Annual Report 2021

exyte.net

Annual Report 2021

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.

- Back to content page
- Jump back to previous page
- One page back
- One page forward

Figures at a Glance

Key figures

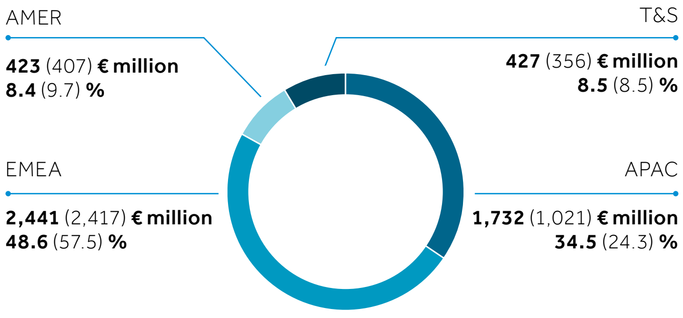
in € million

	1.1.–31.12.2021	1.1.–31.12.2020	Growth
Order intake	8,114	4,050	+100.4%
Sales	4,865	4,067	+19.6%
Gross profit	389	317	+22.7%
Gross profit margin in %	8.0	7.8	+0.2 PP
EBIT	258	195	+31.9%
EBIT margin in %	5.3	4.8	+0.5 PP
Adjusted EBIT[1]	263	213	+23.7%
Adjusted EBIT margin in %	5.4	5.2	+0.2 PP
Group net profit	217	168	+29.1%
Group net profit margin in %	4.5	4.1	+0.4 PP
Number of employees (full-time equivalents at the end of the period)	7,444	4,926	–
Cash flow from operating activities	630	260	–
Cash flow from investing activities	–185	–45	–
Free cash flow	445	215	–
	31.12.2021	**31.12.2020**	**Growth**
Order backlog	6,696	3,184	+110.3%
Net working capital	–972	–601	+61.7%
Net working capital in % of sales[2]	–20.0	–14.8	+61.7%
in € thousand			
Non-current assets	542,624	320,341	+69.4%
Current assets	2,364,425	1,436,436	+64.6%
Equity	447,818	201,848	–
Non-current liabilities	114,680	84,081	+36.4%
Current liabilities	2,344,551	1,470,848	+59.4%
Total assets/equity and liabilities	2,907,049	1,756,777	+65.5%

[1] 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, costs of restructuring measures, costs incurred due to site closures and relocations, effects on earnings from purchase price allocations 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 non-recurring positive or negative effects, thus ensuring comparability between different reporting periods.
[2] The percentage in the financial year 2021 is calculated based on the 2021 sales, which is €4,865 million. Full year 2020 sales: €4,067 million.

Sales by region 2021[1]

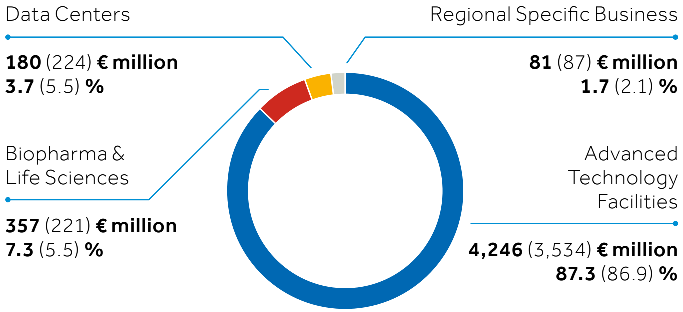
(previous year)



[1] Before consolidation of the regions.

Sales by business segment 2021

(previous year)



Foreword

Dear Ladies and Gentlemen,

We are looking back on a **remarkably successful financial year**. Despite the global challenges, we once again delivered outstanding results in our business segments and regions. Our key figures such as order intake, sales, adjusted EBITDA, and adjusted EBIT exceeded all projections.

We achieved the highest-ever order intake of €8.1 billion, doubling compared to prior-year level. Moreover, we once again could deliver an all-time high sales volume of €4.9 billion, an increase by almost 20% compared to 2020. Our profitability also capitalized on the sales growth with adjusted EBITDA rising by 23% to €294 million and adjusted EBIT rising by almost 25% year-on-year to €263 million, with an adjusted EBITDA margin of 6.0% and an adjusted EBIT margin of 5.4%. Our order backlog has more than doubled compared to the previous year, reaching €6.7 billion. With this, we are well positioned for further growth in 2022 and beyond.

Our record-breaking financial results in 2021 show that our **clear focus on industries driven by megatrends is paying off** – Exyte continues to benefit especially from growth markets such as semiconductors, biopharma and data centers, leading to constant, profitable growth. Moreover, through our strategy based on a "follow our customers" mindset, we are uniquely positioned to support our clients locally and globally and can be responsive and flexible as client investment decisions shift geographically.

"We achieved the highest-ever order intake of €8.1 billion, doubling compared to prior-year level."

Dr. Wolfgang Büchele
Chief Executive Officer

In 2021 we also took some actions that are designed to support our continued profitable growth and to further boost our profitability, such as our rigorous safety and compliance policies and the oneCOMPANY initiatives to streamline and standardize internal processes.

And of course, the dedication and commitment of our global workforce has been a key factor for our success in 2021. We are a people business and with their flexibility, hard work and creativity, our global workforce ensured the satisfactory delivery of all our client projects worldwide.

Looking at the future, we presume that global megatrends will further offer growth potential for our clients in the short, mid, and long term, in turn providing Exyte with significant business opportunities to deliver high-tech facilities. Consequently, **we expect the growth journey of Exyte to continue on a steep upward trajectory in 2022 and beyond.**

Therefore, the unprecedented results of 2021 only mark the beginning of a **next level of growth** in Exyte's story. With a clearly defined core business and distinct target countries, we are pursuing an ambitious growth objective: Exyte is on its "Pathway to Ten" and will reach a level of around €6.0 billion in sales in 2022 and a sales level of €10.0 billion by 2027.

To speed up our growth path, we are following a dedicated **future agenda for accelerated profitable growth and global impact** to sustainably benefit from the secular trends in our focus industries and take our company to the **next level of growth – Next Level Exyte.** The future agenda, which incorporates the already initiated "Strategy 2025," combines plans and initiatives in various areas:

We want to leverage our growth potential by strictly focusing on new market requirements – especially in the booming semiconductor production worldwide, the rising battery manufacturing – particularly in Europe – as well as individual pharmaceutical and biotech production focusing on both the European and the US market. Moreover, we aim at **strengthening our business development and expanding customer relationships –** with a focus on global and regional key accounts.

> "After record-breaking results in 2021 we can be very proud of what we have already achieved in the past years."

Dr. Wolfgang Büchele
Chief Executive Officer

We further plan to boost and expand our core business through acquisitions – with dedicated acquisition targets on the agenda and in preparation. And we are **expanding our global footprint but at the same time are becoming "One Global Company" –** by intensifying the harmonization of processes, structures and systems worldwide.

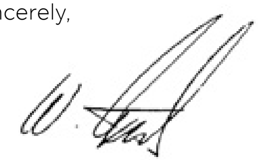
A key enabler for achieving our growth targets is attracting and developing new talented employees, so we are **pushing the global recruiting and personnel development initiatives across all segments to cope with demand dynamics –** after having increased staff by over 50% in 2021, another 1,500 to 2,000 hires are planned in 2022, aiming at 12,000–13,000 employees worldwide within the next 5 years. In addition to these recruitment initiatives, we are working on our employer branding strategy with the aim of becoming the employer of choice within our industry.

With our ambitious future agenda, we have set our sights high to achieve the **next level of our growth story –** as a globally integrated, high-performing company and employer of choice in all our business segments.

After record-breaking results in 2021 we can be very proud of what we have already achieved in the past years. Exyte is a world-leading player focusing on innovative solutions for industries driven by key technology. We are continuing to pursue an unprecedented growth path. I would therefore like to express my gratitude to our committed and motivated employees throughout the world and to our customers, who place the implementation of their facility projects in our hands in a spirit of trust.

We are looking forward to continuing our success story reaching next levels of growth together with our employees, customers, and business partners.

Sincerely,



Dr. Wolfgang Büchele

Group Management Report

About the Group

The Exyte Group ("Exyte") is 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. From the provision of initial consulting services to the design and implementation of turnkey solutions for the semiconductor and pharmaceutical industries as well as for data centers, Exyte offers a complete range of services for its clients in growth markets. With a presence in more than 20 countries, Exyte supports customers at both a local and global level.

Executive management

The executive management team of Exyte GmbH is made up of three Managing Directors.

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

Peter Schönhofer, Chief Financial Officer, oversees the Corporate Accounting, Corporate Treasury, Corporate Controlling, Corporate Legal & Insurance, Corporate IT, Corporate Tax, Corporate Procurement & Subcontracting, and Corporate Commercial Project Management departments.

Roberto Penno, Chief Operating Officer, has responsibility for the management of the APAC (Asia-Pacific), AMER (USA), and EMEA (Europe) regions and the T&S (Technology & Services) segment, the Regional Specific Business segment, as well as the corporate functions Corporate Engineering & Design, Corporate Project & Construction Management, Corporate Environment, Health & Safety (EHS), Corporate Quality Management, and Corporate Risk Management & Internal Controls.

Corporate structure

The scope of consolidation of Exyte comprised the following companies as of December 31, 2021:

Corporate structure

Exyte Group[1]

- Exyte GmbH
- Exyte Management GmbH

AMER

- Exyte Americas Holding, Inc.
- Exyte U.S., Inc.

EMEA

- 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.
- Blitz S18-226 GmbH

APAC

- Exyte Asia-Pacific Holding Ltd.
- Exyte Singapore Pte. Ltd.
- Exyte Malaysia Sdn. Bhd.
- Exyte Vietnam Co., Ltd.
- Exyte Shanghai Co., Ltd. (Project business)
- Exyte Trading Shanghai Co., Ltd.
- Exyte Trading (Singapore) Pte. Ltd.
- Exyte Taiwan Co., Ltd.
- Delicatessen Engineering Services Pvt. Ltd.

T&S

- Exyte Technology GmbH
- Exyte Technology CZ s.r.o.
- Exyte Technology Shanghai Co., Ltd.
- Exyte Hargreaves Ltd.
- Exyte Services (Singapore) Pte. Ltd.
- Exyte Services (Malaysia) Sdn. Bhd.
- Exyte Shanghai Co., Ltd. (Services business)
- Total Facility Solutions, Inc.
- CPS Holdco, LLC
- CPS Intermediate, LLC
- CPS Buyer, LLC
- Critical Process Systems Group, Inc.
- BioPharm Engineered Systems, LLC
- CPS Process Solutions, LLC
- Diversified Fluid Solutions, LLC
- ENGVT, LLC
- Fab-Tech, Inc.
- Pure Guard, LLC
- NEHP, Inc.
- NEHP Worldwide, LLC
- CPS Intermediate II. LLC
- CPS Buyer Holdco II, LLC
- CPS Buyer II, LLC
- Nuance Systems, LLC

[1] Exyte is part of the Stumpf Group.

Exyte manages its business primarily by regions, which also correspond to reportable segments. Alongside the three regions of AMER, EMEA, and APAC, the business area T&S is also a reportable segment.

With effect from January 1, 2021, Exyte has combined its cleanroom technology and installation services business activities 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 line with this, the previous business area TECH ("Exyte Technology") has been expanded to include the service companies of the Exyte Group, which had been categorized under the regional segments until December 31, 2020, as part of the T&S business area. With the adjustment of the management and reporting structure, the structure of the reportable segments also changed from January 1, 2021 – from AMER, EMEA, APAC, and TECH to AMER, EMEA, APAC, and T&S. The company Total Facility Solutions, Inc., which had been classified in the AMER segment, as well as the companies Exyte Services (Singapore) Pte. Ltd., Exyte Services (Malaysia) Sdn. Bhd., and the service business of Exyte Shanghai Co., Ltd., which had been classified in the APAC segment until December 31, 2020, were classified to the T&S segment from January 1, 2021. The previous year figures have been adjusted for comparative purposes.

In addition, there were the following changes to the company structure in the 2021 financial year:

- Acquisition of Blitz S18-226 GmbH (parent company of Delicatessen Engineering Services Pvt. Ltd. headquartered in India) by the Exyte entity setus 51. GmbH from M+W Group GmbH (transaction under common control). setus 51. GmbH (not consolidated in previous periods) was merged into Exyte GmbH in the 2021 financial year. Blitz S18-226 GmbH is classified under the EMEA segment, and Delicatessen Engineering Services Pvt. Ltd. in the APAC segment.

- Acquisition of the Critical Process Systems Group ("CPS Group") by Exyte Americas Holding, Inc. The CPS Group is a group of manufacturing and engineering companies that offer innovative product solutions for customers in the semiconductor, biopharma and life sciences, gas system, and wastewater industries. The CPS Group comprises 16 companies, of which seven are operational companies and nine are holding companies or intermediate holding companies. The companies of the CPS Group are part of the T&S segment.

- Liquidation of Exyte Japan Ltd.; classified to the APAC segment until its liquidation.

- Discontinuation of Exyte Technology Gebäude GmbH & Co. KG through accretion to Exyte Technology GmbH; the company had been classified to the T&S segment until its accretion.

Business segments

In addition to the reportable segments APAC, AMER, EMEA, and T&S, Exyte manages its business through the three strategic business segments of Advanced Technology Facilities (ATF), Biopharma & Life Sciences (BLS), and Data Centers (DTC). Exyte thus manages its business in a matrix. 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 implementation solutions (Design & Build). In addition to this, Exyte offers mechanical, electrical, and process services (MEP), provides cleanroom technology as well as necessary gas and chemical dosing systems, and carries out the installation (Tool Install) of process equipment for semiconductor manufacturing. Exyte acquires its incoming orders within its global and regional client base – largely organizations with which Exyte has worked together for many years. The close relationships with such key clients also gives Exyte a deep insight into their respective future projects.

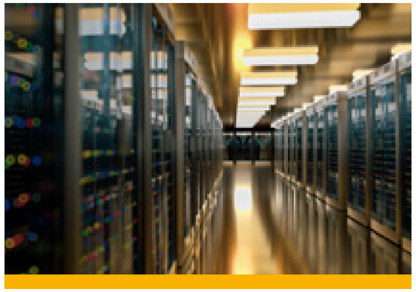
Biopharma & Life Sciences (BLS): In this segment, Exyte has concentrated its activities on consulting services as well as on the planning, engineering, commissioning, and qualification of biopharma and life science facilities that conform to industry-specific and regulatory requirements. With its more than 20 years of experience, Exyte can also demonstrate wide-ranging specialist and process engineering expertise in this business segment. BLS benefits from orders from global clients with

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

whom Exyte has worked in cooperation for many years. Exyte is convinced that its good relationships with its global clients as part of its global account management will act as a driver for the further growth of BLS business in all regions. The local presence of Exyte in many countries also makes it possible to build a close relationship with strategic regional customers.

Data Centers (DTC): In the DTC business segment, the focus is on building energy-efficient computing centers for cloud, high-performance computing, and co-location service providers. DTC's key clients are large technology organizations that invest extensively in high-capacity cloud data centers worldwide. DTC is also active for co-location service providers that offer additional capacity for scaling for cloud service providers.

Regional Specific Business (RSB): In addition to the activities carried out in the three strategic business segments of ATF, BLS, and DTC, 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 nonstrategic business in their local markets. Such activities are also covered by the RSB segment.

Economic Report for 2021

A look at the economy in general and at specific industries

The big picture

As in the previous year, the economy in general was also significantly impacted by the COVID-19 pandemic in 2021. The global recovery of the economy that set in over the course of the previous year lost significant steam as a result of new waves of infections and problems with global supply chains in the first quarter of 2021. The trend continued in the second half of the year as recovery stagnated. The economic situation was palpably weaker in the developed markets in particular. At the end of the year, the IfW indicator (IfW = Institut für Weltwirtschaft) was trending downward.

Nevertheless, global production returned to growth after a decrease of 3.1% in the previous year. According to IfW, the global gross domestic product (GDP) grew by 5.7% in 2021.[1] Global trade marked growth of 9.4% after it shrank by 5.3% in the previous year.

The expansion of the global economy was wildly different in various regions: in developed economies, the economy weakened significantly in the second half of the year after an interim recovery in the spring. The temporary strong revival of the economy stemmed from the easing of pandemic restrictions before it was hampered again by resurgent infection rates starting in the third quarter. Monetary policy measures such as additional spending and tax deferrals bolstered the upward trend of the economy in many regions in the first half of the year in particular. In the USA, for example, fiscal stimulus measures contributed to economic growth. The growth rate of the economy as a whole here amounted to 5.6% in 2021. The EU, like the euro area, marked slightly weaker growth of 5.0%. Economic aid and incentive programs helped the economy here as well. However, the growth rates vary greatly between the EU member states. In Germany, GDP grew in 2021 by 2.6%; in Austria, it grew by 4.7%. Denmark achieved growth of 3.7% while Ireland managed an increase of 14.9%.

Production of the economy as a whole in China had already returned to pre-crisis levels by the end of 2020. In 2021, the Chinese economy picked up significantly after a weak start to the year, although it slowed down again later. Growth varied depending on the sector. Overall, the growth dynamic was restrained. GDP growth of 7.8% is largely attributable to a statistic backlog effect from the previous year. Momentum was slowed, among other things, by more restrictive economic policy in view of growing debt in the corporate sector as well as problems with energy supply. In other developing Asian markets, monetary policy continued to be oriented toward expansion and supported the economy, although the level from before the crisis could generally not be achieved. In Malaysia, GDP grew in 2021 by 2.3%.

Alongside the risks of the pandemic, the extent of which depend on the expansion of further variants of the virus as well as the success of vaccination campaigns, and the effects of the fiscal policy measures resulting from the pandemic, trade relations between the USA and China continue to determine the conditions of the global economy. Relations remained tense even under the new US government and trade policy measures for the realization of one's own economic interests were not ruled out.

Developments by industry

The following developments were observable, in the 2021 financial year and thereafter, in the specific industry sectors in which the business segments of Exyte are active.

Advanced Technology Facilities

Semiconductors

Sales in the global semiconductor industry rose by 25.6% to €460.8 billion in 2021 despite the COVID-19 pandemic and the global recession that followed.[2, 3] The lack of global capacity in chip manufacturing and the strong demand led to a higher average selling price (ASP). Total capital expenditures (Capex) rose by 34.0% in 2021 as compared to the previous year to €126.7 billion.[2, 4]

The COVID-19 pandemic has had a positive impact on semiconductor industry revenue development, due to the strong increase in demand for systems, products, and infrastructure for working from home and distance learning, such as connectivity and data management solutions. Additional growth forecast for 2021 was aided by the rollout of 5G networks and smartphones.

Macro trends such as the Internet of Things (IoT), artificial intelligence (AI), big data, Industry 4.0, climate change, and electromobility 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

[1] 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 2021" [The Global Economy in the Winter of 2021] completed on December 15, 2021.

[2] Change over the previous year in USD without currency adjustments (€1 = USD 1.2 in 2021).

[3] World Semiconductor Trade Statistics Article "Semiconductor Market Forecast Fall 2021," November 30, 2021.

[4] IC Insights from https://www.icinsights.com/news/bulletins/Semi-Capex-On-Pace-For-34-Growth-In-2021-To-Record-1520-Billion/, December 14, 2021.

industries. These chips play an important role in smartphones as well as for driver assistance systems and autonomous driving technology. Electric and hybrid vehicles contain roughly twice as many semiconductors as traditional vehicles.

Our customers have noted that they see continued strength in end markets. Demand for semiconductors remains high for logic as well as memory. The pressure on our customers to innovate and invest has a positive effect on our semiconductor business. This has the result that larger, more complex factories (fabs) are needed around the world.

Batteries

Exyte has increased its focus on the fast-growing market for high-performance 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.

Subventions from different European governments in the form of national environmental incentives have helped boost demand for hybrid and electric vehicles throughout Europe. The current coalition agreement in Germany has the goal that at least 15 million fully electric passenger vehicles should be registered in the country by 2030 and the corresponding production locations should therefore receive funding.[5]

The market research institute Benchmark Mineral Intelligence currently assumes that global production capacities of more than 5,137 GWh will be built by 2031.[6] Roughly 16% is to be built in Europe. This corresponds to an annual growth rate of more than 20%. The actual growth rate depends greatly on consumer behavior.

Flat Panel Displays and Photovoltaics

The year 2021 was characterized by strong demand for almost all types of flat panel displays. Compared to the previous year, global sales grew by 28% to €125.8 billion in 2021.[2, 7] While mobile devices still represent the application with the greatest share of sales, growth is primarily driven by higher sales of larger applications. This applies, above all, to televisions with OLED (organic light-emitting diode) as well as LCD (liquid crystal display) screens. Global revenue for 2022 is expected to amount to €116.7 billion.[2, 7] Our main customers are in China and Taiwan.

China and other countries in Asia are now producing almost all of the photovoltaics modules sold around the world. This region also constitutes the largest market. As global growth shows no signs of slowing, companies continue to invest in new production sites for PV modules.[8] Exyte's key accounts in this sector are two long-standing customers in Southeast Asia.

Biopharma & Life Sciences

Like in many industries, 2020 and 2021 were marked by turmoil in the biopharma and life sciences industry as well. 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 the last two years that led to an increase in demand specifically in the biopharma sector. The demand for vaccine production equipment is increasing, but the pandemic has also highlighted the need for many countries to protect their supply chains for critical medicine products and to produce them onshore. Innovative new technology platforms such as mRNA will potentially shorten 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, the trend towards outsourcing drug production to contract manufacturers has accelerated due to the continued demand for COVID-19 vaccines and will likely continue to do so in the foreseeable future. Large biopharma companies thus need to create space and flexibility within their existing production facilities, while smaller companies will likely have to rely on the production know-how of contract manufacturers. Customer needs and expectations regarding digitization and sustainability such as "Plug and Produce," "Digital Twin," and "Smart Asset Management" present further opportunities.

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.
The year 2021 was characterized by successfully completed contracts for major projects in the cloud/hyperscale segment for existing and newly acquired customers that are among the leading providers globally, as well as successfully realized projects in cloud/co-location. Ongoing digitization of companies continues to affect the global need for capacity in data centers. The past year saw an enormous increase in projects and future project opportunities.

[5] Coalition agreement 2021–2025.
[6] Lithium Battery Gigafactory Assessment January 2022, Benchmark Mineral Intelligence.
[7] "FPD Revenues to Increase 28% in 2021 to Record $151 Billion" from https://www.display-supplychain.com/blog/flat-panel-display-revenues-to-increase-28-in-2021-to-151-billion, DSCC, April 26, 2021.
[8] PV Manufacturing & Technology Quarterly, PV-Tech Research, August 2021.

The COVID-19 crisis proved in 2021 as well to be the driving force to encourage companies to further expand the digitization of their businesses, to accelerate decisions and capital expenditure in this area, and to continue to promote cloud-based computing. Industry 4.0, cloud computing, and modern internet applications create exponential growth of the data volumes available worldwide, and the need in the world economy for storage capacities as well as system and computing power is growing. The result is that demand for data centers is growing significantly internationally and especially in Germany. Manfred Engelhard, Director of Technology DTC at Exyte, underlines this statement with the evident trend that major storage and computing power capacities are increasingly being built on the outskirts of major European urban centers. This will guarantee very short response times during production for locally critical applications such as autonomous driving and artificial intelligence.

The major cause of the demand for the required data center capacity was the increased digitization 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, digitized industry, sensors for connected devices, etc.

In the data centers sector, Exyte is active in an environment that exhibits great growth potential, which offers good prerequisites for the Group's growth in the coming years thanks to the continuing drive toward digitization.

Business performance in 2021

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 client contract have been fulfilled. Specifically, this means 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. A detailed presentation of the different types of sales generated by the Exyte Group and the method of sales recognition can be found in 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 nonrecurring effects. EBIT adjustments are income or expenses related to the Exyte Group's reorganization (in particular from write-downs), costs of restructuring measures, costs incurred due to site closures and relocations, effects on earnings from purchase price allocations or other income, or expenses that are nonrecurring 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 nonrecurring 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 over time.

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 canceled 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. The key performance indicator is also used in the budgeting and forecasting process, in order to predict the development of sales for the current year and in subsequent years.

Gross profit

The gross profit is defined as sales less the cost of sales. The earnings figure provides information on 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 figure is used to measure the profitability of operational business.

Business development

At a level of €8.1 billion, Exyte's order intake in 2021 was €4.0 billion above that of the previous year (2020: €4.1 billion). It was thus doubled and reached the highest value in company history. The increase in order intake is largely attributed to major projects in Singapore and Malaysia. In addition, order intake in a current semiconductor project in Ireland was expanded.

Exyte increased sales by €0.8 billion or 19.6% to roughly €4.9 billion in 2021. There were no significant effects on sales development due to the COVID-19 pandemic for Exyte in the 2021 financial year. 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 increased in all regions in the 2021 financial year. The strongest increase was in the APAC region, where sales growth of €0.7 billion were recorded. The increase is attributable, in particular, to higher sales in Singapore, alongside an increase in sales in China and Taiwan.

Order backlog as of December 31, 2021, amounts to €6.7 billion. In comparison to December 31, 2020 (€3.2 billion), order backlog increased by €3.5 billion and thus more than doubled. In the 2021 financial year, order intake of €8.1 billion and other positive effects of €0.3 billion (especially exchange rate effects) were counterbalanced by sales for €4.9 billion, which led to an increase in the described increase of order backlog of €3.5 billion. The historically high order backlog provides an excellent basis for the future development of the Exyte Group.

In the 2021 financial year, the gross profit also increased significantly by €72.0 million, or 22.7%, to a level of €389.4 million (2020: €317.4 million). The gross profit margin is at 8.0%, slightly above the level of the previous year (7.8%). This shows that the absolute increase in the gross profit from sales stems from the higher sales volume as well as the improved gross profit margin.

Adjusted EBIT also grew by €50.4 million or 23.7% to €263.3 million (2020: €212.9 million); this was particularly due to the higher gross profit. The adjusted EBIT margin amounted to 5.4% and is thus slightly above the previous year amount of 5.2%.

Comparison of actual business development to what was planned

Exyte achieved, or respectively exceeded, the previously communicated forecasts for 2021.

Comparison of actual business development to what was planned

	Forecast for 2021	Actual 2021	2020	Change 2021 vs. 2020[1]
Order intake	Increased significantly	€8.1 billion	€4.1 billion	+100.4%
Sales	Significant increase	€4.9 billion	€4.1 billion	+19.6%
Adjusted EBIT[2]	Increased	€263.3 million	€212.9 million	+23.7%
Adjusted EBIT margin	Unchanged	5.4%	5.2%	+0.2 pp

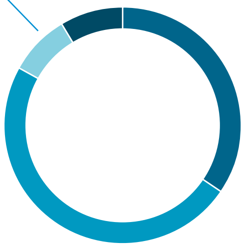
[1] Percentages are calculated on the basis of figures in millions.
[2] Please refer to the "Financial performance" section for further details on adjustments to the reported EBIT.

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 customer approach").

The sales by region are distributed as follows:

Sales by region 2021[1]
(previous year)



AMER
423 (407) **€ million**
8.4 (9.7) **%**

T&S
427 (356) **€ million**
8.5 (8.5) **%**

EMEA
2,441 (2,417) **€ million**
48.6 (57.5) **%**

APAC
1,732 (1,021) **€ million**
34.5 (24.3) **%**

[1] Before consolidation of the regions.

The EMEA region was again the top region of the Exyte Group in terms of total sales before consolidation between the regions in 2021, with a share of 48.6% (2020: 57.5%). As a result of the significant increase in sales in the APAC region, its percentage of sales increased in 2021 and amounted to 34.5% (2020: 24.3%) of total sales before consolidation between the regions.

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

Important key figures/ratios by region[1]
in € million

	APAC		EMEA		AMER		T&S	
	2021	2020	2021	2020	2021	2020	2021	2020
Order intake	4,543	1,076	2,812	2,161	380	555	563	382
Order backlog	4,157	1,147	1,959	1,632	274	297	435	197
Sales	1,732	1,021	2,441	2,417	423	407	427	356
Gross profit	178	138	147	120	11	17	52	44
Gross profit margin	10.3%	13.6%	6.0%	4.9%	2.6%	4.2%	12.1%	12.2%
Adjusted EBIT	150	119	100	85	0	7	33	29
Adjusted EBIT margin	8.7%	11.6%	4.1%	3.5%	0.0%	1.8%	7.8%	8.2%

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

APAC

Order intake in the APAC region amounted to €4,543 million and more than quadrupled over the previous year value (2020: €1,076 million). With a contract value of over €1 billion, the largest project awarded to Exyte was from a major client in the semiconductor industry sector in Singapore. An additional major project in Singapore with a contract value of over €500 million was also won in the Advanced Technology Facilities business segment. In the Biopharma & Life Sciences business segment, the largest project, with a contract volume of over €150 million, will take place in Malaysia. In addition, a major project with a volume of over €100 million was also gained in Singapore.

Sales rose significantly in the 2021 financial year to €1,732 million (2020: €1,021 million), which was largely attributed to the increase in sales in Singapore as well as China and Taiwan that resulted primarily from the realization of major projects.

Gross profit from sales increased by €40 million in the 2021 financial year to €178 million (2020: €138 million). Positive volume effects from the increased sales were partially compensated for by the lower gross profit margin. It shrank over the previous year from 13.6% to 10.3%. This is due, on the one hand, to a changed margin structure resulting from a higher percentage of major projects. On the other hand, the high gross profit margin in the previous year was characterized by positive effects that were the result of savings shared with the customer from two larger projects. There were no such similar positive effects in the 2021 year.

The APAC region generated adjusted EBIT of €150 million in the 2021 financial year (2020: €119 million). The increase of €31 million was predominantly due to the higher gross profit. This reduction was counteracted by slightly higher administration and selling costs, which resulted from the adaption of cost structures to the higher sales volumes. Additionally, other operating income deriving from the reversal of impairment allowances and government grants (incentives from the Chinese government) decreased. The adjusted EBIT margin reduced from 11.6% to 8.7%.

EMEA

Order intake in the EMEA region amounted to €2,812 million in the 2021 financial year (2020: €2,161 million) and thus increased by €651 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 rose in comparison to the previous year, which was the main reason for the increase in the order intake in the EMEA region. Furthermore, additional contracts for the construction of the first major battery cell plant in Germany (volume of more than €200 million) and a major data center project in Israel (volume of more than €150 million) were concluded in the 2021 financial year.

Sales for the EMEA region increased slightly by €24 million to €2,441 million (2020: €2,417 million). This is primarily the result of somewhat higher sales in comparison to the previous year from the semiconductor project in Ireland.

In the 2021 financial year, the gross profit grew by €27 million from €120 million to €147 million. With sales only slightly higher, this resulted primarily from the higher gross profit margin of 6.0% (2020: 4.9%).

The adjusted EBIT of the EMEA region grew by €15 million from €85 million to €100 million. The cause of this is the increased gross profit. This reduction was counteracted by higher administration and selling costs and an increase in other operating expenses. The adjusted EBIT margin increased from 3.5% to 4.1%.

AMER

In the AMER region, order intake in the 2021 financial year decreased to €380 million (2020: €555 million). This development is largely due to the fact that order intake in the previous year had been significantly shaped by the acquisition of a major project (>€400 million) in the Advanced Technology Facilities business segment.

Despite the lower order intake, sales in AMER in the 2021 financial year were higher at €423 million than in the previous year (2020: €407 million). This is primarily the result of higher sales from realization of the major project acquired the year before.

Gross profit from sales in the 2021 financial year is below the level of the previous year at €11 million (2020: €17 million). Positive volume effects from the slightly higher sales were more than compensated for by counteractive effects from the lower gross profit margin. The gross profit margin reduced from 4.2% to 2.6%, which resulted from negative margin effects of the major project, in particular.

Due to the counteractive gross profit with largely unchanged cost structures, the AMER region generated adjusted EBIT of €0 million in the 2021 financial year (2020: €7 million) and thus an adjusted EBIT margin of 0.0% (2020: 1.8%).

T&S

At a level of €563 million in the 2021 financial year, the order intake for the T&S segment was significantly above that for the previous year by €181 million (2020: €382 million). This increase is the result of order intake of €21 million from the CPS Group acquired in the financial year and consolidated as of November 1, 2021. The remaining increase of €160 million stems from €71 million from product business and €89 million from the service business of T&S.

Sales in the T&S segment also increased in the 2021 financial year by €71 million, from €356 million to €427 million. The contribution to sales from the CPS Group amounted to €25 million in the 2021 financial year.

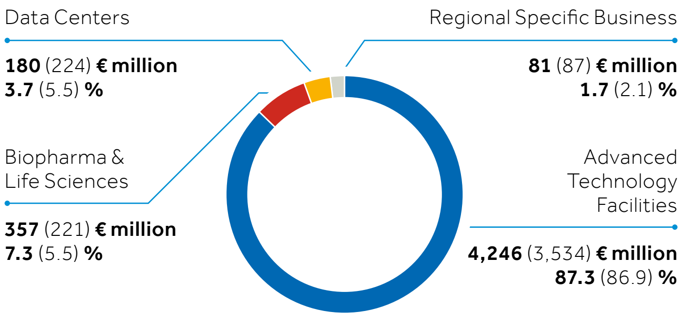
Gross profit from sales increased from €44 million to €52 million, which is largely due to higher sales. The gross profit margin in the 2021 financial year is, at 12.1%, almost unchanged from the previous year (2020: 12.2%).

T&S achieved adjusted EBIT of €33 million (2020: €29 million), with an adjusted EBIT margin of 7.8% (2020: 8.2%) that is thus slightly below the level of the previous year.

Development of the business segments

Sales development in the business segments

Sales by business segment 2021
(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 2021 financial year. The percentage of sales increased somewhat from 86.9% to 87.3%.

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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Order intake	7,270	3,364	492	440	305	107	46	140
Order backlog	5,854	2,555	533	386	222	88	85	156
Sales	4,246	3,534	357	221	180	224	81	87
Gross profit	369	274	33	30	18	20	–30	–7
Gross profit margin	8.7%	7.8%	9.1%	13.7%	10.1%	9.1%	–36.9%	–8.3%

Advanced Technology Facilities

Order intake in the Advanced Technology Facilities business segment in the 2021 financial year amounted to €7,270 million (2020: €3,364 million) and thus more than doubled. Exyte was able to acquire new large-volume contracts in the semiconductor industry and battery manufacturing, especially in Singapore, Malaysia, the USA, and Germany. Order intake also includes further large-volume orders from a current semiconductor project in Ireland, which increased once again over the previous year.

Sales in the Advanced Technology Facilities business segment also increased in 2021 over the previous year, by 20.1% to €4,246 million (2020: €3,534 million). This is largely the result of higher project sales in Singapore. As in the previous year, the largest contribution to sales came from progress on the major project in Ireland.

The gross profit margin in 2021 is, at 8.7%, higher than the previous year level (2020: 7.8%).

Biopharma & Life Sciences

The order intake for the Biopharma & Life Sciences business segment increased to €492 million in the 2021 financial year, following €440 million in the previous year. The largest project awarded to Exyte, by a major client in Malaysia, had a contract value of more than €150 million. Other major new contracts were won in the pharmaceuticals & biotechnology sector, especially in Singapore.

Sales in the Biopharma & Life Sciences business segment increased by 61.5% to €357 million (2020: €221 million). The primary sales driver in 2021 was a major project in Singapore.

Despite the significant increase in sales, the gross profit from sales is only slightly above the previous year level at €33 million (2020: €30 million). This is the result of the lower gross profit margin, which sank from 13.7% to 9.1%. The main reason for this was a changed project portfolio, with a higher number of large projects with poorer margins.

Data Centers

Order intake in the Data Centers business segment increased significantly in the 2021 financial year to €305 million (2020: €107 million). This was primarily the result of the acquisition of two major orders for the construction of data centers in Israel and Malaysia.

Sales in the Data Centers business segment, conversely, reduced by 19.6% to €180 million in 2021 (2020: €224 million). Sales in the 2020 financial year were shaped significantly by a major project in Denmark, which was completed in the year under review and therefore only made a small contribution to sales in 2021. The loss of these sales was partially offset in 2021 by sales from major projects in Germany and Israel.

The gross profit only shrank slightly and amounted to €18 million in 2021, compared to €20 million in the previous year. Volume effects from lower sales were partially offset by counteractive effects from the improved gross profit margin, which increased to 10.1% (2020: 9.1%).

Regional Specific Business

Order intake in the Regional Specific Business segment reduced from €140 million in 2020 to €46 million in 2021. The higher order intake from the previous year was largely the result of two projects in the Defense and General Industries segment in Israel and the United Kingdom.

Sales in the Regional Specific Business segment reduced somewhat in the 2021 financial year to €81 million (2020: €87 million).

The gross profit reduced from –€7 million to –€30 million and was thus down on the level achieved in the previous year. This is due to a further margin reduction of a project in France.

Financial performance

Exyte's **gross profit** (sales less cost of sales) for the year under review 2021 increased significantly, by €72.0 million or 22.7%, to a level of €389.4 million (2020: €317.4 million). This is largely due to the significant increase in sales by 19.6%. In addition, the gross profit margin on sales improved to 8.0% (2020: 7.8%).

The **cost of sales** increased in line with the sales development by 18.3% over the previous year period to €40.4 million (2020: €34.2 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 or could not be passed on to the customer, 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.

Administrative costs amounted to €94.0 million (2020: €89.0 million) and increased by 5.6% over 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 is particularly due to higher structure costs incurred in connection with the strategy to secure general growth, costs connected to the design and implementation of a new SAP system, and transaction costs related to the acquisition of the CPS Group. For a presentation of the strategy for growth, please also refer to the explanations made in the report on opportunities.

Other operating income decreased compared to the previous year by €8.0 million to €19.8 million (2020: €27.8 million). The decrease is due to lower income of €2.6 million from the reimbursement of COVID-19-related costs that stemmed from governmental COVID-19 support programs in Asia. In addition, income from expenses charged to the M+W Group GmbH Group for services rendered was €1.3 million lower. A counteracting effect also resulted from the decrease in income from government grants by €1.3 million, which was mainly due to lower government grants granted to the Chinese group company. Income from the reversal of impairment allowances also decreased by €0.7 million.

Other operating expenses decreased by €9.5 million to €17.2 million in the year under review (2020: €26.7 million). Of these, €4.9 million resulted from lower COVID-19-related costs, in particular from the continued payment of salaries during shutdown periods in Singapore; these costs were offset by corresponding income from government support programs. Please also refer to the notes 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). Alongside this, expenses deriving from impairment losses and site relocations, in particular, decreased by €2.3 million and €1.6 million, respectively.

A large portion of Exyte's development activities arise in connection with client contracts. Any such resultant expenses are disclosed as cost of sales. **Research and development expenses** that are not directly allocable to client contracts are disclosed under other operating expenses. In the 2021 financial year, such expenses amounted to €0.06 million (2020: €0.04 million).

The **result from operating activities (EBIT)** for the 2021 financial year was, at €257.6 million, significantly higher than the figure for the previous year, by €62.3 million or 31.9% (2020: €195.3 million). As 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 €263.3 million in 2021 (2020: €212.9 million) and thus increased significantly, by €50.4 million or 23.7%.

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

Reconciliation to adjusted EBIT

in € million

	2021	2020
Reported EBIT	**257.6**	**195.3**
Adjustments	**5.7**	**17.6**
Thereof:		
Adjustment of costs related to the acquisition of the CPS Group	5.4	0.0
Adjustment made for restructuring measures	1.9	3.4
Adjustment of effects on earnings from the purchase price allocation/acquisition of the CPS Group	1.2	0.0
Adjustment made relating to COVID-19	−2.4	2.9
Adjustment deriving from the sale-and-lease-back transaction for the building in Renningen	−1.4	0.0
Adjustment of income deriving from the reversal of impairment allowances/expenses deriving from the increase in impairment allowances recognized against nonconsolidated Exyte Group entities due to restructuring	−1.1	4.2
Adjustment due to other nonrecurring items (e.g., severance payments, one-off IT costs, legal and consulting costs, or other expenses)	2.1	7.1
Adjusted EBIT	**263.3**	**212.9**

At a level of −€1.4 million, the **net income from financing activities** for the year under review 2021 was negative (2020: a net profit from financing activities of €14.4 million). A total of €13.5 million of the decrease of €15.8 million in the net income from financing activities derived from the reduction of 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 €256.2 million and were thus €46.5 million above the level of the previous year (2020: €209.7 million). Administrative costs amounted to €39.7 million (2020: €42.0 million); this equates to a lower overall Group tax rate of 15.5% (2020: 20.0%). 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 €216.5 million, representing an improvement of €48.8 million in comparison to the consolidated net profit for the previous year (2020: €167.7 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 81.3% (December 31, 2020: 81.8%) 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 noncurrent assets increased slightly from 18.2% to 18.7%. In relation to the figure for total assets, Exyte's noncurrent assets (particularly intangible assets, property, plant, and equipment, right-of-use assets, and deferred tax assets) continue to be less significant.

As of December 31, 2021, the **total assets** amounted to €2,907.1 million and had thus increased by €1,150.3 million in comparison to the figure as of December 31, 2020 (€1,756.8 million). The main reason for this was the increase in current assets (+€928.0 million) as well as the increase in noncurrent assets (+€222.3 million).

Intangible assets amounted to €338.7 million (December 31, 2020: €133.4 million). The value for goodwill accounts for €280.9 million of this amount (December 31, 2020: €131.8 million). The increase in goodwill of €149.1 million stems from €145.6 million of goodwill from the acquisition of the CPS Group. There were also currency translation effects. Other intangible assets increased by €56.2 million to €57.8 million (December 31, 2020: €1.6 million). The increase is largely from the accrual of intangible assets (primarily client relationships, technology-based intangible assets, and brand names) that were gained as part of the acquisition of the CPS Group.

The figure for **property, plant, and equipment** reduced significantly, by €17.8 million, in the 2021 financial year – to a level of €38.4 million. The drop is due to the fact that asset additions in the financial year (€19.7 million) and positive effects from currency translation effects (€1.4 million) were counteracted by higher asset disposals (€31.9 million) and depreciation and amortization (€7.0 million). The asset disposals in the 2021 financial year are largely due to the disposal of the production building in Renningen as part of a sale-and-lease-back transaction amounting to €31.6 million.

Right-of-use assets amounted to €98.0 million (December 31, 2020: €65.8 million). The increase by €32.2 million resulted from accruals in the financial year (€53.1 million) and positive currency translation effects (€2.9 million), which exceeded depreciation and amortization (€22.6 million) and effects from asset disposals and contract modifications (€1.2 million). The accruals particularly derived from new leases for properties concluded in the 2021 financial year. Of these, €19.4 million derived from the addition of a right of use for the production building in Renningen (sale-and-lease-back transaction).

Inventories, amounting to €55.4 million (December 31, 2020: €34.3 million), predominantly resulted from companies that are assigned to the T&S segment and, only to a limited extent, from the Group's project-related business. The increase by €21.1 million is, in the amount of €14.7 million, from the additions to inventories due to the acquisition of the CPS Group in the 2021 financial year. The advance payments made of €125.0 million (December 31, 2020: €6.5 million) mainly result from advance payments to sub-suppliers in the project business area, which increased to €118.5 million as of the reporting date.

The figure for **contract assets** reduced somewhat by €15.3 million at the reporting date to €288.4 million.

Trade receivables increased as of the reporting date by €333.2 million to €694.0 million (December 31, 2020: €360.8 million).

Other current financial assets amounted to €23.3 million (December 31, 2020: €25.9 million) and thus decreased slightly by €2.6 million. The cause of this was largely financial receivables from companies of the M+W Group and other nonconsolidated affiliated entities and joint ventures that were €6.3 million lower. This was counteracted especially by the increase of €3.7 million in current financial assets from derivative financial instruments.

A total of €10.8 million of the overall increase in **other current assets** by €7.7 million, from €17.1 million to €24.8 million, derives from higher claims for prepaid expenses. This was counteracted by other tax receivables from financial institutions that were €1.8 million lower as well as input VAT refunds that were €1.3 million lower.

As of December 31, 2021, the Group had available **cash and cash equivalent** balances of €1,148.9 million (December 31, 2020: €683.2 million). The increase in cash and cash equivalents of €465.7 million is detailed in the explanations on the development of the cash flow. As in the previous year, unutilized cash credit lines exist, amounting to €10.0 million.

Financial position

The increase in **total assets** of €1,150.3 million is due to the €246.0 million increase in equity. In addition, noncurrent and current liabilities increased by €30.6 million and €873.7 million, respectively.

The **noncurrent assets** were covered by equity and noncurrent liabilities to an extent of 103.7%. The **equity ratio** was 15.4%.

The increase in **equity** by €246.0 million, from €201.8 million to €447.8 million, is mainly – at €216.5 million – due to the consolidated net profit in the 2021 financial year. In addition to this, equity rose by €31.1 million, in particular due to the currency-rate-related changes to the currency translation equity component.

The **noncurrent liabilities** increased by €30.6 million, of which €27.2 million is due to higher **noncurrent lease liabilities**. The noncurrent 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 2021 financial year.

At a level of €10.5 million (December 31, 2020: €10.8 million), the **provisions for pensions** were slightly below the previous year level. The same is true for **other noncurrent provisions**, which amount to €13.4 million (December 31, 2020: €13.5 million).

At €2,344.6 million, current liabilities are higher, by €873.7 million, than the figure of €1,470.9 million for the previous year. In this context, the development of the individual items reported here varied:

Other noncurrent provisions increased slightly by €4.4 million, from €74.1 million to €78.5 million. This was the result primarily of higher provisions of €8.0 million for employee-based provisions (especially performance-based remuneration and bonuses). It was counteracted, in particular, by a decrease of €3.8 million in provisions for onerous contracts.

Contract liabilities increased significantly by €584.0 million in the 2021 financial year, from €322.9 million to €906.9 million. This resulted particularly from customer payments in Ireland and Singapore, which led to higher contract liabilities of €281.6 million and €164.2 million, respectively.

An increase in **trade payables** by €244.6 million from €983.6 million to €1,228.2 million was recorded as of the reporting date.

In a similar manner to the development of the right-of-use assets and the noncurrent lease liabilities, the **current lease liabilities** increased by €6.0 million, from €16.9 million to €22.9 million in the 2021 financial year.

Other current financial liabilities increased by €4.2 million from €2.9 million to €7.1 million, which was largely, at €2.6 million, the result of higher current liabilities from derivative financial instruments.

Other noncurrent liabilities increased by €30.4 million from €55.7 million to €86.1 million. Of this increase, €16.9 million is due to higher VAT liabilities. In addition to this, obligations to employees for vacation time not yet taken as well as liabilities from social security contributions increased by €5.4 million and €2.9 million, respectively.

The Exyte Group's **contingent liabilities**, deriving from guarantees and sureties, increased by €5.5 million to €262.3 million in the 2021 financial year.

Financing and working capital management
Exyte finances its ongoing business activities through working capital. The Group is independent of external forms of financing; borrowing from banks does not factor in.

Within the scope of its business activities, Exyte concentrates on the engineering 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 positive from the beginning in terms of liquidity. 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, 2021, and the previous year-end:

Working capital development

in € million

	31.12.2021	31.12.2020
Inventories and advanced payments made	180.5	40.7
Trade receivables	691.6	356.6
Trade payables	–1,227.5	–982.7
Trade working capital	**–355.4**	**–585.4**
Contract assets	288.4	303.7
Contract liabilities	–906.9	–322.9
Working capital deriving from construction contracts	**–618.5**	**–19.2**
Net working capital relating to third parties	**–973.9**	**–604.6**
Receivables from associated companies and unconsolidated subsidiaries	2.4	4.2
Liabilities to associated companies and unconsolidated subsidiaries	–0.7	–0.9
Net working capital to associated companies and unconsolidated subsidiaries	**1.7**	**3.3**
Group net working capital	**–972.2**	**–601.3**
In % of sales[1]	**–20.0**	**–14.8**

[1] Based on sales of €4,865 million for 2021 and €4,067 million for 2020.

It proved possible to improve the Group's negative net working capital by –€370.9 million in the 2021 financial year, from –€601.3 million to –€972.2 million. The negative working capital ratio in relation to consolidated sales remained stable in the financial year reported, at –20.0% (December 31, 2020: –14.8%).

The main factor influencing this development was the negative working capital from construction contracts, which improved significantly by –€599.3 million, from –€19.2 million to –€618.5 million, in the 2021 financial year. This is largely attributable to the significantly higher contract liabilities that resulted from customer prepayments in current project business.

It was counteracted by the reduction of the negative trade working capital balance of –€585.4 million by –€230.0 million to –€355.4 million. The reasons for this are higher inventories and trade receivables, whose increase was not fully offset by the increase on trade payables. As was the case in the previous year, trade payables significantly exceeded trade receivables and inventories.

Overall, this resulted in negative net working capital deriving from third parties of –€973.9 million, which shows an improvement of –€369.3 million in comparison to the previous year (December 31, 2020: –€604.6 million).

Net working capital to associated companies and unconsolidated subsidiaries amounted to €1.7 million (December 31, 2020: €3.3 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 over the previous year, by €369.7 million in the 2021 financial year, to €630.1 million. Alongside the consolidated earnings that improved by €48.8 million, this is due particularly to the cash inflow deriving from working capital that was €323.2 million higher.

The negative cash flow from investing activities amounted to –€185.3 million in 2021, compared to –€44.8 million in the previous year, and thus increased significantly, by –€140.5 million. At –€210.4 million, it was largely shaped in the 2021 financial year by the acquisition of the CPS Group (purchase prices paid less cash and cash equivalents acquired). This was counteracted, in particular, by cash inflow from the sale-and-lease-back transaction for the production building in Renningen (€34.7 million).

The negative cash flow from financing activities shrank considerably by €250.8 million in comparison to the previous year figure of –€271.3 million, to –€20.5 million. In the previous year, this figure had been largely, at –€252.6 million, in connection with withdrawals by the shareholder. In the 2021 financial year, payments amounting to –€21.0 million (2020: –€17.9 million) were made to redeem finance lease liabilities.

After taking exchange rate effects on cash and cash equivalents amounting to €41.4 million into account, the cash and cash equivalents increased by €465.7 million, from €683.2 million to €1,148.9 million, in the reporting year.

Summary of the economic situation

Global economic development was massively influenced by the effects of the COVID-19 pandemic in 2021 as well. The effects on the business development of the Exyte Group in the 2021 financial year were negligible due to the business sectors in which the Group is active. In summary, it can be concluded that the development of the Exyte Group remained positive in 2021, despite the difficult surrounding conditions, and that its forecast targets were achieved and even exceeded.

Sales increased significantly from €4.1 billion to €4.9 billion despite the continued macroeconomic challenges resulting from the COVID-19 pandemic. The gross profit also rose significantly from €212.9 million to a level of €263.3 million.

As of December 31, 2021, the Group continues to have a high level of liquid resources, which account for 39.5% of total assets. Exyte finances itself and its growth through its operational business.

Human Resources

As of December 31, 2021, the Exyte Group employed 7,444 people, expressed as full-time equivalents (FTE), representing an increase of 2,518 employees or 51.1% in comparison to the number from December 31, 2020.

Of this increase as of December 31, 2021, 465 employees were added through the acquisition of CPS Group in the USA. Additionally, the number of employees increased by 210 through the acquisition of Delicatessen Engineering Services Pvt. Ltd. in India. Adjusted for these acquisition-related accruals, there was organic growth as of December 31, 2021 of 1,843 employees or 37.4%.

As a consequence of the introduction of a new management structure with effect from January 1, 2021, from December 31, 2021 onwards, the employees of Total Facility Solutions, Inc. are not included in the AMER regional segment, but are reported under the T&S segment. This segment now also includes the employees of Exyte Services (Singapore) Pte. Ltd., Exyte Services (Malaysia) Sdn. Bhd., and the service business of Exyte Shanghai Co., Ltd., who had been allocated to the APAC segment in the previous year. The figures as of December 31, 2020, have been adjusted for the purposes of comparability.

Employee numbers by regional segment (FTE)

	31.12.2021	31.12.2020
AMER	407	311
APAC	3,187	1,801
EMEA	1,323	1,265
T&S	2,391	1,431
Exyte Management GmbH and Exyte GmbH	136	118
Total	**7,444**	**4,926**

The increase in the number of employees in the AMER segment by 96 or 30.9% is the result of project-related hires as well as the expansion of the central functions at Exyte US., Inc.

The number of employees in the APAC segment increased significantly by 1,386 employees, or 77.0%. Of this increase, 210 employees were added through the acquisition of Delicatessen Engineering Services Pvt. Ltd. Adjusted for this acquisition-related effect, the number of employees in the APAC segment increased by 1,176 or 65.3%. This stemmed, in particular, from the hiring of employees for the operational business in the subsidiaries in Singapore, Malaysia, and China due to the positive business development at these companies.

The number of employees in the EMEA segment increased by 58, or 4.6%. The slight increase is the result of the hiring of employees in central positions in Italy and Israel, in particular.

The number of employees in the T&S segment increased by 960, or 67.1%. Of this increase, 465 employees came from the acquisition of the CPS Group. Adjusted for this acquisition-related addition, the number of employees in the T&S segment increased by 495 or 34.6%. This increase is especially the result of the further expansion of the workforce in the US-based company Total Facility Solutions, Inc., due to the strong growth of its project and installation business.

Numbers employed by Exyte Management GmbH and Exyte GmbH increased by 18, or 15.3%; this was due to the further 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 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.
- Risk management is a key component of our business processes. It refers to 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 Group.
- 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.

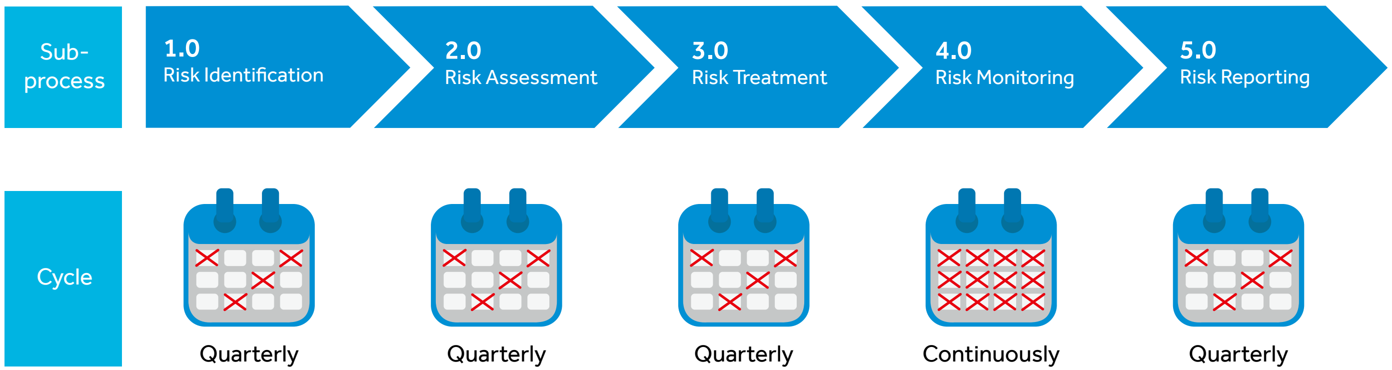
Exyte distinguishes between two types of materiality thresholds:

- A reporting threshold for the identification and assessment of risks: starting at a potential financial impact of €1 million on EBIT or cash and cash equivalents, 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 and cash equivalents 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 to the Supervisory Board.

Risk management process

The risk management process outlined below, including the related regulations and guidelines, is applicable throughout the Group 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 new 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 through various measures such as 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).

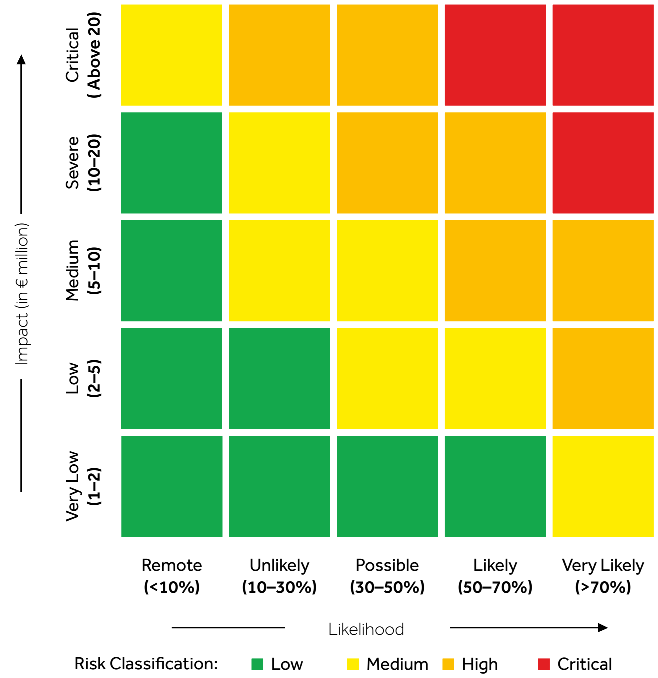
2. **Unlikely:** The event could occur from time to time (likelihood of one event within a period of two to three years).

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.

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 2021

Exyte was exposed to several risks in 2021. 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, 2021, for each category:

Risk classification according to risk category

Risk group	Risk category	Risk classification
Strategic risks	External communication	Low
	Executive management	Low
	Major initiatives	Low
	Market dynamics	Medium
	Planning and resource allocation	Low
	Research and development	Low
Operational risks	Hazards	Low
	Environment, health, and safety	Medium
	Project performance	Medium
	Sales and marketing	Medium
	IT	Medium
	Employees and human resources	High
Compliance risks	Code of conduct	Low
	Legal	Low
	Regulatory	Low
Financial risks	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 2021, we describe in the following section the risks that may have a material impact on the business objectives, operations, or earnings, or on the organization's reputation. These are risks that have been designated to a risk classification of medium or high.

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. Our 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 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

As a global company, Exyte carries out projects in numerous geographic regions. In some cases, different projects are carried out in different geographic regions for the same customer. 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 of cyberattacks. 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 or could mean that the company is not able to realize opportunities that might arise. The HR department and the senior management team are continually implementing initiatives and measures to counteract these risks.

Financial risks

Accounting and reporting

Reliable and high-quality financial reporting is fundamental to the organization's steering 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 in due time, as well as appropriately, by ensuring that processes and systems are in place. In order to ensure that financial reports are properly prepared, monthly reviews are conducted at both project and management level. Furthermore, internal control systems covering financial reporting processes are 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 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 ongoing 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 still 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.

The Group is countering this risk by including COVID clauses in its contracts.

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 unethical behavior 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 monitor and continuously develop the established risk management system.

The overall risk situation of the Exyte Group increased somewhat in 2021, due to the operational employee and human resources risks connected to a market and order situation as compared to the 2020 financial year. As of December 31, 2021, 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 reporting date or at the time of preparation of the management report.

Opportunities

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

Exyte has set itself the goal of an increase in total sales in the medium term (within the next three years) of roughly €8 billion with a corresponding increase of the adjusted EBIT. "Strategy 2025" combines various initiatives to evaluate and capitalize on the following opportunities:

- **Realization of the potential posed by the growing global semiconductor market:** The market for electronics is growing continually, and is currently expanding thanks to trends such as cloud computing, autonomous driving, and artificial intelligence. Based on this, the Exyte strategy covers the handling of megaprojects (with a contract volume >€500 million) and major projects (with a contract volume between €100 and €500 million). In addition to the major semiconductor projects for manufacturing all semiconductor products on silicon wafers (front end wafer fabs), other market developments that are positive for Exyte can be observed both in the supply chain for manufacturing of the silicon wafers as well as the new, complex manufacturing systems for assembling integrated circuits and their final inspection (System in a Package – SiP; Advanced Packaging). Exyte is the ideal partner for clients who are planning, or have already announced, the construction of new facilities, as Exyte can offer a global presence with corresponding reference projects in the relevant territories.
- **Opportunities in batteries, especially in Europe:** Automobile manufacturers are increasingly equipping their vehicles with electric drives. This reorientation entails a massive investment in battery production capacities, which Exyte can facilitate with the construction of the related plants. Exyte is in an excellent position for this thanks to its strengths in constructing controlled environments.
- **Sustainable 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 prefab modules based on "ExyCell." The scope of competence at Exyte covers a complete range of production facilities, from vaccines and insulin right through to personalized medicine and mRNA therapies. The focus in this market is on the USA, where Exyte aims to establish itself as a key player in the largest global life sciences market. In the first quarter of 2022, a location will be opened in Raleigh, North Carolina. In the second quarter of 2022, an additional location will follow in Philadelphia, Pennsylvania.
- **Trailblazer for data centers in Europe and Asia:** Exyte has proven its ability to construct major data centers. Exyte recently combined its data center organization in Europe, allowing it to carry out numerous projects with a strong team. In addition to this, Exyte has also begun to set up a data center organization in Asia.

- **Strengthening customer relationships:** Exyte has long-standing relationships built on trust with its customers. Following the key account approach, even closer relationships are being built and maintained with key clients, in order to accompany them along the path from the first idea for a future site to the successful implementation of projects – as well as providing support for the subsequent life cycle of production operations.

- **Expansion of capacities and expertise in engineering:** Exyte is not only the leading supplier for the implementation of high-tech production facilities, but also in their design. And the company plans to expand this capability by hiring a considerable number of qualified employees in design. This included the successful acquisition in the 2021 financial year of an engineering services provider in India that had previously belonged to the M+W Group.

- **Expansion of self-performance services:** Exyte does not only focus on the provision of project management services when carrying out projects. In the USA and Asia, the company also offers installation services. Our goal is to expand such offers within the area of MEP (Mechanical, Electrical, Plumbing) and also for the installation of equipment. Furthermore, we plan to build up this type of expertise in Europe, in order to be able to offer such a service to our clients worldwide. We also aim to offer off-site assembly on all continents, which significantly reduces complexity at the construction site and can drastically cut down on the time needed for completion.

- **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. Exyte has expanded this offer to encompass critical subsystems in the semiconductor and biotechnology & pharma segments through the acquisition of the CPS Group.

- **Company acquisitions:** Exyte proactively pursues potential acquisitions by taking a customized approach and applying structured processes. M&A is a pillar of our strategy to accelerate our growth and add strategically important expertise to our range. The primary focus is on targets that are active in the Advanced Technology facilities as well as the Biopharma & Life Sciences and Technology & Services sectors, especially in the USA and Europe. The acquisition of the CPS Group in the USA, which was successfully completed in 2021, underlined our strategy of growing through M&A and allowed us to strengthen our business in the ATF and BLS business segments as well as in the T&S business area.

- **Fostering talent as an attractive employer:** 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 work hard to create an environment for our employees in which everyone feels that Exyte is the right employer for them.

- **Digitization and optimization of structures, processes, and systems:** Our IT systems and IT infrastructure, as well as our defined working processes and organizational structures, form the foundation for our daily work. Our future also lies in digitization. For this reason, Exyte has launched various programs, such as “oneHR,” “onePROCESS,” “oneERP,” “oneBIM,” and “oneSTRUCTURE,” to create digital future- and market-oriented organization and infrastructure that aim to establish Group-wide structures, processes, and systems, in order to provide a harmonized and efficient way of working.

Forecast

At the time of preparing this Group Management Report, the COVID-19 pandemic continues to dominate the global economic environment. The Russian invasion of Ukraine at the end of February 2022 also started the armed conflict there. Economic sanctions against Russia as well as potential retaliatory measures could affect the development of the economy as a whole. To date, no serious negative impacts have been registered for Exyte's most important key parameters, such as order intake, sales, and adjusted EBIT in the 2022 financial year. The executive management has prepared Exyte's business plan for 2022 with this in mind. However, negative effects deriving from this cannot be ruled out. In view of the aforementioned conditions, we anticipated the following developments for the 2022 financial year.

In the 2021 financial year, Exyte recorded the highest order intake in company history, at €8.1 billion. This was largely the effect of acquiring major projects. For 2022, we estimate conservatively that order intake will be lower than this record amount. As a result of industry conditions remaining positive, we do, however, anticipate a high level of order intake approaching €7 billion in 2022. Based on high order intake at the end of 2021 and planned new contracts, we anticipate a further increase in sales to approximately €6 billion in 2022. In line with the development of sales, we expect a corresponding increase in adjusted EBIT in 2022, with an adjusted EBIT margin that will increase somewhat over the level of the 2021 financial year.

In the medium-term period, covering three years, our objective is to generate sales of roughly €8 billion with a sustainable adjusted EBIT margin of more than 6%. We consider these goals to be realistically achievable in view of the market conditions and our internal initiatives to strengthen processes and develop our products and solutions. With experienced project teams and engineers who serve our customers from high-tech sectors around the world at the highest level, we believe that we are in an excellent position to successfully master the challenges this strong growth brings.

Stuttgart, March 25, 2022

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. 2021	1.1.–31.12. 2020
Sales	1	4,864,854	4,066,537
Cost of sales	2	–4,475,421	–3,749,169
Gross profit on sales		**389,433**	**317,368**
Selling costs	3	–40,444	–34,194
Administration costs	4	–93,974	–88,956
Other operating income	5	19,823	27,775
Other operating expenses	6	–17,222	–26,680
Result from operating activities (EBIT)		**257,616**	**195,313**
Interest and similar income	7	35,876	47,760
Interest and similar expenses	7	–37,263	–33,400
Consolidated earnings before tax		**256,229**	**209,673**
Income tax	8	–39,689	–41,999
Consolidated net profit		**216,540**	**167,674**

in € thousand	Note	1.1.–31.12. 2021	1.1.–31.12. 2020
Consolidated net profit		**216,540**	**167,674**
Gain/loss deriving from the translation of financial statements of foreign business units			
Recognized in equity without impacting profit or loss		31,382	–25,743
Recognized in profit or loss		–243	0
Gain/loss deriving from hedging instruments			
Recognized in equity without impacting profit or loss	24	–2,278	126
Recognized in profit or loss	24	34	16
Income tax			
Recognized in equity without impacting profit or loss		696	–38
Recognized in profit or loss		–11	–5
Items that will subsequently possibly be reclassified to profit or loss		**29,580**	**–25,644**
Remeasurement of pension obligations			
Actuarial gains/losses	19	453	–131
Income tax		–182	44
Items that will not be subsequently reclassified to profit or loss		**271**	**–87**
Other comprehensive income		**29,851**	**–25,731**
Total consolidated comprehensive income		**246,391**	**141,943**

Consolidated Statement of Financial Position

in € thousand

	Note	31.12.2021	31.12.2020
Assets			
Intangible assets	9	338,734	133,393
Property, plant, and equipment	10	38,433	56,209
Right-of-use assets	11	98,007	65,776
Other financial assets	15	1,079	713
Deferred tax assets	8	66,371	64,250
Non-current assets		**542,624**	**320,341**
Inventories	12	55,434	34,257
Advanced payments made	12	125,018	6,473
Contract assets	13	288,440	303,748
Trade receivables	14	693,983	360,835
Other financial assets	15	23,326	25,922
Miscellaneous assets	16	24,797	17,094
Income tax receivables		4,516	4,957
Cash and cash equivalents	17	1,148,911	683,150
Current assets		**2,364,425**	**1,436,436**
Total assets		**2,907,049**	**1,756,777**

in € thousand

	Note	31.12.2021	31.12.2020
Equity and liabilities			
Share capital	18	150,000	150,000
Capital reserve	18	36,585	36,585
Retained earnings	18	–11,183	–178,436
Other components of equity		55,876	26,025
Consolidated net profit		216,540	167,674
Equity		**447,818**	**201,848**
Provisions for pensions	19	10,535	10,772
Other provisions	20	13,442	13,475
Lease liabilities	11	75,291	48,060
Other financial liabilities	22	2,312	1,576
Miscellaneous liabilities	23	0	1,524
Deferred tax liabilities	8	13,100	8,674
Non-current liabilities		**114,680**	**84,081**
Other provisions	20	78,490	74,070
Contract liabilities	13	906,879	322,895
Trade payables	21	1,228,200	983,639
Lease liabilities	11	22,909	16,857
Other financial liabilities	22	7,055	2,871
Miscellaneous liabilities	23	86,110	55,692
Income tax liabilities		14,908	14,824
Current liabilities		**2,344,551**	**1,470,848**
Total equity and liabilities		**2,907,049**	**1,756,777**

Development of Consolidated Equity

in € thousand

	(18)			Other components of equity (18)					
	Share capital	**Capital reserve**	**Retained earnings**	**Currency translation reserve**	**Remeasurement of pension obligations**	**Gains/losses from hedging instruments**	**Income tax**	**Consolidated net profit**	**Total Equity**
Balance at 1.1.2020	**150,000**	**15,000**	**158,667**	**55,000**	**−4,645**	**−16**	**1,417**	**164,926**	**540,349**
Transfer to retained earnings			164,926					−164,926	0
Transfer from retained earnings to the capital reserve		17,929	−17,929						0
Allocations to the capital reserve		3,656							3,656
Withdrawal by the sole shareholder			−430,000						−430,000
Change in the scope of the consolidation			−54,100						−54,100
Consolidated net profit								167,674	167,674
Other comprehensive income				−25,743	−131	142	1		−25,731
Total comprehensive income				−25,743	−131	142	1	167,674	141,943
Balance at 31.12.2020	**150,000**	**36,585**	**−178,436**	**29,257**	**−4,776**	**126**	**1,418**	**167,674**	**201,848**
Transfer to retained earnings			167,674					−167,674	0
Change in the scope of the consolidation			−421						−421
Consolidated net profit								216,540	216,540
Other comprehensive income				31,139	453	−2,244	503		29,851
Total comprehensive income				31,139	453	−2,244	503	216,540	246,391
Balance at 31.12.2021	**150,000**	**36,585**	**−11,183**	**60,396**	**−4,323**	**−2,118**	**1,921**	**216,540**	**447,818**

Consolidated Statement of Cash Flows

in € thousand		Note	1.1.–31.12. 2021	1.1.–31.12. 2020
	Consolidated net profit		216,540	167,674
+	Income tax	8	39,689	41,999
+/–	Net interest (excluding foreign currency exchange gains or losses)	7	1,067	–1,192
+	Amortization and depreciation	9–11	31,322	26,650
+	Change in impairment loss allowances recognized against trade receivables, financial receivables, and contract assets		3,809	4,468
–/+	Net gains/losses deriving from the disposal of intangible assets and property, plant, and equipment		–1,411	182
+/–	Other non-cash-based expenses and income		12,364	–19,647
–	Income tax payments		–42,454	–40,296
–	Interest paid		–3,170	–3,346
+	Interest received		2,662	4,246
+	Change in provisions		–6,283	8,205
+	Change in other assets and liabilities		6,974	25,582
+	Change in working capital		369,020	45,829
–/+	Thereof: change in inventories and advance payments made		–119,635	24,026
–	Thereof: change in trade receivables and contract assets		–230,293	–2,732
+	Thereof: change in trade payables and contract liabilities		718,948	24,535
=	**Cash flow from operating activities**		**630,129**	**260,354**

in € thousand		Note	1.1.–31.12. 2021	1.1.–31.12. 2020
=	**Cash flow from operating activities (brought forward)**		**630,129**	**260,354**
+	Proceeds from the disposal of intangible assets		0	81
–	Payments for investments in intangible assets		–354	–653
+	Proceeds from the disposal of property, plant, and equipment		34,663	61
–	Payments for investments in property, plant, and equipment		–9,216	–3,831
–	Payments for investments in financial assets		0	–28
+	Proceeds from an acquired purchase price receivable		0	10,007
+	Proceeds from the disposal of consolidated entities		1,059	876
–	Payments for investments in consolidated entities		–211,436	–51,330
=	**Cash flow from investing activities**		**–185,284**	**–44,817**
+/–	Financial transactions with entities belonging to the M+W Group GmbH Group		393	–554
–	Payments for withdrawals by the sole shareholder		0	–252,613
+	Proceeds from lease receivables	11	96	13
–	Payments for the redemption of lease liabilities	11	–21,057	–17,918
–	Financing of non-consolidated entities		99	–207
=	**Cash flow from financing activities**		**–20,469**	**–271,279**
=	**Cash-based changes in cash and cash equivalents**		**424,376**	**–55,742**
+/–	Exchange rate effects on cash and cash equivalents		41,385	–30,514
+	Cash and cash equivalents at the beginning of the period	17	683,150	769,406
=	**Cash and cash equivalents at the end of the period**	**17**	**1,148,911**	**683,150**

Notes to the Consolidated Financial Statements

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.

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 & Services (T&S). With regard to the changed structural definition and designation, we refer to the comments made in Note 30 "Segment information." Exyte is a globally active organization in the areas of planning, project management, and project execution in the business segments – 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 European Union (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.

New or amended accounting standards

The accounting principles 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 2021 financial year.

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 2021			
Amendment to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, 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 16 Leases – COVID-19-Related Rent Concessions beyond June 30, 2021	1.4.2021	Yes	None
New standards to be applied in the future			
IFRS 17 Insurance Contracts	1.1.2023	Yes	None
Amended standards/interpretations to be applied in the future			
Amendment to IFRS 3 Business Combinations – Updating a Reference to the Conceptual Framework	1.1.2022	Yes	None
Amendment to IAS 16 Property, Plant, and Equipment – Proceeds before Intended Use	1.1.2022	Yes	None
Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1.1.2022	Yes	Insignificant
Annual Improvements to IFRS 2018-2020 – Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41	1.1.2022	Yes	Insignificant
Amendment to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1.1.2023	No	None
Amendment to IAS 1 – Disclosure of Accounting policies	1.1.2023	No	Insignificant
Amendment to IAS 8 – Definition of Accounting Estimates	1.1.2023	No	Insignificant
Amendment to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1.1.2023	No	Insignificant
Amendment to IFRS17– Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1.1.2023	No	None
Amendments to IFRS 10 and IAS 28 – Sales or Contributions of Assets Between an Investor and its Associate/Joint Venture	Not defined	No	None

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

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

	31.12.2021	31.12.2020
Exyte GmbH and fully consolidated subsidiaries	**44**	**28**
Domestic	6	6
Foreign	38	22
Joint operations (only foreign)	**2**	**2**

In the 2021 financial year, the scope of the consolidation developed as follows:

Development of the scope of the consolidation

Status as at 1.1.2021	**28**
Changes in the 2021 financial year	
CPS Group (business acquisition): CPS Holdco, LLC, Boise, USA CPS Intermediate, LLC, Boise, USA CPS Buyer, LLC, Boise, USA Critical Process Systems Group, Inc., Boise USA BioPharm Engineered Systems, LLC, Andover, USA CPS Process Solutions, LLC, Andover, USA Diversified Fluid Solutions, LLC, Boise, USA ENGVT, LLC, Williston, USA Fab-Tech, Inc., Colchester, USA Pure Guard, LLC, Colchester, USA NEHP, Inc., Williston, USA NEHP Worldwide, LLC, Williston, USA CPS Intermediate II, LLC, Boise, USA CPS Buyer Holdco II, LLC, Boise, USA CPS Buyer II, LLC, Boise, USA Nuance Systems, LLC, Portland, USA	16
Acquisition under common control: Delicatessen Engineering Services Pvt. Ltd., Hyderabad, India Blitz S18-226 GmbH, Stuttgart, Germany	2
Exyte Japan KK, Tokyo, Japan (Liquidation)	–1
Exyte Technology Gebäude GmbH & Co. KG, Stuttgart, Germany (Integration into Exyte Technology GmbH through accretion)	–1
Status as at 31.12.2021	**44**

A total of eight (2020: eleven) subsidiaries were not included in the consolidated financial statements by way of full consolidation because the costs of setting up a reporting system that would be required to enable such inclusion outweigh the benefits that derive from such a reporting system. The non-inclusion of these companies in the consolidated financial statements does not have a material impact on the presentation of the Group's assets, liabilities, financial position, and financial performance. Quantitative measurement criteria for this purpose are their relative share in the total assets of the Group, their sales, and their result from operating activities (EBIT). Shares in subsidiaries that are not included in the consolidated financial statements due to their minor significance are disclosed under other financial assets (non-current).

With effect from November 1, 2021, Exyte Americas Holding, Inc., Plano, USA, acquired a 100% share interest in CPS Holdco, LLC, Boise, USA, and its subsidiaries. The Critical Process Systems Group (CPS Group) is made up of 16 companies.

The companies were included in the consolidated financial statements on a provisional basis, as the process of determining the purchase price had not yet been finalized at the time the consolidated financial statements were prepared. A possible adjustment of the purchase price could have an impact on the amount recognized for goodwill and on the amount of the repayment claim deriving from a provisional purchase price payment recognized under other financial assets.

The amount for the acquisition costs provisionally determined at the time of preparation of the consolidated financial statements was USD 255,882 thousand (€221,007 thousand); translated at the rate applicable on November 1, 2021). The anticipated purchase price at the time of acquisition was paid in cash on November 1, 2021. Of this, a partial amount of USD 5,000 thousand was paid into a blocked account. Once the final purchase price has been determined, this amount will either be (partially) paid to the seller or (partially) transferred back to Exyte Americas Holding, Inc. At the time of the preparation of the consolidated financial statements, the expectation is that a partial amount of USD 924 thousand will be reimbursed to Exyte Americas Holding, Inc. on the basis of the provisionally determined acquisition costs. This repayment claim is reported in the consolidated financial statements as at December 31, 2021, at an amount of €817 thousand, under current assets in the reporting line item "Other financial assets." The costs incurred in connection with the acquisition of the CPS Group in the 2021 financial year (in particular consulting and due diligence costs) amounted to €5,391 thousand. These are disclosed as administration costs.

The acquired net assets were as follows:

in € thousand

	Carrying amount at acquisition date	Remeasurement of assets and liabilities	Fair value at date of initial consolidation
Intangible assets	31	56,141	56,172
Property, plant, and equipment	10,286	0	10,286
Right-of-use assets	3,756	0	3,756
Deferred tax assets	3,846	0	3,846
Inventories	13,863	204	14,067
Advanced payments made	424	0	424
Contract assets	3,307	0	3,307
Trade receivables	23,438	0	23,438
Other financial assets	512	0	512
Miscellaneous assets	1,115	0	1,115
Cash and cash equivalents	11,423	0	11,423
Acquired assets	**72,001**	**56,345**	**128,346**
Deferred tax liabilities	0	15,337	15,337
Other provisions	4,278	0	4,278
Contract liabilities	4,253	0	4,253
Trade payables	13,942	0	13,942
Lease liabilities	3,756	0	3,756
Other financial liabilities	8,097	0	8,097
Miscellaneous liabilities	3,031	0	3,031
Income tax liabilities	242	0	242
Acquired liabilities	**37,599**	**15,337**	**52,936**
Acquired net assets	**34,402**	**41,008**	**75,410**
Acquisition costs			221,007
Residual goodwill			**145,597**

There is no significant difference between the gross amount at which the trade receivables are stated and their fair value. The expectation is that the acquired receivables are fully recoverable.

As a result of the acquisition, Exyte will strengthen its regional presence in the US market and be able to exploit synergies in the semiconductor and life sciences market sectors. By expanding its portfolio to include the manufacturing and Engineering business of the CPS Group, Exyte also foresees opportunities for the acquisition of new customers. Goodwill includes non-separable intangible assets such as employee know-how and the anticipated synergy effects. The goodwill is not deductible for tax purposes.

The sales generated by the CPS Group during the period from November 1, 2021 to December 31, 2021, during which it belonged to the Exyte Group, amounted to €24,886 thousand; earnings after tax (including impacts on earnings deriving from the allocation of the purchase price) for this period amounted to €2,753 thousand. If the business combination had have already occurred as of January 1, 2021, then the consolidated sales of the Group would have increased by €135,442 thousand and the consolidated earnings after tax would have increased by €16,473 thousand.

Furthermore, in 2021, setus 51. GmbH, Stuttgart, Germany, acquired Blitz S18-226 GmbH, Stuttgart, Germany, and its subsidiary company, Delicatessen Engineering Services Pvt. Ltd., Hyderabad, India, from M+W Group GmbH, Stuttgart, Germany, at an acquisition cost of €2,000 thousand. setus 51. GmbH was subsequently merged into Exyte GmbH, Stuttgart, Germany.

The acquired consolidated net assets of Delicatessen and Blitz are presented in the following table at their carrying amounts:

in € thousand	
Property, plant, and equipment	225
Right-of-use assets	776
Trade receivables	1,653
Other financial assets	212
Miscellaneous assets	319
Cash and cash equivalents	899
Acquired assets	**4,084**
Deferred tax liabilities	31
Other provisions	145
Trade payables	1,149
Lease liabilities	735
Other financial liabilities	202
Miscellaneous liabilities	67
Income tax liabilities	176
Acquired liabilities	**2,505**
Acquired net assets at carrying amounts	**1,579**
Acquisition costs	2,000
Reduction in Exyte's consolidated equity	**–421**

The acquisition of these companies constitutes a transaction under common control. The common ultimate parent company of all the companies involved in these transactions is Millennium Privatstiftung, Vienna, Austria. The acquisition has been accounted for by applying the book-value method.

A table showing the Exyte GmbH's shareholdings 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 principles that are uniformly valid.

Acquisitions under common control

In the case of acquisitions under common control (acquisition of businesses, whereby the acquirer and the acquired business are under the control of the same entity), 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.

Other acquisitions

Other business acquisitions are accounted for using the acquisition method. At the time at which control of the acquired business is obtained, its assets, liabilities, and contingent liabilities are required to be included in the consolidated financial statements. The recognizable assets and the acquired liabilities and contingent liabilities – independent of the extent of Exyte's participatory share interest – are measured at the full amount of their fair values. If the participatory share interest acquired is less than 100%, then any share of the net assets that is attributable to non-controlling share interests is to be separately recognized in equity. The relative values at the time that control over the subsidiary company is obtained are of decisive relevance. The cost of an acquired company is measured at the fair value of the consideration transferred, i.e., as the total value of any assets contributed, of any liabilities of the seller that are assumed, and of any own equity instruments issued. Any incidental costs of the acquisition are recognized in profit or loss. The amount at which any goodwill is recognized is determined as the excess of the total amount of the acquisition costs, the value of any non-controlling interests, and the fair value of any previous equity share held by Exyte in the acquired business (in the event of a successive acquisition) over the fair value of the net assets acquired.

Elimination of intercompany balances, intercompany profits, and expenses and income

Accounts receivable and accounts payable balances, intercompany profits, 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 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	31.12.2021	31.12.2020	2021	2020
USA	USD	1.1303	1.2259	1.1807	1.1418
Singapore	SGD	1.5309	1.6274	1.5869	1.5755
United Kingdom	GBP	0.8412	0.9086	0.8569	0.8890
Russia	RUB	83.5863	90.1883	87.0750	83.4370
China	CNY	7.1994	8.0070	7.6155	7.8797
Malaysia	MYR	4.7269	4.9655	4.8986	4.8028
Taiwan	TWD	31.3505	34.4038	33.0061	33.5728
Vietnam	VND	25,791.0000	28,322.0000	27,070.6667	26,564.6667
Israel	ILS	3.5179	3.9363	3.8193	3.9074
Japan	JPY	129.9700	127.2300	130.1075	121.6158
India	INR	84.3880	89.6605	87.1655	84.59925
Czech Republic	CZK	24.9580	26.3020	25.6658	26.5416

Recognition and measurement

Goodwill
Goodwill is not subject to systematic 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 possibly not be recoverable. Goodwill is tested for impairment at the level of groups of cash-generating units, which represent the respective regional segments.

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 systematic straight-line basis over their economic useful lives of three to fifteen years. Furthermore, Exyte tests intangible assets with finite useful lives annually for indications of 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.

Exyte recognizes intangible assets in respect of own-developed products or processes if these can be clearly segregated, are assessed to be technically feasible, and they are foreseen for internal use or sale. A further prerequisite for recognition as an asset is that sufficient probability exists that the capitalized development costs can be recovered by future cash inflows. Capitalized development costs are amortized on a systematic 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 immediately expensed in the statement of comprehensive income.

The majority of Exyte's development activities arise in the context of customer contracts. The resulting expenses are reported under cost of sales. Expenses for research and development that are not directly attributable to customer projects are disclosed as other operating expenses. In the 2021 financial year, such expenses amounted to €56 thousand (2020: €42 thousand).

Other intangible assets are measured at their costs of acquisition or generation less systematic amortization and any recognized losses for impairment. The costs of acquisition or generation include all directly attributable costs as well as an appropriate share of development-related overheads. Capitalization commences when the recognition criteria for the respective assets are met and ends as soon as the assets are available for use within the organization in accordance with the management's plans.

Property, plant, and equipment

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

As was the case in the previous year, systematic 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 ascertain the amount of any potential impairment loss. If the recoverable amount is not reliably determinable, then the test for impairment is carried out at the level of the smallest cash-generating unit to which the asset is attributable. A cash-generating unit is the smallest unit for which largely independent cash flows can be identified that derive from the continued use of the respective assets.

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

Exyte determines the fair value less costs to sell as the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable, willing contractual parties.

The determination of the value in use is made based on the discounted value of expected future net cash inflows 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 inflows.

If the recoverable amount of the object that is being measured is lower than its carrying amount, then the carrying amount is written down to the recoverable amount. The impairment loss is recognized immediately in profit or loss within the functional costs, or respectively within other operating expenses if such assignment 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 in respect of property, plant, and equipment, as well as liabilities for the related payment obligations to the lessor.

The lease liabilities are 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 of the respective lessee that are commensurate with the currency, asset value, and term of the lease. 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 liabilities);
- 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 dismantling obligation recognized as liabilities.

Subsequent measurement is at amortized cost. Right-of-use assets are depreciated on a straight-line basis over the term of the lease. The terms of the leases, and thus their useful lives, are in the range between 13 months and 18.5 years (2020: 13 months and 18.5 years).

Exyte has taken advantage of both the practical expedient that is available for leases of assets with a low value (value of underlying leased asset when new <€5 thousand), as well as that for short-term lease (non-terminable basic lease term of twelve months or less). Usage fees for lease, for which the application of the practical expedient under IFRS 16 has been invoked, are fully recognized 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 two leases, Exyte acts as sublessor and therefore accounts for these subleases as the lessor. These subleases have been classified as finance lease and consequently receivables were recognized for the net amount of the respective investments. The net value of the investment corresponds to the present value of the right to receive lease payments plus any unguaranteed residual value. The lease instalments 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 entities belonging to the M+W Group GmbH Group, non-consolidated subsidiaries, 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, the 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 this is not the case, then the expected credit loss is determined over a time horizon of twelve months (twelve-month ECL). If, however, 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 customer-specific probabilities of default that, depending on the respective amount of the receivable and the expected term of the receivable, could result in a corresponding impairment loss 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 (e.g., 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 for 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 is an indicator that contributes 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, in addition to the expected first-stage and second-stage credit losses, the individual default risk is also taken into account when assessing the impairment (third stage). Exyte generally defines a default event as being a situation in which the financial instrument is no longer collectible. 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 cash inflows deriving from the financial assets.

At the end of each financial year, Exyte checks whether the credit risk for the receivable has changed and adjusts amount of the allowance for impairment, where necessary.

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 the present value of the lease payments that are highly probably 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 are subsequently measured at fair value (in Exyte's case, this is only relevant for derivative financial instruments). 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. Any difference between the effective interest expense and the interest payments results in adjustment of the carrying amount of the financial liabilities

A financial liability is derecognized when the obligations specified in the contract are discharged, cancelled, or are no longer enforceable by the creditor.

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, as part of the result from financing activities, unless the derivatives are designated as cash flow hedges for hedge accounting purposes.

If cash flow hedge accounting is applied, then 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 cash flows deriving from the hedged item impact 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 customer. For projects where sales are recognized over a defined time period, the stage of completion of the work performed is determined using the cost-to-cost method.

Any advance payments requested and received from the customer before the promised services have been performed represent an obligation to the customer. If the performance obligations are higher than the claim entitlement deriving from the customer contract, Exyte discloses the net obligation as a contract liability.

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

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

Deferred tax

Deferred tax amounts are set up for all temporary differences between tax-based values of assets and liabilities and the values recognized for them in the consolidated statement of financial position.

In addition, deferred tax is recognized in respect of tax loss carryforwards, for which future 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 by the entity making the distribution.

Deferred tax benefits are not recognized as assets if their utilization is dependent upon the availability of income against which they can be offset in periods that are not 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 relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off actual tax assets against actual tax liabilities. Deferred tax balances are always classified as non-current.

Provisions for pensions

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

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

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

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

For defined contribution plan retirement schemes (e. g., certain direct insurance schemes), the 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 liabilities. 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 assets.

Income from the reversal of provisions is offset against the expense items for which the provisions were originally set up.

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 customers are earned in the regional segments EMEA, AMER, and APAC and derive from such activities. In addition to EPC business, Exyte produces and markets clean-room components and systems for the electronics and pharmaceutical industry sectors in the T&S segment and also offers related installation services.

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

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

- **Reimbursable:** In this case, the price includes the reimbursement of all costs approved in advance by the customer. The costs are set as unit prices (e.g., as hourly rates or material prices) and normally include a profit margin.

- **Cost-plus (open-book):** In the case of cost-plus (open-book) contracts, Exyte agrees with the customer on the provision of the service at a price "on proof" In such cases, the costs must be disclosed to the customer. 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 customer.

- **Lump-sum:** With this type of contract, a 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, contracts with customers 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 customer-specific, turnkey plant facility, which requires its completion and handover to the customer in its entirety. In the few cases where contracts with customers contain more than one performance obligation, Exyte allocates the transaction price to the individual performance obligations on the basis of the relative stand-alone 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 scope of the transaction price in cases where it is highly probable that there will not be any significant future reversal of already recognized sales. The estimate of the variable consideration component is reassessed regularly based on the progress of the project, and at each reporting date, and adjusted where necessary.

Exyte engages subcontractors in order to fulfill customer contracts. In this context, Exyte regularly acts as the principal and, to the extent that Exyte obtains control over the goods and services before they are transferred to the customer, recognizes recoverable costs as sales and cost of sales in the statement of comprehensive income. In certain cases, Exyte organizes the provision of services by the subcontractor without obtaining control over the goods and services to be transferred to the customer. The costs and other expenses related to these services are charged directly to the customer by the subcontractor. In such cases, Exyte does not recognize sales and cost of sales in the statement of comprehensive income.

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 customer result in changes to the corresponding contract assets or contract liabilities.

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

Billing is carried out when the contractually agreed milestones have been fulfilled. The terms agreed with the customer usually provide for payment within 30 to 60 days of invoice preparation.

As a general rule, customers 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 customer 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 the prerequisites for receiving the compensation have been fulfilled with reasonable certainty.

C. Discretionary Decisions, Estimates, and Assumptions

The process of preparing the consolidated financial statements requires discretionary decisions, estimates, and assumptions that impact the amount and presentation of recognized assets, liabilities, income, and expenses, as well as certain disclosures in the notes to the financial statements. Although great care is taken in the quantifying such estimates and assumptions, taking into account the best available information, the actual figures that arise may vary from them.

Pandemic-related uncertainties

Global economic development in 2021 continued to be influenced by the effects of the COVID-19 pandemic. Due to the business sectors in which Exyte operates, this had only a minor effect on business development in the 2021 financial year, which is reflected in the consolidated financial statements as of December 31, 2021.

The further course of the COVID-19 pandemic cannot be reliably predicted at present. On the one hand, more infectious viral mutations are increasingly to be observed, while on the other hand, the spread of the virus is being counteracted by the increasing number of vaccinations being carried out worldwide. Due to these developments, it is difficult to predict the duration and extent of any resultant impact 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 customers, payment defaults or delayed customer 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, 2021 are based on the then existent knowledge and the best available information. Exyte is operating under the assumption 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 2021 financial year, the analysis of the portfolio of current and new projects – as regards possible risks from project delays – and the review of customer groupings and subcontractors – as regards potential changes in the risk of default. The assessment is also based on the assumption that no further lockdown measures or border closures will be necessary, that government support programs will continue to be effective and that the global economy will see a further recovery during the course of 2022.

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

Significant discretionary decisions relating to the application of IFRS 15

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 customer. In cases where the customer wishes to modify the scope, a contract amendment ("change order") is agreed and signed by both parties to the contract. Contract scope increases and modifications usually lead to an adjustment of the scope of the original performance obligations and thus do not constitute independent 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 (€280,945 thousand; 2020: €131,787 thousand) is tested for impairment annually. In the process of performing this test, estimates have to be made, in particular, with respect to future cash inflows and outflows that arise in connection with the object that is subject to measurement. 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 costs. Exyte sets up provisions (€1,755 thousand; 2020: €2,729 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 amount of the obligation 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 the setting up a provision are fulfilled is based on a significant degree of judgment on the part of the executive management. The same applies to the estimation of the amount of the provision.

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 involved. 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 (€10,535 thousand; 2020: €10,772 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, 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 is subject to tax regulations in many different territories. The tax amounts disclosed in the consolidated financial statements (net balance of income tax receivables (+) and income tax liabilities (–): –€10,392 thousand; 2020: –€9,867 thousand) take into account the respective tax legislation and pertinent opinions of the various tax administrations involved.

Due to their complexity, these may be interpreted differently by the taxpayer and by the respective local tax authorities. Changes in local tax laws, as well as differences in the interpretation of tax regulations by the judicature and administrative bodies, can impact the amounts of tax-related reporting line items disclosed in the consolidated financial statements.

Deferred tax assets (€66,371 thousand; 2020: €64,250 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 business 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. The carrying amounts for other provisions (both non-current and current) amounted to €91,932 thousand (2020: €87,545 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 or not exercise such options or to change the duration of lease. Any potential changes in the duration resulting from the exercise or non-exercise of such options are only taken into account when determining the term of the contract if they are sufficiently certain. Such an assessment is accordingly subject to discretionary decisions, estimates, and assumptions. Changes in estimates have an impact on the recognized right-of-use assets (€98,007 thousand; 2020: €65,776 thousand) and on non-current and current lease liabilities (€98,200 thousand; 2020: €64,917 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 performance obligations that had not yet been fulfilled (or only partially fulfilled) at the reporting date:

Expected sales from performance obligations – December 31, 2021

in € thousand

2022	2023	2024	Total
5,502,878	779,775	222,586	**6,505,239**

Expected sales from performance obligations – December 31, 2020

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 was the case in the previous year, as of the 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 customers by regional segment. With respect to amendments made to the demarcation of the segments and for a further analyses of reportable segments, we make reference to Note 30: "Segment information."

Sales from customer contracts, by regional segment – 2021

in € thousand

	EMEA	AMER	APAC	T&S	Consolidation adjustments	Exyte
Sales recognized over a period of time	2,441,060	423,295	1,731,249	288,941	–120,764	4,763,781
Sales recognized at a point in time	0	0	668	137,884	–37,479	101,073
Total	**2,441,060**	**423,295**	**1,731,917**	**426,825**	**–158,243**	**4,864,854**

Sales from customer contracts, by regional segment – 2020

in € thousand

	EMEA	AMER	APAC	T&S	Consolidation adjustments	Exyte
Sales recognized over a period of time	2,416,647	406,712	1,020,850	241,627	–89,925	3,995,911
Sales recognized at a point in time	0	0	0	114,038	–43,412	70,626
Total	**2,416,647**	**406,712**	**1,020,850**	**355,665**	**–133,337**	**4,066,537**

2 Cost of sales

The cost of sales (costs of production of goods sold and of services rendered) during the financial year amounted to –€4,475,421 thousand (2020: –€3,749,169 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.

The cost of goods 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 €5,204 thousand (2020: €3,682 thousand), reduced the cost of sales.

3 Selling costs

Selling costs in the financial year amounted to –€40,444 thousand (2020: –€34,194 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 –€93,974 thousand (2020: –€88,956 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. The increase was particularly due to costs incurred to secure the overall growth strategy, costs incurred in connection with the design and implementation of a new SAP system, and transaction costs incurred in the 2021 financial year in connection with the acquisition of the CPS Group (–€5,391 thousand).

5 Other operating income

Other operating income

in € thousand	2021	2020
Income deriving from the reimbursement of costs related to COVID-19	6,695	9,312
Income from government grants	2,872	4,194
Income from the reversal of allowances for impairment and from the receipt of payments for previously derecognized receivables	2,725	3,431
Income from services charged out to entities belonging to the M+W Group GmbH Group	1,743	3,079
Gains on the disposal of intangible assets and property, plant, and equipment	1,738	157
Income deriving from the charge-out of services to third parties and from leases	970	1,852
Gain on the disposal of consolidated entities	237	0
Miscellaneous other items	2,843	5,750
Total	**19,823**	**27,775**

The income from the reimbursement of costs relating to COVID-19, amounting to €6,695 thousand (2020: €9,312 thousand), mainly results from government COVID-19 support programs in Asia.

The income from government grants mainly includes €2,654 thousand (2020: €3,680 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	2021	2020
COVID-19-related costs	–3,727	–8,650
Expenses deriving from the recognition of impairment allowances and the derecognition of receivables	–2,895	–5,239
Restructuring and reorganization expenses	–1,943	–3,394
Taxes other than income tax	–1,873	–734
Expenses deriving from services charged out to entities belonging to the M+W Group GmbH Group	–1,697	–2,953
Losses on the disposal of intangible assets and property, plant, and equipment	–327	–324
Severance payments	0	–1,575
Miscellaneous other items	–4,760	–3,811
Total	**–17,222**	**–26,680**

COVID-19-related costs of –€3,727 thousand (2020: –€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	2021	2020
Interest and similar income	**35,876**	**47,760**
Foreign exchange gains (related parties)	6,171	29,929
Foreign exchange gains (third parties)	27,512	13,152
Income from charge-on of fees for bank guarantees	370	660
Miscellaneous interest and similar income	1,823	4,019
Interest and similar expenses	**–37,263**	**–33,400**
Foreign exchange losses (related parties)	–18,957	–7,029
Foreign exchange losses (third parties)	–15,041	–22,884
Expenses for fees for bank guarantees	–1,861	–2,251
Interest portion of lease Installments deriving from lease liabilities	–1,062	–769
Interest expense deriving from the unwinding of discount on provisions for pensions	–69	–86
Miscellaneous interest and similar expenses	–273	–381
Net income from financing activities (net total)	**–1,387**	**14,360**

The decline in the net amount for foreign exchange gains and losses for the financial year, to a level of –€315 thousand (2020: 13,168 thousand) was due, in particular, to the exchange rate development of the US dollar and the Singapore dollar.

8 Income tax

Income tax comprises taxes on income paid or owed in the various individual territories (current tax) 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 clearly 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% based on the corporation tax, as well as using an effective rate of 14.70% 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 from the previous year, 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

	2021	2020
Current income tax	**–41,846**	**–40,132**
Deferred tax	**2,157**	**–1,867**
Deferred tax deriving from temporary differences	4,763	–5,862
Deferred tax deriving from tax loss carryforwards and tax credits	–2,606	3,995
Total	**–39,689**	**–41,999**
Thereof: current income tax relating to prior periods	1,164	476
Thereof: deferred tax relating to prior periods	–1,018	935

At the year-end reporting date, Exyte had unutilized corporation tax loss carryforwards amounting to €179,348 thousand (2020: €151,958 thousand), as well as unutilized municipal trade tax loss carryforwards in Germany of €46,906 thousand (2020: €57,051 thousand).

The management's assessment is that in all probability, sufficient future taxable income will be generated to offset €46,510 thousand (2020: €50,615 thousand) of the tax losses carried forward that have not yet been utilized for corporation tax purposes and to offset €8,715 thousand (2020: €23,420 thousand) of the tax losses carried forward that have not yet been utilized for municipal trade tax purposes.

Deferred tax assets amounting to €10,506 thousand (2020: €12,435 thousand) were set up in respect of these utilizable losses. No further deferred tax assets were recognized in respect of the remaining corporation tax loss carryforwards, amounting to €132,838 thousand (2020: €101,343 thousand) and municipal trade tax loss carryforwards of €38,191 thousand (2020: €33,631 thousand). A total of €1,925 thousand (2020: €1,862 thousand) of the foreign tax loss carryforwards will expire in the next five years.

In addition, Exyte has available tax credits of €16,018 thousand (2020: €12,246 thousand), mainly in the USA. A deferred tax asset of €538 thousand (2020: €0 thousand) was recognized for utilizable tax credits.

Deferred tax credits, amounting to €41 thousand (2020: €202 thousand) arose from changes in tax rates, mainly due to changes in French tax legislation.

Deferred tax liabilities amounting to €1,032 thousand (2020: €3,779 thousand) were recognized for temporary differences in connection with investments in subsidiaries, as it is currently probable that the temporary differences will reverse in this amount due to dividend payments in the following year. In the event of a distribution, these dividends will be taxed in Germany at a rate of 5% or will respectively be subject to foreign withholding tax.

Deferred tax liabilities of €330,726 thousand (2020: €121,438 thousand) were not recognized for temporary differences 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 separate line items in the statement of financial position and in respect of tax loss carryforwards:

Deferred tax relating to separate line items in the statement of financial position

in € thousand

	Deferred tax assets		Deferred tax liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-current assets	**16,016**	**12,277**	**–39,403**	**–15,534**
Intangible assets	14,508	10,753	–18,892	–2,215
Property, plant, and equipment	34	19	–20,415	–11,758
Financial assets	1,474	1,505	–96	–1,561
Current assets	**51,141**	**5,317**	**–34,433**	**–20,829**
Inventories	1,445	1,700	0	0
Receivables and other assets	49,696	3,617	–34,433	–20,829
Non-current liabilities	**20,221**	**14,541**	**–66**	**0**
Provisions	4,185	4,504	–66	0
Liabilities	16,036	10,037	0	0
Current liabilities	**131,040**	**73,528**	**–101,735**	**–26,132**
Provisions	7,593	6,448	–788	–118
Liabilities	123,447	67,080	–100,947	–26,014
Tax loss carryforwards	**44,627**	**38,445**	**0**	**0**
Tax credits	**3,871**	**2,890**	**0**	**0**
Miscellaneous other items	**0**	**389**	**0**	**–19**
Gross value	**266,916**	**147,387**	**–175,637**	**–62,514**
Write-downs	–38,008	–29,297	0	0
Set-offs	–162,537	–53,840	162,537	53,840
Recognition in the statement of financial position	**66,371**	**64,250**	**–13,100**	**–8,674**

Deferred tax of €1,921 thousand (2020: €1,418 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 provisions (€1,273 thousand; 2020: €1,455 thousand) and from the measurement of forward exchange transactions, as part of cash flow hedges (€648 thousand; 2020: –€37 thousand).

The measurement of deferred tax assets resulting from deductible temporary differences and tax loss carryforwards is based on underlying tax-planning calculations and is derived from multi-annual planning and business strategy information. Such tax planning calculations show that it is highly probable that sufficient taxable income can be expected over the period covered by the planning horizon to confirm the viability of the deferred tax assets deriving from both deductible temporary differences and tax loss carry forwards. This assessment is particularly based on the achievement of the Group's strategic objectives, which are expected to result in an improved earnings situation. 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 become available.

The following table shows the tax reconciliation of the expected tax expense 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 2021 financial year was applied.

Reconciliation of the expected and actual tax expense

in € thousand

	2021	2020
Earnings before tax	**256,229**	**209,673**
Expected tax expense	–78,227	–64,013
Adjustments to the expected tax expense:		
Non-tax-deductible expenses	–5,100	–3,958
Tax-free income	20,371	8,841
Change in write-downs of deferred tax amounts and impacts deriving from losses in the current year, for which no deferred tax was recognized	–7,753	–7,006
Permanent differences	1,535	1,312
Deviations from the expected tax rate	37,711	29,175
Effects deriving from municipal trade tax add-ons and deductions	284	0
Impacts of changes in tax rates	41	202
Tax not related to the current reporting period	146	1,411
Foreign and other local income taxes	–7,048	–8,548
Other tax effects	–1,649	585
Actual tax expense	**–39,689**	**–41,999**
Group tax rate	**15.5%**	**20.0%**

“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	Customer relationships	Patents, trademarks, software	Goodwill	Total
Costs of acquisition or generation Balance: 1.1.2021	**613**	**1,856**	**11,906**	**131,787**	**146,162**
Currency impacts	0	1,091	298	3,561	4,950
Changes to the scope of the consolidation	0	44,826	11,347	145,597	201,770
Additions	0	0	354	0	354
Disposals	0	–1,537	–58	0	–1,595
Costs of acquisition or generation Balance: 31.12.2021	**613**	**46,236**	**23,847**	**280,945**	**351,641**
Accumulated amortization/write-downs Balance: 1.1.2021	**–297**	**–1,787**	**–10,685**	**0**	**–12,769**
Currency impacts	0	–22	–38	0	–60
Changes to the scope of the consolidation	0	0	–2	0	–2
Additions	–46	–517	–1,108	0	–1,671
Disposals	0	1,537	58	0	1,595
Accumulated amortization/write-downs Balance: 31.12.2021	**–343**	**–789**	**–11,775**	**0**	**–12,907**
Carrying amount: 31.12.2021	**270**	**45,447**	**12,072**	**280,945**	**338,734**

Development of intangible assets

in € thousand

	Development costs	Customer relationships	Patents, trademarks, software	Goodwill	Total
Costs of acquisition or generation Balance: 1.1.2020	**613**	**1,856**	**10,591**	**142,784**	**155,844**
Currency impacts	0	0	–5	–277	–282
Changes to the scope of the consolidation	0	0	188	0	188
Additions	0	0	653	0	653
Disposals	0	0	–84	–10,720	–10,804
Transfers	0	0	563	0	563
Costs of acquisition or generation Balance: 31.12.2020	**613**	**1,856**	**11,906**	**131,787**	**146,162**
Accumulated amortization/write-downs Balance: 1.1.2020	**–101**	**–1,676**	**–10,231**	**–10,975**	**–22,983**
Currency impacts	0	0	4	255	259
Changes to the scope of the consolidation	0	0	–145	0	–145
Additions	–196	–111	–396	0	–703
Disposals	0	0	83	10,720	10,803
Accumulated amortization/write-downs Balance: 31.12.2020	**–297**	**–1,787**	**–10,685**	**0**	**–12,769**
Carrying amount: 31.12.2020	**316**	**69**	**1,221**	**131,787**	**133,393**

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 amounting to –€1,671 thousand (2020: –€703 thousand) were recorded in cost of sales (–€1,135 thousand; 2020: –€356 thousand), in administration costs (–€531 thousand; 2020: –€345 thousand), in selling costs (€0 thousand; 2020: –€2 thousand), and in other operating expenses (–€5 thousand; 2020: €0 thousand).

As in the previous year, the annual test for impairment was made at the level of groups of cash-generating units (CGUs) and was carried out in an unchanged manner at the end of the financial year. Exyte has identified the respective regional segments EMEA, AMER, APAC, as well as T&S (2020: TECH) as groups of CGUs. As a consequence of the change in the structure of the reportable segments (see note 30: "Segment information"), goodwill of €3,198 thousand from AMER and €4,842 thousand from APAC was reallocated to T&S – based on relative values – with effect from January 1, 2021.

The goodwill deriving from the acquisition of the CPS Group, as of November 1, 2021, has been allocated to T&S.

The recoverable amount for purposes of the impairment test of goodwill was determined as the value in use. The estimation of cash flows from the continued use of the CGU groups is based on the most recent medium-term planning approved by management for a planning horizon of three years (earnings, statement of financial position, and cash flow planning). The medium-term planning is based, among other things, on the existing order backlog and the expectation of future project acquisitions. Cash flows beyond the planning horizon of the medium-term plan are extrapolated for each group of CGUs using individual planning assumptions.

The following are the most significant planning assumptions used for the groups of CGUs:

- The medium-term plan for EMEA for the years 2022 to 2024 forecasts slightly increasing sales and slight EBITDA margin growth. Increasing sales and EBITDA margins are forecast for AMER and T&S. Increasing sales accompanied by slightly reducing EBITDA margins are forecast for APAC.

- The sales expectations for EMEA, AMER, and APAC for purposes of the perpetual annuity were derived to an extent of 50% from the sales for the final planning year and to an extent of 50% from the average sales of the actual years 2017 to 2021 and for the plan years 2022 to 2024, in order to take the cyclical nature of regional business into account. Based on this, the EBITDA margin for the final planning year was then applied.

- For T&S, both the sales revenue and EBITDA of the final planning year were used to derive the perpetual annuity.
- For EMEA, AMER, APAC, and T&S, sustainable growth of 0.25% was calculated for purposes of the perpetual annuity.

The values in use that were determined are not only dependent on the forecast future cash flows, but also particularly on the discount rates used to determine the present value. The discount rates applied are based on the weighted average cost of capital (WACC) concept.

The WACC is individually determined based on a risk-free interest rate and a market risk premium for each group of CGUs. In addition, the discount rates reflect a current market assessment of specific risks by taking into account beta factors and the debt ratios of a specific peer group, as well as country-specific premiums. The parameters used to determine the discount rates are based on external information sources. The peer group used is subject to an annual review and is adjusted, if necessary.

The discount rates used to calculate the present value, as well as the allocation of goodwill to the groups of CGUs, are presented below:

Goodwill analyzed by groups of cash-generating units

31.12.2021	WACC before tax (in %)	Tax rate (in %)	WACC after tax (in %)	Goodwill (in € thousand)
EMEA	10.8	19.8	8.7	58,474
AMER	11.3	25.3	8.4	9,701
APAC	10.6	20.2	8.5	50,422
T&S	11.0	24.6	8.3	162,348

Goodwill analyzed by groups of cash-generating units

31.12.2020	WACC before tax (in %)	Tax rate (in %)	WACC 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

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.

For purposes of a sensitivity analysis conducted for the groups of CGUs to which significant goodwill is allocated, a sustainable EBITDA margin in the amount of the actual EBITDA margin for 2021 (no future margin increase), or an increase in the WACC by two percentage points, or a reduction in the long-term growth rate to 0%, were assumed. On this basis, there was also no need for an impairment loss to be recognized for any of these groups of CGUs.

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: 1.1.2021	**30,487**	**16,403**	**64,726**	**35**	**111,651**
Currency impacts	142	1,010	4,049	64	5,265
Changes to the scope of the consolidation	27	4,232	9,134	1,629	15,022
Additions	12	530	7,631	1,043	9,216
Disposals	–28,739	–6,774	–4,476	–18	–40,007
Transfers	0	318	17	–335	0
Costs of acquisition or construction Balance: 31.12.2021	**1,929**	**15,719**	**81,081**	**2,418**	**101,147**
Accumulated depreciation and write-downs Balance: 1.1.2021	**–2,213**	**–8,694**	**–44,535**	**0**	**–55,442**
Currency impacts	–57	–709	–3,110	0	–3,876
Changes to the scope of the consolidation	–12	–1,955	–2,543	0	–4,510
Additions	–161	–843	–6,003	0	–7,007
Disposals	1,619	2,539	3,963	0	8,121
Accumulated depreciation and write-downs Balance: 31.12.2021	**–824**	**–9,662**	**–52,228**	**0**	**–62,714**
Carrying amount: 31.12.2021	**1,105**	**6,057**	**28,853**	**2,418**	**38,433**

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**

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: 1.1.2021	**81,780**	**11,344**	**93,124**
Currency impacts	3,961	611	4,572
Changes to the scope of the consolidation	4,864	0	4,864
Additions	45,335	3,237	48,572
Disposals	−9,969	−2,053	−12,022
Remeasurement/contract amendments	−1,161	93	−1,068
Costs of acquisition or construction Balance: 31.12.2021	**124,810**	**13,232**	**138,042**
Accumulated depreciation and write-downs Balance: 1.1.2021	**−22,701**	**−4,647**	**−27,348**
Currency impacts	−1,291	−308	−1,599
Changes to the scope of the consolidation	−331	0	−331
Additions	−18,639	−4,005	−22,644
Disposals	9,834	2,053	11,887
Accumulated depreciation and write-downs Balance: 31.12.2021	**−33,128**	**−6,907**	**−40,035**
Carrying amount: 31.12.2021	**91,682**	**6,325**	**98,007**

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
Remeasurement/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**

The lease liabilities developed as follows:

Development of the lease liabilities

in € thousand

	2021	2020
Opening balance as at 1.1.	**64,917**	**55,223**
Currency impacts	2,925	–1,733
Changes to the scope of the consolidation	4,491	2,381
Additions	47,889	26,715
Interest expense deriving from the compounding of the lease liabilities	1,062	769
Payments of interest and principal	–22,119	–18,687
Remeasurement/contract amendments	–965	249
Closing balance as at 31.12.	**98,200**	**64,917**

The interest rates used to determine the present value of the lease liabilities vary between 0.3% and 4.8% (2020: 0.4% and 4.2%).

Amounts recognized in the consolidated statement of comprehensive income

Leases

in € thousand

	2021	2020
Depreciation of right-of-use assets	–22,644	–18,622
Interest expenses deriving from the unwinding of discount on lease liabilities	–1,062	–769
Expenses deriving from short-term leases	–7,725	–5,194
Expenses for other leases relating to assets of low value	–1,348	–1,291
Net gain/loss deriving from remeasurement/contract amendments	206	–294
Gain deriving from sale-and-leaseback transactions	1,722	0
Income deriving from subleasing of right-of-use assets	0	69

Amounts reported in the consolidated statement of cash flows

Leases

in € thousand

	2021	2020
Interest paid	–1,062	–769
Cash flow from operating activities	**–1,062**	**–769**
Proceeds from lease receivables	96	13
Payments for the redemption of lease liabilities	–21,057	–17,918
Cash flow from financing activities	**–20,961**	**–17,905**

12 Inventories and advance payments made

Inventories

Carrying amounts for inventories

in € thousand

	31.12.2021	31.12.2020
Raw materials, consumables, and supplies	33,165	19,320
Work in process	14,605	8,501
Finished goods, merchandise for resale	7,664	6,436
Inventories	**55,434**	**34,257**

Impairment losses of –€1,653 thousand were recognized against inventories in the 2021 financial year (2020: –€136 thousand) and impairment losses of €0 thousand (2020: €219 thousand) were reversed. The effects were included in the cost of sales. The impairment losses were recognized due to the restricted movability of inventories. Impairment losses are reversed if the reasons for impairment no longer apply.

Consumption of inventories resulted in expenses of –€82,774 thousand (2020: –€88,356 thousand).

Advance payments made

The advance payments made, amounting to €125,018 thousand (December 31, 2020: €6,473 thousand), mainly result from advance payments to sub-suppliers in the project business sector. Their total balance increased, due to circumstance prevalent at the reporting date, by €118,545 thousand (2020: reduced by €34,160 thousand).

13 Contract balances

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

Contract balances

in € thousand

	31.12.2021	31.12.2020
Contract assets	288,440	303,748
Contract liabilities	906,879	322,895

Sales include an amount of €250,925 thousand (2020: €317,023) 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 €64,168 thousand (2020: €47,132 thousand); these were mainly generated with major European and Asian customers.

Allowances for losses on contract assets amounted to –€489 thousand at the year-end reporting date (December 31, 2020: –€648 thousand).

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

Default risks for contract assets – 2021

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	149,788	–86	0.06
Rating class 2	BBB	46,178	–118	0.26
Rating class 3	BB	34,265	–138	0.40
Rating class 4	B to D	49,920	–124	0.25
No rating[1]	–	8,778	–23	0.27
Total		**288,929**	**–489**	**0.17**

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

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, customers with balances that are not material are directly allocated to a territory risk classification (average default risk for a business in a particular territory); on the other hand, Exyte has top customers for which no risk classification is available. For these latter customers, the territory risk classification was also applied for the 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 Principles."

14 Trade receivables

Carrying amount of trade receivables

in € thousand	31.12.2021	31.12.2020
Trade receivables due from other than related parties	691,605	356,677
Trade receivables due from entities belonging to the M+W Group GmbH Group	2,237	4,149
Trade receivables due from other non-consolidated affiliated entities and joint ventures	141	9
Total	**693,983**	**360,835**

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

The development of allowances that were set up for trade receivables due from other than related parties (–€6,156 thousand; December 31, 2020: –€8,942 thousand) is shown below:

Allowances set up for trade receivables due from other than related parties

in € thousand

	Credit loss 2021		Credit loss 2020	
	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	**–339**	**–8,603**	**–317**	**–11,138**
Changes to the scope of the consolidation	–16	0	0	0
Increase	–95	–1,115	–143	–123
Utilization/derecognition	0	3,433	0	279
Reversal/payment received	131	1,011	110	1,798
Currency impacts	–23	–540	11	581
Allowance at the end of the financial year	**–342**	**–5,814**	**–339**	**–8,603**

The following table includes an analysis of the credit quality of the trade receivables due from other than related parties:

Default risk for trade receivables due from other than related parties – the 2021 financial year

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	399,453	–78	–	0.02
Rating class 2	BBB	72,449	–51	–	0.07
Rating class 3	BB	26,860	–22	–	0.08
Rating class 4	B to D	142,555	–142	–415	0.39
No rating[1]	–	56,444	–49	–5,399	9.65
Total		**697,761**	**–342**	**–5,814**	**0.88**

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

Default risk for trade receivables due from other than related parties – the 2020 financial year

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

In the 2021 financial year, there were no substantial changes in the gross carrying amounts that resulted in significant changes to loss allowances. The methods and input parameters that are used to determine the loss allowances are described in the section "Accounting Principles."

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 customer, Exyte's management verifies the creditworthiness of the potential contractual partner 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 due to the widespread customer base and because no 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 due from entities belonging to the M+W Group GmbH Group amounted to €2,237 thousand (December 31, 2020: €4,252 thousand). Recognition of allowances against receivables due from entities belonging to the M+W Group GmbH was not necessary at the reporting date (December 31, 2020: –€103 thousand).

As was the cases in the previous year, no allowances were recognized against the gross carrying amounts of trade receivables due from non-consolidated subsidiaries, amounting to €141 thousand (December 31, 2020: €9 thousand).

15 Other financial assets

Other financial assets

in € thousand	31.12.2021	31.12.2020
Security deposits	946	648
Derivative financial instruments	118	0
Share interests in non-consolidated affiliated entities	15	65
Other financial assets (non-current)	**1,079**	**713**
Financial receivables from non-consolidated affiliated entities and joint ventures	1,497	6,062
Financial receivables from entities belonging to the M+W Group GmbH Group	1,184	2,966
Security deposits and other deposits	7,876	6,637
Derivative financial instruments	4,955	1,240
Debit balances on accounts payable	1,038	1,596
Repayment claim deriving from a provisional purchase price payment (acquisition of the CPS Group)	817	0
Receivables from employees	567	328
Finance lease receivables	94	56
Loans receivable from third parties	60	1,080
Interest receivable	0	468
Miscellaneous other financial assets	5,238	5,489
Other financial assets (current)	**23,326**	**25,922**

The gross carrying amounts of financial receivables due from entities belonging to the M+W Group GmbH Group amounted to €1,184 thousand (December 31, 2020: €2,998 thousand). No loss allowances had been set up against receivables due from entities belonging to the M+W Group GmbH Group at the reporting date (December 31, 2020: –€32 thousand).

The gross carrying amounts of financial receivables due from other non-consolidated affiliated entities and joint ventures amounted to €2,319 thousand (December 31, 2020: €10,224 thousand). Loss allowances on these financial receivables amounted to –€822 thousand at the reporting date (December 31, 2020: –€4,162 thousand).

With the exception of the repayment claim deriving from a provisional purchase price payment (€817 thousand; December 31, 2020: €0 thousand), there were no disposition restrictions for the other financial receivables.

16 Miscellaneous assets

Miscellaneous assets

in € thousand	31.12.2021	31.12.2020
Prepaid expenses and deferred charges	17,845	7,072
Refundable input VAT	6,573	7,839
Other receivables from the tax authorities	369	2,183
Sundry miscellaneous assets	10	0
Miscellaneous assets (current)	**24,797**	**17,094**

17 Cash and cash equivalents

Cash and cash equivalents

in € thousand	31.12.2021	31.12.2020
Cash and cash equivalents	1,148,911	683,150

As of December 31, 2021, none of the cash and cash-equivalent balances served as collateral security for forward exchange contracts transacted with banks (December 31, 2020: €829 thousand).

18 Equity

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

As of December 31, 2021, the share capital of €150,000 thousand and the capital reserve of €36,585 thousand were unchanged compared to the previous year.

During the 2021 financial year, the retained earnings reduced by €421 thousand due to changes in the scope of the consolidation (accounting for acquisitions under common control):

In the 2021 financial year, setus 51. GmbH, acquired a 100% share interest in Blitz S18-226 GmbH for a purchase price of €2,000 thousand. Blitz S18-226 GmbH holds a 100% share interest in Delicatessen Engineering Services Pvt. Ltd. The carrying amount of the net assets amounted to €1,579 thousand. The difference of €421 thousand was set off against the retained earnings and reduced the equity.

19 Corporate retirement benefits

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 –€54,877 thousand (2020: –€42,095 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

	31.12.2021	31.12.2020
Present value of unfunded obligations (Germany only)	9,144	9,936
Present value of funded obligations (Taiwan)	1,544	966
Fair value of plan assets (Taiwan)	–153	–130
Provisions for pensions	**10,535**	**10,772**

The plan assets derive solely from a commitment made by a Taiwanese company. The plan assets comprise investments made with a bank.

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

Development of the provisions for pensions

in € thousand

	2021	2020
Provisions recognized at 1.1.	**10,772**	**10,486**
Current service cost	177	218
Interest expense	69	86
Actuarial adjustments	–453	131
Thereof: experience adjustments	363	–118
Thereof: adjustments for other financial assumptions	–861	249
Thereof: adjustments of demographic assumptions	45	0
Benefits paid	–135	–130
Currency impacts	105	–19
Provisions recognized at 31.12.	**10,535**	**10,772**

Reconciliation of the plan assets:

Development of the plan assets

in € thousand

	2021	2020
Fair value of plan assets at 1.1.	**130**	**122**
Employer contributions	7	7
Interest income	3	4
Currency impacts	13	–3
Fair value of plan assets at 31.12.	**153**	**130**

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

	2021	2020
Current service cost	–177	–218
Interest expense	–69	–86
Subtotal	**–246**	**–304**
Actuarial gains (+)/losses (–) deriving from experience adjustments	–363	**118**
Actuarial gains (+)/losses (–) deriving from adjustments for other financial assumptions	861	–249
Actuarial gains (+)/losses (–) deriving from adjustments in demographic assumptions	–45	0
Subtotal	**453**	**–131**
Pension expense recognized in the consolidated statement of comprehensive income	**207**	**–435**

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 interest and similar expenses as a component of the net income from financing activities.

Actuarial assumptions in Germany:

Actuarial assumptions in Germany

in %

	31.12.2021	31.12.2020
Discount rate	1.05	0.65
Inflation rate	1.75	1.75
Future salary increases	2.50	2.50
Future pension increases	1.75	1.75

Actuarial assumptions in Taiwan:

Actuarial assumptions in Taiwan

in %

	31.12.2021	31.12.2020
Discount rate	0.63	0.63
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 German pension obligations (December 31, 2021: €9,144 thousand; December 31, 2020: €9,936 thousand) as of the respective reporting dates:

Sensitivity of the present value of the pension obligations

	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Discount rate (in %)	+0.50	+0.50	–0.50	–0.50
Present value of the pension obligations (in € thousand)	8,329	8,998	10,076	11,015
Inflation rate/pension rate (in %)	+0.25	+0.25	–0.25	–0.25
Present value of the pension obligations (in € thousand)	**9,454**	**10,290**	**8,849**	**9,600**

If an assumption had been made that the life expectancies of those persons with benefit entitlements would increase by one year, the German pension obligations at December 31, 2021 would have increased by €474 thousand (December 31, 2020: €542 thousand).

Duration

The average duration of the German obligations is 19.2 years (December 31, 2020: 20.4 years). The average duration of the obligations for the Taiwanese company is 12.7 years (December 31, 2020: 13.2 years).

Analysis of the provisions for pensions by type of plan participant

in € thousand

	31.12.2021	31.12.2020
Active employees	5,486	5,682
Former employees (with vested rights)	2,513	2,524
Pensioners	2,536	2,566
Provisions for pensions	**10,535**	**10,772**

Expected benefit payments as of 31.12.2021

in € thousand

Financial years	2022	2023 –2026	2027 –2031
Germany	142	813	1,356
Taiwan	75	12	588
Total	**217**	**825**	**1,944**

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**

20 Other provisions

Development of other provisions

in € thousand

	1.1.2021	Currency impacts	Change in scope of the con-solidation	Additions	Unwind-ing of discount	Usage	Reversal	Reclassi-fications	31.12.2021
Employee-based provisions	59,640	3,084	3,385	50,257	0	−43,775	−5,779	0	66,812
Onerous contracts	9,821	365	0	1,256	0	−2,289	−3,181	0	5,972
Provision for restructuring	772	86	0	885	0	−121	−504	0	1,118
Warranty provisions	7,506	540	1,038	2,575	0	−2,140	−2,023	0	7,496
Legal fees and litigation costs	2,729	25	0	69	0	−1,064	−4	0	1,755
Dismantling obligations	2,979	206	0	2,048	21	−6	−1,792	0	3,456
Tax-related provisions	918	0	0	1,020	0	−40	−686	−64	1,148
Miscellaneous other provisions	3,180	219	0	4,767	0	−3,565	−490	64	4,175
Total	**87,545**	**4,525**	**4,423**	**62,877**	**21**	**−53,000**	**−14,459**	**0**	**91,932**

Analysis of other provisions

in € thousand

	1.1.2020	Currency impacts	Change in scope of the con-solidation	Additions	Unwind-ing of discount	Usage	Reversal	Reclassi-fications	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
Dismantling 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**

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.

Provision for restructuring

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

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. The provisions are based on estimates that use historical data for claims made in similar cases.

Provisions for legal fees and litigation costs

Companies of the Exyte Group are involved in various court cases or arbitration procedures that could have a significant 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.

Dismantling obligations

Dismantling obligations arise from lease contracts if the layout of the rented space is amended to equip it to meet specific business requirements. Provisions for the anticipated costs are recognized if the related installations have to be removed at the end of the contractual 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 the amount of the expected outflow of resources.

The terms to maturity of the provisions as of December 31, 2021 are presented in the following table:

Other provisions by their terms to maturity

In € thousand (prior year figures in brackets)

	31.12.2021	< 1 year	1–5 years	> 5 years
Employee-based provisions	66,812 (59,640)	56,475 (48,442)	9,260 (9,943)	1,077 (1,255)
Onerous contracts	5,972 (9,821)	5,972 (9,821)	0 (0)	0 (0)
Provision for restructuring	1,118 (772)	396 (0)	722 (772)	0 (0)
Warranty provisions	7,496 (7,506)	7,214 (7,294)	282 (212)	0 (0)
Legal fees and litigation costs	1,755 (2,729)	1,755 (2,729)	0 (0)	0 (0)
Dismantling obligations	3,456 (2,979)	1,391 (1,827)	2,065 (566)	0 (586)
Tax-related provisions	1,148 (918)	1,148 (778)	0 (140)	0 (0)
Miscellaneous other provisions	4,175 (3,180)	4,139 (3,179)	36 (1)	0 (0)
Total as at 31.12.2021	**91,932 (87,545)**	**78,490 (74,070)**	**12,365 (11,634)**	**1,077 (1,841)**

21 Trade payables

This reporting line item comprises:

Analysis of trade payables

in € thousand

	31.12.2021	31.12.2020
Trade payables due to other than related parties	1,227,498	982,722
Trade payables due to entities belonging to the M+W Group GmbH Group	660	278
Trade payables due to non-consolidated affiliated entities	42	639
Total	**1,228,200**	**983,639**

22 Other financial liabilities

The other financial liabilities are made up as follows:

Analysis of the other financial liabilities

in € thousand	31.12.2021	31.12.2020
Liabilities deriving from the limited partner's share for a non-Group shareholder	0	1,334
Purchase price liabilities (earn-out liabilities)	1,770	0
Derivative financial instruments	513	0
Miscellaneous other financial liabilities	29	242
Other financial liabilities (non-current)	**2,312**	**1,576**
Derivative financial instruments	4,261	1,703
Financial liabilities due to entities belonging to the M+W Group GmbH Group	201	13
Miscellaneous other financial liabilities	2,593	1,155
Other financial liabilities (current)	**7,055**	**2,871**

The purchase price liabilities (earn-out liabilities) disclosed as of December 31, 2021 derives from the financial statements of the CPS Group acquired in the 2021 financial year. The CPS Group reported this liability, which stems from a business acquisition made in 2020, in its financial statements. As of December 31, 2021, this liability has a term to maturity of more than twelve months.

23 Miscellaneous liabilities

The miscellaneous liabilities are made up of the following items:

Analysis of the miscellaneous liabilities

in € thousand	31.12.2021	31.12.2020
Liabilities for social security contributions	0	1,524
Miscellaneous liabilities (non-current)	**0**	**1,524**
VAT payable	40,453	23,543
Obligations to employees for vacation time not yet taken	17,172	11,799
Liabilities for other taxes (particularly wage tax)	10,057	7,579
Liabilities for social security contributions	8,481	5,581
Other liabilities to employees (particularly deriving from wages and salaries)	4,039	4,351
Obligations to employees deriving from flex-time credits	2,456	2,116
Employers' liabilities insurance association	292	687
Other miscellaneous liabilities	3,160	36
Miscellaneous liabilities (current)	**86,110**	**55,692**

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 support measures, such that these liabilities as of December 31, 2020, only became due after twelve months. As of December 31, 2021, these labilities are no longer classifiable as non-current.

As of December 31, 2021, the other miscellaneous liabilities, classified as current (€3,160 thousand; December 31, 2020: €36 thousand), included liabilities for union dues of American Group companies, amounting to €2,701 thousand. These union dues are withheld from salaries and paid to the relevant unions on behalf of the employees. As of December 31, 2020, these amounts (€1,161 thousand) were reported under employee-based provisions. The disclosure has been adjusted as the liability is not uncertain as to the reason, timing, and the amount of its occurrence.

24 Additional disclosures concerning financial instruments
The carrying amounts and fair values of the financial instruments, analyzed by classes and measurement categories, are shown in the following table:

Carrying amounts and fair values of financial instruments, analyzed by classes and measurement categories

in € thousand

31.12.2021	Category	Carrying amount	Fair value
Financial assets, by class			
Trade receivables	AC	693,983	– [1]
Other non-current financial assets	AC	961	– [1]
Other current financial assets	AC	18,371	– [1]
Cash and cash equivalents	AC	1,148,911	– [1]
Foreign currency derivatives without a hedging relationship	FVTPL	4,512	4,512
Foreign currency derivatives with a hedging relationship	n.a.	561	561
Total		**1,867,299**	

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

31.12.2021	Category	Carrying amount	Fair value
Financial liabilities, by class			
Lease liabilities	n.a.	98,200	n.a.
Trade payables	AC	1,228,200	– [1]
Other non-current financial liabilities	AC	1,799	– [1]
Other current financial liabilities	AC	2,794	– [1]
Foreign currency derivatives without a hedging relationship	FVTPL	2,321	2,321
Foreign currency derivatives with a hedging relationship	n.a.	2,453	2,453
Total		**1,335,767**	

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

Carrying amounts and fair values of financial instruments, 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**	

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

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.

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, as follows:

- **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 not 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 tables show 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 maturities for interest and principal payments as at 31.12.2021

in € thousand

	2022	2023–2026	After 2026	Gross amount	Net amount
Lease liabilities	23,944	48,913	30,026	102,883	98,200
Trade payables	1,228,200	0	0	1,228,200	1,228,200
Other non-current financial liabilities	0	1,799	0	1,799	1,799
Other current financial liabilities	2,794	0	0	2,794	2,794
Derivative financial instruments	4,261	513	0	4,774	4,774
Total	**1,259,199**	**51,225**	**30,026**	**1,340,450**	**1,335,767**

Contractually agreed maturities for interest and principal payments as at 31.12.2020

in € thousand

	2021	2022–2025	After 2025	Gross amount	Net 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**

The following tables show the net gains and losses for each of the financial instrument measurement categories:

Net gains and losses deriving from financial instruments in 2021

in € thousand

	Interest/measurement impacts					
	Interest	Foreign currency conversion	Fair value	Increase in allowance for impairment	Reversals of allowances for impairment	Net impact
Financial assets measured at amortized cost	1,769	23,101		–2,816	2,450	24,504
Financial liabilities measured at amortized cost	–1,263	–26,201				–27,464
Financial assets and liabilities measured at fair value through profit or loss			2,795			2,795
Total	**506**	**–3,100**	**2,795**	**–2,816**	**2,450**	**–165**

Net gains and losses deriving from financial instruments in 2020

in € thousand

	Interest/measurement impacts					
	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**

Hedging policies and risks

Exyte is exposed to financial risks – particularly deriving from foreign currency exchange rate fluctuations – in the context of its operational 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 13 to 15). This type of risk is mainly associated with trade receivables, as well as other financial assets.

As part of the customer credit management process, information on creditworthiness is obtained from commercial information service providers to evaluate new customers. Many existing regular customers are major corporate groups of unquestionable creditworthiness and the risk of default for these is assessed to be very low. In the area of trade receivables and contract assets, there is no notable concentration of credit risks due to the widespread customer base and because no correlations exist.

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 customers 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 customers 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 in 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 counterparty with respect to all outstanding transactions in the same currency for each individual day are combined to give a single net amount that is to be paid by one party to the other. In certain cases – if, for example, a credit event such as delayed payment occurs – all outstanding transactions that fall under the terms of the agreement are terminated, the outstanding amount at the termination date is calculated and a single net payment is required to settle all the transactions. 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 €3,277 thousand at Group level as of the reporting date (December 31, 2020: €603 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 constitute foreign currency forward contracts (FVTPL) and are contracted with terms that match the risk position of the hedged transactions. Such terms are normally 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 revenue 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). In this context, 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 to 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 financial receivables" either as non-current or current items:

Derivative financial assets

in € thousand

	31.12.2021	31.12.2020
Hedging transactions covering foreign exchange risks:		
Forward exchange contracts (cash flow hedges)	561	363
Forward exchange contracts for which hedge accounting does not apply	4,512	877
Total	**5,073**	**1,240**

The following negative fair values deriving from derivative financial instruments are disclosed under the reporting line "Other financial liabilities" either as non-current or current items:

Derivative financial liabilities

in € thousand

	31.12.2021	31.12.2020
Hedging transactions covering foreign exchange risks:		
Forward exchange contracts (cash flow hedges)	2,453	123
Forward exchange contracts for which hedge accounting does not apply	2,321	1,580
Total	**4,774**	**1,703**

The amounts are based on market values, which are determined using standard market measurement methods. We also make reference to the disclosures concerning the measurement of derivatives.

Management of foreign currency exchange rate risks

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

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

	31.12.2021	31.12.2020
EUR/USD	210,868	13,826
EUR/SGD	87,609	101,987
CNY/SGD	31,771	15,395
SGD/MYR	19,518	15,563
GBP/EUR	3,107	2,842
DKK/EUR	2,151	14,104
SGD/USD	1,330	407
CNY/MYR	984	0
CZK/EUR	943	899
ILS/EUR	0	27,430
EUR/PLN	0	1,458
USD/CNY	0	821

The agreements serve the purpose of hedging the main currency risks and are renewed as required. As of December 31, 2021, the derivative financial instruments held by Exyte had a maximum term of 30 months (December 31, 2020: twelve months).

The significant increase in the nominal amounts of the EUR/USD forward exchange contracts is due, on the one hand, to the hedging of a newly issued intra-Group USD loan, and on the other, to the higher volume of hedging required as a result of the expansion of USD project business for a German Group company.

Disclosures concerning cash flow hedge accounting:

Cash flow hedge accounting

in € thousand

	2021	2020
Nominal amount	100,971	13,869
Carrying amount of the hedging instruments	–1,892	240
Other current financial assets	561	363
Other non-current financial assets	–513	0
Other current financial liabilities	–1,940	–123
Measurement impacts recognized in other comprehensive income	–2,244	142
Amount of the ineffective 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 included	Interest and similar income/ expenses	Interest and similar income/ expenses
Amount reclassified from accumulated other comprehensive income to profit or loss	34	16
Reporting lines in the statement of comprehensive income in which the reclassification is recognized	Sales Cost of sales	Sales Cost of 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

	2021	2020
Forward exchange transactions (cash flow hedges)		
Net exposure (in € thousand)	100,971	13,869
Average forward rate EUR/USD	1.17756	1.18793
Average forward rate EUR/SGD	1.56666	1.57700
Average forward rate EUR/PLN	–	4.55970

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

The increase in the net exposure for forward exchange transactions (cash flow hedges) is due, in particular, to the expansion of USD project business for a German Group company.

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

	31.12.2021	31.12.2020
USD	44,572	63,484
SGD	33,414	5,884
GBP	24,093	29,207
TWD	15,914	582
PLN	8,672	13,172
CHF	4,506	5,786
DKK	2,430	786
AUD	553	1,650

Financial liabilities

in € thousand

	31.12.2021	31.12.2020
USD	19,875	46,346
TWD	4,239	1
PLN	2,730	7,681
AED	1,727	2,264
SGD	1,545	730
GBP	215	4,707
CHF	162	3,061
DKK	88	17,041

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

Sensitivity analysis

Significant primary monetary items from which the Group is exposed to currency risks are intercompany loans, cash and cash equivalents, and trade accounts receivable and payable. These primary financial instruments are normally hedged by derivative financial instruments. In such cases, both the change in the fair value of the primary financial instrument and the change in the value of the derivative financial instrument are recognized in profit or loss. In addition, currency risks derive from the use of derivatives that form part of an effective cash flow hedging relationship used to hedge exchange rate-related payment fluctuations. Changes in the exchange rates of the currencies on which these transactions are based have an impact on the hedging reserve in equity and on the fair value of the hedging transactions.

In order to calculate the currency sensitivities, currency pairs that are significant for the Exyte Group were taken into account. In this context, a respective hypothetical 10% appreciation or depreciation of the euro against the US dollar and SG dollar was assumed:

Sensitivity analysis – impact on consolidated earnings before tax and on consolidated equity

in € thousand

	31.12.2021		31.12.2020	
	Impact on consolidated earnings before tax	Impact on consolidated equity	Impact on consolidated earnings before tax	Impact on consolidated equity
EUR/USD				
+10%	−2,829	2,433	918	1,403
−10%	3,458	−2,973	−1,122	−1,715
EUR/SGD				
+10%	−142	−207	894	1,040
−10%	173	253	−1,092	−1,272

25 Reconciliation of the financial liabilities

Reconciliation of the change in financial liabilities to the cash flow from financing activities – the 2021 financial year

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 1.1.2021	**64,917**	**1,334**	**13**	**66,264**
Payments for the redemption of financial liabilities	0	0	−13	−13
Payments for the redemption of lease liabilities	−21,057	0	0	−21,057
Change in the cash flow from financing activities	**−21,057**	**0**	**−13**	**−21,070**
Increase due to changes in the scope of the consolidation	4,491	0	201	4,692
Increase in lease liabilities from new contracts	47,889	0	0	47,889
Impact deriving from contract amendments	−965	0	0	−965
Changes in liabilities that were not cash-effective	0	−1,334	0	−1,334
Impact of changes in currency exchange rates	2,925	0	0	2,925
Carrying amounts at 31.12.2021	**98,200**	**0**	**201**	**98,401**

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

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**

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 assets and liabilities that are involved in operating business activities, 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 subsidiaries and joint ventures), as well as changes in contract assets and contract liabilities.

In the 2021 financial year, the cash flow from operating activities amounted to €630,129 thousand (2020: €260,354 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 entities belonging to 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

	31.12.2021	31.12.2020
Contingent liabilities of the Exyte Group, deriving from guarantees and sureties	262,252	256,835
Total	**262,252**	**256,835**

The items reported above concern potential future obligations for which the occurrence of the events that would trigger the obligations is still uncertain at the reporting date. Group entities incur warranty obligations during the normal course of their operational business activities. Such cases mainly involve obligations to take responsibility to achieve a particular successful result or to provide a particular service.

Exyte is subject to tax legislation in many different countries. Risks may arise from changes in local tax legislation as well as from different interpretations of tax regulations by the respective jurisdictions and tax authorities. The actual occurrence of such risk events may have an impact on the tax expenses and tax credits, as well as on Exyte's tax receivables and liabilities.

28 Other financial commitments

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

Other financial commitments as at 31.12.2021

in € thousand

	< 1 year	1–5 years	> 5 years	Total
Short-term leases	4,742	250[1]	0	4,992
Leases for assets of low value	338	262	19	619
Obligations deriving from leasing contracts concluded for which lease liabilities are to be recognized in the following year upon commencement of use of the assets	347	3,805	4,824	8,976
Total	**5,427**	**4,317**	**4,843**	**14,587**

[1] Relates to residual obligations deriving from short-term leases entered into as of the balance sheet reporting date, the terms of which begin during 2022.

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
Obligations deriving from leasing contracts concluded for which lease liabilities are to be recognized in the following year upon commencement of use of the assets	0	0	0	0
Total	**3,428**	**123**	**84**	**3,635**

29 Related parties

Related parties are entities or persons that control, or are controlled by, Exyte. Control is exercised if an entity or a person has decision-making powers over another entity, deriving from voting rights or other rights, participates in positive or negative returns, and can influence such returns through these decision-making powers. Furthermore, all entities qualify as related parties that belong to the same corporate group as Exyte.

In addition, entities or 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 and the companies in which it holds direct and indirect held participatory investment interests; these relationships resulted in the following transactions:

Transactions with entities belonging to the M+W Group GmbH Group

in € thousand	2021	2020
Goods delivered and services rendered and other income	2,509	5,837
Goods and services received and other expenses	–8,415	–35,447
Equity transactions in connection with business acquisitions	–421	–54,100

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

Receivables and liabilities with entities belonging to the M+W Group GmbH Group

in € thousand	31.12.2021	31.12.2020
Receivables	3,421	7,115
Thereof: receivables deriving from financing	1,184	2,966
Thereof: trade receivables	2,237	4,149
Liabilities	861	291
Thereof: liabilities deriving from financing	201	13
Thereof: trade payables	660	278

As of December 31, 2021, no loss allowances have been set up for financial receivables or trade receivables. As of December 31, 2020, loss allowances had been set up for financial receivables, amounting to –€32 thousand, and for trade receivables, amounting to –€103 thousand.

The financial liabilities and receivables are current in nature; the agreed interest rates are revised at regular intervals, depending on the development of reference interest rates on the capital market.

Relationships to other related parties

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

Expenses and income deriving from relationships with other related parties

in € thousand	2021	2020
Stumpf Development GmbH, Vienna, Austria		
Expenses incurred for planning services rendered	0	–24
ANDORRA Immobilien GmbH, Vienna, Austria		
Other operating expenses	–297	–27

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

Liabilities deriving from relationships with other related parties

in € thousand	31.12.2021	31.12.2020
ANDORRA Immobilien GmbH, Vienna, Austria		
Liabilities deriving from the limited partnership share interest	0	1,334

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

Relationships to non-consolidated subsidiary companies and joint ventures

The following expenses and income arose from transactions with non-consolidated subsidiaries and joint ventures during the financial year:

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

in € thousand	2021	2020
Sales	0	1
Other operating income	1,084	159
Interest income	41	85
Cost of sales	–136	–3,801
Selling costs	0	–101
Administration costs	0	–1,392
Other operating expenses	–822	–4,445

As of the reporting date, the following receivables and liabilities of Exyte existed relating to non-consolidated subsidiaries and joint ventures:

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

in € thousand

	31.12.2021	31.12.2020
Financial receivables	1,497	6,062
Trade receivables	141	9
Trade payables	42	639

As of December 31, 2021, loss allowances of –€822 thousand (December 31, 2020: –€4,162 thousand) have been 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 (2020: €429 thousand). The total remuneration of the executive management for the financial year amounted to €4,849 thousand (2020: €7,394 thousand). This amount is split into fixed remuneration of €2,695 thousand (2020: €2,603 thousand) and variable remuneration of €2,154 thousand (2020: €3,516 thousand), as well as severance-related benefits of €0 thousand (2020: €1,275 thousand). All types of remuneration are classified as short-term benefits.

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 (regional segments): Europe, Middle East and Africa (EMEA), Americas (AMER), Asia-Pacific (APAC), and Technology & Services (T&S), which also constitute 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 (GBU), 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.

With effect from January 1, 2021, Exyte combined its business operations in the cleanroom technology and installation services sectors. In consequence, the former Business Area TECH ("Exyte Technology") was expanded to include service providing companies within the Exyte Group, which up until December 31, 2020 had been assigned to the regional segments, to form the Business Area T&S ("Technology & Services"). As a consequence of adjustments made to the management and reporting structures, the structure of the reportable segments also changed from January 1, 2021 on from the previous AMER, EMEA, APAC, and TECH to AMER, EMEA, APAC, and T&S. Total Facility Solutions, Inc., a company that up to December 31, 2020 had been assigned to AMER and companies that had been assigned to APAC up until December 31, 2020 – namely Exyte Services (Singapore) Pte. Ltd., Exyte Services (Malaysia) Sdn. Bhd., and the service business operations of Exyte Shanghai Co., Ltd. were assigned to the T&S segment as of January 1, 2021. The reported comparative figures for the previous year have been adjusted accordingly.

The entities belonging to the CPS Group, which was acquired in November 2021, have been assigned to the T&S segment.

Segment financial information

Regional segments

A complete income statement is available in respect of the regional segments. The main control parameters used for management purposes are sales, the gross profit, and 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 irregular non-recurring effects. Adjusted EBIT is used to determine profitability excluding irregular 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

	2021	2020
Result from operations (EBIT)	**257,616**	**195,313**
Adjustment of costs relating to the acquisition of the CPS Group	5,391	0
Adjustments due to restructuring measures	1,894	3,435
Adjustments for impacts on earnings deriving from the purchase price allocation/acquisition of the CPS Group	1,189	0
Adjustments relating to COVID-19	−2,433	2,873
Adjustment for income deriving from the sale-and-leaseback transaction for the building in Renningen	−1,374	0
Adjustments for expenses deriving from allowances or income deriving from the reversal of allowances set up against receivables from Exyte Group companies that are not included in the consolidation, due to restructuring measures	−1,072	4,162
Adjustments due to other non-recurring items (e.g., severance payments, one-time IT costs, and legal and consulting costs or other expenses)	2,117	7,117
Adjusted EBIT	**263,328**	**212,900**

The EBIT adjustments include the following items:

- Transaction costs incurred in connection with business acquisitions;
- Impacts on earnings deriving from purchase price allocations to acquired intangible assets, which were not recognized as assets by the acquired entity;
- Costs incurred in connection with restructuring measures or the closure of sites, branches, or companies, as well as with adjustments to capacities within the context of optimization programs;
- Expenses and income incurred in connection with COVID-19, 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, or income deriving from reimbursement of these costs due to government support programs, especially in the Asian region;
- Impacts on earnings deriving from sale-and-leaseback transactions;
- Income deriving from the reversal of/expenses deriving from loss allowances set up in respect of receivables from non-consolidated Exyte Group companies, due to restructuring measures;
- 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, and 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 management uses the control parameters sales and gross profit to measure business development and the profitability of the business segments. 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 2021

in € thousand

2021	EMEA	AMER	APAC	T&S	Total regional segments	Unallocated amounts	Consolidation adjustments	Exyte
External sales of the regional segments	2,438,343	420,487	1,727,831	276,618	4,863,279			
Sales between regional segments	2,717	2,808	4,085	150,207	159,817			
Regional segment sales	**2,441,060**	**423,295**	**1,731,916**	**426,825**	**5,023,096**		**–158,242**	**4,864,854**
Cost of sales	–2,294,500	–412,284	–1,553,592	–374,972	–4,635,348		159,927	–4,475,421
Gross profit	146,560	11,011	178,324	51,853	387,748		1,685	389,433
Gross profit margin as a percentage of sales	6.0%	2.6%	10.3%	12.1%	7.7%			8.0%
EBIT	97,886	–5,695	152,205	32,147	276,543	–20,976	2,049	257,616
EBIT as a percentage of sales	4.0%	–1.3%	8.8%	7.5%	5.5%			5.3%
Adjusted EBIT	99,667	101	149,830	33,243	282,841	–21,562	2,049	263,328
Adjusted EBIT as a percentage of sales	4.1%	0.0%	8.7%	7.8%	5.6%			5.4%

Key figures and ratios of the business segments for 2021

in € thousand

2021	ATF	BLS	DTC	RSB	Exyte
Sales of the business segments	**4,245,950**	**357,224**	**180,430**	**81,250**	**4,864,854**
Thereof: EMEA	2,125,224	106,544	177,179	32,113	2,441,060
Thereof: AMER	413,957	9,333	0	5	423,295
Thereof: APAC	1,515,591	214,076	1,986	263	1,731,916
Thereof: T&S	345,891	30,535	1,268	49,131	426,825
Thereof: consolidation adjustments between regional segments	–154,713	–3,264	–3	–262	–158,242
Cost of sales	–3,877,324	–324,646	–162,181	–111,270	–4,475,421
Gross profit	368,626	32,578	18,249	–30,020	389,433
Gross profit margin as a percentage of sales	8.7%	9.1%	10.1%	–36.9%	8.0%

Key figures and ratios of the regional segments for 2020

in € thousand

2020	EMEA	AMER	APAC	T&S	Total regional segments	Unallo-cated amounts	Consoli-dation ad-justments	Exyte
External sales of the regional segments	2,412,497	401,856	1,019,202	233,140	4,066,695			
Sales between regional segments	4,150	4,856	1,648	122,525	133,179			
Regional segment sales	**2,416,647**	**406,712**	**1,020,850**	**355,665**	**4,199,874**		**–133,337**	**4,066,537**
Cost of sales	–2,297,081	–389,455	–882,515	–312,164	–3,881,215		132,046	–3,749,169
Gross profit	119,566	17,257	138,335	43,501	318,659		–1,291	317,368
Gross profit margin as a percentage of sales	4.9%	4.2%	13.6%	12.2%	7.6%			7.8%
EBIT	79,374	6,405	115,997	27,518	229,294	–31,632	–2,349	195,313
EBIT as a percentage of sales	3.3%	1.6%	11.4%	7.7%	5.5%			4.8%
Adjusted EBIT	84,821	7,150	118,707	29,072	239,750	–24,501	–2,349	212,900
Adjusted EBIT as a percentage of sales	3.5%	1.8%	11.6%	8.2%	5.7%			5.2%

Key figures and ratios of the business segments for 2020

in € thousand

2020	ATF	BLS	DTC	RSB	Exyte
Sales of the business segments	3,533,766	221,271	224,414	87,086	4,066,537
Thereof: EMEA	2,074,805	97,309	205,939	38,594	2,416,647
Thereof: AMER	389,199	17,520	0	–7	406,712
Thereof: APAC	923,021	76,676	17,319	3,834	1,020,850
Thereof: T&S	279,868	30,947	1,156	44,694	355,665
Thereof: consolidation adjustments between regional segments	–132,127	–1,181	0	–29	–133,337
Cost of sales	–3,259,821	–191,064	–203,983	–94,301	–3,749,169
Gross profit	273,945	30,207	20,431	–7,215	317,368
Gross profit margin as a percentage of sales	7.8%	13.7%	9.1%	–8.3%	7.8%

Reconciliation to the earnings before tax

Reconciliation to the earnings before tax

in € thousand

	2021	2020
Total segment earnings (EBIT)	257,616	195,313
Net income from financing activities	–1,387	14,360
Consolidated earnings before tax (EBT)	**256,229**	**209,673**

Geographic Information

The tables presented below show 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 performing entity and the segment assets are assigned based on the geographic location of the assets. Goodwill has been exclusively assigned to Germany, as this is the location of the registered office 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

	2021	2020
Ireland	1,686,559	1,815,386
Singapore	1,070,691	494,501
Germany	561,363	494,936
USA	560,651	477,984
China	460,833	353,941
Other	524,757	429,789
Total	**4,864,854**	**4,066,537**

Non-current assets by territory

in € thousand

	31.12.2021	31.12.2020
Germany	335,698	200,633
USA	85,267	8,678
Singapore	18,129	12,583
Other	36,080	33,484
Total	**475,174**	**255,378**

Important customers

In both the year reported and the previous year, sales to one customer, which is mainly attributable to the EMEA regional segment, accounted for more than 10% of the Group's sales (2021: €1,943,915 thousand; 2020: €1,828,051 thousand).

31 Subsequent events

The Russian invasion on February 24, 2022, and the subsequent military conflict in Ukraine are not expected to have any direct impact on the business performance of Exyte Group as Exyte has no ongoing projects in the regions involved.

Possible consequences on the overall economic development, particularly due to economic sanctions against Russia and possible counteractions, cannot yet be reliably estimated. However, the executive management of the Exyte Group does not expect any significant impact on the future business performance of the company at present.

E. Supplementary Disclosures

Average number of employees

Average number of employees

	2021	2020
Industrial workers	1,292	1,270
Salaried employees	4,782	3,796
Trainees	18	24
Total	**6,092**	**5,090**

The average number of employees was determined based on quarterly computations. The acquisitions of the CPS Group and Delicatessen Engineering Services Ltd. Pvt. during the 2021 financial year resulted in an increase in the average number of employees by 116 and 53, respectively.

Cost of materials and personnel expenses

Cost of materials and personnel expenses

in € thousand

	2021	2020
Cost of materials	**–3,930,015**	**–3,354,533**
Cost of raw materials, consumables, and supplies and purchased merchandise for resale	–847,597	–629,746
Cost of purchased services	–3,082,418	–2,724,787
Personnel expenses	**–496,984**	**–412,567**
Wages and salaries	–394,943	–330,539
Social security contributions, retirement, and other support benefits	–102,041	–82,028

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

	2021	2020
For audits of financial statements	649	615
Thereof: relating to prior years	74	66
For other assurance services	0	3,336
For tax advisory services	0	0
For other services	14	13
Total	**663**	**3,964**

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

Peter Schönhofer
Chief Financial Officer
Vienna, Austria

Roberto Penno
Chief Operating Officer
London, United Kingdom

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
Head of Engineering DACH + Belgium,
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, March 25, 2022

The Executive Management

Dr. Wolfgang Büchele (CEO)

Peter Schönhofer (CFO)

Roberto Penno (COO)

List of Shareholdings of Exyte GmbH as of December 31, 2021

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	
3.	Blitz S18-226 GmbH	Stuttgart, Germany	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	
2.1.3.	CPS Holdco, LLC	Boise, USA	100	
2.1.3. Consolidated subsidiary companies of CPS Holdco, LLC				
2.1.3.1.	CPS Intermediate, LLC	Boise, USA	100	
2.1.3.2.	CPS Intermediate II, LLC	Boise, USA	100	
2.1.3.1. Consolidated subsidiary companies of CPS Intermediate, LLC				
2.1.3.1.1.	CPS Buyer, LLC	Boise, USA	100	
2.1.3.1.1. Consolidated subsidiary companies of CPS Buyer, LLC				
2.1.3.1.1.1.	Critical Process Systems Group, Inc.	Boise, USA	100	

No.	Name of company	Registered office, country	Share of capital (%)	via
2.1.3.1.1.1. Consolidated subsidiary companies of Critical Process Systems Group, Inc.				
2.1.3.1.1.1.1.	BioPharm Engineered Systems, LLC	Andover, USA	100	
2.1.3.1.1.1.2.	CPS Process Solutions, LLC	Andover, USA	100	
2.1.3.1.1.1.3.	Diversified Fluid Solutions, LLC	Boise, USA	100	
2.1.3.1.1.1.4.	ENGVT, LLC	Williston, USA	100	
2.1.3.1.1.1.5.	Fab-Tech, Inc.	Colchester, USA	100	
2.1.3.1.1.1.6.	NEHP, Inc.	Williston, USA	100	
2.1.3.1.1.1.5. Consolidated subsidiary companies of Fab-Tech, Inc.				
2.1.3.1.1.1.5.1.	Pure Guard, LLC	Colchester, USA	100	
2.1.3.1.1.1.6. Consolidated subsidiary companies of NEHP, Inc.				
2.1.3.1.1.1.6.1.	NEHP Worldwide, LLC	Williston, USA	100	
2.1.3.2. Consolidated subsidiary companies of CPS Intermediate II, LLC				
2.1.3.2.1.	CPS Buyer Holdco II, LLC	Boise, USA	100	
2.1.3.2.1. Consolidated subsidiary companies of CPS Buyer Holdco II, LLC				
2.1.3.2.1.1.	CPS Buyer II, LLC	Boise, USA	100	
2.1.3.2.1.1. Consolidated subsidiary companies of CPS Buyer II, LLC				
2.1.3.2.1.1.1.	Nuance Systems, LLC	Portland, 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 Management GmbH	Stuttgart, Germany	100	
2.2.5.	Exyte Northern Europe Ltd.	Maynooth, Ireland	100	
2.2.6.	Exyte Rus, LLC	Moscow, Russia	99.9975/ 0.0025	2.2./ 2.2.1.
2.2.7.	Exyte Technology GmbH	Renningen, Germany	100	
2.2.7. Consolidated subsidiary companies of Exyte Technology GmbH				
2.2.7.1.	Exyte Technology CZ s.r.o.	Krupka, Cech Republic	100	

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.	Bury, United Kingdom	100	
2.3.2.	Exyte Israel Projects Ltd.	Nes Tsiona, 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. Consolidated subsidiary companies of Blitz S18-226 GmbH				
3.1.	Delicatessen Engineering Services Pvt. Ltd.	Hyderabad, India	100	
4. Non-consolidated subsidiary companies				
4.1.	Exyte Connecticut Architecture and Engineering, P.C.	Plano, USA	0[1]	2.1.1.
4.2.	Exyte Michigan, Inc.	East Lansing, USA	100	2.1.1.
4.3.	Exyte North Carolina, Inc.	Raleigh, USA	0[1]	2.1.1.
4.4.	Exyte Oregon Architecture and Engineering, Inc.	Plano, USA	100	2.1.1.
4.5.	M+W Zander NY Architects, P.C.	Plano, USA	0[1]	2.1.1.
4.6.	Exyte Lotos Italy S.c.a.r.l.	Agrate Brianza, Italy	51	2.2.3.
4.7.	MW Services S.r.l.	Agrate Brianza, Italy	100	2.2.3.
4.8.	Nanjing Enviro-Chem Engineering Design Co., Ltd.	Nanjing, China	75	2.5.
5. Joint operations				
5.1.	M+W – Commodore J.V.	Abu Dhabi, Abu Dhabi	60	2.3.
	(JV partner: Commodore Contracting Co. LLC, Abu Dhabi)			
5.2.	Exyte Gilbane JV	Plano, USA	51	2.1.
	(JV partner: Gilbane Building Co., USA)			

[1] Shares are held by employees in accordance with professional licensing legislation.

Independent Auditor's Report

To Exyte GmbH, Stuttgart

Opinions

We have audited the consolidated financial statements of Exyte GmbH, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, development of consolidated equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, 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 2021.

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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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 [Handelsgesetzbuch: German Commercial Code], 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 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, 25 March 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Cheung	Keck
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Imprint

Contact

Corporate Communications & Investor Relations
T: +49 711 8804-0
ir@exyte.net

Konzeption und Gestaltung
Kirchhoff Consult AG, Hamburg

Disclaimer

This report contains forward-looking statements that reflect our current view about future business and financial performance as well as future events or developments. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate, and similar expressions. These statements are based on current expectations and assumptions made by the executive management of Exyte Group and are subject to many risks and uncertainties which are mainly beyond Exyte's control. Should any of these risks or uncertainties materialize or any expectations or assumptions prove to be incorrect, the actual future results may be materially different from those described explicitly or implicitly in the relevant forward-looking statement. Therefore, Exyte does not guarantee any of these forward-looking statements and neither intends nor assumes any obligation to update or revise those in case of developments which differ from those anticipated.

Exyte GmbH
Löwentorbogen 9b
70376 Stuttgart
Germany

T: +49 711 8804-0
ir@exyte.net