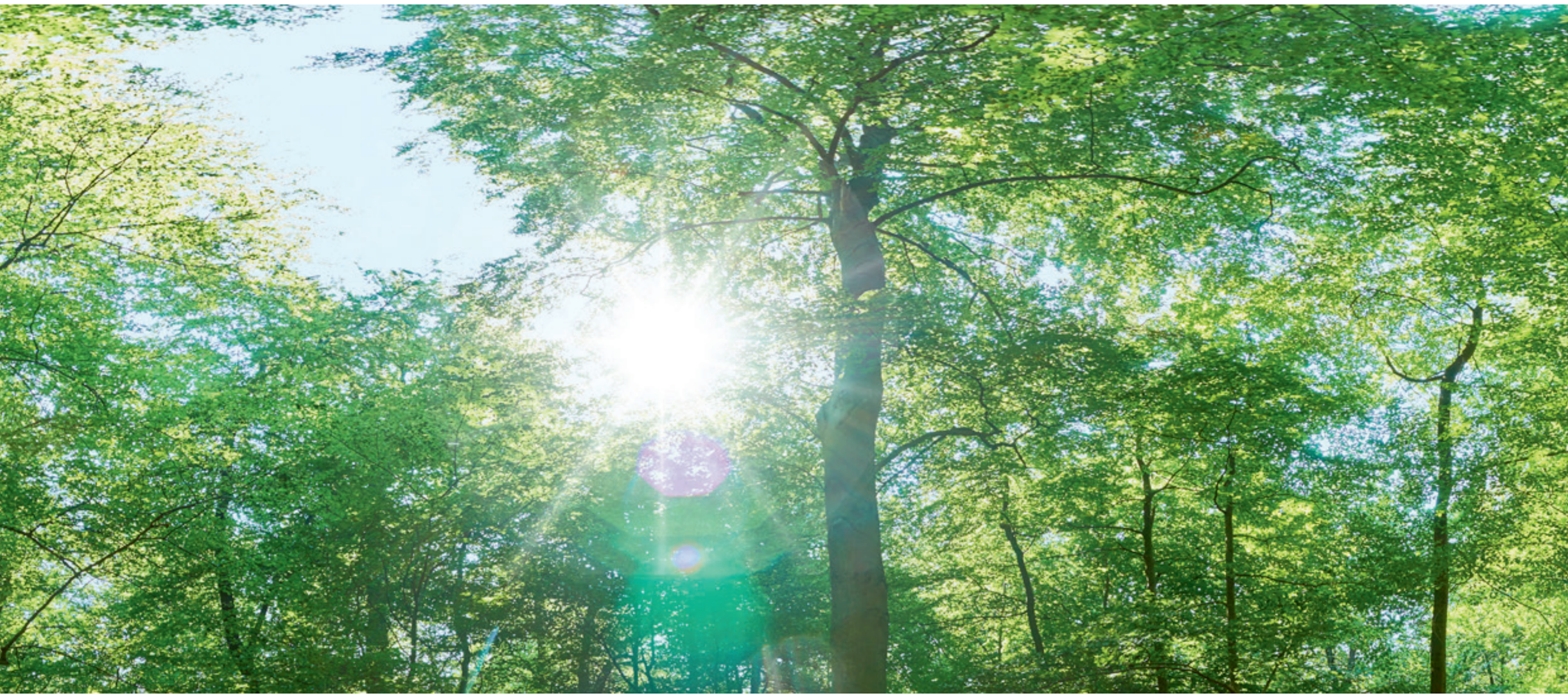
Delignit
AKTIENGESELLSCHAFT



Annual report 2019

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AKTIENGESELLSCHAFT

Annual report 2019

Delignit AG

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Brief portrait of Delignit AG

Delignit AG develops, manufactures and sells ecological, usually hardwood-based, materials and system solutions based on the natural, renewable and CO_2-neutral raw material wood.

As a development, project and serial supplier for technology industries, such as the automotive industry, aviation industry and railway industry, business activity today is focused on creating and implementing technological and customised applications and systems.

These applications and systems are used in the form of specific – predominantly ready-to-install – parts, components, system solutions and module solutions. The foundation for this is provided by the Delignit material, which is essentially based on beech wood. Use of Delignit materials as a substitute for applications made of non-renewable raw materials improves the environmental balance of our customers products and meets their increasing ecological requirements.

Delignit AG’s operating business is divided into two target markets:

Automotive target market:

The Automotive target market is divided into the product groups light commercial vehicles (LCV), motor caravans and passenger cars. The business activity focuses on the manufacture and sale of cargo bay protection systems and security systems (interior) for the LCV class. For example, these systems are used extensively by leading manufacturers of light commercial vehicles as original equipment (OEM) and retrofit equipment (after-sales) as cargo bay floors, walls and partition walls. Interior furnishings, such as cabinet systems, are supplied for the motor caravan sector. In the passenger car sector, for example, trunk covers are used by well-known OEMs.

Technological Applications target market:

The products of the Technological Applications target market are divided into the product groups Building Equipment, Compressed Wood, Railfloor and Special Applications. In the Building Equipment business, for example, flooring solutions for automotive manufacturing plants, as well as for goods distribution centres and beech multiplex assortments are supplied via the timber trade. The Compressed Wood business consists of highly-compressed and medium-compressed materials that are used for plant construction, machine construction and transformer construction applications. The Railfloor business provides manufacturers of rail vehicles with floor system solutions for fulfilment of international fire protection and sound insulation concepts. The Special business includes various special products for applications, such as model making, musical instruments and sports equipment.

Delignit Group at a glance

Fiscal year (01/01 - 31/12)	2019 IFRS	2018 IFRS	Δ 2019/ 2018
Earnings figures	**€ thousand**	**€ thousand**	**%**
Revenue	**64,360**	**60,273**	**6.8 %**
Operating income	67,627	60,803	11.2 %
Cost of materials	-40,585	-33,937	19.6 %
Staff costs	-16,556	-16,330	1.4 %
Other operating expenses	-5,669	-4,897	15.8 %
EBITDA	4,817	5,639	-14.6 %
EBITDA margin	*7.1 %*	*9.3 %*	*-2.2 %**
EBIT	2,328	4,024	-42.1 %
EBIT margin	*3.4 %*	*6.6 %*	*-3.2 %**
EBT	2,044	3,842	-46.8 %
EBT margin	*3.0 %*	*6.3 %*	*-3.3 %**
Consolidated net income	**1,399**	**2,572**	**-45.6 %**
Number of shares	8,193,900	8,193,900	0.0 %
EPS in €	0.17	0.31	-45.6 %

Statement of financial position figures	€ thousand	€ thousand	%
Non-current assets	20,842	18,815	10.8 %
Current assets	19,307	19,510	-1.0 %
Cash and cash equivalents contained therein	1,499	298	403.0 %
Subscribed capital (share capital)	8,194	8,194	0.0 %
Other equity	11,408	10,452	9.1 %
Total equity	19,602	18,646	5.1 %
Equity ratio	*48.8 %*	*48.7 %*	*0.2 %**
Non-current liabilities and provisions	8,074	5,817	38.8 %
Current liabilities and provisions	12,473	13,862	-10.0 %
Total assets	**40,149**	**38,325**	**4.8 %**
Net financial debt (net debt (-)/net cash (+))	-9,576	-7,824	17.7 %

Employees (reporting date 31/12)			
Germany	390	361	8.0 %

* Change in percentage points, differences due to commercial rounding

Greetings from the Management Board

Dear shareholders,

We can look back to a particularly dynamic 2019 fiscal year, one important for shaping the future. Delignit AG Group revenue rose year-on-year by 6.8 % to a new record of €64.4 million, exceeding the revenue guidance adjusted in August 2019. Delignit's EBITDA margin was 7.1 %, at the upper end of the targeted 6 % to 7 % range. Consolidated net income came to €1.4 million, considerably below the previous year's figure of €2.6 million.

Looking back, our Automotive target market and especially the market environment in relation to light commercial vehicles was stable, even growing slightly. Thanks to a further broadened customer and project basis, we again managed to gain ground in this target market. However, on the basis of a very dynamic start to the year and on the back of further high-volume project call-offs for the rest of fiscal year 2019, we created the necessary capacity with cost-intensive measures. Unfortunately, the higher call-ups were not made at the levels advised and the subsequent costs for capacity adjustments accompanied us for the whole of the fiscal year. A further positive factor contributing to the revenue upturn was a new large order in the motor caravan sector, which opened the door to the very promising market of the motor caravan industry. However, this new order was also the main reason for the drop in the Group's profitability. For series production of the equipment components in a newly launched model start-up, investments and changes to the supply volume shortly before the start of production resulted in unplanned additional costs. Group profitability was also negatively impacted by a year-on-year revenue decline in the Technological Applications target market. Without the loss from the motor caravan business, the EBITDA margin would have been around 9 %.

Another strategic milestone in the past year was expanding the cooperation with a global leader for commercial vehicles in the USA. The serial supply contract to equip systems for cargo bay protection and cargo securing systems strengthens Delignit AG's position in the light commercial vehicles class. In view of pending cooperations on the OEM side, it offers a good starting point for outstanding discussions on new vehicle generations to be developed.

In the current 2020 fiscal year, the initially good economic situation at Delignit AG changed dramatically within a few weeks. The spread of the corona virus presented Delignit AG, its management and all employees with a challenge unique in its proportions. Due to the restrictions resulting from the Covid-19 pandemic and the related production standstills at numerous automobile manufacturers, we registered a considerable demand downturn. Production capacity was immediately adjusted, utilizing the opportunities of short-time work and even closing some plants in line with demand. Short-time work was also notified for large parts of the administration. Here the protection of the health of the staff was resolutely placed as the key factor driving decisions.

In this context, it is not possible to retain the guidance for the 2020 fiscal year published in February 2020. We as the Management Board will communicate a new guidance as soon as the impact of the Covid-19 pandemic can be estimated. In view of the possible impact of the corona virus on the further development of business, we are proposing not to pay a dividend for the 2019 fiscal year.

We are confident that we will master this challenge together and despite these difficulties remain optimistic on the way forward with the Delignit AG.

In conclusion, we would like to thank all our employees for their commitment and their hard work in the past fiscal year, as well as the vigorous implementation of the necessary corona measures which we took at an early stage. We would like to thank you, dear shareholders, for your confidence in Delignit AG. We would be pleased if you continued to accompany the further development of Delignit AG even in these challenging times.

Kind regards

Markus Büscher
CEO

Thorsten Duray
CSO

The Management Board

Markus Büscher

Markus Büscher is Chairman of the Management Board. His responsibilities include the areas Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D divisions as well as Investor Relations. Mr Büscher is a business economist (VWA). Until 2003, Mr Büscher was commercial director and company officer with statutory authority at klr-mediapartner GmbH & Co. KG. In 2003, Mr Büscher moved to Freund Victoria Gartengeräte GmbH as managing director, where he was responsible for the main areas of the company as spokesman for the management board. In 2007 he joined the Delignit Group as Managing Director

Thorsten Duray

Thorsten Duray is a member of the company's Management Board. He is responsible for marketing and sales. Mr Duray completed professional training as an industrial manager and business administrator in the field of marketing. Since 1991 he has worked for Blomberger Holzindustrie GmbH in various positions, initially in sales promotion and marketing. Since 2001, he has significantly built up the Commercial Vehicle Equipment unit as Team Leader Sales. In 2006 he became Head of Sales and Marketing. Since 1 January 2007 he has been a member of the Management Board of Blomberger Holzindustrie GmbH.

The Management Board team

Markus Büscher (CEO) and Thorsten Duray (CSO)

Report of the Supervisory Board

1. Reporting

In accordance with the duties and responsibilities imposed by law and the Articles of Association, the Supervisory Board was continuously informed of the business and strategic development of the company, as well as current events and all material business transactions during the fiscal year. Thus, the Supervisory Board was always aware of the business policy, the planning of the company, the risk situation, as well as the net assets, financial position and results of operations of Delignit AG and the Delignit Group.

This occurred both in regular personal discussions between the Chairman of the Supervisory Board and the members of the Management Board and in the course of the Supervisory Board meetings held on 28 March 2019, 4 June 2019, 25 September 2019 and 22 November 2019, in which all Supervisory Board members participated personally. As part of the individual meetings, the Supervisory Board together with the Management Board analysed the current business development and discussed the strategic orientation. If specific transactions required the approval of the Supervisory Board in accordance with the Articles of Association or legal provisions, the Supervisory Board reviewed these transactions and decided on the approval of these transactions. The discussions extended to the economic situation of Delignit AG, as well as that of the individual subsidiaries. Moreover, outside the meetings, all members of the Supervisory Board were kept informed by the Management Board concerning the course of these transactions at all times. There were no indications of conflicts of interest on the part of members of the Management Board and Supervisory Board, which must be disclosed to the Supervisory Board without delay.

Furthermore, in the past financial year, the Supervisory Board addressed the equal participation of women and men in management positions and discussed this with the Management Board. At present, all members of the Supervisory Board (three members) and the Management Board (two members) are men. The Supervisory Board has the conviction that the key criteria for selecting management must be professional and personal suitability. At the same time, when filling new positions in company management bodies it is the objective of the Supervisory Board to pay increased attention to increasing the share of women (diversity).

2. Organisation

Personnel changes did not occur in Supervisory Board or in the Management Board. The Supervisory Board of Delignit AG has three members. This assures efficient work. In the opinion of the Supervisory Board, this number of Supervisory Board members is appropriate for the size of the company. For these reasons, the Supervisory Board has not yet formed any committees. The Supervisory Board of Delignit AG consists of Dr Christof Nesemeier, Mr Gert-Maria Freimuth and Mr Anton Breitkopf. The Supervisory Board was elected in its current composition when the company became a public limited company on 9 July 2007 and was re-elected in its previous composition in the Annual General Meeting of 20 June 2017. The Supervisory Board elected Dr Christof Nesemeier as Chairman and Mr Gert-Maria Freimuth as his Deputy, on 20 June 2017. The term in office ends at the close of the Annual General Meeting that decides on formal approval of the actions of the members of the Supervisory Board for fiscal year 2021.

3. Annual financial statements

The Supervisory Board duly engaged Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, the auditors appointed by the Annual General Meeting to audit the annual financial statements and the consolidated financial statements for the 2019 fiscal year. The auditor has submitted a declaration of independence to the Supervisory Board.

The annual financial statements of Delignit AG as at 31 December 2019 were prepared in accordance with the principles of the German Commercial Code (HGB), the consolidated financial statements and the group management report for Delignit AG as at 31 December 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) and audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, which was elected by the Annual General Meeting and engaged by the Chairman of the Supervisory Board, and an unqualified audit opinion was issued on 12 March 2020 for Delignit AG and for the Delignit Group. Moreover, the report of the Management Board of Delignit AG concerning the relationships to affiliated companies in accordance with Section 312 of the German Stock Corporation Act (AktG) (dependency report) was audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, and an unqualified audit opinion was issued on 12 March 2020.

The Supervisory Board examined the annual financial statements prepared by the Management Board, the group management report, the consolidated financial statements, the proposal for the appropriation of net retained profits and the dependent company report in accordance with Sections 171, 314 AktG, discussed them in detail with the auditor at the Supervisory Board meeting on 18 March 2020 and received reports from the auditor on the main results of its audit, including the audit of the internal control system and risk management system. The auditor comprehensively answered all questions posed by the Supervisory Board. The Supervisory Board received the auditor's reports in good time and acknowledged and approved the results of the audit. Following the concluding result of the review undertaken by the Supervisory Board, no objections were raised concerning the annual financial statements, the proposal for appropriation of earnings, the group management report, the dependent company report, the declaration by the Management Board concerning relations with affiliated companies and the consolidated financial statements. The annual financial statements and the consolidated financial statements were approved by the Supervisory Board on 18 March 2020. The annual financial statements of Delignit AG are thus adopted. The Supervisory Board shares the Management Board's assessment of the situation in the group management report and acknowledges the Management Board's proposal for the appropriation of net profits.

4. COVID 19

The Covid-19 pandemic represents an extraordinary challenge to Delignit AG. Since the end of February 2020, the Supervisory Board and Management Board have been in regular contact on pending measures. Highest priority is attached to the protection of the health of employees across the Delignit Group and the substantial protection of the economic basis of the corporate group.

The Supervisory Board would like to thank the Management Board, the management of the Group companies and all employees of the Delignit Group for their outstanding commitment and the results achieved in the past fiscal year and in these times wishes each and every one good health and much success in coping with the outstanding challenges.

Blomberg, 18 March 2020

Dr Christof Nesemeier
Chairman of the Supervisory Board

The Supervisory Board

Dr Christof Nesemeier
Chairman of the Supervisory Board

Dr Christof Nesemeier is Chairman of the Supervisory Board of Delignit AG. He is a member of the Board of Directors and Managing Director (CEO) of MBB SE, Berlin, and a member of the Supervisory Board of Aumann AG, Beelen. Dr Nesemeier studied economics at the University of Münster and received his doctorate at the University of St. Gallen, Switzerland.

Gert-Maria Freimuth
Deputy Chairman of the Supervisory Board

Mr Gert-Maria Freimuth is Deputy Chairman of the Supervisory Board of Delignit AG and Chairman of the Board of Directors of MBB SE, Berlin, Chairman of the Supervisory Board of DTS IT AG, Herford, and Chairman of the Supervisory Board of Aumann AG, Beelen. Mr Freimuth studied economics and Christian social ethics at the University of Münster and is a founding shareholder of MBB SE alongside Dr Nesemeier.

Anton Breitkopf
Member of the Supervisory Board

He studied business administration at the Cologne University of Applied Sciences and worked in finance and controlling at Daimler Benz until 1998. He is a member of the Administrative Board of MBB SE, Berlin, and Deputy Chairman of the Supervisory Board of DTS IT AG, Herford.

Dr Christof Nesemeier
Chairman of the Supervisory Board

Gert-Maria Freimuth
Deputy Chairman of the Supervisory Board

Anton Breitkopf
Member of the Supervisory Board

Group management report for the 2019 fiscal year
Delignit AG, Blomberg

1. General description of the company

The Delignit Group develops, produces and sells ecological materials and system solutions made of renewable raw materials under the brand name Delignit. As a recognised development, project and serial supplier of leading automotive groups, the Delignit Group is, among other things, world market leader for supplying the automotive industry with cargo bay protection and cargo securing systems for light commercial vehicles. With a variety of applications and a vertical integration that are unique in its industry, the Delignit Group serves numerous other technology sectors, for example as a worldwide system supplier of reputable rail vehicle manufacturers. Delignit solutions have exceptional technical properties and are also used, among other things, as trunk floors in passenger cars, interior equipment for motor caravans and special floors for factory and logistics buildings and to improve building security standards. Delignit material is predominantly based on European hardwood, is CO_2-neutral in its life cycle and therefore ecologically superior to non-regenerative materials. The use of the Delignit material therefore improves the environmental performance of customer products and meets their increasing ecological requirements. The company was founded over 200 years ago. Delignit AG is listed in the Scale segment of the Frankfurt Stock Exchange.

2. Business and framework conditions

In 2019, the German economy grew for the tenth year in a row. However, the momentum of this growth slowed palpably. This was due primarily to weakness in industry. In 2019, total economic output increased by 0.6 %. Even though this was somewhat more than recently anticipated, it is considerably less than the past ten years in which the gross domestic product averaged an annual increase of approximately 1.3 % (source: press release dated 15 January 2020 from the German Federal Statistical Office).

In 2019 growth was underpinned primarily by consumption. Private and state consumption rose more quickly than in the two previous years. In addition, gross investment in assets rose strongly. On a price-adjusted basis 3.8 % more was invested than in the year before. Other investments, which include research and development expenditure, were well up year on year, increasing by 2.7 %. On the other hand, investment on equipment - including largely capital expenditure on machines, equipment and vehicles - developed less dynamically, rising by only 0.4 % (source: press release dated 15 January 2020 from the German Federal Statistical Office).

Across the board, German exports also continued to grow in 2019, but not as strongly as in previous years. On a price-adjusted basis, the German economy exported 0.9 % more goods and services than in 2018. There was a stronger rise in price-adjusted imports of 1.9 % (source: German Federal Statistical Office press release dated 15 January 2020).

In its 2019 autumn forecast, the European Commission confirmed that the European economy expanded for the seventh successive year. Labour markets are robust and unemployment continues to decline. However, the external global economic environment has become much less supportive to growth and uncertainty is running high. The ongoing trade dispute between the USA and China combined with high political uncertainty, particularly in trade, is holding back investment, manufacturing and international trade (source: 2019 European Commission autumn forecast).

The 2019 European Commission autumn forecast is for domestic product growth in the eurozone of 1.1 % in 2019. Compared to the summer forecast published in 2019, growth expectations for 2019 were taken back by 0.1 percentage point (from the previous figure of 1.2 %).

The special target markets of the Delignit Group, i.e. the markets in the automotive sector and the engineered wood industry, developed in a mixed way. While the automotive sector posted positive growth rates in the fiscal year, the engineered wood industry declined.

The number of new registrations of light commercial vehicles in Europe increased by 2.8 % compared with the previous year, following growth of 3.1 % in 2018. The larger markets for light commercial vehicles continued to show slight growth in 2019, with an upturn in France of 4.5 %, in Italy of 3.4 % and 2.4 % in Great Britain. The growth in vehicle registration figures in Spain dropped from 7.8 % in the previous year to 0.3 % this year (source: ACEA).

The number of new registrations of light commercial vehicles in Germany, a market important for the Delignit Group, moved up by 6.9 % (previous year: 5.4 %). After a standstill in the previous year (0.2 %), passenger car registrations in Germany again posted a rise, of 5.0 % (source: ACEA).

In the markets of the engineered wood industry, sales in Germany from January to December 2019 declined by -4.5 % (previous year: -1.4 %). In almost all months, sales in the engineered wood industry were down on the previous year. In the same period, there was an even sharper decline of -7.5 % for foreign sales in the engineered wood industry, after a slight upturn of 1.0 % had been recorded in the previous year (source: Association of the German Wood-Based Panel Industry).

3. Market environment of the Delignit Group

In fiscal year 2019, the Delignit Group's revenue increased by 6.8 % to €64,360 thousand (previous year: €60,273 thousand). Revenue has increased by an average of 10.8 % per year since fiscal year 2010 and in a multi-year comparison has developed as shown in the chart below:

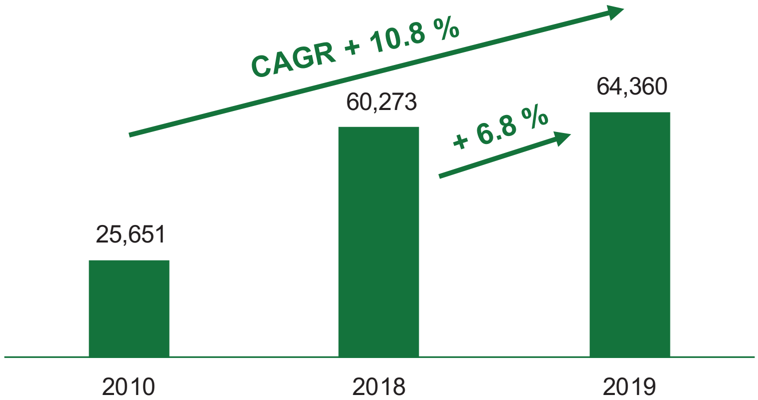

Fig. I: Revenue development since 2010 for the Delignit Group in € thousand

In the Automotive target market, revenue rose by 17.8 % (previous year: 23.8 %) from €46,662 thousand to €54,967 thousand. However, development over the course of the year was very varied. In the first few months of the year, the growth momentum in light commercial vehicles was very pronounced and thus followed on seamlessly from the development at the end of 2018. This growth which was higher than the market was driven primarily by special call-offs generated from project business with large OEM customers. Since early summer, the capacity created for the special call-offs was not utilised and was scaled back to the end of the year. In parallel, the NAFTA business initially also generated volumes that fell well short of expectations. Revenue with passenger cars was expected to decline, but the delayed WLTP registrations had an additional negative impact.

The serial supply order in the motor caravan business announced in fiscal year 2018 already contributed a substantial portion of the revenue growth. However, the delayed series production start and extensive order changes caused performance to fall short of expectations in this area, too. On the basis of the notified call-off volumes, however, the ordered volumes are currently only expected to be delayed.

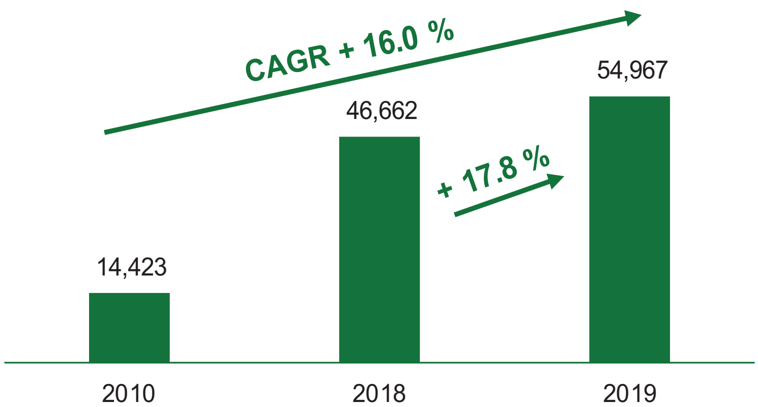

Fig. II: Revenue in Automotive target market since 2010 in € thousand

In the Technological Applications target market, after the 9.3 % downturn in the 2018 fiscal year, in the 2019 fiscal year there was a considerable decline from €13,611 thousand to €9,392 thousand. This downturn resulted from all product groups. In particular, however, revenue also declined in the railway business due to the lack of follow-on orders.

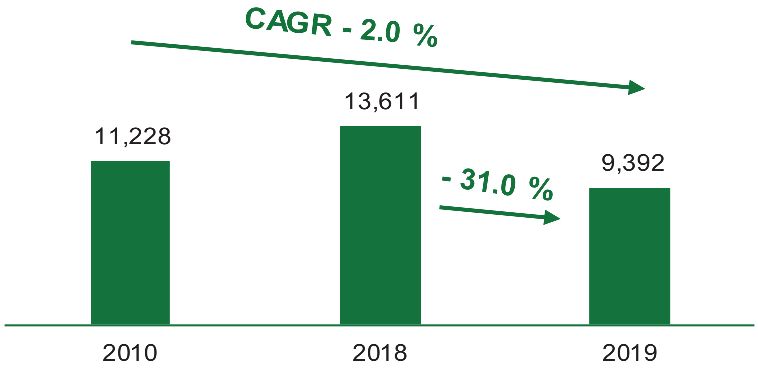

Fig. III: Revenue in Technological Applications target market since 2010 in € thousand

From a geographical perspective, the Delignit Group's revenue growth in fiscal year 2019 was again carried exclusively by export markets. Due to customer orders being shifted abroad, domestic German revenue decreased by approximately 12.6 %. Thus the Group increased its export ratio to 53.9 % (previous year: 43.7 %), corresponding to export revenue of €34,680 thousand (previous year: €26,328 thousand).

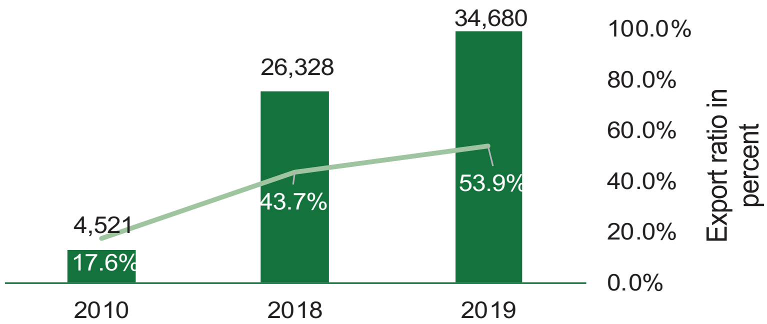

Fig. IV: Export development in € thousand

In summary, it can be stated that the Delignit Group revenue continued to develop successfully in the past fiscal year. The wood-based products of the Delignit Group are characterised by special technical and mechanical properties (e.g. abrasion and wear resistance, dimensional stability and breaking load), but also by ecological aspects. Wood products are long-term repositories for climate-damaging CO_2: One cubic metre of wood absorbs almost one tonne of carbon dioxide. This strong, and in some cases disproportionately high, growth in revenue already achieved over several years, compared to the development in the target markets, substantiates the good market position of the Delignit Group. Based on material expertise, coupled with application and system expertise that is higher than what is customary on the market, the Delignit Group has created an excellent framework for further growth.

4. Organisation

a. Supervisory Board

The Supervisory Board of Delignit AG comprises Dr Christof Nesemeier, Gert-Maria Freimuth and Anton Breitkopf. The Supervisory Board was elected in its current composition when the company was founded on 9 July 2007 and was re-elected in its current composition at the Annual General Meetings on 10 July 2012 and 20 June 2017. The Supervisory Board elected Dr Christof Nesemeier as Chairman and Gert-Maria Freimuth as his Deputy. The term in office ends at the close of the Annual General Meeting that decides on formal approval of the actions of the members of the Supervisory Board for fiscal year 2021.

b. Management Board

The Management Board responsibilities are allocated as follows:

CEO Markus Büscher is responsible for the areas of Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D and Investor Relations. Thorsten Duray is responsible for Sales and Marketing.

Rules of procedure for the Management Board were adopted by a resolution of the Supervisory Board of 13 July 2007. The rules of procedure define which transactions (e.g. planned investments above a set amount and acquisitions and sales of companies and land above a set amount) require the approval of the Supervisory Board. The Management Board has been appointed for a term that will expire on 30 September 2023.

According to the Articles of Association, the company is legally represented jointly by two members of the Management Board or by one member of the Management Board in conjunction with an authorised signatory. The members of the Management Board are also responsible for management in all Group companies together with the local management of these companies.

c. Shareholdings

As at the end of the reporting period, Delignit AG had a direct or indirect stake in the following companies:

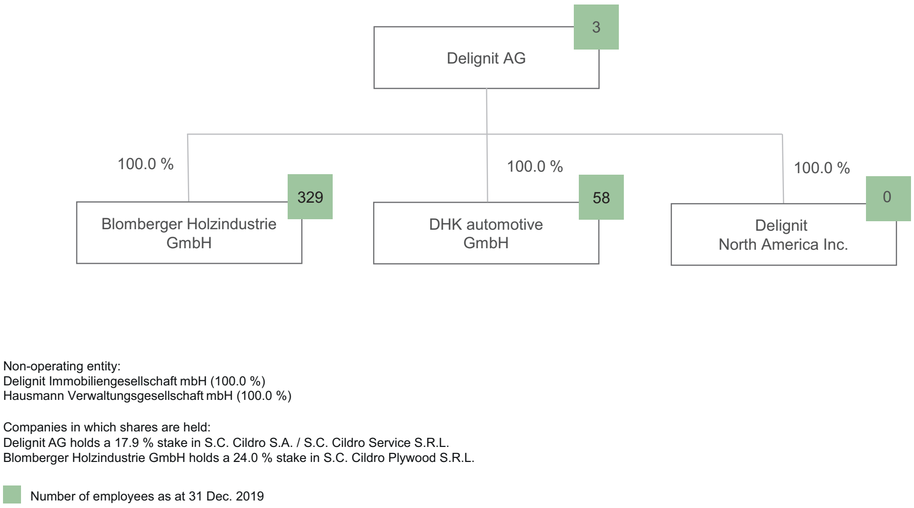

Fig. V: Organisation chart of the Delignit Group

d. Employees

The good order situation during the entire fiscal year resulted in a high utilisation of production capacities. The number of staff was increased accordingly from 361 employees at the beginning of the year to 390. In addition, up to 58 temporary workers were employed in order to compensate flexibly for bottlenecks in production depending on delivery dates. Other peak order periods were covered by placing contract manufacturing orders with other companies.

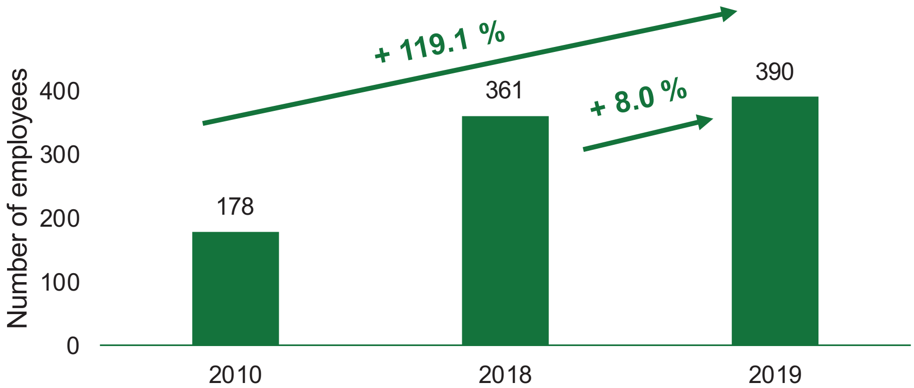

Fig. VI: Staff levels since 2010

The subsidiaries of Delignit AG are well-known training companies, which systematically build up their employees' qualifications, including on the basis of a professional quality management system, and integrate them into the continuous improvement process of operational flows. This process was continued with intensive integration of the workforce in fiscal year 2019. Training continued at the companies of the Delignit Group in fiscal year 2019 and this responsibility will be continued in future fiscal years.

5. Results of operations, financial position and net assets

The Delignit Group experienced a challenging fiscal 2019. The primary goal was to create the capacity required for the special call-offs in the commercial vehicles business, but at the same time to implement the start of production (SOP) for equipment components in Delignit AG's new motor caravans target market. Both were realised, but resulted in substantial costs and lowered the results of operations throughout fiscal year 2019. In addition, earnings were negatively impacted by lower revenue in the generally higher-margin Rail business. Here there were no follow-up orders on expired projects.

Results of operations

In 2019, the Delignit Group achieved revenue of €64,360 thousand (previous year: €60,273 thousand). Total operating performance, including other operating income and inventory changes, amounted to €67,627 thousand (previous year: €60,803 thousand). Other operating income includes income from the reversal of a warranty provision and the reversal on a write-down made on a precautionary basis in the previous year, but which the Delignit Group will not utilise.

Cost of materials amounted to 60.0 % of total operating performance, higher than the previous year's level (55.8 %). This is due firstly to a changed product mix, resulting primarily from the decline in revenue from the usually higher-margin Technological Applications products. Secondly, short-term order changes in the manufacture of motor caravan equipment led to higher material consumption than originally planned. Finally, temporary additional capacity required for special call-offs in the commercial vehicles business was bought in, which likewise had a negative impact on the cost of materials ratio to the end of the fiscal year.

Staff costs were €16,556 thousand after €16,330 thousand in the previous year. The increase resulted from the higher number of employees combined with wage and salary increases, while the expenses and provisions for the virtual share option programme for the managed were considerably lower. In the reporting period 50,000 shares of a possible 120,000 shares from the virtual stock option programme were realised by management. Pro rata provisions were established for the remaining virtual stock options. As a result of the strong upturn in total operating performance, the staff cost ratio declined by 2.4 percentage points to 24.5 %.

Other operating expenses increased by €772 thousand compared to the previous year. The increase resulted primarily in higher maintenance expenses year on year due firstly to the greater utilisation of machinery and secondly to increased claims from fire insurers. Despite the additional expenditure, the other operating expenses ratio rose only moderately to 8.4 % from 8.1 % in the previous year.

EBITDA in the past fiscal year was €4,817 thousand (previous year: €5,639 thousand), down by 14.6 % (previous year: increase of 15.9 %). This corresponds to an EBITDA margin of 7.1 % in relation to total operating performance compared to 9.3 % in the previous year. The main reason for this earnings decline was an unplanned loss on the new major order for motor caravan equipment amounting to an almost seven-figure amount. Thus the EBITDA margin fell from 9.3 % of total operating performance in the previous year to 7.1 %. Adjusted for this effect, the EBITDA margin would have been around 9 %. In addition, earnings were squeezed by the capacity increases for anticipated special call-offs in the commercial vehicles business, which were not called up at the anticipated level. Because of this effect, inventories also increased significantly, so a positive change in inventories of over €2 million is reported. In relation to revenue of €64.4 million, the EBITDA margin was 7.5 % as against 9.4 % in the previous year.

Depreciation and amortisation in the 2019 fiscal year was €2,489 thousand (previous year: €1,615 thousand). Higher depreciation in the fiscal year resulted from the extensive capital expenditure in machinery and technical equipment in this and the previous fiscal year. The initial application of the regulations on IFRS 16 resulted in additional depreciation and amortisation of €227 thousand and additional interest expenses of €11 thousand. On the other hand, lease expenses declined by €238 thousand in the area of other operating expenses..

In the reporting period, EBIT decreased to € 2,328 thousand after € 4,024 thousand in the previous year.

In the product development area costs again increased in the 2019 fiscal year. For external development contracts alone, costs amounting to €195 thousand (previous year: €164 thousand) were recorded. In addition, there were expenses for internal testing and validation, as well as the costs of the development department. Due to the general character of development activities in the past fiscal year, costs were not capitalised, but were directly recognised as expenses.

Net assets

As at the reporting date, fixed assets amounted to €19,265 thousand (previous year: €17,333 thousand). This essentially includes the values for land as well as machines. Inventories amounted to €15,157 thousand after €10,302 thousand in the previous year. Current receivables/assets essentially include trade receivables and receivables from factoring for invoices yet to be purchased. Trade receivables declined year on year by €3,481 thousand. As a result of improvements in purchasing factoring receivables and by realising tax refund claims, other receivables were reduced by €2,775 thousand against the previous year.

Current provisions were primarily recognised for uncertain liabilities and personnel costs. Current liabilities essentially include liabilities from taxes, as well as from wages and salaries. As at the balance sheet date, equity of the

Delignit Group was €19,602 thousand (previous year: €18,646 thousand) and results in an equity ratio of 48.8 % (previous year: 48.7 %). The figure below shows the changes in equity:

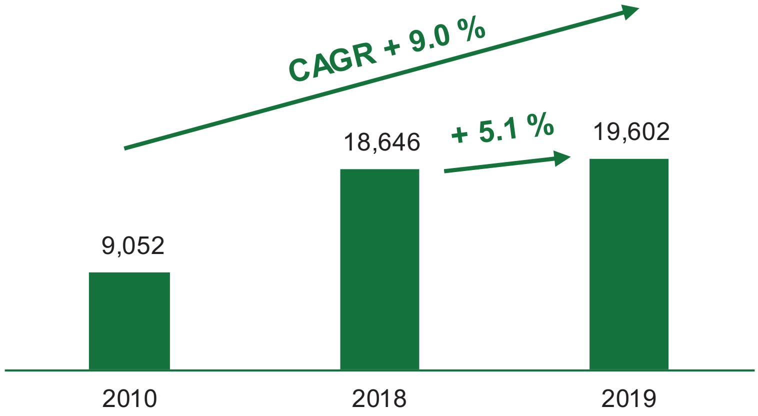

Fig. VIII: Changes in equity since 2010 in € thousand

Financial position

The Delignit Group's cash and cash equivalents amounted to €1,499 thousand as at the end of the reporting period (previous year: €298 thousand). Total liabilities to banks amounted to €7,244 thousand (previous year: €8,122 thousand), of which €4,881 thousand are current. Net debt on the reporting date was €9,576 thousand (previous year: €7,824 thousand). The increase in net liabilities is due primarily to the first time inclusion of lease liabilities in line with IFRS 16 and hire-purchase liabilities.

Trade receivables declined year on year by €3,481 thousand. In addition, other current receivables also decreased. The decrease in current receivables/assets resulted primarily from the considerable reduction of factoring receivables being examined but not yet purchased and to payments from refund claims for tax prepayments.

This was countered by inventories moving up €4,855 thousand, due to higher business volume and new business areas.

After 2018, 2019 was another year also characterised by extensive investment measures. In particular, investments were made in new capacities to start series production in the motor caravan business and in an ERP programme. The outflow of funds arising from investment measures in 2019 amounted to €2,864 thousand (previous year: €3,042 thousand).

Overall, EBITDA and the decrease in working capital resulted in positive cash flow from operating activities of €5,864 thousand (previous year: €-245 thousand).

The Delignit Group has sufficient lines of credit to finance working capital. The company was able to meet its financial obligations at all times.

6. Hedging transactions

Transactions within the Group are carried out exclusively on a euro basis. This also applies to Delignit North America Inc., which settles in a foreign currency only for services obtained in the USA. Since the balance of non-hedged foreign currency positions in the Group due to transactions with foreign companies outside the euro zone only has only a minimal volume to date, the Delignit Group has not pursued any active exchange rate hedging relative to other currencies.

7. Remuneration report

The remuneration of the Management Board consists of fixed and variable components. The Management Board also receives reimbursement of expenses against receipt. Moreover, the Management Board is also covered by a Group D&O insurance policy with a deductible and an accident insurance policy. In addition, the Management Board also receives a subsidy for private health insurance and long-term care insurance and each member also uses a company car. The members of the Management Board also receive continued pay in the event of illness for up to six weeks. Moreover a virtual stock option program has been agreed for the Management Board. Also bonuses have been paid out for achievement of various company objectives. No other benefits (e.g. pension entitlements, direct commitments or severance payments) have been agreed.

The Supervisory Board is remunerated on a fixed basis. The Supervisory Board also receives reimbursement of expenses against receipt. The members of the Supervisory Board each receive an annual fixed basic amount. The Chairman of the Supervisory Board receives twice this basic amount and the Deputy Chairman receives one and a half times this basic amount.

The breakdown of the remuneration of the Management Board and Supervisory Board and a description of the virtual stock option program is provided in the notes to the consolidated financial statements.

8. Risk report

The following significant risks for further development must be cited:

- The increasing volume of OEM serial supply orders is of the utmost importance in terms of market strategy. However, this also increases Delignit Group's dependence on specific major customers and the automotive industry overall. This situation will be countered with further development of other customers in this sector or related sectors, but also by maintaining the traditional business areas.

- Security of supply and price spiral on the raw materials markets
  - The material supply with round timber must be secured both tactically and strategically. Due to the undiminished strong use of wood as an energy source, it must be assumed that wood will become scarce as a raw material. The Delignit Group is countering the misallocation of round wood as a source of energy without having used it technologically beforehand with the initiative, "Using wood responsibly". Moreover, in order to broaden the procurement base, the increasing trend in recent years towards shorter harvest seasons due to weather conditions must be countered by building up other sources of supply.
  - As a result of the extreme summer periods in 2018 and 2019, there was considerable damage in forests. This resulted in emergency measures, particularly in respect to coniferous wood. For beach, the type of wood most relevant for the Delignit Group, damage was also detected, but it was comparatively low. As of now, the company anticipates that the supply of high-quality wood is secured.
  - Prices for the glues, films and resins used in the engineered wood industry, as well as the purchased energy are directly or indirectly related to the crude oil price.
- On the sales markets, a risk of insolvency or a cancellation of the credit limit for (major) customers can also occur. Possible slumps in sales could only be compensated in the long term.
- On the procurement markets, failure of (main) suppliers can occur.
- Country-specific risks result from the ongoing internationalisation of business. The interlinking of international flows of goods, in particular with OEM customers, but also with suppliers, can result in regional unrest or political influences leading to an interruption of the supply chain.
- The changing environmental conditions can result in impacting the ability of the Delignit Group to deliver. For example, storms and heavy rain can damage buildings and production facilities. Epidemics or even pandemics can result in widespread illnesses and production downtime. This can result in international constraints on the exchange of services, both on the supplier and the customer side, as well as an economic slowdown.
- International trends or regulations (e.g. WLTP) can result in market changes that can be responded to only with a time lag.
- Regional or country-specific risks, liability risks, and also currency risks can arise from operations of Delignit North America Inc. and the resulting business activity in the NAFTA region.

- Due to increased series production start-ups in both target markets, increasing complexity can also result in cost burdens that cannot be passed on to the customer. For example, issues such as production interruptions (internal and external), increased scrap, necessary additional work effort and consulting services to be purchased are cited here.

- Demographic developments can result in staff shortages and a shortage of skilled workers if business capacity utilisation continues to increase. Moreover, an increased number of collective bargaining agreements in the area of staff costs can occur. It will be possible to pass on these increased staff costs to the markets only in part or with a time lag.

- The corporate strategy of further internationalisation and also further material qualification is an essential component of the Delignit Group's future success. These requirements are juxtaposed with internally limited capacities. If it is not possible to respond in time to customer requirements, existing or potential customers can turn to alternative solutions. Therefore it is imperative to further increase the consulting, development and application competence in the enterprise. However the operational production capacities must also be aligned to the different new product start-ups.

The Delignit Group counters these risks with various measures. The following measures are cited as examples:

- Quality management system:
  The companies have functional quality management systems (extending to IATF 16949).

- Contract management:
  On the one hand, important supplier and customer relationships are secured by long-term delivery contracts. On the other hand, international supply or cooperation agreements are subject to a preliminary legal examination.

- Staff development:
  The Delignit Group responds to demographic developments with targeted and broadened vocational training and a qualification program to further extend its technical consulting expertise.

- Operational investment activity:
  An investment program tailored to the operational needs is intended to leverage further rationalisation potential and expand capacities in a targeted manner.

- Supplier management:
  Where possible, a second source of supply should be qualified for all relevant raw materials.

9. Strategic orientation and opportunities of the Delignit Group

The corporate strategy continues to be based on megatrends in the technological target markets. In particular, the Delignit Group recognises two ecologically-driven trends:

- Firstly, the endeavour to use renewable raw materials, insofar as these materials are technologically competitive, as a substitute for finite products.

- Secondly, undiminished pressure to develop system solutions that are as weight-optimised as possible.

Furthermore, the Delignit Group is increasingly focused on providing technological answers to urgent user questions, partly resulting from new legislation, and developing appropriate system solutions. Consequently, the Delignit Group is continuing this successful strategy of combining material, application and system expertise in a targeted manner.

This is being achieved via the methods presented below:

- Material development and qualification:

  The Delignit material with its special, primarily technical properties is an essential foundation for the successful development of the Delignit Group. The Delignit Group intends to further develop the Delignit material as part of its development activities and to qualify it for special applications and customer requirements. Product innovations in the Automotive target markets will be presented at IAA Commercial Vehicles 2020 in Hanover. Product innovations in the rail business are to be exhibited at the Innotrans 2020 trade fair in Berlin. In fiscal year 2020 intensive efforts will again be undertaken in the product development area. Development is always focused on the principle of developing ecological products for technological applications. Therefore, the market opportunities and advantages that feature a renewable raw material rather than finite raw materials must also be exploited and emphasised.

- Transfer of the business model:

  - Geographical transfer
    The product innovations that have been successfully placed in the automotive markets in particular are to be used to further extend the market leadership already achieved in Germany in the sector of cargo bay securing systems for light commercial vehicles and to transfer this know-how into other markets. The successes achieved in internationalisation in recent years are to be continued accordingly. In parallel, the product groups of the Technological Applications target market should be marketed worldwide. To do this, the Sales organisation will be further expanded and support provided for our customers’ globalisation efforts.

- Transfer from the application perspective
  The multitude of product developments over the past few years is an excellent basis for expansion to additional fields of application. In particular, development activity is currently focusing on the target markets of light commercial vehicles (LCV) in line with the "more revenue per vehicle" strategy and of the railway industry.

- But the increasing globalisation of the companies and groups and the associated internationalisation are still also being recognised as a trend and driver. As a result, the Procurement organisation has higher standards regarding suppliers' system competence. The good market position as a system supplier in the automotive OEM business and also in the railway market is to be exploited in order to acquire additional serial supply orders. The aim is to take advantage of the existing process know-how and our good reputation on the market to achieve further market penetration, which in parallel should result in increased planning security.

- Finally, the raw material advantage of the most sustainable of all materials, namely wood, is to be exploited. The Delignit Group recognises the opportunity to take advantage of the market possibilities through increased emphasis on the ecological factors of "sustainability" and "cascade".

- The growth strategy is based on diversification in niches on the basis of technological market leadership:

Fig. VIII: Strategic orientation of the Delignit Group

10. Non-financial performance indicators

Sustainability is a central entrepreneurial task. Because its main source of raw material is renewable wood, Delignit AG clearly fulfils both the ecological interpretation of the term as well as the prospective protection of the resource base in an exemplary manner. To additionally reinforce the future viability of the company, work is constantly being done to improve its economic, ecological and social performance:

- Innovations and new technologies are an essential component of the strategic evolution of the Group. Work on this is undertaken constantly as part of an existing continuous improvement process.

- Employees are qualified through intensive training of young people, continuing education in all Group areas, high standards of occupational health and safety and the targeted promotion of future managers.

- The Management Board has stipulated environmental and climate protection as an important corporate target. In addition to the PEFC standards, for example, which have already been implemented, there is an energy management system certified in accordance with ISO 50001 and an environmental management system certified in accordance with ISO 14001.

11. Events after the reporting period 2019 fiscal year

No events of particular importance occurred after the end of the reporting period which relate to the 2019 fiscal year.

12. Summary of the report concerning relationships with affiliated companies in accordance with Section 312 of the German Stock Corporation Act (AktG)

For the legal transactions and measures listed in the report concerning the relationships with affiliated companies, in accordance with the circumstances known to us at the point in time, at which the legal transactions were executed or the measures were implemented or omitted, the company received an appropriate consideration for each legal transaction, and the company has not been disadvantaged by the fact that these measures were implemented or omitted.

13. Other information

The subscribed equity of €8,193,900.00 is divided into 8,193,900 no-par value bearer shares (shares without a nominal amount), each with a calculated share of €1.00 in the share capital of the company.

The Supervisory Board determines the number of and appoints Management Board members, concludes their employment contracts and revokes the appointments. The Supervisory Board is also authorised to make amendments to the Articles of Association that relate only to wording.

According to the resolution of the Annual General Meeting of 26 August 2015, the Management Board is authorised, by revoking the resolution on Agenda Item 5 of the Annual General Meeting of 17 August 2011, to increase the share capital of the company with the approval of the Supervisory Board on one or more occasions until 25 August 2020 by up to a total of €4,096,950.00 in exchange for cash or non-cash contributions by issuing new no-par value bearer shares (Authorised Capital 2015).

In addition, the Annual General Meeting of 26 August 2015 authorised the Management Board, with the approval of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant bonds with a total amount of up to €81,939,000.00 and a term of no longer than ten years until 25 August 2020 and to grant the creditors of these bonds conversion rights to new no-par value bearer shares of Delignit AG with a pro rata share in the share capital of up to a total of €4,096,950.00, subject to the specific conditions of the bonds (Contingent Capital 2015).

By resolution of the Annual General Meeting of 4 June 2019, the company was authorised in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to purchase and sell treasury shares in the period until 3 June 2024 in accordance with the principle of equal treatment (Section 53 a AktG) up to an amount of 10.0 % of the share capital at the date of this authorisation. The authorisation can be exercised in full or in part, and on one or more occasions. The purchase can also be carried out by dependent Group companies or by third parties on the company's account. The authorisation may not be used for the purpose of trading in treasury shares.

14. Outlook

- General conditions

  In the 2019 fiscal year, Delignit AG generated revenue growth of 6.8 % to €64,360 thousand, with an EBITDA margin (related to total operating performance) of 7.1 %. As a result, the revenue guidance adjusted in August was achieved and the EBITDA margin was slightly exceeded at the upper end of the guidance range.

  The statements in the following part of the guidance are based on the operating planning adopted by the Management Board and Supervisory Board of Delignit AG. The basis of this planning are the premises made on the general economic conditions and the development of key markets. The statements made below are based on the state of knowledge at the beginning of 2020.

■ Economic environment of the guidance section

The outlook for overall economic development in Europe in 2020 remains slightly positive.

In its Winter 2020 Economic Forecast, the European Commission thus expected stable, but muted growth for the European economy. The euro area is now experiencing its longest phase of sustained growth since the euro was introduced in 1999. According to the Commission, gross domestic product growth in the euro area will remain stable at 1.2 % in 2020 and 2021. For Germany, the Commission anticipates 1.1 % growth in both years (source: Winter 2020 Economic Forecast from the European Commission).

The European Commission is anticipating a difficult external environment. But thanks to continued employment creation and robust wage growth, the European economy is likely to maintain a path of moderate growth. Together with tentative signs of stabilisation in the manufacturing sector, and a possible bottoming out of the decline in global trade flows, the European economy should continue expanding (source: Winter 2020 Economic Forecast from the European Commission).

For the Federal Republic of Germany, in its Annual Economic Report 2020 the German government stated that at the start of the new year economic momentum was expected to remain moderate and that the economy would pick up slightly again. For 2020, the German government expects gross domestic product to grow by 1.1 % in price-adjusted terms. The unemployment ratio is expected to remain at 5.0 %, but the level of employment was likely to achieve a new record high. The economic environment remained shaped by uncertainty. In 2020, global trade and industrial production were again being held back by international trade conflicts, the Brexit and geopolitical risks. It was planned to increase the competitive situation and attraction of Germany as a business location, including primarily the improvement of the general tax situation (source: 2020 Annual Economic Report of the German government).

Overall, at the beginning of the 2020 fiscal year Delignit AG sees good overall conditions for further dynamic growth.

■ Guidance of the Delignit Group

Overall the market for commercial vehicles is assessed as robust. In this context and on the back of various new serial supply contracts, ongoing growth is expected for the Automotive target market in the 2020 fiscal year. The motor caravan order made a key contribution to the revenue upturn achieved in the last fiscal year and in 2020 is again expected to be major driver of further growth.

In the Technological Applications markets, Delignit AG expects revenue to increase again in the 2020 fiscal year, after the declines in both 2018 and 2019.

Subject to a stable economy in all Delignit AG markets, call-off volumes in line with OEM tender agreements, stable supply on procurement markets, development of the motor caravan order in line with planning and expenses from the virtual stock option programme for management as in the previous year, Delignit AG expects revenue in the 2020 fiscal year to exceed € 70 million and to achieve an EBITDA margin of over 8 %.

■ Events after the reporting date

The Group guidance was first published in a press release on 24 February. The subsequent escalation of the corona infections was not foreseen at this time. The 2020 guidance for the Delignit Group is subject to the consequences of an corona-induced impact which cannot be conclusively quantified.

Blomberg, 12 March 2020

Markus Büscher
CEO

Thorsten Duray
CSO

IFRS consolidated statement of financial position of Delignit AG as at 31 December 2019

ASSETS

	Notes	31/12/2019 € thousand	31/12/2018 € thousand
A. Current assets			
1. Inventories	III. 1.	15,157	10,302
2. Trade receivables	III. 2.	1,800	5,281
3. Due from affiliated companies	III. 3.	1	4
4. Other current receivables/assets	III. 4.	850	3,625
5. Cash and cash equivalents	III. 5.	1,499	298
Current assets		**19,307**	**19,510**
B. Non-current assets			
1. Goodwill	III. 6.	2,178	2,178
2. Other intangible assets	III. 7.	1,369	1,240
3. Property, plant and equipment	III. 8.	15,718	13,915
4. Other non-current financial assets	III. 10.	1,283	1,201
5. Deferred tax assets	III. 11.	294	281
Non-current assets		**20,842**	**18,815**
Assets, total		**40,149**	**38,325**

EQUITY AND LIABILITIES

	Notes	31/12/2019 € thousand	31/12/2018 € thousand
A. Current liabilities			
1. Other current provisions	III. 12./14.	1,414	2,990
2. Current financial liabilities	III. 13.	4,881	5,090
3. Trade liabilities	III. 13.	4,145	4,312
4. Other current liabilities	III. 15.	2,033	1,470
Current liabilities and provisions		**12,473**	**13,862**
B. Non-current liabilities			
1. Provisions for pensions	III.16.	1,220	1,192
2. Other non-current provisions	III.12.	127	81
3. Deferred tax liabilities	III.11.	1,037	1,106
4. Non-current financial liabilities	III.13.	2,363	3,032
5. Other non-current liabilities	III.15.	3,327	406
Non-current provisions and liabilities		**8,074**	**5,817**
C. Equity			
1. Subscribed capital	III. 17.	8,194	8,194
2. Capital reserves	III. 18.	1,063	1,063
3. Revenue reserves	III. 19.	3,000	0
4. Amounts recognised directly in equity		-601	-568
5. Result carried forward		6,547	7,385
6. Consolidated net income		1,399	2,572
Equity		**19,602**	**18,646**
Liabilities, total		**40,149**	**38,325**

IFRS consolidated statement of comprehensive income of Delignit AG for the fiscal year 2019

		Notes	2019 € thousand	2018 € thousand
1.	Revenue	IV. 1.	64,360	60,273
2.	Other operating income	IV. 2.	1,228	281
3.	Inventory changes		2,039	249
4.	Cost of materials	IV. 3.	-40,585	-33,937
5.	Staff costs	IV. 4.	-16,556	-16,330
6.	Depreciation of property, plant and equipment and amortisation of intangible assets	IV. 5.	-2,489	-1,615
7.	Other operating expenses	IV. 6.	-5,669	-4,897
8.	**Earnings before interest and tax (EBIT)**		**2,328**	**4,024**
9.	Interest expenses	IV. 7.	-284	-182
10	Financial result		-284	-182
11.	**Earnings before tax (EBT)**		**2,044**	**3,842**
12.	Income taxes	IV. 8.	-578	-1,244
13.	Other taxes	IV. 8.	-67	-26
14.	**Consolidated net income**		**1,399**	**2,572**
15.	**Earnings per share in €**	**IV. 9.**	**0.17**	**0.31**
16.	Consolidated net income		1,399	2,572
17.	Actuarial gains/losses from pension obligations	II. 15.	-33	-24
18.	**Other consolidated net income**		**-33**	**-24**
19.	**Total comprehensive income including OCI**		**1,366**	**2,548**

	Notes	2019 € thousand	2018 € thousand
20. Actuarial gains/losses from pension obligations		33	24
21. Total comprehensive income excluding OCI		**1,399**	**2,572**
22. Result carried forward		9,957	7,795
23. Allocation to retained earnings		-3,000	0
24. Dividend payment		-410	-410
25. Total comprehensive income including result carried forward		**7,946**	**9,957**

IFRS consolidated statement of changes in equity as at 31 December 2019 of Delignit AG, Blomberg

	Subscribed capital € thousand	Capital reserve € thousand	Retained earnings € thousand	Reserve for pensions (OCI) € thousand	Currency translation € thousand	Consolidated net income € thousand	Total equity € thousand
As at 31 December 2017	**8,194**	**1,063**	**0**	**-544**	**0**	**7,795**	**16,508**
Dividend payment	0	0	0	0	0	-410	-410
Amounts recognised directly in equity (after tax) [OCI]	0	0	0	-24	0	0	-24
Consolidated net income	0	0	0	0	0	2,572	2,572
Total comprehensive income	**0**	**0**	**0**	**-24**	**0**	**2,162**	**2,138**
As at 31 December 2018	**8,194**	**1,063**	**0**	**-568**	**0**	**9,957**	**18,646**
Dividend payment	0	0	0	0	0	-410	-410
Amounts recognised directly in equity (after tax) [OCI]	0	0	0	-33	1	-1	-33
Consolidated net income	0	0	3,000	0	0	-1,601	1,399
Total comprehensive income	**0**	**0**	**3,000**	**-33**	**1**	**-2,012**	**956**
As at 31 December 2019	**8,194**	**1,063**	**3,000**	**-601**	**1**	**7,945**	**19,602**

IFRS consolidated statement of cash flows as at 31 December 2019 of Delignit AG, Blomberg

	2019 € thou-sand	2018 € thou-sand
1. Cash flow from operating activities		
Earnings before interest and tax (EBIT)	2,328	4,024
Depreciation on fixed assets	2,489	1,615
Decrease (-)/increase (+) in provisions	-701	-214
Other non-cash income and expenses	-101	-121
Subtotal	**4,015**	**5,304**
Change in working capital:		
Decrease (+)/increase (-) in inventories, trade receivables and other assets	214	-5,183
Decrease (-)/increase (+) in trade liabilities and other liabilities	1,988	688
Subtotal	**2,202**	**-4,495**
Income tax payments	-353	-1,054
Cash flow from operating activities	**5,864**	**-245**
2. Cash flow from investing activities		
Investments (-) in intangible assets	-294	-399
Investments (-) in property, plant and equipment	-2,570	-2,643
Cash flow from investing activities	**-2,864**	**-3,042**
3. Cash flow from financing activities		
Payments for dividends	-410	-410
Proceeds from the taking up financial loans	1,967	4,303
Payments for the repayment of financial loans	-2,845	-1,152
Payments for the principal portion of the lease	-227	0
Interest payments	-284	-183
Investment subsidies received	0	85
Cash flow from financing activities	**1,799**	**2,643**
Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents (total of individual cash flows)	1,201	-644
Cash and cash equivalents at the beginning of the reporting period	298	942
Cash and cash equivalents at the end of the reporting period	**1,499**	**298**
Composition of cash and cash equivalents		
Cash and cash equivalents and credit balances at financial institutions	1,499	298
Cash and cash equivalents at the end of the period	**1,499**	**298**

Delignit AG, Blomberg
Notes to the consolidated financial statements for 2019

I. Methods and principles

Basic information concerning the accounting

1. Information concerning the company

Delignit AG, Blomberg, with registered office at Königswinkel 2-6, 32825 Blomberg, Germany, is the parent company of the Delignit Group. It is registered in the Commercial Register of the Lemgo District Court under the number HRB 5952. Delignit AG is listed in the Scale Segment of the Frankfurt Stock Exchange under the securities number WKN A0MZ4B. The business activities of Delignit AG together with its subsidiaries include the production and sale of wood-based panels.

The IFRS consolidated financial statements (smallest consolidated group) as at 31 December 2019 are expected to be approved by the Supervisory Board of Delignit AG on 18 March 2020 and subsequently released for publication. The financial statements of Delignit AG will be included in the financial statements of the parent company (largest consolidated group), MBB SE, Berlin, HRB 165458, Berlin District Court.

2. Accounting principles

Principles for preparing the financial statement

The consolidated financial statements as at 31 December 2019 have been voluntarily prepared while exercising the option specified in Section 315e of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB) valid at the end of the reporting period and as applicable in the EU. The term IFRS also includes the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), which are still valid. In addition, the requirements of Section 315a HGB have also been taken into account.

Delignit AG has taken into account all standards and interpretations that were mandatory as at 31 December 2019.

Application of new and amended standards

The following IAS/IFRS/IFRIC standards or amendments to these standards, which were required to be applied for the first time or voluntarily under EU law in fiscal year 2019, were recognised in the preparation of the consolidated financial statements of Delignit AG and applied to the consolidated financial statements, if they were relevant.

The following amendments have been reviewed and, where mandatory, taken into account in the consolidated financial statements of Delignit AG:

The following must be applied from 1 January 2019:

Standard / Interpretation		Effective in the fiscal year	Endorsed by the EU Commission	Impact
IFRS 16	Leases	2019	Yes	See notes below
IFRIC 23	Uncertainty over Income Tax Treatments	2019	Yes	None
IAS 28	Amendments - Clarification of impairment of long-term interests in associates and joint ventures	2019	Yes	None
IFRS 9	Minor amendment for financial assets with symmetrical termination rights	2019	Yes	None
Annual Improvements 2015-2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	2019	Yes	None
IAS 19	Clarification on Plan Amendment, Curtailment or Settlement	2019	Yes	None

IFRS 16 Leases (IASB publication: 13 January 2016, EU endorsement: 31 October 2017): The standard regulates accounting of leases. IFRS 16 replaces the previously valid standard IAS 17 and three lease-related interpretations. Application of IFRS 16 is mandatory for all IFRS users and applies to all leases. Exceptions are contracts for the exploration of minerals, oil, natural gas and similar non-regenerative resources; rights and license agreements for films, video recordings, plays, manuscripts, patents and copyrights that fall within the scope of IAS 38; lease agreements for biological assets within the scope of IAS 41; service agreements within the scope of IFRIC 12; and license agreements for intellectual property from a lease in the scope IFRS 15. Concerning the effects of the introduction of the standard, we refer to III. 9 of the Notes "Lease obligations".

For the 2019 fiscal year, there were no other standards adapted for the first time which has a material impact on the consolidated financial statements.

To be applied from 1 January 2020 or later:

Standard / Interpretation		Effective in the fiscal year	Endorsed by the EU Commission	Impact
Conceptual Framework[1]	Slightly amended definitions of assets and liabilities, and new guidance on measurement and derecognition, presentation and disclosure	2020	Yes	See notes below
IFRS 3	Changes on determining whether a business or a group of assets has been acquired	2020	Yes	None
IAS 18	Clarifications on the definition of material	2020	Yes	None
IFRS 9, IAS 39, IFRS 7	Impact of the IBOR reform on financial reporting	2020	Yes	None
IFRS 10/ IAS 28	Transactions with an associate or joint venture	2021	No	None
IFRS 17	Accounting for insurance contract replaces the previous transition standard IFRS 4	2021	Yes	None
IAS 1	Clarification of classification of liabilities as current or non-current	2022	No	None
IFRS 14	Recognising regulatory deferral accounts after transition to IFRS	n.n.	No	None

[1] And amendments to References to the Conception Framework in the IFRS Standards with Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32

3. Consolidation

Consolidated group

The consolidated financial statements include Delignit AG and the following subsidiaries and second-tier subsidiaries:

Blomberger Holzindustrie GmbH, Blomberg (100.0 %)

Hausmann Verwaltungsgesellschaft mbH, Blomberg (100.0 %)

Delignit Immobiliengesellschaft mbH, Blomberg (100.0 %)

DHK automotive GmbH, Oberlungwitz (100.0 %)

Delignit North America Inc., Atlanta/Georgia, USA (100.0 %)

In the 2019 fiscal year, Blomberger Holzindustrie GmbH utilised the option provided for in Section 264 (3) HGB, not to apply the regulations in Part IV of Section 2 of Book III of HGB (Sections 325 to 329 HGB).

Moreover there are still direct investments in the Romanian companies de-consolidated in 2010 which are recognised at amortised cost.

S.C. Cildro Plywood S.R.L., Drobeta Turnu Severin, Romania (24.0 %), and

S.C. Cildro S.A., Drobeta Turnu Severin, Romania (17.9 %).

In addition, Delignit AG holds an indirect stake in the company via S.C. Cildro S.A. of 17.9 % of the shares in the S.C. Cildro Service S.R.L., Drobeta Turnu Severin, Romania, which was likewise deconsolidated in 2010.

Consolidated group

The following subsidiaries were included in the consolidated financial statements:

Name	Registered office	Share in %	Equity €	Earnings €
Blomberger Holzindustrie GmbH	Blomberg	100	3,563,945.95	0.00*
With its subsidiary Hausmann Verwaltungsgesellschaft mbH	Blomberg	100	117,601.52	3,448.51
Delignit Immobiliengesellschaft mbH	Blomberg	100	318,110.55	98,140.07
DHK automotive GmbH	Oberlungwitz	100	2,800,494.86	597,241.54
Delignit North America Inc.	Atlanta/Georgia, USA	100	106,775.36	70,369.17

*The net earnings for the year were transferred to Delignit AG on the basis of the profit transfer agreement dated 5 April 2017.

The investments in the following companies were included at equity in the consolidated financial statements:

Name	Registered office	Share in %	Equity RON	Result* RON
S.C. Cildro Plywood S.R.L.	Drobeta Turnu Severin, Romania	24.0	10,823,093.61	700,427.37
S.C. CILDRO S.A.	Drobeta Turnu Severin, Romania	17.9	21,748,634.95	-22,255.94
With its subsidiary S.C. Cildro Services S.R.L .	Drobeta Turnu Severin, Romania	100	1,828,437.59	718,000.07

*Preliminary, unaudited figures for the 2019 fiscal year

Consolidation principles

The financial statements of the subsidiaries are prepared using uniform accounting and measurement principles as also applied by the parent company for its financial statements.

The balance sheet date of the subsidiaries included in the consolidated financial statements is 31 December of the respective calendar year.

Subsidiaries are fully consolidated from the date, on which control is obtained, until the date on which control is no longer present.

Capital consolidation is executed using the purchase method in accordance with IFRS 3. In accordance with this method, the acquisition costs of the acquired shares are offset against the parent company's share of the equity of the acquired subsidiary at the acquisition date. All identifiable assets, liabilities and contingent liabilities are recognised at fair value and included in the consolidated statement of financial position. Any excess of the cost of acquisition over the fair value of the net assets attributable to the Group is capitalised as goodwill.

If the fair value of the net assets attributable to Delignit AG is higher than the acquisition cost of the shares, this results in a bargain purchase. If this bargain purchase remains after another review of the purchase price allocation/ determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognised in profit or loss immediately.

Expenses, income, receivables and liabilities between the fully consolidated companies, as well as inter-company profits from intra-group goods and services are eliminated. Deferred taxes for consolidation adjustments are recognised in income.

II. Presentation of accounting and valuation methods

1. General

The statement of financial position was structured in accordance with current and non-current assets and liabilities. The statement of comprehensive income is prepared in line with the nature of expense method for calculating the consolidated net profit for the period.

2. Reporting currency

The consolidated financial statements are prepared in euros, since the majority of Group transactions are based on this currency. Unless otherwise indicated, all values are rounded up or down to the nearest thousand euros (€ thousand). For mathematical reasons, rounding differences can occur in the figures and percentages shown. The amounts are given in euros (€) and thousand euros (€ thousand).

3. Foreign currency translation

Delignit North America Inc. calculates its supply business in euro, but to a minor extent services are bought locally in USD. The exchange rate on the balance sheet date was USD 0.8916. The average exchange rate was USD 0.8933.

The investment values of the companies deconsolidated in 2010 accounted for at amortised cost are not translated into euros. The exchange rate on the balance sheet date was RON 4.7793. The average exchange rate was RON 4.7509.

4. Intangible assets

In accordance with IAS 38, intangible assets are recognised if it is probable that the future economic benefits associated with the asset will flow to the company and the acquisition cost or manufacturing cost of the asset can be measured reliably.

Intangible assets not acquired as part of a business combination are initially carried at cost. The acquisition cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

For the purposes of subsequent measurement, intangible assets are recognised at cost less cumulative amortisation and cumulative impairment losses (reported under amortisation). Intangible assets (not including goodwill) are amortised on a straight-line basis over their estimated useful life. The depreciation period and the depreciation method are reviewed for appropriateness at the end of each fiscal year.

With the exception of goodwill, the Group has no intangible assets with indefinite useful lives.

Amounts paid for the purchase of industrial property rights and license rights are capitalised and subsequently depreciated on a straight-line basis over their anticipated useful lives.

The cost of acquisition of new software is capitalised and treated as an intangible asset unless it forms an integral part of the associated hardware. Software is depreciated on a straight-line basis over a period of up to 10 years.

Costs incurred in order to restore or maintain the future economic benefits that the company had originally expected are recognised as an expense.

Costs for research activities are charged as expenses in the period in which they are incurred.

Costs for development activities for projects are capitalised as intangible assets, if the following criteria are present cumulatively. The technical feasibility of completion of the project must be present. The intent and ability to complete the intangible asset and to use it or sell it must be present. An intangible asset is capitalised if it is assumed that the intangible asset will probably generate future economic benefits. Moreover, Delignit AG must have the technical, financial and other resources to conclude the development tasks, and must be able to reliably determine the expenses directly attributable to the project.

If the criteria are not met, development expenditure is recognised as expenses in the period in which it is incurred.

5. Goodwill

Goodwill from business combinations is the residual amount of the excess of the cost of the business combination over the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not subject to scheduled depreciation, but rather it is reviewed for impairment at least once a year in accordance with IAS 36 using an impairment test and if necessary subjected to non-scheduled depreciation.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash-generating units, starting from the acquisition date.

6. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment expenses. If items of property, plant and equipment are disposed of or scrapped, the corresponding cost and the cumulative depreciation are derecognised. Any realised gain or loss from the disposal is reported in the statement of comprehensive income.

The cost of an item of property, plant and equipment consists of the purchase price and other non-refundable purchase taxes incurred in connection with the purchase as well as all directly attributable costs incurred to bring the asset to its location and to bring it to working condition for its intended use. Subsequent expenditure, such as servicing and maintenance costs, that is incurred after the non-current asset is put into operation is expensed in the period in which it is incurred. If it is probable that the expenditure will result in the entity receiving an additional future economic benefit in excess of the originally assessed earning power of the existing asset, the expenditure is capitalised as the subsequent acquisition cost of the property, plant and equipment.

Depreciation is calculated on a straight-line basis over the expected useful economic life, assuming a residual value of €0.00.

The following estimated useful lives are used for the individual asset groups:

Buildings and exterior installations:	10 to 25 years
Technical equipment and machinery:	5 to 15 years
Computer hardware:	3 years
Other office equipment:	5 to 13 years

The useful life, the depreciation method for property, plant and equipment and the residual values are reviewed periodically.

The recoverability of property, plant and equipment items is reviewed regularly, if necessary on the basis of cash-generating units. If necessary, appropriate value adjustments are made in accordance with IAS 36.

7. Accounting for leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the contractual arrangement depends on the use of a specific asset or assets, and whether the arrangement conveys a right to use the asset.

Delignit AG does not act as lessor.

The first-time application of IFRS 16 took place in accordance with the modified retrospective approach in line with the transitional provisions of the standard. According to this approach the comparative information is not restated. The effects were not material; there were no changes in retained earnings.

Assets under former finance leases, most of which transfer to Delignit AG all risks and rewards of ownership of the transferred asset, are capitalised at the beginning of the lease term at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. Assets are depreciated on a straight-line basis over the lease term or the economic life of the leased asset, whichever is shorter. Lease payments are apportioned between finance charges and the repayment of the lease liability, so as to achieve a constant rate of interest on the residual carrying amount of the liability. The remaining lease payment obligations as at the end of the reporting period are reported separately in the statement of financial position according to their maturities. For these finance leases, the carrying amount of the right of use and the lease liability as at 1 January 2019 was recognized at the carrying amount of the leased asset and the lease liability in accordance with IAS 17 directly before this date. The impact on the statement of financial position as at 1 January 2019 is described below:

	01/01/2019 € thousand
Assets from building leases	1,383
Assets from vehicle leases	101
	16,330
Lease liabilities (current)	207
Lease liabilities (non-current)	1,277
	1,484

Lease payments for leases with a duration of up to one year or for low-value assets, are recognised as expenses in the income statement over the lease term. Since 1 January 2019, in line with IFRS 16 non-current leases have been capitalised as assets and deprecated over the term of the lease. The present value from the lease payments is recognized as a discounted liability. Interest rates between 0.32 % and 1.52 % were used, depending on the remaining lease term. The interest rates were calculated on the basis of standard interest rates for companies with a comparable rating, increased by a leasing risk premium. In line with IFRS 16, the Group thus accounts for rights of use and lease liabilities for more of these leases, i.e. these leases are recognised.

8. Impairment of assets

No impairment losses occurred for non-current assets in the 2019 fiscal year.

9. Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are incurred for the acquisition, construction or manufacture of qualifying assets. In this case, the borrowing costs are added to the cost of these assets. Qualifying assets were neither acquired nor produced in the fiscal year.

10. Inventories

Inventories are carried at the value arising from acquisition costs or manufacturing costs and net realisable value (net realisable value less necessary selling expenses), whichever is lower. Raw materials, consumables, supplies and purchased goods are measured at cost using the average price method or, if lower, at their market prices at the end of the reporting period. The manufacturing costs of work in progress and finished goods include not only the costs for production materials and wages but also pro rata material and production overheads, assuming normal capacity utilisation. Appropriate write-downs were recognised for inventory risks from storage periods and reduced usability.

11. Financial assets held as current assets

Financial assets held as current assets consist of trade receivables and other receivables. Trade receivables are stated at the invoice amount minus a valuation allowance based on creditworthiness. Trade receivables are subject to a value adjustment, if it is probable that the full amount of the original invoice cannot be collected. The amount of the value adjustment is equal to the nominal value, less the recoverable amount, which corresponds to the present value of the anticipated cash inflows. The present value of the expected future cash flows is discounted at the original effective interest rate of the financial asset. The carrying amount of the financial asset is reduced by using an impairment account, and the impairment loss is recognised in profit or loss.

12. Other current receivables/assets

Other current assets are carried at their nominal value and, if they are subject to discernible risks, individual value adjustments are made.

13. Cash and cash equivalents

Cash and cash equivalents shown in the statement of financial position comprise cash in hand, bank balances and short-term deposits with an original term of less than three months.

Cash and cash equivalents in the IFRS consolidated cash flow statement are treated as accrued items in accordance with the definition cited above.

14. Provisions

A provision is recognised when the Delignit Group has a present obligation (statutory or constructive) as a result of a past event, it is probable that an outflow of resources constituting an economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Delignit Group expects at least a partial reimbursement for a provision carried as a liability, the reimbursement will be recognised as a separate asset if the inflow of the reimbursement is virtually certain. The expense arising from formation of the provision is shown in the income statement less the reimbursement.

Provisions are reviewed at each balance sheet date, adjusted to the current best estimate and always recognised at present value. If the corresponding interest effect is material, the amount of the provision is the present value of the expenditure anticipated to be required to settle the obligation. The increase in the provision reflecting the passage of time is recognised under borrowing costs.

15. Pensions and other post-employment benefits

Pension obligations are measured in accordance with IAS 19. These pension commitments are regarded as defined benefit plan commitments and are therefore measured in line with actuarial principles using the projected unit credit method. Here a discount rate of 0.6 % (previous year: 1.4 %) was used.

Actuarial gains and losses are recognised in equity in each period as other comprehensive income (OCI). This has had the following effects:

€ thousand	31/12/2019	Change 2019	31/12/2018	Change 2018	31/12/2017
Actuarial gain (+)/loss (-)	-858	-47	-811	-34	-777
Tax effect	257	14	243	10	233
Result to be recognised in OCI:	-601	-33	-568	-24	-544

16. Financial liabilities

Loans and other non-current liabilities are initially recognised at fair value, including transaction costs directly associated with the borrowing.

After initial recognition, interest-bearing loans and non-current liabilities are measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement, when the liabilities are derecognised and as part of the amortisation process.

Liabilities from finance leases are recognised at the present value of the minimum lease payments.

Current financial liabilities are recognised at repayment or settlement amount; non-current financial liabilities are recognised at discounted amounts.

17. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Delignit Group and the amount of revenue can be reliably determined. Revenue is measured at the fair value of the consideration received or that will be received less discounts and rebates granted, as well as value-added tax or other levies. Moreover, revenue recognition requires the fulfilment of the following recognition criteria:

Sale of goods

Revenue is recognised when control of the goods and products sold has transitioned to the buyer. As a rule, this occurs when the goods are delivered.

Interest income

Interest income is recognised, as soon as interest accrues, using the effective interest rate, i.e. the rate that is used to discount the estimated future cash inflows to the net carrying amount of the financial asset over the expected life of the financial instrument.

18. Taxes

Current income taxes

The actual tax receivables and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the tax authority. The calculation is based on tax rates and tax laws applicable at the balance sheet date.

Deferred taxes

Deferred taxes are recognised using the liability method on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except for deferred tax liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the commercial result for the period nor the taxable result.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits, if it is probable that taxable profit will be available, against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used. Exceptions are deferred tax assets arising from deductible temporary differences that occur from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the commercial result for the period nor the taxable result.

The carrying amount of deferred tax assets is tested at the end of each reporting period and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can be at least partly utilised. Unrecognised deferred tax assets are tested at the end of each reporting period and recognised to the extent that it has become probable that taxable result in future will allow the realisation of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period, in which an asset is recognised or the liability is settled. This is based on the tax rates and tax laws applicable at the balance sheet date. Future changes in the tax rates must be taken into account at the end of the reporting period if material conditions for validity in a legislative process are fulfilled.

Deferred taxes are reported as tax income or tax expense in the statement of comprehensive income unless they relate to items reported directly in equity, in which case the deferred taxes are also reported in equity.

19. Contingent liabilities and contingent assets

Contingent liabilities are either possible obligations that can result in an outflow of resources or current obligations that do not meet the recognition criteria for a liability. They are specified separately in the notes, unless the possibility of an outflow of resources embodying economic benefits is highly improbable. Apart from the liability relationships, there are no contingent liabilities.

In the context of business combinations, contingent liabilities are recognised in accordance with IFRS 3.37 if their fair value can be reliably determined.

Contingent assets are not recognised in the financial statements. However, they are specified in the notes if the inflow of economic benefits is probable.

20. Material judgements, estimates and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, estimates and assumptions must occasionally be made. These influence the amounts of assets, liabilities and financial obligations calculated as at the end of the reporting period and the reporting of expenses and income. The actual amounts can differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period resulting in a considerable risk that a major adjustment to the carrying amounts of assets and liabilities will be required within the next financial year are explained below.

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there are any indications of impairment of non-financial assets. Goodwill is tested for impairment at least once a year and whenever there are indications of impairment. Other non-financial assets are tested for impairment when there are indications that the carrying amount is higher than the recoverable amount. To determine value in use, management estimates the expected future cash flows from the asset or cash-generating unit and selects an appropriate discount rate to determine the present value of these cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax loss carry-forwards and for deferred tax assets on temporary differences, if it is probable that taxable profit will be available, against which the unused tax loss carry-forwards can actually be utilised. In calculating the amount of deferred tax assets, management must make material judgements with regard to the expected timing and amount of future taxable income and the future tax planning strategies.

Pensions and other post-employment benefits

The expense from defined benefit plans post-employment is determined using actuarial calculations. Actuarial valuation is based on assumptions concerning discount rates, expected earnings on plan assets, future wage and salary increases, mortality and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainty.

Provisions

Other provisions are recognised and measured on the basis of an assessment of the probability of a future outflow of benefits, using values based on experience and circumstances known at the end of the reporting period. The actual obligation can differ from the amounts recognised as provisions.

III. Notes to the consolidated statement of financial position

Current assets

1. Inventories

Inventories break down as follows:

	31/12/2019 € thousand	31/12/2018 € thousand
Raw materials, consumables and supplies	7,156	4,637
Unfinished products	3,741	2,528
Finished products	4,260	3,137
	15,157	10,302

In the fiscal year, as in the previous year, appropriate write-downs were recognised for inventories. There were no reversals of impairment losses in the reporting period or in the previous period.

2. Trade receivables

Trade receivables are all due within one year. Trade receivables are written down for impairment as necessary.

Trade receivables developed as follows:

	31/12/2019 € thousand	31/12/2018 € thousand
Trade receivables	2,218	5,695
less specific valuation allowances	-416	-409
less adjustment in accordance with IFRS 9	-2	-5
	1,800	5,281

In line with the principle of prudence, specific valuation allowances were established for receivables not yet realised.

There was no significant concentration of credit risk at the balance sheet date.

3. Due from affiliated companies

There are receivables from related parties of €1 thousand (previous year: €4 thousand) from OBO Werke GmbH.

4. Other current receivables/assets

Other current receivables/assets break down as follows:

	31/12/2019 € thousand	31/12/2018 € thousand
Receivable from taxes	456	1,243
Receivable from factoring	100	2,249
Transitory accruals and deferrals	64	41
Refund claims – energy tax	62	39
Miscellaneous other assets	168	53
	850	3,625

The decrease in current receivables/assets is mainly due to the reduction of factoring receivables not yet purchased and to refund claims for tax prepayments.

5. Cash and cash equivalents

Cash and cash equivalents amounting to €1,499 thousand consist primarily of balances at banks for accounts available on call and cash in hand.

Non-current assets

The development of goodwill, other intangible assets, property, plant and equipment and other non-current financial assets are shown in the appended statement of changes in non-current assets.

6. Goodwill

The goodwill reported as at the balance sheet date in the amount of €2,178 thousand results from consolidating the acquisition of the shares in Blomberger Holzindustrie GmbH.

For the purposes of the impairment test, goodwill was allocated to the Plywood cash-generating unit (CGU).

The impairment tests to determine the recoverable amount were based on the value in use of the CGU, the calculations of which were based on forecast earnings derived from a five-year plan approved by the Management Board. Current and future probabilities, empirical values, expected economic developments and other circumstances were taken into account when determining the target figures. For the standard year (perpetual annuity) the target figures of the last planning year were used. 5.6 % was used as the discount rate (previous year: 11.0 %). As a precautionary measure, possible growth in the standard year was not taken into account. The discount rate was calculated using the weighted capital costs of listed companies and on the basis of standard interest rates for German government bonds and European industrial bonds. A market risk premium was included in the interest rate. The change of the discount rate compared with the previous year is mainly due to a lower beta factor of the peer group.

The impairment test performed did not result in impairment of the cash-generating unit. From the Management Board's perspective, reasonably conceivable changes in the basic assumptions do not result in the carrying amount exceeding the achievable amount of the CGU.

7. Other intangible assets

Intangible assets essentially consist of capitalised development costs, purchased software, industrial property rights and patents. They are measured at historical acquisition costs less scheduled depreciation or the lower fair value. For the scheduled depreciation, industrial property rights acquired against payment are depreciated over three to ten years.

8. Property, plant and equipment

Property, plant and equipment consists of land and buildings acquired against payment, machines, plant and machinery, factory and office equipment, advance payments made and assets under construction. Depreciable property, plant and equipment are carried at the lower of fair value and amortised cost. Depreciable fixed assets are depreciated on a straight-line basis over their estimated useful lives.

9. Lease obligations

Leases relate to various motor vehicles for the management and the sales force. The leases have an average term of three to five years. There are no renewal or purchase options at the end of the rental period.

The obligations arising from rental agreements relate to rented production halls in Oberlungwitz. For the DHK automotive GmbH site in Oberlungwitz, a ten-year lease until 30 September 2026 was signed for commercial space.

In the 2019 fiscal year, in line with IFRS 16 which was effective from 1 January 2019, for the first time a right of use asset and a financial liability for lease payments were recognized for all Group leases. Exceptions to this rule are short-term and low-value leases. From the Group's point of view, all contracts with a term of less than twelve months are classified as short-term leasing contracts. All leases with an acquisition cost of less than €5 thousand are classified as low-value lease contracts; each asset is valued individually, even if a lease consists of several independently usable assets.

	31/12/2019 € thousand
Assets from building leases	1,204
Assets from vehicle leases	125
	1,329
Lease liabilities (current)	227
Lease liabilities (non-current)	1,112
	1,339
Depreciation in fiscal year	227
Interest expense in fiscal year	21
	248

10. Other non-current financial assets

Other non-current assets relate to advance payments to two OEM customers for non-current supply contracts. The financial assets will be recognised as expenses over the term of the contracts, based on the agreed supply volumes. In fiscal 2019, for external development contracts alone, costs were incurred amounting to €82 thousand.

11. Deferred taxes

The deferred tax assets and liabilities by balance sheet item as at 31 December 2019 are shown in the table below:

	31/12/2019 € thousand Asset	31/12/2019 € thousand Liability
Deferred taxes due to temporary differences		
- Provisions for pensions/semi-retirement	289	0
- Other provisions	0	77
- Valuation allowances	0	6
- Fixed assets	5	954
	294	1,037

The deferred tax assets and liabilities by balance sheet item as at 31 December 2018 are shown in the table below:

	31/12/2018 € thousand Asset	31/12/2018 € thousand Liability
Deferred taxes due to temporary differences		
- Provisions for pensions/semi-retirement	278	0
- Other provisions	3	117
- Valuation allowances	0	21
- Fixed assets	0	968
	281	1,106

12. Provisions

Current and non-current provisions developed as follows:

	As at 01/01/2019 € thousand	Utilisation € thousand	Allocation € thousand	As at 31/12/2019 € thousand
Non-current provisions				
Anniversaries	19	3	0	16
Semi-retirement programmes	62	33	82	111
	81	36	82	127
Provisions for taxes (current provisions)				
Trade tax	654	560	112	206
Corporation tax	410	408	130	132
Other	79	75	0	4
	1,143	1,044	243	342
	1,224	1,080	325	469

	As at 01/01/2018 € thousand	Utilisation € thousand	Allocation € thousand	As at 31/12/2018 € thousand
Non-current provisions				
Anniversaries	19	2	2	19
Semi-retirement programmes	0	0	62	62
	19	2	64	81
Provisions for taxes (current provisions)				
Trade tax	468	310	496	654
Corporation tax	361	381	430	410
Other	10	10	79	79
	839	701	1,005	1,143
	858	703	1,069	1,224

The anniversary provision is formed for legally committed employee benefits. After 10, 25, 30, 40 or 50 years with the company, employees are entitled to a monetary benefit.

There were no contingent liabilities as at the statement of financial position date.

13. Liabilities

The liabilities have the following maturities:

	Up to one year € thousand	More than one and up to five years € thousand	Over five years € thousand	Total € thousand
Liabilities to banks	4,881	2,085	278	7,244
Trade liabilities	4,145	0	0	4,145
Provisions with a liability nature	1,072	0	0	1,072
Other liabilities	2,033	2,778	549	5,360
As at 31 December 2019	12,131	4,863	827	17,821

The tax provisions amounting to €342 thousand and the provisions with a liability character are totalled in the IFRS consolidated statement of financial position under the item "Other current provisions".

	Up to one year € thousand	More than one and up to five years € thousand	Over five years € thousand	Total € thousand
Liabilities to banks	5,090	2,375	657	8,122
Trade liabilities	4,312	0	0	4,312
Provisions with a liability nature	1,847	0	0	1,847
Other liabilities	1,470	220	186	1,876
As at 31 December 2018	12,719	2,595	843	16,157

Liabilities to banks are stated at interest rates of between 0.7 % and 3.3 % (previous year: 1.0 % and 4.5 %). Land and buildings, machinery and inventories were pledged as collateral. As at the reporting date, the carrying amount value of the pledged assets was €9,066 thousand (previous year: €6,520 thousand).

14. Provision with a liability nature

The current provisions with a liability nature consist of the following:

	31/12/2019 € thousand	31/12/2018 € thousand
Outstanding invoices	367	330
Uncertain liabilities	252	768
Wages and salaries	186	275
Holiday entitlements	139	250
Costs for financial statements and audits	83	106
Bonuses	45	45
Other provisions	0	73
	1,072	1,847

Provisions for uncertain liabilities include provisions for the virtual stock option program for management in line with IFRS 2 amounting to €37 thousand (previous year: €349 thousand). In addition, €300 thousand were recognised under other current liabilities from wages and salaries (cf. Note 15).

15. Other liabilities

The disclosure of current and non-current liabilities includes the following:

	31/12/2019 € thousand	31/12/2018 € thousand
Current		
Wages and salaries	875	466
Lease liabilities	673	90
Payroll tax	373	323
Other debtors	105	420
VAT	0	66
Other	7	105
	2,033	1,470
Non-current		
Lease liabilities	3,157	220
Provident fund	170	186
	3,327	406
	5,360	1,876

Liabilities from wages and salaries include €300 thousand from the virtual stock option programme for managers. This figure resulted from realising 50,000 shares of the 120,000 shares which could have been exercised as at 31 December 2019. The price was fixed in July 2019, while the payment was made only in January 2020. Thus this position was recognised not as a provision but as other liabilities.

16. Provisions for pensions and similar obligations

There is a company pension plan for former limited partners and managing directors of Blomberger Holzindustrie GmbH.

	31/12/2019 € thousand	31/12/2018 € thousand
Pension provisions at the beginning of the fiscal year	1,192	1,365
- Utilisation	-116	-144
+ Addition to provisions	17	18
-/+ Actuarial gains / losses	127	-47
Pension provisions at the end of the fiscal year	1,220	1,192

The following actuarial assumptions have been used:

	31/12/2019 %	31/12/2018 %
Interest rate	0.60	1.40
Pension trend	2.00	2.00

Sensitivity analysis

The sensitivity analysis for pension obligations shows the extent to which changes, e.g. in interest rates or pension increases, affect the pension obligation:

At an interest rate of 1.1 % and a pension increase of 2.0 percentage points, the obligation amounts to €1,180 thousand, i.e. if the interest rate is changed by one-half of a percentage point, the obligation changes by €40 thousand.

At an interest rate of 0.6 % and a pension increase of 1.5 percentage points, the obligation amounts to €1,180 thousand, i.e. if the pension increase is changed by half a percentage point, the obligation changes by €40 thousand.

The liabilities are appropriate for the obligation (DBO). The benefit plans are not funded.

Publication of the amendments to IAS 19 by the IASB has had an impact on the recognition and measurement of defined benefit pension plans in the consolidated financial statements. Actuarial gains and losses are recognised directly in equity in other comprehensive income (OCI) (below also pension reserve). €568 thousand of the pension reserve was carried forward so that the pension reserve developed as follows:

Pension reserve 31 Dec. 2018:	€568 thousand
Actuarial loss	€47 thousand
Deferred taxes:	€-14 thousand
Pension reserve 31 Dec. 2019:	€601 thousand

The expected pension payments from the pension plans for 2020 amount to €111 thousand.

There is also a provident fund. The pension scheme was closed on 30 May 1994. The corresponding obligations are reported under other non-current liabilities.

17. Equity

Subscribed capital

The share capital of Delignit AG is reported as subscribed capital. The subscribed equity of €8,193,900.00 is divided into 8,193,900 no-par value bearer shares (shares without a nominal amount), each with a calculated share of €1.00 in the share capital of the company.

According to the resolution of the Annual General Meeting of 26 August 2015, the Management Board is authorised, by revoking the resolution on Agenda Item 5 of the General Meeting of 17 August 2011, to increase the share capital of the company with the approval of the Supervisory Board on one or more occasions until 25 August 2020 by up to a total of €4,096,950.00 in exchange for cash or non-cash contributions by issuing new no-par value bearer shares (Authorised Capital 2015).

In addition, the General Meeting of 26 August 2015 authorised the Management Board, with the approval of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant bonds with a total amount of up to €81,939,000.00 and a term of no longer than ten years until 25 August 2020 and to grant the creditors of these bonds conversion rights to new no-par value bearer shares of Delignit AG with a pro rata share in the share capital of up to a total of €4,096,950.00, subject to the specific conditions of the bonds (Contingent Capital 2015).

By resolution of the Annual General Meeting of 4 June 2019, the company was authorised in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to purchase and sell treasury shares in the period until 3 June 2024 in accordance with the principle of equal treatment (Section 53 a AktG) up to an amount of 10.0 % of the share capital at the date of this authorisation. The authorisation can be exercised in full or in part, and on one or more occasions. The purchase can also be carried out by dependent Group companies or by third parties on the company's account. The authorisation may not be used for the purpose of trading in treasury shares.

Please see "IFRS consolidated statement of changes in equity as at 31 December 2019" for information on the development of equity.

The shares are held as follows:

MBB SE:	76.1 %
Free float:	23.9 %

18. Capital reserve

The capital reserve includes the net proceeds from the capital increase carried out on 26 September 2007 as part of the first listing in the Entry Standard of the Frankfurt Stock Exchange in the amount of €5,250 thousand. The IPO costs of €442 thousand were offset against the capital reserve. In addition, the capital reserve includes the share premium from the acquisition of 18.3 % of the limited partner's shares in Blomberger Holzindustrie GmbH (before conversion on 18 February 2015 Blomberger Holzindustrie B. Hausmann GmbH & Co. KG) in the amount of €2,516 thousand. With the capital increase resolved on 8 November 2010, proceeds from the issue exceeding the share capital in the amount of €198 thousand, less the expenses for the capital increase of €41 thousand, were transferred to the capital reserve.

By resolution of the Management Board of 28 October 2011, the accumulated loss as at 31 December 2010 was offset against the capital reserve in the financial statements as at 31 December 2011.

19. Retained earnings

By resolution of the Annual General Meeting of 4 June 2019, €3,000,000.00 of the net retained profits as at 31 December 2018 was transferred to retained earnings.

IV. Notes to the profit and loss account

1. Revenue

Revenue is distributed among the following regions:

	2019 € thousand	2018 € thousand
Germany	29,680	33,945
EU	29,361	23,448
Other	5,318	2,880
	64,360	60,273

In percentage terms, this results in the following breakdown of revenue by region:

	2019	2018
Germany	46.1 %	56.3 %
EU	45.6 %	38.9 %
Other	8.3 %	4.8 %
	100.0 %	100.0 %

The Delignit Group generates revenue of more than 10.0 % of total Group revenue, with a total of two OEM groups, with deliveries and invoicing to different Group companies. The revenue results from different products and model series within the OEM groups. Revenue with these two groups reached 35.1 % for the largest OEM customer (previous year: 33.3 %) and with the second largest OEM customer 30.6 % (previous year: 28.8 %).

Recognition of revenue in accordance with the provisions of IFRS 15 was examined. The Delignit Group generally does not manufacture products tailored to a specific customer, in such a manner that these products can be used exclusively for that customer.

However, as at the reporting date, there was a specific call-off obligations of special products of an OEM customer. However, as there was no complete delivery volume which could be called off as at the reporting date, from completed but not yet delivered products the Delignit Group did not realise any revenue over time in line with IFRS 15.

2. Other operating income

Other operating income breaks down as follows:

	2019 € thousand	2018 € thousand
Income from previous fiscal years	633	53
Income from the reversal of provisions with a liability nature	296	6
Income from investment grants and allowances	121	31
Income from the reversal of value adjustments	1	94
Income from bonus agreements	0	36
Income from cost allocations	76	29
Other income	101	32
	1,228	281

3. Cost of materials

The cost of materials breaks down as follows:

	2019 € thousand	2018 € thousand
Expenses for raw materials	24,766	21,480
Expenses for trade goods	6,179	4,525
Freight costs	3,399	2,619
Purchased services	2,778	2,451
Other material and energy	3,463	2,862
	40,585	33,937

4. Staff costs

Staff costs break down as follows:

	2019 € thousand	2018 € thousand
Wages and salaries	13,535	13,839
Social security contributions and expenses for pensions	3,021	2,481
Other personnel costs	0	10
	16,556	16,330

The expenses for wages and salaries include allocations to provisions and utilisation from the virtual stock option programme for management amounting to €-12 thousand (previous year: €1,240 thousand). With regard to details, we refer to the comments concerning the remuneration of the Management Board in Section VII (Other mandatory disclosures).

5. Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation and amortisation break down as follows:

	2019 € thousand	2018 € thousand
Depreciation of property, plant and equipment	2,324	1,405
Amortisation of intangible assets	165	210
	2,489	1,615

As in the previous year, no value adjustments from impairments or write-ups of assets in accordance with IAS 36 were made in 2019.

6. Other operating expenses

Other operating expenses break down as follows:

	2019 € thousand	2018 € thousand
Maintenance expenses	2,458	1,839
Purchased services	549	270
Administrative expenses	400	338
Legal and consulting	354	349
Insurance	337	172
Research and development costs	195	164
Travel expenses/vehicle expenses	178	229
Rent, leasehold, lease	139	250
IT costs	103	106
Allocation to value adjustments	84	315
Fees and contributions	73	54
Incidental expenses for monetary transactions	52	85
Advertising expenses	47	175
Telephone, postage, remote data transmission	41	53
Other	659	498
	5,669	4,897

7. Interest expenses

	2019 € thousand	2018 € thousand
Bank interest	236	127
Other interest	48	55
	284	182

8. Taxes

Taxes break down as follows:

	2019 € thousand	2018 € thousand
Income taxes	578	1,244
Other taxes	67	26
	645	1,270

Details of deferred tax assets and liabilities are provided in the previous section. Deferred taxes are calculated on the basis of a standard tax rate of 30.0 % for the Group companies.

Offsetting and reconciliation between income tax expense and the product of the statement of financial position result for the period and the applicable tax rate for the Group for the 2019 and 2018 fiscal years, are as follows:

	2019 € thousand	2018 € thousand
Earnings before income taxes	2,044	3,842
Theoretical income tax expense (30.0 %)	-613	-1,153
Tax additions/reductions	35	-91
	-578	-1,244

9. Earnings per share

Earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Net income attributable to the holders of ordinary shares of the parent company	€1,399,000	€2,572,000
Weighted average number of ordinary shares used to calculate earnings per share	8,193,900	8,193,900
Earnings per share	€0.17	€0.31

V. IFRS consolidated cash flow statement

Notes to the IFRS consolidated cash flow statement

The IFRS consolidated cash flow statement shows how liquid assets of the Delignit Group changed in the fiscal year as a result of cash inflows and outflows. In accordance with IAS 7, a distinction is made between cash flows from the ongoing operating, investing and financing activities.

The net financial position considered in the IFRS consolidated cash flow statement includes all liquid assets reported in the statement of financial position, credit balances at banks, if these credit balances are available within three months (calculated from the date of acquisition) without significant fluctuations in value. Cash flows from investing and financing activities are determined directly, i.e. on the basis of payment. Cash flow from operating activities, on the other hand, is derived indirectly from the earnings for the period.

As in the previous year, the Group did not carry out any non-cash investment and financing activities during the fiscal year.

VI. Objectives and methods of financial risk management

1. Financial assets and financial liabilities

The Group's financial liabilities mainly include current and non-current liabilities to banks, current trade payables and other current and non-current liabilities. The material financial assets of the Group consist of liquid assets, trade receivables and other receivables. The carrying amount of the financial assets recognised in the consolidated financial statements less impairment constitutes the maximum default risk. It amounts to a total of €3,934 thousand (previous year: €10,111 thousand). Business relationships are only entered into with partners of good credit standing. Available financial information and our own trading records are used to assess the creditworthiness of major customers, in particular. Trade receivables are due from a number of customers distributed over different industries and regions. Ongoing credit assessments are performed for the financial receivables portfolio. Payment terms of 30 days without deduction are usually granted. Impairment was not recognised for trade receivables that were past due at the end of the reporting period if no material changes in the customer's creditworthiness were observed and it is assumed that the outstanding amount will be paid.

With regard to the maturities of financial liabilities, we refer to our comments under Section III. 13. "Liabilities".

Valuation of the Delignit Group's financial assets and liabilities is presented under II. 11 "Financial assets held as current assets" and II. 16 "Financial liabilities" in the notes to the general accounting policies.

The Group does not exercise the fair value option. On the current balance sheet date or the last balance sheet date, the Group has neither financial assets that were held for trading nor financial assets or liabilities measured at fair value through profit or loss. Derivatives and hedging transactions were not entered into.

No reclassification was made in 2019 or 2018.

2. Capital risk management

The Group manages its capital (equity plus liabilities less cash and cash equivalents) with the aim of achieving its growth targets through financial flexibility, while at the same time optimising financing costs. The overall strategy in this regard is unchanged compared to the previous year. Management reviews the capital structure at least once every half-year. The cost of capital, the collateral provided, open lines of credit and available credit facilities are reviewed. The Group is not subject to any externally regulated capital requirements.

3. Financial risk management

Financial risk is monitored centrally by management. The individual financial risks are reviewed at least four times per year.

The material Group risks arising from financial instruments include market, liquidity and credit risks. The credit risk is controlled by the fact that business relationships are only entered into with creditworthy contractual partners. Moreover, assessments by independent rating agencies, other available financial information and our own trading records are used to assess creditworthiness, in particular the creditworthiness of major customers. Credit risks are controlled via limits per contractual partner, which are reviewed and approved annually. In addition, the amounts of receivables are monitored on an ongoing basis, so that the Delignit Group is not exposed to any significant credit risk. The maximum default risk is limited to the respective carrying amounts of the assets reported in the statement of financial position.

The Group manages liquidity risks by maintaining appropriate reserves, credit lines with banks and monitoring and maintaining loan agreements. Cash flows are carefully planned and actual and forecast cash inflows and outflows are reconciled. Management expects the Group to be able to meet its other financial obligations from operating cash flows and from the inflow of maturing financial assets.

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). Due to the minimal relevance of exchange rate risks for the Group, exchange rate risks were not hedged through derivative financial instruments. These risks are controlled through continuous monitoring. Exchange rate risks are largely avoided by the fact that the Group mainly invoices in euros or local currency.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The Delignit Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. Derivatives (e.g. interest rate swaps or forward interest rate agreements) are not used to hedge the exposure. As at the balance sheet date, there were variable-interest liabilities amounting to €4,213 thousand (previous year: €4,402 thousand). If, all else being equal and assuming corresponding average indebtedness, interest rates had been two percentage points higher (lower), earnings before tax would have been €84.0 thousand lower (higher).

5. Fair value risk

The financial instruments of the Delignit Group that are not carried at fair value are primarily cash, trade receivables, other current assets, liabilities to banks, trade payables and other liabilities.

The carrying amount of cash is extremely close to fair value on account of the short terms of these financial instruments. For receivables and liabilities with normal credit conditions, the carrying amount based on historical cost is also extremely close to fair value.

VII. Other required information

1. Other required information

Management Board

The following persons were members of the Management Board of Delignit AG in fiscal year 2019:

- Markus Büscher, business economist, CEO
  (Strategic Development, Controlling, Human Resources,
  Legal, Purchasing, IT, Production, R&D, Investor Relations)

- Thorsten Duray, industrial manager, member of the Management Board
  (Marketing and Sales)

Supervisory Board

The following persons were members of the Supervisory Board of Delignit AG in the 2019 fiscal year:

- Dr Christof Nesemeier, Chairman of the Supervisory Board of Delignit AG
  (also: member of the Board and Managing Director (CEO) of MBB SE, Berlin, and a member of the Supervisory Board of Aumann AG)

- Gert-Maria Freimuth, Deputy Chairman of the Supervisory Board
  (also: Chairman of the Board of MBB SE, Berlin, Chairman of the Supervisory Board of DTS IT AG, Herford, and Chairman of the Supervisory Board of Aumann AG, Beelen)

- Anton Breitkopf
  (also: member of the Board of MBB SE, Berlin, and
  Deputy Chairman of the Supervisory Board of DTS IT AG, Herford)

2. Remuneration of the Management Board

The remuneration of the Management Board consists of a fixed and a variable component. The Management Board also receives reimbursement of expenses against receipt. In addition, the Management Board is also insured via a Group D&O insurance policy with a deductible and an accident insurance policy, and the Management Board receives a subsidy for private health insurance and long-term care insurance. Moreover each member of the Management Board also uses a company car. The members of the Management Board also receive continued pay in the event of illness for up to six weeks. No other benefits (e.g. pension entitlements, direct commitments or severance payments) have been agreed.

From the virtual stock option programme of the 2013 Management Board contracts for the 2013 fiscal year, all shares from Stock Option Programme I (Management Board contracts 2013) were allocated and vested in the 2018 fiscal year. In July 2019, the price of 50,000 shares was fixed, resulting in a realisation price of €7.3069 per share. In Stock Option Programme I, the starting price per share was set at €1.30. The Supervisory Board determined that the calculation was correct and that the shares were vested, and thus approved the payment of a total of €300,345.00. The payment was made at the beginning of 2020. As at 31 December 2019, this obligation was recognized under other current liabilities. At the end of 2019, there is a remaining entitlement from Stock Option Program I (Management Board contracts 2013) of 10,000 shares (starting price of €1.30) and a pro rata entitlement from Stock Option Program II (Management Board contracts 2017) of an additional 75,000 shares (starting price of €5.82). The relevant exercise price as at 31 December 2019 was set at €5.0208 a share. As at 31 December 2019, the fair value of all virtual stock options in line with IFRS 2 thus totalled €337,553.47.

After deduction of the amounts already reported in the previous year based on the relevant exercise price of €6.8585 per share, there was thus a cumulative reduction of provisions/liabilities for Stock Option Program I and Stock Option Program II of €11,532.12 from the provision of €349,085.59 established and recognised as at 31 December 2018. This corresponds to cumulative income from the claims from the stock option programmes in the 2019 fiscal year after expenses of €1,239,885.59 in the previous year. The provision for the remaining options of the two Management Board members is recognised under provisions for uncertain liabilities.

	2019 € thousand	2018 € thousand
Fixed salary	380	329
Financial year bonus	100	168
Virtual stock option program	-12	1,240
Total remuneration of the Management Board	468	1,737

3. Related party transactions

a) Related parties

Delignit AG is a dependent company as defined in Section 17 of the German Stock Corporation Act. The controlling company is MBB SE, Berlin. A controlling agreement does not exist.

Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the company and its subsidiaries are eliminated in consolidation and are not shown in this note, or are of subordinate significance and typical for the industry.

b) Management Board

Reference is made to the comments concerning the remuneration of the Management Board. Other than the remuneration cited above no business was transacted with the Delignit Group.

c) Members of the Supervisory Board of Delignit AG

In the 2019 fiscal year, the members of the Supervisory Board received fixed remuneration of €45 thousand. The fixed remuneration is distributed among the members as follows:

- Chairman, Dr Christof Nesemeier, €20 thousand
- Deputy Chairman, Mr Gert-Maria Freimuth, €15 thousand
- Member, Mr Anton Breitkopf, €10 thousand

4. Number of employees

The average number of employees during the 2019 fiscal year was as follows:

	2019	2018
Employees	383	352

The Delignit Group employed 390 people in Germany on the reporting date.

5. Auditor's fees

The auditor's fees recognised in the 2019 fiscal year break down as follows:

	2019 € thousand	2018 € thousand
a) Audit of financial statements:	54.0	54.0
b) Tax advice:	37.0	41.3
	91.0	95.3

6. Events after the reporting period

Corona infections (SARS-CoV-2) are having economic consequences (closing of operations and thus a negative impact on delivery and sales processes). As these dramatic developments occurred only from January 2020, it is to be anticipated that the occurrence of the corona virus as a global danger is to be classified as one impacting value. Thus accounting consequences are to be taken only in financial statements with reporting dates after 31 December 2019. At the current moment in time, the economic consequences cannot be conclusively assessed. There were no further events after the balance sheet date that would be classified as material.

7. Appropriation of profits

The Management Board and the Supervisory Board will discuss the appropriation of the net retained profits shown in the annual financial statements of Delignit AG for the year 2019, in the amount of €972,126.04 at the Supervisory Board meeting to be held on 18 March 2020. The Management Board proposes, due to the business uncertainty as a result of the exceptional corona infection (SARS-CoV-2) not to distribute a dividend and to carry forward net retained profits of €972,126.04.

8. Responsibility statement

To the best of our knowledge, and in accordance with the generally accepted principles of proper Group financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Blomberg, 12 March 2020

Markus Büscher	Thorsten Duray
CEO	CSO

Statement of changes in IFRS consolidated fixed assets as at 31 December 2019 of Delignit AG, Blomberg

	Total acquisition costs and production costs € thousand	Additions in the fiscal year € thousand	Reclassification € thousand	Total depreciation/amortisation € thousand	Carrying amount at the end of the fiscal year € thousand	Carrying amount at the end of the previous year € thousand	Depreciation/ amortisation for the current year € thousand
I. Intangible assets							
1. Concessions, industrial property rights and similar rights and assets, as well as licenses for such rights and assets	1,295	382	451	872	1,256	564	141
2. Capitalised development costs	761	0	0	649	112	224	112
3. Goodwill	1,000	0	0	1,000	0	0	0
4. Group goodwill	2,178	0	0	0	2,178	2,178	0
5. Advance payments	451	0	-451	0	0	451	0
	5,685	382	0	2,521	3,547	3,418	254
II. Property, plant and equipment							
1. Land, land rights and buildings, including buildings on third-party land	12,581	1,542	0	8,268	5,855	4,715	402
2. Technical equipment and machinery	22,951	1,204	1,991	18,124	8,022	5,959	1,131
3. Other equipment, factory and office equipment	9,051	1,167	0	8,503	1,715	1,249	702
4. Advance payments and assets under construction	1,991	125	-1,991	0	125	1,991	0
	46,574	4,038	0	34,895	15,718	13,915	2,235
	52,259	4,420	0	37,416	19,265	17,333	2,489

AUDIT OPINION OF THE AUDITOR

To Delignit AG, Blomberg

Audit opinions

We have audited the consolidated financial statements of Delignit AG, Blomberg and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2019 and the notes to the consolidated financial statements including a summary of the significant accounting policies. In addition, we have audited the group management report of Delignit AG, Blomberg, for the fiscal year from 1 January to 31 December 2019.

In our opinion, based on the findings of our audit

- the attached consolidated financial statements, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315e(1) HGB, and give a true and fair view of the net assets and financial position of the Group in accordance with these requirements as at 31 December 2019 and its results of operations for the financial year from 1 January to 31 December 2019 in accordance with these provisions; and

- that the accompanying group management report overall accurately represents the Group's current situation. 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.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not resulted in any objections to the correctness of the consolidated financial statements and the group management report.

Basis for audit opinions

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these provisions and policies is described further in the section of our audit report entitled “Auditor’s responsibility for the audit of the consolidated financial statements and the Group management 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 audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the Group management report.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the regulations of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional regulations in accordance with Section 315 e (1) HGB, and the German legal regulations in all material respects, and that the consolidated financial statements give a fair view of the asset, financial and earning situation of the Group in accordance with the above regulations. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from – intentional or unintentional – material misstatement.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters in connection the continuation of business activities, if relevant. Furthermore, they are responsible for the accounting on the basis of the going concern principle, unless there is the intention to liquidate or discontinue the Group, or there is no realistic alternative.

Moreover, the legal representatives are responsible for the preparation of the Group management report that, on the whole, provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Also, the legal representatives are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a Group management report in accordance with the applicable German legal requirements to provide sufficient suitable evidence for the statements 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 objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misstatement and whether the Group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an audit report containing our audit opinions on the consolidated financial statements and the Group management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and in accordance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material, if it could reasonably be expected that such misstatements will individually or collectively influence the economic decisions of addressees made on the basis of these consolidated financial statements and the group management report.

We exercise due discretion and maintain a critical approach. Furthermore:

- We identify and assess the risks of – intentional or unintentional – material misstatements in the consolidated financial statements and the Group management report, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements are not detected is greater for violations than for inaccuracies, as violations can include fraud, falsification, intentional omissions, misrepresentation or the invalidation of internal controls.

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the systems relevant to the audit of the Group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the objective of expressing an opinion on the effectiveness of these systems.

- We assess the appropriateness of the accounting policies applied by the legal representatives and the reasonableness of the estimates and related disclosures by the legal representatives.

- We draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty about events or circumstances that can give rise to significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to refer to the relevant disclosures in the consolidated financial statements and the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances can lead to the Group being unable to continue its business activities.

- we have assessed the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional requirements of German law set out in Section 315e (1) of the German Commercial Code (HGB).

- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to issue audit opinions on the consolidated financial statements and the Group management report. We are responsible for designing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.

- We assess that the Group management report is consistent with the consolidated financial statements and the law, and the view of the position of the Group that it provides.

- We perform audit procedures on the forward-looking statements made in the Group management report by the legal representatives. In particular, on the basis of sufficient and suitable audit evidence, we analyse the significant assumptions on which the forward-looking statements of the legal representatives are based, and assess whether the forward-looking statements have been properly derived 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.

Among other things, we discuss with those responsible for overseeing the audit the planned scope and scheduling of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Cologne, 12 March 2020

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Stramitzer
Wirtschaftsprüfer

Wiethe
Wirtschaftsprüfer

Condensed annual financial statements for 2019 of Delignit AG

Statement of financial position

Assets	31/12/2019 € thousand	31/12/2018 € thousand
Financial assets	6,062	10,429
Fixed assets	**6,062**	**10,429**
Receivables and other assets	7,879	3,653
Cash and cash equivalents and credit balances at financial institutions	56	258
Current assets	**7,935**	**3,910**
Total assets	**13,997**	**14,339**

Equity and Liabilities

Equity	13,155	12,791
Provisions	466	1,468
Other liabilities	376	80
Total assets	**13,997**	**14,339**

Income statement	31/12/2019 € thousand	31/12/2018 € thousand
Revenue	635	610
Other operating income	28	117
Staff costs	545	1,825
Other operating expenses	261	378
Income from profit transfer agreements	695	3,394
Interest and similar income	569	444
Interest and similar expenses	1	0
Taxes on income and earnings	347	741
Earnings after tax/ Net profit for the year	**773**	**1,621**
Profit carried forward from previous year	3,608	2,397
Allocation to retained earnings	-3,000	0
Distribution to shareholders	410	410
Retained earnings	**972**	**3,608**

Financial calendar

Annual report 2019

April 2020

Annual General Meeting 2020

26 May 2020
Cancelled: Under the current circumstances, the Annual General Meeting has been cancelled.
The new date will be announced as soon as it has been determined.

Half-year financial report 2020

August 2020

End of fiscal year 2020:

31 December 2020

Contact

Investor Relations

Delignit AG
Königswinkel 2-6
32825 Blomberg, Germany
Tel.: +49-5235-966-100
Fax: +49-5235-966-105
www.delignit.com
E-mail: info@delignit.com

Legal notice

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Notes:

Delignit

AKTIENGESELLSCHAFT

Delignit AG
Königswinkel 2-6
32825 Blomberg, Germany
Tel.: +49-5235-966-100
Fax: +49-5235-966-105
E-mail: info@delignit.com
www.delignit.com