tax rate of 16.7% (2017: 13.0 %). Further information can be found the notes to the consolidated financial statements under Note 10 "Taxes on income".

At a level of €145.0 million, the **consolidated net profit** for financial year 2018 attributable to the shareholders of Exyte AG was higher than the respective consolidated net profit of the previous year (2017: €85.2 million). Earnings per share (based on 150,000,000 issued no-par value shares) increased by some 70% and amounted to €0.97 (2017: €0.57).

Net assets

Due to the nature of the business activities and the focus on planning and project management, the net assets situation is determined by the current assets. Current assets made up some 86.8% (December 31, 2017: 88.8%) of total assets. In general, current assets are subject to fluctuations, depending on the volume of orders, the project mix and the extent to which customers have made advance payments against the projects that are unfinished. The structure of the assets only changed slightly based on a year-on-year comparison and continues to reflect a healthy mix, particularly with regard to the Group's financing situation.

Total assets increased in the financial year by €292.8 million, to a level of €2,004.3 million. The reason for this on the assets side of the statement of financial position was an increase in non-current assets by €75.0 million and an increase in current assets by €217.8 million.

As in the past, at a level of €265.5 million (December 31, 2017: €190.5 million), **non-current assets** (including deferred tax assets) continued to play only a minor role when compared to total assets. The increase in property, plant and equipment mainly resulted from investment in a new building for Exyte Technology in Renningen. Depreciation charges (€5.3 million) and net disposals of €2.2 million reduced the figure for property, plant and equipment somewhat. At a level of €0.2 million, the impacts deriving from foreign currency changes were negligible.

The composition of the **intangible assets** continued to be dominated by goodwill, with an unchanged value of €131.8 million. Additions to patents, trademarks, software and customer relationships, totaling €0.3 million, were counterbalanced by amortization charges of €0.9 million.

Inventories, amounting in total to €114.5 million (December 31, 2017: €57.2 million), are predominantly resulted from advance payments made (€88.6 million), as well mainly from the business activities of the companies belonging to "Exyte Technology".

Despite the significant increase in business volumes, **trade receivables**, at a level of €353.2 million, remained more or less at the same level as in the previous year. **Contract assets** (corresponding at December 31, 2017 to the reporting line "Receivables deriving from construction contracts") reduced by €70.5 million, to €169.8 million. Both items play a significant role as far as Group financing is concerned (refer also to the comments on working capital).

€200.3 million of the €205.3 million disclosed for **accounts receivable from affiliated entities** (December 31, 2017: €386.8 million) relate to receivables due from companies belonging to the M+W Group. A further €5.0 million (December 31, 2017: €2.4 million) derive from other affiliated entities that are not included in the scope of the Exyte consolidation. The receivables due from the M+W Group GmbH (Group) mainly result from the reorganization under corporate law that was concluded in 2018. Following the separation of the Exyte Group from the M+W Group, the existing reciprocal receivables and liabilities were off set against one another to the extent that this was legally possible; within the Exyte Group, this led to a reduction of the net position due from the M+W Group.

As at December 31, 2018, the Group had access to **cash and cash equivalents** amounting to €845.3 million (December 31, 2017: €418.4 million) of which €84.4million (December 31, 2017: €55.6 million) in cash was pledged. Thus, the cash and cash equivalents as reported in the cash flow statement amounted to €761.0 million (December 31, 2017: €362.8 million). In addition to this, unutilized cash credit lines existed, amounting to €10.0 million. The main driver for the increase in liquid funds was the development of working capital (see also comments on the liquidity position).

Financial position

The increase in total equity and liabilities was mainly driven by higher **current liabilities**, which increased by €438.9 million, whereas **equity** (2017: invested capital) reduced. **Non-current liabilities** only increased marginally, by €4.3 million.

The **equity** as of December 31, 2018 can only be compared to the invested capital as of December 31 in the previous year with some reservations. Despite the positive consolidated net profit after tax, amounting to €146.2 million (including a €1.2 million share of profits that are attributable to non-controlling interests), the equity reduced by €150.5 million and (including non-controlling interests of €0.4 million) amounted to €368.5 million (December 31, 2017: €519.0 million); the **equity ratio** was 18.4 % (December 31, 2017: 30.3 %). The reorganization under corporate law that was described earlier reduced the equity of the Exyte Group. Equity exceeded the non-current assets, amounting to €265.5 million (December 31, 2017: €190.5 million). Thus, the non-current liabilities (mainly provisions for pensions and other non-current provisions) serve to finance part of the current assets of the Exyte Group. The Exyte Group is independent of banks for the purpose of financing its business operations to a very great extent.

Most of the increase in **non-current liabilities** (including deferred tax liabilities) derives from the increase in provisions for pensions (€0.8 million) and other provisions (€3.4 million), which are mainly personnel-related.

Current liabilities increased by €438.9 million. In addition to the increase in working capital components (trade payables and contract liabilities) by €393.1 million, the main increases were both in income taxes payable and bank borrowings.

Current bank borrowings increased by €28.3 million in connection with a further loan taken up in connection with "Nei Bao Wai Dai" transactions in Asia.

Trade payables increased by €175.4 million due to the sharp increase in business volumes.

Contract liabilities (the corresponding elements of which were disclosed in the previous year as liabilities from long-term construction contracts and advance payments received for construction contracts, on which work had not yet started) amounted to €436.8 million. The corresponding items in the previous year amounted to a total of €219.2 million. The increase resulted on the one hand from the increase in business activities and on the other hand from more stringent project management, which led to improved project financing by customers (see also the comments on working capital).

At a level of €68.8 million (December 31, 2017: €67.1 million), **accounts payable to affiliated entities** derived almost solely from liabilities due to the M+W Group.

Financing of the Exyte Group and working capital management

Despite the reduction in the equity ratio from 30.3% to 18.4%, the Exyte Group is still solidly financed. The financing of ongoing business activities is secured to a very great extent out of the working capital. The Group operates independently from external forms of financing; the take-up of funding from banks plays only a minor role and is related to special regionally specific circumstances.

In conducting its business activities, the Exyte Group focuses its efforts on its core business of planning, implementation of plant construction projects and project management. In order to complete the various construction-related tasks at the respective construction sites, the Group makes use of a great number of sub-contractors and suppliers. During the process of carrying out the projects, trade receivables and contract assets are counterbalanced for financing purposes by customer advance payments, which are included as disclosed contract liabilities, and trade payables. Thus, for the vast majority of projects, no additional financing is required. As a rule, projects are positively cash effective from their outset. The Executive Board monitors the development of working capital on an ongoing basis.

The following table shows the working capital situation as of December 31, 2018 and as of the previous year's closing date. Due to the application of IFRS 15, the definition of working capital has changed in comparison to the previous year. Following the application of IFRS 15, there is a mandatory requirement from January 1, 2018 onwards, to separately disclose the reporting lines "Contract assets" and "Contract liabilities" in the statement of financial position. In the previous year, receivables and liabilities that resulted from application of accounting requirements for the recognition of long-term construction contracts were still disclosed as "Trade and other receivables" or, respectively, "Trade payables and other liabilities".

Working capital development

in € million

	31.12.2018	31.12.2017
Inventories	114.5	57.2
Trade receivables	353.2	354.6
Trade payables	–906.4	–731.0
Working Capital deriving from delivery of goods and services	**–438.7**	**–319.2**
Contract assets	169.8	–
(Prior year: Receivables from long-term construction contracts)	–	240.2
Contract liabilities	–436.9	–
(Prior year: Liabilities from long-term construction contracts)	–	–137.4
Working Capital deriving from construction contracts	**–267.1**	**102.8**
(Prior year: Advance payments received for unfinished construction contracts)	–	–81.8
Net working capital deriving from third parties	**–705.8**	**–298.2**
Receivables from (non-consolidated) affiliated entities	27.7	39.2
Liabilities to (non-consolidated) affiliated entities	–12.0	–7.9
Net working capital – including (non-consolidated) affiliated entities	**–690.1**	**–266.9**
As a percentage of sales revenue[1]	**–19.5**	**–11.2**

[1] Based on the 2018 sales revenue, amounting to €3.5 billion.

Despite the significant expansion of business activities, **trade receivables** remained virtually unchanged (decline by €1.4 million), whereas the increase in **trade payables**, amounting to €175.4 million, had a positive impact on the trade working capital. The reason for this derives from the management of working capital within the Exyte Group. The negative working capital, represented by the net balance of contract assets and contract liabilities (as of December 31, 2017: the net balance of receivables and liabilities deriving from long-term construction contracts together with advance payments received for construction contracts on which work had not yet started), improved – from €102.8 million to –€267.1 million. In total, the Exyte Group discloses a negative working capital deriving from third parties of €705.8 million.

Liquidity management

In general, the Group's financing activities are conducted through the Exyte AG in its capacity as the Group's Parent Company. Within the context of its liquidity management activities, any excess funds of the Group are invested by the Parent Company and loans are granted to subsidiary companies, as required. Within the sub-groups Asia and Americas, the financing function is the responsibility of the local lead companies, whereas the Group's holding company itself is responsible for Europe.

Cash flow development

The significant increase in the **cash flow from operating activities**, from €299.1 million in the previous year to €595.7 million in 2018 is mainly due to the higher net profit for the year, compared to the previous year, as well as due to the strong positive influence that derived from the change in working capital.

The **cash flow from investing activities** for the whole of 2018 amounted to –€41.7 million (2017: –€13.0 million). The largest addition to property, plant and equipment was made in connection with the construction of a new production and office building for Exyte Technology GmbH in Renningen, amounting to €35.7 million (2017: €6.7 million).

The **cash flow from financing activities**, amounting to –€104.0 million (2017: –€136.9 million), mainly resulted from transactions with the M+W Group.

Overall statement concerning the economic position

During the course of the successful implementation of the global growth strategy and due to the overall positive market situation in our core markets, the Exyte Group showed very positive business development in 2018. The Group significantly increased its incoming orders, sales revenue and earnings. With figures of €4.4 billion for incoming orders (+37% compared to the previous year) and €3.5 billion for sales revenue (+48% compared to the previous year), the Exyte Group achieved respective new records. Adjusted EBIT increased by 57% to €170 million. Thus, both the sales revenue and earnings were in the range that had been forecasted when announcing the half-year figures for 2018 and which had been confirmed when the Q3 figures had been presented (incoming orders > €4 billion, sales revenue approx. €3.5 billion, adjusted EBIT > €160 million).

The equity ratio decreased as a consequence of the reorganization of the Exyte Group. The development of working capital ensured that as of December 31 2018, the Exyte Group had a very high balance of liquid funds available.

Non-financial performance indicators

The Exyte Group deploys both its own employees and the employees of a large number of sub-contractors in order to handle its projects throughout the world. In order to meet both our own demands for occupational safety, as well as those of our customers, which include leading international corporate groups, the number of reportable occupational accidents and other key occupational safety statistics represent significant non-financial performance indicators that are regularly monitored by the management.

Further important non-financial performance indicators are personnel related. The number of people employed and fluctuation rate are particular indicators. These are regularly reported to the executive management in a structured form.

Occupational safety, health, environmental protection and quality

We are well aware that we need to promptly identify and understand risks and opportunities, in order to establish a culture of resilience. Only by doing this, we can achieve growth in a world that is constantly changing. Businesses not only have a moral duty to achieve top performance in the areas of safety, health, environment and quality (SHEQ); top performers also realize that good results in these sectors are essential for the achievement of business success. Within the Exyte Group, the environment and our employees represent core values and are decisive factors for the success of our organization.

Our employees are our most important assets, so ensuring the safety of our employees and the guarantee of an incident free workplace is of great significance for our business activities. Our workforce is multinational and deployed throughout the world. Employees of the Exyte Group come from a large number of different countries and have their roots in a large number of different cultural environments. The Exyte Group strives for the highest available standards as far as environmental protection, occupational safety and the health of its employees are concerned, such that local requirements in many territories are regularly surpassed by conforming to the Exyte standards, which form the backbone of our organization.

The respect that it has for its employees imposes a duty on the organization to protect them and the environment in which they live in the best possible manner. These principles are defined as core values and are bindingly formalized as part of the Exyte Group's corporate culture. The Group complies with the requirements laid down in the "Occupational Health and Safety Management Systems" (OHSAS 18001), the "Environmental Management Systems" (ISO 14001) and the "Quality Management Systems" (ISO 9001). In 2018, Exyte implemented the new occupational safety standard ISO 45001 and adapted the existing systems to cater for the executive management's additional requirements. Thus, we developed and implemented an integrated management system in 2018, in order to synchronize our processes and programs with one another and to harmonize them throughout our whole organization. In this manner, we can ensure that we apply best practices and are able to comply with international standards and requirements on a long-term basis. Within Exyte, we have developed a strategic vision for the next five years, which encompasses, among other things, a process of continuous optimization in the sectors of safety, health, environment and quality. In order to put this vision into practice, and to reinforce our continuing pursuit of excellence, our Executive Board has defined annual targets for our organization.

In 2017, we achieved a ratio of 0.36 (by reference to 200,000 working hours) for the total number of reportable incidents. For 2018, we set ourselves the target of reducing this figure by 10% and were also able to achieve this. During financial year 2018, the ratio for all reportable incidents was running at a level of 0.32. The results for the end of the year indicate that we have again achieved our ambitious target and that, in a year-on-year comparative basis, we will be able to deliver an excellent record for safety, health, environment and quality. Exyte will continue to commit to compliance with all current laws and regulations, as well as international standards, when conducting its business activities. On this solid foundation, we can create positive momentum that will contribute to our continuing success. Our Executive Board, our management and our employees will continue to pursue a course of continuing improvement and a high level of performance in order to secure sustainable growth and the success of our business activities. Whenever necessary, we will react instinctively to adapt our program, so that we can deliver excellent results to our customers and stakeholders.

As a responsible partner for our stakeholders, the Exyte Group strives to minimize the impact of its business activities on the environment. We will concentrate our efforts on intensifying our existing activities in the area of sustainability. In this connection, we measure our success and look for ways to further reduce our ecological footprint. Leading industrial organizations choose Exyte as a business partner in order to ensure that the environmental protection certification objectives that form part of their projects are realized – such as, for example, compliance with the internationally recognized LEED standards (Leadership in Energy and Environmental Design), which were developed in the USA. Successful LEED certification provides confirmation that a building has been developed, planned and constructed in a measurably sustainable manner. These and other standards, which provide guidelines for our projects, give consideration to criteria such as the choice of materials, the energy efficiency of the constructed buildings and facilities, as well as the recyclability of the materials utilized. We will continue to work together with our most important customers on the development of new ideas and methods with the aim of reducing our CO_2 balance and to lower our environmental impact in order to pave the way to a sustainable future for everyone.

Personnel

Employee number development

As of December 31, 2018, the Exyte Group employed some 5,561 employees throughout the world (FTE = full time employee equivalents). This represents an increase 14.7% in comparison to the figure as of December 31, 2017.

In contrast to the reports prepared in past year, the figures solely relate to companies included in the Exyte Group and no longer include employees of those parts of the group, which – as a consequence of the reorganization – are now counted as "M+W" employees.

Employees by regional segment (FTE)

	31.12.2018	31.12.2017
AMER	978	1,281
APAC	2,865	1,902
EMEA	1,287	1,325
TECH	335	253
Exyte Management GmbH and Exyte AG	96	85
Total	**5,561**	**4,846**

In the AMER region, the lower number employed in comparison to the previous year is due to the sale of the NSTAR business sector, as well as to a decline in the numbers employed by our subsidiary company, Total Facility Solutions Inc.

The significant growth in the APAC region is a consequence of the extremely positive business development and the recruitment of additional employees, especially by our Singapore subsidiary, which was directly related to this.

The lower number employed in the EMEA region in comparison to the previous year derives from effects caused by the strategic reorganization of the business. The Exyte Group has focused the further development of its business in Austria, Belgium, France, Germany, Ireland, Israel, Poland, Russia and Switzerland, as well as on Exyte Hargreaves Ltd. in Great Britain.

Main points of focus for HR in 2018

As far as the HR area is concerned, the whole year 2018 can be summarized under the headline "Standardization of Global Processes and Systems". The following projects and initiatives were undertaken in this context.

The "oneHR" project

The objective of "oneHR", a project that started in 2016, is to harmonize and standardize HR processes within a global HR system and to thus create a basis for the group-wide standardization of business processes and ERP systems.

In order to improve the quality and consistency of employee master data, the successive implementation of "Employee Central" commenced in 2018. It has already been implemented, as planned, in our European territories and its global implementation is also due to be completed by mid-2019.

Parallel to this, a global job application process was rolled out to all regions in October 2018 with the implementation of the "Talent Acquisition" module. Existing local processes and job application systems were replaced by the module. The system-supported, global job application process now ensures that the data relating to recruited candidates is directly transferred to "Employee Central" without any system interruption.

HR Organization

The standardization of the HR systems and processes is supported by the realignment of the HR organization, based on the "three pillar model".

The start of this planned medium-term organizational change process was most clearly visible with the set-up of the HR Shared Service Center in Singapore in 2018. The employees based here are responsible for the input into, and amendment of, employee master data in "Employee Central", based on defined workflows and agreed service levels. The centralized input of data exclusively by the HR Shared Service Center ensures a high level of quality for both data and service provided.

The most appreciable change for the business organization is related to the role of the "HR business partners". In future, the activities of these specialists will be even more strongly focused on close cooperation with the business units that they support, as well as on the implementation of HR standards in all parts of the organization.

In addition, centers of expertise need to be strengthened in the areas of compensation & benefits, mobility, talent management and talent acquisition. Such centers are responsible for development and implementation of HR standards, as well as for professional support for HR business partners when carrying out their daily work. In this connection, the scope of the activities of the corporate HR function was extended to include the "mobility" function.

Compensation & benefits

The "job grading" process that was started in 2016 was further developed in 2018 and, among other uses, now forms the basis for the definition of management levels, globally harmonized functional descriptions, contract and remuneration standards, as well as the calculation of intra-group transfer rates.

Basic principles have been established in the form of a global guideline covering a short-term incentive program that is applicable to the two top management levels (executive and senior management) and existing individual arrangements were accordingly adjusted.

Talent management

In addition to the measures for the qualification for employees and managers that are taken de-centrally in the regions and by the individual territory companies, global standards were developed in 2018 to identify high-potential employees, to provide targeted support for them in preparation for more challenging specialized and management responsibilities, as well as to support the process of succession planning. During 2019, these standards will be introduced in further areas of the organization and their implementation will be procedurally supported using "Career Compass".

The e-learning facilities offered in "Career Compass" were expanded in 2018 by incorporating features from external providers and will be further augmented in 2019 by introducing Exyte-specific training programs, e.g. in the areas of compliance and SHEQ.

Report on risks, opportunities and forecast

Risk management system

Exyte regards risk management as an ongoing task. The process involves the identification, analysis and assessment of the actual and potential risks that arise out of performance of business activities in their own right and that arise in the related environment, as well as the initiation of corrective measures to deal with them, where possible.

The risk management system that has been established throughout the Group was further refined in financial year 2018. The measures taken were concerned with the organizational framework, the scope and frequency of the reporting cycle, as well as with changes in personnel; these measures led, among other things, to an improvement in risk management aspects. Furthermore, a risk management IT-tool was selected in 2018, the (still outstanding) implementation of which is planned in 2019.

The purpose of risk management is to ensure that the organization's focus on its strategic objectives is not endangered through uncertainties. Thus, the primary objective of risk management is to limit the impacts that derive from uncertainty in such a manner that current and future projects undertaken by the Exyte Group are performed successfully, despite such uncertainty. Exyte regards its risk management system to be an integral component of the task of managing the Group (comprising strategy, planning, execution, operation, supervision and assessment). The risk management system that is deployed group-wide by Exyte is based on the standard ISO 31000.

The objectives of the system can be described as follows:

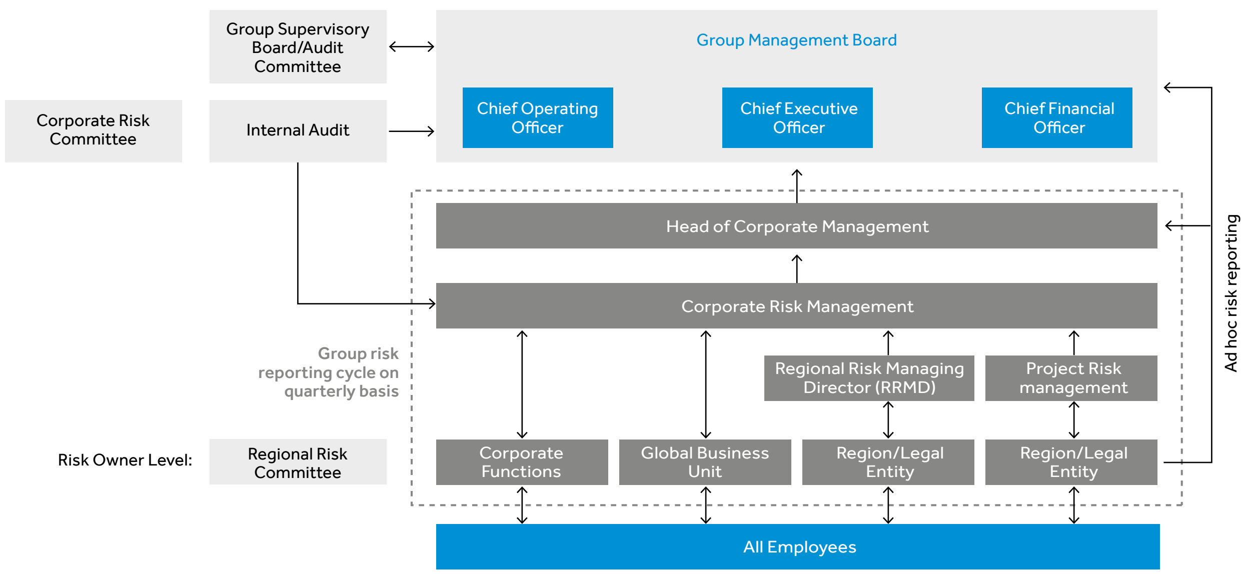
- to ensure that relevant legal regulations and specifications are complied with;
- to effectively make sure that all relevant management levels are adequately informed about risks;
- to provide a solid fundament for decision-making at both Group level and at the level of the regions/functional areas;
- to protect the value of the business by means of active risk management and, where appropriate, integrated project risk management.

Exyte's business model sees the Corporate Project Risk Management (CPRM) function as an integral component of the group-wide risk management system. This function not only analyzes those projects that require a high level of attention from management because of their size and complexity. It also analyzes projects that might also endanger the achievement of Exyte's business objectives due to risks deriving from innovative technical approaches, from unfamiliar market conditions, from contractual liability structures or from other exceptional circumstances.

Legal responsibility for the set-up and effective control of a group-wide risk management system within Exyte lies with the Executive Board. The head of the Corporate Risk Management function is appointed by the Executive Board. It is his task to coordinate the processes involved in group-wide risk management in their name.

The main constituents of Exyte's risk management system are internal guidelines (e.g. the Risk Management Manual), organizational structures, processes and systems.

Risk Management



The Risk Management Manual

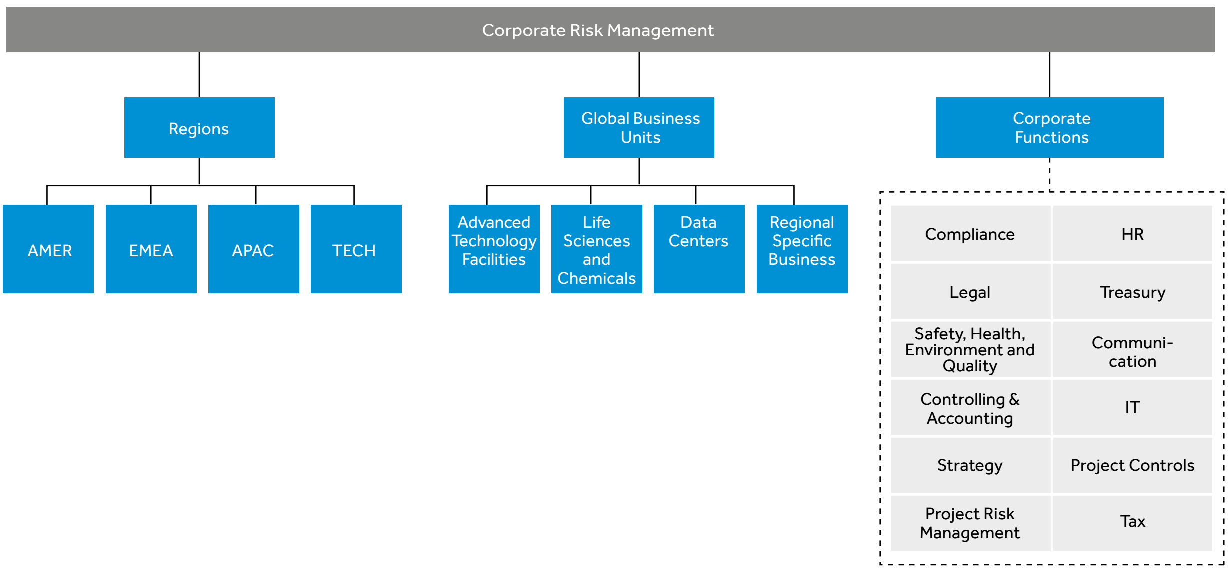
The purpose of Exyte's Risk Management Manual (RMM) is on the one hand to regulate the framework for operational actions, which has to be seen as the minimum objective for risk management within Exyte, but also to ensure that the Executive Board is provided with sufficient and appropriate information about risks. For this purpose, Exyte has created structures and processes that clearly and understandably define the duties and areas of responsibility of the individuals involved and provide regulations and instruments with which risks within the whole Group can be fully recorded and transparently reported.

The risk management organization

Exyte's risk management system is oriented towards the organizational structure of the business based on functional areas. The Corporate Risk Management function itself is responsible for the consolidation of risk issues that are reported by the Regions, Business Segments/legal entities, projects and Corporate Functions at management level.

The heads of the individual regions also act as Regional Risk Management Directors (RRMDs). Depending on the risk situations involved, the RRMDs in turn appoint "risk owners" with responsibility for risk identification, assessment, monitoring and reporting at the level of the regional units. The "risk owners" are those with responsibility for Business Segments and Corporate Functions.

Corporate Risk Management



The risk reporting cycle

The risk reporting cycle describes the fundamental approach to risk management within the Exyte Group. In respective quarterly intervals, the RRMDs in the regions and those with risk management responsibility at the level of the GBUs and Corporate Functions undertake a complete analysis and assessment of the risks that are reported to them by the "risk owners" in all Regions/Business Segments/Corporate Functions (applying a "bottom-up" approach). Within the context of the risk control process, the "risk owners" and RRMDs work together to develop measures to limit the probability of occurrence and impact of the identified risks.

The Executive Board and the audit committee of Exyte are informed about the Group's current risk exposure. Any sudden changes in the risk situation can be notified to the Corporate Risk Management function or the Executive Board at any time (ad-hoc risk reporting). The effectiveness of the risk reporting cycle is audited on a regular basis by the internal audit department in compliance with legal requirements. .

Risk evaluation

With the aid of the risk evaluation process, the Exyte Group is able to prioritize the identified risks and to concentrate its resources on important issues. Risk evaluation provides the basis for the preparation of suitable risk limitation plans and the necessary monitoring activities. The assumptions made in the risk evaluation process – i.e. the scenarios for three-point estimation – are documented in an appropriate manner in the risk register.

For purposes of quarterly reporting, the cumulative net effects (worst case) and the cumulative expected impact (most probable case) are determined; these are regarded as the most important guidance components for regular risk reporting at the Exyte Group level. Using the net risk evaluation as a basis, all identified quantitative and qualitative risks that, based on a worst-case scenario, could have an impact on EBIT of more than €2 million (after taking countermeasures into account) are reported to the Executive Board. As far as is possible, all risks are quantified. The quantification of the risks is carried out by applying statistical assessment techniques, giving consideration to the probability and the size of the potential impact; the quantified amount is presented as a loss. The amount of the loss derives primarily from the estimate of the potential impact on the Group's currently planned EBIT and cash flow; the amount of the loss is always separately estimated for the first two respective years of Exyte's medium-term planning horizon. The net expected value impact can be determined from the net risk impact and the probability of occurrence.

In order to simplify the administration of the risks, or respectively for improved clarity, the Corporate Risk Management function assigns the risks to risk categories. This also facilitates the analysis of the risks at Group level. In this connection, all quantified risks reported to the Group's management are taken into account.

The cumulative expected value for each risk category is calculated as the sum of the cumulative expected values – based on an underlying most probable case assumption – of all the grouped individual risks per category. The risk categories are assigned to one of the qualitative evaluation classes, by reference to the expected values of the potential (calculated) losses:

Evaluation classes for risk categories

		Cumulative expected value on impact	Class
Group level	1.	<€10 million	Low
	2.	€10 to €20 million	Medium
	3.	>€20 million	High

Risk exposure

The following table presents an overview of the risk exposure of the Exyte Group as of December 31, 2018. The next section of this report clarifies Exyte's risk situation, by breaking down the net expected value for risks by evaluation class on the one hand into general risk classes and on the other hand as individual risks.

The analysis of Exyte's risk situation culminates in the assessment that the identified risk exposure does not pose a threat to the organization's future existence.

Overall risk situation – aggregated presentation

Evaluation on cumulative expected value

Risk Category	Evaluation
Strategic and geopolitical risks	Low
Regulatory risks	Low
Financial risks	Low
Human resource risks	Low
Information technology risks	Low
Project delivery risks	Medium
Legal risks	Low
Compliance risks	Low
Business development risks	Low
Tax risks	Low
Social and environmental risks	Low
Other risks	Low

Strategic and geopolitical risks

Despite a changing market environment and volatile economic and political developments, strategic and geopolitical risks are barely noticeable in the specialized plant-construction industry sector. The generally good business situation has led to increasing order volumes and has made expansion of technical and management competence necessary.
An increasingly competitive situation is developing in the Asia-Pacific Region (and there, particularly in China); this is especially applicable in the Advanced Technology Facilities and Life Sciences & Chemicals market sectors.

Financial risks

Due to our global presence in various different regional markets, cash flows are generated in a number of currencies other than the euro; these can turn into a cash flow risk if the exchange rate for a currency develops in a manner that Exyte does not anticipate.

Human resource risks

As the unemployment rates in the regions in which we are represented are, in part, very low and there is increased demand for specialists in the semiconductor and pharmaceuticals/chemicals industry sectors; this can result in a risk to talent recruitment. This is especially the case where project timetables are advanced or new business is acquired and the availability of staff to handle future projects is limited for this reason.

Risks associated with information technology

The security of its business data is of paramount importance for Exyte. Threats to data security have become increasingly common in the past year. Our IT systems are also exposed to these risks. They represent the basis for our business processes with both internal and external parties. Despite the existing preventive measures that have been taken, every disruption caused by an external threat to these systems could result in risks with respect to the confidentiality, the availability and the reliability of such data, which is used in the areas of development, implementation, selling or administration. Such risk impacts, in turn, could have a negative influence on our reputation, our competitive position or our operational processes.

Risks associated with the handling of projects

From a quantitative perspective, project-related risks account for some 20 % of the Group's risk register. The risks to which Exyte is exposed in the handling of projects derive from the high complexity of implementation projects; such complexity and the risks involved form part of the greatest challenges for our kind of business activities. Both cost and pricing risks are intrinsically connected to all projects. Furthermore, the evaluation of project-specific contract modifications harbors risks that are monitored on an ongoing basis.

Legal risks

As an internationally active EPC organization, Exyte is exposed to a number of risks in connection with lawsuits, legal claims and regulatory proceedings. In order to minimize such risks at an early stage, it is normal practice throughout the organization to involve the legal department in all relevant issues at an early date. Provisions for current litigation proceedings are set up based on the estimated risk.

Compliance risks

Our engagement abroad, especially in the Asia region, where the risk of both active and passive corruption is real, could have unfavorable financial repercussions for Exyte, result in damage to its reputation or have negative consequences for existing or future projects. For this reason, we have established a compliance system that is designed to prevent bribery and antitrust violations from the outset. We have also introduced regular training sessions for our business partners, which include related processes and systematic controls.

Tax risks

Respective local tax legislation can have an influence on the utilization of loss tax carryforwards and thus on the impairment of deferred tax assets that have been recognized in the consolidated financial statements, as well as on current taxation. Furthermore, considerable future uncertainty exists with respect to the manner in which tax legislation develops and is applied, due to the increasingly critical state of public finances and the pressure to make reforms that derives from this, as well as due to the noticeably increased attention paid by the fiscal authorities.

Societal and environmental risks

Due to its business activities and its significant international presence, Exyte has to expect risks to derive from regulatory changes, particularly in the areas of tax legislation and environmental requirements. Such risks can have a negative impact on our KPIs and our financial situation. This is particularly the case with respect to projects that have residual runtimes that extend for a number of years.

Important individual risks

Individual risks are assessed to be important if the cumulative expected value of the related loss is expected to be more than €2 million, whereby any related mitigating measures adopted are taken into account. There are some important individual risks in the risk categories “Project delivery risks” and “Business development risks”, as described below.

Risk that a customer may cancel a project

The complex planning and construction of specialized technical facilities for the semiconductor industry sector throughout the world forms part of Exyte’s business model. The possibility that a customer might cancel a project because the estimated planned budget costs will be exceeded could result in a (financial) loss. In a worst-case scenario, the project could be cancelled with immediate effect, whereby the opportunity to generate additional gross profit margin for the period in which the cancellation occurs would be limited.

At the end of July, as a risk limitation measure, the management offered the customer concerned a draft GMP (Guaranteed Maximum Price) agreement with the objective of giving support to the customer’s decision-making process. Exyte’s expectation is that this measure may possibly lead to an expansion of the scope of the project, as the measure could have a significant (positive) influence on the current situation.

Problems with the completion of design plans

Similar circumstances to the project in which the customer decision has been delayed have arisen for a project in the European market. In this case, there is a danger that the volume of sales revenue will reduce due to problems that have arisen in completing design plans. The project management team is involved in ongoing negotiations with the customer.

Insolvency of a customer

A risk of payment default exists, due to the economic situation of a customer. For this reason, Exyte has stopped work at the construction site for a biotechnology facility because of non-payment by the client. An external legal advisor has been brought in, in order to reach agreement about statements that have been issued concerning claims and points of contention. A further improvement in the current situation may arise, in that the client has won over an investor to provide funding for the project. If this measure does not result in an improvement in the situation, this could result in Exyte terminating the existing main contracts. However, the successful completion of the facility could have a positive influence, as far as the acquisition of new projects is concerned.

Sustainable business activity

The most important Business Segment of the Exyte Group is Advanced Technology Facilities. Exyte has a competitive advantage for the construction of large production plants, particularly in the Asia-Pacific region. In contrast, our market position in other Business Segments is weaker and is characterized by the fact that the opportunities in those market segments are limited and there is less potential to acquire new customers. Increasing competition, due to market entry by other players, could weaken Exyte’s position in the Asia-Pacific region. Further diversification has to be restricted to markets in which Exyte can use the advantages deriving from its core areas of expertise – i.e. predominantly on business in the Advanced Technology Facilities and Life Sciences & Chemicals Business Segments. The management is conscious of this dual-market strategy and the regional management teams are working in close cooperation with the responsible territory and Business Segment leaders to achieve an improvement in market penetration. In the most important countermeasure taken in this respect, Exyte is driving to promote cross-segment business development and expand the capacity – and areas of competence – of the Business Development Team, with the objective of identifying new business opportunities. Exyte is focusing its efforts on service teams to provide services in smaller projects that do not fall within the scope of the Advanced Technology Facilities Business Segment.

Report on risks relating to financial instruments

In conducting its business activities, the Exyte Group is exposed to a number of financial risks. Risks can potentially arise from default in connection with receivables due from business partners and customers (credit or default risks).

As many of the customers, particularly those with which long-standing business relationships exist, are large corporate groups of unquestionable creditworthiness, the credit risk is limited, especially in our core sectors of business. In order to minimize the risks relating to receivables from new customers, credit information is obtained during the course of the project authorization process. Unpaid receivables are regularly monitored as part of the reporting process. Furthermore, receivables may be exposed to currency-related risks; these are partially hedged through the deployment of derivatives. However, due to the presence of subsidiary companies throughout the world, the vast majority of projects are processed in the functional currency of the respective subsidiary so that the number of currency hedges that are required within the Group is relatively small in relation to business volumes.

Currency risks derive from the international activities of the Group. The risk, in this connection, is that future payment flows will change, to the detriment of the Group, due to fluctuations in exchange rates, or that the amount at which receivables denoted in foreign currencies are recognized will decrease or that the amount at which liabilities denoted in foreign currencies are recognized will increase. Such risks are confronted by the organization through deployment of forward exchange contracts and currency options. In a process managed by the Group's central treasury function, which operates at the level of the holding company, or by the regional treasury hub in APAC, a hedging relationship is established – to the extent possible – between the hedged item and the hedging instrument. This is done by entering into a contract for a derivative that matches the term and volume of the hedged item (i.e. a micro hedge). The derivatives deployed for hedging purposes are only contracted with banks that have a first-class credit standing.

Information on the scale and accounting treatment of the hedging instruments that were deployed at the year-end reporting date is provided in the notes to the consolidated financial statements in Note 25.

Report on opportunities

Objectives and strategies

The Exyte Group continues to resolutely pursue its strategic goals. From a financial perspective, our medium-term target (over a period of three to five years) is to achieve a growth in sales revenue to a level of €5 billion and an (adjusted) EBIT margin of 5%.

In order to achieve this, a comprehensive strategy and implementation program was initiated towards the end of 2018.

upside
Creating Value at exyte

The key elements of our "upside" strategy are the following:

- **"Growth in the strategic Business Segments"** by means of clear orientation towards customer needs;
- **"Buy & Build"** by making complementary acquisitions in our strategic Business Segments;
- **"On-going optimization of the organization"** through optimization of processes and reducing complexity
- **"Digitalization"** in all areas of the business – from administration functions right through to the handling and controlling of projects.

Within the framework of these components, specific initiatives and projects have been defined and progressed – commencing in financial year 2019 – in order to ensure their successful implementation.

Opportunities

We believe that opportunities derive from our corporate strategy and these are presented as follows:

- **"Growth in core business":** On the one hand, we see tangible opportunities to generate growth in sales revenue by gaining further access to growth markets, such as China; moreover, we perceive further opportunities deriving from improvements to our account management process, by gaining a better and earlier understanding of our customers' needs. Our aim is to plan projects together with our customers, right from the outset, and to be their partner throughout the complete lifecycle of a production facility – right up to the end; in this way, we aim to secure follow-up business.

- **"Buy & Build":** Opportunities can always arise from acquisition possibilities, through which we can augment the expertise within our strategic Business Segments. The focus here is on our Advances Technology Facilities and Life Sciences Business Segments.

- **"Optimization of the organization":** In the final analysis, our organization provides the basis and forms the backbone for all the activities that we undertake within Exyte. We believe that we can only fully realize our opportunities, if we act as ONE global firm. For this reason, one of the leitmotifs that have been defined for 2019 is "oneCOMPANY". At the same time, we are considering whether to gear our organization more towards industry sectors and thus even more strongly toward our customers' needs. It is self-evident that the focus of our activities is on business as such; for this reason, we are always looking for ways to reduce administration costs, to the extent possible.

- **"Optimization of operations":** In the coming years, our particular aim is to increase the number of our engineers and to thus increase our range of competency. At the same time, the intention is to build up a training program for our employees. Our overall intention is to realize potential to increase business and also to improve the spectrum of services that we offer. As far as the handling of our projects is concerned, we see scope for organizational improvement in the areas of management and control of the projects by establishing clear areas of responsibility, as well as through more transparency and workload relief, by the deployment of relevant IT tools.

- **"Digitalization":** In our industry sector, the key to future success also lies in the digitalization process. We are promoting this in all administrative and operational areas. The process starts in the HR area and extends through to the systematic extension of our engineering technology from 3-BIM [2] to 5-BIM [2].

- **"Customer satisfaction":** Exyte's aim is to handle all its projects to our customers' maximum satisfaction. This provides the opportunity to acquire follow-up projects in all business sectors and regions.

Forecast

The Executive Board of the Exyte Group expects the positive development experienced in the year reported to continue in financial year 2019. Our expectation is that the figure for incoming orders will be slightly lower than the record level reported in 2018 (€4.4 billion).

Due to the high figure for the order backlog at the end of 2018 and our forecast for incoming orders in our core markets, we expect a medium-term increase in sales revenue for the now current financial year and thereafter – to a level for the whole Group that should be significantly higher than that reported for the year reported (2018: €3.5 billion). In this context, we expect the Advanced Technology Facilities Business Segment to remain the main contributor to sales revenue.

Due to a change in the portfolio mix, with a larger proportion of high volume contracts that are based on cost-plus agreements, we expect the gross profit margin to be lower (2018: 8.2%). We anticipate moderately increased development for the adjusted EBIT (2018: €170 million) in the short-to-medium term. We expect the adjusted EBIT margin to reduce slightly in comparison to the past year reported, due to a change in the portfolio mix.

With regard to the semiconductor market, currently released statistics rely on information that indicates that the growth in global semiconductor revenue has slowed down. In this connection, most of the related studies consider the development of sales revenue for the industry sector. However, our kind of business is mainly defined by the number of chips that are produced – which directly correlates to the number of bundled wafers (thin slices of semiconductor materials, on which integrated circuits are applied) – and not by the price per chip (i.e. the sales revenue of the chip producers). This is an important distinction, for in the past, the number of wafers and chips increased and will continue (as we see it for the foreseeable future) to rise steadily at a rate of some 7%–8% p.a. This development will be driven by many global trends involved in the process of the digitalization of the world, as we know it, such as the Internet of Things ("IoT") and Artificial Intelligence ("AI").

Further key trends that have an influence on the markets in which we operate are Industry 4.0 (particularly in the market segments for semiconductors, food and consumer goods & care products), the growth in the global population (particularly with regard to the markets for batteries, pharma-

[2] The term Building Information Modelling (abbreviation; BIM) describes a method for optimized planning, execution and management in connection with building and other construction tasks with the aid of software. In this connection, all relevant construction data is digitally modelled, combined and recorded.

ceuticals & biotechnology and food & nutrition), the general increase in prosperity and regulatory initiatives relating to certain industry sectors (e.g. in the markets for batteries [e-cars] and photovoltaics [renewable energy]), as well as the government-driven support for certain industries (e.g. by the People's Republic of China in relation to the markets for semiconductors and batteries).

A number of strategic initiatives have been started by Exyte in order to strengthen the Life Sciences & Chemicals Business Segment. On the one hand, increased focus has been placed on major customers ("Global Accounts"), whilst on the other hand, strategic partnerships are being built up to further intensify customer relationships with those customers with whom we regularly do business. Such initiatives have the objective of increasing Exyte's market share in 2019 and thereafter, in order to achieve an even stronger position in the core segment: Life Sciences & Chemicals.

The Exyte Group sees itself as a global market leader for the technical planning and construction of high-tech facilities in controlled and regulated environments. Exyte's experienced teams and engineers provide services at the highest level to customers in high-technology industries throughout the world. As a consequence of its realignment, Exyte perceives itself to be very well prepared for further growth in the targeted markets and core regions that are themselves characterized by growth trends. The focus is on structural growth that generates robust cash flows. Its strict risk management processes help to safeguard the organization with respect to both its selection and handling of projects.

Even today, about half of the Exyte Group's "TOP 10" customers have their domestic base in the APAC region. The relative importance of these customers for the APAC region is expected to increase. For this reason, we are trying to combine our international reputation with our aspiration to be a "local company", which knows precisely what its customers need and is able to deliver "on-time-on-budget". At present, we are very successful in pursuing this strategy. However, increasing competition for the supply of services to Chinese businesses has resulted in increased pressure on margins for Exyte.

Stuttgart, April 24, 2019

The Executive Board

Dr. Wolfgang Büchele (CEO)

Wolfgang Homey (CFO)

Roberto Penno (COO)

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

in € thousand

	Note	1.1.–31.12. 2018	1.1.–31.12. 2017
Sales revenue	1	3,531,452	2,382,703
Cost of sales	2	–3,242,332	–2,176,202
Gross profit on sales		**289,120**	**206,501**
Selling expenses	3	–30,029	–36,530
Administration costs	4	–73,174	–60,745
Research and development expenses	5	–241	–300
Impairment losses (including reversals of impairment losses) on trade receivables and contract assets	6	6,160	–
Other operating income	7	12,038	17,556
Other operating expenses	8	–33,894	–21,862
Result from operating activities (EBIT)		**169,980**	**104,620**
Interest and similar income	9	23,251	15,748
thereof: currency gains deriving from affiliated entities		1,689	1,264
Interest and similar expenses	9	–17,725	–22,458
thereof: currency losses deriving from affiliated entities		–10,698	–6,387
Consolidated earnings before tax		**175,506**	**97,910**
Income tax	10	–29,353	–12,729
Consolidated net profit		**146,153**	**85,181**
Share of the consolidated net profit attributable to:			
Shareholders of the parent company		144,998	85,181
Non-controlling interests		1,155	0

in € thousand

	Note	1.1.–31.12. 2018	1.1.–31.12. 2017
Consolidated net profit		**146,153**	**85,181**
Other comprehensive income			
Currency translation differences			
change recognized in equity without impacting profit or loss		10,981	–30,250
Derivative financial instruments			
change recognized in equity without impacting profit or loss		–47	34
recognized in profit or loss		–223	34
Income taxes relating to components of other comprehensive income			
change recognized in equity without impacting profit or loss		8	–11
recognized in profit or loss		13	–10
Items that will be subsequently reclassified to the consolidated net profit		**10,732**	**–30,203**
Actuarial gains/losses deriving from pensions and similar obligations			
Change in actuarial gains/losses		–12	17
Income tax		3	6
Items that will not be subsequently reclassified to the consolidated net profit		**–9**	**23**
Other comprehensive income for the reporting period		10,723	–30,180
Total consolidated comprehensive income for the reporting period		**156,876**	**55,001**
Share of total consolidated comprehensive income attributable to:			
Shareholders of the parent company		155,707	55,001
Non-controlling interests		1,169	0

Consolidated Statement of Financial Position

in € thousand

	Note	31.12.2018	31.12.2017[1]
ASSETS			
Non-current assets			
Intangible assets	11	133,387	134,008
Property, plant and equipment	12	61,455	23,717
Financial assets	14	2,650	2,666
Other non-current assets		457	1,389
thereof: claims for income tax refunds		156	0
thereof: other non-current financial assets		289	1,287
Deferred tax assets	10	67,597	28,718
		265,546	**190,498**
Current assets			
Inventories	15	114,459	57,216
Contract assets	16	169,765	–
Trade and other receivables	17	609,207	1,045,462
thereof: claims for income tax refunds		2,074	9,017
thereof: other current financial assets		17,647	27,416
Cash and cash equivalents	18	845,328	418,364
		1,738,759	**1,521,042**
		2,004,305	**1,711,540**

[1] Adjusted; refer to Note 18.

in € thousand	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
Invested equity	19	–	485,221
Subscribed capital	19	150,000	–
Capital reserve	19	15,000	–
Retained earnings	19	13,669	–
Other components of equity	19	44,465	33,756
Consolidated net profit	19	144,998	–
Equity attributable to the shareholders of Exyte AG		368,132	518,977
Non-controlling interests		379	–
		368,511	**518,977**
Non-current liabilities			
Provisions for pensions	20	8,722	7,974
Other non-current provisions	21	6,792	3,384
Non-current financing liabilities	22	0	92
Other non-current liabilities		1,268	309
Deferred tax liabilities	10	277	1,011
		17,059	**12,770**
Current liabilities			
Tax provisions		32,716	19,132
Other current provisions	21	47,671	46,134
Current financing liabilities	22	78,212	49,955
Trade payables and other current liabilities	24	1,023,306	1,064,572
thereof: other current financial liabilities		31,526	33,102
Contract liabilities	16	436,830	–
		1,618,735	**1,179,793**
		2,004,305	**1,711,540**

Development of Consolidated Equity

in € thousand

	Invested equity (combined) (19)	Equity (consolidated) (19)		
		Subscribed capital	Capital reserve	Retained earnings
Balance at January 1, 2017	**463,301**			
Increase/reduction in capital	−65,176			
Profit transfer to/from the M+W Group GmbH Group	1,915			
Combined net profit	85,181			
Other comprehensive income and expenses	0			
Balance at December 31, 2017	**485,221**			
Adjustments deriving from IFRS 9	−973			
Adjustments deriving from IFRS 15	−2,914			
Balance at January 1, 2018	**481,334**			
Increase/reduction in capital	42,034			
Distributions to/from remaining non-core companies	−18,500			
Profit transfer to/from the M+W Group GmbH Group	−40,396			
Impacts deriving from the legal reorganization	−285,803			
Impacts deriving from the transition from combined assets to consolidated assets	−178,669	150,000	15,000	13,669
Change in the scope of the consolidation				
Consolidated net profit				
Other comprehensive income and expenses	0			
Balance at December 31, 2018	**0**	**150,000**	**15,000**	**13,669**

Other reserves (19)					Total equity attributable to share-holders of Exyte AG	Non-controlling interests	Total equity
Accumu-lated foreign currency translation adjustments	Actuarial gains/losses	Measure-ment of derivative financial instruments	Income taxes relating to other components of equity	Consoli-dated net profit			
65,934	**−3,113**	**163**	**952**		**527,237**	**0**	**527,237**
					−65,176		−65,176
					1,915		1,915
					85,181		85,181
−30,250	17	68	−15		−30,180		−30,180
35,684	**−3,096**	**231**	**937**		**518,977**	**0**	**518,977**
					−973		−973
					−2,914		−2,914
35,684	**−3,096**	**231**	**937**		**515,090**	**0**	**515,090**
					42,034		42,034
					−18,500	−831	−19,331
					−40,396		−40,396
					−285,803		−285,803
						41	41
				144,998	144,998	1,155	146,153
10,967	−12	−270	24		10,709	14	10,723
46,651	**−3,108**	**−39**	**961**	**144,998**	**368,132**	**379**	**368,511**

Consolidated Statement of Cash Flows

in € thousand

		Note	1.1.–31.12. 2018	1.1.–31.12. 2017[1]
	Consolidated earnings before tax		175,505	97,910
-	Net interest (excluding foreign currency exchange gains or losses)	9	–9,691	–6,443
+	Amortization and depreciation	11/12	6,401	6,776
+/-	Net gains/losses deriving from the disposal of non-current assets		257	–18
+/-	Other non-cash based income and expenses		2,052	–3,895
-	Interest paid		–2,760	–3,559
+	Interest received		12,632	9,916
=	**Operating result before changes in working capital**		**184,396**	**100,687**
+/-	Change in provisions		11,680	9,672
+/-	Change in working capital		393,142	194,142
+/-	Change in other assets and liabilities		6,526	–5,358
=	**Cash flow from operating activities before income taxes**		**595,744**	**299,143**
-	Income tax payments		–33,460	–23,654
=	**Cash flow from operating activities**		**562,284**	**275,489**
+/-	Proceeds from the disposal of intangible assets		0	–14
-	Payments for investments in intangible assets	11	–336	–866
+	Proceeds from the disposal of property, plant and equipment		1,874	134
-	Payments for investments in property, plant and equipment	12	–44,325	–11,277
+	Proceeds from the disposal of financial assets		1,040	39
-	Payments for investments in financial assets		–2	–1,040
+	Proceeds from changes in consolidation group		50	0
=	**Cash flow from investing activities**		**–41,698**	**–13,024**
+/-	Transactions with the M+W Group GmbH Group		–130,875	–187,851
	thereof: cash relevant contributions		16,898	26,862
	thereof: cash relevant withdrawals		–33,576	–68,902
	thereof: proceeds from borrowings taken up		12,704	25,748
	thereof: proceeds from redemption of loans granted		12,228	14,485
	thereof: payments for loans granted		–118,156	–185,879
	thereof: payments for redemption of borrowings		–20,973	–165
+	Proceeds from transactions with equity providers		1,266	0
+	Proceeds from capital increase		41	0
-	Dividend payments		–831	0
+	Proceeds from borrowings taken up with banks		26,391	51,190
-	Payments for the redemption of borrowings from banks		0	0
-	Payments for finance leases		–30	–259
+/-	Changes in financing of consolidated group companies		0	0
=	**Cash flow from financing activities**		**–104,038**	**–136,920**
=	**Cash-based changes in cash and cash equivalents**		**416,548**	**125,545**
+/-	Exchange rate effects and other changes to cash and cash equivalents		–18,305	–78,934
+	Cash and cash equivalents at the beginning of the period	18	362,754	316,143
=	**Cash and cash equivalents at the end of the period**	**18**	**760,997**	**362,754**

[1] Adjusted; refer to Note 18.

Notes to the Consolidated Financial Statements for financial year 2018

A. General disclosures

Background

Exyte AG, with a registered office at 9b Löwentorbogen, 70376 Stuttgart, Germany, is the Parent Company of the Exyte Group. The Company is registered in the commercial register in Stuttgart in Section B, under registration number 766142.

Exyte AG is included in the consolidated financial statements of the M+W Group GmbH. As the Exyte Group's Parent Company, M+W Group GmbH prepares consolidated financial statements in accordance with Section 315e (3) of the HGB [German Commercial Code]. The consolidated financial statements of Exyte AG have been prepared for the first time on a voluntary basis.

Under the terms of a notarized incorporation, dated July 18, 2018, the current Exyte AG (previously: TCNLG Group AG) was formed as the future group holding company of the Exyte Group with a registered office in Stuttgart. This event was registered in the commercial register on August 16, 2018.

The Exyte Group, with Exyte AG as its ultimate holding company, is organized for management responsibility purposes into the Regional Segments Europe, Middle East and Africa (EMEA), Americas (AMER), Asia-Pacific (APAC) and the business division Technology (TECH). The Group is counted among the leading global organizations in the areas of planning, construction and project management in the Business Segments in which it is engaged – Advanced Technology Facilities (ATF), Life Sciences & Chemicals (LSC), Data Center (DTC) & Regional Specific Business (RSB). From the development of the initial concept right through to delivery of a complete turnkey solution, the Group carries out contracts of varying sizes with a guarantee of fast delivery, high standards of quality and cost efficiency. In this context, the Group combines process technology and complex building infrastructures to deliver integrated complete solutions.

The origin of the Exyte Group

The sole shareholder and the executive management of the M+W Group took a decision to divide the M+W Group into a "Core Group" (now the Exyte Group) and a "Non-Core Group".

For this purpose, Exyte AG was incorporated as the group holding company of the Exyte Group. With effect from September 10, 2018, a contribution in kind, comprising the Exyte Asia-Pacific Ltd., Singapore, was made by M+W Group GmbH, and the whole Exyte Group was thus transferred to Exyte AG.

Within the context of plans to make an initial public offering of shares in Exyte AG, the M+W Group was restructured from a legal perspective. Upon completion of the restructuring process under corporate law, the Exyte Group was created in September 2018, within the meaning of IFRS, with Exyte AG as its Parent Company.

In accordance with European Prospectus Regulation (EPR) No. 211/2007, the Exyte Group showed evidence of a "complex financial history" up to the time of formation of the Group. The planned corporate restructuring measures were not completed as of December 31, 2017 and the current Exyte Group had not been structured for legal purposes, such that a group had not yet been formed from a legal perspective. For this reason, a combined set of financial statements ("combined financial statements") was prepared for the reporting years 2015 to 2017.

The smallest group of companies for which consolidated financial statements are prepared is included in the consolidated financial statements of Exyte AG. Exyte AG, itself is included in the consolidated financial statements of M+W Group GmbH, Stuttgart, Germany, which are prepared in accordance with Section 315e of the HGB. The ultimate holding company that prepares consolidated financial statements is Millennium Privatstiftung, Vienna, Austria.

B. Accounting principles

First-time consolidated financial statements

Consolidated financial statements of Exyte AG have been prepared for the first time for the reporting period ending December 31, 2018. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. They provide a true and fair view of the net assets, financial position and results of operations of the Exyte Group.

For purposes of preparing consolidated financial statements for the first time, the Executive Board of Exyte AG has taken advantage of the opportunity to portray the extraction of the Exyte Group out of the IFRS-based consolidated financial statements of the M+W Group GmbH as a "transaction under common control" from an accounting perspective, using the book value method. The information for the previous year was similarly derived from the disclosures made in the combined financial statements.

New or amended accounting standards

The accounting principles and measurement methods applied in 2018 are generally consistent with those used in the previous year. Furthermore, the Exyte Group has only applied those new or amended accounting standards whose application was mandatory for the first time in the 2018 reporting year.

Newly introduced and amended accounting standards

Standard/Interpretation	First-time application[1]	Endorsement by the EU Commission	(Expected) Impacts on the Exyte Group
Accounting standards applied for the first time in 2018			
IFRS 9 "Financial Instruments"	1.1.2018	Yes	
IFRS 15 "Revenue from Contracts with Customers", including published clarifications	1.1.2018	Yes	
Annual Improvements Process – 2014 – 2016 Cycle (IFRS 1 and IAS 28)	1.1.2018	Yes	
IFRS 2 "Share-based payment" – Classification and Measurement of Share-based Transactions	1.1.2018	Yes	
IFRS 4 "Insurance Contracts" – Applying IFRS 9 with IFRS 4	1.1.2018	Yes	
IAS 40 "Investment Property" – Transfers of Investment Property	1.1.2018	Yes	
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	1.1.2018	Yes	
New standards (not yet applied)			
IFRS 16 "Leases"	1.1.2019	Yes	Of general importance
IFRS 17 "Insurance Contracts"	1.1.2021	No	None
Amended Standards/Interpretations (not yet applied)			
IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation	1.1.2019	Yes	Insignificant
IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement	1.1.2019	No	Insignificant
IAS 28 "Investments in Associates and Joint Ventures"	1.1.2019	No	None
IFRIC 23 "Uncertainty over Income Tax Treatments"	1.1.2019	No	Insignificant
Annual Improvements Process – 2015 – 2017 Cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	1.1.2019	No	Insignificant

[1] The requirements are to be applied to reporting years that start on or after the stipulated date.

It was compulsory for the following accounting standards, or respectively supplementary provisions to existing standards, to be applied for the first time in financial year 2018:

- IFRS 9 – "Financial Instruments": The Exyte Group has applied the new requirements of IFRS 9 for classification and measurement of financial instruments, as well as for the determination of any impairment to them, with retrospective effect from the beginning of financial year 2018 (i.e. using the "modified retrospective method") and has taken advantage of the possibility not to adjust comparative information provided for previous periods. Accordingly, the opening balances in the combined statement of financial position as of January 1, 2018 were adjusted in accordance with the requirements contained in IFRS 9. The available option was chosen to continue to apply IAS 39 for hedge accounting purposes.

Classification – Financial instruments
In accordance with the new requirements of IFRS 9, the Exyte Group has classified financial instruments into the three new categories: measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. With the implementation of IFRS 9, the Exyte Group has applied a uniform model to categorize financial assets, in which the financial assets are assigned to one of the three above-mentioned categories (for more detailed information, refer to the section "Financial instruments – classification and measurement").

Impairment losses
IFRS 9 introduces an impairment model to determine impairment losses based on expected credit losses. Under this model, impairment losses for expected credit losses are recognized in respect of assets classified as measured at amortized cost or as measured at fair value through other comprehensive income. This approach explicitly requires the application of forward-looking information and estimation parameters.

Application of the expected credit losses method makes use of a general 3-stage approach for the allocation of impairment losses.

- Stage 1: All relevant financial instruments are initially allocated to stage 1. The present value of the expected credit losses deriving from possible default events within the next twelve months is recognized in profit or loss ("12-month credit losses"). The interest income associated with the financial instrument is calculated by multiplying its gross value at the beginning of the reporting period with the effective interest that was determined at the time of its initial recognition. Thus, the effective interest rate method is applied to the carrying amount of the asset before any allowances are taken into account.

- Stage 2: Financial instruments, for which the credit risk has increased significantly since initial recognition are allocated to stage 2. The allowance is determined in this case as the present value of the expected credit losses deriving from possible default events over the residual contractual term of the financial instrument ("lifetime credit losses"). Interest income is calculated in a similar manner to stage 1.

- Stage 3: To the extent that objective evidence of impairment of the financial instrument is observable in addition to a significantly increased credit risk, the measurement of the impairment allowance continues to be based on the present value of the expected credit losses deriving from possible default events over the residual contractual term of the financial instrument ("lifetime credit losses"). In contrast to stage 1 and stage 2, however, the recognition of interest income is based on the net carrying amount of the asset (i.e. the gross carrying amount less any risk allowances), applying the original effective interest rate.

The assessment made of the probability of default takes into account both external rating information and the related probability of default, as well as internal information concerning the credit-related quality of the financial asset.

In the case of trade receivables and contract assets, as defined by IFRS 15, the Exyte Group applies the simplified approach under IFRS 9, whereby the amount of the impairment loss recognized after the date of initial recognition of the receivable reflects any expected credit loss over the lifetime of the receivable.

In this connection, the majority of the outstanding total receivables due from contractual partners of the Exyte Group are individually considered based on information provided by respected commercial information service providers. The default probabilities that are applied to determine the expected credit losses include both individual and continuously updated data relating to the credit risks associated with the contractual partners of the Exyte Group. Such data includes, for example, payment history, as well as corporate and industry-sector data that takes future-oriented macroeconomic data into account. For a small number of contractual partners, for which no individual data concerning the probability of default exists, benchmark data from the same commercial information service providers for the related industry sector and respective territory of the contractual partner is used.

Transition impacts

The impacts deriving from the transition to IFRS 9 for the various components of equity are set out in the following table. In general, the effects can be separated into a reclassification impact and a measurement impact. For the Exyte Group, no reclassification impacts derived from the transition from IAS 39 categories as of December 31, 2017 to the new IFRS 9 categories as of January 1, 2018.

The measurement impacts that derive from differences in the measurement criteria applied under IFRS 9 compared to those under IAS 39 are presented for each class of financial assets. All of these impacts completely derive from the application of the model to determine expected credit losses. No measurement impacts arose concerning financial liabilities, as the classes of financial liabilities under IFRS 9 are based on the same logical measurement approach as under IAS 39.

First-time adoption effects of IFRS 9 compared with IAS 39

in € thousand

IAS 39 – Financial assets analyzed by class	Carrying amount 31.12.2017	Measurement category under IAS 39	New measurement category under IFRS 9	Transition impact	IFRS 9 – Financial assets analyzed by class	Carrying amount 1.1.2018
Trade receivables	354,557	Loans and receivables	At amortized cost	–405	Trade receivables	354,152
PoC-receivables	240,243	n.a.	n.a.	–469	Contract assets	239,774
Receivables due from members of the M+W Group GmbH Group	396,841	Loans and receivables	At amortized cost	–347	Receivables due from members of the M+W Group GmbH Group	396,494
Receivables from companies in which a participating interest is held and other affiliated entities	2,427	Loans and receivables	At amortized cost	–	Receivables from companies in which a participating interest is held and other affiliated entities	2,427
Other non-current and current receivables and assets[1]	28,703	Loans and receivables	At amortized cost	–	Other non-current and current receivables and assets	28,703
Cash and cash equivalents[1]	418,364	Loans and receivables	At amortized cost	–30	Cash and cash equivalents	418,334
Currency derivatives with a hedging relationship	34	n.a.	n.a.	–	Currency derivatives with a hedging relationship	34
Currency derivatives without a hedging relationship	5	Held for trading	At fair value through profit or loss	–	Currency derivatives without a hedging relationship	5
Accumulated transition effect (before deferred taxes)				**–1,251**		

[1] Adjusted – please refer to Note 18.

The following table depicts the impacts deriving from initial application of the new model to determine expected credit losses for each class of financial asset. The total impact of the initial application of the new model, amounting to €1,251 thousand, was recognized directly in invested capital of the combined opening statement of financial position as of January 1, 2018, without impacting profit or loss.

IFRS 9 reconciliation – impairment losses

in € thousand

	Impairment losses recognized against trade receivables and contract assets	Impairment losses recognized against receivables due from members of the M+W Group GmbH Group	Impairment losses recognized against cash and cash equivalents
Accumulated impairment losses recognized under IAS 39 as of December 31, 2017	6,106[1]	18,652	0
Recognized against equity – Effect of initial application of IFRS 9	874	347	30
Accumulated impairment losses recognized under IFRS 9 as of January 1, 2018	**6,980**	**18,999**	**30**

[1] Please note that the impairment losses recognized under IAS 39, amounting to €6,106 thousand, are not solely based on an assessment of creditworthiness. Payment delays may also be a further reason for the recognition of impairment losses.

- IFRS 15 – "Revenue from Contracts with Customers": The standard provides a comprehensive framework for the definition as to whether and in what amount – and at which point in time – revenue is to be recognized. It replaces existing guidelines for the recognition of revenue, including IAS 18 – "Revenue", IAS 11 – "Construction Contracts" and IFRIC 13 – "Customer Loyalty Programmes".

The Exyte Group has applied IFRS 15 from January 1, 2018 onwards. For the transition to IFRS 15, the modified retrospective method has been adopted, under which the cumulative adjustment amounts are recognized directly in equity as of January 1, 2018, without impacting profit or loss. However, under this method, the data for comparative periods reported is not amended.

Compared to the combined financial statements as of December 31, 2017, the changes in the applied accounting policies are as follows:

Contract modifications

The change in the accounting policy derives from contract modifications to long-term construction contracts that are assessed to be probable. These contract modifications were considered when assessing the degree of completion as of December 31, 2017. Under IFRS 15, they are not considered due to a lack of legally enforceable rights and obligations. In this context, the opening balance for invested equity in the combined statement of financial position as of January 1, 2018 was reduced by €4.1 million (€2.9 million after tax).

Within financial year 2018, reported sales revenue was €1.2 million higher and cost of sales were €2.8 million lower due to the application of IFRS 15 rather than the continued application of the rules relating to contract modifications under IAS 11 – "Construction Contracts".

Contract assets and contract liabilities

IFRS 15 introduces two new line items in the statement of financial position, "Contract assets" and "Contract liabilities". Contract assets represent a conditional entitlement deriving from contract work in progress for which the Exyte Group has performed work in advance for the customer. The services already provided are compared with customer payments; such payments include both amounts already received and (advance) payments that are already due. To the extent that the services already rendered cannot yet be invoiced to the customer, because the payment claim is subject to conditions other than the mere passage of time, the Exyte Group discloses a contract asset in the statement of financial position.

Already invoiced partial billings and any payments received from the customer before the contracted goods and services are finally transferred represent performance obligations to the customer. If the Exyte Group's performance obligations are higher than the related claim entitlement against its customers, the contract obligation is presented as a contract liability in the statement of financial position.

Contracts assets recognized as of December 31, 2018, amounting to €169.8 million would have been presented as "Trade and other receivables", amounting to €156.1 million, if IFRS 15 had not been applied. Contract liabilities recognized as of December 31, 2018, amounting to €436.8 million, would have been presented as "Trade payables and other current liabilities", amounting to €423.2 million, without application of IFRS 15. The line item "Trade receivables" would have been €23.0 million lower if IFRS 15 had not been applied; the reporting line "Receivables deriving from long-term construction contracts" would have been €9.3 million higher and the reporting line "Liabilities deriving from long-term construction contracts" would have been respectively €13.7 million lower.

Consolidated statement of financial position as of December 31, 2018 without application of IFRS 15

	Reported as of 31.12.2018	Adjustments	Consolidated statement of financial position without application of IFRS 15
Non-current assets	**265,546**	**–**	**265,546**
thereof: deferred tax assets	67,597	–	67,597
Current assets	**1,738,759**	**–13,674**	**1,725,085**
thereof: contract assets	169,765	–169,765	–
thereof: trade and other receivables	609,207	156,091	765,298
Total assets	**2,004,305**	**–13,674**	**1,990,631**
Total equity	**368,511**	**–**	**368,511**
Non-current liabilities	**17,059**	**–**	**17,059**
thereof: deferred tax liabilities	277	–	277
Current liabilities	**1,618,735**	**–13,674**	**1,605,061**
thereof: contract liabilities	436,830	–436,830	–
thereof: trade payables and other liabilities	1,023,306	423,156	1,446,462
Total equity and liabilities	**2,004,305**	**–13,674**	**1,990,631**

Consolidated statement of comprehensive income for 2018 without application of IFRS 15

	Reported as of 31.12.2018	Adjustments	Consolidated statement of financial position without application of IFRS 15
Sales revenue	3,531,452	–1,231	3,530,221
Cost of sales	–3,242,332	–2,822	–3,245,154
Gross profit on sales	**289,120**	**–4,053**	**285,067**
Taxes on income	–29,353	1,140	–28,213
Consolidated net profit	**146,153**	**–2,913**	**143,240**

Transition effects from the introduction of IFRS 9 and IFRS 15

	31.12.2017	Transition impact IFRS 9	Transition impact IFRS 15	1.1.2018
Total assets	**1,711,540**	**–973**	**3,422**	**1,707,145**
thereof: contract assets	–		236,189	**236,189**
thereof: trade and other receivables	1,045,462	–1,221	–240,243	803,998
thereof: cash and cash equivalents[1]	418,364	–30		**418,334**
thereof: deferred tax assets	28,718	278	632	**29,628**
Total liabilities	**1,192,563**	0	–508	**1,192,055**
thereof: contract liabilities	–		219,230	219,230
thereof: trade payables and other liabilities	1,064,572		–219,230	845,342
thereof: deferred tax liabilities	1,011		–508	**503**
Total equity	**518,977**	**–973**	**–2,914**	**515,090**

[1] Adjusted; refer to Note 18.

- Improvements to IFRS 2014 – 2016: Amendments to three IFRS were made within the context of the Annual Improvements to IFRS (2014 – 2016 Cycle). Of these, the following two changes are to be adopted from January 1, 2018 onwards:

  – IAS 28 provides clarification that the option to measure an investment in an associate or a joint venture that is held by a venture capital organization or other qualifying entity can be exercised differently for each such investment.

  – In addition, the short-term exemptions available to first-time adopters, as defined in IFRS 1 – Appendix E (IFRS 1.E3-E7), have been deleted.

“Amendments to IFRIC 22 – “Foreign Currency Transactions and Advance Consideration address an application issue in connection with IAS 21 – “The Effects of Changes in Foreign Exchange Rates”. It clarifies at which point in time the exchange rate relating to transactions denominated in foreign currencies needs to be determined, in cases where these include the receipt or payment of advance consideration. Accordingly, the decisive point-in-time for determination of the exchange rate to be applied to the underlying asset, income or expense is the date that the original transaction, which resulted in the asset income or expense, was initially recognized.

Unless otherwise stated, these new or amended standards did not have any significant impact on the net assets, financial position and results of operations of the Exyte Group in the years reported.

The following accounting standards have been issued but their application is not yet mandatory for the year 2018:

- IFRS 16 – "Leases": The new standard covering leases introduces a standardized accounting model, whereby leases are to be recognized in the statement of financial position of the lessee.

  A lessee records a respective right-of-use asset, which represents the right to utilize the underlying asset, as well as the liability deriving from the lease, representing the lessee's obligation to make lease payments. Exceptions are made for short-term leases and leases of low-value assets. The accounting requirements for the lessor are similar to those in the current standard, i.e. the lessor must continue to classify leases as either finance leases or operating leases. IFRS 16 replaces existing guidelines concerning leases, including IAS 17 – "Leases", IFRIC 4 – "Determining Whether an Arrangement Contains a Lease", SIC 15 – "Operating Leases – Incentives" and SIC 27 – "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

  The standard is to be applied for the first time in the first reporting period of a reporting year commencing on or after January 1, 2019. Earlier application is permissible for reporting entities that apply IFRS 15 – "Revenue from Contracts with Customers" at the same point in time that they apply IFRS 16 for the first time or earlier. The Exyte Group has not opted for earlier application of IFRS 16.

The Exyte Group will apply IFRS 16 for the first-time as of January 1, 2019, without changing the comparative figures for the previous year (modified retrospective method). In this context, at the time of transition, Exyte can exercise various options, or respectively take advantage of some relief provisions with respect to leases where an Exyte company is the lessee. For purposes of first-time application, no new assessment will be made as to whether a contract constitutes or includes a lease. For contracts that were previously classified as operating leases, Exyte will recognize the lease liability, in the amount of the present value of the outstanding lease payments, at the transition date, whereby the discount rate used will be the respective incremental borrowing rate of interest that is valid at the first time of application. At the date of first-time application, the right-of-use for the leased asset will be measured at the amount of the lease liability. Any original direct costs will not be taken into account when measuring the right-of-use for the leased asset at the date of first-time application. The latest available knowledge will be taken into account when exercising discretionary decisions at the date of first-time application.

The Exyte Group will make use of the option to exclude intangible assets from the scope of application of IFRS 16 and individual leases that terminate in 2019 will be treated in conformity with the exemption provisions for short-term leases. This provision will also be applied for short-term leases with terms that commence after December 31, 2018. Furthermore, the Exyte Group will make use of the option to treat leases of low-value assets in accordance with the exemption provisions.

Within the context of the first-time application of IFRS 16 as of January 1, 2019, total assets will increase by between €48 million and €54 million. The right-of-use assets representing the leased objects will be recognized at the same amount as the lease liabilities, such that no impact will be disclosed in equity.

As far as the statement of comprehensive income is concerned, the expenses for operating leases that were recorded as part of the result from operations up to now will be replaced under IFRS 16 by amortization or depreciation charges for right-of-use assets and interest charges deriving from lease liabilities. In the statement of cash flow, the tendency will be that a better cash flow from operating activities will be disclosed, whereas the interest and redemption portions of the lease payments will be included as a component of the cash flow from financing activities.

These new accounting standards have not yet been considered for purposes of the consolidated financial statements for the year ended December 31, 2018. Unless otherwise stated, the Group does not expect significant changes to the consolidated financial statements to derive from them.

The consolidated financial statements have been prepared in euros. Unless otherwise stated, all amounts are disclosed in thousands of euros (in € thousand); amounts are rounded in the normal commercial manner. The statement of comprehensive income has been prepared using the cost of sales method.

The financial reporting year of the entities included in the consolidated financial statements corresponds to the calendar year. The process of preparing the consolidated financial statements in compliance with IFRS, as adopted by the EU, requires that assumptions be made for some reported items that impact amounts recognized in the consolidated statement of financial position and the consolidated statement of comprehensive income, as well as disclosures relating to contingent assets and liabilities.

Scope of the consolidation

The consolidated financial statements include all significant companies in which Exyte AG has a direct or indirect controlling influence. Control is exercised if the Parent Company has decision-making powers over the subsidiary, due to voting rights or other rights, if it participates in positive or negative variable returns from its involvement with the subsidiary and has the ability to use its power to affect the amount of such returns. Inclusion in the consolidated financial statements takes place from the point in time that the control relationship is first established; inclusion is discontinued when this possibility for control ceases to exist.

The composition of the Exyte Group is presented in the following table:

Number of entities

	31.12.2018	31.12.2017
Companies included in the Exyte Group consolidation		
Domestic	6	3
Foreign	23	22

The scope of the consolidation, or respectively the group of combined entities, developed as follows in the 2018 and 2107 years reported:

Development of the scope of consolidation

Status as of January 1, 2017	**24**
Additions in the reporting year 2017	
Exyte Japan Ltd., Tokyo, Japan (newly incorporated) (previously: M+W Japan Ltd.)	1
Status as of December 31, 2017	**25**
Changes in the reporting year 2018	4
Exyte Europe Holding GmbH, Stuttgart, Germany (newly incorporated) (previously: M+W Europe GmbH)	
Exyte Gilbane JV, Providence, USA (previously: MW Gilbane JV)	
Exyte Management GmbH, Stuttgart, Germany (newly incorporated) (previously: M+W Group Management GmbH)[1]	
Exyte Israel Engineering Ltd., Nes Ziona, Israel (newly incorporated) (previously: M+W Tel Aviv Ltd.)[1]	
Exyte Technology Gebäude GmbH & Co. KG, Stuttgart, Germany (newly incorporated) (previously: M+W Gebäude GmbH & Co. KG)	
Exyte Technology CZ s.r.o, Ústí nach Labem, Czech Republic (newly incorporated) (previously: M+W Products CZ s.r.o.)	
Exyte AG, Stuttgart, Germany (newly incorporated) (previously: TCNLG AG)[1]	
Status as of December 31, 2018	**29**

[1] Only newly formed legally; already included as of December 31, 2017 as "ZEBRA" companies.

With the exception of Exyte Gilbane JV, Exyte Technology Gebäude GmbH & Co. KG and Exyte Technology CZ s.r.o, all the additions arose from the implementation of measures taken in the context of the changing the corporate legal structure of the Exyte Group.

In order to carry out a project in the USA, Exyte US Inc., Plano, together with a joint venture partner, formed a new company; Exyte Gilbane JV (previously MW Gilbane JV). Exyte US Inc. holds 51% of the shares in Exyte Gilbane JV and has the majority of the voting rights in the committee. Control is therefore exercised and thus Exyte Gilbane JV is fully consolidated in the consolidated financial statements of the Exyte Group, together with disclosure of the non-controlling interests.

A table showing the Exyte AG's share interests is a component of the notes to the consolidated financial statements and is attached as an appendix.

Consolidation methods

The assets and liabilities of the domestic and foreign companies included in the consolidated financial statements are recognized in accordance with accounting and measurement methods that are uniformly applied throughout the Exyte Group.

Transactions under common control

The structuring of the Exyte Group represents a transaction under common control, which is explicitly exempted from application of the IFRS 3 requirements. For purposes of first-time consolidation, Exyte AG applied the "book-value method", i.e. the assets and liabilities were recognized at their carrying amounts, in the same manner as they were accounted for in the M+W Group consolidated financial statements, including any goodwill that was allocated to the Exyte Group.

Business combinations conducted with third parties

At the time of acquisition, the investment consolidation is performed by setting off the carrying amount of the participatory investments against the remeasured proportionate equity in the subsidiary companies at the time of the acquisition. During this process, the assets and the liabilities of the subsidiaries are measured with their fair values. Any corresponding positive [overall] difference represents the amount that is recognized as goodwill. Any negative differences are recognized in profit or loss following a renewed assessment of the situation.

As part of the subsequent consolidation process, any hidden reserves and liabilities uncovered are carried forward, amortized or released in a manner commensurate with the respective assets and liabilities. Any goodwill recognized is not amortized on a scheduled basis but is tested annually for impairment. Any increases or write-downs in value recorded in the separate financial statements of companies in respect of the carrying amounts of participatory interests in Group companies are reversed in the consolidated financial statements.

Intercompany accounts receivable and accounts payable balances and intra-group expenses and income between consolidated companies are eliminated. Charges for intra-group deliveries of goods and services are based both on market prices and on transfer prices that follow the principle of dealing at arm's length. Any intercompany profits included in the values of assets held as inventories or non-current assets that derive from intra-group deliveries of goods are eliminated. Deferred taxation is computed on any consolidation adjustments that impact profit or loss, whereby deferred tax assets and deferred tax liabilities are set off against one another if the related taxpayer and tax authority are the same. Any non-controlling interests of non-group shareholders are included as a separate item within equity.

Foreign currency conversion and translation

Foreign currency translation in separate financial statements

Monetary items (cash and cash equivalents, accounts receivable and liabilities) denoted in foreign currencies are measured at the closing exchange rate for the purposes of inclusion in the separate local currency financial statements of consolidated companies. Any exchange differences are recognized in profit or loss in the result from financing activities. Non-monetary items denoted in foreign currency are recognized at their historical rates of exchange.

Foreign currency measurement in the consolidated financial statements

As the entities included in the consolidation generally perform their transactions autonomously in a financial, economic and organizational respect, the functional currency is normally identical to the respective local currency of the entities; an exception in this respect is a company in Singapore, which prepares its annual financial statements in US dollars, as well as a sub-group holding company in Singapore, which reports in euros.

Currency exchange differences that arise at the time of initial inclusion as part of the Exyte Group are recognized without impacting profit or loss and are disclosed in equity under the foreign currency translation reserves.

The Exyte Group translates assets and liabilities of companies whose functional currency is not the euro at the spot rate of exchange prevailing at the closing date of the period reported. Expenses and income are translated at the average rate for the period reported. The amount of the difference arising from foreign currency translation is recognized in equity without impacting profit or loss and is disclosed as a separate foreign currency translation reserve item and is reclassified to profit or loss in the statement of comprehensive income if the subsidiary company is sold.

The most significant rates of exchange used for the purposes of currency translation are shown in the following table:

Relevant exchange rates

		Year-end rate		Average rate for the year	
	1 EUR	31.12.2018	31.12.2017	2018	2017
USA	USD	1.1377	1.1993	1.1797	1.1375
Singapore	SGD	1.5617	1.6024	1.5915	1.5628
Great Britain	GBP	0.9007	0.8872	0.8850	0.8779
Russia	RUB	78.8767	69.3920	74.3007	66.0320
China	CNY	7.8109	7.8044	7.8124	7.6680
Malaysia	MYR	4.7419	4.8536	4.7606	4.8678
Taiwan	TWD	35.0963	35.5397	35.6312	34.4416
Vietnam	VND	26,448.0000	27,222.0000	27,210.0000	25,840.3333
Israel	ILS	4.3027	4.1635	4.2528	4.0755
Japan	JPY	126.1400	135.0100	129.9825	126.9992
Czech Republic	CZK	25.8580	25.5350	25.6459	26.2766

Accounting and measurement methods

Accounting and measurement methods are applied uniformly throughout the Exyte Group.

Goodwill

The Exyte Group took over the value for goodwill from the M+W Group consolidation in accordance with the “extraction method”. The structure of the Exyte Group’s organization corresponds to that in the M+W Group GmbH Group. The procedure of the goodwill allocation, attributable to the respective cash generating units that was used by the M+W Group GmbH Group, was continued unchanged within the Exyte Group.

Other intangible assets

Intangible assets acquired for consideration, mainly comprising software, patents and licenses, are recognized as assets at their costs of acquisition. Intangible assets with finite useful lives are amortized on a scheduled straight-line basis over their economic useful lives of between 3 and 10 years. The Exyte Group tests intangible assets with finite useful lives for impairment (refer to the section: “Impairment of property, plant and equipment and intangible assets”). The Exyte Group does not have any other intangible assets with indefinite useful lives.

Development costs are recognized as intangible assets in accordance with IAS 38, if a newly developed product or process can be clearly segregated, it is technically feasible and it is foreseen for internal use or sale. A further prerequisite for recognition as an asset is that sufficient probability exists that the development costs can be recovered by future cash inflows. Capitalized development costs are amortized on a scheduled basis over the expected period of sale of the related products; the useful lives are in the range of between 2 and 6 years. Research costs are recognized in profit or loss as incurred in accordance with IAS 38. In the above context, costs of acquisition or generation include all directly attributable costs as well as appropriate shares of development-related overheads.

Property, plant and equipment

Items of property, plant and equipment are recognized as assets at their costs of acquisition or construction, reduced by scheduled depreciation and impairment losses. Costs of conversion are recognized as assets on the basis of the directly allocable costs incurred, as well as related proportionate material and construction overheads, including depreciation and amortization.

Scheduled straight-line depreciation is determined based on the following useful lives:

Useful lives of property, plant and equipment

	Useful life
Buildings	25–40 years
Machinery and technical equipment	4–25 years
Other equipment, operational and office equipment	3–13 years

If property, plant and equipment is decommissioned, sold or scrapped, the gain or loss arising from the difference between the sales proceeds and the residual carrying amount of the asset is recorded either under other operating income or under other operating expenses.

Impairment of property, plant and equipment and intangible assets

Items of property, plant and equipment and intangible assets of the Exyte Group with finite useful lives are assessed at each year-end reporting date in accordance with IAS 36 – "Impairment of Assets", in order to establish whether indications exist that the respective assets are possibly impaired.

If such indications exist, the recoverable amount of the asset is determined in order to evaluate the amount of any impairment loss.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An indication of the fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing contractual parties.

The determination of the value in use is made based on the discounted value of expected future cash flows. For this purpose, a market-based interest rate before tax is determined that reflects the risks inherent in the asset that have not already been considered when determining the estimated future cash flows.

If the recoverable amount is assessed to be lower than its carrying amount, the carrying amount is written down to the recoverable amount. The impairment loss is recognized immediately in profit or loss, predominantly as a part of the respective functional cost.

Furthermore, an annual review of amortization and depreciation methods, useful lives and the residual carrying amounts of assets is conducted in accordance with IAS 16.

If an impairment loss is reversed in a subsequent period, the carrying amount is adjusted by reference to the recoverable amount that has been established. The maximum amount of the impairment loss reversal is determined by the amount of amortized cost of the asset which would have been applicable if no impairment loss had been recognized in previous periods. The amount of the impairment reversal is recognized immediately in profit or loss. Reversals of impairment losses are not recognized for goodwill as these are not permissible.

Leases

The prerequisites for recognition of a finance lease for leased items of property, plant and equipment in accordance with IAS 17 are fulfilled if all significant risks and opportunities pertaining to ownership of an asset that is used on a leased basis are vested in the respective entity that is included in the consolidated financial statements. All other leases are classified as operating leases.

Finance Leases

In the case of a finance lease, the respective assets are recognized at the inception of the lease with the lower amount of either the fair value of the asset or the present value of the related minimum lease payments. Amortization or depreciation of such assets is recorded on a scheduled straight-line basis commensurate with the economic useful life of the asset or with the period of the lease, if shorter. If acquisition of title of the leased asset at the end of the lease period is not probable, the amortization or depreciation is based on the shorter of the useful life and the term of the lease contract. The respective discounted value of the future lease payment obligations deriving from the lease agreement is accordingly recognized as a liability.

Operating Leases

Lease payments deriving from operating leases, i.e. lease agreements where the economic ownership remains with the lessor, are recognized in full in as an expense on a straight-line basis over the term of the lease. The leased objects are recognized as assets by the lessor.

Financial instruments

Financial instruments are contracts that give rise to a financial asset for one entity and to a financial liability or equity instrument for another entity. Pursuant to the provisions of IAS 32, such financial instruments include, on the one hand, primary financial instruments, such as trade receivables and trade payables, or also financial receivables and financial liabilities. On the other hand, such instruments also include derivative financial instruments that are generally deployed by the Exyte Group to hedge risks deriving from fluctuations in currency exchange rates.

Financial assets and financial liabilities are recognized in the consolidated statement of financial position from the point in time at which the Exyte Group becomes party to the contract for the financial instrument. Recognition of normal market purchases and sales of financial assets occurs as of the date of trading.

At the time of their initial recognition, financial instruments are measured at fair value. To the extent that financial instruments are not classified to the category "at fair value though profit or loss", their recognition at fair value includes any transaction costs that are directly related to their acquisition or their issue. Trade receivables that do not include a significant financing component are recognized at their transaction price.

Classification and measurement

In accordance with the new requirements of IFRS 9, the Exyte Group classifies financial instruments (debt instruments) in three categories: "at amortized cost", "at fair value through other comprehensive income" (external debt instruments or equity instruments) or "at fair value through profit or loss". With the exception of equity instruments, the classification of financial assets to measurement categories is dependent on the business model that has been identified, under the terms of which the assets are held, as well as being dependent on the nature of the related contractual cash flows.

Financial assets are classified to the categorie "at amortized cost" if they are

- held within a business model whose objective is to hold assets, and

- related payments represent payments of interest and principal that are made at specified dates.

Financial assets are classified to the categorie "at fair value through other comprehensive income – external debt instruments" if they are

- held within a business model whose objective is to hold and sell assets, and

- related payments represent payments of interest and principal that are made at specified dates.

All other financial assets – those that are neither classified o the categorie "at amortized cost" or "at fair value through other comprehensive income – external debt instruments" as described above – are classified to the categorie "at fair value through profit or loss".

As a general rule, equity instruments are measured at fair value. At the date of initial recognition of an equity instrument that is not held for trading, the Exyte Group may irrevocably decide to disclose any changes in fair value (without impacting profit or loss) directly in other comprehensive income (measured "at fair value through other comprehensive income – equity instruments). This decision is made at the level of the individual instrument.

Within the Exyte Group, irrespective of any further criteria, financial liabilities are always classified to the category "at amortized cost". No use is made of the option to designate financial liabilities to the categorie "at fair value through profit or loss".

Financial assets that are designated in the category "at amortized cost" mainly comprise trade receivables, receivables from the M+W Group GmbH Group, receivables from companies in which a participating interest is held and other affiliated entities, cash and cash equivalents, as well as other non-current and other current receivables.

Financial liabilities that are designated in the category "at amortized cost" mainly comprise bank borrowings, accounts payable to the M+W GmbH Group, accounts payable to entities in which a participatory interest is held and other affiliated entities, trade payables, as well as other financial liabilities.

As a general rule, all derivatives are classified to the categorie "at fair value through profit or loss". At present no financial instruments have been assigned to other categories.

Financial assets

The subsequent measurement of financial assets is based on the following measurement categories:

- "At fair value through profit or loss": Gains and losses, as well as all manner of interest income and dividends deriving from financial assets measured at fair value through profit or loss, are recognized in profit or loss.

- "At amortized cost": Financial assets measured at amortized cost are measured using the effective interest rate method. The amortized cost is reduced by any recognized impairment losses. Interest income, foreign exchange gains or losses and any impairment losses are recognized in profit or loss. Furthermore, any gains or losses arising from derecognition are also recognized in profit or loss. The amortized costs of current receivables and liabilities are generally equivalent to their nominal values or respectively their settlement amounts.

- "At fair value through other comprehensive income – external debt instruments": Other debt instruments are measured at fair value. Any interest income deriving from application of the effective interest rate method, foreign exchange gains or losses and any impairment losses are recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income. Upon derecognition of the asset, all such aggregated gains or losses are reclassified to profit or loss.

- "At fair value through other comprehensive income – equity instruments": Other equity instruments are measured at fair value. Dividends that do not explicitly provide partial compensation for a part of the cost of the investment are recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income and are not to be reclassified to profit or loss.

Financial liabilities

The subsequent measurement of financial liabilities is based on the following measurement categories:

- "At fair value through profit or loss": Gains and losses, as well as all manner of interest expenses, deriving from financial liabilities measured at fair value through profit or loss, are recognized in profit or loss.

- "At amortized cost": Financial liabilities measured at amortized cost are measured using the effective interest rate method. Interest expenses, as well as foreign exchange gains or losses are recognized in profit or loss. Furthermore, any gains or losses deriving from their derecognition are also recognized in profit or loss.

Derecognition

Financial assets are derecognized if the contractual rights to cash flow deriving from the financial asset expire, or if the rights to receive the contractual cash flows deriving from a transaction in which substantially all opportunities and risks that are associated with ownership of the asset are transferred to a third party, or if substantially all opportunities and risks that are associated with ownership of the asset are neither transferred nor retained and control over the financial asset is no longer exercised. The Exyte Group is not involved in any transactions which involves the complete or partial transfer of all substantial opportunities and risks.

Financial liabilities are derecognized if the contractual obligations have been fulfilled, revoked or have extinguished. The Exyte Group also derecognizes financial liabilities, if the contractual terms are amended and the cash flows substantially deviate from one another. In such a case, a new financial liability is recognized at fair value, based on the amended terms. When the financial liability is derecognized, the difference between the existing carrying amount of the liability and the consideration paid is recognized in profit or loss.

Impairment allowances – expected credit losses

IFRS 9 has introduced a new model to determine allowances for impairment based on expected credit losses. Under this model, impairment losses for expected credit losses are recognized against financial assets that are classified as being measured at amortized cost or at fair value through other comprehensive income. This specifically includes the use of forward-looking information and estimation parameters. With the exception of trade receivables and contract assets, the amount of the allowances for credit losses for all other types of financial instruments is determined using the "general approach", in conformity with the following three-stage approach:

- Stage 1: All relevant financial instruments are initially allocated to stage 1. The present value of the expected credit losses deriving from possible default events within the next twelve months is recognized in profit or loss ("12-month credit losses"). The interest income associated with the financial instrument is calculated by multiplying its gross value at the beginning of the reporting period with the effective interest that was determined at the time of its initial recognition. Thus, the effective interest rate method is applied to the carrying amount of the asset before any allowances are taken into account.

- Stage 2: Financial instruments, for which the credit risk has increased significantly since initial recognition are allocated to stage 2. The allowance is determined in this case as the present value of the expected credit losses deriving from possible default events over the residual contractual term of the financial instrument ("lifetime credit losses"). Interest income is calculated in a similar manner to stage 1.

- Stage 3: To the extent that objective evidence of impairment of the financial instrument is observable in addition to a significantly increased credit risk, the measurement of the impairment allowance continues to be based on the present value of the expected credit losses deriving from possible default events over the residual contractual term of the financial instrument ("lifetime credit losses"). In contrast to stage 1 and stage 2, however, the recognition of interest income is based on the net carrying amount of the asset (i.e. the gross carrying amount less any risk allowances), applying the original effective interest rate.

Any impairment allowance requirement for cash and cash equivalents, as well as non-current and current receivables, is determined using the general approach. The (net) carrying amount of such financial instruments represents the maximum default risk.

Financial instruments for which the general approach is applied are subject to a significantly increased credit risk if the (relative) change in the default probability changes by more than 20%. A significantly increased credit risk is assumed if payment is overdue for more than 30 days.

For cash and cash equivalents, advantage is taken of the simplification available for financial assets with a low credit risk (low credit risk exemption) as of the reporting date. Factors that can contribute to a low credit risk assessment are debtor-specific rating information and related outlooks. The requirement for classification with a low credit risk is regarded to be fulfilled for cash and cash equivalents that have at least an investment grade rating; in this case there is no need to monitor credit risks for financial instruments with a low credit risk.

In the case of trade receivables and contract assets, a "simplified approach" is applied, which requires impairment losses to be determined based on lifetime credit losses, irrespective of the related credit standing. In consequence, these financial instruments are allocated at least to stage 2, or are transferred to stage 3 if objective evidence of impairment exists. The simplified approach is also applied for any trade receivables or contract assets that include a financing component, as defined by IFRS 15, as well as for receivables deriving from leases. The (net) carrying amount of these financial instruments represents the maximum credit risk.

For the majority of the outstanding receivable balances due from contractual partners of the Exyte Group, an assessment is made as to whether objective evidence of impairment exists, based on information obtained from reputable external commercial information service providers. Receivables are classified as having an impaired credit standing if objective evidence of impairment exists. For such receivables, Exyte AG makes an individual assessment of the financial instruments. Objective evidence of impairment exists if adverse impacts on future cash flows deriving from the financial instrument are reliably determinable.

Examples of objective evidence that impairment exists are significant financial difficulties experienced by the debtor, payment default or delays, a lowering of the credit rating, insolvency or, respectively, where measures are taken to secure a debtor's financial situation, or if other observable data indicates that expected cash flows deriving from a group of financial assets may be appreciably reduced.

If events occur in subsequent business periods that indicate that future cash flows deriving from the financial asset will return to a level similar to their original level (for example, if the credit rating is raised), the impairment loss is reversed and the effect is recognized in profit or loss.

The default probabilities applied to determine the expected credit losses for trade receivables and contract assets take into account both individual and continuously updated data relating to the credit risks associated with the contractual partners of the Exyte Group. Such data includes, for example, payment behavior, as well as corporate and industry-sector data that takes future-oriented macroeconomic data into account. For contractual partners, for which no individual data concerning the probability of default exists, benchmark data from the same commercial information service providers for the related industry sector and respective territory of the contractual partner is taken into consideration. The default probabilities applied to determine the expected credit losses for cash and cash equivalents are based on credit default swap spreads that are quoted on markets, which take future-oriented macroeconomic data into account. Security in the form of credit insurance, for example, is only of marginal importance within the Exyte Group.

Irrespective of the type of financial instrument involved, the Exyte Group defines a default event as a situation in which the recoverability of the debt is no longer assumed, such that the default probability is 100%. If the financial instrument is perceived to be unrecoverable, the expectation is that future contractual cash flows will not occur. At this point in time, the balance is written off after giving consideration to any possible security that is available.

Derivative financial instruments

Derivative financial instruments are solely deployed within the Exyte Group as hedges to manage risks deriving from fluctuations in currency exchange rates. If the requirements for a hedging relationship are fulfilled, they are recognized in accordance with the IAS 39 provisions concerning cash flow hedge accounting.

Derivative instruments are measured for both initial recognition and subsequent measurement purposes at fair value. Any changes in their fair value are recognized in profit or loss unless they are designated as cash flow hedges for hedge accounting purposes in accordance with IAS 39.

If cash flow hedge accounting is applicable, the effective portion of the change in fair value of the hedging instrument is recognized in other comprehensive income without impacting profit or loss and is initially disclosed under other accumulated equity until such time as the hedged event occurs. Any such recorded gains or losses are reclassified to the income statement in the same period as the hedged item impacts profit or loss. Any ineffective portion of the change in fair value is continuously recognized directly in profit or loss from the outset.

Accounting and measurement methods applied for prior year disclosures under IAS 39

Under IAS 39, financial assets are classified into the following measurement categories: "Financial assets at fair value through profit or loss", "Held to maturity financial investments", "Loans and receivables" and "Available for sale financial assets". As of December 31, 2017, the financial assets held by Exyte AG were solely classified to the category "Loans and receivables". The Exyte Group did not change its method of accounting for derivatives and financial liabilities after the transition to IFRS 9.

Loans and receivables were subsequently measured at amortized cost less any recognized impairment losses. An assessment was made at each reporting date as to whether there are any objective indications of impairment. Any impairment was initially recognized in profit or loss by recording the potential loss in an allowance account. As soon as the receivable, or a part of the receivable, was deemed to be irrecoverable, the financial instrument was derecognized.

Inventories

Inventories are recognized at the lower amount of their costs of acquisition or conversion or their net realizable values.

The costs of convresion comprise manufacturing-related costs, determined on a full-cost basis, assuming normal utilization of capacities. They include both direct costs and a reasonable proportion of necessary material and manufacturing overheads, as well as manufacturing-related amortization and depreciation that can be directly attributed to the production process. Administration costs are considered as they can be attributed to the manufacturing process. Pursuant to IAS 23, borrowing costs are not recognized as part of the costs of acquisition or conversion. If lower values are determined at the year-end reporting date, due to fallen prices in the selling market, these are recognized. As a general principle, measurement of inventory assets of the same type is performed using the average value method.

The net realizable value is the estimated selling price less the estimated costs to completion and the estimated costs necessary to make the sale.

Contract assets and contract liabilities

Contract assets represent a conditional entitlement deriving from contract work in progress for which the Exyte Group has performed work in advance for the customer. For projects where revenue is recognized over a defined time period, the stage of completion of the work performed is determined using the cost-to cost method.

Any progress billings made and advance payments requested and received from the customer before the promised services have been performed represent an obligation to the customer. If the performance obligations are higher than the Exyte Group's related claim entitlement against its customers, the net obligation is presented as a contract liability in the statement of financial position.

Deferred taxes

Pursuant to IAS 12, deferred taxes are set up for all temporary differences between values recognized in the tax-based accounts and values recognized in the consolidated statement of financial position using the liability method. In this process, values for tax purposes derived from the tax-based accounts of the companies included in the consolidated financial statements are determined after taking into account consolidation-related adjustments.

In addition, deferred taxes are recognized in respect of tax losses carried forward, provided these are considered to be utilizable. The deferral is determined in the amount of the expected tax charge or tax relief for future financial years based on the rate of taxation that is to be applied at the realization date. Tax consequences arising from profit distributions are only considered at the point in time when the resolution relating to the profit appropriation is passed.

Impairment losses are recognized in respect of deferred tax assets that are not expected to be realized in the foreseeable future. Deferred taxes are measured by giving consideration to the respective national income tax rates.

The rates of taxation that have been used as a basis for computing deferred taxes are presented in the section "Taxes on income".

In accordance with the provisions of IAS 12, deferred tax assets and deferred tax liabilities are not discounted. Deferred tax assets and deferred tax liabilities are only set off against one another if the taxpayer and the tax authority match. In accordance with IAS 1, deferred taxes are always classified as non-current.

Provisions for pensions and similar obligations

Pension and similar obligations cover the Exyte Group's benefit obligations arising from defined benefit plans. For defined benefit plan retirement schemes, the pension obligations are determined in accordance with IAS 19 – "Employee Benefits", based on the "projected unit credit method". For this purpose, annual appraisals are obtained from actuaries.

Mortality probabilities are determined using the current mortality tables (Richttafeln 2018 G) issued by Prof. Dr. Klaus Heubeck.

Actuarial gains and losses are recognized in full in the period that they arise as a component of other comprehensive income. Actuarial gains and losses are subsequently not reclassified from other comprehensive income in consolidated net income.

The service cost is presented as part of the functional costs; the interest portion relating to the increase in the provision is included as part of the result from financing activities.

For defined contribution plan retirement schemes (e.g. direct insurance schemes), the obligatory benefit contributions are accounted for directly as an expense. Provisions for pension obligations are not set up for such schemes because, in these cases, the Exyte Group has no further obligation other than to pay the insurance premium.

Tax provisions

Tax provisions comprise obligations deriving from current income taxes. Deferred taxes are presented as separate line items in the statement of financial position.

Other provisions

Pursuant to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets", provisions are set up in cases where a present obligation exists to a third party arising out of a past event that is expected to most probably result in a future outflow of resources, the amount of which can be reliably estimated. Other provisions are only set up for legal and constructive obligations to third parties.

Provisions that will not lead to an outflow of resources in the following year are recognized at their discounted settlement amount if the interest effect is material. Discounting is performed using pre-tax interest rates that reflect current market expectations with regard to both the interest effect and the specific risks related to the nature of the liability. The amount required to fulfill the obligation includes any expected increases in costs.

Provisions are not set-off against rights of recourse.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are, however, not within the control of the Exyte Group. Furthermore, current obligations may represent contingent liabilities if the outflow of resources is not sufficiently probable to justify the setting up of a provision and/or the amount of the obligation cannot be estimated with sufficient reliability.

Sales revenue

The Exyte Group solely discloses sales revenue deriving from contracts with customers.

Sales revenue is recognized when the Exyte Group has fulfilled its obligation to a customer to deliver a promised good or a promised service (i.e. an asset). The asset is considered to have been transferred at the point-in-time when the customer assumes control over the asset. Sales revenue is recognized in the amount of the transaction price that was agreed with the customer. Amounts that are collected on behalf of third-parties are excluded.

Sales revenue deriving from plant construction contracts

Sales revenue deriving from plant construction contracts is realized in the planning, construction and project management areas. From the development of the initial concept right through to delivery of a complete turnkey solution, the Group carries out contracts of varying sizes with a guarantee of fast delivery, high standards of quality and cost efficiency. In this context, the Group combines process technology and complex building infrastructures to deliver integrated complete solutions. The performance of such services creates an asset, which has no alternative use for the organization. Where there is no legal entitlement to payment for the services performed, including the mark-up margin, if the contract would be terminated without cause, this is regulated contractually.

Income deriving from contracts for the performance of services rendered over a defined period are recognized in accordance with the degree of their completion. In this connection, the costs that have already been incurred are compared to the estimated total costs.

With regard to the risks associated with their enforcement, amounts representing contract modifications and compensation claims are generally only recognized as a component of total sales revenue, in accordance with the rules laid down within the Exyte Group, if their enforcement is secured by the signature of the customer concerned. Amounts relating to compensation claims and contract modifications that do not fulfill this requirement are not included in the calculation and, accordingly do not result in a partial recognition of profit.

Final invoices and progress bills are raised in accordance with the contract terms, which normally include a payment plan that provides for payment when certain milestones are achieved; these normally include payment terms that are within 30 days of invoicing.

Sales revenue deriving from the delivery of goods

Sales revenue deriving from the sale of goods mainly relates to revenues generated by the technologies segment. The revenue is realized through sales of cleanroom technology products. The control over the goods is normally transferred the buyer at the time of their delivery.

Billing is carried out in accordance with the contract terms, whereby the normal payment terms are within 30 to 60 days of invoicing.

Accounting for sales revenue in the comparative period

In the comparative period, sales revenue deriving from contracts for services was also recognized based on the degree of completion in conformity with IAS 11 and IAS 18.

Revenue deriving from the sale of goods was recognized if the following criteria were fulfilled:

- The Exyte Group had transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Exyte Group retains neither continual managerial involvement nor effective control over the goods sold;

- It was sufficiently probable that the economic benefits associated with the sales transaction will flow to the Exyte Group;
- The amount of revenue could be measured reliably;
- The costs relating to the sales transaction could be measured reliably.

The cost of sales disclosed show the costs incurred in relation to the sales revenue generated. The costs disclosed in this reporting line also include amounts provided for warranty claims and potential losses deriving from onerous contracts

Selling costs include costs of personnel and materials or services etc., plus amortization and depreciation relating to the sales area, advertising, promotional and market research costs incurred, as well as costs of time spent on proposals. Administration costs include costs of personnel and materials or services etc., as well as amortization and depreciation costs relating to the administration area.

In accordance with IAS 8, as a general rule, income deriving from the reversal of provisions is set off against the expense line item that was used to set up the original provision. In this manner, reversals of provisions are generally credited to the costs of the function that incurred the expense when the provision was set up.

Taxes other than taxes on income are classified with other operating expenses. As a general rule, dividend income is recognized at the time that it legally arises.

Government grants and assistance

Government grants and assistance, intended to compensate the Exyte Group for costs that it has incurred, are recognized as other operating income in the same period as the costs that are being compensated are recognized.

C. Discretionary decisions, estimations and assumptions

In the process of preparing these consolidated financial statements, discretionary decisions had to be taken and estimations and assumptions had to be made that had an impact on the presentation and the amounts at which assets, liabilities, income, expenses and contingent liabilities are stated for accounting purposes; this also applied to the determination of fair values of primary and derivative financial instruments. Although great care was taken in quantifying such estimates and assumptions, the actual figures that arise may vary from them in some individual cases.

Goodwill

Any impairment to goodwill is tested by performing an impairment test. In the process of performing this test, estimates have to be made with respect to future cash flows that will be generated. An appropriate discount rate needs to be derived in order to determine the recoverable amount. Any future changes in the situation of the overall economy, the industry sector or the organization itself may lead to a reduction in the cash surpluses generated, or to a change in the discount rate, which can possibly lead to the recognition of an impairment loss against goodwill.

Determination of fair values for financial assets and financial liabilities

A number of the accounting methods applied and the disclosures made by the Exyte Group necessitate the determination of fair values for financial and non-financial assets and liabilities.

In general, the fair value of financial assets and financial liabilities reflects their market value or their quoted value on a stock exchange. If no active market for them exists, their fair value is determined using financial valuation techniques, such as, for example, the discounting of estimated future cash flows using interest rates that are commensurate with associated risks and terms, or through application of recognized option pricing models; in the case of derivate financial instruments, the fair value is confirmed by obtaining confirmations from the banks that process the transactions.

The Exyte Group utilizes observable market data to the greatest extent possible when determining the fair values of an asset or liability. Based on the input factors that are applied in such valuation techniques, fair values are classified into the various levels of the fair value hierarchy:

- Level 1: (Unadjusted) quoted prices in active markets for identical assets and liabilities.

- Level 2: Measurement parameters, which do not constitute quoted prices considered in Level 1, but which can either be directly (i.e. as a price) or indirectly (as a basis for the derivation of a price) observed for the asset or liability.

- Level 3: Measurement parameters for assets or liabilities, which are not based on observable market data.

If the input factors that are used to determine the fair value of an asset or liability can be classified according to different levels of the fair value hierarchy, the measurement of the fair value is completely assigned to the hierarchy level that corresponds to the lowest level input factor that is of overall significance for purposes of measurement.

The Group records reclassifications between the various levels of the fair value hierarchy at the end of the reporting period in which the change occurs.

Legal disputes

Particularly as far as its involvement in project-related business is concerned, the Exyte Group is regularly confronted with legal disputes that are contested in various jurisdictions. Such legal processes can lead to situations in which the Exyte Group entities that are affected become subject to criminal or civil sanctions, fines or comparable costs. The Exyte Group sets up provisions for such legal disputes, regulatory processes or governmental investigations in cases where it is probable that an obligation has arisen in connection with such procedures that will probably lead to an outflow of resources, the amount of which can be reliably estimated. Legal disputes, regulatory processes or governmental investigations often have their basis in complex legal issues and are subject to a significant level of uncertainty. Accordingly, any assessment at the reporting date – as to whether a present obligation exists arising out of a past event and whether this will result a future outflow of resources and whether the amount of the obligation can be reliably estimated – is based on a significant degree of judgment on the part of the executive management.

The Exyte Group makes a regular assessment of the current status of a legal proceeding, also including the opinions of external lawyers. It may become necessary to change an assessment based on new information. It may also prove necessary to amend the amount of a provision for a current legal process in future because of new developments. Changes in such estimates and premises over the course of time may have a significant impact on the future results of operations. The result of the legal proceedings may lead to situations in which the Exyte Group incurs costs that exceed the provisions that have been set up. The possibility cannot be excluded that the result of a legal dispute, regulatory process or governmental investigation that is disadvantageous for the Exyte Group may lead to the Exyte Group incurring further costs – in addition to the provisions that have been set up – that could have a material impact on the net assets, financial position and results of operations.

Accounting for pensions and similar obligations

Provisions for pensions and similar obligations, and hence the resultant period-related net benefit costs are determined in conformity with actuarial computations. Such computations are based on key premises, which include discount rates, reimbursement claims, salary and pension trends, life expectancies and trend assumptions with respect to medical treatment. The discount rates that are applied are based on yields that can be earned at the end of the reported period through investment in first-class fixed-interest corporate bonds with a corresponding term and currency. If such yield information is not available, the discount rates are based on market yields for government bonds. Actual developments may vary in comparison to the premises assumed, due to fluctuating market and economic circumstances. These may have a significant impact on the provisions for pensions and similar obligations. Any resultant differences are recognized in other comprehensive income in the period in which they arise.

Sales revenue from contracts with customers

Income deriving from project business is recognized over a period of time based on the relationship of the costs that have already been incurred to the estimated total costs. Any expected loss deriving from a contract is immediately recognized in profit or loss.

The assessment of the degree of completion is of particular importance in cases where sales revenue is recognized over a period of time. Furthermore, it may include estimation of the amount of goods and services that are necessary to fulfill the contractual obligation. The main estimates involved concern the estimated total costs, the estimated sales revenue, the contract risks – including technical, political and regulatory risk – and other relevant factors.

Taxes on income

The activities of the Exyte Group are carried out in many tax jurisdictions. The tax amounts disclosed in the consolidated financial statements take into account the respective tax legislation and pertinent opinions of the various tax administrations involved. Due to their complexity, they may be interpreted differently by the taxpayer and by the respective local tax authorities. Deferred tax assets are recognized in cases where sufficient future taxable income is available. In the process, it is necessary to take into account planned results from operational activities, impacts on earnings deriving from the future reversal of taxable timing differences, as well as to consider possible alternative tax strategies. At each reporting date, the executive management assesses any potential impairment of deferred tax assets by reference to planned future levels of taxable income. As future business development is subject to uncertainty and is in part not controllable by the executive management, assumptions become necessary to estimate the amount of future taxable income and the point in time at which deferred tax assets will be realized. To the extent that the executive management believes that deferred tax assets cannot be partially or fully realized, a corresponding impairment loss is recognized.

Other provisions

Other provisions are set up in cases where a present obligation exists to a third party arising out of a past event that is expected to most probably result in a future outflow of resources and the amount can be reliably estimated. In this respect, the Exyte Group has estimated the amounts for potential losses deriving from onerous contracts, for warranty provisions and for various other provisions as of the end of each reported year presented.

Transactions with M+W Group GmbH Group and related parties, as defined by IAS 24

All transactions between Group companies and the M+W Group GmbH Group, as well with other related parties, as defined by IAS 24, were carried out at normal market conditions.

Note disclosures for individual items

Comments on the statement of comprehensive income

1 Sales revenue from contracts with customers

Main activities of the Exyte Group

The Exyte Group plans and constructs production plants and research facilities throughout the world. The range of industries in which the Group is active covers, among others, the electronics industry sector, pharmaceuticals, chemicals and food producers, IT and telecommunications companies, as well as research facilities. The focus of its value-adding activities is in the "EPC" business sector, i.e. in the planning (Engineering) of facilities, the purchasing of all necessary components and trade services (Procurement) and the actual building of the facilities (Construction). The main sales revenue deriving from contracts with customers is earned in the Regional Segments EMEA, AMER and APAC and derives from such activities.

In addition to EPC business, Exyte also markets cleanroom components and systems for the electronics and pharmaceuticals industry sectors in the TECH segment.

As a general rule, due to the nature of the products and services offered, customers are not granted a right of return. The legally prescribed five-year guarantee period that applies in the plant construction industry sector is complied with.

Transaction prices to be allocated to performance obligations that are still outstanding

The following table shows sales revenue that is expected in future periods to derive from service obligations that had not yet been fulfilled (or only partially fulfilled) at the reporting date:

Future sales revenue expected from service obligations

in € thousand

	2019	2020	2021	Total
	2,202,337	416,207	254,893	2,873,437

All contracts have been measured at the respective transfer prices, including any reasonably certain to be expected variable components.

Pursuant to IFRS 15.121, the Group has taken advantage of the practical expedient not to disclose performance obligations that are part of a contract with an expected original term of on year or less.

As of December 31, 2018, no costs relating to the initiation of contracts were recognized as assets.

Analysis of sales revenue

The following table shows the analysis of sales revenue deriving from contracts with customers pursuant to IFRS 15. For further information with respect to the analysis by reportable segments, refer to Note 30.

Sales revenue from contracts with customers after revenue recognition

in € thousand

	EMEA	AMER	APAC	TECH	Consolidation adjustments	Exyte Group
Sales revenue recognized over a period of time	861,692	578,424	1,910,813	4,732	–16,881	3,338,780
Sales revenue recognized at a point in time	37,569	0	81,932	100,124	–26,953	192,672
Total	**899,261**	**578,424**	**1,992,745**	**104,856**	**–43,834**	**3,531,452**

2 Cost of sales

In the period reported, the cost of sales amounted to €3,242,332 thousand (2017: €2,176,202 thousand).

The cost of sales represents the costs incurred in respect of the sales revenue generated. This reporting line item also includes the expenses relating to the set-up of provisions for warranty claims and for potential losses deriving from onerous contracts.

Furthermore, this reporting line includes the expense for write-downs, amounting to €458 thousand (2017: €976 thousand). The write-downs were made in respect of slow-moving inventory items.

Income deriving from the reversal of provisions for warranty obligations and potential losses from onerous contracts, amounting to €1,841 thousand (2017: €65 thousand) served to reduce the cost of sales.

3 Selling costs

For the period reported, selling costs amounted to €30,029 thousand (2017: €36,530 thousand). These mainly include costs of unsuccessful proposals for projects that were not awarded, marketing and other selling expenses, public relations costs and advertising expenses.

4 Administration costs

Administration costs, amounting to €73,174 thousand (2017: €60,745 thousand) include costs of personnel and materials or services, as well as amortization and depreciation relating to the administration area.

5 Research and development costs

Research and development costs amounted to €241 thousand (2017: €300 thousand). This item includes all expenses attributable to research and development activities. No impairment losses are included with research and development costs.

6 Impairment losses (and reversals of impairment losses) on trade receivables and contract assets

The impacts of all allowances for impairment losses (and related reversals) determined in accordance with IFRS 9 are disclosed as income/expenses deriving from the impairment of financial instruments. In the period reported, additions to the allowances for impairment losses amounted to €13,352 thousand and were offset by reversals of allowances for impairment losses amounting to €19,512 thousand, resulting in net income deriving allowances for impairment, amounting to €6,160 thousand. The high amount for such reversals mainly derived from restructuring measures in the M+W Group, which led to recoverability of the related receivables. Due to the modified retrospective application of IFRS 9, no figures are disclosed for the comparative period.

7 Other operating income

Other operating income

in € thousand

	2018	2017
Income deriving from services and charge-outs to the M+W Group GmbH Group	6,539	8,500
Income from government grants	3,446	60
Gains on the disposal of non-current assets	102	116
Income deriving from services, charge-outs and rentals	67	197
Income from the reversal of impairment allowances	–	7,676
Income from claims for damages	3	242
Miscellaneous other items	1,881	765
Total	**12,038**	**17,556**

8 Other operating expenses

Other operating expenses

in € thousand

	2018	2017
Expenses deriving from services and charge-outs by the M+W Group GmbH Group	11,976	8,295
Taxes other than income taxes	6,327	282
Impairment losses/ bad debt write-offs	–	6,142
Losses on disposal of non-current assets	359	97
Miscellaneous other items	15,232	7,046
Total	**33,894**	**21,862**

The miscellaneous other items in 2018 include €1,079 thousand for restructuring measures (2017: €6,313 thousand). Taxes other than income taxes include €5,154 thousand of stamp duty resulting from the transfer of Exyte Asia-Pacific Ltd. to Exyte AG.

9 Result from financing activities

Result from financing activities

in € thousand

	2018	2017
Interest and similar income	**23,251**	**15,748**
thereof: from foreign exchange gains relating to affiliated entities	1,689	1,264
thereof: from foreign exchange gains relating to third parties	8,612	4,328
Interest and similar expenses	**–17,725**	**–22,458**
thereof: interest portion of finance lease installments	–3	–11
thereof: interest portion of increase in pension provisions	–134	–135
thereof: from foreign exchange losses relating to affiliated entities	–10,698	–6,387
thereof: from foreign exchange losses relating to loans with third parties	–3,773	–12,351
Total	**5,526**	**–6,710**

10 Taxes on income

Reported taxes on income comprise current taxes on income (paid or owed) in the various individual territories and deferred taxes. The computation of the expense for current taxes on income for the Exyte Group is made using the tax rates that are valid, or have been announced, as of the year-end reporting date.

Deferred tax assets and deferred tax liabilities are presented as separately reported line items in the statement of financial position in order to take into account the future tax effect deriving from timing differences arising from measurement of assets and liabilities disclosed in the statement of financial position and their corresponding tax-based values.

Measurement of deferred taxes is carried out by giving consideration to the relevant national income tax rates. For domestic German companies, as of the respective reporting dates, deferred taxes were calculated using a corporation tax rate of 15% plus a respective solidarity tax surcharge of 5.5%, as well as using an effective rate of 14.705% in respect of municipal trade tax. After considering the solidarity tax surcharge and municipal trade tax, the tax rate determined for computation of deferred taxes for domestic German companies is unchanged at 30.53%.

For foreign companies, deferred taxes are calculated using the specific tax rates that are valid for the respective territories.

Deferred taxes are recorded as tax income or tax expenses in profit or loss unless they relate to items that have been recognized directly in equity without impacting profit or loss; in such a case, the deferred taxes are also presented directly in equity without impacting profit or loss.

For the units that were disclosed in the combined financial statements as of December 31, 2017 as "ZEBRA entities", a simulated tax computation was performed for the period from January to the actual date of the respective asset deal. A simulated tax computation was also performed for Exyte Central Europe GmbH and Exyte Technology GmbH for the period in which these companies formed part of the joint tax assessment group controlled by M+W Group GmbH.

Based on their origin, taxes on income are made up as follows:

Income taxes by origin

in € thousand

	2018	2017
Current taxes	**56,247**	**29,645**
Deferred taxes	**–26,895**	**–16,916**
thereof: deriving from accounting differences	–17,526	–8,131
thereof: deriving from tax loss carryforwards	–8,911	–1,582
Total	**29,353**	**12,729**
thereof: relating to prior periods	819	–2,198

At the year-end reporting date, the Exyte Group had unutilized corporation tax loss carried forwards, amounting in total to €83,187 thousand (2017: €58,393 thousand), as well as unutilized municipal trade tax loss carried forwards in Germany of €16,166 thousand (2017: €0 thousand), which were available to be set off against future profits. In addition, tax loss carry forwards existed, mainly in the USA, amounting to €13,190 thousand (2017: €0 thousand), the utilization of which is restricted (capital losses).

The management's assessment is that in all probability, sufficient future taxable income will be generated to offset €71,497 thousand (2017: €31,553 thousand) of the tax losses carried forward that have not yet been utilized for corporation tax purposes and to offset €16,014 thousand (2017: €0 thousand) of the tax losses carried forward that have not yet been utilized for municipal trade tax purposes.

Deferred tax assets amounting to €11,419 thousand (2017: €2,840 thousand) were set up in respect of these utilizable losses. No further deferred tax assets were recognized in respect of the remaining corporation tax losses carried forward, amounting to €11.690 thousand (2017: €26,840 thousand) and municipal trade tax loss carried forwards of €152 thousand (2017: €0 thousand). €1,047 thousand (2017: €1,132 thousand) of the foreign tax loss carry forwards will expire in the next five years. The majority of the remaining domestic and foreign tax-loss carry forwards, for which no deferred tax assets were recognized, will not expire.

Net deferred tax credits, or respectively expenses, amounting to €–44 thousand (2017: €327 thousand) arose from changes in tax rates.

Deferred taxes were not recognized in respect of temporary differences in connection with investments in subsidiary companies, as – from a current perspective – it is probable that the temporary differences will not reverse in the foreseeable future. The retained earnings remain invested in the foreign subsidiary companies. If a distribution will be made, this would bear tax of 5% in Germany and would also possibly be subject to foreign withholding tax. In addition, potential other tax consequences would need to be considered if a profit distribution will be made by a foreign subsidiary company to a foreign sub-group holding company. The determination of the taxable temporary differences would involve a disproportionate level of effort.

The following deferred tax assets and deferred tax liabilities were set up in respect of recognition and measurement differences relating to individual line items in the statement of financial position and in respect of tax loss carry forwards:

Deferred taxes by line item in the statement of financial position

in € thousand

	Deferred tax assets		Deferred tax liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Non-current assets	**12,787**	**901**	**–1,631**	**–1,686**
Intangible assets	11,840	149	–941	–761
Property, plant and equipment	143	47	–658	–893
Financial assets	804	705	–32	–32
Current assets	**7,001**	**3,843**	**–4,113**	**–1,118**
Inventories	1,612	37	0	0
Receivables and other assets	5,389	3,806	–4,113	–1,118
Non-current liabilities	**3,048**	**2,357**	**0**	**–308**
Provisions	3,048	2,287	0	–249
Liabilities	0	70	0	–59
Current liabilities	**43,010**	**23,479**	**–4,171**	**–2,535**
Provisions	4,759	6,238	–164	–197
Liabilities	38,251	17,241	–4,007	–2,338
Tax losses carried forward	13,436	8,560	0	0
Tax credits	3,056	17	0	0
Other	0	18	0	0
Gross value	**82,338**	**39,175**	**–9,915**	**–5,648**
Write-downs	–5,103	–5,819	0	0
Set-offs	–9,638	–4,636	9,638	4,636
Recognition in the statement of financial position	**67,597**	**28,718**	**–277**	**–1,011**

Deferred tax assets and liabilities disclosed in the consolidated statement of financial position, amounting to €961 thousand (2017: €937 thousand) relate to business transactions that were recognized directly in equity. Deferred tax assets mainly derive from the measurement of pension obligations in accordance with IAS 19 and from the measurement of forward exchange transactions in accordance with IAS 39. Furthermore, deferred tax assets and deferred tax liabilities, amounting to €1,416 thousand, were recognized in connection with the first-time application of IFRS 9 and IFRS 15. Effects deriving from restructuring measures, for example in connection with asset deals, amounting to €11,272 thousand (2017: €0 thousand), were recorded against invested equity.

For the purpose of measuring deferred tax assets deriving from deductible temporary differences and tax loss carry forwards, tax planning calculations were derived from multi-annual planning and business strategy information. Such tax planning calculations provided evidence with adequate certainty that sufficient taxable income would be available over the period covered by the planning horizon to justify the recognition of the deferred tax assets deriving from both deductible temporary differences and tax loss carry forwards. This assessment is particularly based on the achievement of the Group's strategic objectives, which are expected to result in improved profitability. In case of a history of losses, deferred tax assets have to be recognized if there is convincing substantial evidence that sufficient taxable income will be available. If such substantial evidence exists, deferred tax assets have to be recognized if it is probable that sufficient future taxable income will become available. After giving consideration to the special circumstances of the individual companies involved with respect to the restructuring and transformation process that has commenced, evidence was provided that the loss history was attributable to identifiable individual causes of loss, deriving from projects that have since been completed by foreign companies.

The following table shows the tax reconciliation of the expected tax expense or tax credit for the respective financial year and the actual tax expense (tax credit) disclosed. For purposes of determining the expected tax expense (tax credit), the currently valid – and unchanged – group tax rate of 30.53% for financial year 2018 was applied to the earnings before tax.

Reconciliation from expected to actual tax expense

in € thousand	2018	2017
Earnings before tax	**175,504**	**97,910**
Expected tax expense/tax credit	53,581	29,891
Reconciliation of the expected tax expense to the actual tax expense:		
Non-tax-deductible expenses	1,938	3,241
Non-taxable income	−2,395	−6,456
Change in write-downs of deferred taxes and impacts deriving from tax loss carry forwards	−1,013	−1,100
Permanent differences	−9,149	−2,691
Effect of differences in foreign tax rates	−19,754	−11,042
Effects deriving from additions and deductions for municipal trade tax purposes	0	73
Impacts of changes in tax rates	−44	327
Taxes relating to previous years	819	−2,198
Foreign and other local income taxes	4,236	3,059
Other tax effects	1,134	−375
Actual tax expense	**29,353**	**12,729**
	16.7%	13.0%

"Foreign and other local income taxes" mainly include foreign taxes on foreign operating results and foreign withholding taxes.

Comments on the statement of financial position

11 Intangible assets

Development of intangible assets

in € thousand	Development costs	Patents, trademarks, software, customer relationships	Goodwill	Total
Costs of acquisition or generation Balance: Januray 1, 2018	**462**	**17,084**	**142,000**	**159,546**
Currency impacts	0	207	562	769
Additions	0	336	0	336
Disposals	0	1,378	0	1,378
Balance: December 31, 2018	**462**	**16,249**	**142,562**	**159,273**
Accumulated amortization/write downs Balance: January 1, 2018	**8**	**15,323**	**10,207**	**25,538**
Currency impacts	0	193	552	745
Additions	46	933	0	979
Disposals	0	1,376	0	1,376
Balance: December 31, 2018	**54**	**15,073**	**10,759**	**25,886**
Carrying amount: December 31, 2018	**408**	**1,176**	**131,803**	**133,387**

in € thousand	Development costs	Patents, trademarks, software, customer relationships	Goodwill	Total
Costs of acquisition or generation Balance: January 1, 2017	**0**	**18,564**	**143,535**	**162,099**
Currency impacts	0	–576	–1,535	–2,111
Additions	462	338	0	800
Disposals	0	1,268	0	1,268
Transfers (+/–)	0	26	0	**26**
Balance: December 31, 2017	**462**	**17,084**	**142,000**	**159,546**
Accumulated amortization/write downs Balance: January 1, 2017	**0**	**16,060**	**11,710**	**27,770**
Currency impacts	0	–476	–1,503	–1,979
Additions	8	1,007	0	1,015
Disposals	0	1,268	0	1,268
Balance: December 31, 2017	**8**	**15,323**	**10,207**	**25,538**
Carrying amount: December 31, 2017	**454**	**1,761**	**131,793**	**134,008**

With the exception of goodwill, all intangible assets have finite useful lives. There were no commitments for the purchase of intangible assets.

Amortization charges on intangible assets deriving from patents, trademarks and software amounted to €483 thousand (2017: €547 thousand), from customer relationships amounted to €449 thousand (2017: €460 thousand) and from development costs amounted to €46 thousand (2017: €8 thousand). €552 thousand of these charges were included under the cost of sales in 2018 (2017: €538 thousand), and €426 thousand under administration costs (2017: €477 thousand).

The Exyte Group has defined the following areas of the business as cash-generating units (CGUs): EMEA (Europe, Middle East and Africa), AMER (Americas), APAC (Asia-Pacific) and also TECH (Cleanroom Technologies & Controlled Environments).

For the Exyte Group, the goodwill was taken over from the M+W Group GmbH Group by applying the "extraction method" (refer to the section "Accounting principles"). An impairment test was made for goodwill in the years reported.

The recoverable amount for purposes of the impairment test of goodwill in accordance with IAS 36 was determined on the basis of the value in use at the level of the cash-generating units. EBIT values for a planning horizon of three years, representing the medium-term planning period, are used as a basis to determine cash flows for this purpose; these EBIT figures are supported by the existing order backlog and expectations for future project acquisitions.

The values so determined are not only dependent on the future economic performance of the Exyte Group, but also on assumptions, such as those for tax rates and interest rates. The interest rates used are determined based on the weighted-average cost of capital (as pre-tax interest rates). The tax rates used are derived from the currently effective tax rates of the companies included in the consolidated financial statements.

The interest rates have been derived from external sources of information. For the reporting years 2017 and 2018, the allocation of goodwill to the respective CGUs was as follows:

Goodwill by cash-generating unit

31.12.2018	Tax rate (in %)	Interest rates WACC (in %)	Goodwill (in € thousand)
EMEA	19.7	8.8	59,673
AMER	26.0	8.3	12,915
APAC	20.1	8.5	55,264
TECH	28.9	8.8	3,951

31.12.2017	Tax rate (in %)	Interest rates WACC (in %)	Goodwill (in € thousand)
EMEA	20.8	9.7	59,673
AMER	35.0	10.4	12,905
APAC	21.6	9.6	55,264
TECH	28.7	9.7	3,951

Furthermore, the significant (internal) planning assumptions for all CGUs are expected to develop as follows:

- A slightly increasing, or respectively stagnating gross margin (APAC);
- A slightly increasing, or respectively stagnating EBIT margin (APAC).

The impairment test was carried out (in an unchanged manner) at the end of the year reported.

As had been the case in the previous year, based on the results of the impairment tests, there was no requirement to recognize any impairment loss against the carrying amount of goodwill in the year reported.

12 Property, plant and equipment

Development of property, plant and equipment

in € thousand

	Land and buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Assets under construction	Total
Costs of acquisition or construction: Balance: January 1, 2018	**8,021**	**11,057**	**58,972**	**1,702**	**79,752**
Currency impacts	–20	–12	1,184	0	1,152
Increases due to changes in the scope of the consolidation	0	0	18	722	740
Additions	32	2,464	6,091	35,770	44,357
Disposals	0	1,269	15,441	225	16,935
Transfers (+/–)	9	479	234	–722	0
Balance: December 31, 2018	**8,042**	**12,719**	**51,058**	**37,247**	**109,066**
Accumulated depreciation Balance: January 1, 2018	**2,254**	**9,042**	**44,739**	**0**	**56,035**
Currency impacts	–8	3	909	0	904
Additions	29	604	4,768	0	5,401
Disposals	0	911	13,818	0	14,729
Balance: December 31, 2018	**2,275**	**8,738**	**36,598**	**0**	**47,611**
Carrying amount: Balance: December 31, 2018	**5,767**	**3,981**	**14,460**	**37,247**	**61,455**

in € thousand

	Land and buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Assets under construction	Total
Costs of acquisition or construction: Balance: January 1, 2017	**3,435**	**11,249**	**62,223**	**278**	**77,185**
Currency impacts	–72	–538	–5,157	–5	–5,772
Additions	4,658	427	4,441	1,751	11,277
Disposals	0	186	2,725	0	2,911
Transfers (+/-)	0	105	190	–322	–27
Balance: December 31, 2017	**8,021**	**11,057**	**58,972**	**1,702**	**79,752**
Accumulated depreciation Balance: January 1, 2017	**2,183**	**9,275**	**46,114**	**0**	**57,572**
Currency impacts	–22	–469	–3,954	0	–4,445
Additions	93	411	5,257	0	5,761
Disposals	0	175	2,678	0	2,853
Balance: December 31, 2017	**2,254**	**9,042**	**44,739**	**0**	**56,035**
Carrying amount: Balance: December 31, 2017	**5,767**	**2,015**	**14,233**	**1,702**	**23,717**

There were no disposal constraints in respect of property, plant and equipment; obligations to purchase property, plant and equipment amount to €3,961 thousand (December 31, 2017: €0 thousand).

The additions to assets under construction mainly relate to the new construction of an office and production building in Renningen.

13 Leases

Finance leases – The Group in the role of lessee

Property, plant and equipment includes assets amounting to €144 thousand (December 31, 2017: €162 thousand) that are used under the terms of finance leases; their costs of acquisition at the year-end reporting date amounted to €230 thousand (December 31, 2017: €230 thousand).

The assets concerned are items of technical equipment.

Purchase options exist for the majority of the equipment that is leased under the terms of finance lease agreements, and these are also expected to be exercised. The interest rate agreed for the contracts is 2.70%. Future lease payments, shown at their present values, are presented in the following table:

Obligations from existing finance lease agreements

in € thousand

31.12.2018	2019	2020–2023	from 2024 onwards	Total
Lease payments	94	0	0	94
Interest portions	2	0	0	2
Present value	92	0	0	92

31.12.2017	2018	2019–2022	from 2023 onwards	Total
Lease payments	33	94	0	127
Interest portions	3	2	0	5
Present value	30	92	0	122

Depreciation of €18 thousand (2017: €53 thousand) was recorded in the period reported.

Operating Leases – The Group in the role of lessee

At the year-end reporting date, the Exyte Group had outstanding commitments deriving from non-cancellable operating leases that were due as follows:

Obligations from operating leases

in € thousand

31.12.2018	2019	2020–2023	from 2024 onwards	Total
Minimum lease payments deriving from operating leases	14,088	22,980	11,872	48,940

31.12.2017	2018	2019–2022	from 2023 onwards	Total
Minimum lease payments deriving from operating leases	13,037	26,870	11,318	51,225

Payments in respect of operating lease arrangements mainly relate to rental and leasing agreements in respect of buildings, office equipment and motor vehicles. No purchase options exist with respect to material contracts.

Lease expenses recorded for the period amounted to €15,189 thousand (2017: €10,362 thousand).

14 Financial assets

The financial assets, amounting to €2,650 thousand (2017: €2,666 thousand) mainly comprise a share interest in a non-consolidated company in China.

15 Inventories

Book value of inventories

in € thousand

	31.12.2018	31.12.2017
Raw materials, consumables and supplies	13,800	11,136
Work in process	7,375	8,291
Finished products, merchandise for resale	4,735	5,537
Advance payments made for inventories	88,549	32,252
Total	**114,459**	**57,216**

The amount written-off against the gross amount due to impairment was €1,725 thousand (2017: €2,141 thousand). During the period reported, charges against profits, deriving from inventories consumed, amounted to €79,791 thousand (2017: €45,750 thousand).

16 Contract balances

The following table presents information relating to contract assets and liabilities with customers:

Contract balances

in € thousand

	31.12.2018	1.1.2018[1]
Contract assets	169,765	236,189
Contract liabilities	436,830	219,230

[1] The Exyte Group has presented the accumulated transition effect deriving from application of IFRS15 as an adjustment to the opening balance as of January 1, 2018.

Sales revenue includes €226,093 thousand that was disclosed as contract liabilities at the beginning of the financial year. Sales revenue deriving from performance obligations that were fulfilled in past financial years amounted to €32,339 thousand; these were mainly recognized due to a contract amendment with a major Asian customer. As of the reporting date, impairment-related allowances set up for contract assets amounted to €491 thousand. The change during the reported period (€24 thousand) derives from a reassessment of expected credit losses and relates exclusively to items whose credit standing is not impaired. The following table includes an analysis of the credit quality of the contract assets:

Default risk of contract assets

Default risk – rating classes		Gross carrying amount (in € thousand)	Lifetime credit loss Credit standing not impaired (in € thousand)	Average impairment allowance rate (in %)
Internal rating class	**External rating class**		**collective**	
Rating class 1	AAA to A	39,425	–12	0.03
Rating class 2	BBB	35,118	–75	0.21
Rating class 3	BB	19,959	–39	0.19
Rating class 4	B to D	6,468	–20	0.31
No rating[1]	–	69,286	–345	0.50
Total		**170,256**	**–491**	**0.29**

[1] On the one hand, customers with balances that are not material are directly allocated to a territory risk classification (average default risk for a business in a particular territory); on the other hand, the Exyte Group has top customers for which no risk classification is available. For these latter customers, the territory risk classification was also applied for purpose of determining the amount of the allowance.

The gross book values were used as the measurement basis. During the past financial year, there were no significant changes in the gross book values that resulted in significant changes to impairment-related allowances. The methods and input parameters that are used to determine the impairment-related allowances are described in the section "Accounting and measurement methods".

17 Trade and other receivables

Book value of receivables as of the reporting date

in € thousand

	31.12.2018	31.12.2017
Trade receivables	353,157	354,557
Receivables deriving from long-term construction contracts (PoC)	–	240,243
Receivables from the M+W Group GmbH Group	200,308	396,841
Receivables from companies in which a participating interest is held and other affiliated entities	4,945	2,427
Other current financial assets	17,647	27,416[1]
Other current non-financial assets	33,150	23,978
Total	**609,207**	**1,045,462**

[1] Adjusted; refer to Note 18.

Receivables by credit standing

in € thousand

	Carrying amount	thereof: neither impaired credit standing nor overdue at the year-end reporting date	thereof: credit standing not impaired at the year-end reporting date and overdue as indicated by the following time ranges				
As of 31.12.2018			Less than 30 days	Between 30 and 120 days	Between 121 and 180 days	Between 181 and 365 days	More than 365 days
Trade receivables	353,157	261,435	71,459	9,180	2,148	4,107	4,828
Receivables from the M+W Group GmbH Group	200,308	200,308	0	0	0	0	0
Receivables from companies in which a participating interest is held and other affiliated entities	4,945	4,883	0	1	2	6	53
Other current financial assets	17,647	17,552	0	0	0	0	95

in € thousand

As of 31.12.2017	Carrying amount	thereof: neither impaired credit standing nor overdue at the year-end reporting date	thereof: not written-down at the year-end reporting date and overdue as indicated by the following time ranges				
			Less than 30 days	Between 30 and 120 days	Between 121 and 180 days	Between 181 and 365 days	More than 365 days
Trade receivables	354,557	264,617	63,736	8,461	697	7,007	10,039
Receivables deriving from long-term construction contracts (PoC)	240,243	240,243	0	0	0	0	0
Receivables from the M+W Group GmbH Group	396,841	392,333	4	4	0	1	4,499
Receivables from companies in which a participating interest is held and other affiliated entities	2,427	1,599	4	4	0	1	819
Other current financial assets	83,026	26,214	37	350	55,616	15	794

The fair values of the trade receivables correspond to their carrying amounts. Allowances of €13,004 thousand (2017: €6,106 thousand) have been set up for doubtful accounts receivable. The development of the allowances for doubtful accounts receivable is shown below:

Allowances for impairment of receivables

in € thousand

	Lifetime credit loss		
	Credit standing not impaired collective	Credit standing impaired individual	Allowance for impairment in 2017
Allowances at the beginning of the year reported	**405**	**6,106**	**8,883**
Additions	94	10,408	3,739
Utilization/write-offs	0	–1,859	–5,359
Reversal/payment received	–177	–1,863	–449
Currency differences	–5	–105	–708
Allowances at the end of the year reported	**317**	**12,687**	**6,106**

The high increase in the specific allowances for doubtful debts is mainly related to two Asian customers.

The following table includes an analysis of the credit quality of the trade receivables:

Default risk of trade receivables

Default risk – rating classes			Lifetime credit loss		
Internal rating class	**External rating class**	**Gross carrying amount (in € thousand)**	**Credit standing not impaired collective (in € thousand)**	**Credit standing impaired individual (in € thousand)**	**Average allowance rate (in %)**
Rating class 1	AAA to A	33,027	–4	–	3.80
Rating class 2	BBB	38,596	–27	–	1.44
Rating class 3	BB	27,995	–29	–	0.10
Rating class 4	B to D	33,129	–54	–	0.16
No rating[1]	–	236,710	–203	–12,687	6.09
Total		**366,161**	**–317**	**–12,687**	**4.41**

[1] On the one hand, customers with balances that are not material are directly allocated to a territory risk classification (average default risk for a business in a particular territory); on the other hand, the Exyte Group has top customers for which no risk classification is available. For these latter customers, the territory risk classification was also applied for purpose of determining the amount of the allowance.

During the past financial year, there were no significant changes in the gross book values that resulted in significant changes to impairment-related allowances. The methods and input parameters that are used to determine the impairment-related allowances are described in the section "Accounting and measurement methods". In respect of those receivable balances that had a credit standing that was not impaired and were not overdue, there were no indications at the year-end reporting date that the debtors would not meet their payment obligations. Before a new customer is accepted, a credit check is performed on the Group's behalf by an external party to verify the creditworthiness of potential customers. In determining the recoverability of trade receivables, any changes in the credit rating between the initial granting of payment terms and the year-end reporting date are taken into account. There is no notable concentration of credit risks due to the large base of mutually unrelated customers. Accordingly, management's opinion is that no further risk protection measures are needed in addition to the write-downs that have already been made.

Allowances set up against receivables from the M+W Group GmbH Group amounted to €858 thousand at the year-end reporting date. The gross book value, amounting to €201,166 thousand was allocated an investment grading.

As in the precious year, no disposal constraints exist in respect of the other assets disclosed. No allowances were set up for default risks in the financial year (2017: €200 thousand).

The majority of the other current receivables are non-interest-bearing. Other assets are made up of:

Other assets

in € thousand

	31.12.2018	31.12.2017[1]
Loans receivable from third parties	2,637	0
Debit balances on accounts payable	2,502	1,949
Derivatives	1,054	39
Interest receivable	743	425
Receivables from employees	163	271
Miscellaneous other current assets	10,548	24,732
Other current financial assets	**17,647**	**27,416[1]**
Refundable VAT	17,570	8,746
Advance payments	9,690	3,408
Other receivables from the tax authorities	3,816	2,807
Claims for income taxes receivable	2,074	9,017
Other current non-financial assets	**33,150**	**23,978**
Total	**50,797**	**51,394**

[1] Adjusted; refer to Note 18.

18 Cash and cash equivalents

Cash and cash equivalents
in € thousand

	31.12.2018	31.12.2017
Cash and cash equivalents in the statement of financial position	845,328	418,364
Pledged cash deposits	–84,372	–55,610
Valueation allowances (IFRS 9)	41	–
Cash and cash equivalents in the statement of cash flows	760,997	362,754

There are disposal restrictions for bank balances, amounting to €86,063 thousand (December 31, 2017: €55,610 thousand) relating to the reported cash and cash equivalents. These mainly concern pledged cash deposits of €84,372 thousand (December 31, 2017: €55,610 thousand) made in connection with two "Nei Bao Wai Dai" (NBWD) transactions for which financial liabilities of €78,120 thousand (December 31, 2017: €49,925 thousand) exist.

As of December 31, 2017, cash deposits of €55,610 thousand, which were pledged in connection with the first NBWD transaction, have been reclassified from other assets to cash and cash equivalents in comparison to the combined financial statements. The executive management considers this presentation to be more suitable as, from an economic perspective, this item represents cash and cash equivalents, the disposition of which by the organization is only temporarily restricted in the context of the pledge and related disposal restrictions. Once the pledge is abrogated and the related disposal restrictions are lifted, the deposits will continue to be classifiable as cash and cash equivalents. The executive management considers that the primary consideration for the reporting line disclosure in the statement of financial position should be the nature of the asset involved rather than this being based on the disposition rights or restrictions on disposal that exist with respect to the asset. The reclassification of the pledged amounts gives consideration to a more consistent application of this principle covering all reporting lines in the statement of financial position.

19 Equity

The invested equity of the Exyte Group as of December 31, 2017, resulted from the aggregation of the net assets of all areas of business that were included in the combined financial statements. The combined group that existed in previous periods does not disclose any subscribed capital because the process of restructuring the M+W Group from a corporate law perspective had not yet been completed, such that no legal participation was held in the companies that were included in the combined financial statements.

The amount of €42,034 thousand disclosed as "Increase/reduction in capital" mainly relates to preparatory capitalization measures that were carried out during the process of legal reorganization between the Exyte Group and the M+W Group and the related tax impacts, which were directly recognized in equity (invested capital) as a consequence.

The distribution of €18,500 thousand relates to a dividend distribution made by Exyte Asia-Pacific Ltd. to the former Parent Company, M+W Group GmbH.

Up until April 30, 2018 and September 30, 2018 respectively, profit or loss transfer agreements existed for two companies (Exyte Central Europe GmbH and Exyte Technology GmbH) with companies that belong to the "Non-core" area i.e. with companies that belong to the M+W Group GmbH Group. In the context of the sale of these companies, the related agreements were terminated and the transfers of the results were disclosed as equity transactions, amounting to €–40,396 thousand.

The impacts of the legal restructuring measures are disclosed as a reduction in equity of €285,803 thousand in comparison to December 31, 2017.

Upon completion of the restructuring process under corporate law, the Exyte Group was created in September 2018, within the meaning of IFRS, with Exyte AG as its Parent Company. In consequence, the remaining net assets disclosed in the combined financial statements of the Exyte Group, amounting to €178,699 thousand, were reconciled to the Exyte AG's capital structure. In consequence, subscribed capital of €150,000 thousand, a capital reserve of €15,000 thousand and a revenue reserve of €13,699 thousand are disclosed as of December 31, 2018.

Earnings per share

In accordance with IAS 33, earnings per share are determined on the basis of the total consolidated net income that is attributable to the shareholders of Exyte AG and the weighted average number of shares that were issued during the year.

Development of the number of shares issued in the period reported (in thousands):

Exyte shares
in thousand

Status: January 1, 2017	**0**
Change in 2017 year reported	–
Status: December 31, 2017	**0**
Incorporation of Exyte AG	50
Capital increase	149,950
Status: December 31, 2018	**150,000**

As has been previously described, use was made of the possibility to disclose the comparative information for the previous year, which is required under IFRS, as if the legal structure of Exyte AG had already existed in the past, giving consideration to the legal transfers of business activities that took place. In the same manner, earnings per share were determined on the basis of the actual weighted average number of shares that were issued in 2018. The same number of shares has been used for the comparative period to determine the earnings per share, based on the premise that the Group would have had a corresponding capital structure.

The number of shares involved was 150 million (each share with a nominal value of €1). No financial instruments existed that would result in a dilution of the earnings per share. The diluted earnings per share are thus equal to the undiluted earnings per share.

Earnings per share

	2018	2017
Share of the consolidated net income attributable to shareholders of Exyte AG (in € thousand)	144,998	85,181
Number of shares in circulation (in thousand)	150,000	150,000
Earnings per share (€)	**0.97**	**0.57**

20 Provisions for pensions

Provisions for pension obligations are set up for benefit plans in respect of promises relating to retirement, invalidity and surviving dependent benefits. The benefits provided by the Group vary depending on legal, tax and economic factors that are relevant in the respective territories and are usually dependent upon length of service and the remuneration level of employees. Corporate retirement benefits are provided within the Exyte Group both in the form of defined contribution and defined benefit plans.

Defined contribution plans

In the case of defined contribution plans, the organization pays contributions based on statutory or contractual requirements, or on a voluntary basis, to government or private retirement pension organizations. The consolidated statement of comprehensive income includes expenses of €50,124 thousand (2017: €44,551 thousand) for such contributions. Once the contributions have been paid, the organization has no further benefit obligation deriving from the defined contribution plans.

Defined benefit plans

The pension provisions for the defined benefit plans are determined in accordance with IAS 19 – "Employee Benefits" using the internationally accepted projected unit credit method. Under this method, future obligations are measured based on the proportion of benefits earned at the year-end reporting date. In the measurement process, trend assumptions are considered for the relevant parameters that influence the amount of the defined benefits. Actuarial computations are necessary for all defined benefit schemes. The defined benefit plans mostly relate to benefit plans in Germany. For many years, no new defined benefit plan commitments have been made in Germany.

The manner in which the pension provisions have developed, reflecting the present value of the defined benefit obligations and the fair value of the plan assets, is as follows:

List of pension provisions as of the reporting date
in € thousand

	31.12.2018	31.12.2017
Present value of unfunded obligations (Germany only)	8,038	7,974
Present value of funded obligations (Taiwan)	787	0
Fair value of plan assets (Taiwan)	–103	0
Provisions for pensions	**8,722**	**7,974**

The plan assets derive solely from a new obligation made by a Taiwanese company, which arose in the year reported. The plan assets comprise cash and cash equivalents.

The reconciliation to the amount recognized in the statement of financial position is as follows:

Development of the pensions provisions

in € thousand

	2018	2017
Provisions recognized at January 1	7,974	7,780
Current service cost	698	175
Interest expense	134	135
Actuarial adjustments	11	–17
thereof: experience adjustments	157	–173
thereof: adjustments for other financial/demographic assumptions	–146	156
Benefits paid	–106	–99
Other adjustments	11	0
Provisions recognized at December 31	**8,722**	**7,974**

Reconciliation of the plan assets:

Development of the plan assets

in € thousand

	2018	2017
Fair value of plan assets as of January 1	0	0
Employer contributions	54	0
Interest credit	1	0
Revaluation adjustments	1	0
Other adjustments	47	0
Fair value of plan assets as of December 31	**103**	**0**

The expense recognized in the consolidated statement of comprehensive income is made up as follows:

Expenses from pensions provisions recognized in the consolidated statement of comprehensive income

in € thousand

	2018	2017
Current service cost	698	175
Interest expense	134	135
Included in the income statement	832	310
Actuarial gains (–)/losses (+) deriving from experience adjustments	157	–173
Actuarial gains (–)/losses (+) deriving from changes in financial assumptions	–146	156
Included in the statement of comprehensive income	11	–17
Total	**843**	**293**

The above current service cost is included as part of the personnel cost of the functional areas; the interest cost relating to the obligation is disclosed as a component of the result from financing activities.

For the coming financial year, group companies expect to make payment contributions of €368 thousand (2017: €252 thousand) to the defined benefit plans.

Actuarial assumptions in Germany:

Actuarial assumptions Germany

in %

	31.12.2018	31.12.2017
Discount rate	1.75	1.65
Inflation rate	1.75	1.75
Future salary increases	2.50	2.50
Future pension increases	1.75	1.75

Actuarial assumptions in Taiwan:

Actuarial assumptions Taiwan

in %

	31.12.2018	31.12.2017
Discount rate	1.13	n.a.
Future salary increases	3.00	n.a.

Sensitivity analysis

The main actuarial assumptions that are used to calculate the provisions for post-employment benefits in Germany are the discount rate and the trend for future increases in pensions. As the present value of the obligations mainly concern obligations in Germany, the sensitivity analysis has been restricted to the German obligations. An increase, or respectively a decrease, in the significant actuarial assumptions would have had the following impact on the present value of the pension obligations as of the respective reporting dates:

Sensitivity of the present value of the pension obligations

	31.12. 2018	31.12. 2017	31.12. 2018	31.12. 2017
Discount rate (in %)	0.50	0.50	–0.50	–0.50
Present value of the pension obligations (in € thousand)	7,288	7,222	8,898	8,841
Inflation rate/ future pension increases (in %)	0.25	0.25	–0.25	–0.25
Present value of the pension obligations (in € thousand)	8,315	8,253	7,773	7,710

If the underlying mortality rates had been changed, or respectively if life expectancies of those persons with benefit entitlements had been increased by one year, the pension obligations at December 31, 2018 would have increased by €366 thousand (December 31, 2017: €362 thousand).

Duration

The average duration of the German obligations is 20.3 years (December 31, 2017: 19.0 years). The average duration of the obligations for the Taiwanese company is 13.7 years.

Analysis of the obligations by type of plan participant

in € thousand

	31.12.2018	31.12.2017
Active employees	4,829	4,071
Former employees with vested claims	1,967	1,945
Pensioners	1,926	1,958
Provision for pensions	**8,722**	**7,974**

Expected benefit payments as of December 31, 2018

in € thousand

	2019	2020–2023	2024–2028
Germany	115	586	1,232
Taiwan	69	104	111
Total	**184**	**690**	**1,343**

Expected benefit payments as of December 31, 2017

in € thousand

	2019	2020–2023	2024–2028
Germany	109	533	1,120
Taiwan	–	–	–
Total	**109**	**533**	**1,120**

21 Other provisions

Analysis:

Composition of other provisions

in € thousand

	1.1.2018	Currency differences	Additions (excl. interest portion)	Interest portion	Usage	Reversal	Reclassifi-cation	31.12.2018
Employee-based provisions	36,346	397	34,702	15	25,229	4,348	0	41,883
Potential losses from onerous contracts	674	5	1,755	0	8	0	0	2,426
Warranty provisions	2,823	30	2,638	0	469	1,841	0	3,181
Legal fees and litigation costs	1,280	14	1,306	0	998	103	0	1,499
Tax provisions	4,921	–3	204	0	2,968	36	–984	1,134
Miscella-neous other provisions	3,474	61	2,259	0	2,037	401	984	4,340
Total	**49,518**	**504**	**42,864**	**15**	**31,709**	**6,729**	**0**	**54,463**

in € thousand

	1.1.2017	Currency differences	Additions (excl. interest portion)	Interest portion	Usage	Reversal	Reclassifi-cation	31.12.2017
Employee-based provisions	30,939	−1,751	28,395	19	16,789	4,421	−46	36,346
Potential losses from onerous contracts	2,261	0	662	0	2,184	65	0	674
Warranty provisions	2,368	−133	2,018	0	1,430	0	0	2,823
Legal fees and litigation costs	1,096	−53	663	0	314	521	409	1,280
Tax provisions	738	−91	4,038	0	754	0	990	4,921
Miscella-neous other provisions	3,526	−168	3,048	0	2,121	449	−362	3,474
Total	**40,928**	**−2,196**	**38,824**	**19**	**23,592**	**5,456**	**991**	**49,518**

Employee-related provisions
Among other reasons, employee-related provisions are set up for long-service anniversary benefits, partial early retirement, performance-related bonuses and similar obligations.

Potential losses deriving from onerous contracts
Provisions for potential losses deriving from onerous contracts are set up if it can already be anticipated that the expected project costs will exceed the respective revenues on an individual project basis.

Warranty provisions
In many cases, within the context of their operational activities, the Group's companies incur warranty obligations. Such cases mainly involve obligations that are based on subsidiary companies taking responsibility for a particular successful outcome or for a particular service to be rendered. Warranty provisions are set up for future reworking or replacement costs due to statutory or contractual warranty obligations. The provisions are based on estimates that use historical warranty data relating to similar situations. The warranties mainly relate to product deliveries and only to a minor extent to project-related business.

Provisions for litigation and legal process risks
The Exyte Group, or respectively one of entities included in the consolidated financial statements, is/are involved in various court cases or arbitration procedures that could have an impact on the economic situation of the Group or that have had such an influence in the past two years. The litigation proceedings mainly derive from construction projects. Provisions of an appropriate amount have been set up, where necessary, in cases where they have not already been considered for project accounting purposes.

Tax provisions
The tax provisions mainly comprise provisions for tax advisory services in connection with tax field audits, as well as value-added tax which cannot be reclaimed.

The miscellaneous other provisions are made up of a large number of individually identified risks and uncertain obligations that are accounted for at their probable settlement amounts.

The terms to expected settlement of other provisions as of December 31, 2018 are presented in the following table:

Other provisions by expected settlement

in € thousand (previous year's figure in brackets)

	31.12.2018	< 1 year [1]	1–5 year [2]	> 5 year [2]
Employee-based provisions	41,883 (36,346)	36,055 (32,976)	5,828 (3,370)	0 (0)
Potential losses from onerous contracts	2,426 (674)	2,426 (674)	0 (0)	0 (0)
Warranty provisions	3,181 (2,823)	2,231 (2,823)	950 (0)	0 (0)
Legal fees and litigation costs	1,499 (1,280)	1,499 (1,280)	0 (0)	0 (0)
Tax provisions	1,134 (4,921)	1,134 (4,921)	0 (0)	0 (0)
Miscellaneous other provisions	4,340 (3,474)	4,326 (3,460)	14 (14)	0 (0)
Total December 31, 2018	**54,463** (49,518)	**47,671** (46,134)	**6,792** (3,384)	**0** (0)

[1] Current liabilities.
[2] Non-current liabilities.

22 Financing liabilities

The following table provides details of the terms to maturity of short-term and long-term financing liabilities:

Financing liabilities by maturity

in € thousand (previous year's figure in brackets)

	Carrying amount at 31.12.2018	< 1 years[1]	1–5 years[2]	More than 5 years[2]
Bank borrowings	78,120 (49,925)	78,120 (49,925)	0 (0)	0 (0)
Liabilities deriving from finance leases	92 (122)	92 (30)	0 (92)	0 (0)
Total	**78,212** (50,047)	**78,212** (49,955)	**0** (92)	**0** (0)

[1] Current liabilities.
[2] Non-current liabilities.

The carrying amounts of the bank borrowings correspond to their fair values. The applicable interest rate is 1.88%.

23 Reconciliation of the movements in liabilities to the cash flows from financing activities

Reconciliation from debt changes to the cash flow from financing activities

in € thousand

	Bank borrowings	Liabilities deriving from finance leases	Other financial liabilities due to the M+W Group GmbH Group	Total
Statement of Financial Position as of January 1, 2018	**49,925**	**122**	**59,326**	**109,373**
Proceeds from borrowings	26,391	0	12,704	39,095
Payments for the redemption of borrowings	0	0	20,973	20,973
Interest paid	0	0	0	0
Payments for finance lease liabilities	0	30	0	30
Change in the cash flow from financing activities	**76,316**	**92**	**51,057**	**127,465**
Interest expenses	0	0	0	0
Other changes	0	0	6,871	6,871
Effects deriving from changes in exchange rates	1,804	0	–534	1,270
Statement of Financial Position as of December 31, 2018	**78,120**	**92**	**57,394**	**135,606**

The proceeds from bank borrowings are compensated by corresponding security in the form of deposits made in respect of a Chinese company (the "Nei Bao Wai Dai" transaction; refer in this context to Note 18), which are shown as outgoing payments under the cash flow from investing activities.

in € thousand

	Bank borrowings	Liabilities deriving from finance leases	Other financial liabilities due to the M+W Group GmbH Group	Total
Statement of Financial Position as of January 1, 2017	**0**	**381**	**35,573**	**35,954**
Proceeds from borrowings	51,190	0	25,748	76,938
Payments for the redemption of borrowings	0	0	165	165
Interest paid	0	0	0	0
Payments for finance lease liabilities	0	259	0	259
Change in the cash flow from financing activities	**51,190**	**122**	**61,156**	**112,468**
Interest expenses	0	0	0	0
Other changes	0	0	0	0
Effects deriving from changes in exchange rates	–1,265	0	–1,830	–3,095
Statement of Financial Position as of December 31, 2017	**49,925**	**122**	59,326	**109,373**

24 Trade payables and other current liabilities

This reporting line item comprises:

Composition of current liabilities

in € thousand

	31.12.2018	31.12.2017
Advance payments received	–	81,825
Trade payables	906,351	730,955
PoC-based payables, deriving from long-term construction contracts	–	137,405
Accounts payable to the M+W Group GmbH Group	68,787	67,064
Accounts payable to entities in which a participatory interest is held and other affiliated entities	626	190
Miscellaneous other current liabilities	47,542	47,133
Total	**1,023,306**	**1,064,572**

Miscellaneous other current liabilities include:

Composition of other current liabilities

in € thousand

	31.12.2018	31.12.2017
Employee-related liabilities (holiday, flex-time etc.)	23,258	16,179
Derivative financial instruments	743	11
Interest payable for financial liabilities	355	0
Residual current financial liabilities	7,170	16,912
Miscellaneous other current financial liabilities	**31,526**	**33,102**
Other current liabilities for taxes	11,633	10,897
thereof: income taxes	316	–33
Social security	3,738	2,618
Employers' liability insurance association	451	516
Deferred income	194	0
Miscellaneous other current non-financial liabilities	**16,016**	**14,031**
Total	**47,542**	**47,133**

The tax liabilities include both amounts for which entities included in the consolidated financial statements are the assessed taxpayer as well as amounts for taxes that are transmitted on behalf of third parties.

Fair values do not differ materially from the carrying amounts disclosed.

The total figure for derivative financial instruments is explained in more detail in Note 25.

25 Additional disclosures concerning financial instruments

Carrying amounts and fair values analyzed by classes and measurement categories are shown in the following table:

Financial instruments, analyzed by classes and categories

in € thousand

31.12.2018	Category (IFRS 7.8 under IFRS 9)[1]	Carrying amount	Fair value
Financial assets, by class			
Trade receivables	AC	353,157	353,157
Contract assets	n.a.	169,765	169,765
Accounts receivable from the M+W Group GmbH Group	AC	200,308	200,308
Accounts receivable from entities in which a participatory interest is held and other affiliated entities	AC	4,945	4,945
Other financial assets	AC	19,532	19,532
Cash and cash equivalents	AC	845,328	845,328
Foreign currency derivatives without a hedging relationship	FVTPL	1,054	1,054
Total		**1,594,089**	**1,594,089**

Financial instruments, analyzed by classes and categories

in € thousand

31.12.2018	Category (IFRS 7.8 under IFRS 9)[1]	Carrying amount	Fair value
Financial liabilities, by class			
Bank borrowings	AC	78,120	78,120
Liabilities deriving from finance leasing	n.a.	92	92
Non-current liabilities due to the M+W Group GmbH Group	AC	0	0
Current liabilities due to the M+W Group GmbH Group	AC	68,787	68,787
Liabilities due to entities in which a participatory interest is held and other affiliated entities	AC	1,894	1,894
Trade payables	AC	906,351	906,351
Other non-current financial liabilities	AC	0	0
Other current financial liabilities	AC	30,783	30,783
Foreign currency derivatives without a hedging relationship	FVTPL	707	707
Foreign currency derivatives with a hedging relationship	n.a.	36	36
Total		**1,086,770**	**1,086,770**

[1] IFRS 9 categories applicable to Exyte: Amortized Cost (AC), Fair value through profit or loss (FVTPL).

Financial instruments, analyzed by classes and categories

in € thousand

31.12.2017	Category (IFRS 7.8 under IFRS 9)[1]	Carrying amount	Fair value
Financial assets, by class			
Trade receivables	LaR	354,557	354,557
Contract assets	LaR	240,243	240,243
Accounts receivable from the M+W Group GmbH Group	LaR	396,841	396,841
Accounts receivable from entities in which a participatory interest is held and other affiliated entities	LaR	2,427	2,427
Other financial assets[1]	LaR	31,369	31,369
Cash and cash equivalents	LaR	418,364	418,364
Foreign currency derivatives with a hedging relationship	HfT	5	5
Foreign currency derivatives without a hedging relationship	n.a.	34	34
Total		**1,443,840**	**1,443,840**

[1] Adjusted, refer in this context to Note 18.

Financial instruments, analyzed by classes and categories

in € thousand

31.12.2017	Category (IFRS 7.8 under IFRS 9)[1]	Carrying amount	Fair value
Financial liabilities, by class			
Bank borrowings	AC	49,925	49,925
Liabilities deriving from finance leasing	n.a.	122	122
Non-current liabilities due to the M+W Group GmbH Group	AC	0	0
Current liabilities due to the M+W Group GmbH Group	AC	67,064	67,064
Liabilities due to entities in which a participatory interest is held and other affiliated entities	AC	190	190
Trade payables	AC	730,955	730,955
Other non-current financial liabilities	AC	309	309
Other current financial liabilities	AC	33,102	33,102
Foreign currency derivatives without a hedging relationship	HfT	11	11
Foreign currency derivatives with a hedging relationship	n.a.	0	0
Total		**881,678**	**881,678**

[1] IAS 39 categories applicable to Exyte: Loans and Receivables (LaR), Held for Trading (HfT), Amortized Cost (AC).

For current items, the fair value is the same as the carrying amount. Within the Group, fair values are solely assigned to Level 2. The fair value is determined by reference to listed forward rates and net present value calculations based on yield curves.

The following table shows the net gains and losses for each of the financial instrument measurement classes:

Net gains and losses

in € thousand

	Subsequent measurement					
	Interest	Foreign exchange conversion	Fair value	Increase in allowance for impairment	Reversals of allowances for impairment	Net impact
Financial assets measured at amortized cost	12,798	−3,126		−13,143	19,399	15,928
Financial liabilities measured at amortized cost	−2,929	−1,874				−4,803
Financial assets and liabilities measured at fair value through profit or loss			402			402
Total	**9,869**	**−5,000**	**402**	**−13,143**	**19,399**	**11,527**

Hedging policies and risks

The Exyte Group is exposed to financial risks – particularly deriving from foreign currency exchange rate and interest rate fluctuations – in the context of its business activities, due to its financial assets and financial liabilities, as well as its regular transactions; these can have an influence of its net assets, financial position and results of operations.

The Executive Board is responsible for the set-up of and the control over the Exyte Group's risk management system and has issued relevant guidelines. The central treasury function and the regional treasury hubs are responsible for the operational monitoring and management of financial risks and report regularly to the Executive Board in this respect.

Financial risks are limited through deployment of derivative financial instruments. The partners, with whom the hedging deals are contracted, are first-rate national and international banks, whose creditworthiness is regularly controlled by leading rating agencies, and to a minor extent, M+W Group GmbH (still). The intention is to only contract hedging transactions directly with banks in the short term.

Foreign currency exchange risks

Risks deriving from fluctuations in currency exchange rates exist in relation to the international activities of the Exyte Group and particularly arise when receivables or liabilities are designated in other currencies than the respective local company's functional currency.

Forward exchange deals are deployed to hedge foreign currency exchange rate risks. Such transactions are used to hedge exchange rates relating to operational business payment flows that are designated in foreign currencies.

The Exyte Group hedges both planned revenue and planned purchases of materials denoted in foreign currencies on a net basis, using forward exchange contracts, based on market assessments, normally for periods of up to 30 months. For more detailed disclosures concerning currency rate risk management, as well as concerning the nominal values of outstanding currency hedging transactions, reference is made to the relevant sub-section "Derivative financial instruments" within the section "Accounting and measurement policies" of this report.

Interest rate risks

Interest rate risks derive from market-related fluctuations in interest rates. The Exyte Group is particularly exposed to interest rate fluctuation risks in connection with medium-term and long-term interest-bearing receivables and payables. Depending on the market situation, interest swaps, combined interest rate/currency swaps, and other interest-rate deals are used to hedge such risks. During the period reported, no interest rate hedges were contracted within the Exyte Group. The risk deriving from changes in interest rates is not significant for the Exyte Group.

Default risks

The default risk inherent in financial assets is the danger that the respective contract partner defaults and the maximum risk, therefore, is determined by the positive fair value due from the related counterparty (refer in this connection to Note 17). This risk is particularly relevant for trade receivables, as well as for other types of financial assets, particularly cash and cash equivalents.

The risk deriving from primary financial instruments is accounted for by setting up allowances for expected credit losses. As part of the customer credit management process, information concerning the creditworthiness of new customers is obtained in the form of credit reports from credit rating agencies. Many of our existing customers, with whom we have longstanding business relationships, are major corporate groups of unquestionable creditworthiness and the risk of default for these is assessed to be very low. In the area of trade receivables and contract assets, there is no notable concentration of credit risks due to the large base of mutually unrelated customers.

The default risk for cash and cash equivalents is limited by the choice of banking partners, with regard both to their solvency and also through spreading of assets between a number of contractual counterparties.

Derivative financial instruments are only contracted with first-class banks and any outstanding market values are monitored within the context of risk management processes. Thus, the actual default risk can be neglected. The default risk deriving from transactions with the M+W GmbH Group can also be neglected, as these only had a low value as of December 31, 2018. Furthermore, future hedging transactions will only be transacted directly with banks.

Liquidity risk

The liquidity risk describes the risk that financial payment obligations cannot be met at the time that they are due. In the context of its liquidity management processes, the Exyte Group ensures that the supply of liquidity is always sufficient to settle financial liabilities that are due for payment at all times. We refer to Note 22 for further information concerning the structure of the financing liabilities. All miscellaneous other financial liabilities are current in nature and thus fall due within the next twelve months. The only exception to this are liabilities due to entities in which a participatory interest is held and other affiliated entities, amounting to €1,268 thousand, which have terms to maturity of more than five years.

Liquidity is secured at all times by means of liquidity forecasts based on fixed planning horizons covering a number of months and through the cash and cash equivalent balances that are available within the Exyte Group. The tools used for central liquidity management purposes are cash-pooling arrangements, intra-group loans and, in particular, advance payment agreements with customers in connection with long-term construction contracts (refer also to the following section "Capital management").

Capital management

The Executive Board pursues the objective of maintaining a solid equity basis, in order to strengthen the trust that investors, suppliers and other market participants have in the Group, as well as to make future growth possible. The focus on strengthening the equity base is placed on adjusted EBIT as the key operating control parameter. The adjusted EBIT is defined as earnings before interest and tax, adjusted for restructuring costs incurred in connection with the strategic realignment of the Exyte Group, costs incurred for the closure and relocation of sites, costs in connection with capacity adjustments within the context of optimization programs, income or expenses deriving from litigation proceedings involving historical legacy issues and income or expenses in connection with the reorganization of the Exyte Group (allowances for impairment losses). The Executive Board monitors the adjusted EBIT both for the Regional Segments and also for the whole Group.

In addition to this, working capital is of especial importance for the Exyte Group because of its business model. One objective of the Executive Board is to arrange the financing of business activities independently of banks. The aim is to secure significant advance financing of projects by both customers and suppliers, whilst maintaining strict accounts receivable management processes. The intention is that such active management of payment terms for the projects will ensure at least a moderate level of negative working capital at all times.

As part of the liquidity management process, any surplus funds within the Group are invested by the Parent Company or, where necessary, granted as loans to subsidiary companies. Within the sub-groups in Asia and America, the financing function is carried out by the lead companies in these regions and in Europe by the Parent Company itself.

Global netting and similar agreements
The Exyte Group contracts forward exchange deals under the terms of a German framework agreement, or respectively, international framework agreements. As a general rule, the amounts owed under the terms of such agreements by each counterparty with respect to all outstanding transactions in the same currency for each individual day are combined to give one net amount that is to be paid by one party to the other. In certain cases – if, for example, a credit event such as delayed payment occurs – all outstanding transactions that fall under the terms of the agreement are terminated, the outstanding amount at the termination date is calculated and a single net payment is required to settle the transaction. These framework agreements do not fulfil the requirements that are necessary to allow an offset of the amounts in the statement of financial position. The reason for this is that the entities included in the consolidated financial statements currently do not have legal entitlement to offset the amounts recorded, because such a right of offset is only enforceable if future events occur, such as a default in repayment of a bank loan or certain other credit-related events.

If that had been the case as of December 31, 2018, an offsetting effect of €27 thousand (December 31, 2017: €9 thousand) would have arisen.

Derivative financial instruments
Trade receivables and other receivables include the following positive fair values deriving from derivative financial instruments:

Derivative financial assets

in € thousand

	31.12.2018	31.12.2017
Hedging transactions covering foreign exchange risks:		
Foreign exchange risks:		
Forward exchange contracts (cash flow hedges)	0	34
Forward exchange contracts for which hedge accounting does not apply	1,054	5
Total	**1,054**	**39**

Trade payables and other liabilities include the following negative fair values deriving from derivative financial instruments:

Derivative financial liabilities

in € thousand

	31.12.2018	31.12.2017
Hedging transactions covering		
Foreign exchange risks:		
Forward exchange contracts (cash flow hedges)	36	0
Forward exchange contracts for which hedge accounting does not apply	707	11
Total	**743**	**11**

The amounts are based on market values, which are determined using standard market measurement methods (refer to the section "Accounting and measurement methods").

Management of foreign currency exchange rate risks
Certain of the business transactions within the Exyte Group are designated in foreign currencies. For this reason, risks arise deriving from fluctuations in foreign currency exchange rates. Foreign currency exchange rate risks are reduced by entering into forward exchange deals.

In contrast, foreign currency risks that do not impact the cash flows of the entities that are included in the scope of the consolidation – i.e. risks deriving from the translation of assets and liabilities belonging to foreign business entities into the reporting currency used in the consolidated financial statements (translation risks) – are not hedged as a general policy.

At the year-end reporting date, the nominal amounts of the outstanding forward exchange deals contracted by entities included in the scope of the consolidation were:

Nominal amounts of outstanding forward exchange deals

in € thousand

	31.12.2018	31.12.2017
EUR/USD	4,627	1,846
CNY/SGD	14,808	0
ILS/EUR	8,550	0
EUR/SGD	16,005	0
THB/SGD	0	5,683
USD/CNY	5,702	0
SGD/MYR	5,326	0
SGD/USD	20,183	285
DKK/EUR	34,322	13,854

The deals serve the purpose of hedging the main currency risks and are renewed as required. As of December 31, 2018, the derivative instruments held by the Exyte Group had a maximum term of 5 months (December 31, 2017: 17 months).

The amounts recognized for cash flow hedge accounting purposes, in accordance with IAS 39 are as follows:

Cash flow hedge accounting in accordance with IAS 39

in € thousand

	31.12.2018
Nominal amount	967
Carrying amount of the hedging instruments	–36
Other financial assets	0
Other financial liabilities	36
Measurement impacts recognized in other comprehensive income	–73
Amount of the ineffective hedge recognized in profit or loss	0
Reporting line item in the statement of comprehensive income in which the ineffective portion of the hedge is recognized	Result from financing activities
Amount reclassified from the hedging reserve to profit or loss	–26
Reporting line item in the statement of comprehensive income in which the ineffective portion of the hedge is recognized	Sales revenue

The amount of hedging instruments (forward exchange transactions) deployed for cash flow hedge accounting purposes in accordance with IAS 39 was as follows:

Hedging instruments designated as a cash flow hedge

	2018	
Forward exchange transactions (cash flow hedges)	Current	Non-current
Net exposure (in € thousand)	967	–
Average forward rate EUR/USD	1.18458	–

The hedging instruments are offset by hedged items that are not recognized for accounting purposes, representing highly probable expected revenue denoted in foreign currencies:

Hedged items in a cash flow hedge not recognized for accounting purposes

in € thousand

	2018
Change in value that is taken as the basis for recognizing hedge ineffectiveness	36
Remaining balance in the cash flow hedging reserve that derives from potential hedges for which hedge accounting no longer applies	–3

As of December 31, 2017, the fair value of foreign currency derivatives amounted to €28 thousand. Changes in the fair value of derivatives that were not in a hedging relationship were recognized in the net income for the year 2017, and amounted to €94 thousand. The measurement of cash flow hedges resulted in recognition of an amount of €34 thousand directly in equity in 2017. An amount of €68 thousand was reclassified to profit or loss in 2017.

If the US dollar exchange rate had changed by +10%, the consolidated net profit and the fair value of the hedges not involving a hedging relationship would have been €274 thousand lower (2017: no transactions). In contrast, if the exchange rate had changed by –10%, the corresponding figures would have been €402 thousand higher (2017: no transactions).

If the SG dollar exchange rate had changed by +10%, the consolidated net profit and the fair value of the hedges not involving a hedging relationship would have been €2,392 thousand lower (2017: no transactions). In contrast, if the exchange rate had changed by –10%, the corresponding figures would have been €830 thousand higher (2017: no transactions).

A change in the US dollar exchange rate by +10% would have resulted in an increase in the fair value of the cash flow hedges and an increase in equity of €127 thousand (2017: increase of €131 thousand). In contrast, if the exchange rate had changed by –10%, they would have decreased by €76 thousand (2017: decreased by €236 thousand).

At the year-end reporting date, the carrying amounts of the financial assets and financial liabilities of the group entities included in the consolidation that are denoted in foreign currencies were as follows:

Financial assets

in € thousand

	31.12.2018	31.12.2017
USD	39,201	53,024
ILS	12,806	44
DKK	229	32,971
SGD	21,081	2,324
PLN	800	3,637
GBP	609	52
CHF	3,136	7,141
AUD	3,866	5,480

Financial liabilities

in € thousand

	31.12.2018	31.12.2017
USD	16,494	23,073
DKK	0	18,860
SGD	1,109	7,151
PLN	0	2,609
AED	302	633
CHF	0	728
AUD	437	1,490

In the majority of cases, projects and customer contracts involving services that are carried out and invoiced in their respective local currencies do not include cross-border transactions. Thus, the related currency risk deriving from cross-territory and cross-currency transactions is insignificant. In such cases, hedging is not practiced.

If the euro had been revalued upwards against the US dollar by 10% at December 31, 2018, the consolidated net income would have been €2,970 thousand lower (December 31, 2017: €2,723 thousand). In the case of a devaluation by 10%, the figure would have been €1,416 thousand (December 31, 2017: €3,328 thousand) higher.

If the euro had been revalued upwards against the SG dollar by 10% at December 31, 2018, the consolidated net income would have been €1,863 thousand lower (December 31, 2017: €426 thousand higher). In the case of a devaluation by 10%, the figure would have been €2,161 thousand higher (December 31, 2017: €552 thousand lower).

26 Comments on the consolidated statement of cash flows

The cash and cash equivalents disclosed in the statement of cash flows comprise only such items as are disclosed as cash and cash equivalents in the statement of financial position – with the exception of those in the circumstances described in Note 18.

The statement of cash flows reports cash flows, distinguishing between cash inflows and cash outflows, from operating activities, from investing activities and from financing activities. Using earnings before tax as the starting point, the cash flow from operating activities is derived indirectly. Earnings before tax are adjusted for non-cash expenses and income (mainly amortization and depreciation charges and currency differences). The changes in working capital comprise changes in inventories, trade receivables, trade payables (also including balances with non-consolidated affiliated companies and entities in which participatory investments are held), as well as changes in contract assets and contract liabilities.

The cash flow from operating activities amounted to €562,284 thousand (2017: €275,489 thousand). The operating result before changes in working capital was €184,396 thousand (2017: €100,687 thousand).

Investing activities comprise cash inflows and outflows deriving from disposals of and additions to intangible assets, property, plant and equipment, as well as financial assets. The cash flow from investing activities amounted to €–41,698 thousand (2017: €–13,024 thousand).

The cash flow from financing activities includes cash inflows deriving from the take up of borrowings, amounting to €26,391 thousand (2017: €51.190 thousand), as well as cash inflows and outflows deriving from transactions with the M+W Group GmbH Group, amounting to €–130,875 thousand (2017: €–187,851 thousand). The cash from financing activities amounted to €–104,038 thousand (2017: €–136,920 thousand).

The changes in the reported line items in the statement of financial position that are used to present developments for purposes of the cash flow statement cannot be directly derived from the statement of financial position, as impacts arising from foreign currency translation and changes in the scope of the consolidation are not cash-based items and need to be filtered out.

Many non-cash effective transactions occurred during the course of the M+W Group's legal restructuring process and whilst creating the Exyte Group; these had no impact on the statement of cash flows.

27 Contingent assets and liabilities

Contingent assets and liabilities

in € thousand

	31.12.2018	31.12.2017
Contingent liabilities deriving from bank guarantees	372,102	253,343
Total	372,102	**253,343**

All the items reported above are concerned with potential future obligations, for which utter uncertainty exists at the year-end reporting date, as to whether the relevant future events that would lead to an obligation will in fact occur. In many cases, group entities incur warranty obligations during the normal course of their operational business activities. Such cases mainly involve obligations to take responsibility for a particular successful outcome or for a particular service to be rendered.

The Exyte Group is subject to the respectively applicable tax legislation that applies in many different countries. Risks may arise from changes in local taxation laws or from legal decisions and different interpretations concerning existing tax legislation. In consequence, both the tax expenses, or respectively tax credits of, and tax receivables or liabilities of the Group may be impacted by such circumstances.

28 Other financial commitments

Financial obligations deriving from rental and lease agreements are presented in Note 13.

29 Related party disclosures pursuant to IAS 24

As defined by IAS 24, related parties are entities or natural persons that control, or are controlled by, the Exyte Group. In this connection, control is exercised if a shareholder has decision-making powers over a subsidiary, deriving from voting rights or other rights, participates in positive or negative returns and can influence such returns through these decision making powers.

In addition, a person – or a close member of that person's family – meets the definition of a related party if they can exercise significant influence over an entity, or if they hold a key position in the management of the entity or the parent of the entity.

The ultimate parent with control over M+W Group GmbH is Millenium Privatstiftung, Vienna, Austria.

Relationships to the M+W Group GmbH Group

The Exyte Group maintains business relationships with the M+W Group GmbH Group (M+W Group GmbH and its directly and indirectly held entities, with the exception of those belonging to the Exyte Group).

Entities belonging to the M+W Group GmbH Group are related parties because the Exyte Group is controlled by M+W Group GmbH, Stuttgart, Germany.

The following goods delivered and services rendered to, other income from and income deriving from the reversal of specific allowances concerning the M+W Group GmbH Group and conversely goods received and services rendered by, other expenses charged by or increases in specific allowances concerning the M+W Group GmbH Group in the reported years 2018 and 2017 were as follows:

Transactions with the M+W Group GmbH Group

in € thousand

	2018	2017
Goods delivered & services rendered and other income	28,006	43,397
Income deriving from the reversal of specific allowances	18,783	7,227
Goods & services received and other expenses	88,587	62,928
Expenses deriving from waiver of a debt	5,125	–
Expenses deriving from increases in specific allowances	976	2,033

Receivables due from and liabilities due to the Exyte Group from relationships with the M+W Group GmbH Group were as follows:

Receivables/liabilities from relationships with the M+W Group GmbH Group

in € thousand

	31.12.2018	31.12.2017
Receivables	200,308	396,841
thereof: receivables deriving from financing	172,644	358,243
thereof: other	27,664	38,598
Liabilities	68,787	67,064
thereof: liabilities deriving from financing	57,394	59,326
thereof: other	11,393	7,738

The receivables deriving from financing are stated net of specific allowances, amounting to €18,621 thousand (2017: €11,714 thousand). Specific allowances made against other receivables amounted to €2,151 thousand (2017: €6,938 thousand).

The disclosed financing liabilities and receivables are current in nature; the agreed interest rates vary in regular intervals and are dependent upon the respective development of the EURIBOR/LIBOR/SIBOR.

Exyte AG carries joint liability for existing credit lines extended to the M+W Group GmbH Group in the amount of €108,218 thousand. The Company's risk arising from this joint liability is mitigated by the fact that the Company has a right of recourse against M+W in the event of a claim arising from this joint liability, which the Company assesses to be of value.

Relationships to other related parties

Income/expenses from relationships to related parties

in € thousand

	2018	2017
Stumpf Development GmbH, Vienna, Austria		
Expenses incurred for planning services rendered	2,817	975
Non-consolidated subsidiaries of the M+W Group GmbH Group		
Interest income	2	12
Other operating expenses	22	15

Receivables/liabilities from relationships to related parties

in € thousand

	31.12.2018	31.12.2017
Stumpf Development GmbH, Vienna, Austria		
Liabilities	512	110
Non-consolidated subsidiaries of the M+W Group GmbH Group		
Loans receivable	0	1,244
Trade receivables	63	601
Trade payables	47	67

Stumpf Development GmbH, Vienna, Austria, belongs to the group of companies owned by Millennium Privatstiftung, Vienna, Austria.

Relationships to non-consolidated subsidiary companies and joint ventures

Income and expenses deriving from transactions in 2018 and 2017 with subsidiaries that are not included in the consolidated financial statements were as follows:

Income/expenses from relationships to subsidiaries not included in the consolidated financial statements

in € thousand

	2018	2017
Interest income	22	17
Other operating expenses	3	0
Cost of sales	324	200

The receivable and liabilities of the Exyte Group relating to non-consolidated subsidiary companies were as follows:

Receivables/liabilities from relationships to subsidiaries not included in the consolidated financial statements

in € thousand

	31.12.2018	31.12.2017
Loans receivable	4,822	903
Trade receivables	0	2
Trade payables	67	10

All business relationships with subsidiaries that are not included in the consolidated financial statements and other related party entities are conducted at normal market conditions.

Supervisory Board and Executive Board

Remuneration granted to the members of the supervisory board amounted in total to €205 thousand (2017: €9 thousand). Total remuneration granted to the Executive Board for the year reported amounted to €3,495 thousand (2017: €2,686 thousand). This amount is split into fixed remuneration of €1,864 thousand (2017: €1,561 thousand) and variable remuneration amounting to €1,631 thousand (2017: €1,125 thousand). All remuneration is classified as short-term.

30 Segment information

I. General information

The business is monitored by the Executive Board, made up of the CEO, CFO and the COO, who operate together as the "Chief Operating Decision Makers" (CODM) of the Exyte Group. The business activities of the Exyte Group are carried out in four operational, mainly regionally-oriented, segments (Regional Segments): Europe, Middle East and Africa (EMEA), Americas (AMER), Asia-Pacific (APAC) and Technology (TECH). These are the segments for which reporting is mandatory.

In addition to this, the business activities of the Group are reported to the CODM, based on Business Segments: Advanced Technology Facilities (ATF), Life Sciences & Chemicals (LSC), Data Center (DTC) and Regional Specific Business (RSB). The first three segments – ATF, LSC and DTC – are also termed Global Business Units, as their business activities are global and these also have a parallel Business Segment leadership – in accordance with the matrix structure of the organization.

The Executive Board of the Exyte Group reviews the results of the above-named segments at least monthly, on the basis of internal management reports. The segment information presented has been prepared on the same basis as is used for the purpose of preparing the internal management reports that are used by the CODM as the basis for monitoring the business development of the Group and allocating resources within the Group.

The same accounting principles have been used for Regional Segment reporting purposes as were used for the purpose of preparing the consolidated financial statements. Transactions between reportable segments are conducted at normal market conditions.

The Business Segment reporting is generated by reference to an additional disclosure attribute included in the accounting for the individual projects undertaken by an entity. The aggregated sum of the amounts disclosed for the projects is equal to the total amount disclosed for an entity.

II. Segment financial information

Information concerning the results for each reportable segment is reported below.

As far as the Regional Segments are concerned, the information reported is derived from a complete income statement. The main control parameters defined for the income statement are revenues, gross margin, as well as the adjusted profit (or loss) of the segment before the result from participatory interests, net interest and taxes on income (adjusted EBIT).

In the reporting process, certain expenses incurred by the Group's central functions have been allocated to the Regional Segments (allocable costs); other expenses remain assigned to the central functions (non-allocable costs).

As far as the Business Segments are concerned, the control parameters revenue and gross margin are used to measure business development and profitability, as the Executive Board believes that these key figures contain the most relevant information for assessing the results of the Business Segments.

Non-operational costs that could not be allocated to a project have not been assigned to the Business Segments. Such costs are disclosed in the following reconciliations as "Unallocated amounts" or "Consolidation adjustments".

The other significant non-cash items that are disclosed represent specific allowances against receivables due from third parties, as well as from entities belonging to the M+W Group that are not allocable to the Exyte Group.

Among other ways the Executive Board measures the profitability of the segments based on the adjusted EBIT.

The adjusted EBIT is defined as the result from operating activities (EBIT) adjusted for

- Restructuring costs in connection with the strategic realignment of the former M+W Group;
- Costs for closure and relocations of sites;
- Costs in connection with adjustments to capacity within the context of optimization programs;
- Income or expenses driving from litigation proceedings in connection with historical legacy issues; and
- Income and expenses in connection with the reorganization of the former M+W Group (allowances for impairment losses).

The adjusted EBIT serves the purpose of presenting profitability after excluding positive or negative effects that derive from non-recurring effects, effects that do not derive from normal business activities or "one-time" effects (NB: none such one-time effects are included that needed to be adjusted for to date). This ensures the comparability between different reporting periods, in order to show the real development of our operative business activities.

Reconciliation of the result from operating activities (EBIT) to the adjusted EBIT:

Reconciliation of the result from operating activities (EBIT) to the adjusted EBIT

in € thousand

	2018	2017
Result from operations (EBIT)	**169,980**	**104,620**
Adjustments due to the reorganization of the former M+W Group (allowances for impairment losses)[1]	–12,393	–5,192
Adjustment due to restructuring measures[2]	8,215	7,024
Adjustments due to site relocations[3]	4,398	1,871
Adjusted EBIT	**170,200**	**108,323**

[1] Includes income and expenses deriving from the set up and reversal of allowances for impairment losses in intra-group receivables, due from other members of the M+W Group GmbH Group (i.e. not including those entities that are part of the Exyte Group). Moreover, such intra-group receivables resulted from the historical group structure and are being eliminated within the context of the reorganization.
[2] Includes expenses for optimization programs and restructuring costs in connection with the strategic realignment; these were mainly incurred in connection with a restructuring and cost-reduction initiative in our Regional Segments and restructuring activities in connection with discontinued business activities.
[3] Includes expenses with the relocation of the new head office and production site of Exyte Technology GmbH from Stuttgart to Renningen and the set-up of a new production site in the Czech Republic.

Key figures of regional segments 2018

in € thousand

2018	EMEA	AMER	APAC	TECH	Total: Regional Segments	Unallo-cated amounts	Consoli-dation adjust-ments	Exyte Group
External revenue of the Regional Segments	895,272	576,577	1,990,314	72,494				
Revenue between Regional Segments	3,989	1,847	2,431	32,361				
Regional Segment revenue	**899,261**	**578,424**	**1,992,745**	**104,855**	**3,575,285**		**43,833**	**3,531,452**
Cost of sales	845,083	558,604	1,791,325	91,484	3,286,496		44,164	3,242,332
Gross margin	54,178	19,820	201,420	13,371	288,789		331	289,120
Gross margin as a percentage of revenues	6.0%	3.4%	10.1%	12.8%	8.1%	–	–	8.2%
EBIT	34,099	–3,157	160,118	42,216[1]	233,276	24,867	38,428[1]	169,980
EBIT as a percent-age of sales revenues	3.8%	–0.5%	8.0%	40.3%	6.5%	–	–	4.8%
Adjusted EBIT	31,320	–2,828	150,719	7,662	186,873	–24,867	8,194	170,200
Adjusted EBIT as a percentage of revenues	3.5%	–0.5%	7.6%	7.3%	5.2%			4.8%
Scheduled depreciation and amortization	1,060	2,108	1,613	884	5,665	737	–	6,402
Other significant non-cash items	2,066	–393	4,280	253	6,206	–46	–	6,160
Additions to non-current assets	1,590	1,223	42,559	38,648	84,020	52	–39,460	44,612

[1] This disclosure includes significant income from the sale of a business, amounting to €38,952 thousand.

Key figures of Business Segments 2018

in € thousand

2018	ATF	LSC	DTC	RSB	Total: Business Segments	Unallo-cated amounts	Consoli-dation related reconcili-ation	Exyte Group
Business Segment revenue	2,765,341	327,991	170,967	267,374	3,531,673		−221	3,531,452
thereof: EMEA	561,977	96,702	166,176	74,409	899,264			
thereof: AMER	240,531	152,504	441	185,020	578,496			
thereof: APAC	1,906,129	74,692	4,449	7,511	1,992,781			
thereof: TECH	97,180	7,372	0	440	104,992			
thereof: consolidation adjustments between Regional Segments	−40,476	−3,279	−99	−6	−43,860			
Cost of sales	2,491,533	312,242	162,826	252,776	3,219,377	22,955		3,242,332
Gross margin	273,808	15,749	8,141	14,598	312,296	−22,845	331	289,120
Gross margin as a percentage of revenue	9.9%	4.8%	4.8%	5.5%	8.8%			8.2%

Key figures of regional segments 2017

in € thousand

2017	EMEA	AMER	APAC	TECH	Total: Regional Segments	Unallo-cated amounts	Consoli-dation adjust-ments	Exyte Group
External revenue of the Regional Segments	500,925	570,414	1,248,979	61,750	2,382,068	–	–	–
Revenue between Regional Segments	3,934	1,061	1,519	20,578	27,092	–	–	–
Regional Segment revenues	**504,859**	**571,475**	**1,250,498**	**82,328**	**2,409,160**	**–**	**–26,457**	**2,382,703**
Cost of sales	462,531	557,749	1,113,730	72,937	2,206,947	–	–30,745	2,176,202
Gross margin	42,328	13,726	136,768	9,391	202,213	–	4,288	206,501
Gross margin as a percentage of revenues	8.4%	2.4%	10.9%	11.4%	8.4%	–	–	8.7%
EBIT	10,984	–16,159	106,395	2,351	103,571	–3,438	4,487	104,620
EBIT as a percentage of revenues	2.2%	–2.8%	8.5%	2.9%	4.3%	–	–	4.4%
Adjusted EBIT	16,100	–14,471	101,423	4,222	107,274	–3,438	4,487	108,323
Adjusted EBIT as a percentage of revenues	3.2%	–2.5%	8.1%	5.1%	4.5%			4.5%
Scheduled depreciation and amortization	1,731	2,483	1,244	659	6,117	660	–	6,777
Other significant non-cash items	2,092	942	3,013	96	6,143	–	–	6,143
Additions to non-current assets	1,873	1,484	1,541[1]	7,275	12,173[1]	1,011	–	13,184[1]

[1] Adjusted: refer to Note 18.

Key figures of Business Segments 2017

in € thousand

2017	ATF	LSC	DTC	RSB	Total: Business Segments	Unallo-cated amounts	Consoli-dation related reconcili-ation	Exyte Group
Business Segment revenue	1,519,961	365,411	134,450	354,320	2,374,142	–	8,561	2,382,703
thereof: EMEA	128,011	150,469	131,996	91,865	502,341			
thereof: AMER	180,213	136,827	330	254,064	571,434			
thereof: APAC	1,167,397	74,234	2,378	5,291	1,249,300			
thereof: TECH	72,237	7,191	0	3,228	82,656			
thereof: consolidation adjustments between Regional Segments	–27,897	–3,310	–254	–128	–31,589			
Cost of sales	1,350,685	337,563	127,626	338,596	2,154,470	15,663	6,069	2,176,202
Gross margin	169,276	27,848	6,824	15,724	219,672	–15,663	2,492	206,501
Gross margin as a percentage of revenue	11.1%	7.6%	5.1%	4.4%	9.3%	–	–	8.7%

III. Geographic information

The table presented below shows the sales revenue of the Exyte Group, as well as the non-current assets, differentiating between the territory in which the organization is based and other territories. For purposes of presentation of this geographic information, the sales revenue for the segment is assigned based on the respective location of the registered office of the entity that generated the sales revenue and the segment assets are assigned based on the geographic location of the assets. Goodwill has been exclusively assigned to Germany, as this is the location of registered office of the Parent Company of the newly-formed Group.

The figures for non-current assets do not include financial instruments, deferred tax assets and assets relating to employee benefits.

Sales revenue by territory

in € thousand

	2018	2017
Germany	211,653	228,087
China	729,700	576,233
USA	576,387	570,223
Singapore	970,388	395,709
Other	1,043,323	612,451
Total	**3,531,452**	**2,382,703**

Non-current assets by territory

in € thousand

	31.12.2018	31.12.2017
Germany	178,445	144,072
USA	6,558	8,233
Other	10,297	6,810
Total	**195,300**	**159,115**

IV. Important customers
Sales revenue with one customer, which is mainly attributable to the APAC segment, account for €962,987 thousand (2017: €720,312 thousand) of the total sales revenue of the Exyte Group.

Sales revenue with another customer, which is also mainly attributable to the APAC segment account for €812.015 thousand (2017: €279,423 thousand) of the total sales revenue of the Exyte Group.

31 Events subsequent to December 31, 2018

Subsequent events include events that occur between the reporting date and the point in time at which the financial statements are approved. No events occurred that needed to be considered.

The Executive Board of the Exyte Group approved the publication of the consolidated financial statements on April 24, 2019.

Mandatory and supplementary disclosures made in accordance with the HGB

Supplementary disclosures pursuant to Sections 314 and 264 of the HGB

Number of employees
The average number of employees was made up as follows:

Number of employees

	2018
Industrial workers	1,402
Salaried employees	3,690
Trainees	17
Total	**5,109**

Cost of materials and personnel costs
in € thousand

	2018
Cost of materials	**2,279,808**
Cost of raw materials, consumables and supplies and purchased merchandise for resale	423,638
Cost of purchased services	1,856,170
Personnel costs	**407,342**
Wages and salaries	318,764
Social security contributions, retirement and other support benefits	88,578

With respect to disclosure of retirement benefit expenses, reference is made to Note 20.

Auditor's remuneration
The total fees charged by the auditor for the financial year ended December 31, 2018 amounted to:

Auditor fees
in € thousand

	2018
For audit of financial statements	341
thereof: relating to previous years	64
For other attestation services	0
For tax advisory services	59
For other services	44
Total	444

Claims for relief from requirements to prepare and publish separate financial statements
Due to their inclusion in the consolidated financial statements of Exyte AG, the following fully consolidated German affiliated companies have taken advantage of the exemption provisions under Section 264 (3) of the HGB:

- Exyte Technology GmbH, Renningen;
- Exyte Europe Holding GmbH, Stuttgart;
- Exyte Central Europe GmbH, Stuttgart;
- Exyte Management GmbH, Stuttgart.

Executive Board

Dr. Wolfgang Büchele
Munich, Germany
Chief Executive Officer
(up until October 3, 2018, with M+W Group GmbH; on July 23, 2018, appointed as a member of the Executive Board of Exyte AG)

Roberto Penno
London, United Kingdom
Chief Operating Officer
(up until October 3, 2018, with M+W Group GmbH; on July 23, 2018, appointed as a member of the Executive Board of Exyte AG)

Wolfgang Homey
Essen, Germany
Chief Financial Officer
(up until October 3, 2018, with M+W Group GmbH; on July 23, 2018, appointed as a member of the Executive Board of Exyte AG)

Supervisory Board of Exyte AG

Mag. Georg Stumpf
Chairman
Vienna, Austria
Businessman

Karl Ableidinger
Deputy Chairman
Vienna, Austria
Managing director of Stumpf Energy GmbH

Thomas Boehnke
Stuttgart, Germany
Deputy department head of building services and group leader within Exyte Central Europe GmbH,

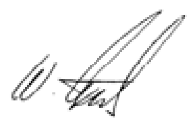
Prof. Dr. Harald Kessler
St. Ingbert, Germany
Management consultant and managing director of KLS Accounting & Valuation GmbH

Dorothee Johanna Lauffer
Ditzingen, Germany
Chairperson of the works council of Exyte Technology GmbH and chairperson of the works council for the Exyte Group

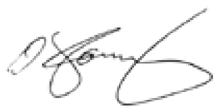
Michael Wang
Taipei City, Taiwan
Independent board member of Janus Technologies Inc.; Simplo Technology Co Ltd.; Casetek Holdings Ltd.; Phison Electronics Corp. and Industrial Technolgy Investment Corp.

Stuttgart, April 24, 2019

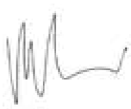
The Executive Board



Dr. Wolfgang Büchele (CEO)



Wolfgang Homey (CFO)



Roberto Penno (COO)

List of Shareholdings of Exyte AG as of December 31, 2018

No.	Name of the company	Registered office, country	Share of Capital (%)	via
1.	**Exyte AG**	**Stuttgart, Germany**		
Fully consolidated subsidiary companies				
2.	Exyte Asia-Pacific Holding Ltd.	Singapore, Singapore	100	
2. Consolidated subsidiary companies of Exyte Asia-Pacific Holding Ltd.				
2.1.	Exyte Americas Holding, Inc.	Plano, USA	100	
2.2.	Exyte Europe Holding GmbH	Stuttgart, Germany	100	
2.3.	Exyte Singapore Pte. Ltd.	Singapore, Singapore	100	
2.4.	Exyte Trading (Singapore) Pte. Ltd.	Singapore, Singapore	100	
2.5.	M+W Shanghai Co. Ltd.	Shanghai, China	100	
2.1. Consolidated subsidiary companies of Exyte Americas Holding Inc.				
2.1.1.	Exyte Energy, Inc.	Union, USA	100	
2.1.2.	Exyte Gilbane JV	Plano, USA	51	
2.1.3.	Exyte U.S., Inc.	Albany, USA	100	
2.1.4.	Total Facility Solutions, Inc.	Plano, USA	100	
2.2. Consolidated subsidiary companies of Exyte Europe Holding GmbH				
2.2.1.	Exyte Central Europe GmbH	Stuttgart, Germany	100	
2.2.2.	Exyte France SAS	Rousset, France	100	
2.2.3.	Exyte Japan Ltd.	Tokyo, Japan	100	
2.2.4.	Exyte Management GmbH	Stuttgart, Germany	100	
2.2.5.	Exyte Northern Europe Ltd.	Maynooth, Ireland	100	
2.2.6.	Exyte Rus, LLC	Moscow, Russia	99.9975/ 0.0025	2.2./ 2.2.1.
2.2.7.	Exyte Technology GmbH	Renningen, Germany	100	
2.2.7. Consolidated subsidiary companies of Exyte Technology GmbH				
2.2.7.1.	Exyte Technology CZ s.r.o.	Ùstí nad Labem, Czech Republic	100	
2.2.7.2.	Exyte Technology Gebäude GmbH & Co. KG	Stuttgart, Germany	89.9	

No.	Name of the company	Registered office, country	Share of Capital (%)	via
2.3. Consolidated subsidiary companies of Exyte Singapore Pte. Ltd.				
2.3.1.	Exyte Hargreaves Ltd.	Chippenham, Great Britain	100	
2.3.2.	Exyte Israel Engineering Ltd.	NesTsiona, Israel	100	
2.3.3.	Exyte Malaysia Sdn. Bhd.	Penang, Malaysia	100	
2.3.4.	Exyte Services (Singapore) Pte. Ltd.	Singapore, Singapore	100	
2.3.5.	Exyte Vietnam Co., Ltd.	Ho Chi Minh City, Vietnam	100	
2.3.4. Consolidated subsidiary companies of Exyte Services (Singapore) Pte. Ltd.				
2.3.4.1.	Exyte Services (Malaysia) Sdn. Bhd.	Penang, Malaysia	100	
2.4. Consolidated subsidiary companies of Exyte Trading (Singapore) Pte. Ltd.				
2.4.1.	Exyte Taiwan Co., Ltd.	Hsinchu, Taiwan, R.O.C.	100	
2.5. Consolidated subsidiary companies of M+W Shanghai Co. Ltd.				
2.5.1.	M+W Products (Shanghai) Co. Ltd.	Shanghai, China	100	
2.5.2.	M+W Trading (Shanghai) Co. Ltd.	Shanghai, China	100	
3. Non-consolidated subsidiary companies				
3.1.	Exyte Michigan, Inc.	Abbott, USA	100	2.1.3.
3.2.	Exyte North Carolina, Inc.	Raleigh, USA	0[1]	2.1.3.
3.3.	Exyte Technology Verwaltungs GmbH	Stuttgart, Germany	100	2.2.7.2.
3.4.	Exyte UK Ltd.	Chippenham, Great Britain	100	2.2.
3.5.	M+W Zander NY Architects, P.C.	Plano, USA	0[1]	2.1.3.
3.6.	Nanjing Enviro-Chem Engineering Design Co. Ltd.	Nanjing, China	75	2.5.

[1] The shares are held in trust by third parties.

Independent Auditor's Report

To Exyte AG
(until 23 August 2018 TCNLG Group AG), Stuttgart, Germany

Opinions

We have audited the consolidated financial statements of Exyte AG, of Stuttgart, Germany and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows, for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Exyte AG for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other Information

Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal controls as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a significant unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 24 April 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

[signature] Mayran	[signature] Bauer
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Imprint

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Disclaimer

This report contains forward-looking statements which are based on the current estimates and assumptions made by the corporate management of Exyte Group. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Exyte Group and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. The Company neither plans nor undertakes to update any forward-looking statements.

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