Facilities of the Future

Delivering excellent turnkey solutions

Annual Report 2019

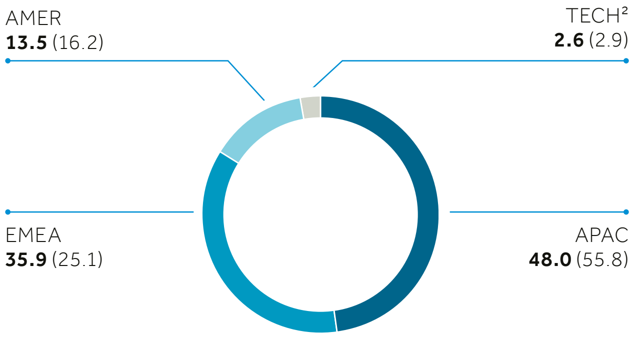
Figures at a Glance

in € million	1.1.–31.12. 2019	1.1.–31.12. 2018	Growth
Order intake	4,756	4,392	+8.3%
Sales	3,889	3,531	+10.1%
Gross profit	332	289	+14.9%
Gross profit margin in %	8.5	8.2	+0.3 PP
EBIT	213	170	+25.3%
EBIT margin in %	5.5	4.8	+0.7 PP
Adjusted EBIT[1]	223	170	+31.2%
Adjusted EBIT margin in %	5.7	4.8	+0.9 PP
Group net profit	165	146	+13.0%
Group net profit margin in %	4.2	4.1	+0.1 PP
Earnings per share (in €)	1.10	0.97	+13.4%
Number of employees (full-time equivalents at the end of the period)	5,170	5,561	–
Cash flow from operating activities	71	562	–
Cash flow from investing activities	–3	–42	–
Free cash flow	68	520	–
	31.12.2019	**31.12.2018**	**Growth**
Order backlog	3,711	2,902	+27.9%
Net working capital	–572	–690	–
Net working capital in % of sales[2]	–14.7	–19.5	+4.8 PP

[1] Adjusted EBIT is defined as result from operations (EBIT) adjusted by restructuring costs related to strategic realignment of Exyte Group, costs incurred for the closure and relocation of sites, costs regarding capacity adjustments within the context of optimization programs, income or expenses deriving from lawsuits relating to legacy issues, income or expenses in connection with the reorganization of Exyte Group (bad debt allowance), and costs for other unusual or extraordinary events which are not normally recurring or not in the normal course of business (EBIT adjustments).
[2] The percentage in the financial year 2019 is calculated based on the 2019 sales, which is € 3,889 million. Full year 2018 sales: € 3,531 million.

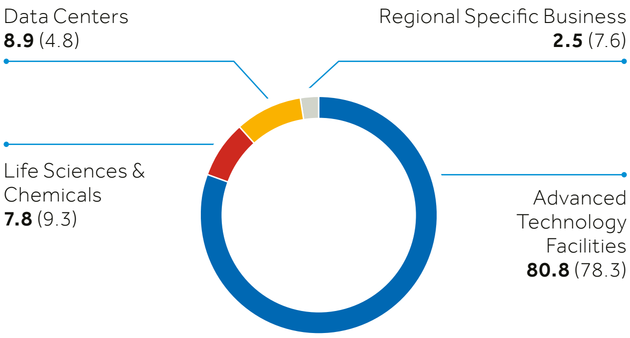
Sales by Region 2019[1]

in % (previous year)



Sales by Business Segment 2019

in % (previous year)



[1] Before consolidation of the regions.
[2] Exyte Technology (equipment).

About Exyte

A global leader in engineering services, Exyte designs, builds, and delivers facilities for high-tech industries. Steeped in more than 100 years of history, the company has developed unique expertise in controlled and regulated environments. With its expansive footprint and global reach, Exyte is able to meet the sophisticated demands of clients in industries such as semiconductors, batteries, pharmaceuticals, biotechnology, and data centers.

In 2019, Exyte generated sales of €3.9 billion with 5,200 highly experienced and motivated employees.



Cleanrooms and controlled environments for clients in the semiconductor, pharmaceutical, and data center industries.

Contents

On Track for Continued Success

Interview with Dr. Wolfgang Büchele, Chief Executive Officer of Exyte

Dr. Büchele, how would you summarize Exyte's financial highlights of 2019?

The year 2019 was an excellent one for us. We were able to improve all significant performance indicators, including sales, order intake, and adjusted EBIT, by double-digits when compared to 2018, which was already a particularly strong financial year. In 2019, Exyte generated sales of €3.9 billion (2018: €3.5 billion), increased its order intake to €4.8 billion, and boosted its profitability by 31%, achieving adjusted EBIT of €223 million compared to €170 million in 2018.

Could you please provide a perspective on how the regions and the three strategic business segments performed in 2019?

In Europe (EMEA), we saw substantial growth in 2019 compared to the previous year. Due to the significant new projects awarded in Ireland, Austria, and Denmark, Exyte achieved an order intake of €2.8 billion and sales of €1.4 billion in EMEA. In APAC, we achieved an order intake of €1.3 billion. Due to large ongoing projects in Singapore, China, and Malaysia, APAC delivered a very strong performance, resulting in sales of nearly €1.9 billion. With an order intake of €612 million and sales of €531 million, the development in the USA (AMER) remains encouraging.

Our strategic business segment Advanced Technology Facilities (ATF), in particular our semiconductor business, remains our main growth driver. Exyte concluded 2019 with €3.1 billion in sales in ATF, which is a year-over-year increase of almost 14% as compared to 2018. We secured important orders from our repeat clients and grew despite lower investments in the semiconductor industry when compared to 2018.

At the same time, the positive development of the two other strategic business segments, Life Sciences & Chemicals (LSC) and Data Centers (DTC), continues. With €304 million and €346 million, respectively, sales of LSC were slightly below the previous year's level while DTC more than doubled its sales volume as compared to 2018. The development in both business segments is a key pillar in our long-term strategy.

Speaking of strategy, could you please give an overview of the main components of Exyte's strategy?

We believe that we can only sustain success if we commit to a mindset of continuous adaptation to client needs as well as continuous improvement of our organization and operations. With this in mind, we have been working on several initiatives, which constitute our "upside" program. The five pillars of "upside" will remain to be the core of our strategic ambitions in the years to come:

1. Expansion of our core business by seizing growth opportunities globally;
2. Strategic acquisitions to complement the expertise of our business segments;
3. Continuous optimization by improving our operations and processes;
4. Digitization of workflows in operations and administration;
5. Organizational development to better serve our clients globally.

What initiatives within the "upside" program did you particularly focus on in the past year?
With the oneCOMPANY approach, we have reformulated our vision and values, and have harmonized our processes and activities to reach a common standard. This approach also allows us to maximize the full potential of our organization and to further strengthen precision and professionalism in everything we do.

The development of our people has been another one of our main focal points. The know-how and unmatched expertise of our employees all around the world are key to successfully meeting the highest quality standards of our clients in the most technologically advanced industries. In 2019, we launched various online training programs and will further strengthen talent management at the corporate level in 2020.

With safety being one of our values at Exyte and of utmost importance when it comes to our most important asset, our employees, we have rolled out the IFW (Incident Free Workplace) program globally. Initially developed and launched in the APAC region in 2018, this program ensures that a strong safety culture is embedded within our organization. In 2018, we achieved a total recordable incident rate of 0.32 (referenced to 200,000 working hours). In 2019, the ratio for all reportable incidents was 0.26, which is even better than the 10% reduction we had set as our goal.

Compliance training for all employees also played a big role in 2019. The corporate team went on a global compliance roadshow to enhance the awareness of the Exyte compliance management system. Furthermore, every Exyte employee completed the compliance e-training course, and will be taking a refresher training on a yearly basis.

— The year 2019 was an excellent one for us. We were able to improve all significant performance indicators by double-digits when compared to 2018.

Looking ahead, what do you expect for the future of Exyte in 2020 and beyond?
The coronavirus has continued to spread as the global COVID-19 pandemic evolves. At the moment, we perceive that this pandemic would have a negative impact on the most important KPIs, i.e. order intake, sales, and EBIT. Since the full impact of the COVID-19 pandemic cannot be reliably estimated, we are now predicting lower 2020 order intake than 2019. Due to the healthy backlog at the end of 2019, we expect 2020 sales to be similar to 2019 sales. However, due to the changes in the project portfolio mix, we anticipate a slight decline in the adjusted EBIT compared to 2019.

These financial projections are based on the assumption that the remainder of 2020 will not be marked by a second wave of coronavirus infections globally on the same scale as the first, and that the easing of global restrictions will gradually continue until the end of the summer. We further project that the weakened global economy will show clear signs of recovery in the second half of the year as the impacts from the various government stimulus packages are fully realized.

In the medium term, we continue to aim for sales of €5 billion and a sustained adjusted EBIT margin of ≥ 5%.

I would like to express my sincere gratitude and appreciation to our highly motivated and experienced employees, who have all contributed to the sustained success of our company, as well as to our shareholder, Mr. Georg Stumpf, for his continuous support.

As our brand claim states, we "Bring the future of technology to life," and I look forward to working with both our dedicated employees and our respected clients to make this happen.

— "Bringing the future of technology to life." I look forward to working with both our dedicated employees and our respected clients to make this happen.

Executive Board

Wolfgang Homey
Chief Financial Officer
(until February 29, 2020)

Responsibilities
Corporate Accounting
Corporate Treasury
Corporate Controlling
Corporate Legal & Insurance
Corporate IT
Corporate Tax
Corporate Risk & Internal Controls

Segment TECH
(Exyte Technology)

Dr. Wolfgang Büchele
Chief Executive Officer

Responsibilities
Corporate Strategy/M&A
Corporate Compliance
Corporate Internal Audit
Corporate Human Resources
Corporate Communications & Investor Relations

Business Segments Advanced Technology Facilities, Life Sciences & Chemicals, and Data Centers

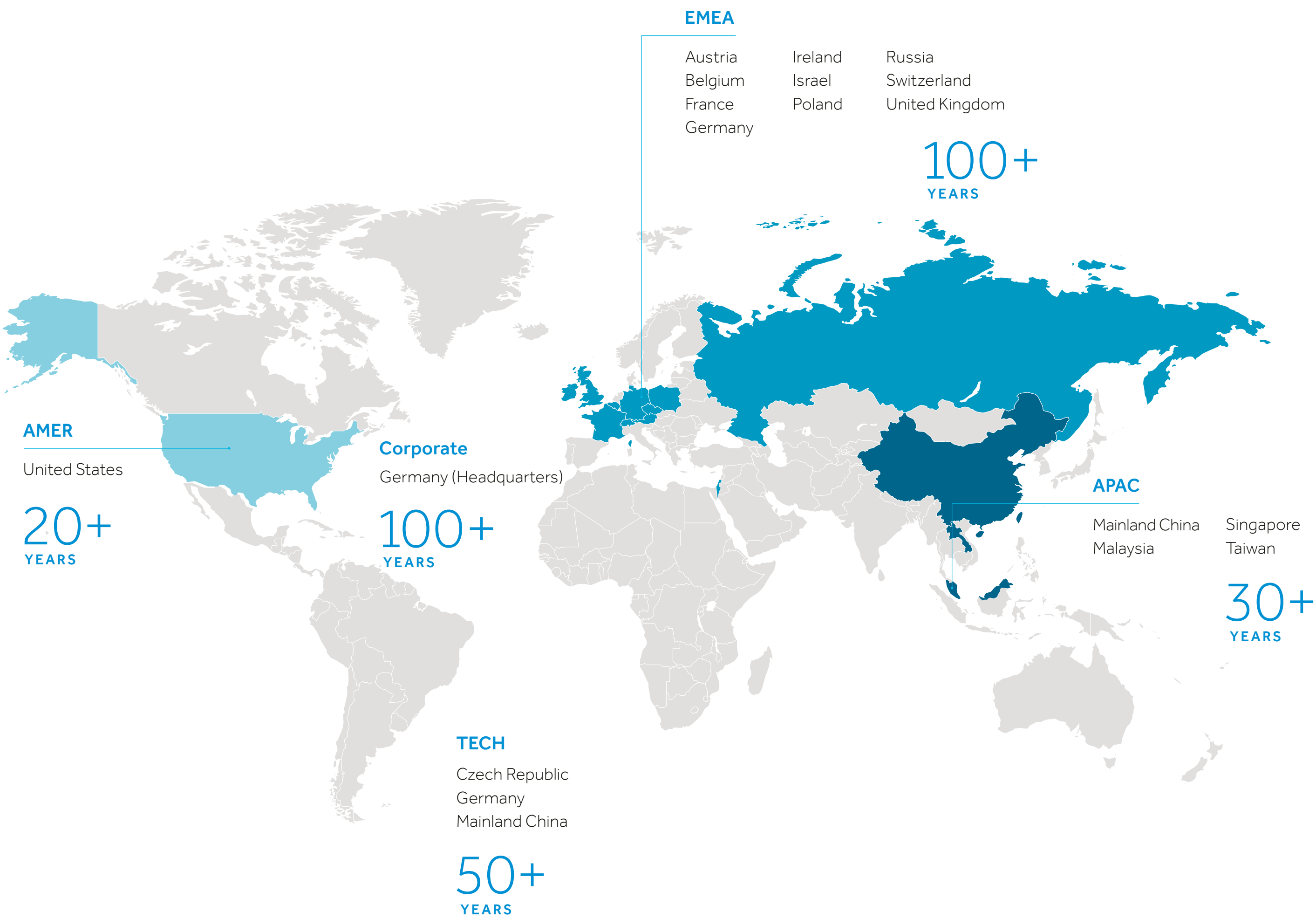
Roberto Penno
Chief Operating Officer

Responsibilities
Corporate Environment, Health & Safety
Corporate Project Control
Corporate Quality Management

Regional Segments APAC, AMER, and EMEA as well as the segment Regional Specific Business

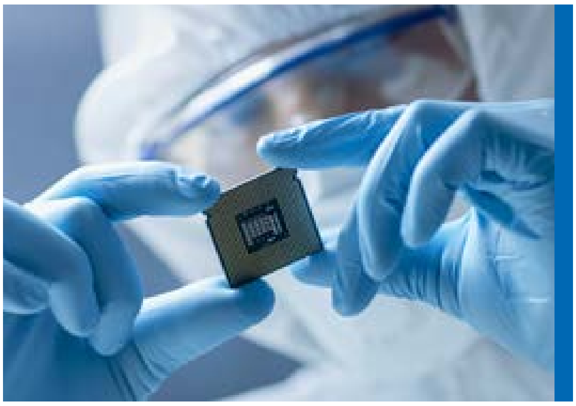
Serving Clients Globally

Exyte continues to maintain its role as a global leader in high-tech industries. Operating in more than 20 countries, we are uniquely positioned to support clients globally and to meet their local challenges. Building on our long experience, broad industry insight, and deep understanding of our clients' individual production challenges, we forge trusted and enduring relationships.



Thriving in Growth Industries

Exyte focuses on three strategic business segments in the high-tech sector. What do they all have in common? Incredibly complex requirements throughout the whole process chain. We offer global expertise and services to take on this challenge. Exyte is committed to the highest standards of quality, safety, and on-schedule delivery.



Advanced Technology Facilities (ATF)

Semiconductors

Flat Panel Displays

Photovoltaics

Batteries

Life Sciences & Chemicals (LSC)

Pharmaceuticals & Biotechnology

Food & Nutrition

Consumer Care

Specialty Chemicals

Data Centers (DTC)

Cloud Computing

Co-Location

High Performance Computing

Enterprise

Advanced Technology Facilities (ATF)

Opportunities

- **Increased demand** for chip production facilities
- **Rapid economic growth** in China
- **New technology** in the semiconductor industry: advanced lithography
- **New markets** for lithium-ion batteries in the electromobility industry

Smart solutions for high-tech facilities

Exyte's largest business segment serves the world's most challenging high-tech industries. It takes very sensitive physical and chemical processing technologies to develop and produce semiconductors, flat panel displays, batteries, and photovoltaic modules.

A market leader in this field, we help manufacturers and research institutes build, extend, and restructure the complex facilities that they need. With our integrated consultancy, engineering, and project management services, we deliver solutions tailored to our customers' needs.

Macro-trends & market drivers

Microchips are ubiquitous. At home, at work, at play, these integrated circuits are our constant companions. Digital transformation across the globe requires ever faster processors with more powerful performance. And the trend towards greater sustainability is bolstering our growth in the battery and photovoltaic industries.

Life Sciences & Chemicals (LSC)

Macro-trends & market drivers

Rising life expectancy and prosperity are impelling medical advances. But companies need smarter, more flexible research facilities and manufacturing plants to develop and deliver new drugs, and personalized treatment as well as cell and gene therapies. This is driving global demand for our services.

End-to-end services to assure safety

Compliance with quality assurance requirements is paramount when building research and manufacturing facilities for the pharmaceutical, biotechnology, cosmetic, food, and specialty chemicals industries.

As a general contractor, we ensure all international standards are met throughout the project, from planning, engineering, construction and project management to commissioning, qualification, and validation.

New developments centered on our patent pending ExyCell® technology have enabled us to raise the bar for the design of cutting-edge modular facilities.

Opportunities

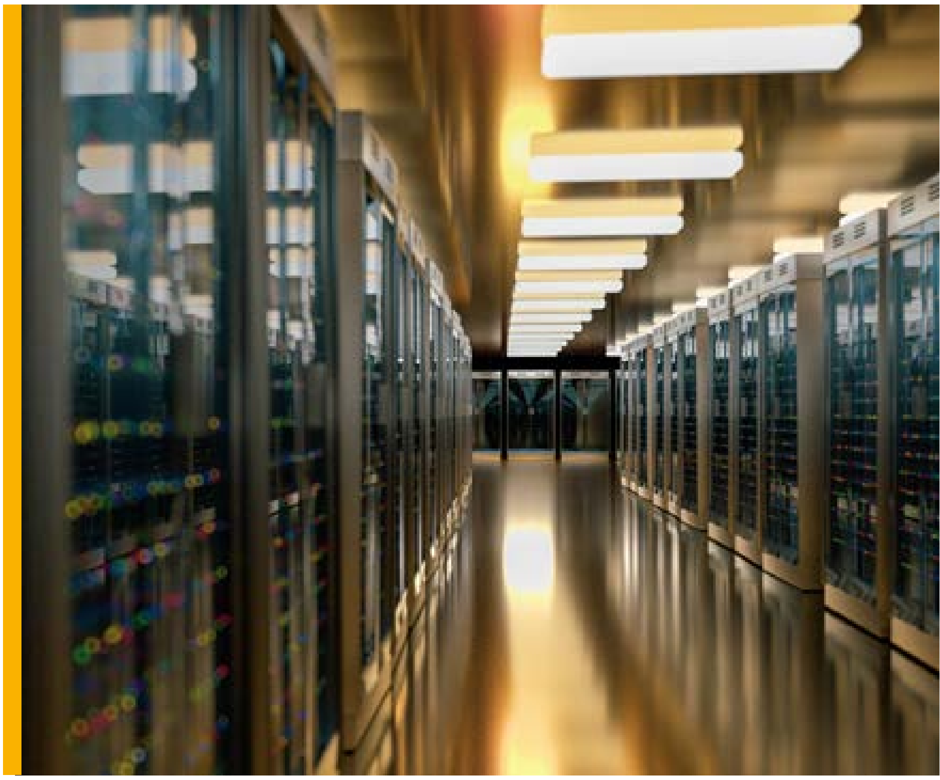
- **Rising demand**
  in Asia-Pacific, above all in China
- **High demand**
  for flexible facilities and remodeling
- **Market entry**
  for new players
- **New markets**
  for personalized medicine and cell and gene therapies

Data Centers (DTC)

Integrated approach for an optimal infrastructure

Cloud providers and other companies have to build modular data centers or extend the facilities they have now to meet soaring demand for data capacity. Drawing on a deep well of expertise in constructing high-performance data centers on any scale, we are one of the world's most in-demand service providers.

Our service range covers every need. Able to plan, design, build, and equip data centers, we manage entire projects to deliver turnkey solutions tailored to fit.



Macro-trends & market drivers

Data is the lifeblood of the modern world. Industry 4.0, the Internet of Things, artificial intelligence, cyber-medicine – the offshoots of digitalization are branching out into many areas of our lives. Data processing and storage capacities have to be available all the time, in real time.

Opportunities

- **Rising demand**
  for data centers worldwide
- **Internet of Things**
  requires enormous storage capacity
- **Cloud solutions**
  for an increasing number of consumers

From Design to Turnkey Delivery

Exyte provides high-tech clients with its technical expertise and reliable project management skills throughout the entire process chain.

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

Consulting & Planning

Rooted in a Solid Foundation

Planning high-tech facilities is a challenging task that requires highly specialized skills, a wealth of experience, and state-of-the-art tools. Our engineers analyze clients' requirements and objectives in exacting detail. Then they draft a master plan that factors feasibility and sustainability studies, location strategies, and risk assessments into the equation to build every facility on a foundation of bedrock.

— A complete and fully coordinated concept is key for the successful planning and realization of projects.

Dr. Klaus Eberhardt
Technology Manager
Batteries, ATF

A concept design for a large lithium-ion battery plant

PROJECT REFERENCE

Turning ideas into smart concepts for the GigaLib project

Site selection and assessment, project programming, process technology evaluation, sustainability analysis, factory simulation, cost estimates – Exyte provides all these and more consulting services to help clients capitalize on the full potential of each project.

Exyte was on board early to help define the GigaLib[1] project. Catering to all the clients' automation, technology, equipment, and simulation needs, the company developed a holistic concept for a factory with the capacity to make lithium-ion battery cells on a large scale.

Exyte consultants also had a hand in verifying manufacturing equipment, calculating warehouse and shop floor space requirements, developing material handling concepts and dry room solutions, and addressing fire hazards and other safety issues.

read more

[1] R&D project funded by the German government (BMBF)

Engineering & Design

We Bring Ideas to Life

Much of a high-tech factory's efficiency and productivity depends on its design – does it fit the client's needs? With a global network of engineers, an end-to-end skill set, and an integrated approach, Exyte can answer that question with a resounding yes. This sets Exyte apart: We are in a position to design facilities that enable our clients to benefit from best practices and optimized workflows in their production environments. Basic and detailed engineering, value engineering and cost optimization, supplier assessment, tendering documents development – all this is part of our service package.

— The trust that clients have in our work makes me very proud to be part of a highly skilled, collaborative, and passionate team.

Patricia Brown
Senior Engineer, Singapore

PROJECT REFERENCE

The benchmark for wafer fabs in Europe

A client tasked Exyte to design and build a self-sufficient complex for manufacturing semiconductors within the confines of its grounds.

The limited space available for the prospective plant and its proximity to other buildings posed a daunting challenge for design and construction engineers. Exyte solved some of the footprint problem by building vertically. This fab's sophisticated structure took care of the rest.

Value engineered to meet the client's budget, it is destined to become one of the most advanced semiconductor fabs.

To save time, boost productivity, and give the client the peace of mind that comes with accurate costing, subcontractors were brought on board early on to collaborate in the building's design.

A wafer fab designed with smart 3D building information modeling (BIM)

read more

Project & Construction Management

Everything under Control

The journey from planning to handover is complicated with so many work crews, stakeholders, and subcontractors to coordinate. And the more complex the project, the more vulnerable it is to disruption. Our experienced project teams keep on top of everything, managing the construction work, procuring assets, coordinating crews, liaising with authorities, and handling permits while monitoring compliance with environmental, quality, and safety standards. With this vigilant management, we are able to execute even very large projects on budget and to specifications. Our clients get the buildings they need to bring their products to market that much faster.

— We "do safety" because it's the only right thing for the people, not because it's the "rule."

Melisa Vasquez
Project Director, USA,
Winner of Exyte 2019 IFW[1]
Ambassador Award

[1] IFW: Incident Free Workplace, an Exyte EHS global program

PROJECT REFERENCES

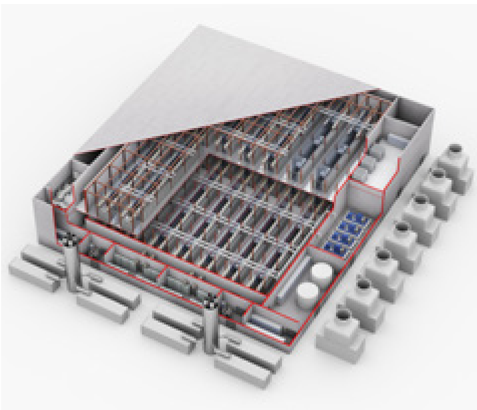
SDP China

When SDP set out to build G10.5, a factory for flat panel display glass, in China, it selected Exyte as its general contractor to manage the engineering, procurement, and construction tasks.

The facility was already in the works when SDP opted to make some major structural changes. Asked to raise the roof and reconfigure grid layouts, Exyte had to modify the finished sections of the structural steel, redesign and fabricate new structural steel for the melt and batch buildings, and revamp all in-building systems.

Rising to these challenges on the fly while complying with rigorous quality standards on a very tight work schedule, Exyte achieved SDP's objectives.

A bird's-eye view of SDP's G10.5, a factory for flat panel display glass in China



The uninterruptible power supply and cooling system are key concerns when building data centers.

watch video

Data center for a major cloud provider

As a fully integrated engineering and construction services organization, Exyte was able to align all processes and scopes to deliver a highly efficient, lean, and sustainable Hyperscale data center for a major cloud provider.

Data centers have mission critical requirements for resilience of cooling, power, and IT systems. Exyte used Building Information Modeling (BIM) to visualize the design and virtual construction methodologies, including tying in the cost, schedule, and controlling systems to ensure best-in-class and safe project delivery.

Equipment & Services

Precision Nudged to the Limit

Clients count on Exyte, the expert and global market leader, to deliver precision equipment that satisfies the rigorous requirements of high-tech production environments. Cutting-edge factories featuring Exyte solutions account for more than half of the world's microchip production. Cleanroom systems, acoustically and electromagnetically sealed precision climate chambers, innovative and patented dry room technologies for battery production – we deliver all this and more to equip tailor-made facilities.

— In the area we work, we regulate temperature in the range of 1/1000 °C and deal with particles in the range of nanometers.

Anne Werfl
Key Account Manager,
Exyte Technology

PROJECT REFERENCE

The FAB 3 cleanroom of IMEC, equipped with raised floors, cleanroom ceilings, and cleanroom walls

IMEC's FAB 3

Exyte designed and built IMEC's FAB 3 in Leuven, Belgium. The project also entailed the upgrade of a roughly 2,000 m^2 cleanroom with a raised floor, ceiling, and walls newly designed, delivered, and installed.

The safety standards for the installation work were most unforgiving. The pop-outs – that is, the apertures in the perforated floor (waffle floor) – remained covered until the raised floor was in place. Then it was the ceiling's turn. The crew secured the hatches left in the ceiling for the crane with dual-section panels made to order with measurements taken on site. The clean-room walls rise to a height of six meters, so they were engineered with a special supporting structure to hold the lofty ceiling.

Commissioning, Qualification & Validation

Giving our Clients a Head Start

It is vital for our clients to be able to start manufacturing quickly, without hiccups that hold up progress. The complexity and compliance demands that come with increasing automation, emerging Industry 4.0 advances, tightening regulations, and the like make this more difficult.

Exyte's services also include commissioning, qualification, and validation to the given standards, for example, to ensure cGMP and FDA compliance. Beyond that, we also provide inventory documentation and document management, process optimization, upgrades, and retrofitting services. Our knowledge and skills hone our clients' competitive edge.

FOYA 2019
Facility of the Year Awards
CATEGORY WINNER
Operational Excellence
Supply Partner

The Facility of the Year Awards recognize state-of-the-art projects that use innovative technologies to improve the quality of products, reduce the cost of producing high-quality medicines, and demonstrate advances in project delivery.

PROJECT REFERENCE

External view of Kantonsapotheke

— Product quality and patient safety have increasingly shifted into the digital domain. We support our clients in protecting their automated GMP-compliant production process.

Holger Mettler
Head of Computer System Validation & Cyber Security, LSC

Pioneer in hospital pharmacies – Kantonsapotheke Zürich (KAZ)

The KAZ is a FOYA-winning hospital pharmacy that produces a wide range of medications, many in small quantities and with patient-specific formulations. Highly flexible and extendible, the KAZ is designed to easily and quickly accommodate new functions such as personalized medicine, while meeting or even exceeding industrial cGMP standards.

read more

CQV services provided by Exyte

- Validate, monitor, test, and commission processing, water treatment, and environmental monitoring equipment and systems to GMP standards
- Engineer, assemble, commission, and qualify cleanroom HVAC systems and mechanical installations
- Qualify and validate all GMP-relevant installations, including the IT system

The KAZ facility was the first to raise the quality bar for a hospital pharmacy to the cGMP standard.

Group Management Report

Group Management Report

About the Group

A global company with services ranging from consultancy to turnkey delivery, Exyte designs and builds plants and facilities in the high-tech industries such as semiconductors, batteries, pharmaceuticals, biotechnology, and data centers. Drawing on 100+ years of German engineering tradition, Exyte's extensive skill set covers controlled and regulated production environments from end to end in around 20 core countries.

Executive Board

The Executive Board of Exyte AG comprises three board members. It was briefly staffed with four from December 1, 2019 to February 29, 2020.

Chief Executive Officer Dr. Wolfgang Büchele manages the three business segments Advanced Technology Facilities, Life Sciences & Chemicals, and Data Centers. He also heads up Corporate Strategy/M&A, Corporate Compliance, Corporate Internal Audit, Corporate Human Resources, and Corporate Communications & Investor Relations.

Chief Operating Officer Roberto Penno manages the APAC (Asia-Pacific), AMER (USA), and EMEA (Europe) regions and Regional Specific Business. He also heads up Corporate Environment, Health and Safety (EHS), Corporate Engineering & Design, Corporate Project Control, and Corporate Quality Management.

Margaret Lassarat, Chief Financial Officer since March 1, 2020, manages Corporate Accounting, Corporate Treasury, Corporate Controlling, Corporate Legal & Insurance, Corporate IT, Corporate Tax, Corporate Risk & Internal Controls, and Exyte Technology (TECH).

Wolfgang Homey, Chief Financial Officer up to February 29, 2020, has left the company.

Beat Fellmann was on the Executive Board from December 1, 2019, to February 29, 2020.

Corporate structure

The table below is a snapshot of Exyte consolidated subsidiaries on December 31, 2019.

Corporate structure

Exyte Group[1]

- Exyte AG
- Exyte Management GmbH

AMER	EMEA	APAC	TECH
• Exyte Americas Holding, Inc. • Exyte U.S., Inc. • Total Facility Solutions, Inc.	• Exyte Europe Holding GmbH • Exyte Central Europe GmbH • Exyte Rus, LLC • Exyte France SAS • Exyte Northern Europe Ltd. • Exyte Israel Engineering Ltd. • Exyte Hargreaves Ltd.	• Exyte Asia-Pacific Holding Ltd. • Exyte Singapore Pte. Ltd. • Exyte Trading (Singapore) Pte. Ltd • Exyte Malaysia Sdn. Bhd. • Exyte Shanghai Co. Ltd. • Exyte Trading Shanghai Co. Ltd. • Exyte Taiwan Co., Ltd. • Exyte Japan Ltd. • Exyte Vietnam Co., Ltd. • Exyte Services (Singapore) Pte. Ltd. • Exyte Services (Malaysia) Sdn. Bhd.	• Exyte Technology GmbH (Germany) • Exyte Technology Shanghai Co. Ltd. (China) • Exyte Technology CZ s.r.o. (Czech Republic) • Exyte Technology Gebäude GmbH & Co. KG (Germany)

[1] Exyte is part of the Stumpf Group.

Exyte is set up to do business primarily by regions. These are the segments for which reporting is mandatory. Operating on equal footing with the regions APAC, AMER, and EMEA, Exyte Technology develops, manufactures and maintains controlled production environments and cleanroom products for customers all over the world. Catering to semiconductor and flat panel display manufacturers, life sciences companies, and other high-tech enterprises, Exyte Technology provides equipment, installation and maintenance services, and technical experts for projects across the globe as well as to affiliated companies within the Exyte Group.

Business segments

In addition to the reportable segments APAC, AMER, EMEA, and TECH, Exyte has aligned its business in three strategic business segments, Advanced Technology Facilities (ATF), Life Sciences & Chemicals (LSC), and Data Centers (DTC). Therefore, the company is led in parallel by both the regional and business segments, according to the matrix structure of the organization. For the detailed financial information of the segments, please refer to Note 28 in the Notes to the Consolidated Financial Statements.

Strategic business segments

Advanced Technology Facilities

- Semiconductors
- Flat Panel Displays
- Photovoltaics
- Batteries

Life Sciences & Chemicals

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

Data Centers

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

Advanced Technology Facilities is the largest of the three by sales. It provides consultancy and planning services, and manages projects to design and build manufacturing plants as well as R&D facilities for semiconductors, flat panel displays, photovoltaic systems, and batteries.

Life Sciences & Chemicals designs, plans, and manages projects to construct advanced processing facilities for customers in the pharmaceuticals & biotechnology, food & nutrition, consumer goods, personal care, and specialty chemicals industries, usually to GMP (good manufacturing practice) standards.

Data Centers serves global providers of cloud computing services by planning, building, and rolling out data centers.

Regional Specific Business

Exyte's other business interests come under the heading of Regional Specific Business. Exyte Hargreaves Ltd., a specialist in heating, ventilation, and air-conditioning (HVAC), is currently the main asset in terms of Regional Specific Business after the 2019 sale of the solar power division Exyte Energy, Inc.

Economic Report for 2019

A look at the economy in general and at specific industries

The big picture

The global economy grew in 2019, although less dynamically than in preceding years. The global economic activity indicator published by the Kiel Institute for the World Economy (IfW)[1] took a downward turn, unlike global gross domestic product (GDP), which trended upwards. International trade was down from the previous year in the wake of trade barriers imposed by the USA. Concerns about the timing and impact of Brexit compounded this effect.

The GDP adjusted for purchasing power parity grew 3.0% in 2019 after 3.7% growth in 2018.

Advanced economies' GDP was up slightly early in the year, while industrial output declined. Expiring stimulus packages, a weakening global economy, and the uncertainty surrounding trade policies had slowed growth in the USA, but the stateside economy rebounded in 2019, buoyed by a looser monetary policy and robust consumer spending. Low interest rates and a somewhat expansionary fiscal policy sustained the euro zone's moderate growth. The EU as a whole grew, with Ireland among the member states posting the highest rates.

Many emerging markets' economies stabilized over the year and GDP increased slightly compared to the previous year. It continued to slow in China, but an expansionary monetary policy cushioned the blow of the trade dispute with the USA. India's economic momentum faltered. Although GDP in Asia's other emerging markets increased at a relatively steep rate, the curve appeared to be flattening. Growth was initially moderate in Russia, but picked up later in the year.

The USA and China's escalating trade dispute had an adverse impact on the global economy in 2019. Bilateral trade suffered under tit-for-tat increases in customs duties and new tariffs imposed on other categories of goods, with wider repercussions for global trade. However, the USA reconsidered its plans to levy additional tariffs on Chinese products in December of 2019. The two countries announced in mid-December that they had reached a consensus to resolve some of the issues triggered by this trade war. Specifically, they agreed to refrain from imposing further import duties. Although government authorities had fueled expectations of a deal, it was long unclear if an agreement would be reached and whether it would lift trade barriers or merely prevent further tariffs.

Developments by industry

The following section reviews developments in industries addressed by the business segments of Exyte in fiscal 2019:

Advanced Technology Facilities

Semiconductors

According to market assessments of Gartner[2], sales in the global semiconductor industry slumped, dropping 4.5% from €402 billion in 2018 to €384 billion in 2019 as the trade war between the USA and China and political uncertainty across the globe weighed heavily on the industry. Capital expenditure (capex) in 2019 was down by nearly 16% from 2018.

Macro-trends such as the Internet of Things (IoT), artificial intelligence (AI), big data, and Industry 4.0 have an impact on the semiconductor business. The digital transformation is making inroads, driving demand for logic and memory chips in more and more industries. These chips figure prominently in smartphones and in the electronics of driver assistance systems and emerging self-driving vehicles.

[1] The statistics mentioned in this chapter are retrieved from the research paper of the Kiel Institute for the World Economy (IfW).

[2] Gartner Market Statistics: Forecast: Semiconductor Capital Spending, Worldwide, 2Q19 Update.

In addition, the Chinese government set up a second sovereign wealth fund – the first was in 2014 – earmarking €26 billion to finance new chip manufacturing facilities and semiconductor research[3]. China wants to wean itself of its reliance on overseas chip manufacturers and close the gap to the leader in processor development and manufacturing in the USA.

Batteries
Exyte is redoubling its focus on the fast-growing market for lithium-ion batteries. According to the research results of Avicenne Energy[4], sales of pure lithium-ion batteries amounted to roughly €28 billion in 2018, bringing the average annual growth rate between 2008 and 2018 to 15%. Electric vehicles, energy storage applications, and a growing number of battery-powered industrial and consumer devices are driving demand for these products.

Flat Panel Displays and Photovoltaics
Investments in new plants to manufacture flat panel displays plummeted in 2019, a plunge precipitated by surplus production capacity.

China and other Asian countries produce nearly all photovoltaic (PV) modules sold worldwide. This region also constitutes the largest market. With the global market's growth showing no signs of slowing, companies continue to invest in new PV module manufacturing plants. Exyte's key accounts in this sector are two loyal customers in Malaysia and Singapore.

Life Sciences & Chemicals

A growing global population, rising prosperity and purchasing power, longer life expectancy – these are the macrotrends shaping the Life Sciences & Chemicals business segment. All this is propelling demand for pharmaceuticals & biotechnology (e.g. medicines), food & nutrition (e.g. baby food), and consumer care (e.g. skin/haircare items).

Manufacturers have to comply with and certify their products to exacting standards such as Good Manufacturing Practice (GMP). Novel drugs and increasingly personalized and specialized therapies are changing the market. Pharmaceutical companies are having to adapt their manufacturing practices accordingly. A more holistic approach to diagnosing disease factors prognosis, prevention, and healing into the equation. This approach is supplanting the conventional practice of strictly symptom-based diagnosis. And manufacturers need more flexible, smarter production lines to support the transition to personalized treatments and emerging cell and gene therapy, vaccines, therapeutic proteins, and monoclonal antibodies.

Data Centers

Momentum is building in the global market for data centers; it continues to drive sales in the Data Centers business segment of Exyte. Exyte has major DTC projects to its credit, including cloud/hyperscale data centers. A rising tide of data has to be processed due to the development and expansion of new technologies in areas such as 5G mobile infrastructure, autonomous driving, smartphones and smart homes, electronic assistants, the digital factory, connected devices, and sensors.

Companies are also warming to the notion of cloud-based data processing. Industry 4.0-minded machine and plant engineering enterprises are at the vanguard of this development. According to Bitkom, one in two companies in Germany engages in cloud computing.

Having set a strong footprint in these markets, Exyte benefited from the developments described above in fiscal 2019. Business opportunities with low inherent risks abound for Exyte serving customers in booming high-tech industries, and those opportunities are likely to translate into growth for the Group over the next few years.

[3] According to the Press Release of "heise online" on November 1, 2019: China investiert weitere 29 Milliarden US-Dollar in die Halbleiterindustrie.
[4] Avicenne Energy: The Rechargeable Battery Market and Main Trends, April 10, 2019.

Business performance in 2019

Key financial performance indicators

The key financial performance indicators applied by Exyte to steer its business and regions are order intake, sales, adjusted earnings before interest and tax (adjusted EBIT or the adjusted EBIT margin).

Order intake refers to a project or work awarded to Exyte, for which a contract has been signed by the client and Exyte and is available in written form.

Adjusted EBIT is defined as result from operations (EBIT) adjusted by restructuring costs related to strategic realignment of Exyte Group, costs incurred for the closure and relocation of sites, costs regarding capacity adjustments within the context of optimization programs, income or expenses deriving from lawsuits relating to legacy issues, income or expenses in connection with the reorganization of Exyte Group (bad debt allowance), and costs for other unusual or extraordinary events which are not normally recurring or not in the normal course of business (EBIT adjustments). The practice of adjusting EBIT serves to omit positive or negative nonrecurring, non-operating, and one-off effects when assessing profitability. This allows for more accurate comparison of reporting periods and provides a clearer picture of the operating businesses' actual performance.

Additional key financial performance indicators include Order Backlog referring to unfinished work or remaining customer orders that have been received and are in the process of completion, and gross profit to sales, which is described as gross profit or gross profit margin.

Business developments

Exyte's **order intake** increased significantly YOY to €4.8 billion in 2019 (2018: €4.4 billion). Its order books had been well-filled in the previous year, but the **order backlog** was up 27.9% to €3.7 billion on December 31, 2019.

Exyte's **sales** increased by 10.1% to €3.9 billion in 2019, driven mainly by growth in the semiconductor industry.

Sales were well up in EMEA, but slightly down from the previous year in APAC and AMER. The semiconductor industry addressed by the Advanced Technology Facilities business segment remains the Group's most important sector. The Life Sciences & Chemicals business segment's sales were slightly down from the previous year. In contrast, the Data Centers business segment's sales increased significantly with the revenue generated by constructing data centers. Sales in the Regional Specific Business segment declined as expected.

Adjusted EBIT climbed by 31.2% to €223 million (2018: €170 million), an ascent impelled mainly by the exceptional performance in APAC.

Actual vs. forecast business performance

Exyte achieved or exceeded its forecasts for 2019.

Comparison of actual business development with planned business development

	Forecast for 2019	Actual 2019	2018	2019 vs. 2018[1]
Order intake	€4.4 billion	€4.8 billion	€4.4 billion	+8.3%
Sales	Approx. €4 billion	€3.9 billion	€3.5 billion	+10.1%
Adjusted EBIT[2]	Moderate rise	€223 million	€170 million	+31.2%

[1] Percentages are calculated on the basis of the figures in millions.
[2] Please refer to the "Results of operations" section for further details on reported versus adjusted EBIT.

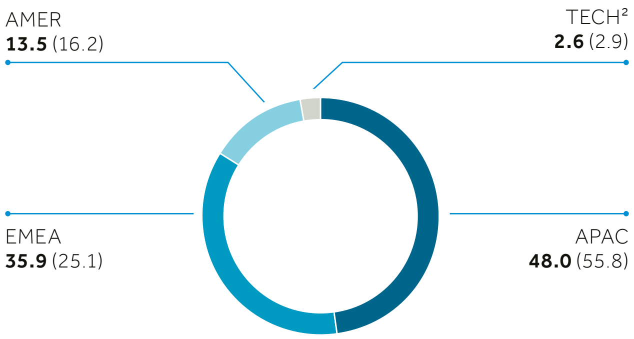
Developments of the regions

Exyte provides global and local service to customers in all key markets. The focus is on specific regions as determined by customers' capex investment plans.

Compared to 2018, although APAC's portion in sales declined by nearly 8%, it remained the strongest region of Exyte. EMEA achieved a strong year-over-year growth in its share in total sales whereas AMER's share was slightly reduced.

Sales by Region 2019[1]

in % (previous year)



[1] Before consolidation of the regions.
[2] Exyte Technology (equipment).

APAC

Order intake in APAC dropped to €1,286 million (2018: €2,807 million) in 2019. This decline had been expected as a major project valued at more than €1 billion figured prominently in 2018's order intake. Two large projects in the Data Centers segment in Taiwan contributed significantly to 2019's order intake. The Advanced Technology Facilities business segment acquired projects worth more than €50 million each in Singapore, China, Taiwan, and Malaysia.

Fiscal 2019's sales came to €1,886 million, slightly down from the previous year. The gross profit margin increased to 12.5% YOY.

Exyte generated €195 million in adjusted EBIT in APAC (2018: €151 million). This increase in adjusted EBIT is down to a gross profit margin that was improved by transitioning from cost-plus to lump-sum pricing for a project in Singapore and the release of contingencies earmarked for a project in China.

EMEA

EMEA's order intake amounted to €2,783 million in 2019 (2018: €1,040 million). Large orders placed for a semiconductor project underway in Ireland were a major factor in this YOY increase. A semiconductor project in Austria and a data center project in Denmark also contributed to the increased order intake in this region.

The following table shows key figures and ratios for the various regions.

Key figures/ratios by region[1]

in € million

	APAC		EMEA		AMER		TECH	
	2019	2018	2019	2018	2019	2018	2019	2018
Order intake	1,286	2,807	2,783	1,040	612	478	118	117
Order backlog	1,508	2,106	1,845	484	332	301	68	55
Sales	1,886	1,993	1,412	899	531	578	103	105
Gross profit	236	201	57	54	25	20	15	13
Gross profit margin	12.5%	10.1%	4.0%	6.0%	4.7%	3.5%	14.6%	12.4%
EBIT (adjusted)	195	151	28	31	6	–3	9	8
EBIT margin (adjusted)	10.3%	7.6%	2.0%	3.4%	1.1%	–0.5%	8.7%	7.6%

[1] The figures given for the regions have not been consolidated and do not factor in the effects of regional consolidation and the figures for Exyte AG and Exyte Management GmbH.

EMEA sales followed suit, increasing significantly by 57% to €1,412 million (2018: €899 million).

Gross profit came to €57 million. Up €3 million from the previous year, this increase is mainly attributable to higher sales. The gross profit margin narrowed to 4.0% (2018: 6.0%), squeezed by the reduced margin for a data center project. Exyte generated €28 million in adjusted EBIT in the EMEA region, which is marginally lower than in the previous year (2018: €31 million).

AMER

Order intake in the AMER region increased to €612 million in 2019 (2018: €478 million). Two major projects worth more than €100 million each in the Advanced Technology Facilities business segment fueled this growth.

Although order intake in AMER had increased in 2019, sales were slightly down from the previous year at €531 million (2018: €578 million). This is due to the strong decline of the solar business of Exyte Energy, Inc. in 2019.

The gross profit margin in 2019 widened to 4.7% (2018: 3.5%) despite the losses posted by Exyte Energy Inc. This increase owes a great deal to Exyte U.S., Inc. improving its margin. Exyte generated €6 million in adjusted EBIT in the region, eclipsing the previous year's performance (2018: –€3 million).

TECH

TECH's order intake amounted to €118 million in 2019 (2018: €117 million), one quarter of which stems from contracts with a major account in Europe.

It generated €103 million sales in 2019, a figure just shy of the previous year's result (2018: €105 million), and €9 million in adjusted EBIT (2018: €8 million), which reflects TECH's improved margin.

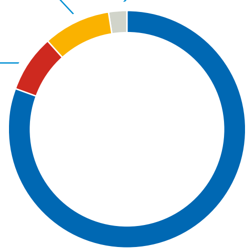
Developments of the business segments

Sales in the business segments

Same as in 2018, the business segment ATF contributed the largest share to the sales of Exyte. At the same time, the business segment DTC gained a heavier weight in terms of sales whereas the Regional Specific Business became, as expected, more insignificant.

Sales by Business Segment 2019

in % (previous year)



Important key figures/ratios by business segment

in € million

	Advanced Technology Facilities		Life Sciences & Chemicals		Data Centers		Regional Specific Business	
	2019	2018	2019	2018	2019	2018	2019	2018
Order intake	3,680	3,833	234	245	784	145	58	164
Order backlog	2,980	2,500	193	274	478	32	60	112
Sales	3,143	2,765	304	328	346	171	96	267
Gross profit	337	274	17	16	–4	8	2	15
Gross profit margin	10.7%	9.9%	5.6%	4.9%	–1.2%	4.7%	2.1%	5.6%

Advanced Technology Facilities

Advanced Technology Facilities' order intake amounted to €3,680 million in 2019 (2018: €3,833 million), with Exyte winning new contracts for semiconductor and flat panel display manufacturing plants in Ireland, Austria, the USA, Singapore, Taiwan, and China.

This business segment's sales increased accordingly in 2019, by 13.7% to €3,143 million (2018: €2,765 million).

Gross profit increased from 9.9% in 2018 to 10.7% in 2019 as a result of measures to improve performance in key projects by transitioning from cost-plus to lump-sum pricing for a project in Singapore and releasing contingencies earmarked for a project in China.

Life Sciences & Chemicals

Life Sciences & Chemicals' order intake dropped from €245 million in the previous year to €234 million in 2019. This business segment won major contracts in the food & nutrition and pharmaceuticals & biotechnology sectors in Singapore, Belgium, Poland, and Germany.

Sales in the Life Sciences & Chemicals business segment followed the same trajectory, dropping slightly to €304 million (2018: €328 million).

Despite this dip in sales, the gross profit increased from €16 million to €17 million because project margins improved.

Data Centers

Data Centers' order intake soared to €784 million in 2019 (2018: €145 million). A global cloud services provider awarded Exyte a project in Denmark as well as two follow-up projects in Taiwan.

Sales in the Data Centers business segment doubled to €346 million in 2019 (2018: €171 million).

Gross profit decreased markedly from €8 million to –€4 million because of the reduced margin in an EMEA project.

Regional Specific Business

Regional Specific Business's order intake fell from €164 million in 2018 to €58 million in 2019, a 65% decline attributable largely to a downturn in new contracts in the USA's solar market. The solar division Exyte Energy Inc., USA, was sold at the end of 2019.

This business segment's sales dropped as expected to €96 million in fiscal 2019 (2018: €267 million).

Well down from the previous year, the gross profit reflects this decline in sales.

Financial performance

In keeping with the year's positive business performance, Exyte's **gross profit** – that is, sales less the cost of sales – increased by 14.7% to €331.7 million in 2019 (2018: €289.1 million). Advanced Technology Facilities, which achieved strong growth and the highest gross profit, is responsible for much of this increase. The gross profit margin widened slightly to 8.5% (2018: 8.2%) owing to Advanced Technology Facilities' profit margin, which was up from the previous year.

Selling costs came to €33.2 million, up 10.7% from the previous year (2018: €30.0 million). These mainly comprise expenses incurred for ongoing tendering, marketing, and public relations.

Administration costs amounted to €74.4 million (2018: €73.2 million). The slight increase from the previous year is largely attributable to higher costs incurred for the strategic realignment[5] of Exyte. The ratio of administration costs to sales decreased slightly despite this increase.

[5] See the section entitled "Opportunities" to learn more about the management structure's realignment to the business strategy.

Most development efforts go hand-in-glove with client projects, which is why the Group reports expenses incurred for these activities as cost of sales rather than as research and development costs. The **research and development costs** of Exyte that were not classed and reported as cost of sales amounted to €0.2 million in fiscal 2019 (2018: €0.2 million).

In the previous year, **other operating income**[6] totaled €31.6 million, a figure that included income from the reversal of impairment allowances in the amount of €19.5 million. In fiscal 2019, other operating income amounted to €19.4 million. Government grants in China contributed €7.5 million (2018: €3.5 million) to this other operating income.

Other operating expenses[6] in 2019 came to €30.6 million, with impairment losses accounting for €7.7 million of this figure. Other operating expenses in fiscal 2018 amounted to €47.2 million, including €13.4 million attributed to impairment. The figure for 2019 factors in €3.7 million in restructuring costs (2018: €1.1 million).

The **result from operating activities (EBIT)** came to €212.7 million in fiscal 2019, topping the previous year's result by 25.1% (2018: €170.0 million). Management assesses Exyte's profitability based on **adjusted EBIT**, which amounted to €223.0 million in 2019 (2018: €170.2 million). This steep 31.0% YOY increase was largely driven by developments in the APAC region.

Adjusted EBIT

in € million

	2019	2018
EBIT (reported)	**212.7**	**170.0**
Adjustments	**10.3**	**0.2**
of which:		
Adjustments made for income from the reversal of impairment allowances/expenses from the increase in impairment allowances recognized against M+W Group	0.2	–12.4
Adjustments made for restructuring measures	4.7	8.2
Adjustments made for relocations	2.4	4.4
Adjustments made for other non-recurring events	3.0	0.0
Adjusted EBIT	**223.0**	**170.2**

Earnings before tax (EBT) amounted to €209.7 million, well up from the previous year (2018: €175.5 million). Income tax expense amounted to €44.8 million (2018: €29.4 million), which equates to a Group tax rate of 21.4% (2018: 16.7%). Consult Note 9, "Income tax," in the Notes to the Consolidated Financial Statements for more on this.

At €164.9 million, the **consolidated net profit** for fiscal 2019 attributable to the shareholders of Exyte AG was higher than the consolidated net profit for the previous year (2018: €146.2 million). Earnings per share based on the unchanged number of 150,000,000 issued no-par value shares increased by some 13.4% to €1.10 (2018: €0.97).

[6] Impairment losses (including reversals of impairment losses on financial assets) were not reported as a separate line item in accordance with IFRS 9/IAS 1.82B(a) for reasons of materiality. Impairment losses/income from reversals of impairment losses on financial assets are reported on an ongoing basis under other operating expenses/other operating income. The previous year's figures were re-designated accordingly.

Assets

The nature of its business activities with the focus on planning and project management has prompted the company to consider current assets when assessing its assets situation. Current assets accounted for 85.0% of total assets (December 31, 2018: 86.8%). In general, these assets fluctuate with the volume of orders, the project mix, and the payments customers make on ongoing projects. The share of non-current assets increased slightly YOY from 13.2% to 15.0%.

Total assets increased in fiscal 2019 by €78.1 million to €2,082.4 million, mainly due to the adoption of IFRS 16 disclosure rules in this reporting period. The €46.4 million increase in non-current assets and €31.7 million increase in current assets are changeover effects resulting from this first-time application of IFRS 16.

Non-current assets amounted to €312.0 million (December 31, 2018: €265.5 million), including deferred tax assets. They again constituted a small share of Exyte's total assets. Property, plant, and equipment increased to €56.7 million, net, on December 31, 2019, from €0 in the previous year, largely explained by the adoption of IFRS 16. This new standard stipulates that rental and lease obligations are generally to be recognized as right-of-use assets in property, plant, and equipment. A lease liability is recognized at the time of addition with the same amount reported on both the equity and liabilities sides of the balance sheet.

Additions to other property, plant, and equipment amounted to €6.4 million. Depreciation in the amount of €7.7 million and exchange rate gains in the amount of €0.3 million led to a net reduction in remaining property, plant, and equipment.

Goodwill continued to figure prominently in the composition of intangible assets at an unchanged value of €131.8 million. The net reduction in other intangible assets amounted to €0.5 million.

Inventories totaling €66.8 million (December 31, 2018: €114.5 million) predominantly resulted from advance payments made (€40.6 million) and from the business activities of the Exyte Technology companies.

Due to the further increase in business volumes, trade receivables grew by 7.5% to €379.7 million (2018: €353.2 million). Contract assets increased by €125.9 million, or 74.2%, to €295.7 million. This is primarily due to a €63.7 million increase in contract assets in China, where the amount of advance payments received for five larger projects was relatively low.

Receivables from affiliated entities amounted to €207.0 million (December 31, 2018: €205.3 million), with €196.8 million attributable to M+W Group companies, €6.1 million to Exyte Group companies not included within the scope of consolidation, and €4.1 million to other affiliated entities. The receivables due from M+W Group GmbH (Group) stem mainly from a reorganization under corporate law concluded in 2018 and from outstanding purchase price receivables.

The Group had access to €769.4 million in cash and cash equivalents on December 31, 2019 (December 31, 2018: €845.3 million). In the previous year, €84.4 million had been pledged in cash. This pledged cash was released upon full repayment of the "Nei Bao Wai Dai" transaction, lifting the restriction on liquid funds. Cash and cash equivalents as reported in the cash flow statement are equal to liquid funds (December 31, 2018: €761.0 million). In addition, unutilized cash credit lines amounted to €10.0 million.

Financial position

The increase in total equity and liabilities was mainly driven by Equity (+€171.8 million) and non-current liabilities (+€53.8 million).This was offset by a €147.6 million decrease in current liabilities.

Equity amounted to €540.3 million, exceeding the €312.0 million in non-current assets (December 31, 2018: €265.5 million) by €228.3 million. Consisting mainly of provisions for pensions, other non-current provisions, and lease liabilities, Exyte's non-current liabilities serve to finance some of its current assets. Exyte is largely independent of banks in financing its business operations.

Long-term lease liabilities in the amount of €41.4 million account for most of the increase in **non-current liabilities**, which include deferred tax liabilities. The Group offset long-term and short-term lease liabilities against right-of-use assets when it adopted IFRS 16. Other non-current provisions increased mainly on account of personnel-related matters (+€2.8 million), provisions for restructuring (+€1.5 million), and the first-time recognition of restoration obligations from leases (+€2.4 million). Provisions for pensions increased largely as a result of €1.5 million in actuarial losses.

Current liabilities decreased by €147.6 million. Increases in trade payables (+€64.7 million), in other provisions (+€12.9 million), and in current lease liabilities (+€13.7 million) offset the decrease in contract liabilities (–€91.4 million), bank borrowings (–€78.1 million), and liabilities to affiliated companies in which a participating interest is held (–€55.0 million).

Current bank borrowings were settled in full with the repayment of the "Nei Bao Wai Dai" transactions in Asia.

Further business growth and ongoing working capital management activities resulted in a €64.7 million increase in **trade payables** to third parties.

Contract liabilities decreased by €91.4 million in 2019, with much of this reduction attributable to the progress made in projects in Singapore, China, and Ireland (–€64.2 million, –€49.4 million, and –€15.3 million, respectively). This decrease was mainly offset by a €40.9 million increase in the pre-financing of projects by customers in EMEA.

Liabilities to affiliated companies came to €11.7 million (December 31, 2018: €68.8 million), most of which was owed to the M+W Group GmbH (Group). Liabilities to non-consolidated companies amounted to €2.7 million (2018: €0.6 million).

Personnel-related matters (+€12.8 million) accounted for much of the increase in short-term provisions.

In spite of the newly utilized guarantees in Europe and Asia, contingent liabilities from guarantees and warranties decreased by € 188.4 million in 2019, mainly due to the disposal of Exyte Energy.

Financing and working capital management
The equity ratio increased from 18.4% in 2018 to 25.9% in 2019. Working capital finances most ongoing business activities. The Group operates independently of external financing, borrowing very little from banks.

Exyte focuses on its core business of planning and building plants and managing projects. The Group utilizes various subcontractors and suppliers to deliver on our client's projects. To finance these projects, Exyte offsets trade receivables and contract assets against customers' advance payments, which are disclosed as contract liabilities, and trade payables. This is why the vast majority of projects does not require additional financing. As a rule, projects are cash positive from their outset. The Executive Board monitors the development of working capital on an ongoing basis.

The table below summarizes the working capital situations on December 31 of 2019 and of 2018:

Working capital development
in € million

	31.12.2019	31.12.2018
Inventories	66.8	114.5
Trade receivables	379.7	353.2
Trade payables	–971.0	–906.4
Trade working capital deriving from deliveries of goods and services	**–524.5**	**–438.7**
Contract assets	295.7	169.8
Contract liabilities	–345.4	–436.9
Working capital from construction contracts	**–49.7**	**–267.1**
Net working capital from third parties	**–574.2**	**–705.8**
Receivables from (non-consolidated) affiliated entities	12.2	27.7
Liabilities to (non-consolidated) affiliated entities	–10.0	–12.0
Net working capital – including (non-consolidated) affiliated entities	**–572.0**	**–690.1**
As a percentage of sales[1]	**–14.7**	**–19.5**

[1] Based on sales of €3,889 million for 2019 and €3,531 million for 2018.

Higher **trade payables** and lower **inventories** more than made up for the rise in **trade receivables**, resulting in an improvement in trade working capital. Higher contract assets and lower contract liabilities reduced the negative balance in working capital from construction contracts by €217.4 million. This aligns with an overall decline in negative working capital from third parties, as the results on working capital from construction contracts more than compensate for the effects on trade working capital from deliveries of goods and services. The working capital associated with affiliated companies was a minor line item. Overall working capital from third parties remains negative with a double-digit percentage of sales.

Liquidity management

In general, the parent company Exyte AG handles the Group's financing. If required, it invests surplus funds and grants loans to subsidiaries as part of its liquidity management activities. The local lead companies oversee the financing within the sub-groups in Asia and the Americas; the Group's holding company provides this function in Europe.

Cash flow

Cash flow from operating activities was down from €562.3 million in the previous year to €71.3 million in 2019. This steep drop is largely attributable to the cash outflow from working capital (2019: –€149.3 million), which contrasts sharply with the previous year's €393.1 million in cash inflow fueled by the build-up of contract assets and the reduction of contract liabilities. Tax payments increased with rising earnings, reducing the cash flow from operating activities by €53.2 million.

Cash flow from investing activities amounted to –€3.3 million in 2019, compared to –€41.7 million in the previous year. The figure for 2018 factors in the €35.7 million cost of building a new production site and office building for Exyte Technology GmbH in Renningen, Germany. Investing activities returned to normal in 2019. A net inflow of €2.4 million accrued to the Group as a result of Exyte Energy, Inc.'s deconsolidation. This is the purchase price received less the liquid funds sold.

Cash flow from financing activities decreased to –€162.1 million (2018: –€104.0 million). This figure reflects repaid bank liabilities (€80.0 million) and the net financing of affiliated companies (€63.4 million; 2018: –€130.9 million). The Group disclosed payments in the amount of €13.4 million for leases recognized under IFRS 16.

Statement on the economic position

Exyte was able to implement its global growth strategy and capitalize on the positive market conditions of its core markets to post excellent results in 2019. The Group once more increased its order intake, sales, and earnings, improving over the previous year's figures with €4.9 billion order intake (up 11.2%[7] YOY) and €3.9 billion in sales (up 10.8%[7] YOY). Exyte increased its adjusted EBIT by 31.2% to €223 million. Sales were on par with expectations, while profitability exceeded the forecast.

Negative working capital was down from the previous year. However, Exyte had ample liquid funds available on December 31, 2019, and as a result was able to meet its payment obligations at all times.

[7] Percentages are calculated on the basis of figures in millions.

Personnel

Headcount

The Exyte Group employed 5,170 people classified as full time equivalents (FTEs) worldwide on December 31, 2019, down 7.0% from December 31, 2018.

FTEs by regional segment

	31.12.2019	31.12.2018
AMER	742	978
APAC	2,567	2,865
EMEA	1,422	1,287
TECH	337	335
Exyte Management GmbH and Exyte AG	102	96
Total	**5,170**	**5,561**

Exyte Energy, Inc. was sold and the Total Facility Solutions, Inc. downsized for project-related reasons, bringing the headcount in AMER down from the previous year.

APAC's headcount also decreased. While increasing orders prompted the subsidiaries in Malaysia and Taiwan to recruit more staff, project-based employment contracts ended as major projects in Singapore and China wrapped up and the subsidiary in Vietnam scaled back staff.

EMEA's headcount was up from the previous year with rising orders compelling the subsidiaries in Ireland and Germany to augment their workforces.

Talent management

Recruitment efforts in 2019 focused on candidates with experience in key functions, particularly project management, construction management, and engineering.

Risks, Opportunities, and Forecast

Risks

Risk management system

An integral component of Exyte's business activities, the risk management (RM) system serves to continually identify, assess, treat, monitor, and report potential risks that could harm Exyte's business objectives or hamper its strategic initiatives. Exyte defines risks as events or developments that could have an adverse impact on its business and impede Exyte's mid-term plans.

Exyte's RM system is rooted in the Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). It encompasses all risk identification, assessment, treatment, monitoring, and reporting measures, including the risk management process, its instruments, and all underlying principles and guidelines. This RM system is closely aligned with efforts to set the strategy, achieve business objectives and safeguard assets and the value chain. Unlike early warning systems, it addresses all significant risks, and not just grave risks that threaten an enterprise's survival.

Risk management principles at Exyte

In place to help management make decisions, achieve business objectives, and use resources effectively, Exyte's RM practices are predicated by these principles:

- Every entrepreneurial activity entails viable risks that in principle have to be identified, assessed, and communicated.
- The RM aims to ensure compliance and to obtain a transparent view of risks by implementing a systematic approach.

- An integral part of the business processes, RM addresses all business activities.
- Exyte's core values underpin its RM practices.
- The RM function maintains all definitions, rules, and procedures set out in the RM framework to establish a consensus across the organization on the understanding about risk.
- Every employee participates in and supports RM.
- The Executive Board sets the tone from the top to cultivate a risk-aware culture.

Materiality thresholds

Exyte defines risk-related materiality thresholds based on its risk tolerance. Given the current profitability targets, EBIT and cash are the key metrics for these materiality thresholds.

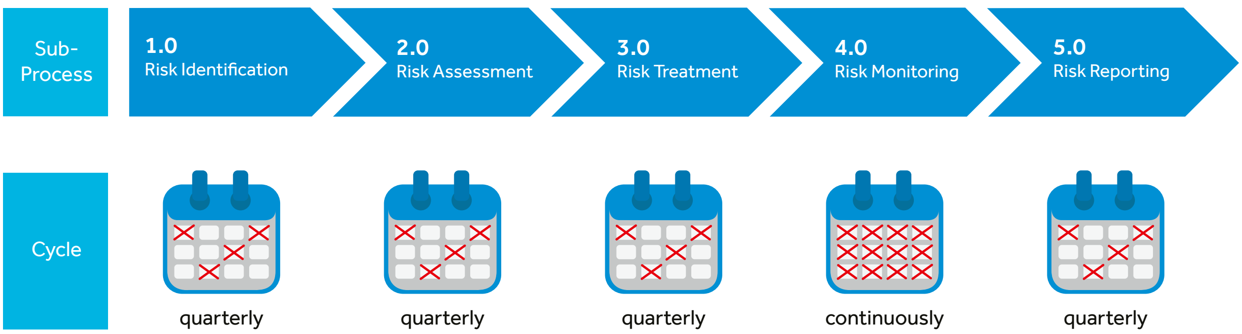
Exyte distinguishes between two types of materiality thresholds:

- For one, there is the reporting trigger point for risk identification and assessment. When this level is exceeded, risks have to be addressed in the risk assessment and regular risk reports. The reporting trigger point is **€1 million** in potential impact on EBIT or cash. The financial impact at this level of risk is deemed to be low.
- For the other, there is the escalation criterion for ad-hoc reporting. If it is exceeded during the monitoring phase, risks must be reported immediately to the Head of Corporate Risk Management, the Executive Board, and, if required, to the Supervisory Board. The escalation criterion for ad-hoc reporting is **€5 million** in potential impact on EBIT or cash. The financial impact at this level of risk is deemed to be medium.

Risk management process

Exyte identifies, assesses, treats, monitors, and reports potential risks according to the RM process, rules, and guidelines described below.

RM at Exyte entails five sub-processes:



The owner of Exyte's standard RM process, the Head of Corporate Risk Management, maintains the risk management manual, updating it at least once a year or in the event of:

- Technological changes
- Changes associated with business goals and processes
- Emerging threats
- Changes to improve efficiency of implemented controls
- Changes related to legal or regulatory requirements
- Updated contractual obligations and external events

Risk owners, who are usually the heads of the regions, business segments and corporate departments, tasked to assess their designated risks and report to the Head of Corporate Risk Management, who in turn supports the efforts of risk owners and Regional Risk Management Directors (RRMDs) to monitor risks.

Risk identification

Risk owners and RRMDs in the various departments throughout the legal entities identify risks by staging workshops, hosting interviews, and reviewing internal and external reports. Strategic risks that could affect the attainment of Exyte's business objectives are identified at the local management level with support of the Head of Corporate Risk Management.

Risk assessment

The company conducts risk assessment to prioritize identified risks, direct management's attention to the most important matters, and designate appropriate risk treatment and mitigation measures.

After risk owners and RRMDs identify risks in their area of responsibility with the support of the Head of Corporate Risk Management, they apply the defined criteria to assess their departments' risks.

Changes on methodology
In 2019, Exyte improved the risk assessment process to enable a more transparent overview, better prioritization, and action planning regarding the risks the company is facing.

In 2018, risks were categorized according only to expected financial impact and classified as low (<€10 million), medium (€10 – 20 million), or high risk (>€20 million). In 2019, the categorization of risks was more refined and risks are classified into four categories – low, medium, high, and critical – according to a matrix of impact and likelihood scales.

The details of the new methodology are described below.

Evaluation criteria
There are two dimensions for measuring risks:

1. **Impact** is the extent to which a given risk could affect the company and its objectives,
2. **Likelihood** is the probability of a risk occurring over a given period.

The Head of Corporate Risk Management regularly reviews and updates these criteria at least once a year.

All perspectives have to be considered when assessing the potential impact of a given risk. There are two main perspectives: Quantitative risk jeopardizes financials and qualitative risk jeopardizes business objectives, reputation, business continuity, and compliance. The financial perspective is the primary benchmark for assessment.

The impact scale ranges from one for very low to five for critical.

1. **Very low:** Does not impact daily performance or causes insignificant financial losses

2. **Low:** Impairs day-to-day business minimally, can be controlled immediately, or causes low financial losses

3. **Medium:** Causes a moderate disruption to daily business or moderate financial losses

4. **Severe:** Temporarily disrupts business or severely damages the reputation, but does not have a long-term impact, lasting consequences, or cause high financial losses

5. **Critical:** Causes substantial financial losses or insolvency, reputational damage, or damage to relationships with stakeholders

The likelihood scale ranges from one for remote to five for very likely:

1. **Remote:** Occurs only in exceptional situations (likelihood of one event within a period of three years or more)

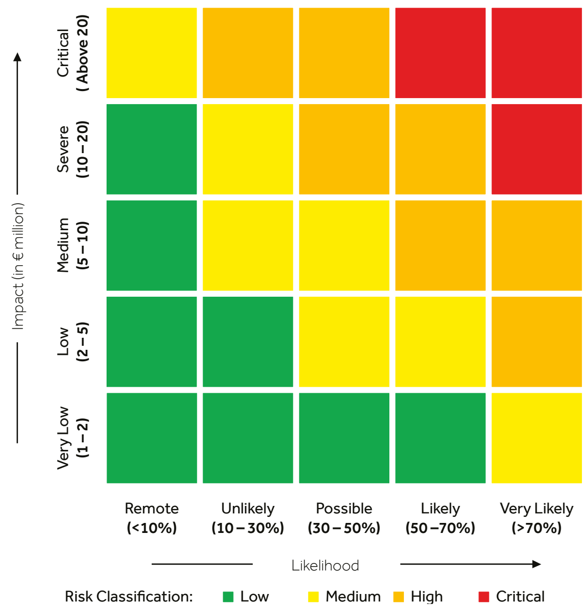
2. **Unlikely:** Could occur from time to time (likelihood of one event within two to three years)

3. **Possible:** Could occur occasionally (likelihood of one event within one to two years)

4. **Likely:** Is possibly occurring in most cases (likelihood of one event within a period of six months to one year)

5. **Very likely:** Is expected in most cases (likelihood of one event within six months)

The combination of the two assessment dimensions (impact and likelihood) indicates the overall risk classification that supports the prioritization of the identified risks to enable Exyte to allocate resources accordingly. As shown in the graph below, each risk is classified as one of the following: low, medium, high or critical:



Risk treatment

At Exyte, risk management, internal controls, and compliance management work together to identify and implement effective mitigating actions to treat risks.

Four major risk treatment measures are outlined below:

1. **Tolerate:** Where the remedy would be costlier than the potential consequences, a risk may be tolerated. A routine part of making business decisions is to consider the predictable and acceptable level of risk, weigh the costs versus benefits, and then tolerate or treat the risk.

2. **Terminate:** Terminating a risk is usually achieved by discontinuing activities where the cost of handling the risk outweighs the potential returns.

3. **Treat:** By taking action to mitigate the likelihood of risks occurring or the severity of their impact, we essentially treat the risk.

4. **Transfer:** The company may choose to sign a contract or take out insurance that transfers the responsibility for managing risks or the liabilities for the financial consequences to a third party.

Risk monitoring

Risk owners continuously monitor risks in their area of responsibility and identify:

- Emerging risks
- Any need to reassess previously identified risks
- Any need to redefine risk treatment measures if the actions taken appear to be ineffective

Risk reporting

The Head of Corporate Risk Management prepares a risk report based on the results of consolidated risk assessments and associated risk treatments, and submits it to the Executive Board. This report is issued at least quarterly. Ad-hoc updates on critical risks identified in the interim are reported directly to the Executive Board as they arise.

2019 Risk Report

Exyte was exposed to several risks in 2019. Most were known beforehand, but some assessments were updated, specifically for risks related to project delivery and market developments.

Individual risks are identified and assessed for a twelve-month period from the reporting date. The following section describes key risks for the entire Exyte Group as based on a net risk assessment.

The table below summarizes Exyte's risk situation on December 31, 2019, for each category.

Risk group	Risk category	Risk classification
Strategic	Governance	Low
	Major initiatives	Low
	Market dynamics	Medium
	Planning and resource allocation	Low
	Research and development	Low
Operations	Hazards	Low
	Environment, health, and safety	Medium
	Project delivery	Medium
	Third-party managed services	High
	Sales and marketing	Medium
	IT	High
	People and human resources	High
Compliance	Code of Conduct	Low
	Legal	Low
	Regulatory	Low
Financial	Accounting and reporting	Medium
	Liquidity and credit management	Low
	Revenue cycle	Low
	Tax	Low

Sourced from the Exyte's Q4/2019 risk report effective December 31, 2019, the following information covers risks that could have a significant impact on Exyte's business objectives, operations, earnings, or reputation and have thus been designated medium or high risks.

Strategic risks

Market dynamics

Markets, economies, and politics can be volatile, and Exyte may be exposed to macroeconomic down-cycles resulting from political tensions that could arise in any part of the world in which Exyte does business.

The international semiconductor market is heavily dependent on global economic growth, and the portfolio of Exyte includes some of the most iconic companies in this market. The target customers of Exyte continue to be exposed to short-term market fluctuations, which could prompt them to lower their capital expenditure. That would directly impact Exyte's project portfolio.

Operational risks

Environment, health, and safety

Exyte's business operations are exposed to the risk of employee injury or damage to pivotal assets due to natural hazards or pandemic diseases such as the novel coronavirus. Site-specific safety plans and business continuity plans are in place to ensure the resilience of business operations and prevent the loss of life or injuries caused by accidents on site.

Projects are subject to potential environmental, safety, health or quality-related hazards. Contractors that do not meet Exyte's standards constitute a material risk. They could adversely affect the overall performance of Exyte, which is why subcontractors have to be assessed at the project level.

Project delivery

Project delivery is a key risk management category in the core business of Exyte. Project-related risks vary greatly from high complexity to short timelines, all of which pose real challenges for the business. Exyte is a global company, so it is usually the regional entities that identify and treat risks at the project level in the business segments. Some of the most frequently encountered risks are supply chain interruptions related to subcontractor management, scheduling constraints, and cost structures. Project teams as well as the regional and business segment management teams coordinate efforts to mitigate these risks.

Third-party managed services

Subcontractors are important in the supply chain of Exyte and essential to project delivery. Exyte may be exposed to risks engendered by subcontractors' performance or shortfalls in complying with health, safety, and quality standards. Such risks could jeopardize business goals. It is up to the procurement organization and project teams to mitigate these risks.

Despite the measures taken in the selection of the subcontractors, Exyte still considered that compliance with health and safety standards remains a critical risk and will track more often its development.

Sales and marketing

Exyte executes projects globally, sometimes in different regions for the same customer. This presents a challenge for Exyte, as a delay or a major issue in one project could adversely affect the larger relationship with a global customer and have a direct impact in the mid- and long-term business plans of Exyte.

This exposure to single clients with several ongoing projects carries the risk of over-dependence, especially in the semiconductor industry, where the number of significant global companies is limited. Exyte has Global Business Units in place to track all projects and keep in touch with the current accounts and prospects, thereby supporting efforts to diversify the project portfolio and mitigate the risk of customer concentration.

Information technology

The security of business data and IT infrastructure is a top priority for Exyte. Even so, the rising global threat level for data security and IT infrastructure has to be considered a risk, as Exyte's IT systems' role in enabling internal workflows and external business processes is mission-critical. The precautions taken by Exyte cannot eradicate all external threats to these systems. A serious breach could affect the confidentiality, availability, and reliability of data used in the areas of R&D, sales, project execution, and administration. The reputation, competitive position, or business processes of Exyte could suffer consequently.

Employees and personnel
The labor market for highly qualified employees is competitive. Finding the right candidates to fill vacancies is challenging. Given the low unemployment rates and competition across regions, retaining capable and experienced employees is also a challenge. A potential inability to fill key positions and a high turnover rate within the company would jeopardize business operations. The HR organization is pursuing initiatives to address and mitigate these two risks.

Compliance risks

Regulatory and compliance risks
Exyte seeks to avert any risk of conflicts of interests, breaches of ethical standards, violations of data privacy laws, corruption, antitrust infringements, and any other criminal offense. The compliance program supports this effort with regular workforce training, best practices, and systematic control mechanisms such as the Exyte Ethics Line. The Corporate Compliance department takes precautions to ensure the company, its decision-making bodies, and the workforce comply with prevailing law.

Financial risks

Accounting and reporting
Accurate financial reporting is a prerequisite for the company's success and the cornerstone on which stakeholders' trust is built. Maintaining this accuracy in the financial statements and forecasts is always a priority, but it can be challenging amid volatile markets and fast-moving projects. Monthly reviews at the project and management levels and continuous controlling mitigate some of this risk.

Risks related to financial instruments
The Exyte Group is exposed to a number of financial risks in the course of its business activities. There is always a credit or default risk where business partners or customers could fail to deliver on their payment obligations.

However, this risk is limited given that many of the accounts of Exyte are very creditworthy major corporations. This applies particularly to customers Exyte has served for many years in the core lines of business. The project authorization process is set up to obtain credit information to minimize risks relating to receivables from new customers. The reporting process has mechanisms to monitor unpaid receivables.

Receivables may be subject to foreign currency risks. Derivatives serve to hedge against some of these risks. However, subsidiaries of Exyte are in place throughout the world, so the vast majority of projects are transacted in the given subsidiary's currency. Relative to the volume of its business, Exyte requires little in the way of currency hedges.

Currency risks are inherent given the nature of Exyte's global business. Exchange rate fluctuations could alter future payment flows. The amount at which receivables denoted in foreign currencies are recognized could decrease. The amount at which liabilities denoted in foreign currencies are recognized could increase. The organization mitigates such risks by means of forward exchange contracts and currency options. The company's central treasury function operating at the holding company's level and the regional treasury hub in APAC address this risk by contracting for a derivative called a micro hedge that matches the term and volume of the hedged item. The company sources these derivatives from banks with a high credit rating.

Note 23 in the Notes to the Consolidated Financial Statements provides more information on the scale of and accounting for hedging instruments in use at the year-end reporting date.

Risks related to Covid-19 pandemic

The 2020 spread of the coronavirus has exposed Exyte to the risk of construction sites being fully or partially closed down for significant periods of time as various countries and states impose lock-down restrictions. The resulting execution delays could prevent us from fulfilling our contractual obligations to a material extent. Based on the current positive trends, Exyte does not foresee a second wave of coronavirus infections. However, it is impossible to predict how the global pandemic will evolve, and a second wave or additional waves cannot be ruled out. Assuming that further waves of infections on the same scale do occur, we rate the risk level of not achieving our financial forecast as high. The potential risks include contractually agreed penalty payments, execution delays, complete suspension of projects, and an increased insolvency risk for our subcontractors. The stricter safety and hygiene measures could have negative financial impact on sales, gross profit margin, and EBIT.

Opportunities

Strategic program

Exyte continues to resolutely pursue its strategic goals. Our medium-term, three-to-five-year financial target is to increase sales to €5 billion and achieve an adjusted EBIT margin of ≥5%.

A comprehensive strategy and implementation program, by the name of "upside," kicked off in late 2018 to this end.

The group pursued specific initiatives and projects in fiscal 2019 with these goals in mind. The key elements of this "upside" strategy are:

- **Grow our core business:** We see opportunities to grow sales by constantly improving our account management activities to better and sooner understand our customers' needs. We plan projects with our customers from the outset and remain their partner throughout a production facility's lifecycle. The only way to win the follow-up and return business needed to sustain Exyte's growth is to deliver projects to our customer's satisfaction.
- **Buy & Build (M&A):** Acquisitions that augment our strategic business segment's expertise open the door to opportunities, particularly in Advanced Technology Facilities and Life Sciences.
- **Continuously improve operations:** We will recruit more engineers to extend our capacities and capabilities. Simultaneously, we will develop and roll out a training program for our workforce in the years ahead. We also see opportunities to improve our engineering, procurement, project management, and project control practices by establishing clear areas of responsibility, increasing transparency, and harmonizing our tools and processes.
- **Digitalize workflows:** One of the keys to future success in our industry sector will be digitalization, which we are pursuing in all operational as well as administrative functions. This especially holds true for engineering, where we are transitioning from 3-BIM[8] to 5-BIM technology.
- **Develop our organization:** It is the backbone of all activities undertaken by Exyte. We will only be able to make the most of our opportunities if we act as ONE global firm. In 2019, this conviction prompted us to introduce a guiding principle that goes by the name of "oneCOMPANY," and to restate our vision and values accordingly. We also developed a new management structure in 2019. It has been in place since January 1, 2020.

Aligning the management structure with the strategy

Implemented on January 1, 2020, Exyte's new management structure serves two purposes – to align the organization closer to customers and seize the opportunities described above. This change strengthens the global ATF, LSC, and DTC business segments at the corporate level and establishes Regional Business Units in every region. In the new structure, operations gain more support from new central functions, and this structure is also mirrored at the regional level, which facilitates global management of operations. External reporting remains unaffected by this new management structure.

High-tech dry room

Exyte has decades of experience with controlled manufacturing environments. Drawing on this expertise, Exyte has filed several patents for advanced dry room systems. Exyte Technology Shanghai Co., Ltd. developed a high-tech dry room at its location in Shanghai in July 2019 to test and demonstrate its functions, which are vital to customers that make lithium-ion batteries. The dry room conditions are set at a dew point of –60°C to improve battery quality.

The new facility will enable Exyte to test and assess key components under various operating conditions, and then design and build dry rooms for customers as cost-effectively and safely as possible.

ExyCell® technology

A new age is dawning in medicine as physicians leave conventional therapies behind for better ways of diagnosing and preventing diseases and more precise tools to treat patients. The pharmaceutical market is rapidly changing and

[8] Building Information Modeling (BIM) is a software-assisted method of optimizing the planning, execution, and management of design and construction-related tasks. All construction data is digitally captured, modeled, and merged to this end.

production methods are improving at pace. All this requires manufacturing facilities that are engineered to adapt to such advances in science, digitalization, and technology.

Exyte is developing solutions that employ standardized modular elements in combination with legacy cleanroom systems. The patent-pending ExyCell technology pairs a freely configurable cellular design with a smart selection of standard components for fast-track construction of biologicals production facilities compliant with the current good manufacturing practice (cGMP). These freely configurable bio-manufacturing environments combine standardization and customization without sacrificing the benefits of either.

"Grade A licenses" in China

Exyte is the only foreign company to hold both a "Grade A Building Project General Contractor License" and a "Grade A Mechanical & Electrical Project General Contractor License" in China. These permits allow Exyte to independently carry out major construction projects in all three business segments in China.

Short-term Incentive Program (STIP)

Rolled out for executives and senior management in 2018, the short-term incentive program was extended in 2019 with the gross profit margin serving as another key performance indicator. The performance of these managers is evaluated based on profitability, attainment of the adjusted EBIT target, and individual goals.

In summary, Exyte has established the essential elements of its strategy - organization and internal processes, high-tech innovations, and excellence in execution - and is ready for future opportunities and further growth.

Forecast

The coronavirus has continued to spread as the global COVID-19 pandemic evolves. At the time of writing this Group Management Report, we perceive that this pandemic would have a negative impact on the most important KPIs, i.e. order intake, sales and adjusted EBIT. Since the full impact of the COVID-19 pandemic cannot be reliably estimated, the Executive Board has adjusted its expectations for fiscal 2020 relative to the financial forecast from late fall 2019, and is now predicting lower 2020 order intake than 2019. Due to the healthy backlog at the end of 2019, we expect 2020 sales to be similar to 2019 sales. However, due to the changes in the project portfolio mix, we anticipate a slight decline in the adjusted EBIT compared to 2019.

These financial projections are predicated on the assumption that the remainder of 2020 will not be marked by a second wave of coronavirus infections globally on the same scale as the first, and that the easing of global restrictions will gradually continue until the end of the summer. We further project that the weakened global economy will show clear signs of recovery in the second half of the year as the impacts from the various government stimulus packages are fully realized. By the time of preparing this Group Management Report, we have received a government grant of €3 million in Singapore.

With the proven ability to provide the highest quality service to customers in high-tech industries around the world, our experienced teams and engineers leave us very well prepared for further growth in thriving target markets and core regions. Our focus is on organic growth and complementary acquisitions.

Even so, we are not immune to the forces of globalization. The coronavirus in early 2020 severely restricted employees' movements. Our global customers expect us to rise to the demands of ever more discriminating standards. We must acknowledge that we too are prone to the effects of global trends. It will take nothing less than the all-out commitment of all our employees to rise to the challenges posed by the market.

Stuttgart, July 28, 2020

The Executive Board

Dr. Wolfgang Büchele (CEO)

Margaret Lassarat (CFO)

Roberto Penno (COO)

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

in € thousand

	Note	1.1.–31.12. 2019	1.1.–31.12. 2018
Sales	1	3,889,167	3,531,452
Cost of sales	2	–3,557,510	–3,242,332
Gross profit on sales		**331,657**	**289,120**
Selling costs	3	–33,211	–30,029
Administration costs	4	–74,407	–73,174
Research and development costs		–229	–241
Other operating income	5	19,401	31,550
Other operating expenses	6	–30,550	–47,246
Result from operating activities (EBIT)		**212,661**	**169,980**
Other financing costs	7	–2,618	0
Interest and similar income	8	25,661	23,251
thereof: currency gains deriving from affiliated entities		5,205	1,689
Interest and similar expenses	8	–26,025	–17,725
thereof: currency losses deriving from affiliated entities		–13,882	–10,698
Consolidated earnings before tax		**209,679**	**175,506**
Income tax	9	–44,753	–29,353
Consolidated net profit		**164,926**	**146,153**
Share of the consolidated net profit attributable to:			
Shareholders of the parent company		164,926	144,998
Non-controlling interests		0	1,155

in € thousand

	Note	1.1.–31.12. 2019	1.1.–31.12. 2018
Consolidated net profit		**164,926**	**146,153**
Gain/loss deriving from the translation of financial statements of foreign business units			
change recognized in equity without impacting profit or loss		9,348	10,981
recognized in profit or loss		−1,013	0
Gain/loss deriving from derivative financial instruments			
change recognized in equity without impacting profit or loss		−13	−47
recognized in profit or loss		36	−223
Income tax			
change recognized in equity without impacting profit or loss		4	8
recognized in profit or loss		−11	13
Items that will subsequently possibly be reclassified to profit or loss		**8,351**	**10,732**
Remeasurement of defined benefit plans			
change in actuarial gains/losses		−1,537	−12
Income tax		463	3
Items that will not be subsequently reclassified to profit or loss		**−1,074**	**−9**
Other comprehensive income		**7,277**	**10,723**
Total consolidated comprehensive income for the reporting period		**172,203**	**156,876**
Share of total consolidated comprehensive income attributable to:			
Shareholders of the parent company		172,217	155,707
Non-controlling interests		−14	1,169
		172,203	**156,876**

Consolidated Statement of Financial Position

in € thousand

	Note	31.12.2019	31.12.2018
Assets			
Intangible assets	10	132,861	133,387
Property, plant and equipment	11/12	116,502	61,455
Financial assets		66	2,650
Other non-current assets		174	457
thereof: claims for income tax refunds		0	156
thereof: other non-current financial assets		165	289
Deferred tax assets	9	62,354	67,597
Non-current assets		**311,957**	**265,546**
Inventories	13	66,799	114,459
Contract assets	14	295,672	169,765
Trade and other receivables	15	638,540	609,207
thereof: claims for income tax refunds		4,998	2,074
thereof: other current financial assets		21,350	17,647
Cash and cash equivalents	16	769,406	845,328
Current assets		**1,770,417**	**1,738,759**
Total assets		**2,082,374**	**2,004,305**

in € thousand

	Note	31.12.2019	31.12.2018
Equity and liabilities			
Subscribed capital	17	150,000	150,000
Capital reserve	17	15,000	15,000
Retained earnings	17	158,667	13,669
Other components of equity	17	51,756	44,465
Consolidated net profit	17	164,926	144,998
Equity attributable to the shareholders of Exyte AG		540,349	368,132
Non-controlling interests		0	379
Equity		**540,349**	**368,511**
Provisions for pensions	18	10,486	8,722
Other non-current provisions	19	12,606	6,792
Non-current financing liabilities	20	41,425	0
Other non-current financial liabilities	22	1,307	1,268
Deferred tax liabilities	9	5,079	277
Non-current liabilities		**70,903**	**17,059**
Tax liabilities		14,782	32,716
Other current provisions	19	60,607	47,671
Current financing liabilities	20	13,798	78,212
Trade payables and other current liabilities	22	1,036,522	1,023,306
thereof: income tax liabilities		305	316
thereof: other current financial liabilities		23,804	31,526
Contract liabilities	14	345,413	436,830
Current liabilities		**1,471,122**	**1,618,735**
Total equity and liabilities		**2,082,374**	**2,004,305**

Development of Consolidated Equity

in € thousand

	Invested equity (combined) (17)	Equity (consolidated) (17)		
		Subscribed capital	Capital reserve	Retained earnings
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				
Total comprehensive income				
Balance at December 31, 2018	**0**	**150,000**	**15,000**	**13,669**
Transfer to retained earnings				144,998
Change in the scope of the consolidation				
Consolidated net profit				
Other comprehensive income and expenses				
Total comprehensive income				
Balance at December 31, 2019	**0**	**150,000**	**15,000**	**158,667**

Other components of equity (17)					Total equity attributable to Shareholders of Exyte AG (previously: the M+W Core Group)	Non-controlling interests	Total equity
Accumulated foreign currency translation adjustments	Actuarial gains/losses	Measurement of derivative financial instruments	Income taxes relating to other components of equity	Consolidated net profit			
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
10,967	–12	–270	24	144,998	155,707	1,169	156,876
46,651	**–3,108**	**–39**	**961**	**144,998**	**368,132**	**379**	**368,511**
				–144,998			
						–365	–365
				164,926	164,926		164,926
8,349	–1,537	23	456		7,291	–14	7,277
8,349	–1,537	23	456	164,926	172,217	–14	172,203
55,000	**–4,645**	**–16**	**1,417**	**164,926**	**540,349**	**0**	**540,349**

Consolidated Statement of Cash Flows

in € thousand

		Note	1.1.–31.12. 2019	1.1.–31.12. 2018
	Consolidated earnings before tax		209,679	175,505
	Income tax payments		–53,221	–33,460
+	Net interest (excluding foreign currency exchange gains or losses)	8	–6,762	–9,691
+	Amortization and depreciation	10–12	22,203	6,401
+	Impairment losses		2,618	0
+/–	Net gains/losses deriving from the disposal of non-current assets		1,464	257
+/–	Other non-cash based income and expenses		14,967	2,052
–	Interest paid		–4,003	–2,760
+	Interest received		11,812	12,632
=	**Operating cash flow before changes in working capital**		**198,757**	**150,936**
+/–	Change in provisions		17,061	11,680
+/–	Change in working capital		–149,348	393,142
+/–	Change in other assets and liabilities		4,794	6,526
=	**Cash flow from operating activities**		**71,264**	**562,284**
–	Payments made and received for investments in intangible assets	10	–388	–336
+	Proceeds from the disposal of property, plant and equipment		482	1,874
–	Payments for investments in property, plant and equipment	11–12	–6,445	–44,325
+	Proceeds from the disposal of financial assets		672	1,040
–	Payments for investments in financial assets		–5	–2
+	Proceeds from the disposal of consolidated entities		2,429	50
=	**Cash flow from investing activities**		**–3,255**	**–41,698**
+/–	Transactions with the M+W Group GmbH Group		–63,387	–130,875
	thereof: cash relevant contributions		0	16,898
	thereof: cash relevant withdrawals		0	–33,576
	thereof: proceeds from borrowings taken up		116	12,704
	thereof: proceeds from redemption of loans granted		1,937	12,228
	thereof: payments for loans granted		–11,950	–118,156
	thereof: payments for redemption of borrowings		–53,490	–20,973
+	Proceeds from transactions with equity providers		0	1,266
+	Proceeds from capital increases		0	41
–	Dividend payments		0	–831
+	Proceeds from borrowings taken up with banks		0	26,391
–	Payments for the redemption of borrowings from banks		–80,036	0
–	Payments for leases		–13,438	–30
+/–	Changes in financing of consolidated group companies		–5,198	0
=	**Cash flow from financing activities**		**–162,059**	**–104,038**
=	**Cash-based changes in cash and cash equivalents**		**–94,050**	**416,548**
+/–	Exchange rate effects and other changes to cash and cash equivalents[1]		102,459	–18,305
+	Cash and cash equivalents at the beginning of the period	16	760,997	362,754
=	**Cash and cash equivalents at the end of the period**	**16**	**769,406**	**760,997**

[1] Cash and cash equivalents adjusted, refer to Note 16.

Notes to the Consolidated Financial Statements for Financial Year 2019

A. General disclosures

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

Exyte AG and all its significant subsidiaries are included in the consolidated financial statements of the M+W Group GmbH. As Exyte AG's parent company, M+W Group GmbH prepares exempting consolidated financial statements in accordance with Section 291 of the HGB [German Commercial Code]. The consolidated financial statements of Exyte AG are prepared on a voluntary basis.

Exyte, with Exyte AG as its overall Parent 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). Exyte is counted as a globally active organization 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 Centers (DTC) and Regional Specific Business (RSB). From the development of the initial concept right through to delivery of a complete turnkey solution, Exyte carries out contracts of varying sizes with a guarantee of fast delivery, high standards of quality and cost efficiency. In this context, Exyte combines process technology and complex building infrastructures to deliver integrated complete solutions.

The consolidated financial statements of Exyte AG include the smallest group of companies for which consolidated financial statements are prepared. The ultimate holding company that prepares consolidated financial statements including Exyte AG and its subsidiaries is Millennium Privatstiftung, Vienna, Austria.

B. Accounting principles

Basis

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted by the EU, as well as in accordance with supplementary provisions of Section 315e (3) HGB. They provide a true and fair view of the assets, liabilities, financial position and financial performance of Exyte.

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 of classification.

The financial 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.

New or amended accounting standards

The accounting principles and measurement methods applied are generally consistent with those used in the previous year. Furthermore, Exyte has only applied those new or amended accounting standards whose application was mandatory for the first time in the financial year 2019.

Newly and amended accounting standards

Standard/Interpretation	First-time application[1]	Endorsement by the EU Commission	(Expected) Impacts on Exyte
Accounting standards applied for the first time in 2019			
IFRS 16 "Leases"	1.1.2019	Yes	Of general importance
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	Yes	Insignificant
IAS 28 "Investments in Associates and Joint Ventures"	1.1.2019	Yes	None
IFRIC 23 "Uncertainty over Income Tax Treatments"	1.1.2019	Yes	Insignificant
Annual Improvements Process 2015 – 2017 Cycle (IFRS 3, IFRS 11, IAS 12, IAS 23)	1.1.2019	Yes	Insignificant
New standards (to be applied in the future)			
IFRS 17 "Insurance Contracts"	1.1.2021	No	None
Amended Standards/Interpretations (to be applied in the future)			
Amendment to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material	1.1.2020	Yes	Insignificant
Amendments to References to the Conceptual Framework in IFRS Standards	1.1.2020	Yes	Insignificant
Amendment to IFRS 3 "Business Combinations" – Definition of a business	1.1.2020	No	Insignificant
Amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	1.1.2020	Yes	Insignificant

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

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

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.

Exyte has applied IFRS 16 retrospectively as of January 1, 2019 to all contracts that had already been previously identified as leases, without changing the comparative figures for the previous year (modified retrospective method). For contracts that were previously classified as operating leases, Exyte recognized the lease liability, in the amount of the present value of the outstanding lease payments at the transition date, whereby the discount rate used was the respective incremental borrowing rate of interest that was valid at the first time of application. At the date of first-time application, the right of use for the leased asset was measured at the carrying amount of the lease liability.

Exyte made use of the option to exclude intangible assets from the scope of application of IFRS 16. Individual leases with a residual term of not more than twelve months are treated as short-term leases in compliance with the provisions covering simplification. Advantage of this approach will also be taken for short-term leases entered into after December 31, 2019. Furthermore, Exyte has made use of the option to treat leases of low-value assets in accordance with the simplification provisions.

The first-time application of IFRS 16 had the following effects on the consolidated statement of financial position as of January 1, 2019:

First-time adoption effects of IFRS 16

in € thousand

	1.1.2019
Additions to right-of-use assets	54,714
Lease liabilities	–53,922
Provision for restoration obligations	–985
Reclassification of deferred lease expenses	193
Effect on equity (after tax)	**0**

The reconciliation to the (undiscounted) obligations under operating leases as of December 31, 2018 is shown below:

Transition operating leases to lease liabilities under IFRS 16

in € thousand

	31.12.2018/ 1.1. 2019
Undiscounted operating leases as of December 31, 2018	48,940
Effect of discounting	–1,793
Low-value leases	–1,873
Short-term leases	–2,904
Lease extension options not taken into account in accordance with IAS 17	12,750
Payment obligations not included in the scope of IFRS 16	–406
Increase in lease liabilities pursuant to IFRS 16	**54,714**

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 have been replaced under IFRS 16 by amortization or depreciation charges for right-of-use assets and interest charges deriving from lease liabilities and now are disclosed as a component of the result from financing activities. The depreciation charges for right-of-use assets in the financial year reported amounted to €13.6 million and the interest expense amounted to €0.8 million. In the statement of cash flow, the tendency is that a better cash flow from operating activities is disclosed, whereas the interest and redemption portions of the lease payments are disclosed as a component of the result from financing activities. These amounted to €13.4 million.

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 powers of disposition 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 Exyte is presented in the following table:

Number of entities

	31.12.2019	31.12.2018
Fully consolidated subsidiaries	**27**	**29**
Domestic	6	6
Foreign	21	23
Joint operations (only foreign)	**2**	**1**

In financial year 2019, the scope of the consolidation developed as follows:

Development of the scope of consolidation

Status as of December 31, 2018	**29**
Changes in financial year 2019	
Exyte Energy, Inc., Union, USA (deconsolidation)	–1
Exyte Gilbane JV, Providence, USA (change to proportionate consolidation)	–1
Status as of December 31, 2019	**27**

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. Exyte US Inc. holds 51% of the shares in Exyte Gilbane JV. Due to a contract amendment at the beginning of the financial year, Exyte no longer exercises a controlling influence and Exyte Gilbane JV is no longer fully consolidated in 2019 but is included in the financial statements of Exyte US Inc., Plano, USA, as a joint operation in proportion to the share interest held. No effect on earnings derived from the transitional treatment for consolidation purposes.

Exyte Energy, Inc., Union, USA, was sold effective as of December 31, 2019.

A table showing 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 valid.

At the time of acquisition, the investment consolidation is performed by setting off the acquisition costs against the remeasured proportionate equity in the subsidiaries at the time of the acquisition. Assets and liabilities of the subsidiaries are measured at their fair values. Any corresponding positive difference represents the amount that is recognized as goodwill by Exyte AG. Any negative differences are recognized in profit or loss.

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, at least annually, for impairment.

Accounts receivable and accounts payable balances and expenses and income between consolidated companies are eliminated. Charges for intra-group deliveries of goods and services are based on market 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.

Foreign currency conversion and translation

Foreign currency translation of 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.

Translation of financial statements designated in foreign currency

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. Exceptions in this respect are a company in Singapore, which uses US dollars as its functional currency, and a sub-group holding company in Singapore, which uses euros as its functional currency.

Exyte translates assets and liabilities of companies whose functional currency is not the euro at the average spot rate of exchange prevailing at the closing date of the financial year reported. Expenses and income are translated at the average rate for the financial year reported. Exyte recognizes the amount of the difference arising from foreign currency translation in equity, without impacting profit or loss, as a component of other comprehensive income. If the subsidiary company is (partially) sold, any currency impacts are (proportionately) reclassified to the income statement section of the statement of comprehensive income.

Exyte has applied the following exchange rates for the purpose of translating significant items designated in foreign currencies:

Relevant exchange rates

	1 EUR	Year-end rate 31.12.2019	Year-end rate 31.12.2018	Average rate for the year 2019	Average rate for the year 2018
USA	USD	1.1153	1.1377	1.1172	1.1797
Singapore	SGD	1.5083	1.5617	1.5243	1.5915
Great Britain	GBP	0.8513	0.9007	0.8738	0.8850
Russia	RUB	69.2013	78.8767	71.9982	74.3007
China	CNY	7.8025	7.8109	7.7220	7.8124
Malaysia	MYR	4.6034	4.7419	4.6327	4.7606
Taiwan	TWD	33.5834	35.0963	34.5047	35.6312
Vietnam	VND	25,831.0000	26,448.0000	25,938.0833	27,210.0000
Israel	ILS	3.8611	4.3027	3.9854	4.2528
Japan	JPY	122.2300	126.1400	121.9575	129.9825
Czech Republic	CZK	25.5090	25.8580	25.6714	25.6459

Accounting and measurement methods

Goodwill

In the previous year, during the process of restructuring under company law, Exyte took over the goodwill from the M+W Group GmbH Group in accordance with the "extraction method" and allocated this to the identified groups of cash generating units.

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 three to ten years. Furthermore, Exyte tests intangible assets with finite useful lives annually for impairment (refer to the section: "Impairment of intangible assets and property, plant and equipment"). Exyte does not have any other intangible assets with indefinite useful lives.

Development costs are recognized as intangible assets 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 products that are produced using the assets; the useful lives are in the range of between two and six years. Research costs are recognized in profit or loss as incurred in accordance with IAS 38.

The costs of acquisition or generation include all directly attributable costs as well as appropriate shares of development-related overheads. They are capitalized when the recognition criteria for the respective assets are met up until such time as the assets are available for use in the organization in accordance with management's plans.

Property, plant and equipment

Items of property, plant and equipment are measured at their costs of acquisition or construction, reduced by scheduled depreciation and any recognized losses for impairment. Costs of construction recognized include all attributable direct costs as well as appropriate shares of material and production overheads, including amortization and depreciation.

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 items of property, plant and equipment are sold or disposed of, the gain or loss arising from the difference between the sales proceeds and the residual carrying amount of the assets is recorded either under other operating income or under other operating expenses.

Impairment of intangible assets and property, plant and equipment

At each closing date, Exyte assesses intangible assets and items of property, plant and equipment with finite useful lives in order to establish whether indications exist that the respective assets are impaired. If this is the case, the recoverable amount of the asset is determined in order to determine the amount of any potential 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 deriving from operational usage. The discount rate used is a pre-tax rate that reflects the time to maturity of the cash flows and the risks specific to the asset that have not already been considered when determining the estimated future cash flows.

If the recoverable amount is 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 and IAS 38.

If the reason for impairment is either no longer fully or partially applicable, Exyte assesses whether the impairment loss needs to be reversed. The maximum amount of the impairment loss reversal is determined on the one hand by the amount of amortized cost of the asset which would have been applicable if no impairment loss had been recognized in previous periods. On the other hand, the asset must not be recognized at an amount that exceeds its recoverable amount. The amount of the impairment reversal is recognized immediately in profit or loss. Recognition of impairment reversals for goodwill are not permissible.

Leases

A lease is a contract that transfers the right to use an asset (the leased item) in return for payment for an agreed period of time.

As the lessee, Exyte recognizes right-of-use assets for any leases entered into and related liabilities for the payment obligations.

The lease liability is determined as the present value of the following lease payments:

- fixed lease payments,
- variable lease payments that are dependent on a rate or index,
- the exercise price of a purchase option if the option is reasonably certain to be exercised,
- any contract penalties relating to the reasonably certain termination of the lease.

Lease payments are discounted using marginal borrowing rates that are commensurate with the currency, asset and term of the lease.

The right-of-use asset is recognized at its costs of acquisition, which are made up as follows:

- the present value of the lease payments (= amount of the lease liability);
- the amount of any lease payments made or deferred expenses incurred at the time of (or before) deployment, less any lease incentives received;
- initial direct costs;
- the equivalent value of any restoration obligation recognized as a liability.

Subsequent measurement is at amortized cost. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

Exyte has taken full advantage of the available relief provisions for low-value leases (hypothetical acquisition cost < €5 thousand) and for short-term leases (non-terminable basic lease term < 12 months).

A few contracts for the rental of real estate contain extension and/or termination options. Such contract conditions offer Exyte the possibility of maximum operational flexibility. When determining the contractual terms, all facts and circumstances are taken into account that provide an economic incentive to exercise renewal options or not to exercise termination options. Changes in the term of the contract resulting from the exercise or non-exercise of such options are only taken into account in the term of the contract if they are sufficiently certain.

Payments for leased assets for which the relief option has been invoked are expensed in full on a straight-line basis over the term of the lease.

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. 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 Exyte to hedge risks deriving from fluctuations in currency exchange rates.

Financial asset and financial liabilities are recognized in the consolidated statement of financial position from the point in time at which Exyte 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. Depending on the Group's business model for managing assets and whether the contractual cash flows of the financial instruments exclusively represent principal and interest payments on the outstanding principal amount, the existing financial instruments are classified as either "at amortized cost" (AC), "at fair value through equity in other comprehensive income" (FVOCI) or "at fair value through profit or loss" (FVTPL) and measured accordingly. Financial liabilities are generally classified as AC and measured using the effective interest method or, in rare cases, recognized as FVTPL. Amortized cost is the amount at which a financial asset or liability was measured when it was initially recognized,

- less any repayments of principal
- less any possible allowances for impairment, and
- plus/minus the cumulative difference between the effective and nominal interest on the instrument.

The fair value reflects the market or their quoted value on a stock exchange. If no active market exists, then the fair value is determined using financial valuation techniques, such as, for example, the discounting of estimated future cash flows using market interest rates, or through application of recognized option pricing models.

Trade receivables

Trade receivable do not bear interest and due to their short-term nature are recognized at their transaction value less any allowances for impairment (amortized cost). The "simplified approach" is applied to determine expected credit losses. In addition, Exyte takes into account any objective indications that customers are unable to meet their payment obligations.

Contract assets

Contract assets represent claims against customers for services rendered which, unlike trade receivables, are still dependent on the occurrence of a future condition. They are recognized in the amount of the transaction price of the goods and services transferred to the customers less any impairment losses. Any impairment loss recognized against contract assets is determined by applying the same principles that are used for trade receivables.

Other financial assets

Other financial assets, such as cash deposits are recognized at amortized cost. Any identifiable default risks are taken into account by making appropriate allowances.

Cash and cash equivalents

Cash and cash equivalents are made up of cash on hand, checks and readily available bank balances with an original term of up to three months. These are recognized at their nominal value.

Financial liabilities

Lease liabilities are measured at the present value of the minimum lease payments that are still outstanding.

Trade accounts payable and other financial liabilities have a short-term to maturity and are recognized at their nominal value.

Interest-bearing bank loans and overdrafts are recognized at the amount received less directly attributable issuing costs at the time of initial recognition. Financing costs, including premiums payable on repayment or redemption, are recognized as interest expense using the effective interest method and increase the carrying amount of the instrument to the extent that they will result in future payments.

Impairment allowances – expected credit losses and individual risk of default

IFRS 9 has introduced a new model to determine allowances for impairment based on expected credit losses. Under this model, impairment allowances for expected credit losses are recognized against financial assets that are classified as being "measured at amortized cost". This specifically includes the use of forward-looking information and estimation parameters.

In the case of trade receivables and contract assets, a "simplified approach" is applied to determine the impairment allowance, which provides that impairment allowances are determined in the amount of the expected credit loss during the remaining term.

For cash and cash equivalents, advantage is taken of the simplification available for financial instruments with a low credit risk ("low credit risk exemption") as of the year-end 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.

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 supplied by commercial information service providers, relating to the credit risks associated with the contractual partners of Exyte. 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 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 insignificant importance for Exyte.

If objective indications exist that a default event will occur, then in addition to the expected credit loss, the individual default risk is taken into account, when determining the degree of impairment. Examples of objective evidence 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 financial assets may be appreciably reduced.

At the end of each financial year, Exyte monitors whether the credit risk associated with the receivable has changed and, where necessary, adjusts the allowance for impairment. In general, Exyte defines a default event as a situation in which the debt is no longer recoverable. If the financial instrument is perceived to be unrecoverable, then 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.

Dividend income

As a general rule, dividend income is recognized at the time that it legally arises.

Derivative financial instruments

Exyte solely deploys derivative financial instruments as hedges to manage risks deriving from fluctuations in currency exchange rates. If the requirements for a hedging relationship are fulfilled, the derivative financial instruments are recognized as cash flow hedges for hedge accounting purposes.

Derivative financial 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 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.

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

The costs of conversion 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 conversion process. Administration costs are considered to the extent that they can be attributed to the manufacturing process. Borrowing costs are not recognized as part of the costs of acquisition or conversion. If lower net realizable values are determined at the year-end reporting date, 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.

The advance payments made mainly comprise advance payments to sub-contractors in connection with projects.

Contract assets and contract liabilities
Contract assets represent a conditional entitlement deriving from contract work in progress for which Exyte has performed work in advance for the customer. For projects where sales are 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 for services already rendered or goods delivered 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 Exyte'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 addition, deferred taxes are recognized in respect of tax losses carried forward, provided these are considered to be utilizable in future. Deferred taxes are measured using the respective national income tax rates. 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 valid at the closing date, unless this rate has already been changed with effect for the years in which the temporary differences are expected to reverse or the losses are expected to be utilized.

Tax consequences arising from profit distributions are only considered at the point in time when the resolution relating to the profit appropriation is passed.

No deferred tax assets are recognized for deferred tax benefits that are not expected to be realized during the period covered by corporate plans.

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

Deferred tax assets and deferred tax liabilities are not discounted. Deferred tax assets and deferred tax liabilities are required to be offset if the tax creditor and tax debtor are identical. Deferred taxes are always classified as non-current.

Provisions for pensions
Pension provisions cover Exyte's benefit obligations arising from defined benefit plans. For defined benefit plan retirement schemes, the pension obligations are determined based on the projected unit credit method. For this purpose, annual reports are obtained from actuaries.

The biometric probabilities that are applied are derived from the mortality tables (Richttafeln 2018 G) issued by Prof. Dr. Klaus Heubeck.

Exyte calculates the pension expense recognized in profit or loss based on the parameters at the end of the respective previous year and the relevant plan formula. If the amount of the obligation revalued on the basis of the valuation parameters applicable at the end of the financial year differs from the impact on profit or loss deriving from the continued application of the old parameters, then the difference is recognized in other comprehensive income.

The service cost is disclosed 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 made by the employer are accounted for directly as an expense in the respective functional costs.

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

Other provisions
Provisions are set up at the closing date 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 or 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 changes in costs and prices prior to settlement.

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 Exyte's control. 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.

Contingent liabilities are not recognized as liabilities in the balance sheet but are disclosed in the notes to the consolidated financial statements.

Sales
Sales are recognized when Exyte has fulfilled its obligation to a customer to deliver a promised good or a promised service. An asset is considered to have been transferred at the point-in-time when the customer assumes control over the asset. Exyte recognizes sales in the amount of the transaction consideration that was agreed with the customer. Amounts that are collected on behalf of third parties are excluded.

Sales deriving from plant construction contracts
Sales deriving from plant construction contracts are 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, Exyte carries out contracts of varying sizes that require fast delivery, high standards of quality and cost efficiency. In this context, Exyte 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 itself. If the customer terminates the contract despite the fact that Exyte has properly delivered the required service, then Exyte retains the right to the consideration that is due.

Income deriving from contracts for the performance of services is accrued over time by Exyte in accordance with the degree of their completion. The costs that have already been incurred are compared to the estimated total costs in order to determine the degree of completion.

With regard to the risks associated with their enforcement, Exyte only recognizes amounts representing contract modifications and compensation claims if these are confirmed by the customer in writing.

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; in this context, payment terms are normally within 30 days of invoicing.

Sales deriving from the delivery of goods
Sales deriving from the sale of goods mainly relate to sales generated by the Technology segment through sales of cleanroom technology. The control over the goods is normally transferred to 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.

Operating expenses
The cost of sales disclosed show the costs incurred in relation to the sales 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., as well as 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, as well as amortization and depreciation relating to the administration area.

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.

Taxes other than taxes on income are classified with other operating expenses.

Government grants and assistance
Government grants and assistance that are intended to compensate Exyte 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 and expenses are stated for accounting purposes, as well as on the disclosure of certain amounts in the notes. Although great care was taken in quantifying such estimates and assumptions, the actual figures that arise may vary from them in some individual cases.

The most important future-related assumptions made at the closing date and the key sources of estimation uncertainty that could lead to the risk of an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Significant discretionary decisions relating to the application of IFRS 15

Determination of the stage of completion
The majority of the projects carried out by Exyte are accounted for based on the stage of completion of the work performed and sales are recognized over time in accordance with IFRS 15. In order to determine the stage of completion, the precise assessment of the degree of completion based on the actual costs incurred in relation to the estimated total costs is a matter of judgement. Other key estimation factors include, in particular, total contract sales and estimates of contract risks. These estimates are regularly reviewed and adjusted.

Contract amendments
Sales recognition deriving from contracts for the construction and delivery of plant facilities also takes into account amounts that are based on contract amendments, or which derive from mistakes for which the customer is responsible, relating to the scope of the project, to subsequent requests for changes that have not yet been negotiated in detail with regard to price and scope, or to other unforeseeable additional expenses and adjustments for which the Group will charge these customers or other third parties. These amounts are recognized at their expected value if their realization is highly probable and they can be estimated with sufficient reliability. In this context, a subsequent adjustment of the estimated sales from the aforementioned items may become necessary.

Goodwill

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

Fair values of financial assets and financial liabilities

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

Exyte 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 depending on the degree to which their determination is reliable:

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

- Level 2: Determination based on the use of measurement parameters, which do not constitute quoted prices considered in Level 1, but which can, however, 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: Determination based on use of measurement parameters, which are 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.

Exyte records reclassifications between the various levels of the fair value hierarchy at the end of the financial year in which the change occurs.

Legal disputes

Particularly as far as its involvement in project-related business is concerned, Exyte is regularly involved in legal disputes that are contested in various jurisdictions. Such legal processes can lead to situations in which the Exyte companies that are affected become subject to criminal or civil sanctions, fines or comparable costs. Exyte sets up provisions for such legal disputes, regulatory processes or governmental investigations in cases where it is more likely than not that an obligation has arisen in connection with such procedures that will lead to an outflow of resources and where the related amount 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 year-end reporting date as to whether the prerequisites for setting up a provision are fulfilled is based on a significant degree of judgment on the part of the Executive Board.

Exyte regularly assesses the current status of legal disputes, by also involving external lawyers. Due to new developments, it may become necessary to recognize a provision for an ongoing legal dispute for the first time in the future or to adjust its amount. Changes in estimates and assumptions over time can have a significant effect on the future financial performance. In the event of an unfavorable outcome from ongoing litigation, Exyte could incur expenses in excess of the provisions recognized in the statement of financial position.

Accounting for pensions

Provisions for pensions, and hence the resultant period-related net benefit costs are determined in conformity with actuarial computations. Such computations are based on key assumptions, which include discount rates, reimbursement claims, salary and pension trends and life expectancies. 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 assumptions made, due to fluctuating market and economic circumstances. These may have a significant impact on the provisions for pensions. Any resultant differences are recognized in other comprehensive income in the period in which they arise.

Income taxes

Exyte carries out its activities 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 if sufficient future taxable income is available, against which expenses deriving from the reversal of temporary differences or tax losses carried forward can be offset. Amongst other things, the estimation of such income takes into account planned results from operational activities, impacts on earnings deriving from the future reversal of taxable timing differences, as well as 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 Board, the amount at which the deferred tax assets are measured may need to be adjusted in the future.

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. Significant estimates are required in particular for potential losses from onerous contracts, warranty provisions and various other provisions where the amount of the obligation is uncertain.

D. Note disclosures for individual items

Comments on the Statement of Comprehensive Income

1 Sales from contracts with customers

Exyte's main activities

Exyte plans and constructs production plants and research facilities throughout the world. The range of industries in which the Group is active covers, amongst 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 deriving from contracts with customers are earned in the Regional Segments EMEA, AMER and APAC and derive from such activities.

In addition to the 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. No guarantees are given that exceed those required by law.

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

The following table shows sales that are expected in future periods to derive from service obligations that had not yet been fulfilled (or only partially fulfilled) at the reporting date[1]:

Future sales revenue expected from service obligations

in € thousand

2020	2021	2022	Total
3,279,212	381,263	9,055	3,669,530

All contracts have been measured at the respective transfer prices, including any agreed contract amendments.

Pursuant to IFRS 15.121, the organization has taken advantage of the available relief provision and only discloses performance obligations that are part of a contract with an expected original term of more than one year.

As of the year-end closing date, no costs relating to the initiation of contracts were recognized as assets.

[1] These amounts include a project which was withdrawn by the customer during the financial year 2020 (see note 29).

Analysis of sales

The following table shows the analysis of sales deriving from contracts with customers. For further information with respect to the analysis by reportable segments, refer to Note 28.

Sales from contracts with customers after revenue recognition 2019

in € thousand

	EMEA	AMER	APAC	TECH	Consolidation adjustments	Exyte
Sales recognized over time	1,412,332	531,335	1,721,210	3,666	−17,221	3,651,322
Sales recognized point in time	163	0	165,249	99,149	−26,716	237,845
Total	**1,412,495**	**531,335**	**1,886,459**	**102,815**	**−43,937**	**3,889,167**

Sales from contracts with customers after revenue recognition 2018

in € thousand

	EMEA	AMER	APAC	TECH	Consolidation adjustments	Exyte
Sales recognized over time	861,692	578,424	1,910,813	4,732	−16,881	3,338,780
Sales recognized 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

The cost of goods and services sold during the financial year amounted to €3,557,510 thousand (2018: €3,242,332 thousand).

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

Furthermore, this reporting line includes the expense for write-downs, amounting to €633 thousand (2018: €458 thousand) and reversals of previous write-downs, amounting to €396 thousand (2018: €0 thousand). The write-downs were made for slow-moving inventory items.

Income deriving from the reversal of provisions for warranty obligations and potential losses from onerous contracts, amounting to €1,255 thousand (2018: €1.841 thousand) served to reduce the cost of sales.

3 Selling costs

Selling costs amounted to €33,211 thousand in the financial year (2018: €30,029 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 €74,407 thousand (2018: €73,174 thousand) include costs of personnel and materials or services, as well as amortization and depreciation relating to the administration area.

5 Other operating income

Other operating income
in € thousand

	2019	2018
Income from government grants and assistance	7,491	3,446
Income deriving from services and charge-outs to the M+W Group GmbH Group	5,031	6,539
Income deriving from services, charge-outs and rentals	1,553	67
Income from the reversal of impairment allowances[1]	802	19,512
Miscellaneous other items	4,524	1,986
Total	**19,401**	**31,550**

[1] Impairment losses (including reversals of impairment losses on financial assets) were not presented as a separate item in accordance with IFRS 9/IAS 1.82Ba for reasons of materiality. Impairment losses/income from the reversal of impairment losses on financial assets have been reported under other operating expenses/ other operating income from financial year 2019 onwards. The previous year's figures have been adjusted.

€7,320 thousand of the income from government grants and assistance (2018: €3,442 thousand) derive from incentives granted by the Chinese government. The Chinese company was entitled to claim a partial tax refund as an incentive to support its business activities.

6 Other operating expenses

Other operating expenses
in € thousand

	2019	2018
Impairment losses/bad debt write-offs[1]	7,671	13,352
Expenses deriving from services and charge-outs by the M+W Group GmbH Group	9,853	11,976
Relocation expenses	2,394	4,398
Restructuring and reorganization expenses	3,741	1,079
Loss deriving from deconsolidation	1,206	–
Taxes other than income taxes	699	6,327
Losses on disposal of non-current assets	590	359
Miscellaneous other items	4,396	9,755
Total	**30,550**	**47,246**

[1] Impairment losses (including reversals of impairment losses on financial assets) were not presented as a separate item in accordance with IFRS 9/IAS 1.82Ba for reasons of materiality. Impairment losses/income from the reversal of impairment losses on financial assets have been reported under other operating expenses/ other operating income from financial year 2019 onwards. The previous year's figures have been adjusted.

7 Other financing costs

Other financing costs
in € thousand

	2019	2018
Write-downs of financial assets	2,618	0
Total	**2,618**	**0**

The write-downs of financial assets concerns the complete write-down of an investment interest in a non-consolidated company in China.

8 Result from financing activities

Result from financing activities
in € thousand

	2019	2018
Interest and similar income	**25,661**	**23,251**
thereof: foreign exchange gains relating to affiliated entities	5,205	1,689
thereof: foreign exchange gains relating to third parties	9,062	8,612
Interest and similar expenses	**−26,025**	**−17,725**
thereof: interest portion of lease installments	−779	−3
thereof: interest portion in pension provisions	−147	−134
thereof: foreign exchange losses relating to affiliated entities	−13,882	−10,698
thereof: foreign exchange losses relating to third parties	−7,491	−3,773
Total	**−364**	**5,526**

9 Income taxes

The figure for income taxes comprises 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 is made using the tax rates that are valid, or that have been announced for the future, 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 companies, as of the respective year-end 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.

Income taxes and deferred taxes are recorded as tax credits 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 accounted for directly in equity as a component of other comprehensive income without impacting profit or loss.

For the units that were disclosed in the combined financial statements 2017 as "ZEBRA entities", a simulated tax computation was made in financial year 2018 for the period from January to the actual date of the respective asset deal. A simulated tax computation was also made for Exyte Central Europe GmbH and Exyte Technology GmbH for the period in which these companies legally belonged to the joint tax assessment group controlled by M+W Group GmbH.

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

Income taxes by origin

in € thousand

	2019	2018
Current taxes	**32,623**	**56,247**
Deferred taxes	**12,130**	**–26,895**
thereof: deriving from temporary differences	7,526	–17,526
thereof: deriving from tax loss carryforwards	4,604	–8,911
Total	**44,753**	**29,353**
thereof: relating to prior periods	–536	–123
thereof: deferred taxes relating to prior periods	–6	942

At the year-end reporting date, Exyte had unutilized corporation tax loss carryforwards, amounting in total to €74,256 thousand (2018: €83,187 thousand), as well as unutilized municipal trade tax loss carryforwards in Germany of €34,619 thousand (2018: €16,166 thousand). In addition, tax loss carried forwards existed, mainly in the USA, amounting to €14,018 thousand (2018: €13,190 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 €32,972 thousand (2018: €71,497 thousand) of the tax losses carried forward that have not yet been utilized for corporation tax purposes and to offset €7,352 thousand (2018: €16,014 thousand) of the tax losses carried forward that have not yet been utilized for municipal trade tax purposes.

Deferred tax assets amounting to €7,040 thousand (2018: €11,419 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 €41,284 thousand (2018: €11,690 thousand) and municipal trade tax loss carryforwards of €27,268 thousand (2018: €152 thousand). €1,914 thousand (2018: €1,047 thousand) of the foreign tax loss carryforwards will expire in the next five years.

Net deferred tax expenses, amounting to €69 thousand (2018: €44 thousand) arose from changes in tax rates.

Deferred tax liabilities of €136,268 thousand (2018: €122,125 thousand) were not recognized because Exyte is able to control the timing of the reversal of the temporary differences and these will not reverse in the foreseeable future.

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 carryforwards:

Deferred taxes by line item in the statement of financial position

in € thousand

	Deferred tax assets		Deferred tax liabilities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Non-current assets	**13,724**	**12,787**	**−16,632**	**−1,631**
Intangible assets	12,015	11,840	−1,444	−941
Property, plant and equipment	8	143	−11,341	−658
Financial assets	1,701	804	−3,847	−32
Current assets	**5,575**	**7,001**	**−25,151**	**−4,113**
Inventories	162	1,612	−3,544	0
Receivables and other assets	5,413	5,389	−21,607	−4,113
Non-current liabilities	**13,021**	**3,048**	**−34**	**0**
Provisions	4,334	3,048	0	0
Liabilities	8,687	0	−34	0
Current liabilities	**69,360**	**43,010**	**−8,709**	**−4,170**
Provisions	6,147	4,759	−7	−164
Liabilities	63,213	38,251	−8,702	−4,006
Tax losses carried forward	17,804	13,436	0	0
Tax credits	3,360	3,056	0	0
Other	277	0	0	0
Gross value	**123,121**	**82,338**	**−50,526**	**−9,915**
Write-downs	−15,320	−5,103	0	0
Set-offs	−45,447	−9,638	45,447	9,638
Recognition in the statement of financial position	**62,354**	**67,597**	**−5,079**	**−277**

Deferred tax assets and liabilities disclosed in the consolidated statement of financial position, amounting to €1,417 thousand (2018: €961 thousand) relate to business transactions that were recognized directly in equity. Deferred tax assets recognized directly in equity 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. In the previous year, deferred tax assets and deferred tax liabilities, amounting to €1,416 thousand, were recognized in equity in connection with the transition to IFRS 9 and IFRS 15.

In the previous year, effects deriving from restructuring measures, for example in connection with asset deals, amounting to €11,272 thousand were recorded against invested equity.

For the purpose of measuring deferred tax assets resulting from deductible temporary differences and tax loss carryforwards, underlying 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 carryforwards. 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, recognition of deferred tax assetsis mandatory 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 (i.e. more than 50% likely) that sufficient future taxable income will become available.

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 – domestic tax rate of 30.53% for financial year 2019 was applied.

Reconciliation from expected to actual tax expense

in € thousand	2019	2018
Earnings before tax	**209,679**	**175,504**
Expected tax expense/tax credit	64,015	53,581
Changes to the expected tax expense:		
Non-tax-deductible expenses	3,550	1,938
Non-taxable income	–16,106	–2,395
Change in write-downs of deferred taxes and impacts deriving from tax loss carryforwards	8,206	–1,013
Permanent differences	847	–9,149
Deviations from the expected tax rate	–22,393	–19,754
Effects deriving from additions and deductions for municipal trade tax purposes	0	0
Impacts of changes in tax rates	–69	–44
Taxes relating to previous years	–541	819
Foreign and other local income taxes	9,336	4,236
Other tax effects	–2,092	1,134
Actual tax expense	**44,753**	**29,353**
	21.3%	16.7%

"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

10 Intangible assets

Development of intangible assets

in € thousand

	Development costs	Patents, trademarks, software, relationships	Goodwill	Total
Costs of acquisition or generation Balance: January 1, 2019	**462**	**16,249**	**142,562**	**159,273**
Currency impacts	0	75	222	297
Changes in the scope of consolidation	0	–4,118	0	–4,118
Additions	151	241	0	392
Balance: December 31, 2019	**613**	**12,447**	**142,784**	**155,844**
Accumulated amortization/write downs Balance: January 1, 2019	**54**	**15,073**	**10,759**	**25,886**
Currency impacts	0	71	216	287
Changes in the scope of consolidation	0	–4,118	0	–4,118
Additions	47	881	0	928
Balance: December 31, 2019	**101**	**11,907**	**10,975**	**22,983**
Carrying amount: December 31, 2019	**512**	**540**	**131,809**	**132,861**

in € thousand

	Development costs	Patents, trademarks, software, relationships	Goodwill	Total
Costs of acquisition or generation Balance: January 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**

There were no commitments for the purchase of intangible assets as of the closing date (2018: €0 thousand).

Amortization charges on intangible assets deriving from patents, trademarks and software amounted to €513 thousand (2018: €483 thousand), from customer relationships amounted to €368 thousand (2018: €449 thousand) and from development costs amounted to €47 thousand (2018: €46 thousand). €476 thousand of these charges were included under the cost of sales in 2019 (2018: €552 thousand), €298 thousand under administration costs (2018: €426 thousand) and €154 thousand (2018: €0 thousand) as other operating expenses.

Exyte has defined the following areas of the business as cash-generating units (CGUs): EMEA, AMER, APAC and TECH).

As in the previous year, the annual test for impairment was made at the level of the CGUs.

The recoverable amount for purposes of the impairment test of goodwill was determined on the basis of the value in use. 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 Exyte's future economic performance, 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 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 2018 and 2019, the allocation of goodwill to the respective CGUs was as follows:

Goodwill by cash-generating unit

31.12.2019	Tax rate (in %)	Interest rates WACC (in %)	Goodwill (in € thousand)
EMEA	17.4	10.5	59,673
AMER	23.4	9.7	12,921
APAC	20.5	10.5	55,264
TECH	29.7	11.7	3,951

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	20.3	8.5	55,264
TECH	28.9	8.8	3,951

Furthermore, the significant (internal) planning assumptions for all cash-generating units are expected to develop as follows:

- Sustainable growth in the perpetual annuity of 0.25%;
- A slightly increasing, or respectively stagnating gross margin;
- A slightly increasing, or respectively stagnating EBIT margin;
- For the CGUs EMEA, AMER, and APAC the free cash flow for the perpetual annuity was derived from the average sales of the actual years 2015 to 2019 and the plan years 2020 to 2022 in order to take account of the cyclical nature of regional business. Based on this, the EBIT margin for the final planning year was applied with slight modifications;
- For the CGU TECH, both the sales and EBIT of the final planning year were used to derive the perpetual annuity.

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

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 financial year.

11 Property, plant and equipment (excluding right-of-use assets)

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, 2019	**8,042**	**12,719**	**51,058**	**37,247**	**109,066**
Currency impacts	96	258	984	0	1,338
Changes in the scope of consolidation	0	0	–16	0	–16
Additions	10	751	4,888	796	6,445
Disposals	0	381	3,495	25	3,901
Transfers	24,003	4,829	9,133	–37,965	0
Balance: December 31, 2019	**32,151**	**18,176**	**62,552**	**53**	**112,932**
Accumulated depreciation Balance: January 1, 2019	**2,275**	**8,738**	**36,598**	**0**	**47,611**
Currency impacts	37	224	753	0	1,014
Changes in the scope of consolidation	0	0	–16	0	–16
Additions	767	1,167	5,771	0	7,705
Disposals	0	362	2,788	0	3,150
Balance: December 31, 2019	**3,079**	**9,767**	**40,318**	**0**	**53,164**
Carrying amount: December 31, 2019	**29,072**	**8,409**	**22,234**	**53**	**59,768**

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**

As in the previous year, there were no restrictions on the disposal of property, plant and equipment, nor were there any obligations to purchase property, plant and equipment (31.12.2018: €3,961 thousand).

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

12 Right-of-use assets

Amounts recognized in the consolidated statement of financial position

Development of right-of-use assets

in € thousand

	Land and buildings	Other equipment, operational and office equipment	Total
Costs of acquisition or construction: Balance: January 1, 2019	**49,433**	**5,281**	**54,714**
Currency impacts	175	103	278
Changes in the scope of the consolidation	0	–57	–57
Additions	11,154	4,223	15,377
Disposals	141	0	141
Balance: December 31, 2019	**60,621**	**9,550**	**70,171**
Accumulated depreciation Balance: January 1, 2019	**0**	**0**	**0**
Currency impacts	37	28	65
Changes in the scope of the consolidation	0	–57	–57
Additions	10,578	2,992	13,570
Disposals	141	0	141
Balance: December 31, 2019	**10,474**	**2,963**	**13,437**
Carrying amount: Balance: December 31, 2019	**50,147**	**6,587**	**56,734**

Most of the land and buildings are office and administrative buildings, which are typically leased for a period of around ten years. In some cases, the leases include one or more extension options of three to ten years. The extension options can generally only be exercised unilaterally by Exyte and not by the lessor. At the transition date on January 1, 2019, the executive management assessed whether the renewal options are highly likely to be exercised. This assessment is repeated on each reporting date, taking into account the respective economic situation and other circumstances.

In addition, apartments are rented for employees when projects are carried out that extend over a period of more than twelve months and these are also accounted for as right-of-use assets. If the apartments are rented for a period that is less than twelve months, Exyte takes advantage of the option to treat the rental costs as current expenses.

Motor vehicles make up a significant amount of the right-of-use assets classified as other equipment, operational and office equipment.

Amongst other assets, Exyte leases IT equipment, such as PCs, notebooks, screens and printers. If the original price of the asset is less than €5 thousand, then Exyte treats the rental costs as current expenses.

We refer to the comments concerning the treatment corresponding (non-current and current) lease liabilities under Note 20 in the section “Financial liabilities”.

Amounts recognized in the income statement

2019 – Leases under IFRS 16

in € thousand	
Interest expense on lease liabilities and restoration obligations	793
Short-term lease expenses	3,252
Other lease expenses for low-value assets	231

2018 – Operating leases under IAS 17

in € thousand	
Lease expense	15,189

In 2018, the lease expenses mainly related to rental and leasing agreements for buildings, apartments rented in connection with projects, office equipment and motor vehicles. The only significant extension options were in respect of rental agreements for administration buildings.

Amounts recognized in the cash flow statement

2019 – Leases under IFRS 16

in € thousand	
Cash outflow for leases	13,438

13 Inventories

Book value of inventories

in € thousand	31.12.2019	31.12.2018
Raw materials, consumables and supplies	12,592	13,800
Work in progress	9,202	7,375
Finished products, merchandise for resale	4,372	4,735
Advance payments made	40,633	88,549
Total	**66,799**	**114,459**

During the period reported, charges against profits, deriving from inventories consumed, amounted to €119,437 thousand (2018: €79,791 thousand).

14 Contract balances

The following table presents information relating to contract assets and liabilities, deriving from contracts with customers:

Contract balances

in € thousand	31.12.2019	1.1.2018
Contract assets	295,672	169,765
Contract liabilities	345,413	436,830

Sales include an amount of €424,084 thousand (2018: €226,093 thousand) that had been disclosed as contract liabilities at the beginning of the financial year. Sales deriving from performance obligations that were fulfilled in past financial years amounted to €60,958 thousand (2018: €32,339 thousand); these were mainly recognized in connection with major Asian customers. As of the year-end reporting date, impairment-related allowances set up for contract assets amounted to €647 thousand (2018: €491 thousand). The change during the reported period (increase of €156 thousand) results from the increase in the carrying amounts of the contract assets 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 2019

Default risk – rating classes			Credit loss	
Internal rating class	External rating class	Gross carrying amount (in € thousand)	Credit standing not impaired collective (in € thousand)	Average impairment allowance rate (in %)
Rating class 1	AAA to A	64,305	−44	0.07
Rating class 2	BBB	30,599	−68	0.22
Rating class 3	BB	105,313	−273	0.26
Rating class 4	B to D	28,479	−107	0.37
No rating[1]	–	67,623	−155	0.23
Total		**296,319**	**−647**	**0.22**

[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, Exyte 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.

Default risk of contract assets 2018

Default risk – rating classes			Credit loss	
Internal rating class	External rating class	Gross carrying amount (in € thousand)	Credit standing not impaired collective (in € thousand)	Average impairment allowance rate (in %)
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, Exyte 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 carrying amounts were used as the measurement basis for the expected credit losses. During the past financial year, despite the substantial change in the gross carrying amount for contract assets, there were no significant changes to loss allowances. The methods and input parameters that are used to determine the impairment-related allowances are described in the section "Accounting and measurement methods".

15 Trade and other receivables

Book value of receivables

in € thousand

	31.12.2019	31.12.2018
Trade receivables	379,738	353,157
Receivables from the M+W Group GmbH Group	196,825	200,308
Receivables from companies in which a participating interest is held and other affiliated entities	10,190	4,945
Other current financial assets	21,350	17,647
Other current non-financial assets	30,437	33,150
Total	**638,540**	**609,207**

The fair values of the trade receivables correspond to their carrying amounts. Loss allowances of €11,455 thousand (2018: €13,004 thousand) have been set up. The development of the loss allowances is shown below:

Loss allowances

in € thousand

	Credit loss 2019		Credit loss 2018	
	Credit standing not impaired collective	Credit standing impaired individual	Credit standing not impaired collective	Credit standing impaired individual
Allowance at the beginning of the financial year	**317**	**12,687**	**405**	**6,106**
Addition	59	6,752	94	10,408
Utilization/derecognition	–10	–7,828	0	–1,859
Reversal/payment received	–54	–481	–177	–1,863
Currency differences	5	8	–5	–105
Allowance at the end of the financial year	**317**	**11,138**	**317**	**12,687**

The high increase in the additions to and utilization of the individual loss allowances is mainly related to the Asian region.

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

Default risk of trade receivables 2019

Default risk – rating classes			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 impairment allowance rate (in %)
Rating class 1	AAA to A	79,774	–16	–	0.02
Rating class 2	BBB	37,368	–28	–	0.08
Rating class 3	BB	139,612	–137	–	0.10
Rating class 4	B to D	80,574	–66	–1,461	1.89
No rating[1]	–	53,865	–70	–9,677	18.10
Total		**391,193**	**–317**	**–11,138**	**2.93**

[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, Exyte 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.

Default risk of trade receivables 2018

Default risk – rating classes			Credit loss		
Internal rating class	External rating classt	Gross carrying amount (in € thousand)	Credit standing not impaired collective (in € thousand)	Credit standing impaired individual (in € thousand)	Average impairment 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, Exyte 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 substantial changes in the gross carrying amounts that resulted in significant changes to loss allowances. The methods and input parameters that are used to determine the loss 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 Exyte'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 in the risk class three and below due to the widespread customer base of mutually unrelated customers. Accordingly, management's opinion is that no further risk protection measures are needed in addition to the loss allowances that have already been made.

Loss allowances set up against receivables from the M+W Group GmbH Group amounted to €497 thousand at the year-end reporting date (2018: €858 thousand). The gross carrying amount, amounting to €197,322 thousand (2018: €201,166 thousand) was allocated an investment grading.

As in the previous year, no disposal constraints exist in respect of the other assets disclosed. As was the case in the previous year, the risk of default was low.

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

Other assets

in € thousand

	31.12.2019	31.12.2018
Debit balances on accounts payable	4,646	2,502
Loans receivable from third parties	2,017	2,637
Derivative financial instruments	1,549	1,054
Receivables from employees	239	163
Interest receivable	36	743
Miscellaneous other current assets	12,863	10,548
Other current financial assets	**21,350**	**17,647**
Refundable VAT	15,652	17,570
Prepaid expenses	8,599	9,690
Other receivables from the tax authorities	1,188	3,816
Claims for income taxes receivables	4,998	2,074
Other current non-financial assets	**30,437**	**33,150**
Total	**51,787**	**50,797**

16 Cash and cash equivalents

Cash and cash equivalents

in € thousand

	31.12.2019	31.12.2018
Cash and cash equivalents in the statement of financial position	769,406	845,328
Pledged cash deposits	0	–84,372
Loss allowances	0	41
Cash and cash equivalents in the statement of cash flows	**769,406**	**760,997**

€973 thousand of the above figure served as collateral security for forward exchange contracts transacted with banks (31.12.2018: €1,692 thousand). Following the redemption of financial liabilities, amounting to €78,120 thousand (balance as of December 31, 2018), the cash deposits pledged as security were released from the pledge.

17 Equity

The development of Exyte's equity is presented in the statement of changes in consolidated equity. As of December 31, 2019, the subscribed capital amounted to €150,000 thousand (2018: €150,000 thousand).

Earnings per share

The undiluted earnings per share are determined by the relationship between the consolidated net profit that is attributable to the shareholders of Exyte AG and the weighted average number of shares that were in circulation throughout the year.

Development of the number of shares in circulation in the financial year:

Exyte shares

in thousand

Balance at December 31, 2017	**0**
Incorporation of Exyte AG	50
Capital increase	149,950
Balance at December 31, 2018	**150,000**
Change in financial year 2019	–
Balance at December 31, 2019	**150,000**

For financial year 2018, use was made of the option to present the information as if the legal structure had already existed at the beginning of the 2018 financial year. For the 2018 financial year, the same number of shares is used to calculate earnings per share as if the Group had already existed with the corresponding capital structure.

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

Earnings per share

	2019	2018
Share of the consolidated net income attributable to shareholders of Exyte AG (in € thousand)	164,926	144,998
Number of shares in circulation (thousand)	150,000	150,000
Earnings per share (€)	**1.10**	**0.97**

18 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 by Exyte 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 €43,753 thousand (2018: €50,124 thousand) for such contributions in the respective functional costs. 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 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 there.

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

in € thousand

	31.12.2019	31.12.2018
Present value of unfunded obligations (Germany only)	9,670	8,038
Present value of funded obligations (Taiwan)	938	787
Fair value of plan assets (Taiwan)	–122	–103
Provisions for pensions	**10,486**	**8,722**

The plan assets derive solely from a commitment made by a Taiwanese company. The plan assets comprise cash and cash equivalents.

Reconciliation of the amount recognized in the statement of financial position:

Development of the pensions provisions

in € thousand

	2019	2018
Provisions recognized at January 1	8,722	7,974
Current service cost	217	698
Interest expense	147	134
Actuarial adjustments	1,537	11
thereof: experience adjustments	–57	157
thereof: adjustments for financial/demographic assumptions	1,594	–146
Benefits paid	–114	–106
Currency effects	–23	11
Provisions recognized at December 31	**10,486**	**8,722**

Reconciliation of the plan assets:

Development of the plan assets

in € thousand

	2019	2018
Fair value of plan assets at January 1	103	0
Employer contributions	7	54
Interest credit	1	1
Currency effects	11	48
Fair value of plan assets at December 31	**122**	**103**

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

	2019	2018
Current service cost	217	698
Interest expense	147	134
Included in the income statement	364	832
Actuarial gains (–)/losses (+) deriving from experience adjustments	–57	157
Actuarial gains (–)/losses (+) deriving from changes in financial assumptions	1,594	–146
Included in the statement of comprehensive income	1,537	11
Total	**1,901**	**843**

The 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 financial year to come, group companies expect to make payment contributions of €217 thousand (2018: €220 thousand).

Actuarial assumptions in Germany:

Actuarial assumptions Germany

in %

	31.12.2019	31.12.2018
Discount rate	0.80	1.75
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 %

	31.12.2019	31.12.2018
Discount rate	1.00	1.13
Future salary increases	3.00	3.00

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 obligations mainly concerns 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

	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Discount rate (in %)	0.50	0.50	–0.50	–0.50
Present value of the pension obligations (in € thousand)	8,737	7,288	10,746	8,898
Inflation rate/pension increases (in %)	0.25	0.25	–0.25	–0.25
Present value of the pension obligations (in € thousand)	10,007	8,315	9,350	7,773

If an assumption had been made that the life expectancies of those persons with benefit entitlements would increase by one year, the pension obligations at December 31, 2019 would have increased by €511 thousand (31.12.2018: €366 thousand).

Duration

The average duration of the German obligations is 20.9 years (December 31, 2018: 20.3 years). The average duration of the obligations for the Taiwanese company is 13.1 years (December 31, 2018: 13.7 years).

Analysis of the obligations by type of plan participant

in € thousand

	31.12.2019	31.12.2018
Active employees	5,507	4,829
Former employees (with vested claims)	2,569	1,967
Pensioners	2,410	1,926
Provisions for pensions	**10,486**	**8,722**

Expected benefit payments December 31, 2019

in € thousand

Financial years	2020	2021–2024	2025–2029
Germany	125	665	1,274
Taiwan	91	108	267
Total	**216**	**773**	**1,541**

Expected benefit payments December 31, 2018

in € thousand

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

19 Other provisions

Composition of other provisions

in € thousand

	01.01. 2019	Currency diffe-rences	Change in scope of consoli-dation	Additions	Interest portion	Usage	Reversal	Reclassi-fication	31.12. 2019
Employee-based provisions	41,883	450	−389	48,398	52	28,289	4,269	−300	57,536
Potential losses from onerous contracts	2,426	5	−15	2,705	0	2,271	167	0	2,683
Provision for restructur-ing	0	6	0	1,543	0	0	0	0	1,549
Warranty provisions	3,181	19	−922	1,886	0	833	1,088	0	2,243
Legal fees and litigation costs	1,499	22	0	1,118	0	1,248	190	0	1,201
Restoration obligations[1]	985	22	0	1,727	14	0	0	0	2,748
Tax provisions	1,134	0	0	168	0	434	48	0	820
Miscella-neous other provisions	4,340	85	0	2,808	0	2,951	149	300	4,433
Total	**55,448**	**609**	**−1,326**	**60,353**	**66**	**36,026**	**5,911**	**0**	**73,213**

[1] Transition effect IFRS 16 as at 01.01.2019

in € thousand

	01.01. 2018	Currency diffe-rences	Change in scope of consoli-dation	Additions	Interest portion	Usage	Reversal	Reclassi-fication	31.12. 2018
Employee-based provisions	36,346	397	0	34,702	15	25,229	4,348	0	41,883
Potential losses from onerous contracts	674	5	0	1,755	0	8	0	0	2,426
Warranty provisions	2,823	30	0	2,638	0	469	1,841	0	3,181
Legal fees and litigation costs	1,280	14	0	1,306	0	998	103	0	1,499
Tax provisions	4,921	–3	0	204	0	2,968	36	–984	1,134
Miscella-neous other provisions	3,474	61	0	2,259	0	2,037	401	984	4,340
Total	**49,518**	**504**	**0**	**42,864**	**15**	**31,709**	**6,729**	**0**	**54,463**

Employee-based provisions
Among other reasons, employee-based 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 sales 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 subsidiaries 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 warranty provisions mainly relate to product deliveries and only to a minor extent to project-related business.

Provisions for legal fees and litigation risks
Companies of the Exyte Group 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.

Restoration obligations
Restoration obligations occure in the course of lease contracts, if the layout of the rented space is amended to the Company's specifications. Provisions for restoration obligations are recognized, if the amendments have to be removed after dissolving the lease contract.

Tax provisions
The tax provisions mainly comprise provisions for expected tax advisory services in connection with tax field audits.

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.

Provision for restructuring

The provision for restructuring concerns a provision for the closure of a company in Asia.

The terms to expected settlement of other provisions as of December 31, 2019 are presented in the following table:

Other provisions by expected settlement

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

	31.12.2019	< 1 year	1–5 years	> 5 years
Employee-based provisions	57,536 (41,883)	48,890 (36,055)	7,447 (5,828)	1,199 (0)
Potential losses from onerous contracts	2,683 (2,426)	2,683 (2,426)	0 (0)	0 (0)
Provision for restructuring	1,549 (0)	0 (0)	1,549 (0)	0 (0)
Warranty provisions	2,243 (3,181)	2,243 (2,231)	0 (950)	0 (0)
Restoration obligations	2,748 (0)	382 (0)	1,739 (0)	627 (0)
Legal fees and litigation costs	1,201 (1,499)	1,201 (1,499)	0 (0)	0 (0)
Tax provisions	820 (1,134)	820 (1,134)	0 (0)	0 (0)
Miscellaneous other provisions	4,433 (4,340)	4,388 (4,326)	45 (14)	0 (0)
Total December 31, 2019	**73,213** (54,463)	**60,607** (47,671)	**10,780** (6,792)	**1,826** (0)

20 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 31.12.2019	< 1 year[1]	1–5 years[2]	> 5 years[2]
Bank borrowings	0 (78,120)	0 (78,120)	0 (0)	0 (0)
Lease liabilities	55,223 (92)	13,798 (92)	22,534 (0)	18,891 (0)
Total	**55,223** (78,212)	**13,798** (78,212)	**22,534** (0)	**18,891** (0)

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

Maximum payments to be made as of 31.12.2019

in € thousand

	2020	2021	2022–2023	after 2023	Gross value	Net value
Lease liabilities	14,308	12,450	12,762	21,078	60,598	55,223
Derivative financial instruments	912	0	0	0	0	0

Maximum payments to be made as of 31.12.2018

in € thousand

	2019	2020	2021–2022	after 2022	Gross value	Net value
Bank borrowings	78,120	0	0	0	78,120	78,120
Lease liabilities	94	0	0	0	94	92
Derivative financial instruments	743	0	0	0	0	0

The lease liabilities developed as follows:

Development of the lease liabilitites

in € thousand

	01.01.2019	Additions at time of transition	Additions during the financial year	Interest portion	Repay-ments	Currency differences	31.12.2019
Lease liabilities (current and non-current)	92	53,922	13,665	779	–13,438	203	55,223

The interest rates used to determine the present value of the lease liabilities vary between 0.15% and 5.81% (2018: 1.88%).

21 Reconciliation of financing liabilities

Reconciliation from debt changes to the cash flow from financing activities

in € thousand

	Bank borrowings	Lease liabilities	Other financing liabilities due to the M+W Group GmbH Group	Total
Statement of Financial Position as of January 1 2019	**78,120**	**92**	**57,394**	**135,606**
Proceeds from borrowings	0	0	116	116
Payments for the redemption of borrowings	–80,036	0	–53,490	–133,526
Repayments of lease liabilities	0	–13,438	0	–13,438
Change in the cash flow from financing activities	**–80,036**	**–13,438**	**–53,374**	**–146,848**
Interest expenses	0	779	0	781
Additions to lease liabilities	0	67,587	0	67,788
Effects deriving from changes in exchange rates	1,916	203	–56	1,860
Statement of Financial Position as of December 31, 2019	**0**	**55,223**	**3,964**	**59,187**

in € thousand

	Bank borrowings	Lease liabilities	Other financing 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
Repayments of lease liabilities	0	−30	0	−30
Change in the cash flow from financing activities	**26,391**	**−30**	**−8,269**	**18,092**
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**

22 Trade payables and other current liabilities

This position contains:

Composition of current liabilities

in € thousand

	31.12.2019	31.12.2018
Trade payables	971,048	906,351
Accounts payable to the M+W Group GmbH Group	11,734	68,787
Accounts payable to entities in which a participatory interest is held and other affiliated entities	2,689	626
Miscellaneous other current liabilities	51,052	47,542
Total	**1,036,522**	**1,023,306**

Miscellaneous other current liabilities include:

Composition of other current liabilities

in € thousand

	31.12.2019	31.12.2018
Employee-related liabilities (holiday, flex-time etc.)	14,560	23,258
Derivative financial instruments	912	743
Residual current financial liabilities	8,332	7,525
Miscellaneous other current financial liabilities	**23,804**	**31,526**
Other current liabilities for taxes	22,240	11,633
thereof: income taxes	305	316
Social security	4,026	3,738
Employers' liability insurance association	506	451
Accrued liabilities	476	194
Miscellaneous other current non-financial liabilities	**27,248**	**16,016**
Total	**51,052**	**47,542**

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.

The fair values of the liabilities do not differ materially from the carrying amounts disclosed.

The total figure for derivative financial instruments is explained in more detail in Note 23.

23 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

31.12.2019	Category IFRS 7.8 under IFRS 9[1]	Carrying amount	Fair value
Financial assets, by class			
Trade receivables[1]	AC	379,738	379,738
Accounts receivable from the M+W Group GmbH Group[1]	AC	196,825	196,825
Accounts receivable from entities in which a participatory interest is held and other affiliated entities[1]	AC	10,190	10,190
Other non-current financial assets	AC	165	165
Other current financial assets[1]	AC	19,801	19,801
Cash and cash equivalents[1]	AC	769,406	769,406
Foreign currency derivative financial instruments without a hedging relationship	FVTPL	1,549	1,549
Total		**1,377,674**	**1,377,674**

in € thousand

31.12.2019	Category IFRS 7.8 under IFRS 9[1]	Carrying amount	Fair value
Financial liabilities, by class			
Lease liabilities	n. a..	55,223	55,223
Current liabilities due to the M+W Group GmbH Group[1]	AC	11,734	11,734
Non-current liabilities due to entities in which a participatory interest is held and other affiliated entities	AC	1,307	1,307
Current liabilities due to entities in which a participatory interest is held and other affiliated entities[1]	AC	2,689	2,689
Trade payables[1]	AC	971,048	971,048
Other current financial liabilities[1]	AC	22,892	22,892
Foreign currency derivative financial instruments without a hedging relationship	FVTPL	906	906
Foreign currency derivative financial instruments with a hedging relationship	n. a.	6	6
Total		**1,065,805**	**1,065,805**

[1] The fair value of current financial instruments is approximately equal to the carrying amount.

Financial instruments, 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[1]	AC	353,157	353,157
Accounts receivable from the M+W Group GmbH Group[1]	AC	200,308	200,308
Accounts receivable from entities in which a participatory interest is held and other affiliated entities[1]	AC	4,945	4,945
Other non-current financial assets	AC	2,939	2,939
Other current financial assets[1]	AC	16,593	16,593
Cash and cash equivalents[1]	AC	845,328	845,328
Foreign currency derivative financial instruments without a hedging relationship	FVTPL	1,054	1,054
Total		**1,424,324**	**1,424,324**

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
Lease liabilities	n. a.	92	92
Current liabilities due to the M+W Group GmbH Group[1]	AC	68,787	68,787
Non-current liabilities due to entities in which a participatory interest is held and other affiliated entities	AC	1,268	1,268
Current liabilities due to entities in which a participatory interest is held and other affiliated entities[1]	AC	626	626
Trade payables[1]	AC	906,351	906,351
Other current financial liabilities[1]	AC	30,783	30,783
Foreign currency derivative financial instruments without a hedging relationship	FVTPL	707	707
Foreign currency derivative financial instruments with a hedging relationship	n. a.	36	36
Total		**1,086,770**	**1,086,770**

[1] The fair value of current financial instruments is approximately equal to the carrying amount.

Exyte determines the fair values of the forward exchange contracts by applying quoted forward rates and a net present value calculation based on yield curves. They are assigned to Level 2 of the fair value hierarchy.

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

Net gains and losses 2019

in € thousand

	Subsequent measurement					
	Interest	Foreign exchange conversion	Fair value	Increase in loss allowance	Reversals of loss allowances	Net impact
Financial assets measured at amortized cost	11,094	–4,834		–7,394	687	–447
Financial liabilities measured at amortized cost	–2,860	–3,899				–6,759
Financial assets and liabilities measured at fair value through profit or loss			1,478			1,478
Total	**8,234**	**–8,733**	**1,478**	**–7,394**	**687**	**–5,728**

Net gains and losses 2018

in € thousand

	Subsequent measurement					
	Interest	Foreign exchange conversion	Fair value	Increase in loss allowance	Reversals of loss allowances	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

Exyte 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 on its assets, liabilities, financial position and financial performance.

The Executive Board is responsible for the set-up of and the control over Exyte'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.

Financial risks are limited through deployment of derivative financial instruments. The partners, with whom the hedging transactions are contracted, are first-rate national and international banks, whose creditworthiness is regularly controlled by leading rating agencies, as well as – to a lesser extent – M+W Group GmbH (up until the middle of the year 2019).

Foreign currency exchange risks

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

Forward exchange deals are contracted to hedge foreign currency exchange rate risks. Such transactions are used to compensate exchange rate fluctuations in operational business payment flows that are designated in foreign currencies.

Depending on an assessment of the market situation, Exyte hedges both planned sales and planned purchases of materials denoted in foreign currencies on a net basis, using forward exchange contracts, normally for periods of up to 30 months.

Interest rate risks

Interest rate risks derive from market-related fluctuations in interest rates. The risk deriving from changes in interest rates is not significant for Exyte. Depending on the market situation, interest swaps, combined interest rate/currency swaps, and other interest-rate deals are used to hedge such risks. No interest rate hedges were contracted by Exyte during the financial year or during the previous year.

Default risks

As part of the customer credit management process, information on creditworthiness is obtained from commercial information service providers to evaluate new customers. Many existing customers with whom we have long-standing 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 of risk class three and below, there is no notable concentration of credit risks due to the widespread customer base of mutually unrelated customers.

The default risk deriving from financial assets is the risk of loss because contractual partners do not meet their payment obligations or only partially meet them. It is limited to the respective carrying amounts (see Note 15). This risk mainly affects trade receivables and other financial assets.

The risk deriving from primary financial instruments is accounted for by setting up allowances for expected credit losses.

The default risk for cash and cash equivalents is limited by means of the selection of banking partners, by assessing their solvency and also by spreading assets between a number of different 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 deriving from them can be neglected.

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, Exyte 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 20 for further information concerning the structure of the financing liabilities. All miscellaneous other financial liabilities are current in nature and thus fall due within twelve months of the year-end closing date. The only exception to this are liabilities due to entities in which a participatory interest is held and other affiliated entities, amounting to €1,307 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. The tools used for central liquidity management purposes of Exyte 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 primary objectives of capital management are to support operating activities, ensure an appropriate equity ratio and increase the value of the business.

The focus 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 Exyte's strategic realignment, 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 as well as income or expenses in connection with the reorganization of the Exyte Group (allowances for impairment losses). The Executive Board regularly monitors the adjusted EBIT both for the Regional Segments and also for the whole Group.

In addition to this, working capital is of special importance for Exyte because of its business model. The financing of business activities independently of banks continues to be the Executive Board's objective. The aim is to secure significant advance financing of projects by both customers and suppliers, whilst maintaining strict accounts receivable management processes at the same time. The intention is that such active management of payment terms for the projects will provide the basis to 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 there is a requirement, granted as loans to subsidiaries. Within the APAC and AMER regions, the financing function is carried out by the lead companies in these regions and in EMEA by the Parent Company itself.

Capital management is also carried out with the aim of ensuring the continuation of the business activities of all companies as going concerns. During the financial year, the overall strategy for capital management did not change compared to the previous year.

Global netting and similar agreements

Exyte 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 a single net amount that is to be paid by one party to the other. In certain cases – if, e.g., 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 because they do not grant the contractual counterparties the right to settle on a net basis at any time.

An assumed netting obligation would have resulted in a netting effect of €117 thousand at group level as of December 31, 2019 (December 31, 2018: €27 thousand).

In contrast, in actual fact, two forward exchange contracts with a positive market value of €285 thousand and a negative market value of €267 thousand were netted as of December 31, 2019. Consequently, the netting effect is €267 thousand and the net market value reported as an asset was €18 thousand. No netting was carried out in the previous year.

Derivative financial instruments

The following positive fair values deriving from derivative financial instruments are disclosed under the reporting line Trade and other receivables:

Derivative financial assets

in € thousand

	31.12.2019	31.12.2018
Hedging transactions covering foreign exchange risks:		
Forward exchange contracts for which hedge accounting does not apply	1,549	1,054
Total	**1,549**	**1,054**

The following negative fair values deriving from derivative financial instruments are disclosed under the reporting line Trade payables and other current liabilities:

Derivative financial liabilities

in € thousand

	31.12.2019	31.12.2018
Hedging transactions covering foreign exchange risks:		
Forward exchange contracts (cash flow hedges)	6	36
Forward exchange contracts for which hedge accounting does not apply	906	707
Total	**912**	**743**

The amounts are based on market values, which are determined using standard market measurement methods.

Management of foreign currency exchange rate risks

Risks arise from exchange rate fluctuations to the extent that Exyte Group companies conduct business in a currency other than their functional currency. Foreign currency exchange rate risks are reduced by entering into forward exchange deals.

Changes in values resulting from the translation of assets and liabilities of foreign business units into the reporting currency (translation risks) are generally not hedged, as they do not affect the cash flows of entities included in the consolidation.

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

	31.12.2019	31.12.2018
EUR/SGD	123,182	16,005
DKK/EUR	80,115	34,322
SGD/MYR	16,709	5,326
CNY/SGD	15,411	14,808
GBP/EUR	9,589	0
CZK/EUR	943	0
EUR/USD	420	4,627
ILS/EUR	18	8,550
USD/CNY	0	5,702
SGD/USD	0	20,183

The deals serve the purpose of hedging the main currency risks and are renewed as required. As of December 31, 2019, the derivative financial instruments held by Exyte had a maximum term of 6 months (December 31, 2018: 5 months).

As of December 31, 2019, no earnings effects derived from US dollar exchange rate changes relating to hedging transactions without a hedging relationship, as no such hedging transactions with a US dollar component were concluded.

If the US dollar exchange rate had changed by +10% as of December 31, 2018, the consolidated net profit and the fair value of the hedging transactions without a hedging relationship would have been €274 thousand lower; in contrast they would have been €402 thousand higher if the exchange rate had changed by –10%.

If the SG dollar exchange rate had changed by +10% as of December 31, 2019, the consolidated net profit and the fair value of the hedging transactions without a hedging relationship would have been €11,331 thousand lower (2018: €2,392 thousand lower), whereas they would have been €13,849 thousand higher (2018: €830 thousand higher) if the exchange rate had changed by –10%.

The amounts recognized for cash flow hedge accounting purposes are as follows:

Cash flow hedge accounting

in € thousand

	2019	2018
Nominal amount	420	967
Carrying amount of the hedging instruments	–6	–36
Other financial assets	0	0
Other financial liabilities	6	36
Measurement impacts recognized in other comprehensive income (OCI)	23	–73
Amount of the ineffective hedge recognized in profit or loss	0	0
Reporting line item in the statement of comprehensive income in which the ineffective portion of the hedge is recognized	Result from financing activities	Result from financing activities
Amount reclassified from OCI to profit or loss	36	–26
Reporting line item in the statement of comprehensive income in which the the reclassified amount is recognized	Sales	Sales

The amount of hedging instruments deployed for cash flow hedge accounting purposes was as follows:

Hedging instruments designated as a cash flow hedge

	2019	2018
Forward exchange transactions (cash flow hedges)		
Net exposure (in € thousand)	420	967
Average forward rate EUR/USD	1.13259	1.18458

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

The fair values of the cash flow hedges and the amount recognized directly in equity would have been €39 thousand higher (2018: €127 thousand higher) in the event of a change in the US dollar exchange rate of +10%; in contrast, the corresponding figures would have been €47 thousand lower (2018: €76 thousand lower) in the event of a change in exchange rate of –10%.

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 were denoted in foreign currencies were as follows:

Financial assets

in € thousand

	31.12.2019	31.12.2018
DKK	77,246	229
USD	73,853	39,201
SGD	20,992	21,081
GBP	10,351	609
PLN	4,443	800
CHF	4,169	3,136
ILS	4,009	12,806
AUD	1,925	3,866

Financial liabilities

in € thousand

	31.12.2019	31.12.2018
DKK	68,075	0
USD	57,219	16,494
GBP	21,455	5
PLN	3,331	0
CHF	2,816	0
AED	1,912	302
SGD	1,875	1,109

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 relatively insignificant. In such cases, hedging is not practiced.

If the euro had been revalued upwards against the US dollar by 10% at December 31, 2019, the consolidated net profit would have been €1,512 thousand (December 31, 2018: €2,970 thousand) lower. In the case of a devaluation by 10%, the figure would have been €1,848 thousand (December 31, 2018: €1,416 thousand) higher.

If the euro had been revalued upwards against the SG dollar by 10% at December 31, 2019, the consolidated net profit would have been €1,738 thousand (December 31, 2018: €1,863 thousand) lower. In the case of a devaluation by 10%, the figure would have been €2,124 thousand (December 31, 2018: €2,161 thousand) higher.

24 Comments on the consolidated statement of cash flows

The cash and cash equivalents disclosed in the statement of cash flows comprise only those that are disclosed as cash and cash equivalents in the statement of financial position. The exception in the previous year is explained in Note 16.

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) and, taking into account changes in working capital, the cash flow from operating activities is calculated. 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 before changes in working capital amounted to €198,757 thousand (2018: €150,936 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 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.

25 Contingent assets and liabilities

Contingent assets and liabilities

in € thousand

	31.12.2019	31.12.2018
Contingent liabilities deriving from guarantees Exyte	183,680	311,024
Joint and several liability M+W Group	156,806	108,418
Total	**340,486**	**419,442**

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 the obligations 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.

Exyte 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 legislation. In consequence, both tax expenses and tax credits, as well as tax receivables or liabilities of the Group may be impacted by such circumstances.

26 Other financial commitments

Financial obligations deriving from rental and lease agreements are presented in Note 12.

27 Related party disclosures pursuant to IAS 24

Related parties are entities or natural persons that control, or are controlled by, Exyte. 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, persons – or close members of those persons' families – meet the definition of related parties 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 Exyte is Millenium Privatstiftung, Vienna, Austria. Mr. Georg Stumpf, Vienna, Austria, is the sole beneficiary of the Millenium Privatstiftung.

Relationships to the M+W Group GmbH Group

Exyte 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 Exyte).

Entities belonging to the M+W Group GmbH Group are related parties because Exyte 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 were as follows:

Transactions with the M+W Group GmbH Group

in € thousand

	2019	2018
Goods delivered & services rendered and other income	9,951	28,006
Income deriving from the reversal of specific allowances	82	18,783
Goods & services received and other expenses	37,026	88,587
Expenses deriving from waiver of a debt	0	5,125
Expenses deriving from increases in specific allowances	471	976

Exyte's receivables and liabilities deriving 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

	31.12.2019	31.12.2018
Receivables	196,825	200,308
thereof: receivables deriving from financing	184,764	172,644
thereof: other	12,061	27,664
Liabilities	11,734	68,787
thereof: liabilities deriving from financing	3,964	57,394
thereof: other	7,770	11,393

The receivables deriving from financing are stated net of specific allowances, amounting to €457 thousand (2018: €18,621 thousand). Specific allowances made against other receivables amounted to €40 thousand (2018: €2,151 thousand).

The disclosed financing liabilities and receivables are current in nature; the agreed interest rates are reset at regular intervals depending on 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 €156,806 thousand (2018: €108,418 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 Group GmbH 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	2019	2018
Stumpf Development GmbH, Vienna, Austria		
Expenses incurred for planning services rendered	1,026	2,817
Non-consolidated subsidiaries of the M+W Group GmbH Group		
Interest income	0	2
Other operating income	42	22

Receivables/liabilities from relationships to related parties

in € thousand	31.12.2019	31.12.2018
ANDORRA Immobilien GmbH		
Liabilities deriving from the limited partnership share interest	1,307	1,268
Stumpf Development GmbH, Vienna, Austria		
Liabilities	0	512
Non-consolidated subsidiaries of the M+W Group GmbH Group		
Trade receivables	9	63
Trade payables	76	47

Stumpf Development GmbH, Vienna, Austria, and ANDORRA Immobilien GmbH, Vienna, Austria, belong to the group of companies owned by Millennium Privatstiftung, Vienna, Austria.

Relationships to non-consolidated subsidiaries and joint ventures

Income and expenses deriving from transactions with subsidiaries and joint ventures 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	2019	2018
Sales	80	0
Other operating income	669	0
Interest income	54	22
Cost of sales	7,003	324
Selling costs	23	0
Administration costs	4,900	0
Write-downs of financial assets	2,618	0
Other operating costs	2	3

The receivable and liabilities of Exyte relating to non-consolidated subsidiaries and joint ventures were as follows:

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

in € thousand	31.12.2019	31.12.2018
Loans receivable	10,070	4,822
Trade receivables	111	0
Trade payables	2,660	67

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 €493 thousand in the financial year (2018: €205 thousand). Total remuneration granted to the Executive Board for the financial year amounted to €4,162 thousand (2018: €3,495 thousand). This amount is split into fixed remuneration of €2,363 thousand (2018: €1,864 thousand) and variable remuneration amounting to €1,799 thousand (2018: €1,631 thousand). All types of remuneration are classified as short-term benefits.

28 Segment information

General information

The business is monitored by the Executive Board, made up of the CEO, CFO and the COO, who are classifiable together as Exyte's "Chief Operating Decision Makers" (CODM). Exyte's business activities 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 Executive Board based on Business Segments: Advanced Technology Facilities (ATF), Life Sciences & Chemicals (LSC), Data Centers (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.

Exyte's Executive Board 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 Executive Board as the basis to assess the business development of the Group and for 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.

Segment financial information

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

As far as the Regional Segments are concerned, a complete income statement is available. The main control parameters defined for the income statement are sales, 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).

Certain of the consolidation elimination adjustments concerning sales generated between segments have only been assigned to the Group's central functions. For this reason the sum of the sales for each segment is not equal to the consolidated total of the segment sales.

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 sales 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, which are not allocable to Exyte.

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

- Income generated or expenses incurred in connection with the reorganization of the former M+W Group (allowances for impairment losses);
- Restructuring costs in connection with the strategic realignment of the former M+W Group;
- Costs in connection with adjustments to capacity within the context of optimization programs;
- Costs for closure and relocations of sites;
- Income or expenses deriving from litigation proceedings in connection with historical legacy issues;
- Income or expenses deriving from the disposal of property, plant and equipment or financial assets; and
- Other income or expenses deriving from non-recurring items.

The adjusted EBIT serves the purpose of evaluating 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 .This ensures the comparability between different reporting periods, in order to assess the true development of Exyte's 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

	2019	2018
Result from operations (EBIT)	**212,661**	**169,980**
Adjustments due to the reorganization of the former M+W Group (allowances for impairment losses)[1]	182	–12,393
Adjustment due to restructuring measures[2]	4,669	8,215
Adjustments due to site relocations[3]	2,394	4,398
Adjustments due to other non-recurring items[4]	3,079	0
Adjusted EBIT	**222,985**	**170,200**

[1] Includes income and expenses deriving from the set up and reversal of loss allowances relating to intra-group receivables, which are due from other members of the M+W Group GmbH Group that are not part of Exyte. Moreover, intra-group receivables between Exyte and the M+W Group GmbH Group result 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 the Regional Segments and restructuring activities in connection with discontinued business activities.
[3] Includes expenses in connection with the relocation of the new head office and the production site of Exyte Technology GmbH from Stuttgart to Renningen and the set-up of a new production site in the Czech Republic.
[4] Amongst other things, includes income and expenses deriving from non-operating items.

Key figures of regional segments 2019

in € thousand

2019	EMEA	AMER	APAC	TECH	Total regional segments	Unallo-cated amounts	Consoli-dation adjust-ments	Exyte
External sales of the Regional Segments	1,410,340	525,631	1,884,669	70,259				
Sales between Regional Segments	2,155	5,704	1,790	32,556				
Regional Segment sales	**1,412,495**	**531,335**	**1,886,459**	**102,815**	**3,933,104**		**–43,937**	**3,889,167**
Cost of sales	1,355,500	506,641	1,650,629	88,119	3,600,889		–43,379	3,557,510
Gross margin	56,995	24,694	235,830	14,696	332,215		–558	331,657
Gross margin as a % of sales	4.0%	4.6%	12.4%	14.3%	8.4%	–	–	8.5%
EBIT	25,589	4,175	191,617	6,298	227,679	–15,429	411	212,661
EBIT as a % of sales	1.8%	0.8%	10.1%	6.1%	5.8%	–	–	5.5%
Adjusted EBIT	27,865	6,357	195,089	8,692	238,003	–15,429	411	222,985
Adjusted EBIT as a % of sales	2.0%	1.2%	10.3%	8.5%	6.0%			5.7%
Scheduled depreciation and amortization	6,443	4,336	6,890	3,660	21,319	884		22,203
Other significant non-cash items	–400	–62	–8,556	0	–9,018	2,150		–6,868
Additions to non-current assets	918	491	2,186	2,536	6,131	710	0	6,841

Key figures of business segments 2019

in € thousand

2019	ATF	LSC	DTC	RSB	Total business segments	Unallo-cated amounts	Consoli-dation related recon-ciliation	Exyte
Business Segment sales	3,143,025	304,389	345,581	96,178	3,889,173		−6	3,889,167
thereof: EMEA	1,012,333	90,888	241,384	67,894	1,412,499			
thereof: AMER	354,821	153,068	772	22,675	531,335			
thereof: APAC	1,720,679	58,292	103,428	4,060	1,886,459			
thereof: TECH	96,210	4,313	0	2,292	102,815			
thereof: consolidation adjustments between Regional Segments	−41,018	−2,172	−3	−743	−43,936			
Cost of sales	2,806,493	287,607	349,584	94,155	3,537,839	19,671		3,557,510
Gross margin	336,532	16,782	−4,003	2,023	351,334	−19,671	−6	331,657
Gross margin as a % of sales	10.7%	5.5%	−1.2%	2.0%	9.0%			8.5%

Key figures of regional segments 2018

in € thousand

2018	EMEA	AMER	APAC	TECH	Total regional segments	Unallo-cated amounts	Consoli-dation adjust-ments	Exyte
External sales of the Regional Segments	895,272	576,577	1,990,314	72,494				
Sales between Regional Segments	3,989	1,847	2,431	32,361				
Regional Segment sales	**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 % of sales	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 % of sales	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 % of sales	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 sales of businesses, 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 recon-ciliation	Exyte
Business Segment sales	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 % of sales	9.9%	4.8%	4.8%	5.5%	8.8%	–	–	8.2%

Geographic information

The table presented below shows the sales of Exyte, 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 for the segment are assigned based on the respective location of the registered office of the entity that generated the sales 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 Group.

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

Sales by territory

in € thousand

	2019	2018
Singapore	1,110,825	970,388
Ireland	938,908	504,393
USA	525,631	576,387
China	423,962	729,700
Germany	305,049	211,653
Other	584,792	538,931
Total	**3,889,167**	**3,531,452**

Non-current assets by territory

in € thousand

	31.12.2019	31.12.2018
Germany	198,890	178,445
Singapore	15,110	1,560
USA	10,719	6,558
Other	23,994	8,737
Total	**248,713**	**195,300**

Important customers

Sales with one customer, which are mainly attributable to the EMEA segment, account for €1,117,173 thousand (2018: €962,987 thousand) of Exyte's total sales.

Sales with another customer, which are mainly attributable to the APAC segment, account for €990,201 thousand (2018: €812,015 thousand) of Exyte's total sales.

29 Events subsequent to December 31, 2019

Our client in Taiwan choose to rescind the award of late 2019 in light of current developments. The volume amounts to €264.1 million. The adjustment of the order backlog has been recognized in 2020 accordingly.

Since January 2020, the coronavirus is spreading worldwide (coronavirus pandemic). In most of the affected countries, the economic activities were disrupted. The outcome on the global economy cannot be reliably estimated, however, well-respected economic research institutes assume a significant deterioration of the global economy.

The most important key performance indicators, i.e. order intake, sales and adjusted EBIT, were negatively affected by the coronavirus pandemic up to the date of approval for issue of these consolidated financial statements. The full impact of the pandemic cannot be reliably estimated yet. Therefore, the Executive Board lowered its expectations for Exyte for 2020 and currently anticipates a decline of incoming orders compared to 2019. Due to the well-stocked order backlog at year-end 2019, Exyte expects sales to be approximately on par with 2019 and, on account of a changed project portfolio mix, a slightly decreased adjusted EBIT.

Exyte Israel Engineering Ltd., Nes Tsiona, Israel (Exyte Israel) acquired 100% of the shares of M+W Group (Israel) Ltd., Nes Tsiona, Israel (M+W Israel) via a share purchase and transfer agreement signed on April 26, 2020 for a purchase price of ILS 187.500 thousand (€47,964 thousand).

- Receivables of M+W Israel from the M+W Group GmbH Group will be offset against the liability in the amount of the fair value of ILS 6,189 thousand (€1,583 thousand)

- The rest will be paid in cash

Exyte controls the entity since the completion of the closing conditions on July 14, 2020. The initial consolidation is performed at carrying amounts in the consolidated financial statements 2020.

M+W Israel functions as a subcontractor for Exyte Israel ever since the restructuring of Exyte Group and in particular since legally splitting off the "core business" in Israel into Exyte Israel. Exyte plans to merge Exyte Israel into M+W Israel because M+W Israel holds a "construction license" that is important for the business activities in Israel. Furthermore, M+W Israel is in the "government business" which will mitigate the dependency of Exyte Israel on the AFT business segment.

M+W Israel will initially be consolidated as of July 1, 2020. The transferred net assets (carrying amounts) are as follows:

Acquired net assets (carrying amounts) of M+W Israel
in € thousand

Property, plant and equipment	3,483
Deferred tax assets	1,272
Contract assets	4,687
Trade and other receivables	12,787
Cash and cash equivalents	4,918
Non-current liabilities	–2,071
Other non-current provisions	–1,121
Contract liabilities	–92
Trade payables and other liabilities	–9,336
Acquired net assets at carrying amount	**14,527**
Purchase price	47,964
Reduction in the consolidated equity of Exyte	**–33,437**

The gross carrying amount of the acquired receivables is the fair value. Exyte does not expect to be significantly influenced by the changes in the net assets up to the closing date. The net assets shown above are based on the unaudited interim financial statements of M+W Israel. Therefore, there might be adjustments to the amounts of inital consolidation in the course of the audit.

The acquisition of M+W Israel is a transaction under common control. The ultimate holding company of both, M+W Israel as well as Exyte Israel, is Millenium Privatstiftung, Vienna, Austria. When restructuring the Exyte Group in 2017 and 2018, Exyte decided to perform transactions under common control at carrying amounts.

The parties agreed to share in equal potential income from ongoing litigation and arbitration proceedings in regards to six enumerative listed projects, which were completed and for which final acceptance was received. Due to the early stadium of these legal proceedings, the range of potential income cannot be reliably estimated yet and are not included in the purchase price. Further adjustments of the purchase price for this issue are not limited in a specific amount.

Due to completing the transaction so close to the date of approval for issue of these consolidated financial statements, especially the disclosures required by IFRS 3 B64(f), (h), (k) could not be provided exhaustively.

Mr. Wolfgang Homey and Mr. Beat Fellmann retired from the Executive Board of Exyte AG as of February 29, 2020. Ms. Margaret Lassarat was appointed to the Executive Board as Chief Financial Officer with effect from March 1, 2020.

E. Supplementary disclosures

Number of employees

The average number of employees was made up as follows:

Number of employees

	2019	2018
Industrial workers	1,772	1,402
Salaried employees	3,686	3,690
Trainees	32	17
Total	**5,490**	**5,109**

Cost of materials and personnel costs

in € thousand

	2019	2018
Cost of materials	**3,155,475**	**2,279,808**
Cost of raw materials, consumables and supplies and purchased merchandise for resale	363,688	423,638
Cost of purchased services	2,791,787	1,856,170
Personnel costs	**434,393**	**407,342**
Wages and salaries	348,973	318,764
Social security contributions, retirement and other support benefits	85,420	88,578

Please refer Note 18 for disclosures concerning retirement benefit expenses.

Auditor's remuneration

The fees charged by the auditor for services rendered amounted to:

Auditor fees

in € thousand

	2019	2018
For audit of financial statements	553	341
thereof: relating to previous years	203	64
For other confirmation services	350	0
For tax advisory services	17	59
For other services	80	44
Total	**1,000**	**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 companies are waiving publication of their annual financial statements:

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

Appropriation of the distributable profit of Exyte AG

In the course of the preparation of the financial statements of Exyte AG, the Executive Board decided to release an amount of €180,000 thousand of the free available capital reserve under Paragraph 272 Section 2 No. 4 HGB.

Exyte AG's accumulated profit breaks down as follows:

Accumulated profit

in € thousand

	1.1. – 31.12.2019	18.7. – 31.12.2018
Net profit for the fiscal year (2018: net loss)	12,166	–12,097
Loss brought forward from the previous year	–12,097	0
Release of the capital reserve	180,000	0
Accumulated profit (2018: accumulated loss)	**180,069**	**–12,097**

The Executive board proposes to the annual shareholder's meeting a dividend distribution of €180,000 thousand out of the accumulated profit. The dividend should be paid in kind in the amount of €177,387 thousand and in cash in the amount of €2,613 thousand. Subject of the dividend in kind is a portion of receivables of Exyte AG. The remainder of €69 thousand is to be carried forward to 2020.

Executive Board of Exyte AG

Dr. Wolfgang Büchele
Chief Executive Officer
Munich, Germany

Roberto Penno
Chief Operating Officer
London, United Kingdom

Wolfgang Homey
Chief Financial Officer
(up until February 29, 2020)
Essen, Germany

Margaret Lassarat
Chief Financial Officer
(from March 1, 2020 onwards)
Dallas, Texas, USA

Beat Fellmann
(from December 1, 2019 up until
February 29, 2020)
Seuzach, Switzerland

Supervisory Board of Exyte AG

Mag. Georg Stumpf
Chairman
Businessman
Vienna, Austria

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

Thomas Boehnke
Deputy Department Head of Building Services and
Group Leader within Exyte Central Europe GmbH
Stuttgart, Germany

Prof. Dr. Harald Kessler
Management Consultant and Managing Director of
KLS Accounting & Valuation GmbH
St. Ingbert, Germany

Dorothee Johanna Lauffer
Chairperson of the Works Council of
Exyte Technology GmbH and Chairperson
of the Works Council for the Exyte Group
Ditzingen, Germany

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

Stuttgart, July 28, 2020

The Executive Board

Dr. Wolfgang Büchele (CEO)

Margaret Lassarat (CFO)

Roberto Penno (COO)

List of Shareholdings of Exyte AG as of December 31, 2019

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.	Exyte Shanghai Co., Ltd.	Shanghai, China	100	
2.1. Consolidated subsidiary companies of Exyte Americas Holding Inc.				
2.1.1.	Exyte U.S., Inc.	Albany, USA	100	
2.1.2.	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	Aix-en-Provence, 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 Exyte Shanghai Co., Ltd.				
2.5.1.	Exyte Technology Shanghai Co., Ltd.	Shanghai, China	100	
2.5.2.	Exyte Trading Shanghai Co., Ltd.	Shanghai, China	100	
3. Non-consolidated subsidiary companies				
3.1.	Exyte Connecticut Architecture and Engineering, P.C.	Albany, USA	0[1]	2.1.1
3.2	Exyte Michigan, Inc.	Abbott, USA	100	2.1.1
3.3	Exyte North Carolina, Inc.	Raleigh, USA	0[1]	2.1.1
3.4	Exyte Oregon Architecture and Engineering, Inc.	Plano, USA	100	2.1.1
3.5	Exyte Technology Verwaltungs GmbH	Stuttgart, Germany	100	2.2.7.2
3.6	Exyte UK Ltd.	Chippenham, Great Britain	100	2.2
3.7	M+W Zander NY Architects, P.C.	Plano, USA	0[1]	2.1.1
3.8	Nanjing Enviro-Chem Engineering Design Co., Ltd.	Nanjing, China	75	2.5
4. Joint operations within the meaning of IFRS 11.15				
4.1.	M+W – Commodore J.V.	Abu Dhabi, Abu Dhabi	60	2.3
	(JV partner: Commodore Contracting Co. LLC, Abu Dhabi)			
4.2.	Exyte Gilbane JV	Plano, USA	51	2.1
	(JV partner: Gilbane Building Co., USA)			

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

Independent Auditor's Report

To Exyte AG, Stuttgart

Opinions

We have audited the consolidated financial statements of Exyte AG, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the financial year from 1 January to 31 December 2019, 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 2019.

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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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 consolidated financial statements and the group 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 the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). 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. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

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 information audited for content 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 assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control 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 the 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 substantial 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, July 29, 2020

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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