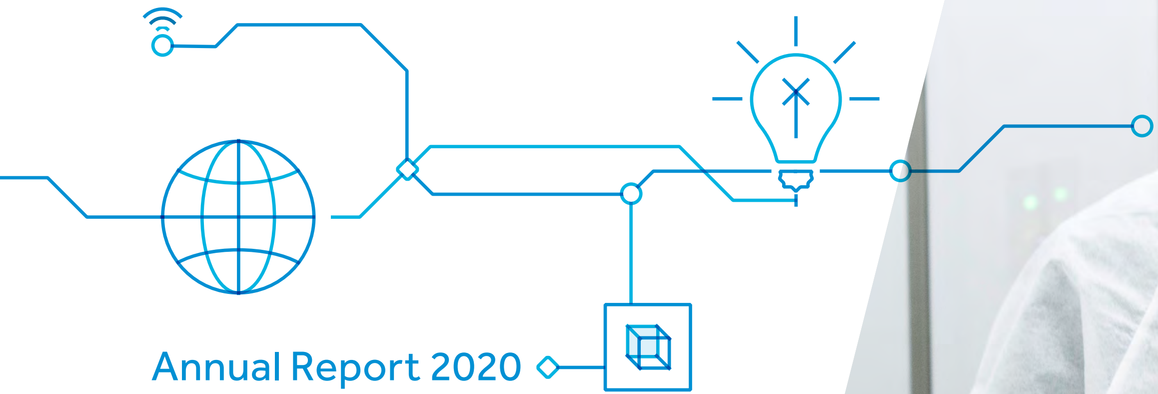
Driving Excellence Together



Annual Report 2020

Figures at a Glance

Key figures

in € million

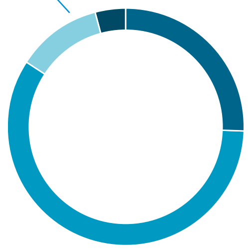
	1.1.–31.12.2020	1.1.–31.12.2019	Growth
Order intake	4,050	4,756	–14.8%
Sales	4,067	3,889	+4.6%
Gross profit	317	332	–4.5%
Gross profit margin in %	7.8	8.5	–0.7 PP
EBIT	195	213	–8.5%
EBIT margin in %	4.8	5.5	–0.7 PP
Adjusted EBIT[1]	213	223	–4.5%
Adjusted EBIT margin in %	5.2	5.7	–0.5 PP
Group net profit	168	165	+1.7%
Group net profit margin in %	4.1	4.2	–0.1 PP
Number of employees (full-time equivalents at the end of the period)	4,926	5,170	–
Cash flow from operating activities	260	71	–
Cash flow from investing activities	–45	-3	–
Free cash flow	215	68	–

	31.12.2020	31.12.2019	Growth
Order backlog	3,184	3,711	–14.2%
Net working capital	–601	–572	–
Net working capital in % of sales[2]	–14,8	–14.7	–0.1 PP

[1] Adjusted EBIT is defined as a 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), income or expenses related to COVID-19 issues 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 2020 is calculated based on the 2020 sales, which is € 4,067 million. Full year 2019 sales: € 3,889 million.

Sales by region 2020[1]

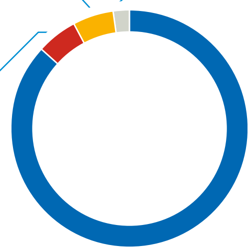
(previous year)



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

Sales by business segment 2020

(previous year)



Driving Excellence Together

As an engineering, procurement, and construction (EPC) company, we deliver high-tech facilities to accelerate our clients' time to market.

Rooted in 100+ years of history, the Exyte Way is to execute projects in a lean and flexible manner.

Bringing people from around the world together as one team and pooling all our talent and expertise, we are able to add enduring value and build a firm foundation for our clients' growth.

About this Report

This report is an interactive pdf file that offers you many advantages. You can navigate quickly and easily through the report using the elements listed on the right.

Photos in this report were produced in strict compliance with COVID-19 hygiene regulations. Some photos were produced before the start of the pandemic.

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

Our Success Story Continues Amid Adversity

Dr. Büchele, no recap of the fiscal year would be complete without a word about COVID-19. How did Exyte do amid an unanticipated pandemic?
The challenges are much the same for everyone, everywhere. But our business is a people's business. Our success is down to our employees. Working together is what we're all about. Physical distancing, limited travel, and the like make that much harder – particularly for a global enterprise.

But we're not complaining because nothing is more important than the health and safety of our employees and our partners. Always putting safety and compliance first in our projects is a policy that has served us well. We were able to quickly take all the stipulated precautions – with some being even more rigorous than those mandated by local governments.

That swift and resolute action has enabled us to keep the lion's share of our projects running. Our building sites stayed open, apart from some locations in APAC and Ireland where governmental requirements forced us into temporary shutdowns. However, for most of our projects, we managed to stick to our schedules without pandemic-induced delays.

My heartfelt gratitude goes out to all our people and our contractors who are not only carrying our company through this pandemic, but also achieving remarkable success amid adversity. Our workforce deserves every respect and admiration for that.

Do the financials reflect this success?
Certainly. KPIs such as order intake, sales, and adjusted EBIT somewhat reflect that there's

"Our success is down to our employees. Working together is what we're all about."

Dr. Wolfgang Büchele
Chief Executive Officer

a crisis underway, but our figures compare well to last year's outstanding performance. All three indicators met or even exceeded our projections.

Order intake decreased to €4.1 billion (€4.8 billion in 2019), but 2020's sales climbed to €4.1 billion, up from €3.9 billion in the previous year. This amounts to 5% growth. Adjusted EBIT came to €213 million, down slightly from €223 million in 2019. We had expected this dip, which is attributed mainly to the APAC and EMEA regions. It was a remarkably successful year for us, especially given the overall global circumstances.

How do these figures break down by regions and business segments?
Europe was our strongest region in order intake and sales. EMEA booked €2.2 billion worth of orders and boosted sales by 75% to €2.4 billion, an increase driven by semiconductor projects underway in Ireland and Austria and a data center project in Denmark. APAC received €1.1 billion in new orders. The coronavirus spread early in this region, holding up some projects and partially delaying sales. This explains why sales dipped to €1.1 billion in 2020. Sales were also down in AMER, decreasing to €483 million, whereas with €656 million, order intake was up from last year. Exyte Technology (TECH) increased its order intake to €171 million, some of which is attributable to Exyte Hargreaves' internal reassignment from the EMEA region to TECH. Its sales also increased to €162 million from €133 million in 2019.

Advanced Technology Facilities, our strategic business segment known as ATF, increased sales to €3.5 billion, mainly driven by a major project in Ireland. We also received new orders in the amount of €3.4 billion from semiconductor and battery companies in Ireland, Germany, Austria, and Israel. Biopharma & Life Sciences' sales decreased to €221 million after wrapping up a project in the USA that had been a prime source of revenue. BLS did win new projects in Singapore, Taiwan, Germany, and the USA, driving its order intake up to €440 million as the base for future sales growth. Data Centers' order intake decreased to €107 million with DTC's sales increasing to €224 million.

€213 million
adjusted EBIT

"It was a remarkably successful year for us, especially given the overall global circumstances."

Dr. Wolfgang Büchele
Chief Executive Officer

+75%
EMEA boosted sales: €2.2 billion worth of orders

€4.1 billion
Sales grew by 5%

€3.4 billion
worth of new orders from semiconductor and battery companies

"We're nurturing talent, optimizing the organization, upping efficiency to grow our margins, and digitalizing operations."

Dr. Wolfgang Büchele
Chief Executive Officer

What is driving this strong financial performance?
Our health and safety precautions that kept us operating are one factor. The other is inherent in the nature of our business. All our clients are in growth industries. We provide services to promote that growth. Some sectors such as batteries and semiconductors have proven resilient to COVID-19-induced disruption. For others such as biopharma, the crisis has stimulated the market. Macro trends such as the Internet of Things drive business opportunities with ATF's clients. Growing populations and increasing life expectancies are a boost to BLS's clients. 5G mobile infrastructure, smart homes, and the like drive DTC's clients' business – all of which benefits our bottom line.

A third factor is oneCOMPANY, our guiding corporate principle that unites all diverse individuals around the globe as one team under the banner of shared values. We put this program into practice in 2019, harmonizing business processes, HR solutions, and internal communication across the globe. Streamlining and standardizing our processes has boosted our efficiency and is helping us tap our organization's full potential.

Would you say these initiatives put Exyte on a firm footing for the future?
I would indeed. The pandemic will be with us for a while yet, so efficiency and flexibility will be key. The actions we have taken enable us to operate very efficiently, even under challenging conditions.

On top of that, our oneSTRATEGY – the strategic program within our oneCOMPANY operating principle – is making strides. This is all about promoting organic growth, accelerated by M&A in the mix. To this end, we're nurturing talent, optimizing the organization, upping efficiency to grow our margins, and digitalizing operations. Strategic partnerships with leading tech companies broaden our portfolio with solutions that allow us to capitalize on those big trends.

We also pooled the activities of several Exyte units under the umbrella of Technology & Services. This new T&S unit is better structured to deliver and install equipment, provide more services to our clients, and gain us greater visibility in that arena. It replaced TECH in our reporting structure effective January 1st, 2021.

Our strategy leaves me optimistic about our future. We expect a strong hike in order intake and a rise in sales combined with an increase in adjusted EBIT for 2021. Our medium-term goal for sales is €7.5 billion; our goal for the adjusted EBIT margin is a sustainable increase beyond the 6% mark.

I look forward to working towards these goals with our dedicated colleagues and valued clients, and wish to thank our shareholder Mr. Georg Stumpf for his unflagging support.

Watch Dr. Büchele's "2020 in review".

Apart, but Together

The pandemic affected the ways we collaborated and interacted in 2020. Despite travel bans and local restrictions, we managed to keep project channels open and the dialog flowing with clients, teams, office locations, and regions.

Roberto Penno
Chief Operating Officer

Responsibilities
- Regional Segments
  - APAC, AMER, EMEA
  - Regional Specific Business
  - Business Area Technology & Services (T&S)
- Corporate Engineering & Design
- Corporate Procurement & Subcontracting
- Corporate Project Management & Construction Management
- Corporate Project Control
- Corporate Environment, Health & Safety (EHS)
- Corporate Quality Management

Read more →

Dr. Wolfgang Büchele
Chief Executive Officer

Responsibilities
- Business segments
  - Advanced Technology Facilities
  - Biopharma & Life Sciences
  - Data Centers
- Corporate Strategy/M&A
- Corporate Risk Management & Internal Controls
- Corporate Compliance
- Corporate Internal Audit
- Corporate Human Resources
- Corporate Communications & Investor Relations

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Executive Management

Peter Schönhofer
Chief Financial Officer

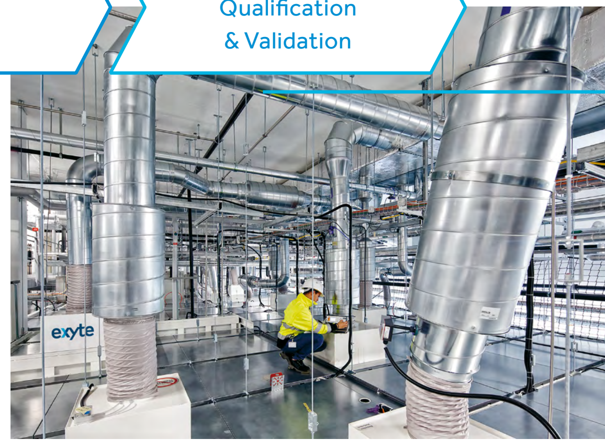
Responsibilities
- Corporate Accounting
- Corporate Treasury
- Corporate Controlling
- Corporate Legal & Insurance
- Corporate IT
- Corporate Tax

Read more →

The Exyte Value Stream

Exyte caters to high-tech clients, providing technical expertise and reliable project management services all across the process chain. Our knowledge of projects runs deep and wide; our experts provide consulting tailored to each client. The skillset of our engineers ranges from feasibility studies to turnkey new facilities and processes on any scale.

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



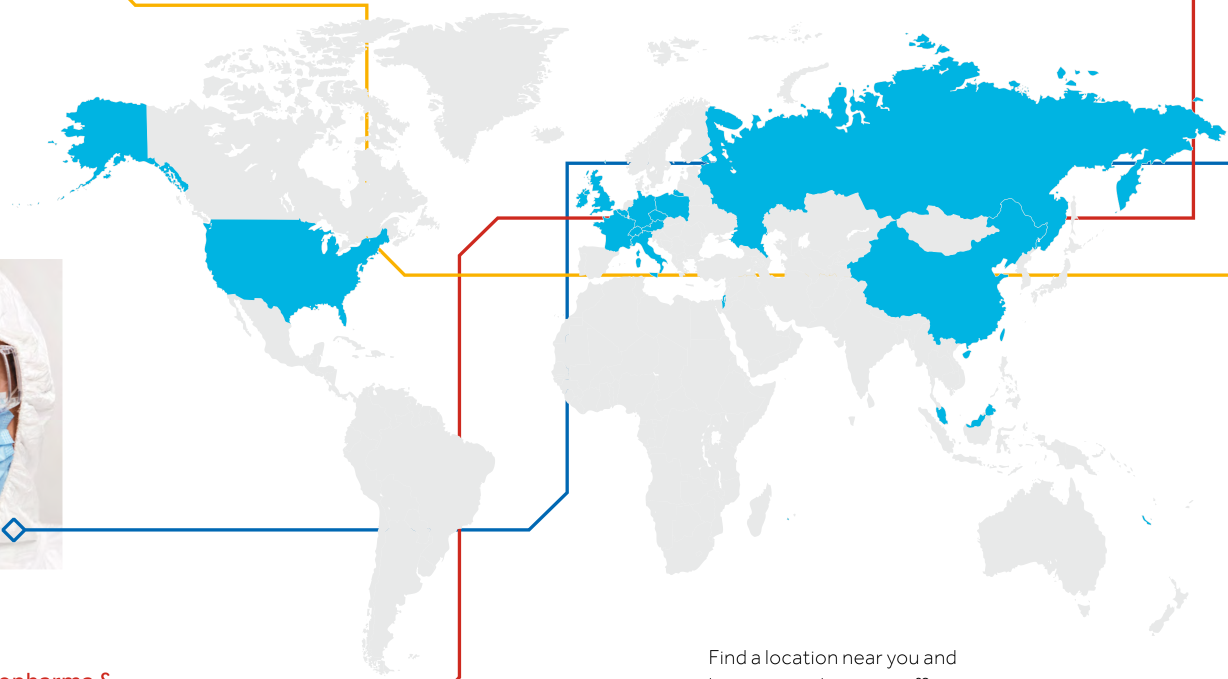
Specialized in fully integrated facility design, Exyte delivers high-end equipment, plants, buildings, and laboratories. Pragmatic, effective, and holistic, our proven methods enable us to usher projects from inception to completion.

Thriving in Global Growth Industries

A global leader in engineering services, Exyte designs, builds, and delivers facilities for high-tech semiconductor, battery, pharmaceutical, biotechnology, and data center companies. We pool our services in three strategic business segments, ATF, BLS, and DTC, each of which is aligned to its designated industry.

Our global footprint puts us in a unique position: We are able to support clients across the globe, yet rise to local challenges while satisfying even the most discerning demands. We operate in more than 20 countries grouped in three regions – EMEA, APAC, and AMER. Our reporting practices mirror this organizational structure.

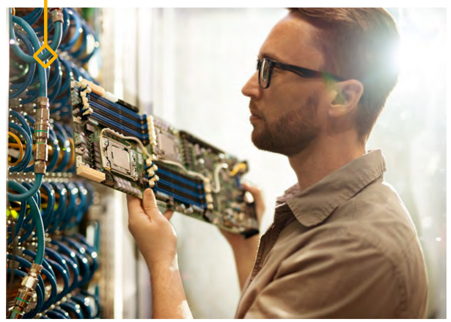
Data Centers (DTC)
- Cloud Computing
- Co-Location
- High Performance Computing
- Enterprise



Advanced Technology Facilities (ATF)
- Semiconductors
- Flat Panel Displays
- Photovoltaics
- Batteries

Biopharma & Life Sciences (BLS)
- Pharmaceuticals & Biotechnology
- Food & Nutrition
- Consumer Care
- Specialty Chemicals

Find a location near you and learn more about our offices around the world. →

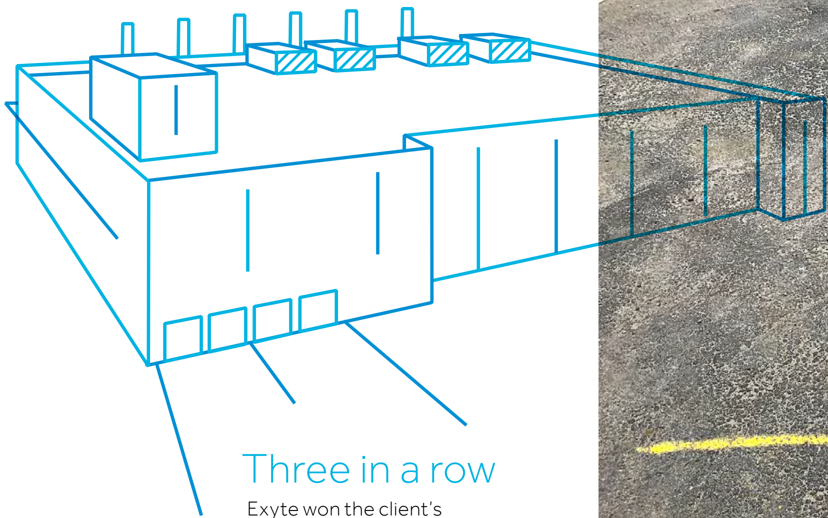


The Year in Projects

Physical distancing was the order of the day in 2020, but that did not deter us from connecting with our people, partners, and clients across industries and technologies.

Operations during COVID-19

Business as Unusual

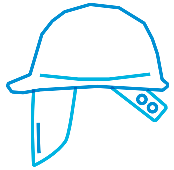


Three in a row

Exyte won the client's Safe Construction League award for the third year running.

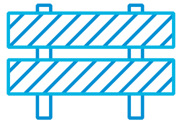
Project Compliance Coordinator Susan Justice stepped up to also supervise the rigorous safeguards put in place.

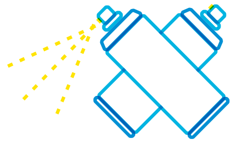
Susan, what precautions kept the site up and running?



" A new type of hardhat with a visor provided added protection.

" A one-way footpath controlled traffic.





" Markings helped staff maintain their distance.

" Masks were mandatory.

" Disinfectants were accessible to all.

Driving on-time delivery

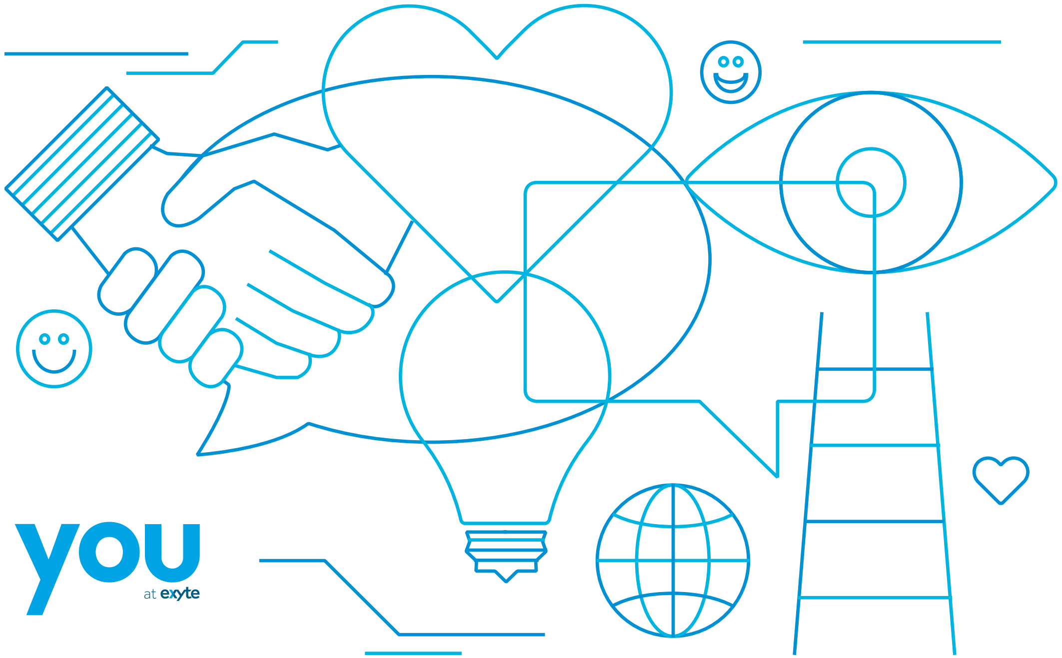
On January 30th, 2020, the WHO declared the novel coronavirus outbreak to be a public health emergency of international concern, the highest of all alarm levels. This global pandemic would go on to dominate the events of 2020 with far-reaching consequences. In March, countries throughout Europe imposed restrictions to curb the disease.

One was Denmark, where Exyte had a project underway to deliver a data center to a global client that year. The ban on gatherings and travel restrictions posed a challenge for this construction site, which rose to the occasion with a comprehensive hygiene plan. Taking swift action, our people on site adopted best practices sourced from a global network of Exyte safety experts.

The work continued; the handover to the client proceeded on schedule. This project's successful completion is very much down to the team's tireless efforts and willingness to defy all expectations.

Talent around the globe

Better Together

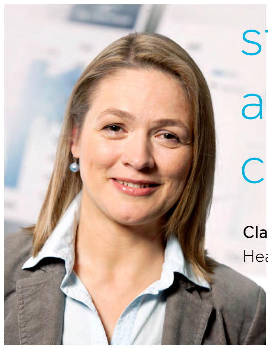


A culture that champions growth

Exyte is all about teamwork, collaboration, and communication. Personal excellence with a passion for engineering projects in dynamic markets are two of the traits that set our people apart. Open and welcoming, this is a workplace where employees thrive and reach their full potential.

An ongoing dialog with the workforce and feedback from the recent global employee survey and the like help us pinpoint potential for improvement. One lesson we learned is that accountability and ownership underpins our performance. We aim to enhance and expand our learning platform and provide more targeted training to continue promoting growth.

"You at Exyte" – this tagline sums up our efforts to encourage our people to voice their opinions, hone their skills, and advance their careers. Surveys measure the impact of these efforts and ask the workforce for its thoughts on hot topics.



"Our diligence in developing talent across the globe strengthens the company and furthers employees' careers."

Claudia Borgwardt,
Head of Global Talent Management

Engineering excellence

Engineer Siti Sulaiha Ahmad garnered the SkillsFuture Study Award, a Singaporean initiative to develop the potential of the local workforce. "I want to obtain a professional engineer license and represent the female community in my chosen field," she said.

Read more →

Semiconductor specialist

VLSI Research inducted Advanced Technology Facilities' Herbert Blaschitz into its Semiconductor Hall of Fame in 2020.

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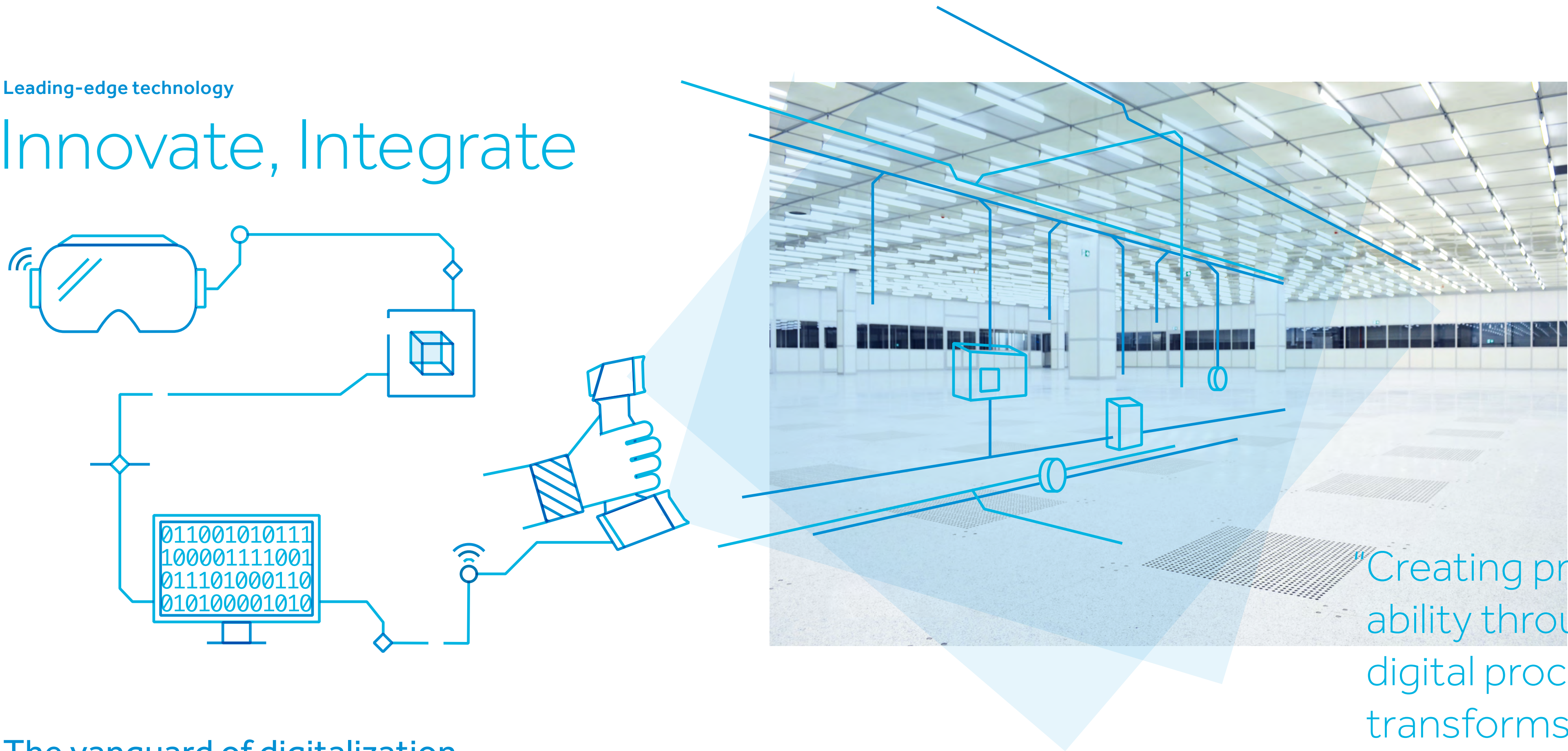
Leading-edge technology

Innovate, Integrate



The vanguard of digitalization

We do not promote trends, but we do deliver on our performance promises. At Exyte, digitalization is not some distant aspiration; it is our tool of choice for designing and delivering projects in the here and now.

How do we do digital?

Building information modeling is the answer to that question. BIM enables us to build each facility twice for good measure – first in the virtual realm and then in the real world. Our engineers collaborate via our digital design and construction platform, constantly updating these models and detecting clashes in real time. Our 5D BIM provides more accurate cost estimates to cut contingent spending and keep our clients on budget.

Visualization is key

We tie the schedule in with the model to visualize the details of construction and installation work. This is nothing like 2D reviews. Our models immerse clients into the virtual facility for issues to be spotted at a glance and better informed decisions to be made so much sooner.

Scan-To-BIM comparison

Our engineers superimpose digital renderings of the actual physical space over the target model to redress shortcomings straightaway and keep the project on track.

Optimization on the fly, during installation

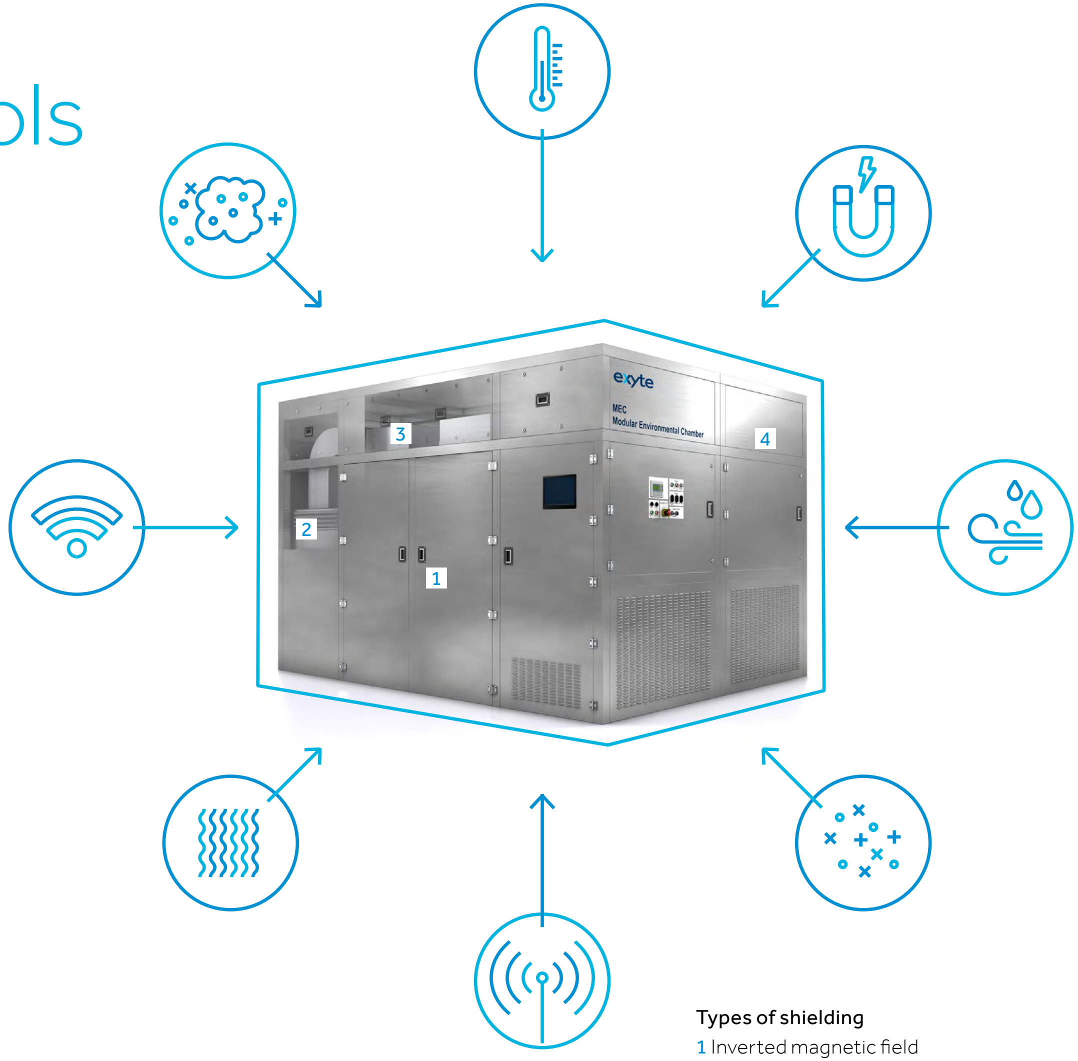
The work we do benefits even the most critical phase of a semiconductor project when various subcontractors install thousands of tools that must operate with atomic precision. The consequences of any planning inaccuracy, installation error, or sequencing flaw can be dire. Our digitalized processes reduce costing inaccuracy from the standard 30 percent to 5 percent and speed up the schedule by up to 10 percent.

This success only spurs us on to take digitalization to the next level.

> "Creating predictability through digital processes transforms risk potential into productivity gains."

Erik von Goeler,
Digital Transformation Leader

Protecting Tools



Changing conditions, evolving requirements

Electromagnetic fields (EMFs) are very much a part of our lives. The invisible waves of radio-frequency EMFs carry the information we share via cell phones, Wi-Fi, and Bluetooth. These fields can interfere with advanced process tools in high-tech environments, for example, for manufacturing photo-optical instrumentation and electron-optical devices. This is why limiting electromagnetic interference (EMI) has become a design priority for wafer fabs and process tools.

Our engineers have the skills to avert every other type of contamination – particle, temperature, humidity, acoustical, and chemical. This prompted Exyte to shift its focus to the emerging challenge of magnetic fields.

Improving shielding

Electron-optical devices are ubiquitous in the semiconductor industry. They produce electron or charged ion beams that apply patterns to wafers and serve to inspect small structures. Magnetic lenses collimate these beams to align them in parallel. Outside influences can impair this collimation, which adversely affects resolution.

Exyte has long excelled at conditioning climates and guarding against acoustical interference in mini-environments. With expertise in cutting-edge magnetic field shielding to complete this skillset, we can now offer the full range of services to cover all our clients' needs for interference-free production – today and with an eye to tomorrow's advances in semiconductor manufacturing.

Types of shielding

1 Inverted magnetic field generated to provide active electromagnetic shielding.
2 Temperature and humidity controlled with precise climate conditioning.
3 Particle filter and laminators
4 Chamber construction materials to provide passive electromagnetic shielding.

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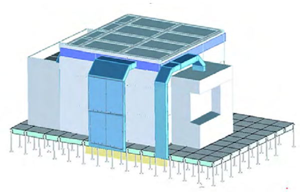
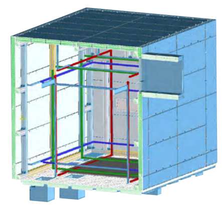
Shielding techniques

Permeability shielding
Highly permeable material used in the chamber's construction diverts trouble-some magnetic fields from sensitive areas.



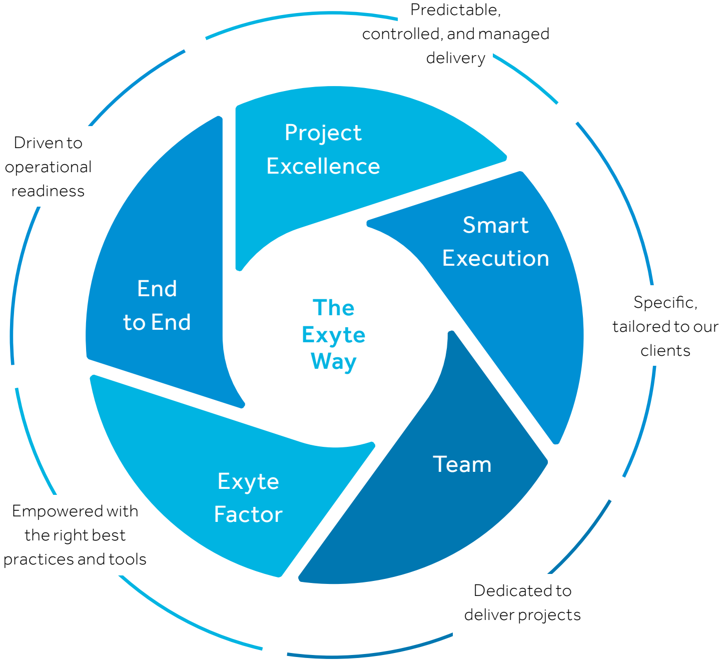
Eddy current shielding
Conductive material generates an opposing magnetic field inside the chamber to mitigate interference.

Compensation technology
Sensors measure the magnetic field. An opposing field generated on the basis of these readings actively minimizes its interference.



Operational solutions

For Our Clients, with Our Partners



"We deliver projects in a safe, predictable, and compliant manner, exceeding our clients' expectations."

Ed Hanbidge,
Vice President Corporate Project Management & Construction Management

Combining the best of the best

The Exyte Way - this is the crossroads where our unrivaled project experience intersects with our best-in-class delivery practices. Pairing lean and agile methods with efficient processes and smart tools, our approach to projects is peerless.

Flexible and adaptable to the project's demands, the Exyte Way ensures consistency, standardization, and security across business units and regions. This is project delivery reinvented. Our structured method ensures governance, control, and performance exceed our clients' expectations. This path to secure, predictable, and complaint delivery is second to none.

Joining forces for ExyCell®

Univercells and Exyte enable clients to rapidly deploy prefabricated GMP vaccine manufacturing facilities.
An integrated plant design combines Exyte's prefab modular construction system, ExyCell, with Univercells Technologies' NevoLine Upstream biomanufacturing platform. ExyCell configures to adapt to any process layout. NevoLine Upstream platform is a disruptive but proven technology for automating mass viral manufacturing.

Siemens' digitalization expertise plus Exyte innovations equals end-to-end solutions.
Exyte furnishes prefabricated modular biotech solutions with embedded Siemens technology. Siemens provides the Simatic PCS 7 and WinCC process automation platforms, as well as power supply and fire protection for modular cleanrooms.

Miltenyi Biotec and Exyte developed a design for a standard cell and gene therapy facility.
It is based on ExyCell, which is suitable for both greenfield and brownfield installation, and on Miltenyi's CliniMACS Prodigy®, a closed automated platform that streamlines GMP-compliant cell manufacturing. Both technologies enable site-adaptable replication with no re-engineering required to scale manufacturing capabilities up and out.

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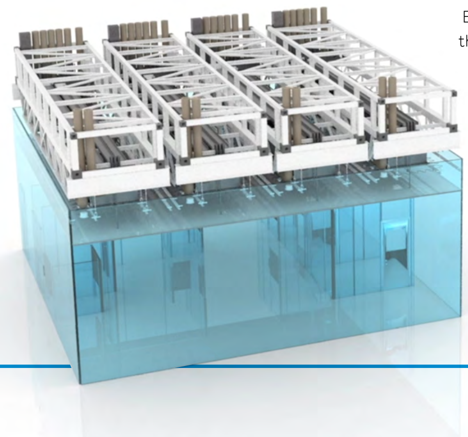

A modular system, ExyCell fast-tracks the construction of biomanufacturing facilities.

Celebrating Excellence

This journey started in 1995 when Exyte set up its China headquarters in Shanghai. Exyte's consulting, design, and turnkey management services have since satisfied clients in the most demanding of tech fields. The year 2020 marks the 25th anniversary of this success story in China.

1995
Established the China headquarters in Shanghai.

2001
Successfully completed the first project for SMIC.

2009
Embarked on a project with Boehringer Ingelheim in China to build a state-of-the-art animal vaccine manufacturing facility.

25 周年

Exyte China 25th Anniversary

2015
Completed a semiconductor assembly facility project for Micron in Xi'an.

2016
Successfully delivered a data center project to Huawei and awarded "Excellent Project Team".

2017
Awarded the Grade A General Contractor's License in China.

2019
Successfully completed a 300mm advanced production line 45 days ahead of schedule for HLMC.

2020
Exyte celebrates 25 years in China.

Visionary Shanghai

Gearing up for the battery boom
Our pilot dry room serves to demonstrate, test, and improve Li-ion battery manufacturing processes. State-of-the-art yet cost-effective design and construction services, reduced energy consumption, superior performance, cleanroom ISO classification: all this is the product of our company's campaign to trump yesterday's achievements.

Read more →

Office space to biomanufacturing place
ExyCell modules can turn any building into a leading-edge biomanufacturing facility. Here, process development for gene and cell therapy will get underway with these preconfigured and prefabricated modules.

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Behavioral safety at Exyte

IFW Program

51,125

safety sessions took place in 2020, often in large groups before the COVID-19 pandemic put a hold on that.

“Everyone goes home safe” – that is the idea behind Exyte’s behavioral safety initiative. This Incident Free Workplace (IFW) program encourages safe behavior on sites, in offices, and at home.

Awareness, training, practice – this is the mantra for everyone who sets foot on a construction site. The IFW Playbook is the safety gospel according to Exyte. Leadership workshops and on-site coaching reinforce its messages to impress upon the workforce the importance of safe practices.

Every project has its unique challenges, so we tailor training to the specifics of the site and target audience, be it management or work crews.

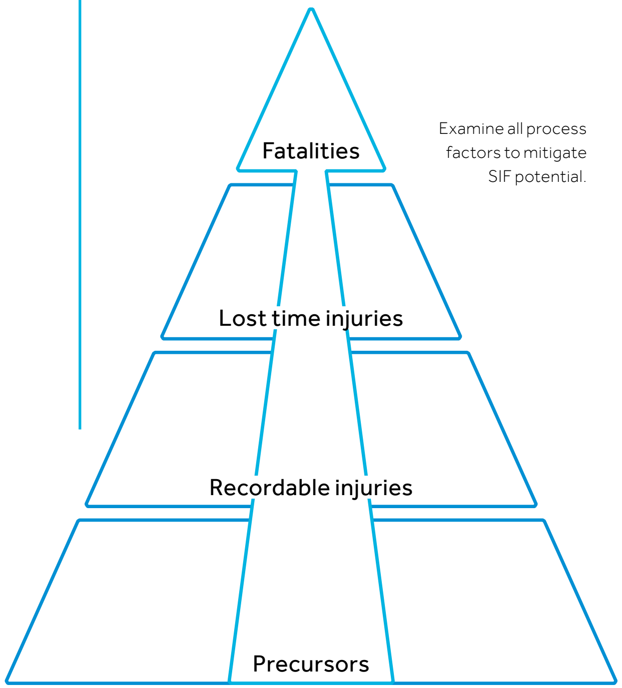
Interviews, training courses, coaching sessions, and senior staff meetings convey safety fundamentals to all, including subcontractors.

Exyte prioritizes incident prevention. In 2021, we will expand the SIF program described on the right. We report every minor and major incident and celebrate every safe person-hour.

SIF prevention model

Serious incident and fatality (SIF)

A potential SIF is a near-miss incident that could have done significant harm if just one variable had been different. Organizations can markedly improve safety by reviewing incidents of this category and conducting inspections. Observing and documenting unsafe behaviors is a good way of determining inherent risk and shifting the focus from minor injuries to major injury risks. Every pinpointed hazard can prevent someone from slipping, tripping, falling, and otherwise sustaining a serious injury or causing significant damage.



Group Management Report

About the Group

The Exyte Group (hereinafter referred to as "Exyte") sees itself as a global leader in the planning, development, and delivery of high-tech production facilities. In more than 100 years of its corporate history, Exyte has acquired extensive experience and developed profound professional expertise for controlled and regulated environments that require "ultra-clean" solutions. From the provision of initial consulting services through to the design and implementation of turnkey solutions for the semiconductor and pharmaceutical industries, as well as for data centers, Exyte provides support for clients in growth markets with its complete range of services. With a presence in more than 20 countries, Exyte can provide support at both a local and global level.

Executive management

The executive management team of Exyte GmbH is made up of three Managing Directors. In the period between December 1, 2019 and February 29, 2020, the number of Managing Directors was temporarily increased to four.

Dr. Wolfgang Büchele, the Chief Executive Officer, manages the three strategic business segments Advanced Technology Facilities, Biopharma & Life Sciences[1] and Data Centers, as well as heading up these corporate functions: Corporate Strategy/M&A, Corporate Risk Management & Internal Controls, Corporate Compliance, Corporate Internal Audit, Corporate Human Resources, and Corporate Communications & Investor Relations.

Roberto Penno, Chief Operating Officer, has responsibility for the management of the APAC (Asia-Pacific), AMER (USA), and EMEA (Europe) regions and the Regional Specific Business segment, as well as heading up the following corporate functions: Corporate Engineering & Design, Corporate Procurement & Subcontracting, Corporate Project and Construction Management, Corporate Project Control, Corporate Environment, Health & Safety (EHS), and Corporate Quality Management. From January 1, 2021 on, he has also assumed management responsibility for the Technology & Services business area (T&S).

From August 28, 2020 onwards, Peter Schönhofer took over as Chief Financial Officer and is thus responsible for the following corporate functions: Corporate Accounting, Corporate Treasury, Corporate Controlling, Corporate Legal & Insurance, Corporate IT, and Corporate Tax. In addition, he was responsible for the management of the TECH business segment up until December 31, 2020.

Margaret Lassarat held the position of Chief Financial Officer of the company from March 1, 2020 up until August 27, 2020.

Wolfgang Homey, who was Chief Financial Officer up until February 29, 2020, has left the company.

Beat Fellmann was a Managing Director from December 1, 2019 up until February 29, 2020 without a specific assignment.

[1] Previously called Life Sciences & Chemicals (LSC).

Corporate structure

The table below shows the companies included within the scope of Exyte's consolidation as of December 31, 2020.

In the financial year 2020, Exyte acquired M+W Italy S.r.l. (now renamed as Exyte Italy S.r.l.) and M+W Group (Israel) Ltd. from other companies within the M+W Group (as transactions under common control). Subsequently, within the Exyte Group, Exyte Israel Engineering Ltd. was merged into M+W Group (Israel) Ltd. and that company was renamed Exyte Israel Projects Ltd. Both companies are assigned to the EMEA region.

Exyte manages its business primarily by regions. These are the segments for which reporting is mandatory. In addition to the geographic regions APAC, AMER, and EMEA, Exyte Technology (TECH) has also been designated as a reportable segment. Exyte Technology develops, manufactures, and maintains controlled production environments and cleanroom products for clients all over the world. Clients operate predominantly in the semiconductor, flat panel display, and life sciences as well as in other high-tech industries.

Corporate structure

Exyte Group[1]
- Exyte GmbH
- 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 Italy S.r.l. • Exyte Northern Europe Ltd. • Exyte Israel Projects Ltd.	• Exyte Asia-Pacific Holding Ltd. • Exyte Singapore Pte. Ltd. • Exyte Malaysia Sdn. Bhd. • Exyte Vietnam Co., Ltd. • Exyte Japan Ltd. • Exyte Shanghai Co., Ltd. • Exyte Trading Shanghai Co., Ltd. • Exyte Trading (Singapore) Pte. Ltd. • Exyte Taiwan Co., Ltd. • Exyte Services (Singapore) Pte. Ltd. • Exyte Services (Malaysia) Sdn. Bhd.	• Exyte Technology GmbH • Exyte Technology CZ s.r.o. • Exyte Technology Shanghai Co., Ltd. • Exyte Technology Gebäude GmbH & Co. KG • Exyte Hargreaves Ltd.

[1] Exyte is part of the Stumpf Group.

Due to the amendments that were made to the management and reporting structures with effect from January 1, 2020, Exyte Hargreaves Ltd. has been assigned to the TECH segment; up until December 31, 2019, this company was a part of the EMEA segment. Disclosures of comparative figures for the previous year have been adjusted accordingly.

Business segments

In addition to the reportable segments APAC, AMER, EMEA, and TECH, Exyte has separated its business into three strategic business segments, Advanced Technology Facilities (ATF), Biopharma & Life Sciences (BLS), and Data Centers (DTC). Consequently, the company is led in parallel by both the regional and business segments, in line with the matrix structure of the organization. For detailed financial information on the segments, please refer to Note 30 in the notes to the consolidated financial statements.

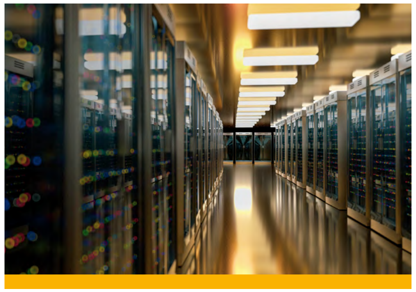
Advanced Technology Facilities (ATF): This business segment provides consulting and planning services, engineering and design services, as well as project management services surrounding the building of manufacturing plants and research and development facilities in the electronics industry sector. Exyte combines its range of services to provide turnkey engineering, procurement, and construction (EPC) solutions. In many cases, Exyte also provides mechanical, electrical, and plumbing (MEP) services and carries out the installation of tools for semiconductor production. Exyte acquires the majority of its incoming orders within its global and regional client base – organizations with which, in general, Exyte has worked together for many years. The close relationships with such key clients also gives Exyte a deep insight into their respective future project pipelines.

Advanced Technology Facilities

- Semiconductors
- Flat Panel Displays
- Photovoltaics
- Batteries

Biopharma & Life Sciences

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



Data Centers

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

Biopharma & Life Sciences (BLS): In this segment, Exyte has concentrated its activities on consulting services, as well as on the planning, engineering, and construction of biopharma and life science facilities that conform to industry-specific and regulatory requirements. With its more than 20 years of experience, Exyte can also demonstrate wide-ranging process engineering expertise in this business segment. BLS benefits from orders from global clients with whom Exyte has worked in cooperation for many years. Exyte is convinced that its good relationships with its global clients will act as a driver for the further growth of BLS business in all regions.

Data Centers (DTC): The focus in the DTC business segment is on the erection of energy-efficient data centers for providers of cloud facilities, high-performance computing, and co-location centers, as well as the provision of planning, architectural, and engineering services for corporate clients. The range of services also covers project management. DTC's key clients are large technology organizations that invest extensively in high-capacity data centers throughout the globe. Furthermore, DTC is also active on behalf of co-location providers who make high-capacity data centers available to service technology corporations.

Regional Specific Business (RSB): In addition to the activities carried out in the ATF, BLS, and DTC segments, Exyte also engages in individual business activities within the Regional Specific Business segment. Business in this segment primarily covers the heating, ventilation, and air-conditioning (HVAC) activities of the British subsidiary, Exyte Hargreaves Ltd., as well as defense projects in Israel and Italy. In addition, various subsidiaries are equipped with the necessary expertise to conduct other non-strategic business in their local markets, when such opportunities arise. Such activities are also covered by the RSB segment.

Economic Report for 2020

A look at the economy in general and at specific industries

The big picture

The overall economic situation in 2020 was significantly influenced by the manner in which the COVID-19 pandemic developed. The significant declines in production experienced throughout the world during the course of the first pandemic wave, in the early part of the year, were compensated for to a considerable extent in the further course of the year, even though this development was slowed down, towards the end of the year, due to a second wave of infection and related measures taken to confront it.

If the year 2020 is viewed as a whole, then global production fell by 3.8% – following growth of 3.0% in the previous year.[2] This represents by far the biggest downturn experienced in the past 70 years. In the same manner as the global gross domestic product (GDP), the level of world trade also declined. It dropped by 5.4% in 2020, following an earlier decline of 0.4% in 2019.

In comparison to other sectors, such as various services industry areas, industrial production recovered quite quickly. However, significant regional differences were evident; these are reflected in the gaps between the GDP achieved and pre-crisis levels. In highly developed economies such as the US or the euro area, this gap was around 3–5% in the third quarter. Various central banks and governments attempted to support the economic recovery by means of an expansionary monetary policy or by introducing measures such as additional spending, tax deferrals, or credit support programs. The US recorded a 3.6% decline in GDP for the full year 2020. In Europe, significant impacts deriving from the second pandemic wave were evident from late summer onwards. However, these were less severe than the impacts experienced during the first wave in the early part of the year. Overall, the euro area experienced a decline in GDP of 7.2% in 2020, while the EU as a whole experienced a decline of 6.7%. However, there were significant differences between developments in the individual member states. While Germany recorded a decline of 5.6%, GDP in Austria fell by 7.0%. In Denmark, on the other hand, it only reduced by 3.9%. Ireland actually achieved growth of 1.9% in 2020.

China, where the pandemic was confronted early on due to its origin, experienced a particularly strong recovery during the course of the calendar year. Industrial production had already recovered to a large extent in the early part of the year. In autumn, production levels already clearly exceeded pre-crisis levels; there was a similar development in Taiwan. Overall, China recorded a 1.8% increase in GDP in 2020. However, the situation in other emerging markets varied. In Malaysia, for example, GDP declined by 5.2%.

Influences deriving from global trade tension were still observable in 2020, although these tended only to play a background role due to the COVID-19 crisis. Thus, the conflict between the USA and China continued. There was also tension in the relationship between the EU and the USA. Furthermore, as a result of Brexit, uncertainty about the economic relationship between the EU and the UK prevailed. It was only shortly before the end of the year that the two parties were able to reach an agreement.

Developments by industry

The following developments were observable, in the financial year 2020 and thereafter, in the specific industry sectors in which the business segments of Exyte are active.

Advanced Technology Facilities

Semiconductors

Despite the COVID-19 pandemic and the subsequent global recession, global revenue in the semiconductor industry sector increased by 7.3% in 2020, to a level of €391 billion.[3] In comparison to the previous year, total capital expenditure (capex) in 2020 increased by 7.6%.[4]

The COVID-19 pandemic has had a positive impact on semiconductor industry revenue development, due to the explosion in demand for systems, products, and infrastructure for home offices and distant learning, such as connectivity and data management solutions. Additional growth that had been forecast for 2020 was slowed down by the delay, until 2021, in the general rollout of 5G communication networks and smartphones.

Macro trends such as the Internet of Things (IoT), artificial intelligence (AI), big data, and Industry 4.0 are all having an impact on semiconductor business. The digital transformation process is advancing, driving demand for logic and memory chips in an increasing number of industries. These chips play an important role in smartphones, as well as for driver assistance systems and autonomous driving technology. In addition, the Chinese government has launched a second wave of state funding – the first was in 2014 – and has thereby allocated €26 billion to finance new chip manufacturing facilities and semiconductor research facilities.[5]

[2] The statistics cited in this section are taken from a research paper issued by the Kiel Institute for the World Economy (IfW): "Weltkonjunktur im Winter 2020" [The Global Economy in the Winter of 2020], which was completed on December 16, 2020.

[3] Gartner Says Worldwide Semiconductor Revenue Grew 7.3% in 2020, Gartner, www.gartner.com/en/newsroom/press-releases/2021-01-14-gartner-says-worldwide-semiconductor-revenue-grew-7-percent-in-2020, January 14, 2021.

[4] Semiconductor Equipment Consensus Forecast – Record Growth Ahead, SEMI Reports, www.prnewswire.com/in/news-releases/semiconductor-equipment-consensus-forecast-record-growth-ahead-semi-reports-825244506.html, December 15, 2020.

[5] China invests a further 29 billion US dollars in its semiconductor industry, Heise online, www.heise.de/newsticker/meldung/China-investiert-weitere-29-Milliarden-US-Dollar-in-die-Halbleiterindustrie-4573486.html, November 1, 2019.

Batteries
Exyte has increased its focus on the fast-growing market for lithium-ion batteries, in order to support the development of corresponding manufacturing capacities. Electric vehicles, energy storage applications, and a growing number of battery-powered devices, designed for industrial and private use, are increasing demand for such products.

According to a recent MarketsandMarkets study, global sales of pure lithium-ion batteries in 2020 were some €38.4 billion, with the largest markets being in the Asia-Pacific and European regions. Annual sales growth of 16.4% is expected for the period 2020–2025.[6] Subvention programs launched by various European governments, in the form of national environmental incentives, have helped to accelerate demand for hybrid and pure electric vehicles throughout Europe.

According to CleanTechnica, by the end of 2020, sales of plug-in-only vehicles had reached a level of 20% of the total number of vehicles sold each month.[7] This has also motivated Asian battery manufacturers to set up new production facilities in Europe, in order to be able to deliver to European car manufacturers more easily. Numerous production facilities have been planned or are already under construction in France, Germany, Scandinavia, Poland, and Hungary. According to reports issued by Benchmark Mineral Intelligence (BMI), Lithium ion battery cell capacity increased by 52% in a year-on-year comparison.[8]

Flat panel displays and photovoltaics
Capital expenditure investment in new flat panel display manufacturing facilities continued to plummet in 2020, due to excessive production capacity.[9] In the meantime, China and other Asian countries produce almost all of the photovoltaic (PV) modules sold worldwide. This region also constitutes the largest market. As there is no sign that global growth might be slowing down, companies continue to invest in new PV module production facilities.[10] Exyte's key accounts in this sector are two long-standing clients in Malaysia and Singapore.

Biopharma & Life Sciences
As was the case for many other industries, 2020 was a year of change in the biopharma and life sciences industry sector. Whereas a growing population, increasing prosperity, and longer life expectancy continue to be key growth drivers in the biopharma, food and nutrition, and consumer care industries, other factors emerged in 2020 that led to an increase in demand specifically in the biopharma sector. The demand for vaccine production equipment will obviously increase, but the pandemic has also highlighted the need for many countries to protect their supply chains for critical medicine products and to provide them onshore. Innovative new technology platforms such as mRNA have potentially shortened approval times for cell and gene therapies by decades, which could lead to a wave of investment in new manufacturing facilities as this drug platform evolves. Finally, due to the massive demand for a COVID-19 vaccine, the trend towards outsourcing drug production to contract manufacturers has accelerated. Large biopharma companies thus need to create space within their existing production facilities, while smaller companies have to rely on the production know-how of contract manufacturers.

Data Centers
The growth of the global market for data centers continues to show positive momentum and is still the main driver for business development in Exyte's Data Centers business segment. Major projects that were successfully completed in the cloud/hyperscale segment, as well as new projects in the cloud/co-location sector, characterized activities in 2020. An enormous surge in worldwide projects and future project opportunities was observable in this market segment as a consequence of the COVID-19 pandemic and the associated sudden increase in videoconferencing and collective processing of digital files throughout the world.

In 2020, the COVID-19 crisis proved to be the driving force to encourage companies to further expand the digitalization of their businesses, to accelerate decisions and capital expenditure in this area, and to continue to promote cloud-based computing. According to a Bitkom study, only every second company in Germany used cloud-based services in 2019. This number had increased sharply by the end of 2020. At present, one in four employees in Germany works from a home office, which corresponds to 10.5 million employees.[11] Internationally, use of business cloud services has increased by 48%.

[6] Lithium-Ion Battery Market, MarketsandMarkets, www.marketsandmarkets.com/Market-Reports/lithium-ion-battery-market-49714593.html, April 2020.
[7] Europe Plug-In Vehicle Sales, CleanTechnica, www.cleantechnica.com/2020/12/29/record-electric-vehicle-sales-in-europe/, November 2020.
[8] Lithium Ion Battery Megafactory Assessment November 2020 Review, Benchmark Mineral Intelligence.
[9] Flat Panel Display Market Set for Unprecedented 11.1 Percent Decline in 2020, DisplayDaily, www.displaydaily.com/article/press-releases/flat-panel-display-market-set-for-unprecedented-11-1-percent-decline-in-2020.
[10] PV Manufacturing & Technology Quarterly, PV-Tech Research, February 2021.
[11] Mehr als 10 Millionen arbeiten ausschließlich im Homeoffice, [More than 10 million people work completely from their home office], Bitkom, www.bitkom.org/Presse/Presseinformation/Mehr-als-10-Millionen-arbeiten-ausschliesslich-im-Homeoffice, December 8, 2020.

The major cause for the demand for the required data center capacity was the increased digitalization of companies rather than the expected increase in the usage of data due to hyper trends, such as the 5G network infrastructure, autonomous driving, smartphone usage, smart homes, electronic assistants, digitalized industry, sensors for connected devices, etc.

In the data centers sector, Exyte is active in an environment that exhibits great growth potential, which has actually derived further impetus from the COVID-19 crisis and which offers good prerequisites for the Group's growth in the coming years.

The general surrounding conditions, as described for the targeted markets that we have defined, had an overall positive effect on Exyte's business activities in 2020. At the same time, further growth in these markets provides good preconditions for the further growth of the Exyte Group in the next few years.

Business performance in 2020

Key financial performance indicators

The key financial performance indicators used by the executive management to manage the Exyte Group, which are also used to manage the regions, are order intake, sales, as well as adjusted EBIT, or respectively, the adjusted EBIT margin.

Order intake

An order forms part of the order intake when all prerequisites for an effective signed client contract have been fulfilled. The prerequisites for the effectiveness of a signed contract are that:

(i) A binding order document has been signed by the client and Exyte, in which the scope of the services to be performed is clearly defined;

(ii) A price has been fixed or can be determined by reference to the terms of the contract;

(iii) A time schedule for the delivery of goods or the performance of the services has been defined;

(iv) The terms and conditions governing the business transaction have been defined and agreed; and

(v) The financing of the transaction by the client is not subject to any constraints.

The order intake key performance indicator is used to measure Exyte's success in acquiring new business compared to previous reporting periods.

Sales

A key element of Exyte's strategy is the promotion of profitable organic sales growth. The development of sales is used as a benchmark to measure this. For a detailed presentation of the different types of revenue generated by the Exyte Group and the method of revenue recognition, please refer to the disclosures made in the section of the notes to the consolidated financial statements entitled "Accounting and measurement methods."

Adjusted EBIT

Adjusted EBIT is defined as the result from operating activities (earnings before interest and tax; EBIT) adjusted for income or expenses deriving from non-recurring effects. EBIT adjustments result from income or expenses related to the Exyte Group's reorganization (in particular, effects on earnings deriving from write-downs), costs of restructuring measures, costs incurred due to site closures and relocations, or other income or expenses that are non-recurring in nature or are incurred outside the normal course of business, as well as COVID 19-related effects.

Adjusted EBIT is used to determine profitability, excluding positive or negative effects, thus ensuring comparability between different reporting periods.

Adjusted EBIT margin

The adjusted EBIT margin is defined as the relationship between adjusted EBIT and sales. This key indicator is used to compare operating profitability between different segments and reporting periods.

Further important financial performance indicators are the order backlog, the gross profit, and the gross profit margin.

Order backlog

The order backlog represents the value of the Exyte Group's unprocessed orders at the end of the respective reporting period. It is derived from the order backlog at the beginning of the reporting period, plus the order intake, less sales recognized in the period reported. In addition, adjustments for orders cancelled or reduced during the period reported need to be taken into account, as well as any effects arising though fluctuations in currency exchange rates. The order backlog shows the orders that are still unprocessed at a certain point in time and provides an indicator for the allocation of resources required to process the orders. This key performance indicator is also used in the budgeting and forecasting process, in order to predict the development of revenue for the current year and in subsequent years.

Gross profit

The gross profit is defined as sales less the cost of sales. In this context, only those costs that are incurred to generate the related sales volumes are included in the cost of sales. The gross profit provides information concerning profitability, taking only the sales-related costs into account.

Gross profit margin

The gross profit margin defines the relationship between the gross profit and sales. This key performance indicator is used to measure the profitability and also provides an indication of how changes in turnover impact the Exyte Group's earnings.

Business development

At a level of €4.1 billion, Exyte's order intake was €0.7 billion lower than that of the previous year (2019: €4.8 billion). In this context, €0.6 billion of the reduction in the order intake was mainly caused by postponements in the project decision-making process and a lower order intake for a current semiconductor project in Ireland.

Despite the COVID-19 pandemic, Exyte still managed to increase sales in 2020 by €0.2 billion, or 4.6%, to a level of €4.1 billion. Sales to the semiconductor industry sector in the business segment Advanced Technology Facilities continue to be the main driving force for Exyte's sales.

Sales development in the regions varied in the financial year 2020. In the EMEA region, sales increased significantly, by €1.0 billion, which was mainly due to higher revenue deriving from a semiconductor project in Ireland. This was counterbalanced by an €0.8 billion decline in revenue in the APAC region. This reduction resulted in particular from the loss of revenue from major projects to compensate for those completed in 2019. In addition, project delays, which were related to the COVID-19 pandemic, also had a slight impact on revenue development for this region in 2020.

As of December 31, 2020, the order backlog amounted to €3.2 billion and was €0.5 billion lower than the comparative figure as of December 31, 2019 (€3.7 billion). As already discussed, the order intake of €4.1 billion was counterbalanced by sales of the same amount. Therefore, this had no effect on the order backlog. A total of €0.3 billion of the decline in the order backlog was largely due to the cancellation of a client contract for a project in Taiwan. The order backlog of €3.2 billion provides a solid basis for the future development of the Exyte Group.

In the financial year 2020, the gross profit declined by €14.3 million, or 4.3%, to a level of €317.4 million. The gross profit margin reduced from 8.5% to 7.8%. The main reason for this development was the processing of a larger number of large-volume cost-plus contracts with lower margins in the EMEA region.

Adjusted EBIT also declined slightly, by €10.1 million or 4.5%, to €212.9 million (2019: €223.0 million); this was particularly due to the lower gross profit. In consequence, the adjusted EBIT margin was 5.2%.

Comparison of actual business development to what was planned

Exyte achieved, or respectively exceeded, the previously communicated forecasts for 2020.

Comparison of actual business development to what was planned

	Forecast for 2020	Actual 2020	2019	Change 2020 vs. 2019[1]
Order intake	Lower	€4.1 billion	€4.8 billion	−14.2%
Sales	Approx. €3.9 billion	€4.1 billion	€3.9 billion	+4.6%
Adjusted EBIT[2]	Moderate decrease	€212.9 million	€223.0 million	−4.5%
Adjusted EBIT margin	Moderate decrease	5.2%	5.7%	−0.5 pp

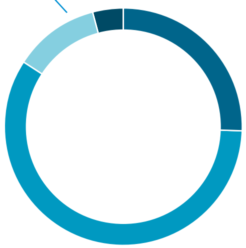
[1] Percentages are calculated on the basis of figures in millions.
[2] Please refer to the "Financial performance" section for further details on adjustments to the reported EBIT.

Developments in the regions

Exyte supplies its clients in all key markets at both global and local levels. The focus is placed on specific regions, which are determined by the clients' capital expenditure investment plans ("follow the client approach").

The analysis of sales by region developed as follows:

Sales by region 2020[1]
(previous year)



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

The EMEA region achieved strong sales growth in comparison to the previous year and was the top region of the Exyte Group from a revenue perspective in 2020, with a share of 58.6%. In contrast, the share of revenue generated by the APAC region reduced, to a new level of 25.8% of total sales.

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

Key figures/ratios by region[1]
in € million

	APAC		EMEA		AMER		TECH	
	2020	2019	2020	2019	2020	2019	2020	2019
Order intake	1,107	1,286	2,161	2,755	656	612	171	145
Order backlog	1,153	1,508	1,633	1,822	335	332	97	91
Sales	1,062	1,886	2,417	1,383	483	531	162	133
Gross profit	150	236	120	59	27	25	21	13
Gross profit margin	14.1%	12.5%	4.9%	4.2%	5.6%	4.6%	13.1%	9.9%
Adjusted EBIT	129	195	85	31	12	6	14	5
Adjusted EBIT margin	12.1%	10.3%	3.5%	2.3%	2.4%	1.2%	8.8%	4.0%

[1] The figures disclosed have not been consolidated. Effects deriving from consolidation of the regions, as well as figures in respect of Exyte GmbH and Exyte Management GmbH have not been included.

The main developments in the various regions are explained below:

APAC

The order intake for the APAC region was €1,107 million and was thus slightly lower than the comparative figure for the previous year (2019: €1,286 million). With a contract value of over €200 million, the largest project awarded to Exyte was from a major client in the pharmaceutical industry sector. In addition, the Advanced Technology Facilities business segment was able to acquire several larger projects (each one >€50 million) in Singapore and China.

Sales decreased to €1,062 million in the financial year 2020 (2019: €1,886 million). This was mainly due to the completion of some major projects, which had made a comparatively larger contribution to the figure for sales in the financial year 2019. To a lesser extent, effects deriving from the COVID-19 pandemic also impacted sales development, as these caused some projects to be delayed.

The gross profit margin increased from 12.5% in the previous year to a level of 14.1%; this was mainly due to positive effects deriving from two larger projects, where cost savings were shared with the respective clients. Overall, the effects described resulted in a decrease in the gross profit by €86 million in 2020, to a level of €150 million.

The APAC region generated adjusted EBIT of €129 million in 2020 (2019: €195 million). The decline in adjusted EBIT, by €66 million, was predominantly due to the reduction in the gross profit. This reduction was compensated by savings in administration and selling costs, which resulted from the adaption of cost structures to the lower sales volumes. The adjusted EBIT margin increased from 10.3% to 12.1%.

EMEA

The total order intake for the EMEA region was €2,161 million in 2020 (2019: €2,755 million), representing a reduction of €594 million. The figure for order intake particularly includes further large volume orders in connection with an ongoing semiconductor project in Ireland. The volume of these declined in comparison to the previous year, which was the main reason for the reduction in the order intake in the EMEA region. In addition, a major project, worth €300 million, was acquired in Germany in 2020; this was awarded by a Chinese battery manufacturer. A decision concerning a major data center project was postponed until 2021.

Sales for the EMEA region increased considerably, by €1,034 million to a level of €2,417 million (2019: €1,383 million). This was mainly due to higher sales generated by the semiconductor project in Ireland. In addition, a favorable impact on sales derived from a semiconductor project in Austria.

The gross profit doubled, increasing from €59 million to a level of €120 million. This was mainly as a result of the significant increase in sales. In addition, the gross profit margin increased to 4.9% (2019: 4.2%).

Adjusted EBIT for the EMEA region also increased significantly, from €31 million to €85 million; this was particularly due to the increase in the gross profit. In consequence, the adjusted EBIT margin increased from 2.3% to 3.5%.

AMER

The AMER region was able to increase its order intake to €656 million in the financial year 2020 (2019: €612 million). The growth was mainly due to the acquisition of a major project (>€400 million) in the Advanced Technology Facilities business segment.

Despite the higher order intake in 2020, at a level of €483 million, sales in the AMER region was lower than in the previous year (2019: €531 million). This was partly due to the absence of revenue from the US subsidiary, Exyte Energy, Inc., which was sold with effect from December 31, 2019. In addition, lower sales from a major project in the Biopharma & Life Sciences business segment, which had made a significantly higher contribution to sales in the previous year, also had an impact. These effects could only be partially compensated by higher sales generated in the Advanced Technology Facilities business segment.

Despite the decline in sales, the gross profit in 2020 increased from €25 million to €27 million. This was due to an improvement in the gross profit margin, which increased from 4.6% to 5.6%. The main reason for this was the elimination of losses incurred by Exyte Energy, Inc., which was sold with effect from December 31, 2019, as well as an improvement in the margin quality for the American subsidiary, Total Facility Solutions, Inc., in 2020.

The AMER region achieved adjusted EBIT of €12 million in 2020 (2019: €6 million) and an adjusted EBIT margin of 2.4% (2019: 1.2%); thus, the margin quality increased considerably.

TECH

At a level of €171 million in 2020, the order intake for the TECH segment was €26 million above that for the previous year (2019: €145 million). The increase was the result of a strong order intake for Exyte Hargreaves.

Sales in the TECH segment also increased considerably in the financial year 2020, by €29 million, from €133 million to a level of €162 million.

The gross profit increased from €13 million to €21 million, due both to increased sales and also to an improvement in the gross profit margin, which increased from 9.9% to 13.1% in the financial year 2020.

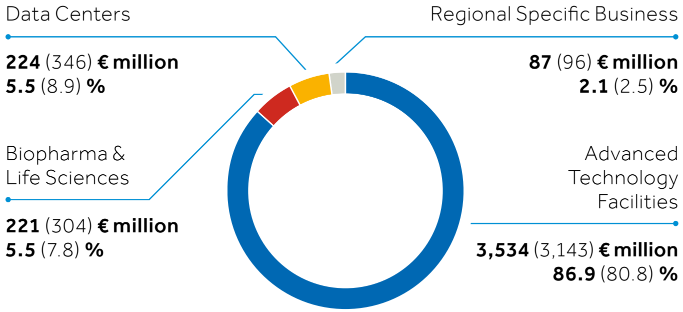
The TECH segment achieved adjusted EBIT of €14 million (2019: €5 million); the adjusted EBIT margin increased from 4.0% to 8.8%.

Development of the business segments

Sales development in the business segments

The analysis of sales by business segment developed as follows:

Sales by business segment 2020
(previous year)



As had already been the case in the previous year, the Advanced Technology Facilities business segment again made the largest contribution to Exyte's total sales in the financial year 2020. The share of revenue increased from 80.8% to 86.9%.

The following table shows the important key figures and ratios for the business segments:

Important key figures/ratios by business segment

in € million

	Advanced Technology Facilities		Biopharma & Life Sciences		Data Centers		Regional Specific Business	
	2020	2019	2020	2019	2020	2019	2020	2019
Order intake	3,364	3,680	440	234	107	784	140	58
Order backlog	2,555	2,980	386	193	88	478	156	60
Sales	3,534	3,143	221	304	224	346	87	96
Gross profit	274	337	30	17	20	–4	–7	2
Gross profit margin	7.8%	10.7%	13.7%	5.6%	9.1%	–1.2%	–8.3%	2.1%

Advanced Technology Facilities

In 2020, the order intake in the Advanced Technology Facilities business segment amounted in total to €3,364 million (2019: €3,680 million); this represents a decline of 8.6% compared to the previous year. Exyte was able to acquire new orders in the semiconductor industry and battery production sectors – primarily in Ireland, Germany, Austria, and Israel. The decline in the order intake was particularly due to the fact that incoming orders in connection with an ongoing, large-volume, semiconductor project in Ireland were lower than had been the case in the previous year.

Despite the lower order intake, sales generated by the Advanced Technology Facilities business segment increased significantly, by 12.4% in comparison to the previous year, to a level of €3,534 million in 2020 (2019: €3,143 million). This was mainly due to the progress made with the major project in Ireland.

The lower gross profit margin of 7.8% in 2020 (2019: 10.7%) was due to the lower project margins achieved in the EMEA and AMER regions; these resulted from changes in the portfolio mix.

Biopharma & Life Sciences

The order intake for the Biopharma & Life Sciences business segment increased to €440 million in the financial year reported, following €234 million in the previous year. The largest project awarded to Exyte, by a major client in Singapore, had a contract value of more than €200 million. Other major new contracts were won in the pharmaceuticals & biotechnology sector in Germany, Taiwan, and the USA.

Sales in the Biopharma & Life Sciences business segment reduced to €221 million (2019: €304 million), due to the fact that a major project in the AMER region was completed in 2020; this project had been the main contributor to sales in 2019.

Despite the decrease in sales, the gross profit increased significantly, from €17 million to €30 million. The gross profit margin improved from 5.6% to 13.7%. Improvements in project margins were reported for all regions. The main reason for this was a changed project portfolio, with a lower number of large projects with poorer margins.

Data Centers

At a level of €107 million, the order intake for the Data Centers business segment in the financial year 2020 declined sharply (2019: €784 million). In 2019, a project in Denmark and two follow-up orders in Taiwan had been acquired; these were awarded by a global cloud provider. In 2020, a new major project was acquired in Germany.

The lower order backlog compared to the previous year is mainly due to the fact that two follow-up orders, which had been awarded in Taiwan in 2019, were cancelled by the client in the first quarter of 2020; this decision reduced the order backlog by some €264 million.

Sales in the Data Centers business segment reduced to €224 million in 2020 (2019: €346 million), due to the low order intake.

In contrast, the gross profit increased significantly in 2020, to a level of €20 million, compared to –€4 million in the previous year. This was especially due to the fact that margin development in 2019 had been significantly negatively impacted by a deterioration in the margin for a project in the EMEA region.

Regional Specific Business

The order intake for the Regional Specific Business segment increased from €58 million in 2019 to €140 million in 2020, mainly due to two projects in the defense and general industries market sectors in Israel and the UK.

As had been previously anticipated, sales in the Regional Specific Business segment reduced to €87 million (2019: €96 million).

The gross profit reduced from €2 million to –€7 million and was thus significantly down on the level achieved in the previous year. In addition to the decline in sales, the reduction in the margin achieved for a project in France was particularly responsible for this.

Financial performance

Exyte's **gross profit** (revenue less cost of sales) for the reported year 2020 decreased slightly, by €14.3 million or 4.3%, to a level of €317.4 million (2019: €331.7 million). The gross profit margin on sales decreased to 7.8% (2019: 8.5%). This was particularly due to a higher number of large-volume, cost-plus contracts, with lower margins, in the EMEA region.

Selling costs increased by 3.0%, to €34.2 million, in comparison to the same period in the previous year (2019: €33.2 million). These mainly consist of costs of personnel and materials or services incurred by the sales organization, expenses in connection with the preparation of proposals for projects that were not awarded, as well as marketing expenses, public relations costs, and advertising expenses. Furthermore, amortization and depreciation charges that are attributable to the sales area are included.

Administration costs amounted to €89.0 million (2019: €74.4 million) and thus increased by 19.6% when compared to those of the previous year. These mainly include costs of personnel and materials or services incurred by administrative functions, as well as amortization and depreciation charges that are attributable to the administration area. The increase was due in particular to costs incurred in connection with the strategy to secure general growth, as well as costs incurred for IT projects and for process optimization projects. For further disclosures in connection with presentation of the strategy for growth, we also refer to the explanations made in the report on opportunities.

Other operating income increased by €8.4 million, in comparison to the previous year, to €27.8 million; €9.3 million of the increase is attributable to income from the reimbursement of costs relating to COVID-19, deriving from government COVID-19 support programs in Asia. In addition, income deriving from the reversal of write-downs increased by €2.6 million, to €3.4 million. A counteracting effect resulted from the decrease in income from government grants, by €3.3 million, to a level of €4.2 million, which was mainly due to lower government grants granted to the Chinese group company.

Other operating expenses decreased, by €4.1 million, to €26.7 million in the year reported. Some €6.9 million of this was due to lower expenses charged to the M+W Group for services rendered. In addition, expenses deriving from impairment losses and site relocations decreased by €2.5 million and €2.4 million, respectively. A counteracting effect resulted from COVID-19-related costs of €8.7 million, which particularly derived from the continued payment of salaries during shutdown periods in Singapore; these costs were offset by corresponding income from government support programs (refer to the information contained in the note on other operating income). In addition, these costs include expenses for hygiene measures and additional accommodation costs because of government quarantine regulations (especially in Asia).

A large portion of Exyte's development activities arise in connection with client contracts. Any such resultant expenses are disclosed as cost of sales. From the financial year 2020 on, any **research and development expenses** that are not directly allocable to client contracts are no longer disclosed in the statement of comprehensive income as a separate line item, but are disclosed under other operating expenses. In the financial year 2020, such expenses amounted to €0.04 million (2019: €0.2 million). Comparative figures for the previous year have been adjusted accordingly.

At a level of €195.3 million, the **result from operating activities (EBIT)** for the financial year 2020 was 8.2% lower than the figure for the previous year (2019: €212.7 million). As already explained in the chapter "Key financial performance indicators," the executive management assesses Exyte's earnings performance on the basis of adjusted EBIT. This amounted to €212.9 million in 2020 (2019: €223.0 million) and thus decreased slightly, by €10.1 million or 4.5%.

The reconciliation of reported EBIT to adjusted EBIT is presented in the following table:

Adjusted EBIT

in € million

	2020	2019
Reported EBIT	**195.3**	**212.7**
Adjustments	**17.6**	**10.3**
Thereof:		
Adjustments made in respect of income deriving from the reversal of impairment allowances/expenses deriving from the increase in impairment allowances recognized against M+W Group and against non-consolidated Exyte Group entities due to restructuring	4.2	0.2
Adjustments made for restructuring measures	3.4	4.7
Adjustments due to site relocations	0.0	2.4
Adjustments made relating to COVID-19	2.9	0.0
Adjustments due to other non-recurring items (e.g., severance payments, one-off IT costs, legal and consulting costs, or other expenses)	7.1	3.0
Adjusted EBIT	**212.9**	**223.0**

At a level of €14.4 million, the **net income from financing activities** for the reported year 2020 was positive (2019: a net loss from financing activities of –€3.0 million). A total of €20.3 million of the improvement of €17.4 million in the net income from financing activities derived from the positive trend experienced with respect to the net balance for foreign exchange gains and losses; this was particularly due to exchange rate developments for the US dollar and Singapore dollar.

Consolidated earnings before tax (EBT) amounted to €209.7 million and were thus at the same level as in the previous year (2019: €209.7 million). The income tax expense amounted to €42.0 million (2019: €44.8 million); this equates to a lower overall Group tax rate of 20.0% (2019: 21.3%). Further explanations concerning the tax position are to be found in the notes to the consolidated financial statements in Note 8 ("Income tax").

After taking income tax into account, the resultant **consolidated net profit** amounted to €167.7 million, representing an improvement of €2.8 million in comparison to the consolidated net profit for the previous year (2019: €164.9 million).

Assets

Due to the nature of the Group's business activities, the assets situation is mainly characterized by the **current assets**, which make up 81.8% (December 31, 2019: 85.0%) of the total assets. The current assets are subject to fluctuation depending on the volume of contracts, the project mix, and the amount of advance payments that clients have made in respect of the projects that are being carried out. In a year-on-year comparison, the relative share of the non-current assets increased slightly from 15.0% to 18.2%. In relation to the figure for total assets, Exyte's non-current assets (particularly intangible assets, property, plant and equipment, right-of-use assets, and deferred tax assets) continue to be relatively less significant.

As of December 31, 2020, the **total assets** amounted to €1,756.8 million and had thus reduced by €325.6 million in comparison to the figure as of December 31, 2019 (€2,082.4 million). The main reason for this was the reduction in current assets, by €334.0 million. This was counteracted, to a small extent, by an increase of €8.4 million in the non-current assets.

Intangible assets amounted to €133.4 million (December 31, 2019: €132.9 million). The value for goodwill, which was unchanged, accounts for €131.8 million of this amount. The remaining intangible assets increased by €0.5 million to €1.6 million, due mainly to additions for software.

The figure for **property, plant and equipment** reduced by €3.6 million in the financial year 2020, to a level of €56.2 million. The decline particularly derives from the fact that the additions for the financial year (€5.1 million) were counterbalanced by a higher figure for depreciation and amortization (€7.3 million) and currency impacts (€0.7 million).

Right-of-use assets amounted to €65.8 million (December 31, 2019: €56.7 million). The increase, by €9.1 million, mainly derived from additions during the year (€29.5 million), which exceeded the charges for depreciation (€18.6 million) and negative currency impacts (€1.9 million). The additions particularly derived from new leases for properties concluded in the financial year 2020.

Inventories, amounting to €34.3 million (December 31, 2019: €26.2 million), predominantly resulted from companies that are assigned to the TECH segment and only to a limited extent from the Group's project-related business. Some €6.7 million of the overall increase of €8.1 million derived from higher stocks of raw materials, consumables, and supplies, which were stocked in order to support the performance of future services. The advance payments made of €6.5 million (December 31, 2019: €40.6 million) mainly result from advance payments to sub-suppliers in the project business area. Services performed by sub-suppliers resulted in a reduction of the balance by €34.1 million in the financial year 2020.

Contract assets increased by €8.0 million, or 2.7%, from €295.7 million to €303.7 million. The increase is related to the higher figure for consolidated sales, which increased by 4.6% in comparison to the previous year.

Due to circumstances applicable at the year-end closing date, **trade receivables** decreased by €31.1 million, or 7.9%, to €360.8 million (December 31, 2019: €391.9 million). The figure includes trade receivables due from affiliated companies belonging to the M+W Group, amounting to €4.2 million (December 31, 2019: €12.2 million).

Other current financial assets amounted to €25.9 million (December 31, 2019: €216.2 million) and have thus decreased by €190.3 million. This figure includes current financial receivables due from affiliated entities of €9.0 million (December 31, 2019: €194.8 million), which decreased by €185.8 million. These financial receivables include €3.0 million (December 31, 2019: €184.8 million) due from M+W Group companies, €1.4 million (December 31, 2019: €5.9 million) due from non-consolidated Exyte Group entities, and €4.6 million (December 31, 2019: €4.1 million) due from joint ventures. The receivables due from M+W Group companies reported in the previous year resulted mainly from the reorganization under company law carried out in 2018 and from purchase price receivables, which had not yet been settled at that time. The decrease of €181.8 million in these receivables particularly results from the offsetting of these against distribution-related liabilities due to M+W Group GmbH, which took place in the financial year 2020.

A total of €7.8 million of the overall reduction in the other current assets by €8.3 million, from €25.4 million to €17.1 million, derives from lower claims for input VAT refunds.

As of December 31, 2020, the Group had available **cash and cash equivalent balances** of €683.2 million (December 31, 2019: €769.4 million). With regard to the explanation for the decrease in cash and cash equivalents of €86.2 million, we refer to the explanations on the development of the cash flow. In addition, unutilized cash credit lines exist, amounting to €10.0 million.

Financial position

The decrease in the total equity and liabilities by €325.6 million is due to the €338.5 million decrease in **equity**. In addition, current liabilities decreased slightly by €0.3 million. The €13.2 million increase in non-current liabilities had a slightly counteracting effect.

The non-current assets were covered by equity and non-current liabilities to an extent of 89.3%. The **equity ratio** was 11.5%.

The reduction in equity by €338.5 million, from €540.3 million to €201.8 million, is mainly due to a withdrawal of €430.0 million made by the sole shareholder in the financial year 2020. In addition, equity decreased by €54.1 million due to effects deriving from business combinations under common control (the acquisition of two companies of the M+W Group). In addition, the currency-rate-related changes to the currency translation equity component led to a reduction in equity of €25.7 million. A counteracting effect derived from the consolidated net profit of €167.7 million for the financial year 2020, which led to an increase in equity.

The **non-current liabilities** increased by €13.2 million, of which €6.6 million is due to higher **non-current lease liabilities**. The non-current and current lease liabilities are counterbalanced by related right-of-use assets. The increase is mainly due to new property lease contracts concluded in the financial year 2020. In addition, €3.6 million of the increase results from higher deferred tax liabilities and €1.5 million results from other non-current liabilities, deriving from foreign social security contributions.

At a level of €10.8 million (December 31, 2019: €10.5 million), the **provisions for pensions** were virtually unchanged.

There was a slight rise of €0.9 million in **other non-current provisions**, which increased from €12.6 million to €13.5 million; this was mainly due to an increase of €2.4 million in non-current employee-based provisions. In contrast, non-current provisions for restoration obligations relating to lease contracts decreased by €1.2 million.

At a level of €1,470.8 million, **current liabilities** are only slightly lower, by €0.3 million, than the figure of €1,471.1 million for the previous year. In this context, the development of the individual items reported here varied:

The increase in **other current provisions**, by €13.5 million to €74.1 million, is mainly due to a €7.1 million increase in provisions for onerous contracts; €5.9 million of this resulted from a transfer from other current financial liabilities. In addition, warranty provisions increased in particular, by €5.1 million.

Contract liabilities decreased by €22.5 million, from €345.4 million to €322.9 million, in the financial year 2020. This resulted in particular from project progress in Ireland and Taiwan, which led to lower contract liabilities of €29.3 million and €14.7 million, respectively. These were mainly offset by increases in contract liabilities in China, amounting to €23.0 million.

In a similar manner to the development of the right-of-use assets and the non-current lease liabilities, the **current lease liabilities** also increased by €3.1 million, from €13.8 million to €16.9 million in the financial year 2020.

Other current financial liabilities decreased from €13.2 million to €2.9 million. Of this decrease, €5.9 million resulted from a reclassification to other current provisions. Furthermore, the figure for this item in the previous year included current financial liabilities owed to M+W Group companies, amounting to €4.0 million, which were reduced to zero in the financial year 2020 by offsetting receivables and liabilities owed to one another.

Other current liabilities increased by €13.9 million, from €41.8 million to €55.7 million; €7.1 million of the increase was due to higher VAT liabilities. In addition, liabilities deriving from wage tax and social security contributions increased by €1.8 million and €1.6 million, respectively. Furthermore, liabilities for wages and salaries increased by €1.9 million and obligations to employees for vacation time not yet taken increased by €1.5 million.

The Exyte Group's **contingent liabilities**, deriving from guarantees and sureties, increased by €73.1 million to €256.8 million in the financial year 2020. In contrast, the Exyte GmbH's joint liability for guarantee lines of the M+W Group decreased to zero in the financial year 2020 (December 31, 2019: €156.8 million).

Financing and working capital management

The financing of ongoing business activities is, to a very large extent, ensured through working capital. The Group is independent of external forms of financing; borrowing from banks plays only a minor role.

Within the scope of its business activities, Exyte concentrates on the planning and realization of plant projects and project management as its core business. The Group uses a large number of subcontractors and suppliers for the various trades on site. As work on the project progresses, trade receivables and contract assets are counterbalanced by client advance payments, which are used to finance the projects and are reported under contract liabilities, and trade payables. Therefore, for the vast majority of projects, no additional financing is required. As a rule, the projects are cash-flow positive from the beginning. The executive management monitors the development of the working capital on an ongoing basis.

The following table shows the working capital as of the year-end reporting date, as of December 31, 2020, and the previous year-end:

Working capital development

in € million

	31.12.2020	31.12.2019
Inventories and advanced payments made	40.7	66.8
Trade receivables	356.6	379.7
Trade payables	−982.7	−971.0
Trade working capital	**−585.4**	**−524.5**
Contract assets	303.7	295.7
Contract liabilities	−322.9	−345.4
Working capital deriving from construction contracts	**−19.2**	**−49.7**
Net working capital relating to third parties	**−604.6**	**−574.2**
Receivables from (non-consolidated) affiliated entities	4.2	12.2
Liabilities to (non-consolidated) affiliated entities	−0.9	−10.5
Net working capital relating to affiliated entities	**3.3**	**1.7**
Group net working capital	**−601.3**	**−572.5**
As a percentage of sales[1]	**−14.8**	**−14.7**

[1] Based on sales of €4,067 million for 2020 and €3,889 million for 2019.

It proved possible to improve the Group's negative net working capital by −€28.8 million in the financial year 2020, from −€572.5 million to a level of −€601.3 million. The negative working capital ratio in relation to consolidated sales remained stable in the financial year reported, at −14.8% (December 31, 2019: −14.7%).

The main factor influencing this development was the negative trade working capital, which improved by –€60.9 million, from –€524.5 million to a level of –€585.4 million in the financial year 2020. Lower levels for inventories and trade receivables, as well as slightly higher trade payables, contributed to this development. As was the case in the previous year, trade payables significantly exceeded trade receivables and inventories.

In contrast, the negative balance for working capital deriving from construction contracts decreased by €30.5 million, from –€49.7 million to –€19.2 million, due to slightly higher contract assets and slightly lower contract liabilities.

Overall, this resulted in negative net working capital deriving from third parties of –€604.6 million, which shows an improvement of –€30.4 million in comparison to the previous year (December 31, 2019: –€574.2 million).

The net working capital deriving from affiliated entities amounted to €3.3 million (December 31, 2019: €1.7 million) and is thus only of minor importance for the net working capital position of the Group, as was also the case in the previous year.

Liquidity management

As a general rule, Exyte GmbH handles the Group's financing in its role as the parent company of the Group. In the context of its liquidity management activities, any surplus funds within the Group are deposited with the parent company and loans are granted to subsidiary companies, as required. The local lead companies are responsible for the financing function within the subgroups in Asia and the Americas; the Group's holding company provides this function in Europe.

Cash flow development

The positive cash flow from operating activities increased significantly, by €189.9 million in the financial year 2020, from €70.5 million in 2019 to €260.4 million. This was due in particular to the cash inflow deriving from working capital (€45.8 million), which compared to a cash outflow of –€149.2 million in the previous year. The cash inflow from working capital in the financial year 2020 was mainly due to positive impacts resulting from the reduction in advance payments made and the increase in trade payables, which were only offset to a lesser extent by negative effects deriving from the increase in contract assets and the reduction in contract liabilities.

The negative cash flow from investing activities amounted to –€44.8 million in 2020, compared to –€3.3 million in the previous year, and thus increased significantly, by –€41.5 million. The main contribution came from cash effects of –€51.3 million in connection with the acquisitions of M+W Group (Israel) Ltd. and M+W Italy S.r.l. in the financial year 2020 (representing the purchase prices paid less cash and cash equivalents acquired).

The cash flow from financing activities for the financial year, amounting to –€271.3 million (2019: –€161.3 million) primarily resulted from cash effects in connection with withdrawals by the shareholder in the amount of –€252.6 million. In 2020, a further portion of the liabilities due to the shareholder, amounting to €177.4 million, was settled by offsetting them against existing receivables; these did not influence the cash flow from financing activities. Furthermore, payments, amounting to –€17.9 million (December 31, 2019: –€12.7 million), were made to redeem finance leases liabilities.

After taking exchange rate effects on cash and cash equivalents, amounting to –€30.2 million, into account, the cash and cash equivalents decreased by €86.2 million, from €769.4 million to €683.2 million in the year reported.

Summary of the economic situation

Global economic development in 2020 was massively influenced by the effects of the COVID-19 pandemic. The effects on the business development of Exyte in the financial year 2020 were relatively minor, due to the business sectors in which the Group is active. In summary, it can be concluded that the development of the Exyte Group was positive in 2020, despite the difficult surrounding conditions, and that its forecast targets were achieved and even exceeded in some respects.

Despite the difficult macroeconomic environment, sales increased from €3.9 billion to €4.1 billion, thus exceeding the forecast that revenue would remain at the previous year's level. As previously forecast, adjusted EBIT decreased slightly from €223.0 million to €212.9 million, due to a change in the project mix.

As of December 31, 2020, the Group continues to have a high level of liquid resources, which account for some 39% of total assets. Exyte finances itself through its operational business. No borrowings from banks were needed in the financial year 2020.

Human Resources

As of December 31, 2020, the Exyte Group employed 4,926 people, expressed as full-time equivalents (FTE), representing a slight decline, of some 4.8%, in comparison to the number as of December 31, 2019.

As a consequence of the introduction of a new management structure with effect from January 1, 2020, from December 31, 2020 onwards, the employees of Exyte Hargreaves are not included in the EMEA regional segment, but are reported under the TECH segment. For purposes of comparison, the figures as of December 31, 2019 were adjusted accordingly.

Employee numbers by regional segment (FTE)

	31.12.2020	31.12.2019
AMER	777	742
APAC	2,192	2,567
EMEA	1,265	1,141
TECH	574	618
Exyte Management GmbH and Exyte GmbH	118	102
Total	**4,926**	**5,170**

The slight increase in the number of employees in the AMER segment by 35 employees, or 4.7%, is mainly due to project-related hiring within Total Facility Solutions, Inc.

The number of employees in the APAC segment decreased by 375 employees, or 14.6%. Whereas the number employed by the subsidiary in China at the end of the year was similar to the previous year's level, despite project-related fluctuations during the course of the year, employee numbers in the subsidiaries in Malaysia, Singapore, and Taiwan declined, due to the completion of major projects and adjustments that were necessary to the capacity utilization situation during the course of 2020.

The number of employees in the EMEA segment increased by 124, or 10.9%. This increase was due to the acquisitions of M+W Italy S.r.l. and M+W Group (Israel) Ltd. in 2020, which accounted for an additional 41 and 40 employees, respectively, as of December 31, 2020. Adjusted for the acquisition-related additions of 81 employees, the number of employees in the EMEA segment increased by a further 43. The overall positive business development in the EMEA segment provided the basis for increasing the employee numbers. This was especially the case in operational functions within the subsidiaries in Ireland and Israel.

The decrease in the number of employees in the TECH segment by 44 employees, or 7.1%, is mainly due to the decrease in the number of employees at Exyte Hargreaves as a result of structural adjustments.

Numbers employed by Exyte Management GmbH and Exyte GmbH increased by 16, or 15.7%, respectively; this was particularly due to the expansion of corporate functions.

Risks, Opportunities, and Forecast

Risks

Risk management system

The risk management system represents a significant integral component of Exyte's business activities. It serves to continually identify, assess, treat, monitor, and report potential risks that could threaten Exyte's business objectives or hamper its strategic initiatives. Risks are defined as events or developments that could have an adverse impact on Exyte's business development and its medium-term plans.

In accordance with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, Exyte's risk management system encompasses all risk identification, assessment, treatment, monitoring, and reporting measures. The risk management process, including its instruments, and all underlying principles and guidelines also forms part of the system. The risk management system is closely aligned with processes that are designed to determine strategies, achieve business objectives, and safeguard assets and the value-added chain. Unlike early warning systems, it addresses all significant risks, and not just grave risks that threaten the existence of a business as a going concern.

Risk management principles within Exyte

Exyte's risk management system is there to support the decision-making process, and the achievement of business objectives, and to help use resources effectively. It is based on the following principles:

- Every business activity entails viable risks that, in principle, have to be identified, assessed, and communicated.
- Risk management has the objective of ensuring compliance with rules and regulations, and making risks transparent by implementing systematic risk management processes.
- As an integral part of the business processes, the risk management system is involved in all business activities.
- Exyte's core values provide the foundation for its risk management system.
- The risk management function is responsible for all definitions, rules, and procedures that are set out in the risk management framework, in order to facilitate the implementation of a common understanding of the risks involved throughout the whole organization.
- Every employee has the duty to proactively participate and support the risk management processes.
- The executive management is responsible for improving the culture of risk awareness within the organization and serves as a role model in this regard.

Materiality thresholds

Exyte has defined risk-related materiality thresholds that are dependent on its degree of risk tolerance. In view of the profitability and cash-oriented manner in which Exyte is managed, EBIT and cash have been identified as the key parameters that serve as benchmarks to determine these materiality thresholds.

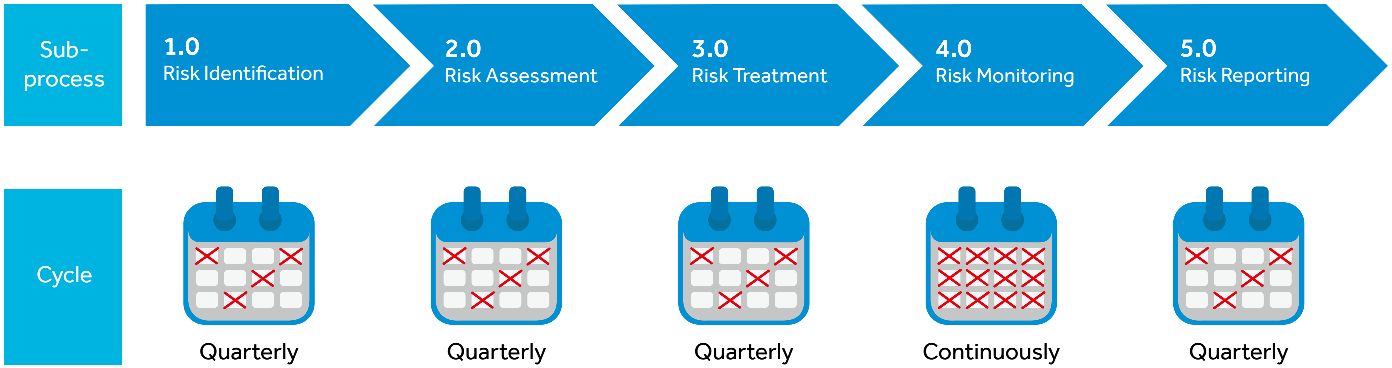
Exyte distinguishes between two types of materiality thresholds:

- A reporting threshold for the identification and assessment of risks. Starting at a potential financial impact of €1 million on EBIT or cash, risks are no longer deemed to be immaterial. When this level is reached or exceeded, risks have to be addressed in the risk assessment process and by means of regular risk reports.
- Escalation criterion for ad-hoc reporting. A potential financial impact of €5 million on EBIT or cash represents a medium level of financial impact. If this threshold is exceeded during the monitoring phase, then the associated risks must be reported immediately to the Head of Corporate Risk Management, the executive management, and, where necessary, to the Supervisory Board.

Risk management process

The risk management process outlined below, including the related regulations and guidelines, is applicable throughout the Exyte organization for purposes of risk identification, assessment, treatment, monitoring, and reporting.

The risk management process within the Exyte organization is divided into five sets of subprocesses:



The Head of Corporate Risk Management is responsible for Exyte's risk management process and for maintaining and updating the Risk Management Manual – at least once per year, or in the event of one of the following:

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

Risk owners, who are usually the heads of the regions, business segments, and corporate departments, are 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

The various risk owners and RRMDs in the different departments in the separate legal entities identify risks, for example by staging workshops, holding individual interviews, or by 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 the support of the Head of Corporate Risk Management.

Risk assessment

The process of risk assessment enables Exyte to prioritize identified risks and direct management's attention to the most important matters. Furthermore, the risk assessment process provides a basis to define appropriate measures to handle and minimize the risks.

Once the risk owners and RRMDs have identified the risks in their areas of responsibility, they apply the defined criteria to assess the risks in their department with the support of the Head of Corporate Risk Management. In the process, they apply the evaluation criteria that are defined below:

Evaluation criteria
Two dimensions are used to evaluate risks:

1. **Impact**, i.e., the extent to which a given risk could affect the organization and the achievement of its objectives when it occurs.
2. **Likelihood**, i.e., the probability that the risk will occur within a specified period of time.

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

Various perspectives have to be considered when evaluating the potential impacts deriving from a particular risk. Risks can be evaluated from a quantitative (financial) perspective and from a qualitative perspective (i.e., risks impacting business objectives, reputation, business continuity, and relating to supervisory authorities). The financial perspective is the primary benchmark for the evaluation.

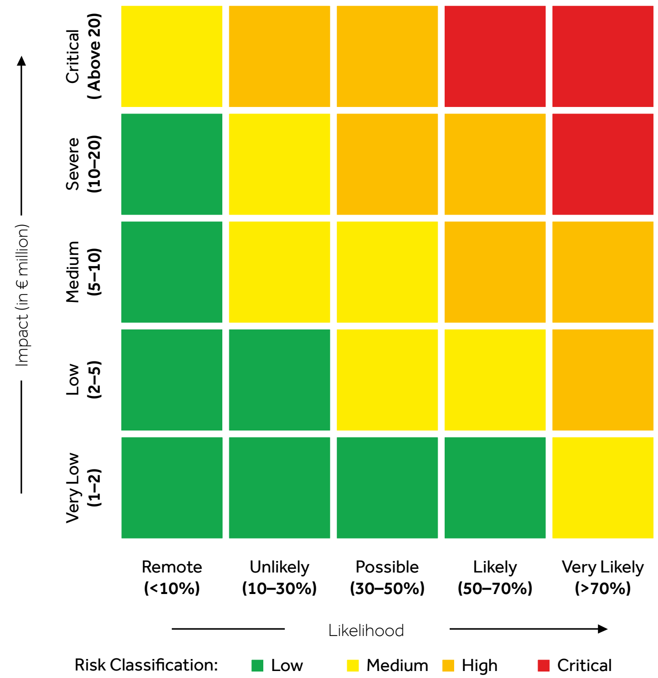
The impact scale ranges from one (very low) to five (critical):

1. **Very low:** Does not impact daily performance or causes insignificant financial losses.
2. **Low:** Minimal negative impact on daily business; the situation can be controlled immediately, or would cause low financial losses.
3. **Medium:** Causes a moderate disruption to daily business or moderate financial losses.
4. **Severe:** Causes a temporary loss of business functionality or causes severe injury or damage to the reputation of the organization, 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 (remote) to five (very likely):

1. **Remote:** The event will occur only in exceptional cases (likelihood of one event within a period of three years or more).
2. **Unlikely:** The event could occur from time to time (likelihood of one event within a period of two to three years).
3. **Possible:** The event could occur occasionally (likelihood of one event within a period of one to two years).
4. **Likely:** The event could repeatedly occur (likelihood of one event within a period of six months to one year).
5. **Very likely:** The event is expected to occur in most cases (likelihood of one event within six months).

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



Risk treatment

The risk treatment enables the Exyte organization to determine appropriate risk mitigation measures for each type of risk. Risk treatment is also the point at which risk management, internal controls, and compliance management work together.

Four important risk treatment measures are outlined below:

1. **Tolerate:** One possible risk treatment strategy variant is to tolerate the risk in a situation where the additional activities that are required to combat the risk are more costly than the potential consequences. A routine part of making business decisions is to consciously take a foreseeable and acceptable risk, by taking into account and evaluating the cost-benefit aspects with regard to the implementation or omission of additional risk management activities.

2. **Terminate:** Terminating risks means that activities should be terminated in cases where additional risk-taking activities are not economical and the potential returns are not attractive in relation to the risks involved.

3. **Treat:** Risk reduction includes activities and measures that reduce the probability of a risk occurring or minimize the severity of the impacts that would result if the risk scenario were to occur.

4. **Transfer:** Risk transfer refers to activities and measures that transfer the responsibility for managing the risks or any liabilities that might derive from the financial consequences of risk scenarios to a third party. For example, risks can be transferred to third parties contractually or with the help of insurance.

Risk monitoring

Risk owners are responsible for the continuous monitoring of risks in their area of responsibility. This includes:

- The identification of newly emerging risk scenarios or the recognition of a necessity to reassess the risk scenarios that have already been identified

- Recognition of the necessity to treat a risk or to redefine the risk treatment measures to be taken, if the measures taken appear to be ineffective.

Risk reporting

A risk report is submitted to the executive management on at least a quarterly basis. The Head of Corporate Risk Management prepares a risk report based on the results of consolidated risk assessments and associated risk treatments. In addition, ad-hoc updates on critical risks identified are reported directly to the executive management if they arise outside the normal reporting cycle.

Group risk report for 2020

Exyte was exposed to several risks in 2020. Although most of the risk scenarios were known beforehand, some risk assessments were updated. This was specifically the case for risks relating to Exyte's operational business activities.

An assessment is made as to whether individual risks exist for a twelve-month period, commencing from the reporting date. The following section describes the most important risks. They are valid for the entire Exyte Group and are based on a net risk assessment.

The table below summarizes Exyte's risk situation as of December 31, 2020, for each category:

Risk classification according to risk category

Risk group	Risk category	Risk classification
Strategic	External communication	Low
	Executive management	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 performance	Medium
	Sales and marketing	Medium
	IT	Medium
	Employees and human resources	Medium
Compliance	Code of conduct	Low
	Legal	Low
	Regulatory	Low
Financial	Accounting and reporting	Medium
	Liquidity and credit management	Low
	Sales cycles	Low
	Tax	Low

Based on the findings included in Exyte's Group risk report for the fourth quarter of 2020, we describe in the following section the risks that may have a material impact on the business objectives, operations, earnings, or on the organization's reputation. These are risks that have been designated to a risk classification of medium.

Strategic risks

Market dynamics

In view of the ever changing market environment and the volatile economic and political developments, Exyte may be exposed to macroeconomic down cycles resulting from political tensions that could arise in any of the geographic regions in which Exyte does business.

The international semiconductor market is heavily dependent on global economic growth, and Exyte's client portfolio includes some of the biggest players in this market. Exyte's targeted clients continue to be exposed to short-term market fluctuations, which could prompt them to reduce their capital expenditure. This would have a direct impact on Exyte's project environment.

Operational risks

Environment, health, and safety

Exyte's business operations are exposed to the risk of employee injury or damage to important assets due to natural hazards or pandemics, such as the new COVID-19 virus. Site-specific hygiene, safety, and environmental plans as well as business continuity plans are in place to ensure the resilience of business operations and prevent injuries, or loss of life, caused by industrial accidents on site.

Projects are subject to potential threats from environmental, safety, health, or quality-related hazards. The selection of subcontractors that do not meet Exyte's standards constitutes a material risk in this category, as they could adversely affect Exyte's overall performance. This is the reason why it is necessary for subcontractors to be assessed and controlled at the project level.

Project delivery

Project delivery is an important risk management category within Exyte's core business activities. Project-related risks may derive from various factors, such as high project complexity or through short project durations. Exyte is globally active, so the identification and treatment of risks is usually handled within the regions, or respectively, at project level within the business segments. Of particular importance is the thorough management of subcontractors, in order to minimize risks deriving from the failure to meet deadlines or from cost overruns. Project teams, as well as the regional and business segment management teams, coordinate efforts to mitigate these risks.

Sales and marketing

In its role as a globally active organization, Exyte carries out projects in a number of different regions, whereby, in some cases, various projects may be delivered in different regions for the same client. This presents a challenge for Exyte, as delays or problems in one project could adversely affect the relationship with a global client and have a direct impact on Exyte's medium and long-term business plans.

At the same time, such exposure, involving several ongoing projects with a single client, carries the risk that our project portfolio may become overly dependent on such a client. This is especially the case in the semiconductor industry, where the number of major global players is limited. Exyte has a structure of Global Business Units in place, which constantly track and optimize all projects and interfaces with our current and potential clients, thus supporting our effort to diversify our project and client portfolios in order to mitigate the risk in relation to individual clients.

Information technology

The security of business data and the IT infrastructure is extremely important for Exyte. There is an observable global increase in events that threaten data security and the IT infrastructure. These developments must be confronted by applying effective countermeasures, as Exyte's IT systems play an important role in business processes, involving both internal and external parties. The precautionary measures that Exyte has already taken cannot completely exclude every external threat to the confidentiality, availability, and reliability of the data that is used in such systems in the areas of development, implementation, sales, or administration. Exyte's reputation, competitive position, and its operational processes could be endangered as a result. Exyte has invested resources to improve its IT infrastructure and further reduce this risk.

Employees and the HR organization

At present, the recruitment market for highly qualified employees is highly competitive. It is therefore a challenge to recruit the right employees to fill vacancies. At the same time, given the current low unemployment rate and the competition in our industry sector across the individual regions, Exyte faces the challenge to retain its capable and experienced employees. A potential inability to fill key positions and a high turnover rate within the Group could jeopardize business processes. The HR organization develops initiatives and action plans to counteract these risks.

Financial risks

Accounting and reporting

Reliable and high-quality financial reporting is fundamental to the organization's success and provides the cornerstone on which stakeholders' trust in Exyte is built. The preparation of accurate annual and consolidated financial statements is of upmost importance for the organization. Particular attention is paid to the correct accounting presentation of project-related business activities and other complex accounting issues. In addition, it is necessary to ensure compliance with the applicable accounting regulations and to implement changes in accounting standards by ensuring that appropriate processes and systems are in place. In order to ensure that financial reports are appropriately prepared, monthly reviews are conducted at both project and management level. Furthermore, internal control systems covering financial reporting processes are constantly monitored and employees are provided with appropriate training.

Risks related to financial instruments

In the course of carrying out its business activities, the Exyte Group is exposed to a number of financial risks. There is an inherent potential risk, deriving from receivables owed by business partners or clients, that they could default on their payments (credit or default risk).

However, in Exyte's case, the credit risk is limited, given that many of its clients are major corporations with a high credit rating, with whom long-standing business relationships exist. This applies particularly to clients in Exyte's core business areas. In order to minimize the risk deriving from receivables with new clients, credit information is obtained as part of the project approval process. Any outstanding receivables are regularly monitored as part of the reporting system.

Furthermore, receivables may be exposed to foreign currency risks. Derivatives are used to partly hedge these risks. However, due to the fact that the subsidiaries are located throughout the world, the majority of projects are processed in the functional currency of the respective subsidiary so that the amount of currency hedging required within the Group is relatively low in relation to business volumes.

Currency risks are an inherent component of Exyte's international business activities. The risks in this regard are that future payment flows could alter to the detriment of the Group because of fluctuations in currency exchange rates, or that the amount at which receivables denoted in foreign currencies are recognized could decrease, or respectively that the amount at which liabilities denoted in foreign currencies are recognized could increase. The organization mitigates such risks by deploying forward exchange contracts and currency options. In processes controlled by the organization's central Corporate Treasury function at the level of the parent company, or respectively by the regional treasury hub in the APAC region, these risks are hedged by contracting a derivative that matches the term and volume of the hedged item (micro hedge). The derivatives used for hedging purposes are contracted with banks with a high credit rating.

Note 24 in the notes to the consolidated financial statements provides more information on the scale of the hedging instruments in use at the year-end reporting date, as well as the related accounting.

In addition, the continuing COVID-19 pandemic continues to pose further risks that affect the Exyte Group's various risk groups and risk categories. These are presented below:

Risks related to the COVID-19 pandemic

The risk to which Exyte is exposed in connection with the COVID-19 pandemic is that construction sites could be completely or partially shut down for a not inconsiderable period of time, due to the imposition of official lockdown measures in individual jurisdictions. This could lead to delays in the performance of projects, which could have the effect that Exyte cannot completely meet its contractual obligations. Due to the unpredictable course that the global pandemic may take, and the possible further spread of virus mutations, further waves of infection cannot be ruled out. In the case that further waves of infection occur, we estimate that the risk of not achieving our financial forecasts would be high. Potential risks derive, for example, from contractually agreed penalty payments, the postponement or discontinuance of projects, from increased project costs that cannot be passed on to the client in accordance with the respective contractual terms and conditions, or from an increased risk of insolvency for our subcontractors. Increased safety and hygiene requirements, as well as possible underutilization of resources or downtimes, could have a negative impact on our sales, gross profit margin, and EBIT.

In addition, the COVID-19 pandemic also affects the process of recruiting new, qualified employees. The risk here is that Exyte will have difficulty to attract and retain new talent, as the willingness of potential candidates to change jobs could be reduced by the uncertain economic environment.

Overall view of the risk situation

The overall picture of the Group's risk situation is made up of the individual risks presented in all risk categories.

In addition to the risk categories described, there are unforeseeable events that can have a negative impact on the business activities and thus on the earnings, financial, and asset positions of the Exyte Group as well as the reputation of the Group. In particular, legal risks or social violations by partners and suppliers can have a negative impact on the reputation of the Exyte Group, the environment and the employees employed by partners and suppliers. As one of the basic principles of business activity, Exyte pays particular attention to compliance with legal and ethical rules, including when selecting partners and suppliers.

In order to identify risks at an early stage and to successfully counter the current risk and change situation, we continuously monitor and develop the established risk management system.

The overall risk situation of the Exyte Group remains largely unchanged. As of December 31, 2020, the overall risk situation of the Exyte Group is considered not to be existence threatening. Risks that alone or in combination with other risks could jeopardize the continued existence of the Group are not discernible either on the balance sheet date or at the time of preperation of the annual financial statements.

Opportunities

Opportunities deriving from "Strategy 2025"

Thanks to the combination of clearly defined core business activities and clearly defined targeted territories, Exyte is on a growth path. In order to accelerate this, we have set ourselves new objectives and are further developing our strategy under the name "Strategy 2025."

We are targeting an increase in total sales to a level of €7.5 billion, with a corresponding increase in adjusted EBIT. "Strategy 2025" combines various initiatives in order to evaluate and realize the opportunities listed below, whereby an annual growth rate of more than 10% has been targeted.

- **Organic growth of the global semiconductor business:** The market for electronics is constantly expanding, due to trends such as cloud computing, autonomous driving, and artificial intelligence. Based on this, our strategy covers the handling of megaprojects (with a contract volume >€500 million) and large projects (with a contract volume between €100 and €500 million), whereby smaller projects (with a contract volume <€100 million) will become increasingly important. We are the ideal partner for clients who have announced the construction of new facilities, as we can offer a global presence with corresponding references in the relevant territories.

- **Opportunities in the battery industry sector, especially in Europe:** Automotive manufacturers are increasingly focusing on electric vehicles. This reorientation entails a massive investment in battery production capacities, which Exyte can facilitate with the construction of the related plants. Exyte is ideally positioned to do this and can also offer this expertise in the USA and Asia.

- **Healthy organic growth in the biotechnology and pharmaceuticals sectors with focus on the US market:** Exyte undertakes projects for global and regional clients, offering both EPCM (engineering, procurement, construction, and management) and EPC services, providing customized solutions as well as standardized modules based on "ExyCell." Our scope of competence covers a complete range of production facilities, from vaccines and insulin right through to personalized medicine and other products. In this market, the focus will be on the USA, where Exyte intends to establish itself as one of the key players in the world's biggest life sciences market.

- **Leading role for data centers in Europe:** We have proven that we can deliver large-scale data centers across the globe. We have recently adapted our regional data center organization in Europe so that, with our strong team, we can take a leading role in the provision of engineering and implementation services in the data center sector, while still retaining a focus on projects in Asia.

- **Further expansion of existing client relationships:** We already have long-standing relationships with our clients. In some cases, we even understand our clients' needs better than they do themselves. However, that is not enough for us. We aim to build even closer relationships with our clients, in order to accompany them along the path from the initial germination of an idea for a future requirement right through to the successful implementation of projects, as well as providing support for the subsequent life cycle of production operations.

- **Building and expanding capacities and expertise in the engineering sector:** Exyte is not only the leading supplier for the implementation of high-tech production facilities. We are committed to the provision of engineering services and expertise and will continue to further expand our capacity in these fields by recruiting a significant number of qualified employees.

- **Expansion of self-performance services:** When carrying out projects, our focus is not only on the provision of project management services. In the USA and Asia, we also offer installation services. Our goal is to systematically expand such offers within the area of MEP and also for the installation of equipment. Furthermore, we plan to also build up this type of expertise in Europe, in order to be able to offer this type of service to our clients worldwide.

- **Expansion of our technological product range:** Through our Exyte Technology business unit, we are already a major global partner, with an excellent reputation, in the cleanroom products and controlled environment sectors. We will expand the range of services offered to include so-called critical subsystems for the facilities that we construct.

- **Active M&A approach:** We proactively pursue potential acquisitions by taking a customized approach and applying structured processes. M&A is one of the pillars of our strategy to accelerate growth and add strategically important areas of expertise to the range of services that we offer. Our primary focus is on candidates that are active in the advanced technology facility as well as the biopharma and life sciences sectors, especially in the USA and Europe. Opportunities in Asia are approached in a more opportunistic manner. Companies that would support our strategy of vertical integration of technology and services are of particular interest.

- **Promotion of talent:** Our business activities are driven by the people who work for us. Engineers as well as technical and commercial project managers ensure that we can win and successfully carry out projects. We strive to create an environment for our employees where everyone can say: "I enjoy working at Exyte."

- **Digitalization and optimization of structures, processes, and systems:** Our IT systems and our IT infrastructure, together with the work processes and the organization structure that we have defined, provide the basis for all our work. It is obvious that the future will be digitally driven. For this reason, we have launched various programs, such as "oneHR," "onePROCESS," "oneERP," "oneBIM," and "oneSTRUCTURE," to create a future- and market-oriented organization and infrastructure that aim to establish Group-wide structures, processes, and systems, in order to provide a harmonious and efficient way of working.

The new business area "Technology & Services"

With effect from January 1, 2021, Exyte has combined its cleanroom technology and installation services business activities within the new business area "Technology & Services" ("T&S"), in order to be able to provide its clients with both the necessary equipment for their production facilities and the associated installation services from a single source. In this manner, Exyte is setting a new strategic focus and expanding its existing business model in order to further improve its client focus. In particular, the new business area bundles and manages the business activities of Exyte Technology, Exyte Hargreaves, Exyte Services Singapore and Malaysia, and Total Facility Solutions, which were previously assigned to other regional segments. In addition, the new business area is establishing a range of installation services also in Europe. In consequence, the structure of the reportable segments has changed from APAC, EMEA, AMER, and TECH to APAC, EMEA, AMER, and T&S effective January 1, 2021.

Forecast

At the time of preparing this Group Management Report, the COVID-19 pandemic is still the dominant global issue. To date, however, no serious negative impacts have been registered for Exyte's most important key parameters, such as order intake, sales, and adjusted EBIT in the financial year 2021. The executive management has prepared Exyte's business plan for 2021 with this in mind. However, negative effects deriving from COVID-19 cannot be ruled out.

Based on the circumstances outlined above, we expect a significant increase in incoming orders in 2021 compared to 2020. Due to the high order backlog at the end of 2020 and the planned level of new orders, we also expect a significant increase in sales. In line with the development of sales, we expect a corresponding increase in adjusted EBIT, with an EBIT margin that is comparable to that in 2020.

In the medium-term period, covering five years, our objective is to generate sales of €7.5 billion with a sustainable adjusted EBIT margin of more than 6%. We consider these goals to be realistically achievable, due to market developments and our initiatives, which are based on Exyte's strengths. With our experienced teams and engineers, who provide services of the highest quality to clients in high-tech industry environments throughout the world, we are very well positioned. In this connection, we can optimistically confront the daily challenges, which derive from general economic, political, and technological developments, and can also meet the very high standards that our clients expect from us.

Stuttgart, May 10, 2021

The Executive Management

Dr. Wolfgang Büchele (CEO)

Peter Schönhofer (CFO)

Roberto Penno (COO)

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

in € thousand

	Note	1.1.–31.12. 2020	1.1.–31.12. 2019
Sales	1	4,066,537	3,889,167
Cost of sales	2	–3,749,169	–3,557,510
Gross profit on sales		**317,368**	**331,657**
Selling costs	3	–34,194	–33,211
Administration costs	4	–88,956	–74,407
Other operating income	5	27,775	19,401
Other operating expenses	6	–26,680	–30,779
Result from operating activities (EBIT)		**195,313**	**212,661**
Interest and similar income	7	47,760	25,661
Interest and similar expenses	7	–33,400	–26,025
Other financing costs	7	0	–2,618
Consolidated earnings before tax		**209,673**	**209,679**
Income tax	8	–41,999	–44,753
Consolidated net profit		**167,674**	**164,926**

in € thousand

	Note	1.1.–31.12. 2020	1.1.–31.12. 2019
Consolidated net profit		**167,674**	**164,926**
Gain/loss deriving from the translation of financial statements of foreign business units			
Change recognized in equity without impacting profit or loss		–25,743	9,348
Recognized in profit or loss		0	–1,013
Gain/loss deriving from hedging instruments			
Change recognized in equity without impacting profit or loss	24	126	–13
Recognized in profit or loss	24	16	36
Income tax			
Change recognized in equity without impacting profit or loss		–38	4
Recognized in profit or loss		–5	–11
Items that will subsequently possibly be reclassified to profit or loss		**–25,644**	**8,351**
Remeasurement of defined benefit plans			
Change in actuarial gains/losses	19	–131	–1,537
Income tax		44	463
Items that will not be subsequently reclassified to profit or loss		**–87**	**–1,074**
Other comprehensive income		**–25,731**	**7,277**
Total consolidated comprehensive income		**141,943**	**172,203**
Share of the consolidated net profit attributable to:			
Sole shareholder of Exyte GmbH		167,674	164,926
Non-controlling interests		0	0
Share of total consolidated comprehensive income attributable to:			
Sole shareholder of Exyte GmbH		141,943	172,217
Non-controlling interests		0	–14

Consolidated Statement of Financial Position

in € thousand

	Note	31.12.2020	31.12.2019
Assets			
Intangible assets	9	133,393	132,861
Property, plant and equipment	10	56,209	59,768
Right-of-use assets	11	65,776	56,734
Other financial assets	15	713	231
Miscellaneous assets	16	0	9
Deferred tax assets	8	64,250	62,354
Non-current assets		**320,341**	**311,957**
Inventories	12	34,257	26,166
Advanced payments made	12	6,473	40,633
Contract assets	13	303,748	295,672
Trade receivables	14	360,835	391,918
Other financial assets	15	25,922	216,186
Miscellaneous assets	16	17,094	25,438
Income tax receivables		4,957	4,998
Cash and cash equivalents	17	683,150	769,406
Current assets		**1,436,436**	**1,770,417**
Total assets		**1,756,777**	**2,082,374**

in € thousand

	Note	31.12.2020	31.12.2019
Equity and liabilities			
Share capital	18	150,000	150,000
Capital reserve	18	36,585	15,000
Retained earnings	18	−178,436	158,667
Other components of equity	18	26,025	51,756
Consolidated net profit	18	167,674	164,926
Equity attributable to the sole shareholders of Exyte GmbH		201,848	540,349
Non-controlling interests		0	0
Equity		**201,848**	**540,349**
Provisions for pensions	19	10,772	10,486
Other provisions	20	13,475	12,606
Lease liabilities	11	48,060	41,425
Other financial liabilities	22	1,576	1,307
Miscellaneous liabilities	23	1,524	0
Deferred tax liabilities	8	8,674	5,079
Non-current liabilities		**84,081**	**70,903**
Other current provisions	20	74,070	60,607
Contract liabilities	13	322,895	345,413
Trade payables	21	983,639	981,507
Current lease liabilities	11	16,857	13,798
Other financial liabilities	22	2,871	13,208
Miscellaneous liabilities	23	55,692	41,807
Income tax liabilities		14,824	14,782
Current liabilities		**1,470,848**	**1,471,122**
Total equity and liabilities		**1,756,777**	**2,082,374**

Development of Consolidated Equity

in € thousand	(18)			Other components of equity (18)					Share attributable to the sole shareholder Exyte GmbH	Non-controlling interests	Total equity
	Share capital	Capital reserve	Retained earnings	Currency translation reserve	Actuarial gains/losses	Gains/losses from hedging instruments	Income tax relating to other components of equity	Consolidated net profit			
Balance at 1.1.2019	**150,000**	**15,000**	**13,669**	**46,651**	**–3,108**	**–39**	**961**	**144,998**	**368,132**	**379**	**368,511**
Transfer to retained earnings			144,998					–144,998			
Change in the scope of the consolidation										–365	–365
Consolidated net profit								164,926	164,926		164,926
Other comprehensive income				8,349	–1,537	23	456		7,291	–14	7,277
Total comprehensive income				8,349	–1,537	23	456	164,926	172,217	–14	172,203
Balance at 31.12.2019	**150,000**	**15,000**	**158,667**	**55,000**	**–4,645**	**–16**	**1,417**	**164,926**	**540,349**	**0**	**540,349**
Transfer to retained earnings			164,926					–164,926			
Transfer from retained earnings to the capital reserve		17,929	–17,929						0		0
Allocations to the capital reserve		3,656							3,656		3,656
Distributions to the sole shareholder			–430,000						–430,000		–430,000
Change in the scope of the consolidation			–54,100						–54,100		–54,100
Consolidated net profit								167,674	167,674		167,674
Other comprehensive income				–25,743	–131	142	1		–25,731		–25,731
Total comprehensive income				–25,743	–131	142	1	167,674	141,943		141,943
Balance at 31.12.2020	**150,000**	**36,585**	**–178,436**	**29,257**	**–4,776**	**126**	**1,418**	**167,674**	**201,848**	**0**	**201,848**

Consolidated Statement of Cash Flows

in € thousand

		Note	1.1.–31.12. 2020	1.1.–31.12. 2019
	Consolidated net profit		167,674	164,926
+	Income tax	8	41,999	44,753
–	Net interest (excluding foreign currency exchange gains and losses)	7	–1,192	–6,742
+	Amortization and depreciation	9–11	26,650	22,203
+	Impairment losses on non-current financial assets	7	0	2,618
+	Change in impairment loss allowances recognized against trade receivables, financial receivables, and contract assets		4,468	7,621
+	Net gains/losses deriving from the disposal of intangible assets and property, plant and equipment		182	258
–/+	Other non-cash based income and expenses		–19,647	8,362
–	Income tax payments		–40,296	–53,221
–	Interest paid		–3,346	–4,782
+	Interest received		4,246	11,812
+	Change in provisions		8,205	17,061
+	Change in other assets and liabilities		25,582	4,794
+/–	Change in working capital		45,829	–149,178
+	Thereof: change in inventories and advance payments made		24,026	49,824
–	Thereof: change in trade receivables and contract assets		–2,732	–152,664
+/–	Thereof: change in trade payables and contract liabilities		24,535	–46,338
=	**Cash flow from operating activities**		**260,354**	**70,485**

in € thousand

		Note	1.1.–31.12. 2020	1.1.–31.12. 2019
=	**Cash flow from operating activities (brought forward)**		**260,354**	**70,485**
+	Proceeds from the disposal of intangible assets		81	4
–	Payments made for investments in intangible assets		–653	–392
+	Proceeds from the disposal of property, plant and equipment		61	482
–	Payments made for investments in property, plant and equipment		–3,831	–6,445
–	Payments made for investments in non-current financial assets		–28	–5
+	Proceeds from an acquired purchase price receivable		10,007	0
+	Proceeds from the disposal of consolidated entities		876	3,101
–	Payments made for investments in consolidated entities		–51,330	0
=	**Cash flow from investing activities**		**–44,817**	**–3,255**
–	Financial transactions with the M+W Group GmbH Group		–554	–63,387
–	Payments for withdrawal of the sole shareholder	18	–252,613	0
–	Payments for the redemption of loans from banks		0	–80,036
+	Proceeds from lease receivables	11	13	0
–	Payments for the redemption of lease liabilities	11	–17,918	–12,659
–	Financing of non-consolidated entities		–207	–5,198
=	**Cash flow from financing activities**		**–271,279**	**–161,280**
=	**Cash-based changes in cash and cash equivalents**		**–55,742**	**–94,050**
–/+	Exchange rate effects on cash and cash equivalents		–30,514	18,128
+	Change in cash deposits pledged as collateral security		0	84,331
+	Cash and cash equivalents at the beginning of the period	17	769,406	760,997
=	**Cash and cash equivalents at the end of the period**	**17**	**683,150**	**769,406**

Notes

A. General Disclosures

Exyte GmbH, 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 775556.

With effect as of September 24, 2020, the former Exyte AG changed its legal form to become a German limited liability company (GmbH) and since then operates under the name of Exyte GmbH. The change of legal form was carried out in accordance with the provisions of the German Transformation Act (Umwandlungsgesetz – UmwG).

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

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

Exyte 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 a globally active organization in the areas of planning, project management, and project execution in the business segments in which it is engaged – Advanced Technology Facilities (ATF), Biopharma & Life Sciences (BLS), 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 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.

B. Accounting Principles

Basis

The 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. The standards and interpretations published at the time of preparing the financial statements, which have been adopted by the European Union and are relevant and mandatory for the Group, are of authoritative importance for this purpose. These consolidated financial statements provide a true and fair view of the assets, liabilities, financial position, and financial performance of Exyte.

The financial year of the entities included in the consolidated financial statements corresponds to the calendar year.

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.

In the financial year 2020, the method of presentation of the consolidated statement of financial position was expanded in order to provide further information and to improve the comprehensibility of the financial statements. In this context, the relevant comparative figures for the previous year were also adjusted.

The main adjustments were as follows:

- "Right-of-use assets" are disclosed as a separate reporting line item in the statement of financial position. In the previous year, these had been included under the reporting line "Property, plant and equipment."
- Within the non-current assets, "Other non-current financial assets" are disclosed as a combined reporting line item. In the previous year, these were partly reported in the reporting line "Financial assets" and partly under "Other non-current assets."
- "Advanced payments made" are disclosed as a separate reporting line item in the statement of financial position. In the previous year, these had been included under "Inventories."
- Within the current assets, "Trade receivables," "Other financial assets," "Miscellaneous assets", and "Income tax receivables," are disclosed as separate reporting line items. In the previous year, these items had been combined under "Trade and other receivables."
- Within the current liabilities, "Trade payables," "Other current financial liabilities," and "Other current liabilities," are disclosed as separate reporting line items. In the previous year, these items had been combined under "Trade payables and other current liabilities."

Due to their minor importance, research and development costs that cannot be assigned to project contracts are no longer reported as a separate item in the consolidated statement of comprehensive income in the financial year 2020, but are shown from now on under the reporting line item "Other operating expenses." The comparative figures for the previous year have been adjusted.

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 amended accounting standards whose application was mandatory for the first time in the financial year 2020.

New or amended accounting standards

Standard/Interpretation	First-time application[1]	Endorsement by the EU Commission	(Expected) Impacts on Exyte
Accounting standards applicable for the first time in 2020			
Amendment to References to the Conceptual Framework in IFRS Standards	1.1.2020	Yes	None
Amendment to IFRS 3 "Business Combinations" – Definition of a Business	1.1.2020	Yes	None
Amendment to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement," and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform (Phase 1)	1.1.2020	Yes	Insignificant
Amendment to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Materiality	1.1.2020	Yes	Insignificant
Amendment to IFRS 16 "Leases" – COVID-19-Related Rent Concessions	1.1.2020[2]	Yes	None
New standards to be applied in the future			
IFRS 17 "Insurance Contracts"	1.1.2023	No	None
Amended standards/interpretations to be applied in the future			
Amendment to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform (Phase 2)	1.1.2021	Yes	Insignificant
Amendment to IFRS 4 "Insurance Contracts" – Extension of the Temporary Exemption from Applying IFRS 9	1.1.2021	Yes	None
Amendment to IFRS 3 "Business Combinations" – Updating a Reference to the Conceptual Framework	1.1.2022	No	None
Amendment to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use	1.1.2022	No	None
Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract	1.1.2022	No	Insignificant
Annual Improvements – 2018–2020 Cycle (IFRS 1, IFRS 9, IFRS 16, IAS 41)	1.1.2022	No	Insignificant
Amendment to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-current	1.1.2023	No	None

[1] The requirements are to be applied to the financial years that start on or after the stipulated date.
[2] The requirements are to be applied as of as of June 1, 2020 to the financial years that start on or after January 1, 2020. This applicable option is not applied by Exyte.

Scope of the consolidation

The consolidated financial statements include all significant companies in which Exyte GmbH has a direct or indirect controlling influence as fully consolidated subsidiary companies. 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 the companies that are included within the scope of the consolidation can be derived from the following table:

Number of entities

	31.12.2020	31.12.2019
Fully consolidated subsidiaries	**28**	**27**
Domestic	6	6
Foreign	22	21
Joint operations (only foreign)	**2**	**2**

In the financial year 2020, the scope of the consolidation developed as follows:

Development of the scope of the consolidation

Status as at 1.1.2020	**27**
Changes in the financial year 2020	
Exyte Israel Projects Ltd., Ness Ziona, Israel (acquisition under common control) (formerly: M+W Group (Israel) Ltd.)	1
Internal Group merger of Exyte Israel Engineering Ltd., Ness Ziona, Israel into Exyte Israel Projects Ltd., Ness Ziona, Israel	–1
Exyte Italy S.r.l., Agrate Brianza (MB), Italy (acquisition under common control) (formerly: M+W Italy S.r.l.)	1
Status as at 31.12.2020	**28**

During 2020, Exyte Israel Engineering Ltd. acquired M+W Group (Israel) Ltd. for a purchase price of €47,964 thousand. Exyte Israel Engineering Ltd. was subsequently merged into M+W Group (Israel) Ltd. and the company was renamed Exyte Israel Projects Ltd. From the point of time that the Exyte Group was originally structured, and particularly since the legal spin-off of the core business into Exyte Israel Engineering Ltd., M+W Group (Israel) Ltd. had acted as a subcontractor to that company. M+W Group (Israel) Ltd. owns a construction license that is important for business activities in Israel. Moreover, M+W Group (Israel) Ltd. operates in the government business sector, which will reduce Exyte Israel Engineering Ltd.'s dependence on ATF business.

The following table shows the acquired net assets at carrying amounts of Exyte Israel Projects Ltd. (formerly M+W Group (Israel) Ltd.):

in € thousand	
Property, plant and equipment	3,483
Deferred tax assets	1,272
Contract assets	4,687
Trade receivables	11,084
Other current financial assets	1,703
Cash and cash equivalents	4,918
Non-current liabilities	–2,071
Other current provisions	–1,121
Contract liabilities	–92
Trade payables	–7,770
Other current financial liabilities	–1,566
Acquired net assets at carrying amounts	**14,527**
Purchase price	47,964
Reduction in the consolidated equity of Exyte	**–33,437**

Furthermore, M+W Italy S.r.l. was acquired by Exyte Europe Holding GmbH in 2020 for a purchase price of €21,300 thousand. Subsequently, the company name was changed to Exyte Italy S.r.l.

The acquired net assets at carrying amounts of Exyte Italy S.r.l. (formerly M+W Italy S.r.l.) is presented below:

in € thousand	
Property, plant and equipment	189
Deferred tax assets	821
Contract assets	1,597
Trade receivables	751
Other current financial assets	2,852
Cash and cash equivalents	1,309
Other current provisions	–1,547
Contract liabilities	–3,836
Trade payables	–1,010
Other current financial liabilities	–489
Acquired net assets at carrying amounts	**637**
Purchase price	21,300
Reduction in the consolidated equity of Exyte	**–20,663**

The acquisitions of these companies constitute transactions under common control. The common ultimate parent company involved in these transactions is Millennium Privatstiftung, Vienna.

A table showing Exyte GmbH's share interests is a component of the notes to the consolidated financial statements and is appended.

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.

Acquisitions under common control

In the case of acquisitions under common control, the acquisition is accounted for using the book value method. The difference between the carrying amounts of the acquired net assets and the purchase price is offset against the retained earnings and is not recognized in profit or loss.

Business acquisitions involving third parties

Business combinations involving third parties are accounted for using the acquisition method. The cost of an acquired subsidiary is measured at the fair value of the consideration transferred, i.e., the sum of the assets transferred, liabilities assumed, and equity instruments issued. Transaction costs are generally recognized as expense. The acquisition cost is allocated to the acquired assets, liabilities, and contingent liabilities. The identifiable assets acquired and the liabilities and contingent liabilities assumed are recognized in full at their fair values at the acquisition date, regardless of the level of the investment held by Exyte. Goodwill arising in a business combination is measured as the excess of the aggregate of the cost of acquisition, the amount of any non-controlling interest, and, in a business combination achieved in stages, the fair value of the equity interest, held by Exyte in the acquiree prior to the acquisition date over the fair value of the net assets acquired. Any goodwill recognized is not amortized on a scheduled basis but is tested, at least annually, for impairment.

Elimination of intercompany balances and expenses and income

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. 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

Translation of foreign currency transactions

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 net income from financing activities. Non-monetary items denoted in foreign currency are recognized at the historical rates of exchange that were valid at the date of the transaction.

As the entities included in the consolidation generally perform their transactions autonomously in a financial, economic, and organizational respect, the functional currency is identical to the respective local currency of the entities. Exceptions in this respect are a company in Singapore, which uses the US dollar as its functional currency, and a subgroup holding company in Singapore, which uses the euro as its functional currency.

Translation of financial statements designated in foreign 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 foreign currency translation:

Foreign currency exchange rates

		Year-end rate		Average rate for the year	
	1 EUR	**31.12.2020**	**31.12.2019**	**2020**	**2019**
USA	USD	1.2259	1.1153	1.1418	1.1172
Singapore	SGD	1.6274	1.5083	1.5755	1.5243
United Kingdom	GBP	0.9086	0.8513	0.8890	0.8738
Russia	RUB	90.1883	69.2013	83.4370	71.9982
China	CNY	8.0070	7.8025	7.8797	7.7220
Malaysia	MYR	4.9655	4.6034	4.8028	4.6327
Taiwan	TWD	34.4038	33.5834	33.5728	34.5047
Vietnam	VND	28,322.0000	25,831.0000	26,564.6667	25,938.0833
Israel	ILS	3.9363	3.8611	3.9074	3.9854
Japan	JPY	127.2300	122.2300	121.6158	121.9575
Czech Republic	CZK	26.3020	25.5090	26.5416	25.6714

Recognition and measurement

Goodwill

Goodwill is not subject to scheduled amortization, but is tested for impairment once a year. A test is also performed if events or circumstances arise that indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment at the level of a group of cash-generating units, which is represented by a regional segment.

Other intangible assets

Intangible assets acquired, 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 assessed to be 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. Capitalized development costs are tested annually for indications of impairment. Research costs are recognized in profit or loss as expenses for the current period.

The costs of acquisition or generation include all directly attributable costs as well as appropriate shares of development-related overheads. They are capitalized from the point in time at which 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 the executive 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 for types 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.

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

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 pretax 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 of an asset 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 as a part of the respective functional cost or as part of other operating expenses, if an adequate allocation is not possible.

Furthermore, a review of amortization and depreciation methods, useful lives, and the residual carrying amounts of assets is conducted annually.

If the reason for impairment is neither fully nor 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 that 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.

Lease payments are discounted using marginal borrowing rates that are commensurate with the currency, asset, and term of the respective lessee. Lease liabilities are measured and their values are updated using the effective interest method.

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 (or before) deployment, less any lease incentives received;
- Initial direct costs;
- The equivalent present 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 practical expedient for leases of assets with a low value (reinstatement value of the leased asset <€5 thousand) and for short-term leases (non-terminable basic lease term of twelve months or less). Usage fees for leases, for which the application of the practical expedient under IFRS 16 has been invoked, are recognized in full as an expense on a straight-line basis over the term of the lease.

Some specific contracts for the rental of real estate contain extension and/or 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.

Within Exyte, leases exist mainly for administrative and production buildings, for apartments rented on behalf of employees for periods exceeding twelve months that are project-related, and for company motor vehicles.

In the case of one particular lease, Exyte acts as sublessor and therefore accounts for this lease as a lessor. This lease has been classified as a finance lease and consequently a receivable was recognized in the amount of the net amount of the investment. The lease installments paid by the lessee are divided into an interest and a principal repayment portion, applying the effective interest method. For subsequent measurement purposes, the leasing receivable is reduced by receipts that represent the principal repayment portion. The interest portion of the payments received is recognized in profit or loss as interest income over the term of the lease.

Financial instruments
Financial instruments are contracts that give rise to a financial asset for one counterparty and to a financial liability or equity instrument for the other counterparty.

Financial assets
The financial assets of the Exyte Group include cash and cash equivalents, trade receivables, other financial assets, and derivative financial instruments. Other financial assets mainly comprise financial receivables due from companies of the M+W Group GmbH Group, other non-consolidated affiliated entities, and joint ventures, as well as other financial receivables (e.g., security deposits).

Financial assets 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. With the exception of trade receivables, which are measured their respective transaction prices, financial assets are measured at fair value.

Depending on the Group's business model for managing assets, financial assets 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. Exyte intends to hold financial assets until maturity in order to generate the contractual cash flows from them. If these contractual cash flows represent solely principal and interest payments on the outstanding principal amount, then Exyte measures these financial assets at amortized cost.

Cash and cash equivalents and other financial assets are measured at amortized cost, whereas derivative instruments are measured at fair value.

A financial asset is derecognized when the contractual rights to cash flows from the asset expire or are transferred and the criteria for derecognition are fulfilled.

Impairment allowances – expected credit losses and individual risk of default

Impairment losses on financial assets are generally determined using a three-stage model. In the general model approach, changes in default risks are analyzed at each financial statement reporting date to determine any impairments that derive from situations where the credit status of the counterparty is not impaired – so-called expected credit losses (ECLs) – and a classification is made as to whether these risks have increased significantly or not. If they have not increased, the expected credit loss is determined over a time horizon of twelve months (12-month ECL). If the risks have increased significantly, the actual remaining term of the financial assets is used as a basis (lifetime ECL).

In determining any impairment for trade receivables and for contract assets for which the credit status is not impaired, Exyte applies the simplified approach and does not make any classification of the default risks. Exyte generally takes into account client-specific probabilities of default that could result in a corresponding impairment loss, depending on the respective amount of the receivable and the expected term of the receivable, and thus represent an expected credit loss (lifetime ECL).

In order to determine expected credit losses on trade receivables and contract assets, Exyte uses probabilities of default, which are provided by business information service sources. This information is based on individual and continuously updated data on the credit risk for Exyte's counterparties, such as payment behavior or company and industry sector data, taking into account forward-looking macroeconomic data. For counterparties for which no individual default probabilities are available, country-specific benchmark data obtained from economic information service providers is used.

In the case of cash and cash equivalents as well as other financial receivables, use has been made of the simplification option for financial instruments with a low credit risk ("low credit risk exemption"). Debtor-specific rating information are indicators that contribute to an assessment that the credit risk is low. Cash and cash equivalents as well as other financial receivables with at least an investment-grade rating are considered to meet the requirements for classification as financial instruments with a low credit risk, such that no credit risk tracking is required for these low credit risk financial instruments.

In cases where there are objective indications that a default event has occurred, the individual default risk is also taken into account, in addition to the expected first-stage and second-stage credit losses, when assessing the impairment (third-stage). Objective indications include, for example, significant financial difficulties of the debtor, payment defaults and delays, a downgrading of the credit rating, insolvency or other restructuring measures adopted by the debtor, as well as other observable data that indicate a significant reduction in the expected payments relating to the financial assets.

At the end of each financial year, Exyte checks whether the credit risk for the receivable has changed and adjusts the amount of the allowance for impairment. Exyte generally defines a default event as being a situation in which the financial instrument is no longer collectible. As a consequence of the lack of collectability of the financial instrument, it is no longer expected that the contractual payment flows will be received. At this point, the receivable balance is derecognized, after taking any collateral security into account.

Due to their relative insignificance, in accordance with IFRS 9/ IAS 1.82(ba), impairment losses and reversals of impairment losses relating to financial assets are not presented as a separate reporting line item in the statement of comprehensive income. Impairment losses, and respectively gains deriving from the reversal of impairment losses, are reported under other operating expenses or other operating income, as applicable.

Financial liabilities

The financial liabilities of the Exyte Group include trade payables, lease liabilities, other financial liabilities, and derivative financial instruments.

Financial liabilities are classified and accordingly measured either at amortized cost (AC) or at fair value through profit or loss (FVTPL). All financial liabilities are initially measured at fair value when incurred.

At the time they are incurred, lease liabilities are measured at present value of the lease payments that are still to be made at that time. These are discounted using the incremental borrowing rate of the respective lessee at the time the leased asset is provided, if the underlying interest rate of the lease is not readily determinable.

Financial liabilities classified as at FVTPL (at Exyte only relevant for derivative financial assets) are subsequently measured at fair value. Any resultant net gains or losses, including interest expenses, are recognized in profit or loss.

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

Financial liabilities classified as at AC are subsequently measured at their amortized cost. Financing costs, including premiums payable on repayment or redemption of principal, are recognized as interest expense, applying the effective interest method. If such periodic premiums, calculated applying the effective interest method, only lead to payments in the future, they increase the carrying amount of the instrument.

A financial liability is derecognized when the obligations specified in the contract are discharged, cancelled, or expire.

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 derivatives are recognized as cash flow hedges for hedge accounting purposes.

Derivative instruments are measured for both initial recognition and subsequent measurement purposes at fair value. In this context, a positive market value leads to recognition of a financial asset and a negative value leads to recognition of a financial liability. Any changes in their fair value are recognized in profit or loss as exchange gains or losses, unless the derivatives are designated as cash flow hedges for hedge accounting purposes.

If cash flow hedge accounting is applied, 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 not reclassified to the income statement until the hedged item impacts profit or loss. Any change in value of the ineffective portion is continuously recognized directly in profit or loss.

Inventories

Inventories are recognized at the lower amount of their costs of acquisition or conversion and 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 reporting date, these are recognized. The 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.

Advance payments made

The advance payments made mainly comprise advance payments to subcontractors in connection with contracts for 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 client. 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 advance payments requested and received from the client before the promised services have been performed represent an obligation to the client. If the performance obligations are higher than the Exyte Group’s related claim entitlement against its clients, the net obligation is presented as a contract liability.

Contract assets are realized within one operating cycle. They are therefore presented as current assets even if the realization of the complete contract asset or the fulfillment of the client contract extends beyond a period of twelve months.

Partial services rendered (unconditional entitlements) that have already been invoiced are reported as trade receivables.

Deferred tax

Deferred tax amounts 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.

In addition, deferred tax is recognized in respect of tax loss carryforwards, for which utilization is more probable than not. The deferred tax is 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.

Deferred tax assets and deferred tax liabilities are not discounted. Deferred tax assets and deferred tax liabilities of the same taxable entity are offset if they are related to income tax levied by the same tax authority and if the taxable entity has an enforceable right to offset income tax receivables against income tax liabilities. Deferred tax assets and liabilities are always classified as non-current.

Provisions for pensions

Pension provisions cover Exyte's benefit obligations arising from defined benefit plans. Exyte measures the pension obligations based on the projected unit credit method. For this purpose, annual appraisals 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 net income from financing activities.

For defined contribution plan retirement schemes (e.g., certain direct insurance schemes), the obligatory benefit contributions made by the employer are accounted for directly as an expense in the respective functional costs.

Other provisions

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

Provisions are recognized at their discounted settlement amount at the closing date, if the interest effect is material. Discounting is performed using pretax 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.

Certain or virtually certain rights of recourse are recognized as an asset.

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 statement of financial position but are disclosed in the notes to the consolidated financial statements.

Tax liabilities

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

Sales

Exyte plans and constructs manufacturing plant and research facilities for the high-tech industry throughout the world. The spectrum of industries for which the Group is active includes, among other sectors, the electronics industry sector, pharmaceuticals, chemical and food producers, as well as IT and telecommunications companies. The main focus of its value-adding activities is in the EPC business sector, i.e., in the planning (Engineering) of facilities, the procurement of all necessary components and trade services (Procurement), and the actual building of the plants (Construction). The main sales deriving from contracts with clients are earned in the regional segments EMEA, AMER, and APAC and derive from such activities. In addition to EPC business, Exyte produces and markets cleanroom components and systems for the electronics and pharmaceutical industry sectors in the TECH segment.

A contract with a client exists if a binding agreement of both parties has economic substance, the rights and obligations of both contracting parties are defined, it is probable that Exyte will receive consideration for the transfer of a good or provision of a service, and the contracting parties have agreed to the contract.

Although the exact terms of individual contracts vary, Exyte's contracts with clients are made up of the following contract models including combinations thereof:

- **Reimbursable:** In this case, the price includes the reimbursement of all costs approved in advance by the client. The costs are set as unit prices (e.g., as hourly rates or material prices) and normally already include a profit margin.
- **Cost-Plus (Open-Book):** In the case of cost-plus (open-book) contracts, Exyte agrees with the client on the provision of the service at a price "on proof." In such cases, the costs must be disclosed to the client. In addition, there is a percentage surcharge to cover a profit margin. In the case of pure cost-plus (open-book) contracts, Exyte does not benefit from any cost savings, but also does not bear the risk of any cost overruns.
- **Cost-Plus (Open-Book) with a guaranteed maximum price:** In this case, Exyte bears the full risk of cost overruns without benefiting from cost savings. In such cases, however, Exyte often actually agrees on a model that shares both cost savings and cost overruns with the client.
- **Lump-Sum:** With this type of contract, an agreed fixed price is agreed for the completed project. Exyte thus benefits fully from any cost savings, but also bears the full risk of any cost overruns.

In general, client contracts contain only one performance obligation, as the service performed by Exyte consists of the implementation of an integrated overall solution covering everything from planning, through construction and project management, and culminating in the creation of a client-specific, turnkey plant facility, which requires its completion and handover to the client in its entirety. In the few cases where client contracts contain more than one performance obligation, Exyte allocates the transaction price of the contract to the individual performance obligations on the basis of the relative standalone selling prices.

The transaction price agreed for a contract can include both fixed and variable components. Variable components may include penalties or bonuses related to the completion date or the cost of a project, compensation claims, or indemnity payments for damages. Variable components are included in the transaction price to the extent that it is highly probable that there will not be any significant future reversal of already recognized sales. The estimate of variable consideration component is reassessed regularly based on the progress of the project and at each reporting date.

Exyte regularly engages subcontractors in order to fulfill client contracts. Certain costs and other expenses incurred by the subcontractor are directly reimbursable by the client and will be invoiced to the client accordingly. Exyte recognizes recoverable costs in sales and cost of sales to the extent that the goods and services will be assigned to the control of Exyte before they are transferred to the client. No sales or cost of sales are recognized for goods and services that are not assigned to the control of Exyte before they are transferred to the client.

Exyte recognizes sales deriving from project-related business based on the stage of completion. To determine the percentage of completion, the costs already incurred are set in relation to the estimated total costs (cost-to-cost method). The estimated total costs are based on the cost budget for the project and past experience gathered from comparable projects.

Exyte assesses the profitability of the projects on a monthly basis. In cases where the estimated costs exceed the expected sales a provision is set up for onerous contracts.

The payment terms of contracts for project-related business, whose performance obligations are fulfilled over a certain period, vary, but are usually based on a contractually agreed payment schedule that is dependent on the achievement of certain milestones. Timing differences between the recognition of sales and the invoicing to the client or the receiving of payment from the client result in changes to the corresponding contract assets or contract liabilities.

Exyte also develops, manufactures, and provides maintenance services for controlled production environments and cleanroom products. These are standard products such as filter fan units, precision air-conditioning units, ultrapure water cabinets, as well as customized products. Sales from the sale of products (excluding their installation) is recognized when control over them is transferred to the client. Control is transferred to the client when all risks and rewards of ownership of the product are transferred to the client or when the physical title is handed over. Control usually passes to the purchaser upon delivery of the products.

Billing is carried out in accordance with the contractual terms, which usually provide for payment within 30 to 60 days of invoice preparation.

As a general rule, clients are not granted any rights of return or any rights to compensatory claims that exceed the legally prescribed guarantee or warranty provisions. The "termination for convenience" clause contained in the contracts grants the client the right to terminate the contract without giving reasons. In such cases, Exyte is entitled to payment for the services rendered up to the time of termination plus a reasonable profit margin, as well as for reimbursement of costs incurred as a result of the termination.

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 and when meeting the requirements for receiving the compensation is reasonably certain.

Other disclosures
As a general rule, income deriving from the reversal of provisions is netted in the same reporting line as the original expense was disclosed at the time the provision was set up.

A large portion of Exyte's development activities are performed in the context of client contracts. Any such resultant expenses are disclosed as cost of sales. Any research and development expenses that are not directly allocable to client contracts are disclosed with other operating expenses. In the financial year 2020, such expenses amounted to €42 thousand (2019: €209 thousand).

Taxes other than income taxes are classified as other operating expenses.

C. Discretionary Decisions, Estimates, 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 items in the notes. Although great care is taken in quantifying such estimates and assumptions, taking into account the best available information, the actual figures that arise may vary from them in some individual cases.

Global economic development in 2020 was massively influenced by the effects of the COVID-19 pandemic. The effects on the business development in the financial year 2020 and therefore on the consolidated financial statements as of December 31, 2020 were relatively minor, due to the business sectors in which Exyte is active.

It is not possible to assess the further development of the COVID-19 pandemic reliably. On the one hand, an increasing spread of more aggressive virus mutations is observable and, on the other hand, the spread of the virus is being combatted due to an increasing number of vaccinations. In view of these developments, it is difficult to predict the duration and extent of any resulting impacts on Exyte's assets, liabilities, earnings, and cash flows.

COVID-19-related impacts on the consolidated financial statements may result from interest rate adjustments in various countries, increasing volatility for foreign currency exchange rates, deteriorating creditworthiness of clients, payment defaults or delayed client payments, as well as delays in the receipt of orders or in the execution or fulfillment of contracts, e.g., due to restricted access to construction sites. Furthermore, other COVID-19-related impacts may result from adjusted or modified sales and cost structures, volatility in financial and procurement markets, or from the difficulty in making forecasts and projections due to uncertainties regarding the amount and timing of cash flows. These factors may impact the fair values and carrying amounts of assets and liabilities, as well as the amount and time at which sales are recognized and cash flows are realized.

The relevant estimates and assumptions made in the process of preparing the consolidated financial statements as at December 31, 2020 are based on the then existent knowledge and the best available information. Exyte has assumed that the COVID-19 pandemic will also not have a significant negative impact on the operating business development and consequently on the assets and liabilities, financial position, and financial performance of the Group in the future. This assessment is based, among other factors, on the knowledge gained from the operational development in the financial year 2020, the analysis of the portfolio of current and new projects – as regards possible risks from project delays – and the review of client groupings and subcontractors – as regards potential changes in the risk of default. The assessment is also based on the assumption that it is feasible that some of the restrictions will be relaxed in the second quarter of 2021, that government support programs will be effective, and that the global economy will recover significantly in the second half of 2021.

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 a significant 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

Measurement of progress

The majority of the projects carried out by Exyte are accounted for based on the stage of completion of the work performed. 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 judgment. The total estimated costs are calculated at the beginning of a project and include cost estimates for materials, subcontractors, and the equipment and personnel that are deployed for the entire duration of the project. These cost estimates are reviewed periodically throughout the duration of the project and are amended in the period in which the need for adjustment is identified.

Other key estimation factors include, in particular, total contract sales and contract risks. These estimates are also regularly reviewed and adjusted.

Contract amendments

In general, the scope of a project is specifically defined in the contract with the client. In cases where the client wishes to modify the scope, both parties enter into a contract amendment ("change order"). Contract scope increases and changes usually lead to an adjustment of the scope of the existing performance obligations and thus do not constitute distinguishable services. Exyte accordingly amends the estimated project costs and sales and takes these into account prospectively from the date of the contract amendment. A later adjustment of the estimated costs and sales may become necessary during the course of the project.

Goodwill

Goodwill (€131,787 thousand; 2019: €131,809 thousand) is tested for impairment annually. In the process of performing this test, in particular future cash flows have to be estimated for each valuation object. 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.

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 other comparable costs. Exyte sets up provisions (€2,729 thousand; 2019: €1,201 thousand) for such legal disputes, regulatory processes, or governmental investigations in cases where it is more probable than not that a current 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 management.

Exyte regularly assesses the current status of legal disputes, by also involving external lawyers. Due to new developments, it may become necessary for a provision for an ongoing legal dispute to be recognized for the first time in future or to adjust the amount. Changes in estimates and assumptions over time can have a significant effect on 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 (€10,772 thousand; 2019: €10,486 thousand), 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 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 tax

Exyte carries out its activities in many tax jurisdictions. The tax amounts disclosed in the consolidated financial statements (income tax receivables (+) income tax liabilities (–), net: –€9,867 thousand; 2019: –€9,784 thousand) 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. Changes in local tax laws and jurisprudence, as well as differences in the interpretation of tax regulations, can impact the amounts of tax-related reporting line items disclosed in the consolidated financial statements.

Deferred tax assets (€64,250 thousand; 2019: €62,354 thousand) are recognized if sufficient future taxable income is available against which expenses deriving from the reversal of temporary differences or tax loss carryforwards can be offset. The estimate of this income takes into account, among other things, planned results from operating activities, the effects on earnings deriving from the reversal of taxable temporary differences, as well as planned tax strategies. Based on the planned future taxable income, the management assesses the recoverability of deferred tax assets at each reporting date. As future business developments are subject to uncertainty and are partly beyond management's control, the measurement of deferred tax assets 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. Other provisions (non-current and current) amount to €87,545 thousand (2019: €73,213 thousand). 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.

Determination of the lease term in the case of renewal and termination options

Some contracts for the rental of real estate include renewal and/or termination options. Such contractual conditions offer Exyte the greatest possible operational flexibility. When determining the duration of the contracts, 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 duration of the contracts resulting from the exercise or non-exercise of such options are only taken into account in determining the contract duration if they are sufficiently certain. Such assessment is accordingly subject to discretionary decisions, estimates, and assumptions. Changes in estimates have an impact on the recognized right-of-use assets (€65,776 thousand; 2019: €56,734 thousand) and on non-current and current lease liabilities (€64,917 thousand; 2019: €55,223 thousand). In general, these have only a minor impact on profit and loss.

D. Note Disclosures for Individual Items

1 Sales

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:

Expected sales from service obligations

in € thousand

2021	2022	2023	Total
2,620,749	**550,800**	**42,521**	**3,214,070**

All contracts have been measured at their transaction prices, including any agreed contract amendments.

Only performance obligations that are part of a contract with an expected original term of more than one year are disclosed.

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

Analysis of sales

The following table shows the analysis of sales deriving from contracts with clients by regional segment. For further information with respect to the analysis by reportable segments, refer to Note 30.

Sales from client contracts by regional segments 2020

in € thousand

	EMEA	AMER	APAC	TECH	Consolidation adjustments	Exyte
Sales recognized over a period of time	2,416,647	482,937	1,061,875	48,312	–13,860	3,995,911
Sales recognized at a point in time	0	0	0	114,038	–43,412	70,626
Total	**2,416,647**	**482,937**	**1,061,875**	**162,350**	**–57,272**	**4,066,537**

Sales from client contracts by regional segments 2019

in € thousand

	EMEA	AMER	APAC	TECH	Consolidation adjustments	Exyte
Sales recognized over a period of time	1,382,740	531,335	1,883,225	33,258	–17,221	3,813,337
Sales recognized at a point in time	0	0	3,234	99,312	–26,716	75,830
Total	**1,382,740**	**531,335**	**1,886,459**	**132,570**	**–43,937**	**3,889,167**

2 Cost of sales

The cost of goods and services sold during the financial year amounted to –€3,749,169 thousand (2019: –€3,557,510 thousand).

The cost of sales reporting line discloses the direct costs incurred in respect of the sales generated. These mainly comprise material costs, costs of third-party services and personnel costs relating to the production area. In addition, the cost of sales also includes any depreciation and amortization charges that are attributable to the production process.

Furthermore, the reporting line includes recorded write-downs, amounting to –€136 thousand (2019: –€633 thousand), as well as reversals of previously recognized write-downs, amounting to €219 thousand (2019: €396 thousand). These write-downs were made in respect of slow-moving inventories. The write-downs are reversed if the reason for the write-down is no longer applicable.

The cost of sales also includes the expenses relating to the set-up of provisions for warranty claims and for potential losses deriving from onerous contracts. Reversals of provisions for warranty claims and potential losses deriving from onerous contracts, amounting to €3,682 thousand (2019: €1,255 thousand), reduced the cost of sales.

3 Selling costs

Selling costs in the financial year amounted to –€34,194 thousand (2019: –€33,211 thousand). These mainly consist of costs of personnel and materials or services incurred by the sales organization, expenses in connection with the preparation of proposals for projects that were not awarded, as well as marketing expenses, public relations costs, and advertising expenses. Furthermore, amortization and depreciation charges that are attributable to the sales area are also included.

4 Administration costs

Administration costs, amounting to –€88,956 thousand (2019: –€74,407 thousand) include costs of personnel and materials or services incurred by administrative functions, as well as amortization and depreciation charges that are attributable to the administration area. Administration costs increased mainly due to costs for securing the overall growth strategy as well as costs related to IT projects and projects aimed at process optimization.

5 Other operating income

Other operating income

in € thousand

	2020	2019
Income deriving from the reimbursement of costs related to COVID-19	9,312	0
Income from government grants	4,194	7,491
Income from the reversal of impairment losses[1]	3,431	802
Income deriving from services charged out to the M+W Group GmbH Group	3,079	5,031
Income deriving from the charge-out of services and from leases to third parties	1,852	1,553
Miscellaneous other items	5,907	4,524
Total	**27,775**	**19,401**

[1] Impairment losses (including reversals of impairment losses on financial assets) were not presented as a separate item in the statement of comprehensive income in accordance with IFRS 9/IAS 1.82(ba) for reasons of materiality.

The income from the reimbursement of costs relating to COVID-19, amounting to € 9,312 thousand, results from government COVID-19 support programs in Asia.

The income from government grants mainly includes €3,680 thousand (2019: €7,320 thousand) for incentives granted by the Chinese government. The Chinese company was entitled to claim a partial tax repayment as an incentive fund to support its business activities.

6 Other operating expenses

Other operating expenses

in € thousand

	2020	2019
COVID-19 related costs	–8,650	0
Impairment losses[1]	–5,239	–7,671
Restructuring and reorganization expenses	–3,394	–3,741
Expenses deriving from charge-outs for services rendered by the M+W Group GmbH Group	–2,953	–9,853
Severance payments	–1,575	0
Taxes other than income tax	–734	–699
Losses on disposal of intangible assets and property, plant and equipment	–324	–590
Relocation expenses	0	–2,394
Loss deriving from the disposal of consolidated companies	0	–1,206
Miscellaneous other items	–3,811	–4,625
Total	**–26,680**	**–30,779**

[1] Impairment losses (including reversals of impairment losses on financial assets) were not presented as a separate item in the statement of comprehensive income in accordance with IFRS 9/IAS 1.82(ba) for reasons of materiality.

COVID-19 related costs of –€8,650 thousand include, in particular, expenses for the continued payment of salaries during shutdown periods in Asia, which are offset by corresponding income from government support programs (refer to the information contained in the note on other operating income). In addition, these costs also include expenses for hygiene measures and additional accommodation costs incurred because of government quarantine regulations (especially in Asia).

7 Net income from financing activities

Net income from financing activities

in € thousand

	2020	2019
Interest and similar income	**47,760**	**25,661**
Thereof: other interest and similar income	4,019	11,337
Thereof: charge-on of fees for bank guarantees	660	57
Thereof: foreign exchange gains relating to affiliated entities	29,929	5,205
Thereof: foreign exchange gains relating to third parties	13,152	9,062
Interest and similar expenses	**–33,400**	**–26,025**
Thereof: interest portion of lease installments deriving from lease liabilities	–769	–779
Thereof: deriving from pension provisions	–86	–147
Thereof: other interest and similar expenses	–381	–2,356
Thereof: fees for bank guarantees	–2,251	–1,370
Thereof: foreign exchange losses relating to affiliated entities	–7,029	–13,882
Thereof: foreign exchange losses relating to third parties	–22,884	–7,491
Other financing costs	**0**	**–2,618**
Impairment losses recognized against financial assets	0	–2,618
Net income from financing activities (total)	**14,360**	**–2,982**

The positive development of net foreign exchange gains/losses in the financial year 2020 is attributable to favorable exchange rates, in particular regarding US dollars and SG dollars.

The write-down of financial assets disclosed in the net income from financing activities in the previous year relates to the complete write-down of the carrying amount of the investment interest in a non-consolidated company in China.

8 Income tax

Income tax comprises current taxes on income (paid or owed) in the various individual territories and deferred tax. The computation of the expense for income tax 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. They reflect the tax impacts of future reversals of temporary differences and/or the future utilization of tax losses carried forward.

Measurement of deferred tax 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 tax was 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 tax for the German companies is unchanged at 30.53%.

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

Current and deferred taxes are recorded as tax credits or tax expenses in profit or loss unless they relate to items that have been recognized in other comprehensive income or directly in equity, without impacting profit or loss. In such a case, the deferred tax is also accounted for in comprehensive income or equity without impacting profit or loss.

Based on origin, the figure for income tax is made up as follows:

Income tax, based on origin

in € thousand

	2020	2019
Current income tax	**–40,132**	**–32,623**
Deferred tax	**–1,867**	**–12,130**
Thereof: deriving from temporary differences	–5,862	–7,526
Thereof: deriving from tax loss carryforwards	3,995	–4,604
Total	**–41,999**	**–44,753**
Thereof: current income tax relating to prior periods	476	536
Thereof: deferred tax relating to prior periods	935	6

At the year-end reporting date, Exyte had unutilized corporation tax loss carried forward, amounting to €151,958 thousand (2019: €74,256 thousand), as well as unutilized municipal trade tax loss carried forward in Germany of €57,051 thousand (2019: €34,619 thousand). In addition, tax loss carryforwards existed, mainly in the USA, amounting to €12,246 thousand (2019: €14,018 thousand), for which their utilization is limited.

The management's assessment is that in all probability, sufficient future taxable income will be generated to offset €50,615 thousand (2019: €32,972 thousand) of the tax losses carried forward that have not yet been utilized for corporation tax purposes and to offset €23,420 thousand (2019: €7,352 thousand) of the tax losses carried forward that have not yet been utilized for municipal trade tax purposes.

Deferred tax assets amounting to €12,435 thousand (2019: €7,040 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 €101,343 thousand (2019: €41,284 thousand) and municipal trade tax loss carryforwards of €33,361 thousand (2019: €27,268 thousand). Some €1,862 thousand (2019: €1,914 thousand) of the foreign tax loss carryforwards will expire in the next five years.

Deferred tax credits, amounting to €202 thousand (2019: €69 thousand) arose from changes in tax rates.

Deferred tax liabilities of €121,438 thousand (2019: €136,268 thousand) were not recognized in connection with participatory investments in subsidiary companies 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 tax relating to the separate line items of the statement of financial position

in € thousand

	Deferred tax assets		Deferred tax liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Non-current assets	**12,277**	**13,724**	**–15,534**	**–16,632**
Intangible assets	10,753	12,015	–2,215	–1,444
Property, plant and equipment	19	8	–11,758	–11,341
Non-current financial assets	1,505	1,701	–1,561	–3,847
Current assets	**5,317**	**5,575**	**–20,829**	**–25,151**
Inventories	1,700	162	0	–3,544
Receivables and other assets	3,617	5,413	–20,829	–21,607
Non-current liabilities	**14,541**	**13,021**	**0**	**–34**
Non-current provisions	4,504	4,334	0	0
Non-current liabilities	10,037	8,687	0	–34
Current liabilities	**73,528**	**69,360**	**–26,132**	**–8,709**
Current provisions	6,448	6,147	–118	–7
Current liabilities	67,080	63,213	–26,014	–8,702
Tax loss carryforwards	**38,445**	**17,804**	**0**	**0**
Tax credits	**2,890**	**3,360**	**0**	**0**
Miscellaneous other items	**389**	**277**	**–19**	**0**
Gross value	**147,387**	**123,121**	**–62,514**	**–50,526**
Write-downs	–29,297	–15,320	0	0
Set-offs	–53,840	–45,447	53,840	45,447
Recognition in the statement of financial position	**64,250**	**62,354**	**–8,674**	**–5,079**

Deferred tax of €1,418 thousand (2019: €1,417 thousand) relates to business transactions that had to be recognized directly in equity. Deferred tax recognized directly in equity mainly derives from the measurement of pension obligations (€1,455 thousand; 2019: €1,411 thousand) and from the measurement of forward exchange transactions as part of cash flow hedges (–€37 thousand; 2019: €6 thousand).

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 attest to the realizability of deferred tax assets deriving from both deductible temporary differences and tax loss carry forwards. This assessment is particularly based on the achievement of the Group's strategic objectives, which are expected to result in improved profitability. In case of a history of losses, recognition of deferred tax assets is 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 for the respective financial year and the actual tax expense disclosed. For purposes of determining the expected tax expense, the currently valid – and unchanged – domestic tax rate of 30.53% for the financial year 2020 was applied.

Reconciliation of the expected and actual tax expense

in € thousand

	2020	2019
Earnings before tax	**209,673**	**209,679**
Expected tax expense	–64,013	–64,015
Adjustments to the expected tax expense:		
Non-tax-deductible expenses	–3,958	–3,550
Tax-free income	8,841	16,106
Change in write-downs of deferred tax amounts and impacts deriving from tax loss carryforwards	–7,006	–8,206
Permanent differences	1,312	–847
Deviations from the expected tax rate	29,175	22,393
Impacts of changes in tax rates	202	69
Tax not related to the current reporting period	1,411	542
Foreign and other local income taxes	–8,548	–9,336
Other tax effects	585	2,091
Actual tax expense	**–41,999**	**–44,753**
Effective tax rate for the Group	**20.0%**	**21.3%**

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

9 Intangible assets

Development of intangible assets

in € thousand

	Development costs	Patents, trademarks, software, customer relationships	Goodwill	Total
Costs of acquisition or generation Balance: 1.1.2020	**613**	**12,447**	**142,784**	**155,844**
Currency impacts	0	−5	−277	−282
Changes to the scope of the consolidation	0	188	0	188
Additions	0	653	0	653
Disposals	0	−84	−10,720	−10,804
Transfers	0	563	0	563
Costs of acquisition or generation Balance: 31.12.2020	**613**	**13,762**	**131,787**	**146,162**
Accumulated amortization/write-downs Balance: 1.1.2020	**−101**	**−11,907**	**−10,975**	**−22,983**
Currency impacts	0	4	255	259
Changes to the scope of the consolidation	0	−145	0	−145
Additions	−196	−507	0	−703
Disposals	0	83	10,720	10,803
Accumulated amortization/write-downs Balance: 31.12.2020	**−297**	**−12,472**	**0**	**−12,769**
Carrying amount: 31.12.2020	**316**	**1,290**	**131,787**	**133,393**

Development of intangible assets

in € thousand

	Development costs	Patents, trademarks, software, customer relationships	Goodwill	Total
Costs of acquisition or generation Balance: 1.1.2019	**462**	**16,249**	**142,562**	**159,273**
Currency impacts	0	75	222	297
Changes to the scope of the consolidation	0	–4,118	0	–4,118
Additions	151	241	0	392
Costs of acquisition or generation Balance: 31.12.2019	**613**	**12,447**	**142,784**	**155,844**
Accumulated amortization/write-downs Balance: 1.1.2019	**–54**	**–15,073**	**–10,759**	**–25,886**
Currency impacts	0	–71	–216	–287
Changes to the scope of the consolidation	0	4,118	0	4,118
Additions	–47	–881	0	–928
Accumulated amortization/write-downs Balance: 31.12.2019	**–101**	**–11,907**	**–10,975**	**–22,983**
Carrying amount: 31.12.2019	**512**	**540**	**131,809**	**132,861**

As was the case in the previous year, there were no commitments for the purchase of intangible assets as of the closing date.

The amortization charges on intangible assets amounted to –€703 thousand (2019: –€928 thousand). Of this amount, –€396 thousand relates to patents, trademarks, and software (2019: –€513 thousand), –€111 thousand relates to customer relationships (2019: –€368 thousand), and –€196 thousand relates to development costs (2019: –€47 thousand). Some –€356 thousand of these charges was included in the cost of sales in 2020 (2019: –€476 thousand), –€345 thousand in administration costs (2019: –€298 thousand), –€2 thousand in selling costs (2019: €0 thousand), and €0 thousand (2019: –€154 thousand) in other operating expenses.

The annual impairment testing of goodwill was performed in an unchanged fashion at the level of a group of cash-generating units (CGUs). Exyte has defined the following areas of the business as groups of CGUs: EMEA, AMER, APAC, and TECH.

As of January 1, 2020, Exyte amended its organizational and reporting structure in regards to the business activities of Exyte Hargreaves; from then on, this business has been assigned to TECH (up until December 31, 2019 the business was assigned to EMEA). In this context, goodwill in the amount of €1,199 thousand was reallocated from EMEA to TECH, based on the corresponding relative values.

The recoverable amount for purposes of the impairment test of goodwill was determined on the basis of the value in use. Cash flows estimated from the continuous use of the groups of CGUs are based on the most recent planning horizon of three years approved by the executive management (budgeting income, financial positions, and cash flows). The EBIT figures are supported by the existing order backlog and expectations for future project acquisitions.

The values in use so determined are not only dependent on Exyte's future economic performance, but also on assumptions for the estimated future tax rates and the interest rates used for the calculation of the present values. The interest rates used are determined based on the weighted-average cost of capital (WACC). The tax rates used are derived from the effective tax rates of the companies included in the respective group of CGUs.

The interest rates have been derived from capital market data and corporate data.

For the reporting years 2019 and 2020, the allocation of goodwill to the respective group of CGUs was as follows:

Goodwill analyzed by groups of cash-generating units

31.12.2020	WACC interest rate before tax (in %)	Tax rate (in %)	WACC interest rate after tax (in %)	Goodwill (in € thousand)
EMEA	11.9	18.2	9.8	58,474
AMER	13.0	25.2	9.7	12,899
APAC	11.7	20.0	9.4	55,264
TECH	12.8	26.8	9.4	5,150

Goodwill analyzed by groups of cash-generating units

31.12.2019	WACC interest rate before tax (in %)	Tax rate (in %)	WACC interest rate after tax (in %)	Goodwill (in € thousand)
EMEA	10.5	17.4	8.6	59,673
AMER	9.7	23.4	7.5	12,921
APAC	10.5	20.5	8.4	55,264
TECH	11.7	29.7	8.4	3,951

Furthermore, the significant (internal) planning assumptions for all groups of 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 profit margin and EBIT margin for EMEA, AMER, and TECH, but a slightly decreasing gross profit margin and EBIT margin for APAC;
- For EMEA, AMER, and APAC the free cash flow for the perpetual annuity was derived from the average sales of the actual years 2016 to 2020 and the plan years 2021 to 2023, in order to take into account the cyclical nature of regional business. Based on this, the EBIT margin for the final planning year was applied with a slight modification;
- For TECH, both the sales and EBIT of the final planning year were used to derive the perpetual annuity.

As had been the case in the previous year, the impairment test resulted in no requirement to recognize an impairment loss against the carrying amount of goodwill in the financial year.

10 Property, plant and equipment

Development of property, plant and equipment

in € thousand

	Land and buildings	Technical equipment and machinery	Other equipment, operational and office equipment	Assets under construction	Total
Costs of acquisition or construction Balance: 1.1.2020	**32,151**	**18,176**	**62,552**	**53**	**112,932**
Currency impacts	–106	–497	–2,918	0	–3,521
Changes to the scope of the consolidation	0	0	3,913	0	3,913
Additions	6	348	2,797	680	3,831
Disposals	–1,606	–1,625	–1,709	–1	–4,941
Transfers	42	1	91	–697	–563
Costs of acquisition or construction Balance: 31.12.2020	**30,487**	**16,403**	**64,726**	**35**	**111,651**
Accumulated depreciation and write-downs Balance: 1.1.2020	**–3,079**	**–9,767**	**–40,318**	**0**	**–53,164**
Currency impacts	44	391	2,395	0	2,830
Changes to the scope of the consolidation	0	0	–2,628	0	–2,628
Additions	–784	–939	–5,602	0	–7,325
Disposals	1,606	1,621	1,618	0	4,845
Accumulated depreciation and write-downs Balance: 31.12.2020	**–2,213**	**–8,694**	**–44,535**	**0**	**–55,442**
Carrying amount: 31.12.2020	**28,274**	**7,709**	**20,191**	**35**	**56,209**

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: 1.1.2019	**8,042**	**12,719**	**51,058**	**37,247**	**109,066**
Currency impacts	96	258	984	0	1,338
Changes to the scope of the 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
Costs of acquisition or construction Balance: 31.12.2019	**32,151**	**18,176**	**62,552**	**53**	**112,932**
Accumulated depreciation and write-downs Balance: 1.1.2019	**−2,275**	**−8,738**	**−36,598**	**0**	**−47,611**
Currency impacts	−37	−224	−753	0	−1,014
Changes to the scope of the consolidation	0	0	16	0	16
Additions	−767	−1,167	−5,771	0	−7,705
Disposals	0	362	2,788	0	3,150
Accumulated depreciation and write-downs Balance: 31.12.2019	**−3,079**	**−9,767**	**−40,318**	**0**	**−53,164**
Carrying amount: 31.12.2019	**29,072**	**8,409**	**22,234**	**53**	**59,768**

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.

11 Right-of-use assets and lease liabilities

Amounts recognized in the consolidated statement of financial position

The following table shows the development of the right-of-use assets:

Development of right-of-use assets

in € thousand

	Land and buildings	Other equipment, operational and office equipment	Total
Costs of acquisition or construction Balance: 1.1.2020	**60,621**	**9,550**	**70,171**
Currency impacts	−2,693	−97	−2,790
Changes to the scope of the consolidation	2,345	682	3,027
Additions	23,961	3,233	27,194
Disposals	−2,933	−1,938	−4,871
Transfers	−26	26	0
Revaluation/contract amendments	505	−112	393
Costs of acquisition or construction Balance: 31.12.2020	**81,780**	**11,344**	**93,124**
Accumulated depreciation and write-downs Balance: 1.1.2020	**−10,474**	**−2,963**	**−13,437**
Currency impacts	840	31	871
Changes to the scope of the consolidation	−521	−174	−695
Additions	−15,152	−3,470	−18,622
Disposals	2,597	1,938	4,535
Transfers	9	−9	0
Accumulated depreciation and write-downs Balance: 31.12.2020	**−22,701**	**−4,647**	**−27,348**
Carrying amount: 31.12.2020	**59,079**	**6,697**	**65,776**

Development of right-of-use assets

in € thousand

	Land and buildings	Other equipment, operational and office equipment	Total
Costs of acquisition or construction Balance: 1.1.2019	**49,433**	**5,281**	**54,714**
Currency impacts	175	103	278
Changes to the scope of the consolidation	0	–57	–57
Additions	11,154	4,223	15,377
Disposals	–141	0	–141
Costs of acquisition or construction Balance: 31.12.2019	**60,621**	**9,550**	**70,171**
Accumulated depreciation and write-downs Balance: 1.1.2019	**0**	**0**	**0**
Currency impacts	–37	–28	–65
Changes to the scope of the consolidation	0	57	57
Additions	–10,578	–2,992	–13,570
Disposals	141	0	141
Accumulated depreciation and write-downs Balance: 31.12.2019	**–10,474**	**–2,963**	**–13,437**
Carrying amount: 31.12.2019	**50,147**	**6,587**	**56,734**

The lease liabilities developed as follows:

Development of the lease liabilities

in € thousand

	2020	2019
Balance as at 1.1.	**55,223**	**54,014**
Currency impacts	–1,733	203
Changes to the scope of the consolidation	2,381	0
Additions	26,715	13,665
Interest expense deriving from the winding back of discount	769	779
Payments of interest and principal	–18,687	–13,438
Contract amendments	249	0
Closing balance as at 31.12.	**64,917**	**55,223**

The interest rates used to determine the present value of the lease liabilities vary between 0.4% and 4.2% (2019: 0.3% and 4.2%).

Amounts recognized in the consolidated statement of comprehensive income

Lease agreements

in € thousand	2020	2019
Depreciation of right-of-use assets	–18,622	–13,570
Interest expenses deriving from the winding back of discount on lease liabilities	–769	–779
Expenses deriving from short-term leases	–5,194	–3,252
Expenses for other leases relating to assets of low value	–1,291	–231
Net loss deriving from revaluation/ contract amendments	–294	0
Income deriving from subleasing of right-of-use assets	69	0

Amounts reported in the consolidated statement of cash flows

Leases

in € thousand	2020	2019
Interest paid	–769	–779
Cash flow from operating activities	**–769**	**–779**
Proceeds from lease receivables	13	0
Payments for the redemption of lease liabilities	–17,918	–12,659
Cash flow from financing activities	**–17,905**	**–12,659**

12 Inventories and advance payments made

Inventories

Carrying amounts for inventories

in € thousand	31.12.2020	31.12.2019
Raw materials, consumables and supplies	19,320	12,592
Work in process	8,501	9,202
Finished goods, merchandise for resale	6,436	4,372
Inventories	**34,257**	**26,166**

Advance payments made

The advance payments made, amounting to €6,473 thousand (December 31, 2019: €40,633 thousand), mainly result from advance payments to sub-suppliers in the project business. Services performed by sub-suppliers resulted in a reduction of the balance by €34,160 thousand in the financial year 2020.

During the period reported, charges against profits, deriving from inventories consumed and advance payments made, amounted to –€88,356 thousand (2019: –€119,437 thousand).

13 Contract balances

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

Contract balances

in € thousand	31.12.2020	31.12.2019
Contract assets	303,748	295,672
Contract liabilities	322,895	345,413

Sales include an amount of €317,023 thousand (2019: €424,084 thousand) that had been disclosed as contract liabilities at the beginning of the financial year.

Sales deriving from performance obligations fulfilled in previous financial years amounted to €47,132 thousand (2019: €60,958 thousand); this was mainly generated with major Asian clients.

Allowances for losses on contract assets amounted to –€648 thousand at the year-end reporting date (December 31, 2019: –€647 thousand).

The following table includes an analysis of the credit quality of the contract assets:

Default risks for contract assets – 2020

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 loss allowance rate (in %)
Rating class 1	AAA to A	90,610	–56	0.06
Rating class 2	BBB	75,853	–115	0.15
Rating class 3	BB	13,733	–42	0.31
Rating class 4	B to D	47,706	–201	0.42
No rating[1]	–	76,494	–234	0.31
Total		**304,396**	**–648**	**0.21**

[1] On the one hand, clients 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 clients for which no risk classification is available. For these latter clients, the territory risk classification was also applied for purpose of determining the amount of the allowance.

Default risks for 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 loss 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, clients 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 clients for which no risk classification is available. For these latter clients, 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, there were no significant changes to the gross carrying amount for contract assets that led to material changes in the amount of impairment loss allowances recognized. The methods and input parameters that are used to determine the allowances are described in the section "Accounting and measurement methods."

14 Trade receivables

Carrying amount of trade receivables

in € thousand	31.12.2020	31.12.2019
Trade receivables from third parties	356,677	379,738
Trade receivables from the M+W Group GmbH Group	4,149	12,069
Trade receivables from other non-consolidated affiliated entities and joint ventures	9	111
Total	**360,835**	**391,918**

The fair values of the trade receivables correspond to their carrying amounts.

Loss allowances of –€8,942 thousand (December 31, 2019: –€11,455 thousand) have been set up against trade receivables. Their development is shown below:

Allowances set up for trade receivables from third parties

in € thousand

	Credit loss 2020		Credit loss 2019	
	Credit standing not impaired (collective)	Credit standing impaired (individual)	Credit standing not impaired (collective)	Credit standing impaired (individual)
Allowance at the start of the financial year	**–317**	**–11,138**	**–317**	**–12,687**
Increase	–143	–123	–59	–6,752
Utilization/derecognition	0	279	10	7,828
Reversal/payment received	110	1,798	54	481
Currency impacts	11	581	–5	–8
Allowance at the end of the financial year	**–339**	**–8,603**	**–317**	**–11,138**

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

Default risk for trade receivables from third parties – financial year 2020

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	146,336	–26	–	0.02
Rating class 2	BBB	75,303	–51	–	0.07
Rating class 3	BB	60,824	–82	–129	0.35
Rating class 4	B to D	66,257	–100	–	0.15
No rating[1]	–	16,899	–80	–8,474	50.62
Total		**365,619**	**–339**	**–8,603**	**2.45**

[1] On the one hand, clients 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 clients for which no risk classification is available. For these latter clients, the territory risk classification was also applied for purpose of determining the amount of the allowance.

Default risk for trade receivables from third parties – financial year 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, clients 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 clients for which no risk classification is available. For these latter clients, the territory risk classification was also applied for purpose of determining the amount of the allowance.

In the financial year 2020, 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, there were no indications at the year-end reporting date that the debtors would not meet their payment obligations. Before entering into a relationship with a new client, Exyte's management ascertains the creditworthiness of potential clients by means of an external credit check. 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 client base and because neither significant nor observable correlations exist. Accordingly, the executive management's opinion is that no further risk protection measures are needed in addition to the loss allowances that have already been set up.

The gross carrying amount of the trade receivables from the M+W Group GmbH Group amounted to €4,252 thousand (December 31, 2019: €12,109 thousand). Loss allowances set up against receivables from the M+W Group GmbH Group amounted to –€103 thousand at the year-end reporting date (December 31, 2019: –€40 thousand).

Exyte did not recognize allowances for trade receivables due from other non-consolidated affiliated entities and joint ventures (€ 9 thousand; December 31, 2019: €111 thousand).

15 Other financial assets

Other financial assets

in € thousand

	31.12.2020	31.12.2019
Security deposits	648	206
Share interests in non-consolidated affiliated entities	65	25
Other financial assets (non-current)	**713**	**231**
Financial receivables from the M+W Group GmbH Group	2,966	184,765
Financial receivables from other non-consolidated affiliated entities and joint ventures	6,062	10,071
Short-term security and other deposits	6,637	3,109
Debit balances on accounts payable	1,596	4,646
Derivative financial instruments	1,240	1,549
Loans receivable from third parties	1,080	2,017
Interest receivable	468	36
Receivables from employees	328	239
Finance lease receivables	56	0
Miscellaneous other current financial assets	5,489	9,754
Other financial assets (current)	**25,922**	**216,186**

The gross book value of the financial receivables due from the M+W Group GmbH Group amounted to €2,998 thousand (December 31, 2019: €185,222 thousand). Loss allowances recognized against financial receivables due from the M+W Group GmbH Group amounted to –€32 thousand (December 31, 2019: –€457 thousand).

A total of €177,387 thousand of the reduction in financial receivables due from the M+W Group GmbH Group, by €181,799 thousand, resulted from the offset of liabilities of Exyte in connection with the withdrawal of the sole shareholder in the financial year 2020.

The gross book values of financial receivables due from other non-consolidated affiliated entities and joint ventures amounted to €10,224 thousand (December 31, 2019: €10,071 thousand). Loss allowances on these financial receivables amounted to –€4,162 thousand at the year-end reporting date (December 31, 2019: €0 thousand).

As was the case in the previous year, there are no restrictions on other financial assets that are disclosed.

16 Miscellaneous assets

Miscellaneous assets

in € thousand

	31.12.2020	31.12.2019
Prepaid expenses and deferred charges (non-current)	0	9
Miscellaneous assets (non-current)	**0**	**9**
Refundable input VAT	7,839	15,652
Prepaid expenses and deferred charges (current)	7,072	8,598
Other receivables from the tax authorities	2,183	1,188
Miscellaneous assets (current)	**17,094**	**25,438**

17 Cash and cash equivalents

Cash and cash equivalents

in € thousand

	31.12.2020	31.12.2019
Cash and cash equivalents	683,150	769,406

Collateral security for forward exchange contracts transacted with banks amounted to €829 thousand (December 31, 2019: €973 thousand).

18 Equity

The development of Exyte's equity is presented in the statement showing the development of consolidated equity.

As of December 31, 2020, the share capital was unchanged in comparison to the previous year, at a level of €150,000 thousand.

The capital reserve amounted to €36,585 thousand (December 31, 2019: €15,000 thousand) and increased by €21,585 thousand in the financial year 2020. A total of €3,656 thousand of the increase results from cost reimbursements made by M+W Group GmbH to Exyte GmbH, which are due to M+W Group GmbH's status as the sole shareholder. In addition, a transfer of €17,929 thousand was made from the retained earnings.

The retained earnings decreased in the financial year 2020 by €430,000 thousand due to withdrawals of the sole shareholder:

- On July 29, 2020, a resolution was passed to distribute €180,000 thousand; €177,387 thousand of this amount was distributed in the context of a partial distribution in kind, through assignment of receivables that were due from M+W Group GmbH and some of its subsidiary companies. The remaining amount of €2,613 thousand was distributed as cash dividend.

- On October 7, 2020, a resolution was passed to pay a withdrawal independent of earnings of € 250,000 thousand, which was paid out in cash.

In addition, retained earnings decreased by €54,100 thousand in the financial year 2020 due to changes in the scope of the consolidation (in the context of acquisitions under common control).

- In the financial year 2020, Exyte Israel Engineering Ltd., Ness Ziona, Israel, acquired a 100% share interest in M+W Group (Israel) Ltd., Ness Ziona, Israel, for a purchase price of €47,964 thousand. The carrying amount of the net assets acquired amounts to €14,527 thousand. The difference, amounting to €33,437 thousand, was offset against the retained earnings.

- Furthermore, in the financial year 2020, Exyte Europe Holding GmbH, Stuttgart, Germany, acquired a 100% share interest in M+W Italy S.r.l., Agrate Brianza, Italy, for a purchase price of €21,300 thousand. The carrying amount of the net assets acquired amounts to €637 thousand. The difference, amounting to €20,663 thousand, was offset against the retained earnings.

19 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 –€42,095 thousand (2019: –€43,753 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:

Analysis of the provisions for pensions

in € thousand

	31.12.2020	31.12.2019
Present value of unfunded obligations (Germany only)	9,936	9,670
Present value of funded obligations (Taiwan)	966	938
Fair value of plan assets (Taiwan)	–130	–122
Provisions for pensions	**10,772**	**10,486**

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

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

Development of the provisions for pensions

in € thousand

	2020	2019
Provisions recognized at 1.1.	**10,486**	**8,722**
Current service cost	218	217
Interest expense	86	147
Actuarial adjustments	131	1,537
Thereof: experience adjustments	–118	–57
Thereof: adjustments for other financial assumptions	249	1,594
Benefits paid	–130	–114
Currency impacts	–19	–23
Provisions recognized at 31.12.	**10,772**	**10,486**

Reconciliation of the plan assets:

Development of the plan assets

in € thousand

	2020	2019
Fair value of plan assets at 1.1.	**122**	**103**
Employer contributions	7	7
Interest income	4	1
Currency impacts	–3	11
Fair value of plan assets at 31.12.	**130**	**122**

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

Expenses deriving from pension obligations recognized in the consolidated statement of comprehensive income

in € thousand

	2020	2019
Current service cost	–218	–217
Interest expense	–86	–147
Subtotal	**–304**	**–364**
Actuarial gains (+)/losses (–) deriving from experience adjustments	118	57
Actuarial gains (+)/losses (–) deriving from adjustments for other financial assumptions	–249	–1,594
Subtotal	**–131**	**–1,537**
Recognized in the consolidated statement of comprehensive income	**–435**	**–1,901**

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 net income from financing activities.

The expected contributions to defined benefit plans for the next financial year amount to €177 thousand (2019: €217 thousand).

Actuarial assumptions in Germany:

Actuarial assumptions in Germany

in %

	31.12.2020	31.12.2019
Discount rate	0.65	0.80
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 in Taiwan

in %

	31.12.2020	31.12.2019
Discount rate	0.63	1.00
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 concern obligations in Germany, the sensitivity analysis has been restricted to the German obligations. An increase, or respectively a decrease, in the significant actuarial assumptions would have had the following impact on the present value of the pension obligations as of the respective reporting dates:

Sensitivity of the present value of the pension obligations

	31.12. 2020	31.12. 2019	31.12. 2020	31.12. 2019
Discount rate (in %)	+0.50	+0.50	–0.50	–0.50
Present value of the pension obligations (in € thousand)	8,998	8,737	11,015	10,746
Inflation rate/pension rate (in %)	+0.25	+0.25	–0.25	–0.25
Present value of the pension obligations (in € thousand)	**9,600**	**10,007**	**10,290**	**9,350**

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, 2020 would have increased by €542 thousand (31.12.2019: €511 thousand).

Duration

The average duration of obligations in Germany is 20.4 years (December 31, 2019: 20.9 years). The average duration of the obligations for the Taiwanese company is 13.2 years (December 31, 2019: 13.1 years).

Analysis of the provisions for pensions by type of plan participant

in € thousand

	31.12.2020	31.12.2019
Active employees	5,682	5,507
Former employees (with vested rights)	2,524	2,569
Pensioners	2,566	2,410
Provisions for pensions	**10,772**	**10,486**

Expected benefit payments as of 31.12.2020

in € thousand

Financial years	2021	2022–2025	2026–2030
Germany	136	750	1,312
Taiwan	54	10	403
Total	**190**	**760**	**1,715**

Expected benefit payments as of 31.12.2019

in € thousand

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

20 Other provisions

Analysis of other provisions

in € thousand

	1.1.2020	Currency impacts	Change in scope of the consolidation	Additions	Interest portion	Usage	Reversal	Reclassification	31.12.2020
Employee-based provisions	57,536	–1,856	1,577	47,114	23	–37,072	–7,682	0	59,640
Onerous contracts	2,683	–217	0	10,036	0	–145	–2,536	0	9,821
Provision for restructuring	1,549	–94	0	0	0	–683	0	0	772
Warranty provisions	2,243	–165	1,052	6,627	0	–1,105	–1,146	0	7,506
Legal fees and litigation costs	1,201	–34	38	2,287	0	–533	–230	0	2,729
Restoration obligations	2,748	–193	0	581	19	–172	–4	0	2,979
Tax-related provisions	820	0	0	362	0	–195	–209	140	918
Miscellaneous other provisions	4,433	–127	0	1,884	0	–2,298	–572	–140	3,180
Total	**73,213**	**–2,686**	**2,667**	**68,891**	**42**	**–42,203**	**–12,379**	**0**	**87,545**

Analysis of other provisions

in € thousand

	1.1.2019	Currency impacts	Change in scope of the consolidation	Additions	Interest portion	Usage	Reversal	Reclassification	31.12. 2019
Employee-based provisions	41,883	450	–389	48,398	52	–28,289	–4,269	–300	57,536
Onerous contracts	2,426	5	–15	2,705	0	–2,271	–167	0	2,683
Provision for restructuring	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	985	22	0	1,727	14	0	0	0	2,748
Tax-related provisions	1,134	0	0	168	0	–434	–48	0	820
Miscellaneous 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**

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.

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. The increase in this figure, amounting to €10,036 thousand, includes a reclassification from other current financial liabilities, amounting to €5,861 thousand.

Provision for restructuring

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

Warranty provisions

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 costs for replacement deliveries due to statutory or contractual warranty obligations. In such cases, provisions are based on estimates that use historical utilization of provisions relating to similar situations.

Legal fees and litigation costs

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. 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 arise from lease contracts if the layout of the rented space is amended to equip it to meet specific business requirements. Provisions for restoration obligations are recognized if the related installations have to be removed at the end of the lease term and the rented property has to be returned to its original condition.

Tax-related provisions

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

Miscellaneous other provisions

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

The terms to maturity of the other provisions as of December 31, 2020 are presented in the following table:

Other provisions by their terms to maturity

in € thousand (prior year figures in brackets)

	31.12.2020	<1 year	1–5 years	>5 years
Employee-based provisions	59,640 (57,536)	48,442 (48,890)	9,943 (7,447)	1,255 (1,199)
Onerous contracts	9,821 (2,683)	9,821 (2,683)	0 (0)	0 (0)
Provision for restructuring	772 (1,549)	0 (0)	772 (1,549)	0 (0)
Warranty provisions	7,506 (2,243)	7,294 (2,243)	212 (0)	0 (0)
Restoration obligations	2,979 (2,748)	1,827 (382)	566 (1,739)	586 (627)
Legal fees and litigation costs	2,729 (1,201)	2,729 (1,201)	0 (0)	0 (0)
Tax-related provisions	918 (820)	778 (820)	140 (0)	0 (0)
Miscellaneous other provisions	3,180 (4,433)	3,179 (4,388)	1 (45)	0 (0)
Total as at 31.12.2020	**87,545 (73,213)**	**74,070 (60,607)**	**11,634 (10,780)**	**1,841 (1,826)**

21 Trade payables

This line item comprises:

Analysis of trade payables

in € thousand	31.12.2020	31.12.2019
Trade payables due to third parties	982,722	971,048
Trade payable due to other non-consolidated affiliated entities and joint ventures	639	2,660
Trade payable due to the M+W Group GmbH Group	278	7,799
Total	**983,639**	**981,507**

22 Other financial liabilities

The other financial liabilities are made up as follows:

Analysis of the other financial liabilities

in € thousand	31.12.2020	31.12.2019
Liabilities deriving from the limited partner's share for a non-group shareholder	1,334	1,307
Miscellaneous other non-current financial liabilities	242	0
Other financial liabilities (non-current)	**1,576**	**1,307**
Derivative financial instruments	1,703	912
Financial liabilities due to the M+W Group GmbH Group	13	3,964
Miscellaneous other current financial liabilities	1,155	8,332
Other financial liabilities (current)	**2,871**	**13,208**

An amount of €5,861 thousand that formed part of the figure disclosed under other current financial liabilities in the previous year was reclassified to other provisions in the financial year 2020.

23 Miscellaneous liabilities

Miscellaneous liabilities are made up of the following items:

Analysis of the miscellaneous liabilities

in € thousand	31.12.2020	31.12.2019
Liabilities for social security contributions (non-current)	1,524	0
Miscellaneous liabilities (non-current)	**1,524**	**0**
VAT payable	23,543	16,476
Obligations to employees for vacation time not yet taken	11,799	10,276
Liabilities for other taxes (particularly wage tax)	7,579	5,763
Liabilities for social security contributions (current)	5,581	4,026
Other liabilities to employees (particularly deriving from wages and salaries)	4,351	2,423
Obligations to employees deriving from flex-time credits	2,116	1,861
Employers' liability insurance association	687	506
Deferred income	0	476
Other miscellaneous current liabilities	36	0
Miscellaneous liabilities (current)	**55,692**	**41,807**

The non-current liabilities for social security contributions reported as at December 31, 2020 derive from US group companies. The companies were granted an extended period for the payment of social security contributions in connection with government COVID-19 support measures, such that these only become due after twelve months.

24 Additional disclosures concerning financial instruments

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

Carrying amounts and fair values analyzed by classes and measurement categories

in € thousand

31.12.2020	Category	Carrying amount	Fair value
Financial assets, by class			
Trade receivables	AC	360,835	[1]
Other non-current financial assets	AC	713	[1]
Other current financial assets	AC	24,682	[1]
Cash and cash equivalents	AC	683,150	[1]
Foreign currency derivatives without a hedging relationship	FVTPL	877	877
Foreign currency derivatives with a hedging relationship	n.a.	363	363
Total		**1,070,620**	

31.12.2020	Category	Carrying amount	Fair value
Financial liabilities, by class			
Lease liabilities	n.a.	64,917	n.a.
Trade payables	AC	983,639	[1]
Other non-current financial liabilities	AC	1,576	[1]
Other current financial liabilities	AC	1,168	[1]
Foreign currency derivatives without a hedging relationship	FVTPL	1,580	1,580
Foreign currency derivatives with a hedging relationship	n.a.	123	123
Total		**1,053,003**	

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

Carrying amounts and fair values analyzed by classes and measurement categories

in € thousand

31.12.2019	Category	Carrying amount	Fair value
Financial assets, by class			
Trade receivables	AC	391,918	[1]
Other non-current financial assets	AC	231	[1]
Other current financial assets	AC	214,637	[1]
Cash and cash equivalents	AC	769,406	[1]
Foreign currency derivatives without a hedging relationship	FVTPL	1,549	1,549
Total		**1,377,741**	

31.12.2019	Category	Carrying amount	Fair value
Financial liabilities, by class			
Lease liabilities	n.a.	55,223	n.a.
Trade payables	AC	981,507	[1]
Other non-current financial liabilities	AC	1,307	[1]
Other current financial liabilities	AC	12,296	[1]
Foreign currency derivatives without a hedging relationship	FVTPL	906	906
Foreign currency derivatives with a hedging relationship	n.a.	6	6
Total		**1,051,245**	

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

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 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 derived from 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.

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 future cash outflows deriving from the settlement of financial liabilities at the time of their maturity, as well as their corresponding recognized net carrying amounts.

Contractually agreed interest and principal payments as at 31.12.2020

in € thousand

	2021	2022–2025	After 2025	Gross amount	Net carrying amount
Lease liabilities	17,512	32,887	17,489	67,888	64,917
Trade payables	983,639	0	0	983,639	983,639
Other non-current financial liabilities	0	242	1,334	1,576	1,576
Other current financial liabilities	1,168	0	0	1,168	1,168
Derivative financial instruments	1,703	0	0	1,703	1,703
Total	**1,004,022**	**33,129**	**18,823**	**1,055,974**	**1,053,003**

Contractually agreed interest and principal payments as at 31.12.2019

in € thousand

	2020	2021–2024	After 2024	Gross amount	Net carrying amount
Lease liabilities	14,301	27,424	16,038	57,763	55,223
Trade payables	981,507	0	0	981,507	981,507
Other non-current financial liabilities	0	0	1,307	1,307	1,307
Other current financial liabilities	12,296	0	0	12,296	12,296
Derivative financial instruments	912	0	0	912	912
Total	1,009,016	27,424	17,345	1,053,785	1,051,245

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

Net gains and losses – 2020

in € thousand

	Subsequent measurement					
	Interest	Foreign currency conversion	Fair value	Increase in allowance for impairment	Reversals of allowances for impairment	Net impact
Financial assets measured at amortized cost	3,956	16,551		–4,999	3,213	18,721
Financial liabilities measured at amortized cost	–1,042	–1,078				–2,120
Financial assets and liabilities measured at fair value through profit or loss			–2,099			–2,099
Total	**2,914**	**15,473**	**–2,099**	**–4,999**	**3,213**	**14,502**

Net gains and losses – 2019

in € thousand

	Subsequent measurement					
	Interest	Foreign currency conversion	Fair value	Increase in allowance for impairment	Reversals of allowances for impairment	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**

Hedging policies and risks

Exyte is exposed to financial risks – particularly deriving from foreign currency exchange 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 management is responsible for the set-up of, and the control over, Exyte's risk management system and has issued relevant guidelines in this connection. 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 management.

Foreign currency exchange risks

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

Forward exchange deals are contracted to hedge these foreign currency exchange rate risks (refer also to the section "Derivative financial instruments"). Such transactions are used to compensate exchange rate fluctuations in operational business payment flows that are designated in foreign currencies.

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. No interest rate hedges were contracted by Exyte during the financial year or during the previous year.

Default risks

The default risk deriving from financial assets consists of the danger of a loss because contractual partners do not fulfil their payment obligations or only partly fulfil them. Any risks are limited to the respective carrying amounts of the financial assets (refer to Notes 14 and 15). This type of risk is mainly associated with trade receivables, contract assets, as well as other financial assets.

As part of the client credit management process, information on creditworthiness is obtained from commercial information service providers to evaluate new clients. Many existing regular clients 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 client base of mutually unrelated clients.

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 directly and with first-class banks. 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.

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 measures used by Exyte for central liquidity management purposes include cash-pooling arrangements, intra-group loans, and, in particular, advance payment agreements with clients in connection with long-term construction contracts (refer also to the following section "Capital management").

Capital management

The primary objectives of capital management processes are to support operating activities, ensure an appropriate equity ratio, and increase the value of the business.

Exyte works with numerous subcontractors and suppliers to carry out successful business activities, which include planning, construction, and project management. Consequently, because of its business model, working capital is of particular importance to Exyte. The objective of the executive management is to continue to finance the business activities without reliance on banks. The aim is to achieve significant upfront financing of projects by both clients and suppliers, while at the same time, operating strict receivables management processes. On the basis of this active management of payment conditions for projects, the intention is to ensure at least a moderate level of negative working capital at all times.

The capital management processes are also operated with the objective of ensuring that the business activities of all the Exyte companies can continue as going concerns. The overall capital management strategy did not change during the financial 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 party with respect to all outstanding transactions in the same currency for each individual day are combined to give a net amount that is to be paid by one party to the other. In certain cases – if, for example, a credit event such as delayed payment occurs – all outstanding transactions that fall under the terms of the agreement are terminated, the outstanding amount at the termination date is calculated and a net payment is required to settle the transaction. These framework agreements do not fulfil the requirements that are necessary to allow the offsetting 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 €603 thousand at Group level as of December 31, 2020 (December 31, 2019: €117 thousand).

In the current financial year, no forward exchange transactions met the netting criteria. In the previous year, two forward exchange contracts with a positive market value of €285 thousand and a negative market value of €267 thousand were netted. Consequently, the netting effect was €267 thousand. The net market value reported as an asset was €18 thousand.

Derivative financial instruments

Forward exchange contracts are used to hedge currency risks, which constitute the primary financial risk for Exyte.

Forward exchange contracts for which hedge accounting does not apply
Within the Group, intercompany loans designated in foreign currencies exist, which are hedged by means of forward exchange contracts. These hedges do not constitute cash flow hedges and are contracted for a term that corresponds to the risk position deriving from hedged transactions. These terms are usually between one month and twelve months.

Forward exchange contracts for which hedge accounting does apply
Depending on an assessment of the market situation, Exyte hedges both planned sales and planned cost of sales designated in foreign currencies on a net basis, using forward exchange contracts, normally for periods of up to 24 months. In this manner, future cash flows deriving from projects are hedged by deploying these instruments (cash flow hedges). The recognized market value of the forward exchange contracts varies depending on the nominal value of the underlying hedged transaction and the development of the respective foreign exchange rate. Due to a continuously rolling strategy, only minimal ineffectiveness occurs as a consequence of credit value adjustments in the fair values of the forward exchange contracts.

The following positive fair values deriving from derivative financial instruments are disclosed under the reporting line "Other current financial receivables."

Derivative financial assets

in € thousand

	31.12.2020	31.12.2019
Hedging transactions covering foreign exchange risks:		
Forward exchange contracts (cash flow hedges)	363	0
Forward exchange contracts for which hedge accounting does not apply	877	1,549
Total	**1,240**	**1,549**

The following negative fair values deriving from derivative financial instruments are disclosed under the reporting line "Other current financial liabilities."

Derivative financial liabilities

in € thousand

	31.12.2020	31.12.2019
Hedging transactions covering foreign exchange risks:		
Forward exchange contracts (cash flow hedges)	123	6
Forward exchange contracts for which hedge accounting does not apply	1,580	906
Total	**1,703**	**912**

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 not hedged, as they do not affect the cash flows within the scope of the consolidation.

The nominal amounts of the forward exchange deals contracted by Group entities, as at the respective year-end reporting dates, are shown in the following table:

Nominal amounts of forward exchange contracts

in € thousand

	31.12.2020	31.12.2019
EUR/SGD	101,987	123,182
ILS/EUR	27,430	18
SGD/MYR	15,563	16,709
CNY/SGD	15,395	15,411
DKK/EUR	14,104	80,115
EUR/USD	13,826	420
GBP/EUR	2,842	9,589
EUR/PLN	1,458	0
CZK/EUR	899	943
USD/CNY	821	0
SGD/USD	407	0

The agreements serve the purpose of hedging the main currency risks and are renewed as required. As of December 31, 2020, the derivative financial instruments held by Exyte had a maximum term of twelve months (December 31, 2019: six months).

If the US dollar exchange rate had changed by +10% as of December 31, 2020, consolidated earnings before tax and the fair value of the hedging transactions without a hedging relationship would have been €268 thousand higher; in contrast they would have been €327 thousand lower if the exchange rate had changed by –10%. As of December 31, 2019, no earnings effects derived from US dollar exchange rate changes relating to hedging deals without a hedging relationship, as no hedging deals besides cash flow hedges with a US dollar component had been contracted.

If the SG dollar exchange rate had changed by +10% as of December 31, 2020, consolidated earnings before tax and the fair value of the hedging transactions without a hedging relationship would have been €9,031 thousand lower (2019: €11,331 thousand lower), whereas they would have been €11,016 thousand higher (2019: €13,849 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

	2020	2019
Nominal amount	13,869	420
Carrying amount of the hedging instruments	240	–6
Other current financial assets	363	0
Other current financial liabilities	123	6
Measurement impacts recognized in other comprehensive income	142	23
Amount of the ineffective portion of the hedge recognized in profit or loss	0	0
Reporting line in the statement of comprehensive income in which the ineffective portion of the hedge is recognized	Net income from financing activities	Net income from financing activities
Amount reclassified from accumulated other comprehensive income to profit or loss	16	36
Reporting lines in the statement of comprehensive income in which the ineffective portion of the hedge is recognized	Sales Cost of sales	Sales

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

Hedging instruments held that are designated as cash flow hedges

	2020	2019
Forward exchange transactions (cash flow hedges)		
Net exposure (in € thousand)	13,869	420
Average forward rate EUR/USD	1.18793	1.13259
Average forward rate EUR/SGD	1.57700	n.a.
Average forward rate EUR/PLN	4.55970	n.a.

The hedging instruments are offset by hedged items that are not recognized for accounting purposes, representing highly probable sales and procurement transactions, designated in foreign currencies.

The fair values of derivatives used as hedging instruments in cash flow hedges and the amount recognized in equity would have been €485 thousand higher (2019: €39 thousand higher) in the event of a change in the US dollar exchange rate of +10%; in contrast, the corresponding figures would have been €593 thousand lower (2019: €47 thousand lower) in the event of a change in exchange rate of –10%.

The fair values of derivatives used as hedging instruments in cash flow hedges and the amount recognized in equity would have been €147 thousand higher in the event of a change in the SG dollar exchange rate of +10%; in contrast, the corresponding figures would have been €179 thousand lower in the event of a change in exchange rate of –10%. As of December 31, 2019, there were no SGD-related cash flow hedges.

At the year-end reporting date, the carrying amounts of the financial assets and financial liabilities of the Group that are designated in foreign currencies are presented in the following two tables:

Financial assets

in € thousand

	31.12.2020	31.12.2019
USD	63,484	73,853
GBP	29,207	10,351
PLN	13,172	4,443
SGD	5,884	20,992
CHF	5,786	4,169
AUD	1,650	1,925
DKK	786	77,246
ILS	0	4,009

Financial liabilities

in € thousand

	31.12.2020	31.12.2019
USD	46,346	57,219
DKK	17,041	68,075
GBP	7,681	3,331
PLN	4,707	21,455
CHF	3,061	2,816
AED	2,264	1,912
SGD	730	1,875

In the majority of cases, projects and client 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 waived.

If the euro had been revalued upwards against the US dollar by 10% at December 31, 2020, consolidated earnings before tax would have been €1,558 thousand (December 31, 2019: €1,512 thousand) lower. In the case of a devaluation by 10%, the figure would have been €1,904 thousand (December 31, 2019: €1,848 thousand) higher.

If the euro had been revalued upwards against the SG dollar by 10% at December 31, 2020, consolidated earnings before tax would have been €469 thousand (December 31, 2019: €1,738 thousand) lower. In the case of a devaluation by 10%, the figure would have been €573 thousand (December 31, 2019: €2,124 thousand) higher.

25 Reconciliation of the financial liabilities

Reconciliation of the change in financial liabilities to the cash flow from financing activities – financial year 2020

in € thousand

	Lease liabilities	Liabilities deriving from the limited partner's share for a non-group shareholder	Other current financial liabilities due to the M+W Group GmbH Group	Total
Carrying amounts at 1.1.2020	**55,223**	**1,307**	**3,964**	**60,494**
Payments for the redemption of financial liabilities	0	0	–916	–916
Payments for the redemption of lease liabilities	–17,918	0	0	–17,918
Change in the cash flow from financing activities	**–17,918**	**0**	**–916**	**–18,834**
Increase due to changes in the scope of the consolidation	2,381	0	0	2,381
Increase in lease liabilities from new contracts	26,715	0	0	26,715
Impact deriving from contract amendments	249	0	0	249
Changes in liabilities that were not cash-effective	0	27	–3,035	–3,008
Impact of changes in currency exchange rates	–1,733	0	0	–1,733
Carrying amounts at 31.12.2020	**64,917**	**1,334**	**13**	**66,264**

Reconciliation of the change in financial liabilities to the cash flow from financing activities – financial year 2019

in € thousand

	Bank borrowings	Lease liabilities	Liabilities deriving from the limited partner's share for a non-group shareholder	Other current financial liabilities due to the M+W Group GmbH Group	Total
Carrying amounts at 1.1.2019	**78,120**	**54,014**	**1,268**	**57,394**	**190,796**
Proceeds from the increase of financial liabilities	0	0	0	116	116
Payments for the redemption of financial liabilities	–80,036	0	0	–53,490	–133,526
Payments for the redemption of lease liabilities	0	–12,659	0	0	–12,659
Change in the cash flow from financing activities	**–80,036**	**–12,659**	**0**	**–53,374**	**–146,069**
Increase in lease liabilities from new contracts	0	13,665	0	0	13,665
Changes in liabilities that were not cash-effective	0	0	39	0	39
Impact of changes in currency exchange rates	1,916	203	0	–56	2,063
Carrying amounts at 31.12.2019	**0**	**55,223**	**1,307**	**3,964**	**60,494**

26 Comments on the consolidated statement of cash flows

The cash and cash equivalents disclosed in the statement of cash flows correspond to the cash and cash equivalents disclosed in the statement of financial position.

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 the consolidated net profit as the starting point, the cash flow from operating activities is derived indirectly. The consolidated net profit is adjusted for non-cash expenses and income. These adjustments mainly comprise amortization and depreciation charges, effects deriving from movements in currency exchange rates, non-cash effects deriving from income tax and interest, as well as changes in impairment losses. After taking into account other changes in the statement of financial position, the cash flow from operating activities is determined. Due to the nature of Exyte's business activities, changes in working capital are particularly important in this connection. These include changes in inventories and advance payments made, trade receivables and payables (also including balances with non-consolidated affiliated companies and joint ventures), as well as changes in contract assets and contract liabilities.

In the financial year 2020, the cash flow from operating activities amounted to €260,354 thousand (2019: €70,485 thousand).

The cash flow from investing activities particularly includes cash inflows and outflows deriving from the disposal of, or investment in, consolidated entities, intangible assets, and property, plant and equipment.

The cash flow from financing activities mainly includes cash effects deriving from distributions made to the sole shareholder, the repayment of lease liabilities and other financial liabilities, as well as those deriving from financial transactions with the M+W Group GmbH Group.

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.

27 Contingent liabilities

Contingent liabilities

in € thousand

	31.12.2020	31.12.2019
Contingent liabilities of the Exyte Group, deriving from guarantees and sureties	256,835	183,680
Joint liability for guarantee lines of the M+W Group GmbH Group	0	156,806
Total	**256,835**	**340,486**

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.

28 Other financial commitments

Financial commitments deriving from rental and leasing agreements are made up as follows:

Other financial commitments as at 31.12.2020

in € thousand

	<1 year	1–5 years	>5 years	Total
Short-term leases	2,996	0	0	2,996
Leases for assets of low value	432	123	84	639
Total	**3,428**	**123**	**84**	**3,635**

Other financial commitments as at 31.12.2019

in € thousand

	<1 year	1–5 years	>5 years	Total
Short-term leases	982	0	0	982
Leases for assets of low value	236	93	0	329
Total	**1,218**	**93**	**0**	**1,311**

29 Related party disclosures

Related parties are entities or natural persons that control, or are controlled by, Exyte. Control is exercised if an entity or natural person has decision-making powers over another company, 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, entities or natural persons 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. This definition encompasses close members of their families.

The parent company of Exyte GmbH is M+W Group GmbH, Stuttgart, the sole shareholder of which is ANDORRA Immobilien GmbH, Vienna, Austria. The parent company of ANDORRA Immobilien GmbH is Stumpf GmbH, Vienna, Austria. The sole shareholder of Stumpf GmbH is Millennium Privatstiftung, Vienna, Austria, so that this latter company is also the ultimate parent company of Exyte GmbH. The sole beneficiary of the Millennium Privatstiftung is Mag. Georg Stumpf, Vienna, Austria.

All business relationships with related parties are transacted at normal market conditions.

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), which resulted in the following effects:

Transactions with the M+W Group GmbH Group

in € thousand

	2020	2019
Goods delivered and services rendered and other income	5,837	10,075
Goods and services received and other expenses	–35,447	–37,497
Equity transactions in connection with acquisitions	–54,100	0

Exyte's receivables and liabilities deriving from relationships with the M+W Group GmbH Group were as follows:

Receivables and liabilities with the M+W Group GmbH Group

in € thousand

	31.12.2020	31.12.2019
Receivables	7,115	196,834
Thereof: receivables deriving from financing	2,966	184,765
Thereof: trade receivables	4,149	12,069
Liabilities	291	11,763
Thereof: liabilities deriving from financing	13	3,964
Thereof: trade payables	278	7,799

Loss allowances of –€32 thousand (2019: –€457 thousand) were set up for financial receivables. Loss allowances set up for trade receivables amounted to –€103 thousand (2019: –€40 thousand).

The financial liabilities and receivables are current in nature; the agreed interest rates are revised at regular intervals, depending on respective EURIBOR/LIBOR/SIBOR developments.

Exyte GmbH's joint liability or existing credit lines extended to the M+W Group GmbH Group of the prior year was revoked in the current financial year (2019: €156,806 thousand).

Relationships to other related parties

The income and expenses deriving from relationships with other related parties are shown below:

Income and expenses deriving from relationships with other related parties

in € thousand

	2020	2019
Stumpf Development GmbH, Vienna, Austria		
Expenses incurred for planning services rendered	–24	–1,026
ANDORRA Immobilien GmbH, Vienna, Austria		
Other operating expenses	–27	–39

The receivables and liabilities of Exyte with other related parties are shown below:

Liabilities deriving from relationships with other related parties

in € thousand

	31.12.2020	31.12.2019
ANDORRA Immobilien GmbH, Vienna, Austria		
Liabilities deriving from the limited partnership share interest	1,334	1,307

Stumpf Development GmbH, Vienna, Austria, and ANDORRA Immobilien GmbH, Vienna, Austria, are part of a group of companies under the control of Millennium Privatstiftung, Vienna, Austria.

Relationships to non-consolidated subsidiary companies and joint ventures

The following income and expenses deriving from transactions non-consolidated subsidiaries and joint ventures were incurred in the current financial year:

Expenses and income deriving from relationships with non-consolidated subsidiaries and joint ventures

in € thousand

	2020	2019
Sales	1	80
Other operating income	159	669
Interest income	85	54
Cost of sales	–3,801	–7,003
Selling costs	–101	–23
Administration costs	–1,392	–4,900
Write-downs of financial assets	0	–2,618
Other operating expenses	–4,445	–2

At the reporting date, the following receivables and liabilities of Exyte relating to non-consolidated subsidiary companies and joint ventures existed:

Receivables and liabilities deriving from relationships with non-consolidated subsidiary companies and joint ventures

in € thousand

	31.12.2020	31.12.2019
Financial receivables	6,062	10,071
Trade receivables	9	111
Trade payables	639	2,660

Loss allowances of –€4,162 thousand (2019: €0 thousand) were set up for financial receivables. As was the case in the previous year, no loss allowances exist for trade receivables.

Supervisory Board and executive management

Remuneration granted to the members of the Supervisory Board amounted in total to €429 thousand in the financial year (2019: €493 thousand). Total remuneration granted to the executive management for the financial year amounts to €7,394 thousand (2019: €4,162 thousand). This amount is split into fixed remuneration of €2,603 thousand (2019: €2,363 thousand) and variable remuneration of €3,516 thousand (2019: €1,799 thousand), as well as severance-related benefits of €1,275 thousand (2019: €0 thousand).

30 Segment information

General information

The business is monitored by the executive management, made up of the CEO, CFO, and the COO, who together act as Exyte's "Chief Operating Decision Makers" (CODM). Exyte's business activities are managed at the level of the four operational segments: Europe, Middle East and Africa (EMEA), Americas (AMER), Asia-Pacific (APAC), and Technology (TECH). These are the reportable segments.

In addition to this, the business activities of the Group are reported to the executive management based on business segments: Advanced Technology Facilities (ATF), Biopharma & Life Sciences (BLS), Data Centers (DTC), and Regional Specific Business (RSB). The first three segments – ATF, BLS, 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 management reviews the results of the 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 management 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.

Due to changes made the management and reporting structure as of January 1, 2020, Exyte Hargreaves Ltd. has been assigned to the TECH segment; up until December 31, 2019, this company was part of the EMEA segment. The previous year's comparative figures have been adjusted.

Segment financial information

Regional segments

For regional segments a complete income statement is available. Sales, gross profit, and adjusted earnings before interest and tax ("adjusted EBIT") are the main control parameters of the income statement.

Adjusted EBIT is defined as the result from operating activities (earnings before interest and tax; EBIT) adjusted for income or expenses deriving from non-recurring effects. Adjusted EBIT is used to determine profitability excluding non-recurring positive or negative effects, thus ensuring comparability between different reporting periods.

The following table shows a reconciliation of the result from operating activities (EBIT) to adjusted EBIT:

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

in € thousand

	2020	2019
Result from operations (EBIT)	**195,313**	**212,661**
Adjustments for expenses deriving from allowances set up against receivables from Exyte Group companies that are not included in the consolidation	4,162	182
Adjustments due to restructuring measures	3,435	4,669
Adjustments relating to COVID-19	2,873	0
Adjustments due to site relocations	0	2,394
Adjustments due to other non-recurring items	7,117	3,079
Adjusted EBIT	**212,900**	**222,985**

The EBIT adjustments made in the reporting periods presented above include the following items:

- Expenses deriving from loss allowances set up in respect of receivables from non-consolidated Exyte Group companies;
- Restructuring costs in connection with the closure of sites, branches, or companies, as well as with adjustments to capacities within the context of optimization programs;
- Expenses and income that relate to the COVID-19 pandemic, such as costs for medical supplies, additional accommodation costs to comply with quarantine regulations, costs for the continued payment of salaries when projects come to a standstill, and income deriving from reimbursement of these costs due to government support programs, especially in the Asian region;
- Site relocation costs such as start-up costs or other costs associated with relocation;
- Other adjustments concerning expenses or income deriving from other non-recurring items (e.g., from severance payments, one-off IT costs, legal and consulting costs, or other expenses).

Consolidation effects result primarily from the elimination of intra-group sales and costs across segments and from consolidation measures across segments that have an impact on profit or loss.

Certain costs relating to the Group's central functions have been allocated to the regional segments; other costs remain as costs attributable to the Group's headquarters. The latter costs are presented in the following reconciliations as "Unallocated amounts."

Business segments

The main control parameters used by the executive management to measure business development and profitability of the business segments are sales and gross profit. The executive management is of the opinion that these parameters include the relevant information for assessing the results of the business segments.

In cases where expenses and income cannot be allocated to a project, no allocation to business segments was made. Such items are shown in the following reconciliations as "Unallocated amounts" or "Consolidation adjustments."

Key figures and ratios of the regional segments for 2020

in € thousand

2020	EMEA	AMER	APAC	TECH	Total regional segments	Un-allocated amounts	Consoli-dation ad-justments	Exyte
External sales of the regional segments	2,412,497	477,984	1,060,308	115,906	4,066,695			
Sales between regional segments	4,150	4,953	1,567	46,444	57,114			
Regional segment sales	**2,416,647**	**482,937**	**1,061,875**	**162,350**	**4,123,809**		**−57,272**	**4,066,537**
Cost of sales	2,297,084	−456,052	−911,887	−141,026	3,806,049		56,880	3,749,169
Gross profit	119,563	26,885	149,988	21,324	317,760		−392	317,368
Gross profit margin as a percentage of sales	4.9%	5.6%	14.1%	13.1%	7.7%			7.8%
EBIT	79,374	9,877	125,902	14,034	229,187	−31,631	−2,243	195,313
EBIT as a percentage of sales	3.3%	2.0%	11.9%	8.6%	5.6%			4.8%
Adjusted EBIT	84,822	11,756	128,739	14,327	239,644	−24,501	−2,243	212,900
Adjusted EBIT as a percentage of sales	3.5%	2.4%	12.1%	8.8%	5.8%			5.2%

Key figures and ratios of the business segments for 2020

in € thousand

2020	ATF	BLS	DTC	RSB	Total business segments	Un-allocated amounts	Consoli-dation ad-justments	Exyte
Sales of the business segments	**3,533,766**	**221,271**	**224,414**	**87,086**	**4,066,537**			**4,066,537**
Thereof: EMEA	2,074,873	97,242	205,938	38,594	2,416,647			
Thereof: AMER	433,346	46,725	0	2,866	482,937			
Thereof: APAC	962,166	76,721	18,476	4,512	1,061,875			
Thereof: TECH	119,586	1,620	0	41,144	162,350			
Consolidation adjustments between regional segments	–56,205	–1,037	0	–30	–57,272			
Cost of sales	–3,259,821	–191,064	–203,983	–94,301	–3,749,169			–3,749,169
Gross profit	273,945	30,207	20,431	–7,215	317,368			317,368
Gross profit margin as a percentage of sales	7.8%	13.7%	9.1%	–8.3%	7.8%			7.8%

Key figures and ratios of the regional segments for 2019

in € thousand

2019	EMEA	AMER	APAC	TECH	Total regional segments	Un-allocated amounts	Consoli-dation ad-justments	Exyte
External sales of the regional segments	1,380,585	525,631	1,884,669	100,014	3,890,899			
Sales between regional segments	2,155	5,704	1,790	32,556	42,205			
Regional segment sales	**1,382,740**	**531,335**	**1,886,459**	**132,570**	**3,933,104**		**–43,937**	**3,889,167**
Cost of sales	1,324,235	–506,641	–1,650,629	–119,384	–3,600,889		43,379	–3,557,510
Gross profit	58,505	24,694	235,830	13,186	332,215		–558	331,657
Gross profit margin as a percentage of sales	4.2%	4.6%	12.5%	9.9%	8.4%			8.5%
EBIT	29,712	4,175	191,617	2,179	227,683	–15,429	407	212,661
EBIT as a percentage of sales	2.1%	0.8%	10.2%	1.6%	5.8%			5.5%
Adjusted EBIT	31,321	6,357	195,089	5,240	238,007	–15,429	407	222,985
Adjusted EBIT as a percentage of sales	2.3%	1.2%	10.3%	4.0%	6.0%			5.7%

Key figures and ratios of the business segments for 2019

in € thousand

2019	ATF	BLS	DTC	RSB	Total business segments	Un-allocated amounts	Consoli-dation ad-justments	Exyte
Sales of the business segments	**3,143,019**	**304,389**	**345,581**	**96,178**	**3,889,167**			**3,889,167**
Thereof: EMEA	1,012,329	90,888	241,384	38,139	1,382,740			
Thereof: AMER	354,820	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	32,047	132,570			
Consolidation adjustments between regional segments	–41,019	–2,172	–3	–743	–43,937			
Cost of sales	2,806,493	–287,607	–349,584	–94,155	3,537,839	–19,671		3,557,510
Gross profit	336,526	16,782	–4,003	2,023	351,328	–19,671		331,657
Gross profit margin as a percentage of sales	10.7%	5.5%	–1.2%	2.1%	9.0%			8.5%

Reconciliation to the earnings before tax

Reconciliation to the earnings before tax

in € thousand

	2020	2019
Total segment earnings (EBIT)	195,313	212,661
Net income from financing activities	14,360	–2,982
Consolidated earnings before tax (EBT)	**209,673**	**209,679**

Geographic information

The table presented below shows Exyte's sales, as well as its 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 delivering or executing entity and the segment assets are assigned based on the geographic location of the assets.

Goodwill has been exclusively assigned to Germany, as the country of residence of the parent company of the Group. The non-current assets do not include any financial instruments, deferred tax assets, or assets associated with employee benefits.

Sales by territory

in € thousand

	2020	2019
Ireland	1,815,386	938,908
Germany	494,936	305,049
Singapore	494,501	1,110,825
USA	477,984	525,631
China	353,941	423,962
Other	429,789	584,792
Total	**4,066,537**	**3,889,167**

Non-current assets by territory

in € thousand

	31.12.2020	31.12.2019
Germany	200,633	199,480
Singapore	12,583	15,110
USA	8,678	10,719
Other	33,484	24,063
Total	**255,378**	**249,372**

Important clients

In both the year reported and the previous year, sales with one client that is mainly attributable to the EMEA regional segment accounted for more than 10% of the Group's sales (2020: €1,828,051 thousand; 2019: €1,117,173 thousand).

Furthermore, in the previous year, more than 10% of the Group's sales was generated with a second client; this was mainly attributable to the APAC regional segment (2019: €990,201 thousand).

E. Supplementary Disclosures

Average number of employees

Average number of employees

	2020	2019
Industrial workers	1,270	1,772
Salaried employees	3,796	3,686
Trainees	24	32
Total	**5,090**	**5,490**

Cost of materials and personnel expenses

Cost of materials and personnel expenses

in € thousand

	2020	2019
Cost of materials	**–3,354,533**	**–3,155,475**
Cost of raw materials, consumables and supplies and purchased merchandise for resale	–629,746	–363,688
Cost of purchased services	–2,724,787	–2,791,787
Personnel expenses	**–412,567**	**–434,393**
Wages and salaries	–330,539	–348,973
Social security contributions, retirement and other support benefits	–82,028	–85,420

Please refer to Note 19 for disclosures concerning retirement benefit expenses.

Auditor's remuneration

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

Auditor's remuneration

in € thousand

	2020	2019
For audits of financial statements	615	553
Thereof: relating to prior years	66	203
For other assurance services	3,336	350
For tax advisory services	0	17
For other services	13	80
Total	**3,964**	**1,000**

Claims for relief from requirements to prepare and publish separate financial statements

Due to their inclusion in the consolidated financial statements of Exyte GmbH, the following fully consolidated German companies are waiving publication of their own annual financial statements:

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

Executive Management of Exyte GmbH

Dr. Wolfgang Büchele
Chief Executive Officer
Römerberg, Germany

Roberto Penno
Chief Operating Officer
London, United Kingdom

Peter Schönhofer
Chief Financial Officer
(from August 28, 2020 onwards)
Vienna, Austria

Margaret Lassarat
Chief Financial Officer
(from March 1, 2020 until August 27, 2020)
Dallas, Texas, USA

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

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

Supervisory Board of Exyte GmbH

Mag. Georg Stumpf
Chairman
Businessman
Vienna, Austria

Karl Ableidinger
Deputy Chairman
Managing Director of Stumpf Capital LP
Dubai, United Arab Emirates

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 Technology Investment Corp.
Taipei City, Taiwan

Stuttgart, May 10, 2021

The Executive Management

Dr. Wolfgang Büchele (CEO)

Peter Schönhofer (CFO)

Roberto Penno (COO)

List of Shareholdings of Exyte GmbH as of December 31, 2020

No.	Name of company	Registered office, country	Share of capital (%)	via
1.	**Exyte GmbH**	**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 Italy S.r.l.	Agrate Brianza, Italy	100	
2.2.4.	Exyte Japan Ltd.	Tokyo, Japan	100	
2.2.5.	Exyte Management GmbH	Stuttgart, Germany	100	
2.2.6.	Exyte Northern Europe Ltd.	Maynooth, Ireland	100	
2.2.7.	Exyte Rus, LLC	Moscow, Russia	99.9975/ 0.0025	2.2./ 2.2.1.
2.2.8.	Exyte Technology GmbH	Renningen, Germany	100	
2.2.8. Consolidated subsidiary companies of Exyte Technology GmbH				
2.2.8.1.	Exyte Technology CZ s.r.o.	Ústí nad Labem, Czech Republic	100	
2.2.8.2.	Exyte Technology Gebäude GmbH & Co. KG	Stuttgart, Germany	89.9	

No.	Name of 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, United Kingdom	100	
2.3.2.	Exyte Israel Projects Ltd.	Ness Ziona, 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	2.2.8.2.
3.6.	Exyte UK Ltd.	Chippenham, United Kingdom	100	2.2.
3.7.	M+W Zander NY Architects, P.C.	Plano, USA	0[1]	2.1.1.
3.8.	M+W Lotos Italy S.c.a.r.l.	Agrate Brianza, Italy	51	2.2.3.
3.9.	MW Services S.r.l.	Agrate Brianza, Italy	100	2.2.3.
3.10.	Nanjing Enviro-Chem Engineering Design Co., Ltd.	Nanjing, China	75	2.5.
3.11.	setus 51 GmbH	Stuttgart, Germany	100	1.
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 GmbH (until 23 September 2020: Exyte AG), Stuttgart

Opinions

We have audited the consolidated financial statements of Exyte GmbH (until 23 September 2020: Exyte AG), Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, 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 GmbH for the financial year from 1 January to 31 December 2020.

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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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 and/or the Supervisory Board are/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 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, 10 May 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Lucas	Bauer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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Disclaimer

This report contains forward-looking statements that 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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