exceet

ANNUAL REPORT 2012

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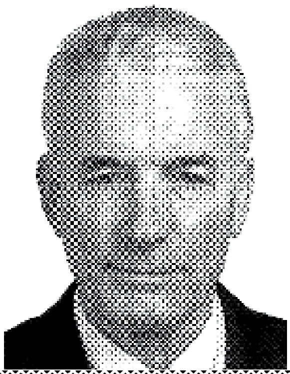

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MEMBERS OF THE MANAGEMENT BOARD

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Chief Operating Officer – IDMS

Ulrich Reutner

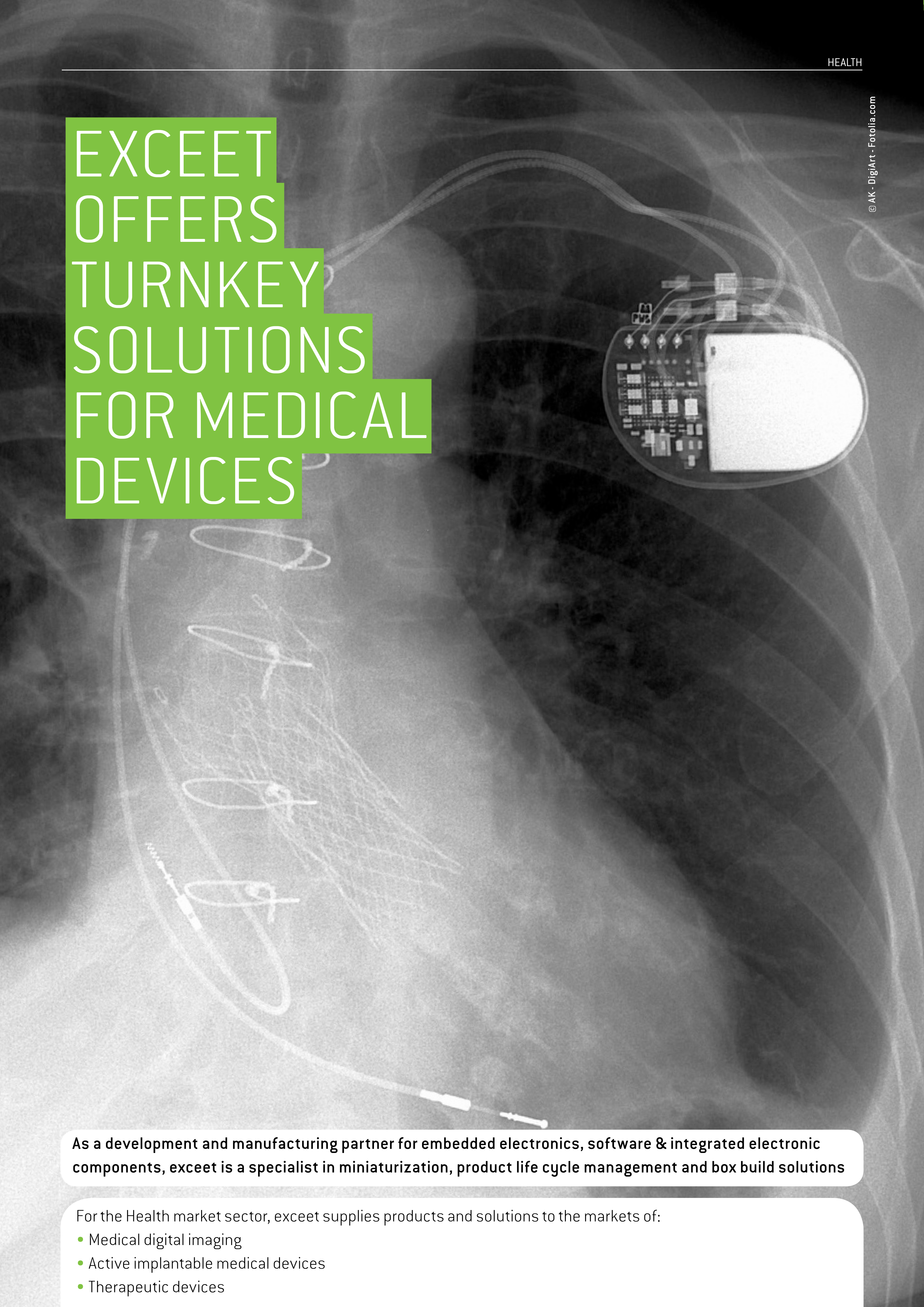
Chief Executive Officer
Chief Financial Officer

Jan Trommershausen

Chief Operating Officer – ECMS

A STRONG GROUP

The unique combination of competences in the fields of electronics and security enables exceet to leverage on customer requirements in the development, manufacturing, sourcing and supply chain management of increasingly higher integrated electronic components and complete products with high security demands.



EXCEET OFFERS TURNKEY SOLUTIONS FOR MEDICAL DEVICES

As a development and manufacturing partner for embedded electronics, software & integrated electronic components, exceet is a specialist in miniaturization, product life cycle management and box build solutions

For the Health market sector, exceet supplies products and solutions to the markets of:

- Medical digital imaging
- Active implantable medical devices
- Therapeutic devices

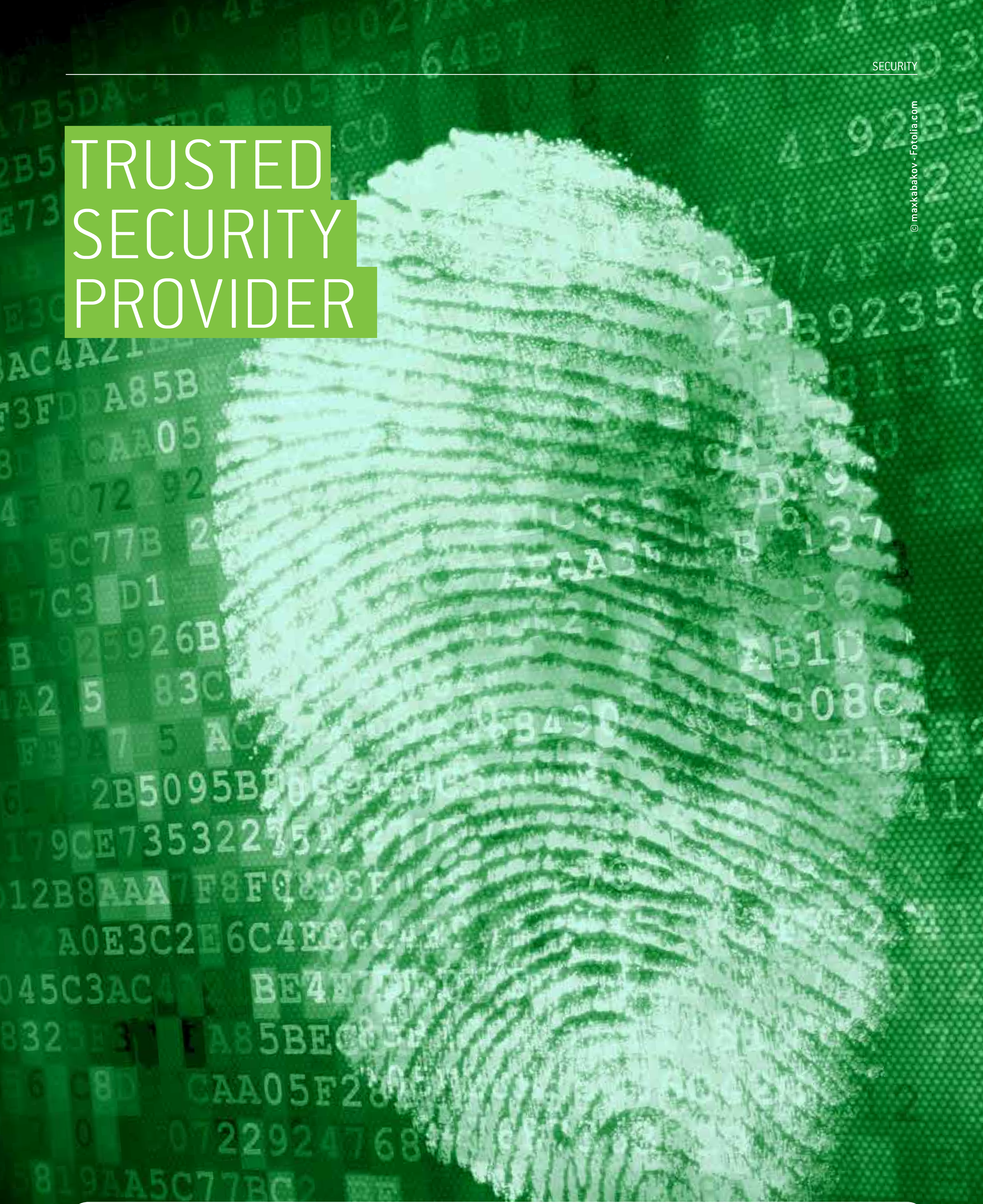
COMPLETE SOLUTIONS FOR COMPLEX EMBEDDING

For the Industry market sector, exceet offers design and development for complex high end electronic and high precision products.
The Group is a leading supplier in rapid prototyping, industrialization and series production under clean room conditions.

exceet`s intelligent electronic solutions can be found in:

- Control systems & panels
- Avionics
- Remote maintenance
- Machine to machine communication

TRUSTED SECURITY PROVIDER



exceet's customers benefit from the experience in payment solutions, loyalty systems and mobile payment systems

exceet`s security solutions can be found in:

- Access, Loyalty & Banking applications
- High security authentication
- Secure enterprise collaboration

MANAGEMENT REPORT

A STRONG GROUP

EXCEET GROUP STRUCTURE

exceet Group SE (hereafter the "Company", "Group", or "exceet") is a company incorporated as a Société Européenne under the law of Luxembourg and is listed in the regulated market on the Prime Standard of the Frankfurt Stock Exchange (WKN: A0YF5P / ISIN: LU0472835155).

exceet is led by a management team with many years of industry and market experience. The Group consists of a total of 13 operating facilities located in five European countries, including Austria, the Czech Republic, Germany, the Netherlands and Switzerland. This setup allows the Group to benefit from specific local advantages (e.g. customer proximity) and to apply flexible development and production processes necessary to fulfill the requirements of its customers.

EXCEET GROUP'S BUSINESS MODEL

As an international technology group with strong presence in its core markets - Health, Industry and Security - exceet combines its skills in the development and manufacturing of complex electronic systems with its security expertise for the supply of comprehensive solutions for mission-critical applications. The unique combination of competences in the fields of electronics and security enables exceet to leverage on customer requirements in the development, manufacturing, sourcing and supply chain management of increasingly higher integrated electronic components and complete products with high security demands.

Over the past years, the Group's 'buy and build' strategy has created an organization that is positioned to serve its customers along the entire value chain, from design, development and production to aftersales and lifecycle management services.

The Group realizes above industry-average profit margins with a high-mix and low-volume strategy. To further improve exceet`s profitability, Management has implemented a number of strategic initiatives. Focusing on newly identified markets as well as further expanding its position in the current core markets, streamlining the Groups' organizational structure and undertaking additional mergers and acquisitions are the core strategic initiatives for the Group.

In the medical technology market for implants, exceet is strengthening its market position by continued investments in future technologies for its focus markets, such as:

- cardiovascular implants
- heart pacemakers
- cochlea implants
- ophthalmic implants

Especially with a view to the Industry market sector, exceet plans further investments in the development of products and solutions that bundle the Group`s entire product and service portfolio for its defined focus markets such as:

- embedded
- robotic
- sensors
- avionics
- machine-to-machine communication

In the Security market sector the Company focuses on expansion in:

- mobile payment solutions and services
- mobile enterprise collaboration
- near field communication
- contactless payment

REPORTING STRUCTURE

exceet reports in three business segments: Electronic Components Modules & Systems (ECMS), ID Management & Systems (IDMS) and Embedded Security Solutions (ESS).

exceet's market activities are organized into three core market sectors, Health, Industry and Security.

MARKET SECTORS

For the Health market sector, exceet supplies products and solutions to the markets of medical digital imaging, active implantable medical devices and therapeutic devices.

For Industry, exceet offers design, development, rapid prototyping, industrialization and series production for complex high-end electronic and high-precision products under clean room conditions.

For the Security market sector, exceet provides solutions for access, loyalty and banking applications. Near Field Communication (NFC), Radio Frequent Identification (RFID) and high-security authentication are core technologies essential to fulfilling the challenging requirements for those applications. The Group is one of the pioneers in these technologies and possesses a vast experience in these field.

COMPANY OBJECTIVES AND STRATEGY

exceet will continue to execute its high-mix, low-volume strategy in the market sectors of Health, Industry and Security. The requirements in these market sectors are ideal for exceet's capabilities in developing and producing electronics with a high degree of customization in secure environments.

To further lower its fixed cost base, exceet will continue to optimize its organizational structure. The Group started this process in 2012. In the IDMS segment, exceet reduced the number of operating and legal entities. In combination with on-going cost saving activities, exceet will be able to further significantly reduce its annual cost base for 2013.

One of the most important strategic objectives for the Group is to increase its market share in growth markets where the Company is already well established.

To generate a positive organic growth rate, exceet has strengthened its sales and marketing teams. This will allow the Group to further expand its market position in its core markets and to enter new regional markets.

exceet will further increase its efforts to make use of cross-selling opportunities and to leverage on existing customer relationships. The market for comprehensive and integrated high-security products has grown significantly over the past few years. exceet`s portfolio meets the specific demands and requirements for these products in many market sectors.

KEY STRATEGIC INITIATIVES FOR 2013

Management has defined several key initiatives for 2013 which will further strengthen exceet's market position:

MARKET EXPANSION HEALTH

The key initiative of the Group's strategy in its Health market sector is the expansion in defined sub-markets with constant growth potential and high margins such as medical digital imaging, active implantable medical devices and therapeutic devices. From a technology perspective, the main focus in the imaging market is on optical high-sensitivity transducers and image processing as well as on miniaturized ultrasonic probes and steering circuitry.

The market for active implantable medical devices is addressed using high-reliability, ultra-miniaturized systems for maximum patient comfort. Strong engineering capabilities and long term experience in cooperation with key players in the laboratory diagnostic and therapeutic markets brings immediate added value to customers and their patients.

exceet covers the entire value chain from early multidisciplinary development to full scale manufacturing and on to ship to stock of medical devices, including lifecycle management for our customers. This allows the Group to offer complete outsourcing solutions to original equipment manufacturers (OEMs). The Company leverages its market position in the Health market sector via value-added competences in miniaturization of electronics, product design, fulfillment of maximum quality requirements at FDA level and its life cycle management.

Due to increased competition in the market for hearing aids by low-cost countries such as China, exceet will increase its focus on selected sub-markets. With exceet`s technological advancements, products such as ultra-HDIs (highly miniaturized printed circuit boards with structures smaller than 20 µm) can be in utilized in high-end applications such as ultraminiaturized implanted active devices, cochlea prosthetics, and high-precision ophthalmological equipment. A second market for ultra-HDI is in computer tomography, where the technology offers strong price advantages over traditional technologies.

MARKET EXPANSION INDUSTRY

In the Industry market sector, exceet continues to focus on market expansion in the growth markets for embedded PCs, robotics, sensors and avionics. Particular attention is paid to the M2M market (machine-to-machine communication) where, based on already existing technologies, exceet is extending the range of services up to full-range connectivity and monitoring solutions for large machine parks.

MARKET EXPANSION SECURITY

The need for corresponding solutions that ensure the protection of digital identities and online transactions has been increasing for many years. Data security is extremely important to governments, companies and private individuals. Given the growing amount of identity theft, fraud and loss of data, secure solutions that remain easy to use are a necessity in everyday life. The Group's portfolio ranges from mobile collaboration solutions to platforms and services for identification, authentication and encoding, as well as a wide range of applications and services for various customer groups. The Group expects increasing growth especially for mobile payment solutions, loyalty systems and converged access infrastructure.

INTRA-GROUP COLLABORATION

The Group plans to further enhance intra-group collaboration initiatives in the fields of development, production, procurement and marketing. These efforts are an important part of exceet's strategy for optimizing intra-group processes.

A first major success of exceet's joint forces is the development of an enterprise collaboration solution using its own enterprise access device and its own secure mobile access software, combining exceet's internal hardware development and manufacturing as well as the Group`s expertise in the development of high-security software solutions.

INTEGRATION AND COST REDUCTION

During the 2012 reporting period, consolidation activities have already been executed in the IDMS and ECMS segments. Further potential has been identified and the according actions have been initiated.

Competencies in the assembly and production of high-quality and complex electronic modules, components and systems by exeet's Contec GmbH will be combined with ECR AG's competencies in engineering, new product introduction and material handling. Together, the companies will realize synergies in improved procurement management, process alignment and a stronger joint sales force.

The engineering competencies of as electronics GmbH will be combined with Mikrap AG's expertise as a system partner specialized in developing and producing intelligent industrial electronics modules and systems. The combined forces will enable exceet to expand its offers in the design and outlining of specifications in hardware and software development. This will allow the Group to significantly improve its market position in the Industry market sector.

Production facilities have already been consolidated in the Group's IDMS segment. Further consolidation is planned for 2013 with the aim of increasing the utilization of production capacities. This will result in greater efficiency and therefore higher profitability. Furthermore, since the beginning of 2013, all sales and marketing activities operate under one common brand, "exceet Card Group".

STRATEGIC ACQUISITIONS

The Group will continue its 'buy & build' strategy. In 2012, exceet acquired as electronics GmbH which will help the Group expand its engineering and development expertise in the ECMS segment. To complete its portfolio in the Security market sector, exceet has acquired Inplastor GmbH, a leading Austrian full-service provider for loyalty and ID security solutions.

Several larger potential acquisition targets were identified in 2012.

THE COMPANY'S FUTURE OBJECTIVES

Continued focus on the core market sectors - Health, Industry and Security - is the major objective for the future development of the Company. exceet has identified submarkets for future expansion such as mobile payment, M2M communication and medical implants. These markets show even stronger growth than the relevant main markets and are ideally suited for exceet's business model. exceet will further optimize the Company's structure and its cost base to continuously lower its breakeven point.

MAJOR EVENTS DURING THE REPORTING PERIOD

ACQUISITION OF INPLASTOR GMBH

In January 2012, exceet acquired Vienna-based Inplastor GmbH (Inplastor). The company a leading Austrian provider of loyalty and ID security solutions. Inplastor's customers include Austria's largest retailers. The rationale for the acquisition was to strengthen exceet Group SE's market-leading position in the card-based loyalty and ID security solution market in the DACH-Region (Germany, Austria and Switzerland). The aggregated consideration amounts to EUR 2.7 million, as described in the Financial Statements (see 33.2.2).

ACQUISITION OF AS ELECTRONICS GMBH

In May 2012, exceet acquired as electronics GmbH. (as electronics) Based in Grossbettlingen near Stuttgart and founded in 1995, as electronics develops intelligent control and automation systems with a focus on technology design and engineering. as electronics' key markets are equipment construction, mechanical engineering and building technology, as well as environmental, measurement and control technology. The aggregated consideration amounts to EUR 11.5 million as described in the Financial Statements (see 33.2.1).

MERGER OF OPERATING UNITS WITHIN EXCEET CARD GROUP

In 2012 exceet streamlined its IDMS segment by reducing the number of operating entities and consolidating sales, marketing and administration. exceet's customers and partners will benefit from a uniform administration and segment-wide quality control systems, a high degree of flexibility within the manufacturing facilities and complete value chain coverage.

IMPORTANT ORDER FROM SIEMENS AG

On April 17, 2012, exceet Group SE extended its long-term partnership with Siemens AG. Over the next three years, exceet will supply the company with optoelectronic sensors. The serial production of the highly sensitive components is conducted under strictest clean-room conditions at the Berlin production site of AEMtec GmbH, which is part of the exceet Group. The order volume amounts to EUR 40 million.

EXCEET RECEIVES "IT SECURITY MADE IN GERMANY" QUALITY CERTIFICATION

On June 4, 2012, AuthentiDate International AG, a member of exceet Group and a leading IT security provider was awarded the "IT Security made in Germany" seal of quality.

The "IT Security made in Germany" quality certification is awarded by the TeleTrusT - the Bundesverband IT-Sicherheit e.V. (Federal Association for IT Security), with assistance from the German Federal Ministry of the Interior (BMI) and the German Federal Ministry for Business and Technology (BMWi), to companies whose products fulfill special quality requirements to providing reliable IT security solutions.

PRODUCTION CAPACITY EXPANSION

June 20, 2012 – By further expanding the development and production capacity in Berlin, exceet is ideally prepared for further growth. Highly automated assembly lines, engineering and administration will be located in a 6,200 m^2 competence center, which will be completed by the summer of 2013.

FUNDAMENTALS OF EXCEET SHARES

The market capitalization of exceet Group SE accumulated to EUR 157.77 million at the beginning of 2012 (01/01/2012) and reached EUR 79.01 million at the end of 2012 (31/12/2012).

Source Bloomberg	*Average Volume*
Daily Volume	4'059
Weekly Volume	19'622
Monthly Volume	83'098
Share price 01.01.12	7.79
Share price 31.12.12	3.85
Year High	8.35
Year Low	3.35

Currently, exceet Group is covered by the investment and research banks Hauck & Aufhäuser and Credit Agricole Cheuvreux. Both banks recommend a BUY for the shares of exceet Group SE.

450,000 of unlisted Class A shares held in treasury by the Company have been deducted from equity in accordance with IAS 32 (see Financial Statements, "Other Reserves").

BUSINESS DEVELOPMENT

OVERALL ECONOMIC ENVIRONMENT

For 2012, the International Monetary Fund (IMF) estimated a global output increase of only 3.3%, making it the slowest year of growth since 2009. The main sources of this growth included the emerging market economies, where activity picked up broadly as expected, and the United States (US), where growth surprised on the upside; stabilization in financial conditions; bond spreads in the Euro zone periphery declined, while prices for many risky assets, notably equities, rose globally. The IMF predicted a modest pickup in 2013 to 3.6% globally. US growth is expected at a little over 2.0% in 2013, but contraction is forecasted for the Euro zone for 2012 (-0.4%), against modest growth in 2013 (0.2%) (IMF). However, for the German economy, according to Deutsche Bundesbank, there are sound reasons to believe that the phase of weak economic momentum will not last very long and that Germany will soon return to a path of growth. Following a 0.7% expansion in real gross domestic product (GDP) in 2012, economic growth could decline to 0.4% on an annual average for 2013, before strengthening to 1.9% in 2014 (Deutsche Bundesbank, 2012).

Another important country for exceet is Austria, where the Oesterreichische Nationalbank (OeNB) projected Austrian GDP growth to reach 0.9% in 2012 and expects the Austrian economy to remain one of the engines of the Euro zone growth in 2013 and 2014.

For Switzerland, the Federal Government's Expert Group reaffirmed its previous assessment, which anticipated moderate GDP growth for 2013 of 1.3%, with projected further strengthening to 2.0% in 2014.

SECTOR-SPECIFIC ENVIRONMENT

In exceet's market sectors Health, Industry and Security, growth expectations are promising:

Health

The global market for medical equipment and supplies is valued at US$ 307.7 billion in 2012. Espicom Ltd. projects that the total market will rise to US$ 434.4 billion by 2017, with a compound annual growth rate (CAGR) from 2012 to 2017 of 7.1%.

The global implants market is estimated to reach US$ 94.1 billion in 2012 and is poised to grow at a CAGR of 7.3% from 2012 to 2017. Chief market drivers are aging populations and increased incidences of chronic diseases such as osteoarthritis. exceet will further focus on the markets for complex implants and expects to grow above the average industry growth rate.

Infiniti Research Ltd. expects the global medical imaging equipment market to reach US $25.3 billion by 2015. This market is set to grow at a 4% CAGR. One of the key factors contributing to this market growth is technological advances in medical imaging equipment.

The global hearing aid devices market is forecasted by Global Information Inc. to grow to US$ 11.3 billion by 2018, at a CAGR of 7.0%. The market is expected to be driven by a number of factors including the introduction of innovative small-sized hearing aids, a growing percentage of elderly people in the population, more government initiatives in emerging countries to provide high-quality healthcare, and a rise in the prevalence of acquired hearing loss.

Infiniti Research Ltd. forecasted the global cochlear implants market to grow at a CAGR of 13.6% over the period of 2011 to 2015. According to Infiniti Research, there has been a significant increase in the sales of cochlear implant devices. Most hearing aid manufacturers are gradually moving toward the next generation of cochlear implant products, resulting in significant advancements in the development of cochlear implant devices and accessories in the recent period.

Industry

The global industry equipment (IAE) market was estimated by IMS Research to be worth US$ 145.9 billion in 2011 and is forecast to grow at a CAGR of 6.1% between 2007 and 2015, to reach US$ 204.7 billion in 2015.

Sensors have gained importance in exceet's Industry market sector. New orders were won in 2012, aligning the Company with market growth rates. Infiniti Research Ltd. has forecasted the global sensor market to grow at a CAGR of 5.6% over the 2011-2015 period. Increasing demand for sophisticated functionalities in various electronic devices has led to advances in sensor technology.

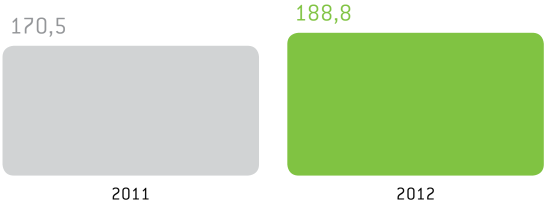
In exceet`s new focus market M2M communication, Analysys Mason Group Ltd. expects a year-on-year growth rate of between 36% and 52%.

Security

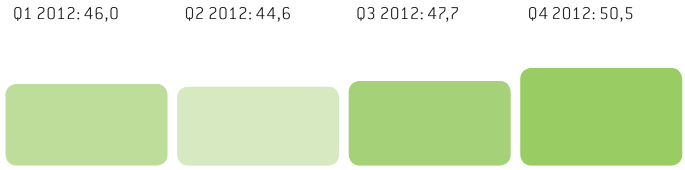
The Security market sector is driven by increased demand from the public, telecoms and banking sectors. According to the industry research organization, Eurosmart, the total number of smart cards and devices delivered is likely to have reached 7.1 billion units in 2012, up 13% year-on-year from 6.3 billion units in 2011. Eurosmart expects total smartcard shipments to grow at a robust 10.0% CAGR through 2012 and to reach 7.7 billion units in 2013.

According to Renub Research Ltd. the number of mobile payment subscribers worldwide was nearly 2 billion users in 2011. The total value of the mobile payment market is expected to exceed US$ 500 billion by 2014. In mobile payment methods, the NFC-based mobile payment market is experiencing tremendous growth. The NFC-based mobile payment market is likely to grow with a CAGR of 118% during the period 2011 to 2015. Mobile ticketing is expected to capture a share of around 40% of the total mobile payment market by 2014.

FY GROUP SALES (EUR MILLION) +10,7%



GROUP SALES (EUR MILLION)



NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Driven mainly by acquisitions, Group sales rose by 10.7 % in 2012, reaching EUR 188.8 million against EUR 170.5 million for the same period of the previous year. A particularly positive development was posted by the Health market sector (24% growth), accounting for 40.6% of the Group's gross sales (EUR 76.7 million). On December 31, 2012, Group-wide orders in hand amounted to EUR 99.9 million, almost the same level as on December 31, 2011 (EUR 101.3 million).

The Group improved its sales performance in 2012, achieving sales of EUR 46.0 million in Q1, EUR 44.6 million in Q2, EUR 47.7 million in Q3, and an especially strong fourth Quarter of EUR 50.5 million with an organic growth rate of 7.5% which underlines the positive overall development of the Group.

Due to changes in the product mix, an increase in development costs and the effects of the appreciation of the US dollar on raw materials purchases, the gross profit margin contracted from 22.9% to 15.3%, which represents a decrease from EUR 39.0 million to EUR 28.9 million (-25.9%). Administrative costs decreased from EUR 15.9 million to EUR 12.7 million (-20.1%).

Due to restructuring costs and dilution resulted from underperformance - in comparison to the Group`s average - of the acquired companies, EBITDA decreased from EUR 24.5 million in 2011 to EUR 16.8 million in 2012 (-31.4%). This corresponds to an EBITDA margin of 8.9% (2011: 14.3%). Adjusted for one-off effects of EUR 2.2 million, EUR 1.9 million of which were associated with restructuring costs, EUR 0.2 million for the IPO, and EUR 0.1 million with cost incurred on unrealized acquisitions, recurring EBITDA reached EUR 19.0 million, reflecting a recurring EBITDA margin of 10.1%. Depreciations and amortizations in the amount of EUR 9.2 million were up EUR 1.1 million against the previous year (2011: EUR 8.1 million). EUR 5.9 million (2011: EUR 5.1 milion) relate to depreciation of tangible assets and EUR 3.3 million (2011: EUR 3.0 million) to the amortization of intangible assets, being customer base, brand, technology and software.

The net financial loss of EUR 2.3 million (2011: net financial profit of EUR 3.2 million) includes a loss of EUR 0.8 million which was a result of the revaluation of warrants (2011: gain of EUR 4 million), a negative net foreign currency effect of EUR 0.4 million and interest lost in the amount of EUR 1.1 million. This led to a net income of EUR 3.4 million for the year under review, compared to EUR 14.7 million for the previous year.

The calculation of basic earnings per share (EPS) on December 31, 2012, was based on a profit of EUR 3.4 million, attributable to the owners of the parent company (2011: EUR 14.9 million) and the weighted average number of ordinary shares outstanding, being 20,073,695 Class A shares, 5,210,526 Class B Shares and 9,000,000 Class C shares respectively.

EARNINGS PER SHARE (BASIC/DILUTIVE)		2012	2011
Profit for the year (thousands) attributable to Equity holders of the Company	Class A shares	3,301	14,746
	Class B/C shares	142	112
Weighted average number of ordinary shares outstanding	Class A shares	20,073,695	10,154,719
	Class B/C shares	14,210,526	11,171,053
Basic earnings per share (EUR/share)	Class A shares	0.16	1.45
	Class B/C shares	0.01	0.01

SEGMENT REPORTING

ECMS

Sales in this segment increased by 9.1% to EUR 132.4 million against EUR 121.4 million during the same period of the previous year. In 2012, EBITDA reached EUR 16.1 million against EUR 26.5 million in 2011.

IDMS

In the IDMS segment, sales increased to EUR 52.9 million compared to EUR 45.7 million in the previous year (15.8%). EBITDA decreased by 13.8% from EUR 2.9 million to EUR 2.5 million in 2012. Adjusted for one-off costs related to restructuring in both years (2012: EUR 1.9 million and 2011: EUR 1 million), recurring EBITDA rose from EUR 3.9 million to EUR 4.4 million, resulting in an EBITDA margin of 8.3% in 2012 which reflects a stable margin in comparison to 8.5% in 2011.

ESS

The ESS segment achieved sales of EUR 3.7 million during the reporting period (2011: EUR 4.0 million), with an EBITDA of EUR -0.1 million (2011: EUR 0.3 million). The ESS segment invested in the development of new products during the current year. In this segment, the Group has invested in developing products and solutions that bundle exceet's entire product and service portfolio.

BALANCE SHEET POSITIONS

As at December 31, 2012, exceet Group's balance sheet revealed total assets of EUR 179.1 million, compared to EUR 171.2 million at the end of the previous year. This rise was primarily the result of the acquisitions transacted during the year under review. Non-current assets amounted to EUR 94.4 million, compared to EUR 79.3 million the previous year, including tangible assets of EUR 31.4 million (2011: EUR 27.1 million) and intangible assets of EUR 62.3 million (2011: EUR 51.7 million). The goodwill position increased from EUR 31.9 million to EUR 35.7 million, related to the goodwill of the newly acquired companies. As in the previous years, no impairment was recorded against goodwill during the reporting period.

Current assets amount to EUR 84.7 million, against EUR 91.9 million in 2011. Changes in inventories rose by EUR 4.7 million to EUR 35.8 million (2011: EUR 31.1 million), of which EUR 4.6 million were due to the acquisition of as electronics GmbH. Receivables increased from EUR 19.7 million to EUR 22.5 million. Cash and cash equivalents ended with a balance of EUR 24.4 million at the end of the financial year (2011: EUR 40.1 million).

Non-current liabilities increased by EUR 8.3 million, from EUR 41.3 million on December 31, 2011 to EUR 49.6 million on December 31, 2012. The increase was caused largely by a rise in borrowing and the transfer of borrowings from current to non-current as a result of a new banking agreement. Current liabilities amounted to EUR 40.6 million as of December 31, 2012, compared to EUR 44.3 million at December 31, 2011. The major drivers are the adjustments of earn-outs which accounted for EUR 1 million of the decrease, as well as effects caused by the transfer of short-term loans and a reduction of tax liabilities in the amount of EUR 5.3 million. In 2012, total current and non-current borrowing amounted to EUR 44.0 million (2011: EUR 35.5 million). As at December 31, 2012, the Company's equity amounted to EUR 89.0 million, an increase against the equity position of December 31, 2011 (EUR 85.6 million). This is attributable to net profits of EUR 3.4 million, actuarial losses net of taxes of EUR 0.6 million, foreign exchange gain impacts of EUR 0.5 million and accruals for share-based payments of EUR 0.1 million. This reflects a nearly stable equity ratio of 49.7%, vs. 50.0% in 2011.

Net debt as at December 31, 2012 rose by EUR 25.3 million, now representing a net debt position of EUR 14.0 million, compared to the net cash position of December 31, 2011 EUR 11.3 million.

Financial situation

During the 2012 financial year, operative cash inflow amounted to EUR 1.5 million, compared to EUR 18.9 million in 2011. The decrease of EUR 17.4 million is mainly attributable to lower profit before tax, payment of tax expenses of EUR 9.4 million - for one of the German companies which paid outstanding tax charges from previous years - and reduced liabilities of EUR 4.0 million.

The cash outflow from investment activities amounted to EUR 17.7 million (2011: EUR 120.6 million cash inflow). Corrected for the reversed asset acquisition effect in the previous year (EUR 131.1 million), cash outflow from investment activities increased by EUR 7.2 million.

Capital expenditures

Capital expenditures of EUR 11.1 million, representing 5.9% of revenues, were invested in property, plant, equipment and software during the 2012 financial year. Nearly two-thirds of total capital expenditures applies to the ECMS segment (EUR 7.8 million).

EMPLOYEES

As at December 31, 2012, the Group employed 970 staff (FTE: 899), representing an increase of 7.8% over the past year (2011: 900 staff/FTE: 848). The increase in employees during the year under review resulted primarily from the companies acquired in 2012. On the reference date, 371 staff (2011: 298) were employed in Germany, 169 (2011: 176) in Austria, 308 (2011: 307) in Switzerland, 107 (2011: 92) in the Czech Republic and 15 (2011: 27) in the Netherlands.

NON-FINANCIAL PERFORMANCE INDICATORS

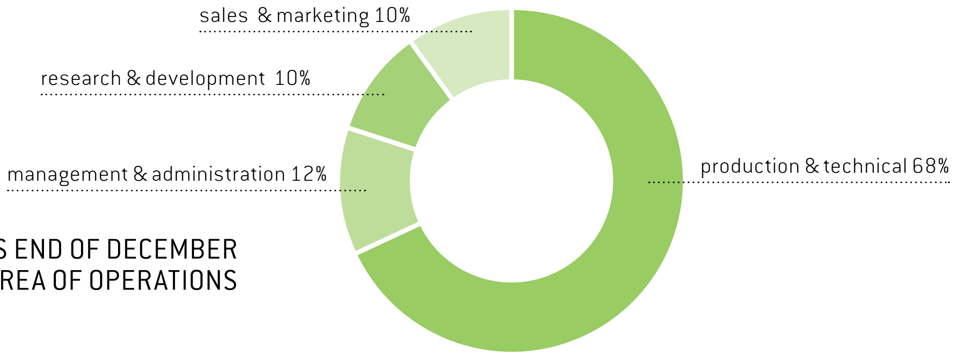
Staff as a key success factor

exceet is an attractive employer, offering interesting job prospects in an international environment. The loyalty of our employees and their outstanding motivation and expertise represent important success factors, and a great competitive advantage.

The human resource strategy supports the core objectives of the corporate strategy. exceet's HR strategy focuses on internationalization, competitiveness and diversity. Specifically, this strategy entails the forward-looking establishment of expertise through global talent recruitment and the attractive and flexible structuring of working conditions.

In due consideration of individual qualification and the integration capacity of an applicant, exceet aims to enhance the quota of female staff on all hierarchy levels.

A further focus of personnel management is to support employees' personal and professional development. Due to the intensely competitive environment,



EMPLOYEES END OF DECEMBER 2012 DIVIDED INTO AREA OF OPERATIONS

special significance is also allocated to recruiting additional specialist and managerial staff to implement international projects, and to further standardize processes and systems in international functions.

The staff headcount as of December 31, 2012 was 970 (2011: 900), divided into production & technical: 657 (2011: 625), management & administration: 118 (2011: 115), sales & marketing: 100 (2011: 96), and research and development: 95 (2011: 64).

Corporate responsibility
exceet supports projects in the environmental, social and scientific areas, thereby reflecting the Group's corporate responsibility. exceet contributes actively to conservation through its careful handling of natural resources, avoidance and recycling of production waste, and development of energy-saving products. Product innovations that enable intelligent and efficient use of energy are an example of the Group's commitment in this field. The Group also benefits from close partnerships and collaborations with public and private research institutions and research and technology businesses, such as the Fraunhofer Institute of Reliability and Microintegration (IZM), the German Federal Ministry of Education and Research (BMBF) or the Leibniz Institute for High-Frequency Technology (Ferdinand-Braun-Institut, Leibniz-Institut für Höchstfrequenztechnik).

Development and technology investments
Technology leadership is one of the Group's core objectives. Development capacities were further expanded in 2012, and investments were realized in a large number of projects and products. For exceet, this means an unchanged high level of investments in development and technology in order to sustainably meet targets in technology and quality leadership. exceet`s research and development expenditures for the year 2012 amounted to EUR 8.5 million (2011: EUR 6.8 million), representing 4.5% of the Group's net sales.

OPPORTUNITIES AND RISK REPORT

exceet is exposed to numerous risks and opportunities as part of its business activity; these are invariably linked to the Company's commercial activities. exceet adopts a comprehensive risk management strategy through the Group for early detection and control of risks and to benefit from opportunities resulting from operating activities or improved market conditions. A balanced risk profile is observed in every decisionmaking instance. The risk policy is oriented on the objective of securing and enhancing exceet's position in its markets in order to achieve a long-term increase in the Company's value. The Board of Directors and the Management Board have established an internal control system for the diverse organizational, technical and commercial processes within the Group. A central component of exceet's risk policy is to take risks only if there is a high probability that the associated business activities will provide added value for the Company. The underlying requirement is that the risks must always remain transparent and manageable.

OPPORTUNITY MANAGEMENT

The Management Board of the Group regularly debates the Group's strategic opportunities. The task of the Group's companies is to identify opportunities at the operational level and attain a better-than-expected earnings performance where possible.

RISK MANAGEMENT

exceet handles company risks by way of a Group-wide risk management system, which is an integral component of the business processes and a significant element of Company decision-making. This permits timely identification of potential risks arising in connection with business activities, as well as risk monitoring and limitation using suitable control measures. At the same time, the risk management system serves as a tool to help seize opportunities in the best possible manner in terms of company strategy. The risks relevant for exceet Group can be divided into external, i.e. market and sector-specific risks, as well as internal risks. The latter include strategic, financial, operational and company-related risks.

SECTOR- AND MARKET-RELATED RISKS

Sustained weak economic development or a downturn of the economy, particularly in Europe, can have a negative impact on demand for exceet products. This would result in decreasing sales and margin pressure. exceet counters these risks by way of a growth-oriented company strategy. The objective is to continue to grow profitably both organically and through strategic acquisitions in the markets targeted by exceet. In addition, the technology leadership position in all segments will continue to be enhanced by permanent and comprehensive development activities as well as innovative product offers.

STRATEGIC RISKS

exceet pursues part of its growth strategy via strategic acquisitions in sectors and markets relevant to exceet. If the Company is not able to identify suitable companies in the future or not able to successfully integrate the acquired companies into the Group, this could have a negative impact on the Group's competitive position, growth opportunities and profitability. However, these risks are considered to be minimal, given the long-term experience of Management and the conservative acquisition policy.

INTEREST RATE, LIQUIDITY RISKS

exceet is exposed to interest rate, liquidity and currency risks as part of its business activity. Derivative financial instruments are used in order to limit interest rates. This relates to specific hedging of the risks arising from operational business. Financial instruments entered into and yet to be entered into are continually monitored with the aid of the implemented risk management system.

The Group's companies generate revenue mostly in Euro, Swiss francs and to a smaller extent in US Dollars. Generally, foreign currencies are kept only if future payments are expected to be made in the respective currency. Foreign currency exposure is mitigated by balancing currency needs among the Group companies. With the addition of new companies into the Group, the possibility of inter-exchanging foreign currencies has improved and natural hedging procedures extensively cover the attendant risks. The Group is not involved in hedging transactions. However, the Group is exposed to foreign exchange risks, especially with regard to Swiss francs and US Dollars.

Liquidity risks arise where payment obligations cannot be fulfilled, can be only partially fulfilled, or are fulfilled late due to a lack of liquidity. Solvency is ensured by way of revolving liquidity planning. The Company also has adequate lines of credit to achieve short-term flexibility.

CREDIT RISKS

Credit risks exist regarding financial institutions and customers. The credit risk with respect to financial institutions, which has gained significance in light of the global banking crisis, predominantly arises from the investment of liquid funds. In order to minimize a possible risk of default, financial instruments are only entered into with counterparties with prime credit ratings. The credit risk with respect to customers consists of granting terms of credit and the associated risk of default. Credit risk is managed on a Groupwide basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions. Credit exposures to customers, including outstanding receivables and committed transactions, are managed by the individual Group companies.

QUALITY RISKS

Ensuring maximum and consistent quality of all exceet products requires close collaboration with all contract partners. Procurement, production and logistics risks are all involved in achieving this aim. One risk factor is a potential loss of product quality. exceet counters these risks with numerous regular audits and quality tests by independent testers and customer quality assurance measures.

LEGAL RISKS

Legal risks in connection with product liability, warranties or employment law are comprehensively analyzed by the Legal Department and, where required, external specialist consultants. exceet is thus in a position to adequately counter potential risks in a timely manner. Despite these measures, the outcome of current or future actions cannot be predicted with certainty.

PERSONNEL RISKS

exceet places great value on the proper and respectful treatment of all employees. However, the Company also depends heavily on the Management Board and other managers. Loss of managers could have a negative impact on the development of the Company. exceet counters this risk by creating a good working environment as well as attractive remuneration agreements, taking the Company's long-term objectives into consideration.

IT RISKS

The availability and efficiency of IT infrastructure and applications is crucial for the economic performance of the Group. IT risks consist of the possible failure of operational and administrative IT systems which could impair business transactions. A longer term failure of IT systems could entail existential risks for the Company. exceet therefore specifically invests in the expansion and continual development of modern IT systems in order to ensure functionality at all times and increase the effectiveness of processes. Although all IT systems have multiple safeguards, it cannot be ruled out that data may be lost, for example as a result of fire, power failures, system errors, hacker attacks, fraud, or terrorism.

EVALUATION OF THE OVERALL RISK SITUATION

Risks that could threaten the continued existence of the Group are currently not present. Overall, there have been no significant changes regarding the Group as compared to the end of the 2011 financial year.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE COMPANY DEVELOPMENT

exceet combines skills in the development and manufacturing of complex electronic systems with security expertise and offers a uniquely comprehensive value proposition for the Health, Industry and Security market sectors. exceet will continue to focus on applications suited to its low-volume, high-mix strategy, and the Company is convinced that all the actions taken and the initiatives implemented will have positive effects on the sales and earnings situation in 2013.

OUTLOOK FOR 2013

The economic outlook remains challenging, particularly in Europe where financial market difficulties continue to subdue consumer sentiment. However, the Group is well-positioned in its core market sectors of Health, Industry, and Security to conquer the difficult macro-economic environment.

To further strengthen its position in these markets and to continuously optimize its cost base, exceet has launched several strategic key initiatives, mentioned in this report.

In view of the positive trend observed in Q4 2012 and the satisfactory start to the year 2013, the Management expects positive earnings development driven by moderate organic revenue growth and improved profitability (on a recurring basis).

SUPPLEMENTARY REPORT

Up to February 2013, no noteworthy operational and structural changes or business transactions have occurred that would significantly change the net assets, financial position and results of operations of exceet Group as compared to December 31, 2012.

CORPORATE GOVERNANCE

exceet Group SE recognizes the importance of, and is committed to, high standards of corporate governance. The corporate governance rules of exceet Group SE are based on Luxembourg Law, its Articles of Association (the "Articles"), and its internal regulations. The internal regulations comprise (i) the Bylaws of the Board of Directors of exceet Group SE, approved on September 13, 2011, (ii) the Charter of the Audit Committee, approved on September 13, 2011, and (iii) the Charter of the Compensation and Appointment Committee, approved on September 13, 2011.

Electronic copies of the Articles, the bylaws and the charters of the audit committee and of the compensation and appointment committee can be downloaded from the website of exceet Group SE at *http://ir.exceet.ch/investor-relations/corporate-governance*

The main characteristics of the Company's internal control and risk management systems, as far as the establishment of financial information is concerned, can be found in the Financial Statements under Note 6: Financial Risk Management.

Information on the composition and functioning of the administrative, management and supervisory bodies of the Company and its committees can be found under Note 36: Ultimate controlling bodies and related-party transactions.

THE TAKEOVER LAW

The following disclosures are made in compliance with Article 11 of the Luxembourg Act of May 19, 2006 (the "Takeover Law")

SHARES

The Company's issued share capital is set at EUR 527,960.16, represented by 34,734,221 shares (the "Shares") as set out in the table below:

Class of Shares	*Number of Shares*	*of total*
Class A	20,523,695	59.08 %
Class B2	2,105,263	6.06 %
Class B3	2,105,263	6.06 %
Class B4	1,000,000	2.88 %
Class C1	3,000,000	8.64 %
Class C2	3,000,000	8.64 %
Class C3	3,000,000	8.64 %

The Company thus currently has 34,734,221 Shares with voting rights attached in issue. Of the total 20,523,695 Class A shares, 20,073,695 are listed on the regulated market of the Frankfurt Stock Exchange and 450,000 unlisted held by the Company as Treasury Shares. None of the other Shares are listed on any stock exchange.

The Class B2, B3, B4, C1, C2 and C3 Shares are automatically converted into Class A Shares in accordance with the conditions set out in Articles 14 and 15 of the Articles. A copy of the Articles can be accessed at
www.exceet.ch/investor-relations/corporate-governance/articles-of-association.

RIGHTS ATTACHED TO THE SHARES

Each Share entitles the holder thereof to one vote. All Shares carry equal rights as provided for by Luxembourg Law and as set forth in the Articles, including rights to receive dividends (if declared) or liquidation proceeds. However, each Class A Share is entitled to the same fraction of (and the Class B Shares and the Class C Shares are entitled to none of) any dividend distribution in excess of EUR 0.01.

In accordance with the Luxembourg Law of January 11, 2008, as amended (the **"Transparency Law"**), holders of voting rights in the Company are required to notify the Company and the Luxembourg Commission de Surveillance du Secteur Financier (CSSF) without undue delay, and no later than within four trading days, of the level of their holdings if they reach or pass certain downward or upward thresholds. The thresholds, as set out in Article 8 of the Transparency Law, are 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 662/3% of the Shares. The notification obligation also applies in defined cases in which a person is entitled to acquire, dispose of or exercise voting rights, as set out in Article 9 of the Transparency Law.

Furthermore, any shareholder together with any affiliate (as defined at Article 14.1 of the Articles) and any shareholder with whom such a shareholder is acting as a group and whose aggregate shareholding exceeds two percent of the issued Class A Shares at any time or any multiple thereof must provide the Company with written notice of such event within four business days of such event, as set out in Article 7.6 of the Articles.

For purposes of the Articles, "acting as a group" means shareholders who cooperate on the basis of an agreement either express or tacit, either written or oral, for the purpose of acquiring, holding, voting or disposing of Class A Shares of the Company. The Board of Directors determines if shareholders are acting as a group and, absent manifest error, the determination will be binding.

RESTRICTIONS ON VOTING RIGHTS

Each share issued and outstanding in exceet Group SE represents one vote.

The Articles do not provide for any voting restrictions. Shareholder votes are exercisable by the persons who are shareholders on the record date as further set out in Article 10 of the Articles, and proxies must be received by the Company a certain time before the date of the relevant shareholder meeting, as set out in Article 11 of the Articles. In accordance with the Articles, the Company's Board of Directors may determine such other conditions as must be fulfilled by shareholders who take part in any meeting of shareholders in person or by proxy.

The Company recognizes only one holder per Share. In case a Share is owned by several persons, they must designate a single person to be considered as the sole owner of such Share in relation to the Company. The Company is entitled to suspend the exercise of all rights attached to a Share held by several owners until one owner has been designated.

In accordance with Article 28 of the Transparency Law and in accordance with Article 7.6 of the Articles, the exercise of voting rights related to the Shares exceeding

Shareholders	Amount of Shares notified	Percentage of total Shares notified [4]
Vorndran Mannheims Capital GmbH [1]	14,807,168	42.63%
Wendel SA [2]	10,345,275	29.78%
Oranje-Nassau Participaties BV, Eiflia Holdings GmbH, Greenock S.à r.l., and Messrs Robert Wolny, Ulrich Reutner and Jan Trommershausen [3]	28,097,080	80.89%

[1] Vorndran Mannheims Capital GmbH, formerly Ventizz Holding GmbH & Co. KG, has notified that it holds the Shares indirectly via Greenock S.à r.l.
[2] Wendel SA has notified that it holds the Shares indirectly via Oranje-Nassau Participaites BV.
[3] The holdings of Oranje-Nassau Participaties BV, Eiflia Holdings GmbH, Greenock S.à r.l., and Messrs Robert Wolny, Ulrich Reutner and Jan Trommershausen are aggregated by virtue of Article 9(a) of the Transparency Law.
[4] The Company has reduced the number of its outstanding Shares from 39,385,526 to 34,734,221 as of November 21, 2011. Consequently the percentages indicated in this column diverge from the percentages notified to the Company.

the fraction that should have been notified under the respective provisions is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the relevant notification.

SPECIAL CONTROL RIGHTS

There are no special control rights attaching to any of the Shares, other than in respect to the declaration of dividend and interim dividend payments as set out in Articles 27 and 28 of the Articles, respectively.

SHARE TRANSFER RESTRICTIONS

As at the date of this report all Shares are freely transferable. The Class B and Class C Shares are subject to the restrictions on shareholdings set out in Article 7.3 of the Articles.

CONTRACTUAL TRANSFER RESTRICTIONS

Other than the restrictions set out in the Articles, exceet Group SE is not aware of any factors, including agreements between shareholders, which may result in restrictions on the transfer of securities or voting rights.

SIGNIFICANT SHAREHOLDINGS

The details of shareholders holding 5% of the Shares or more as notified to exceet Group SE are published under “Notifications of Voting Rights” on the “Investor Relations” page at *www.exceet.lu*. Furthermore, the Company currently holds 450,000 own Class A Shares (i.e. 1.30% of the total outstanding Shares) in Treasury. The current major shareholders known to exceet Group SE are set out in the table above.

SYSTEM OF CONTROL OF THE EMPLOYEE SHARE SCHEME

exceet Group SE does not currently operate any employee share scheme.

APPOINTMENT OF BOARD MEMBERS, AMENDMENTS TO THE ARTICLES

The appointment and replacement of Board members are governed by Luxembourg Law and Articles 20 and 21 of the Articles. The Articles are amended in accordance with Luxembourg Law and Article 12 of the Articles.

POWERS OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the broadest powers to take any actions necessary or useful to fulfil the Company's corporate object, with the exception of the actions reserved by law or by regulation or the Articles to the general meeting of shareholders.
The Board of Directors is authorized to issue Class A Shares, Class B Shares and/or Class C Shares regardless of whether such Shares are paid for in cash or in kind, to grant options to subscribe for Shares and to issue any other instruments convertible into Shares within the limit of the authorized share capital of the Company, to such persons and on such terms as the Board sees fit, and specifically to proceed to such issue without reserving a preferential subscription right for the existing shareholders during a period of time of five years from the date of publication of the resolution of the general meeting of shareholders taken on July 21, 2011 at the Mémorial in Luxembourg.

THE EFFECT OF A TAKEOVER BID ON SIGNIFICANT AGREEMENTS

exceet Group SE is not party to any significant agreement which takes effect, alters or terminates upon a change of control of the Company following a takeover bid.

AGREEMENTS WITH DIRECTORS AND EMPLOYEES

No agreements exist between exceet Group SE and its Board members or employees that provide for compensation if the Board members or employees resign or are made redundant without valid reason, or if their employment ceases due to a takeover bid for the Company.

RESPONSIBILITY STATEMENT

In accordance with Article 3(2) c) of the Transparency Law the undersigned confirm that, to the best of their knowledge, the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the undertakings included in the consolidation taken as a whole. The undersigned further declare that, to the best of their knowledge, the Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties they face.

Luxembourg, February 28, 2013

Ulrich Reutner

On behalf of the Board of Directors
and Management Board

exceet Group SE

FORWARD-LOOKING STATEMENTS

This annual report contains statements that refer to the future. Forward-looking statements are generally characterized by terms such as “could”, “will”, “should”, “potential”, “intend”, “expect”, “seek”, “attempt”, “predict”, “estimate”, “overestimate”, “underestimate”, “believe”, “may”, “forecast”, “continue”, “plan”, “project” or similar terms and formulations. Forward-looking statements are based on certain assumptions, outline future expectations, describe future plans and strategies, contain predictions on the earnings and financial position or express other forward-looking information. The possibilities of predicting results or the actual effects of forward-looking plans and strategies are limited. Even though exceet Group SE assumes that the expectations expressed by these forward-looking statements are based on appropriate assumptions, the actual results and developments may deviate significantly from the information presented in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties and depend on other factors, based on which the actual results in future periods may deviate significantly from the forecast results or communicated expectations. exceet Group SE does not intend, nor shall it undertake, to update the forward-looking statements on a regular basis, as these are based solely on the conditions present at the date of publication.

FINANCIAL CALENDAR FOR THE REMAINDER OF 2013

Date	
13/05/2013	Interim First Quarter Report 2013 (QI)
31/05/2013	Annual General Meeting of exceet Group SE in Luxembourg
16/08/2013	Interim First Half Year Report 2013 (QII)
07/11/2013	Interim 9 Months Report 2013 (QIII)
11/11-13/11/2013	German Equity Forum 2013, Frankfurt/M.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

TEUR	Note	December 31, 2012	December 31, 2011
ASSETS			
Non-current assets			
Tangible assets	9	31,415	27,101
Intangible assets	10	62,334	51,746
Deffered tax assets	11	495	131
Other financial investments		27	26
Other non-current receivables	14	178	265
Total non-current assets		**94,449**	**79,269**
Current assets			
Inventories	12	35,833	31,122
Trade receivables, net	13	20,066	17,916
Other current receivables	14	2,429	1,753
Current income tax receivable		1,297	220
Accrued income and prepaid expenses	15	632	755
Financial assets at fair value through profit or loss		6	15
Cash and cash equivalents	16	24,426	40,132
Total current assets		**84,689**	**91,913**
Total assets		**179,138**	**171,182**
EQUITY			
Share capital	17	528	528
Reserves	17	88,431	85,073
Equity attributable to owners of the parent company		**88,959**	**85,601**
Total equity		**88,959**	**85,601**
LIABILITIES			
Non-current liabilities			
Borrowings	18	32,802	25,718
Retirement benefit obligations	19	7,331	6,651
Deferred tax liabilities	11	8,386	6,805
Provisions for other liabilities and charges	24	755	556
Other non-current liabilities	23	304	1,535
Total non-current liabilities		**49,578**	**41,265**
Current liabilities			
Trade payables		10,703	10,838
Other current liabilities	23	5,207	5,235
Accrued expenses and deferred income	21	7,625	7,136
Current income tax liabilities		879	6,157
Borrowings	18	11,186	9,786
Other financial liabilities	22	3,890	3,073
Provisions for other liabilities and charges	24	1,111	2,091
Total current liabilities		**40,601**	**44,316**
Total liabilities		**90,179**	**85,581**
Total equity and liabilities		**179,138**	**171,182**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended December 31

TEUR	Note	2012	2011
Revenue		188,752	170,476
Cost of sales	25 ff	–159,811	–131,428
Gross profit		**28,941**	**39,048**
Gross profit margin		*15.3%*	*22.9%*
Distribution costs	25 ff	–12,912	–10,360
Administrative expenses	25 ff	–12,681	–15,909
Other operating income	27	4,198	3,557
Operating result (EBIT[1])		**7,546**	**16,336**
EBIT margin		*4.0%*	*9.6%*
Financial income		1,297	4,298
Financial expense		–2,755	–5,048
Changes in fair value in financial instruments		–816	3,971
Financial result, net	29	**–2,274**	**3,221**
Profit before income tax		**5,272**	**19,557**
Income tax expense	11	–1,829	–4,851
Profit for the period		**3,443**	**14,706**
Profit margin		*1.8%*	*8.6%*
PROFIT ATTRIBUTABLE TO:			
Owners of the parent company		3,443	14,858
Non-controlling interests		0	–152
EARNINGS PER SHARE (BASIC/DILUTIVE) EUR	30		
Class A shares		**0.16**	**1.45**
Class B/C shares		**0.01**	**0.01**

[1] Earnings Before Interest and Taxes

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31

TEUR	Note	2012	2011
Profit for the period		**3,443**	**14,706**
Other comprehensive income:			
Actuarial gains/(losses) and adjustments under IAS 19.58b	19	–732	–2,740
Deferred tax effect on actuarial (gains)/losses	11	139	422
Currency translation differences		452	366
Other comprehensive income for the period		**–141**	**–1,952**
Total comprehensive income for the period		**3,302**	**12,754**
Attributable to:			
Owners of the parent company		**3,302**	**12,906**
Non-controlling interests		**0**	**–152**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31

TEUR	Note	2012	2011
Profit before income tax		5,272	19,557
Adjustments for non-cash transactions			
Amortization on intangible assets	10	3,311	2,990
Depreciation on tangible assets	9	5,936	5,129
Gains on disposal of assets	27/28	–93	–193
Financial (income)/expense, net	29	1,887	–2,739
Other non-cash (income)/expenses		–110	–1,190
Gain from reverse asset acquisition		0	47
Adjustments to retirement benefit obligation/prepaid cost	19	–101	–337
Operating results before changes in net working capital		**16,102**	**23,264**
Changes to net working capital			
Changes to inventories		948	–668
Changes to receivables		–626	1,498
Changes to accrued income and prepaid expenses		236	13
Changes to liabilities		–3,975	–1,813
Changes to provisions for other liabilities and charges		–877	0
Changes to accrued expenses and deferred income		–212	–1,249
Tax received		200	172
Tax paid		–9,447	–1,397
Interest received		117	55
Interest paid		–937	–985
Cashflows from operating activities		**1,529**	**18,890**
Reverse asset acquisition, net of cash acquired	17	0	131,062
Acquisition of subsidiaries, net of cash acquired	33	–10,855	–6,344
Acquisition of tangible assets		–5,886	–4,238
Sale of tangible assets		233	232
Acquisition of intangible assets		–1,241	–155
Sale of intangible assets		0	21
Cashflows from investing activities		**–17,749**	**120,578**
Acquisition of non-controlling interests	33	0	–52
Distribution of profits to shareholder	17	0	–110,500
Proceeds of borrowings		7,451	0
Repayments of borrowings		–3,027	–4,567
Repayments of other non-current liabilities		–1,303	–24
Proceeds in finance lease		2,596	521
Repayments in finance lease		–5,454	–3,027
Cashflows from financing activities		**263**	**–117,649**
Net changes in cash and cash equivalents		**–15,957**	**21,819**
Cash and cash equivalents at the beginning of the period		**40,132**	**18,911**
Effect of exchange rate gains/(losses)		251	–598
Cash and cash equivalents at the end of the period		**24,426**	**40,132**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Note	Issued and paid-in share capital	Capital reserves	Treasury shares
BALANCES AT JANUARY 1, 2012	17	528	65,485	-4,525
Profit for the period				
Other comprehensive income:				
Actuarial gains/(losses) and adjustments under IAS 19.58b	19			
Deferred tax effect on actuarial gains/losses	11			
Currency translation differences				
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		**0**	**0**	**0**
Share-based payments	20			
Total other equity effects		0	0	0
BALANCES AT DECEMBER 31, 2012		**528**	**65,485**	**–4,525**
BALANCES AT JANUARY 1, 2011	17	14,063	18,721	0
Profit for the period				
Other comprehensive income:				
Actuarial gains/(losses) and adjustments under IAS 19.58b	19			
Deferred tax effect on actuarial gains/losses	11			
Currency translation differences				
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		**0**	**0**	**0**
Acquisition of non-controlling interests				
Winter AG				
exceet Card Group AG		2,807	9,705	
Total acquisition of non-controlling interests	33	2,807	9,705	0
Equity effect from reverse asset acquisition:				
As-if capital increase			178,750	
Distribution of profits to shareholder			–110,500	
Purchase of treasury shares				–51,300
Equity contribution exceet SE as per July 1, 2011				
Group recapitalisation (note 15)				
Existing shares exceet Group SE		400	–400	
Capital increase from issuance of Class B shares in exchange for Class B warrants (exceet Group SE)		15	–15	
Capital increase from issuance of Class A shares (exceet Group SE)		47	–47	
Capital increase from issuance of Class C shares (exceet Group SE)		137	–137	
Reclassification balance of exceet Group AG at January 1, 2011		–14,063	14,063	
Reclassification capital increase acquisition of non controlling interests exceet Card Group in exceet Group AG		–2,807	2,807	
Capital restructuring		–71	–46,704	46,775
Total equity effect from reverse asset acquisition	17	**–16,342**	**37,817**	**–4,525**
Transfers within Group (Helikos GmbH/Helikos GmbH & Co KG)			–758	
Elimination of loss on transfer of Helikos GmbH				
Pension adjustment, prior year				
Total other equity effects		0	–758	0
BALANCES AT DECEMBER 31, 2011		**528**	**65,485**	**–4,525**

The accompanying notes are an integral part of the consolidated financial statements.

Share-based payments IFRS 2	Retained earnings	Foreign currency transl. diff.	Total owners of the parent company	Non-controlling interests	Total
0	15,263	8,850	85,601	0	85,601
	3,443		3,443	0	3,443
	–732		–732		–732
	139		139		139
		452	452		452
0	–593	452	–141	0	–141
0	**2,850**	**452**	**3,302**	**0**	**3,302**
56			56		56
56	0	0	56	0	56
56	**18,113**	**9,302**	**88,959**	**0**	**88,959**
0	12,092	8,484	53,360	2,614	55,974
	14,858		14,858	–152	14,706
	–2,740		–2,740		–2,740
	422		422		422
		366	366		366
0	–2,318	366	–1,952	0	–1,952
0	**12,540**	**366**	**12,906**	**–152**	**12,754**
	14		14	–66	–52
	–10,116		2,396	–2,396	0
0	–10,102	0	2,410	–2,462	–52
			178,750		178,750
			–110,500		–110,500
			–51,300		–51,300
			0		0
			0		0
			0		0
			0		0
			0		0
			0		0
			0		0
			0		0
			0		0
0	**0**	**0**	**16,950**	**0**	**16,950**
	758		0		0
	–46		–46		–46
	21		21		21
0	733	0	–25	0	–25
0	**15,263**	**8,850**	**85,601**	**0**	**85,601**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION CONCERNING THE COMPANY

exceet Group SE (the "Company" or the "Group") - collectively with its subsidiaries - is the successor company of a reversed asset acquisition of exceet Group SE (formerly named Helikos SE) and exceet Group AG with effect from July 26, 2011. The reversed asset acquisition was the result of a planned arrangement whereby exceet Group AG was acquired by exceet Group SE with former exceet Group AG shareholders receiving de facto control of exceet Group SE and with the Management and Board of Directors of exceet Group AG becoming the Management and Board of Directors of exceet Group SE.

exceet Group SE is an integrated international group specialized in embedded intelligent electronics, card-based security technology and embedded security solutions. The product range extends from complex embedded electronic systems to smart cards and security solutions, all of which are tailor-made to meet specific requirements of the customers and of specific sectors.

The exceet Group SE differentiates three operating segments: Electronic Components Modules & Systems (ECMS), ID Management & Systems (IDMS) and Embedded Security Solutions (ESS).

In the ECMS segment, the Group develops and produces complex, integrated electronic products, with a focus on miniaturization, cost optimization and a high degree of customization to suit the needs of the customers. This segment offers a wide portfolio of innovative, integrated electronic solutions. The products and services of the ECMS segment are aimed primarily at customers in the sectors of medical and healthcare, industrial automation, security and avionics.

The IDMS segment is engaged in design, development and production of contact and contactless smart cards, multifunction cards, card reading devices and related services. Offering tailored, innovative solutions while meeting the highest quality and security standards, the Company considers itself as one of the leading providers of comprehensive solutions for high-tech smart cards and the corresponding card reading devices in Europe. IDMS security solutions are used primarily in the sectors of financial services, security, public sector, transportation, healthcare as well as retail.

The ESS segment combines the experience gathered in the ECMS and IDMS segments relative to the development of innovative solutions for embedded security systems in selected markets. The ESS segment focuses on security solutions for customers in the sectors of medical and healthcare, industrial automation, financial services, security, avionics and the public sector.

exceet Group SE operates in European countries, the US and Asia-Pacific and consists of a total of 19 direct and indirect subsidiaries with 13 operating facilities located in five European countries (the Republic of Austria ("Austria"), the Czech Republic, Germany, the Kingdom of the Netherlands (the "Netherlands") and Switzerland). This allows the Company to benefit from specific local advantages (e.g. customer proximity) and to apply a flexible production process necessary to fulfill the specific requirements of customers.

The Group's legal parent company is exceet Group SE, a company incorporated as a Société Européenne under the law of Luxembourg. exceet Group SE was incorporated on October 9, 2009 as Helikos SE and renamed to exceet Group SE on July 27, 2011. exceet Group SE has its registered office at 115 avenue Gaston Diderich, L-1420 Luxembourg. exceet Group SE carried out its initial public offering on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) under the symbol "EXC" on February 4, 2010.

The Group includes all relevant companies in which exceet Group SE, directly or indirectly, has a majority of the voting rights and is able to determine the financial and business policies based on the so-called control concept. All companies consolidated into the Group are disclosed in note 35.

The consolidated financial statements as of and for the year ended December 31, 2012 were approved by exceet Group SE's Board of Directors on February 28, 2013.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

(A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following standards, amendments and interpretations, issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee and as adopted by the European Union (EU), are effective for the first time in the current financial year and have been adopted by the Group:

- IFRS 7 (Amendments) – "Disclosure – Transfer of financial assets"
- IAS 24 – Related party disclosures
- IAS 32 – Financial instruments: Presentation
- IFRIC 14 – IAS 19 - the limit on a defined benefit asset, minimum funding requirements and their interactions
- IFRIC 19 – Extinguishing financial liabilities with equity instruments

The above standards, amendments, and interpretations adopted by the Group have no significant impact on its consolidated results of financial position.

(B) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after January 1, 2014.

- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2014.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

- IAS 27 (revised 2011), ‘Separate financial statements’ includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group is yet to assess the full impact of the amendments and intends to adopt IAS 27 in conjunction with the adoption of IFRS 10.

- Amendment to IAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess the full impact of the amendments. The amendment is effective for annual period beginning on or after July 1, 2012, retrospective application, early adoption permitted.

- Amendments to IAS 19, ‘Employee benefits’, was amended in June 2011. The impact on the Group for the financial year 2012 would be as follows:

  (i) To replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Charges to the income statements would have increased by TEUR 404, with TEUR 332 to current service cost and TEUR 72 to interest on obligation;
  (ii) To include risk sharing of employee contributions in the determination of the defined benefit liability. Opening defined benefit obligation would have been reduced by TEUR 1,491; and
  (iii) To include expected changes in mortality using estimates of mortality improvements for actuarial calculations. Amount recognized in other comprehensive income would have decreased by TEUR 489.

Furthermore, the impact on changes to required general mortality tables would have increased the defined benefit obligation by TEUR 2,303 with respective charges against other comprehensive income. The amendment is effective for annual periods beginning on or after January 1, 2013 with retrospective application.

- Amendments to IAS 32, ‘Financial instruments: Presentation – offsetting financial assets and financial liabilities’, was amended to clarify the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for annual periods beginning on or after January 1, 2014, retrospective application, early application permitted.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group are based on the financial statements of the individual Group companies at December 31 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets at market value, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including International Accounting Standards (ISA) and Interpretations issued by the International Accounting Standards Board (IASB).

The consolidated financial statements include the financial statements of exceet Group SE as well as the subsidiaries over which exceet Group SE exercises control. A list of the significant companies which are consolidated is given in note 35.

The preparation of financial statements requires Management to make estimates and assumptions that affect the amounts reported for assets and liabilities and contingent assets and liabilities at the date of the consolidated financial statements as well as revenue and expenses reported for the financial year. Actual results could differ from these estimates.

3.1 PRINCIPLES OF CONSOLIDATION

3.1.1 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are fully consolidated. These are entities over which exceet Group SE directly or indirectly exercises control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than 50% of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

For the consolidated entities, 100% of assets, liabilities, income and expenses are included. Group companies acquired during the year are included in the consolidation from the date on which control over the acquired company is transferred to the Group, and are excluded from the consolidation as of the date the Group ceases to have control over the company. Intercompany balances and transactions (including unrealized profit on intercompany inventories) are eliminated in full.

3.1.2 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition. See note 3.4.13 for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

3.2 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services. The operating business segments are based on Management's internal reporting. The Group has three main business segments, representing different subsidiaries. The Management Board's decisions are based on the Management reporting.

3.3 CURRENCY TRANSLATION

3.3.1 REPORTING CURRENCY AND FUNCTIONAL CURRENCY

Items contained in the subsidiaries' financial statements are recognized in the currency of the primary economic environment in which the respective subsidiary operates ('Functional Currency'). Each entity within the Group determines its own functional currency. In principle, the functional currencies of the subsidiaries included in the consolidated financial statements are their respective local currencies.

The consolidated financial statements of the Group are prepared in euros (EUR), the presentation currency of the Group.

3.3.2 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction between the functional currency and the foreign currency. All resulting foreign exchange differences are recognized in the subsidiaries' income statement for a given period.

In the financial statements of the Group companies, monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the balance sheet date. Exchange rate differences are recorded in the income statement. Non-monetary assets and liabilities are translated at the historical rate.

3.3.3 GROUP COMPANIES

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for balance sheet are translated at the closing rate at the balance sheet date
- Income and expenses for income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the

cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)
- All resulting exchange differences are recognized in other comprehensive income

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.4 ACCOUNTING AND VALUATION PRINCIPLES

3.4.1 CASH AND CASH EQUIVALENTS

This item includes cash in hand and cash at banks, time deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. The cash flow statement summarizes the movements on cash and cash equivalents.

The investments in government bonds were designated as financial assets at fair value through profit or loss (fair value option) upon initial recognition. Determination of fair value is based on quoted market prices.

3.4.2 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables initially are recorded at original invoice amount, which is considered to be at fair value, less provision made for impairment of these receivables. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the invoice. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows.

3.4.3 INVENTORIES

Purchased raw materials, components and finished goods are valued at the lower of cost or net realizable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

To evaluate cost, the standard cost method is applied, which approximates historical cost determined on an average basis. Standard costs take into account normal levels of materials, supplies, labor, efficiency and capacity utilization. Standard costs are regularly reviewed and, if necessary, revised in the light of current conditions. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Manufactured finished goods and work in progress are valued at the lower of production cost or net realizable value. Provisions are established for slow-moving, obsolete and phase-out inventory.

3.4.4 TANGIBLE ASSETS

Tangible assets are valued at purchase cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the expected useful lives of the individual assets or asset categories. Where an asset comprises several parts with different useful lives, each part of the asset is depreciated separately over its applicable useful life.

Land is not depreciated. The applicable useful lives are:

› Buildings	30 – 50 years
› Machinery & production facilities	5 – 10 years
› Equipment	5 – 8 years
› Vehicles	4 years
› IT hardware	3 years

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy for assets that are owned. If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset.

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Subsequent expenditure on an item of tangible assets is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures for repair and maintenance which do not increase the estimated useful lives of the related assets are recognized as expenses in the period in which they are incurred.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating income/loss in the income statement.

3.4.5 LEASING

Assets that are held under leases which effectively transfer to the Group the risks and rewards of ownership (finance leases) are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Minimum lease payments are the payments over the lease term that the Group is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by the Group and reimbursed from the lessor, together with any amounts guaranteed by the Group or by a party related to the Group. Assets under financial leasing are depreciated over their estimated useful life. The corresponding financial obligations are classified as 'current borrowings' or 'non-current borrowings', depending on whether they are payable within or after 12 months.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

3.4.6 INTANGIBLE ASSETS

Purchased intangible assets are measured initially at cost; intangible assets acquired in a business combination are measured at fair value. Intangible assets are recognized when they are identifiable and controlled by the Group, when it is probable that future economic benefits to the Group can be expected from the asset and when cost can be measured reliably. With respect to intangible assets, it must first of all be determined whether they have finite or indefinite useful lives. Intangible assets with a finite useful life are amortized over their useful life and shall be tested for possible impairment whenever an indication exists that such intangible asset may be impaired. The amortization period and the amortization method are reviewed at the end of each financial year. Amortization of intangible assets with finite useful lives is recognized in the income statement under the expense category that corresponds to the intangible asset's function.

Purchased client base is amortized over a useful life of 15 years and purchased technology over a period of 5 years. Software is amortized over a useful life of 3 – 5 years, unless the software is part of a machine. In this case the useful life could depend on the machine or the technical equipment. Brands are amortized over 5 – 15 years. For amortization, the Group applies the straight-line method. Except for goodwill, the Group has no intangible asset with an indefinite useful life.

3.4.7 BUSINESS COMBINATIONS AND GOODWILL

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred the amount on non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested at least annually for impairment and carried at cost, less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3.4.8 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.4.9 OTHER FINANCIAL LIABILITIES

Public Warrants are treated as derivatives under IAS 32 as they will be settled net in shares (not in cash). Therefore, they are classified as financial liabilities at fair value through profit or loss. The fair value is determined by the rating of the warrants on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) at the reporting date.

Other financial liabilities such as trade and other payables as well as accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.4.10 PROVISIONS

A provision is only recorded if the Company has a present (legal or constructive) obligation arising from a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If a provision could not be recorded because not all of the aforementioned criteria were fulfilled, the relevant obligation is then disclosed as a contingent liability.

Provisions are reviewed at each balance sheet date and adjusted to the currently available best estimate. If the resulting interest rate effect is material, the provision is discounted to the present value of the estimated cash outflows necessary to settle the obligation. For provisions that are discounted, the increase in the provisions that reflect the time lapsed is recorded as interest expense. Where it is expected that another party will partly or fully settle the obligation that has been provided for, the reimbursement will only be recognized once it is virtually certain that the Group will receive the reimbursement.

3.4.11 INCOME TAXES / DEFERRED INCOME TAXES

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.4.12 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group. The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

The revenue of the Group largely comprises revenues for the sale of goods. In addition, the Group generates some revenues from the sale of services.

Revenue from the sale of goods

Revenue from the sale of produced goods and prototypes is recorded as income at the time of delivery. Trade discounts and returns are deducted. The Group typically sells its products through purchase orders under contracts that include fixed or determinable prices and that generally do not include a right of return or similar provisions or other significant post-delivery obligations. Delivery does not occur until products have been shipped to the specified location and the risks of obsolescence and loss have been transferred to the customer.

Revenue from sale of services

Sales of services are recognized in the accounting period in which the services are rendered.

3.4.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset or, where it is not possible to estimate the recoverable amount of an individual asset, a cash-generating unit, is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. Impairment of financial assets is described under the section on financial instruments.

3.4.14 RELATED PARTIES

A party is related to an entity if the party directly or indirectly controls, is controlled by, or is under common control of the entity, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of key management personnel of the entity or close members of their family are also considered related parties as are post-employment benefit plans for the benefit of employees of the entity.

3.4.15 RETIREMENT BENEFIT OBLIGATIONS

The Group has defined benefit pension plans. A defined benefit plan is a pension plan which defines the pension obligation amount that the employee will receive at retirement age; the amount usually depends on one or more factors, such as age, period of service and salary.

Accounting and reporting of these plans are based on annual actuarial valuations. Defined benefit obligations and service costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees participating in these plans. The pension obligation is measured as the present value of the estimated future outflows using interest rates of high-quality corporate bonds which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses, resulting from changes in actuarial assumptions and differences between assumptions and actual experiences, are recognized in the period in which they occur outside the income statement directly in the consolidated statement of comprehensive income.

3.4.16 SHARE-BASED PAYMENTS

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example: the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expenses are recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company will use the currently hold treasury shares to settle the option.

3.4.17 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.4.18 DEFINITION OF NON-GAAP MEASURES

Earnings before interest and taxes (EBIT) are a subtotal which includes all operating income and expenses before addition/deduction of financial income and expenses and income taxes.

Earnings before depreciation, amortization, interest and taxes (EBITDA) are a subtotal which includes all operating income and expenses before addition/deduction of depreciation of fixed assets, amortization of intangibles, financial income and expenses and income taxes.

3.4.19 GOVERNMENT GRANTS

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Reclassifications and adjustments

Certain amounts in the December 31, 2011 financial statement notes have been reclassified or adjusted to conform to the December 31, 2012 presentation. These reclassifications or adjustments were made for presentation purposes and have no effect on total revenues, expenses, profit for the year or equity as previously reported.

4. FINANCIAL ASSETS

exceet Group SE classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reclassifies them whenever their intention or ability changes.

- Financial assets at fair value through profit or loss
  Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 3.4.2).

- Available-for-sale financial assets
  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group does not hold any financial assets of the category 'held-to-maturity investments'.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Change in fair value in financial instruments', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed as translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in the consolidated statement of comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in the consolidated statement of comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in the consolidated statement of comprehensive income are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 3.4.2.

The fair value hierarchy has the following levels:

a) Level 1: quoted prices in active markets for identical assets or liabilities
b) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices)
c) Level 3: inputs for the asset or liability that are not based on observable market data

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 CRITICAL JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

5.1.1 REVERSE ASSET ACQUISITION

The legal acquisition of exceet Group AG by exceet Group SE has been classified as a reverse asset acquisition with former exceet Group AG shareholders receiving de facto control of exceet Group SE. Because exceet Group SE does not meet the definition of a business in terms of IFRS 3, Management concluded to account for the acquisition as a capital transaction of exceet Group AG (so-called reverse asset acquisition) and is the equivalent to the issuance of shares by exceet Group AG in exchange for the net assets of exceet Group SE (as-if capital increase). The deemed cost of the shares issued is TEUR 178,750, which represents the fair value of shares that exceet Group AG would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of exceet Group AG acquiring 100% of the shares in exceet Group SE.

The fair value of shares of exceet Group AG has been determined by reference to quoted market prices. Management is of the opinion that the quoted market price as of July 26, 2011 (closing date) of exceet Group SE is not fully representative for the fair value of the shares of exceet Group AG because of the fact, that the quoted market price represents the fair value of exceet Group SE (the SPAC) and is not necessarily identical with the fair value of the shares of exceet Group AG. According to fair value hierarchy, Management of exceet decided to make adjustments to the quoted market price (fair value level 2) including reliable evidence validating the fair value used. Other fair values used would have led to different results.

5.1.2 DEFERRED TAX

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

5.1.3 INVENTORIES

For the valuation adjustment of inventories, Management uses judgment which is based on past experience. To determine the inventory provision, the past experience turnover of the inventory is used as the basis for the calculation.

5.1.4 INTANGIBLE AND TANGIBLE ASSETS

The Group regularly assesses the useful life of its intangible assets with definite useful life and also if there are trigger events for a potential impairment. Such trigger events could be a change of the customer base, of the technology or reputation damage of the brand or the software not to be useful anymore. Such assessments are based on estimates which are substantially based on the continued benefit of the intangible asset for the Group.

The Group also regularly assesses the useful life of its tangible assets life and also if there are trigger events for a potential impairment. Such assessment is made on estimates which are based on the technical efficiency, the applicability and the continued use of the tangible assets.

5.2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

5.2.1 ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.4.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations with an appropriate discount-rate. These calculations require the use of estimates.

The Group has performed a sensitivity analysis based on reasonable possible shift:

- If the estimated gross margin at December 31, 2012 had been 2% lower than Management's estimates at December 31, 2012 (for example, 32.34% instead of 33%), the estimated recoverable amount still exceeds the carrying amount.

- If the estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than Management's estimates (for example, 11.33% instead of 10.3%), the estimated recoverable amount still exceeds the recoverable amount.

5.2.2 PROVISIONS

The Group is exposed to different risks. Management assumes at the current time that the provisions cover the different risks of the Group. However it is possible that the situation will change and the costs are not covered with the existing provisions or the costs are lower than expected. Any arising changes can have effects on future periods. For details refer to note 24.

5.2.3 RETIREMENT BENEFIT OBLIGATIONS

Actuarial assumptions are made for the purpose of estimating future developments. These include estimates and assumptions relating to discount rates, the expected return on plan assets in individual countries and future wage trends. The actuary also uses statistical data such as mortality tables and staff turnover rates in the actuarial calculations performed with a view to determining employee benefit obligations. If these parameters change due to a change in economic or market conditions, the subsequent result can deviate considerably from the actuarial report and calculation.

Over the medium term, this deviation can have a significant effect on income and expenses arising from employee benefits plans. The carrying amounts of the plan assets and liabilities carried in the balance sheet are set out in note 19.

5.2.4 SHARE-BASED PAYMENTS

Founders have subscribed founding warrants and founding shares that were exercisable / convertible into public shares depending on various conditions, including occurrence of an acquisition. The corresponding equity effect was recognized in equity at date of acquisition, which took place on July 26, 2011.

For the Management Stock Option Program (MSOP), the Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 20.

5.2.5 INCOME TAXES

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues on the basis of estimates of whether additional taxes are due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5.2.6 EARN-OUT PAYMENT RELATED TO ACQUISITION

The basis for the calculation of potential earn-out payments are the agreed medium term plans. If the plan is not met, the earn-out payment will differ from the estimated payment. Such adjustment will be recognized in the income statement.

6. FINANCIAL RISK MANAGEMENT

6.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk, cash flow interest rate risk, price risk and public warrant fair value risk), credit risk and liquidity risk. The Group's overall risk management system aims to identify key financial risks at an early juncture, both within the companies and at the Group level, and to implement appropriate countermeasures to minimize potential adverse effects on the Group's financial performance.

6.1.1 MARKET RISK

Foreign exchange risk

The Group companies generate revenue mostly in euros, Swiss francs and to a smaller extent in US dollars. Most of the equipment and the raw materials are purchased from European manufacturers or distributors in euros. Concerning the Swiss companies, the revenues generated do not fully cover the Company's demand for euros. Management has instructed the sales team to price goods in euros where possible.

The revenue generated in US dollars is generally used for the procurement of equipment, services or raw material and has usually balanced out in the past thus providing a natural hedge. Management has instructed the sales team to either price the products in euros and Swiss francs, to include exchange rate adjustments in framework contracts or to include an adequate foreign exchange margin in the pricing.

Generally foreign currencies are only kept if future payments are expected to be made in a particular currency. Foreign currency exposure is mitigated by balancing the currency needs among the Group companies. With the addition of the new companies into the Group, the possibility of inter-exchanging foreign currencies has improved within the Group and natural hedging procedures cover extensively the risks that occur. The Group does not enter into any hedging transactions.

The Group is exposed to foreign exchange risks especially with regards to the Swiss francs and US dollars.

As of December 31, 2012, the profits for the period would have been TEUR 208 higher (2011: TEUR 271) if the Swiss francs had weakened 10% against the euros ceteris paribus. With a stronger Swiss francs to the euros exchange rate, profits would have been reduced by similar amounts. This effect is caused by foreign exchange gains/losses of euro-denominated trade account receivables and trade account payables.

Similarly, as of December 31, 2012, the profits for the period would have been TEUR 138 higher (2011: TEUR 30) if the US dollar had weakened by 10% against the euros ceteris paribus. With a stronger dollar, profits would have decreased by the same extent, mainly due to foreign exchange gains/losses of US dollar-denominated trade account receivables and trade account payables.

Foreign exchange rates

The exchange rates relevant to the annual financial statements were:

	December 31, 2012	Average 2012	December 31, 2011	Average 2011
CHF 1	0.83	0.83	0.82	0.81
USD 1	0.76	0.78	0.77	0.72

Price risk

The Group is not exposed to investment price risk; however, there is a material and raw material price risk for the production of electronic applications and smart cards.

ECMS Segment

With a high value-add, the printed circuit board (PCB) factory has low exposure to raw material prices. Raw material prices for epoxy and polyimide are mildly driven by the oil price, whereas copper, nickel and gold are purchased at spot rates. However, the total cost component of copper is minimal to the average selling price and hence the influence on the margin is limited. In extreme cases, the subsidiary is able to renegotiate selling prices with the clients to adjust for raw material price hikes.

Material content in electronic modules and systems can be high and this implies an associated price risk. The electronic component market is characterized by supply and demand. After certain shortages and long lead times the component market stabilized in 2011 and 2012.

The Group, in close cooperation with its customers, guarded effectively against these risks with long-term supplier contracts, increased inventory levels and the storage of discontinued parts. Higher component costs and the cost of increased inventories were shared with the clients whenever possible. Inventories are at all times covered by open purchase orders from customers. As a result it was possible to largely satisfy deliveries to customers over the past financial year.

IDMS Segment

Most of the products produced and sold in the IDMS segment are highly customized. There are hardly any comparable products available from potential competitors; the price risks are therefore minor. As most of the products are produced using standard components, price increases for these components can be either avoided by changing to another supplier or they can be passed on to customers.

ESS Segment

Most of the revenues within the ESS segment are generated through software, cloud services and professional services. The software and cloud services are helping organizations to optimize their business processes as well as to comply with international and national legal environments. If legal environments are changing or may become obsolete, customers may demand changes of the software and services or may terminate related agreements. The ESS segment monitors precautionary legal environments in many countries directly or through partners and customers, enabling the ESS segment to adapt quickly to future legal and other changes which might be requested by ESS's customers.

Cash flow and fair value interest rate risk

Cash flow risk is categorized as very low as a result of the Company's good liquidity position and strong cash flow generation.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The duration for which the Group has fixed the interest rates depends on the current interest conditions in the market.

For most of the long-term borrowings, the Group has capped LIBOR or EURIBOR based variable interest rates thus limiting the interest rate risk.

Covenants, as agreed with the lending banks, determine the interest rate margin over the LIBOR or EURIBOR. This margin largely depends on business performance of the Group (leverage ratio). Compliance with the financial covenants means that the Group has good credit standing with banks and access to further financing resources. In addition, banks provide credit lines that also create scope for short-term financial maneuver.

Sensitivity analysis

If the interest rates of the different long-term borrowings would have been higher/lower by 100 basis points, with all other variables held constant, the Group would have had higher/lower interest expenses in 2012 of TEUR 338 (2011: TEUR 222). The Group's borrowings at variable and fixed rates are denominated in EUR and CHF.

Public Warrant fair value risk

exceet Group SE's Public Warrants are accounted for as financial liability recognized at fair value through profit or loss. The fair value is based on the quoted market price of the Public Warrants. A change in the market price of the Public Warrants will impact the profit and loss and the equity as well as the amount of the liability.
An increasing market price for the Public Warrants would result in a higher liability and a loss in the comprehensive income of exceet Group SE.

Sensitivity analysis

The closing price for the Public Warrants for the year ended December 31, 2012 was quoted at EUR 0.19. An increase in the market price of 10% would result in a loss and a negative equity impact of TEUR 380 whereas a decrease of 10% in the market price would result in a gain and a positive equity impact of the TEUR 380.

6.1.2 CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Credit exposures to customers, including outstanding receivables and committed transactions are managed by individual Group companies. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted for all significant relationships. Furthermore, the risk on cash and cash equivalents is minimized by the consideration of different financial institutions. For the risk control assessment of customers, the credit quality of the customer takes into account its financial position, past experience and other factors. Based on the varying customer structure within the Group, no specific individual credit limits are defined by the Group. Accounts receivables are regularly monitored and supported by an effective accounts receivables management method in close cooperation with key account managers.

The table below shows the trade receivables balances of the counterparties of each subsidiary as per the balance sheet date. Management does not expect any losses from non-performance by these counterparties.

TRADE RECEIVABLES TEUR	2012	2011
MAJOR COUNTERPARTIES WITH EXTERNAL CREDIT RATING		
AA+	0	33
AA	1,476	0
AA–	0	1,088
A+	3,608	1,921
BBB	285	1,879
Total major counterparties with external credit rating	**5,369**	**4,921**
MAJOR COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING		
Group 1	391	243
Group 2	11,983	8,549
Group 3	2,323	4,203
Total major counterparties without external credit rating	**14,697**	**12,995**

Group 1 – new customers/related parties less than 6 months.
Group 2 – existing customers/related parties for more than 6 months with no defaults in the past.
Group 3 – existing customers/related parties for more than 6 months with some defaults in the past. All defaults were fully recovered.
Source for external credit rating: Standard & Poor's

The table below shows the bank balances rated:

CASH AT BANK AND SHORT-TERM BANK DEPOSITS TEUR	2012	2011
BANKS WITH EXTERNAL CREDIT RATING		
AAA	4,470	13,105
AA+	0	30
AA	1,359	0
AA–	11	667
A+	11,672	19,613
A	3,479	5,977
A-	1,935	350
BBB	1,062	0
D	0	140
Not rated	438	250
Total cash at bank and short-term bank deposits	**24,426**	**40,132**

Source for external credit rating: Standard & Poor's

6.1.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group monitors its risk of suffering a shortage of funds on a monthly basis. In addition, Management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyzes the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

TEUR	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Totals
BALANCE AT DECEMBER 31, 2012					
Bank borrowings	3,345	5,107	19,372	4,470	32,294
Other borrowings	8,394	1,004	3,855	0	13,253
Trade payables	10,703	0	0	0	10,703
Other payables	5,207	49	69	186	5,511
BALANCE AT DECEMBER 31, 2011					
Bank borrowings	6,583	5,960	9,174	2,436	24,153
Other borrowings	3,917	6,404	2,808	4	13,133
Trade payables	10,838	0	0	0	10,838
Other payables	5,235	1,279	57	199	6,770

The financial liability resulting from Public Warrants with a carrying amount of TEUR 3,800 as at December 31, 2012, is not subject to liquidity risk. Public Warrants will be settled net in shares; therefore, the exercising of Public Warrants will not trigger any cash outflows.

6.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide added value to the shareholders and benefits for other stakeholders; to maintain a favourable capital structure to reduce the cost of capital and to enable the Group to continue to focus on growth.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. During the last few years, the Group's strategy was to maintain a gearing ratio of a maximum of 30%. The gearing ratios at December 31, 2012 and 2011 were as follows:

TEUR	2012	2011
Bank borrowings	31,279	22,954
Finance lease	7,153	5,853
Total borrowings	38,432	28,807
Less: cash and cash equivalents (note 16)	–24,426	–40,132
Net (cash)/debt	**14,006**	**–11,325**
Equity	88,959	85,601
Loan due to shareholder subordinated	5,556	6,697
Total equity and equity equivalents	94,515	92,298
Total capital	**108,521**	**80,973**
Gearing ratio	*13%*	*–14%*

The increase in gearing ratio in 2012 resulted from increased borrowings used for acquisition of businesses (note 33), capital expenditure (note 9/10) and tax payments.

6.3 FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2012, respectively at December 31, 2011.

TEUR	Level 1	Level 2	Level 3	Total
DECEMBER 31, 2012				
Assets as per balance sheet				
Financial assets at fair value through profit or loss				
Interest cap		6		6
Total		**6**		**6**
Liabilities as per balance sheet				
Financial liabilities at fair value through profit or loss				
Interest cap		90		90
Public Warrants	3,800			3,800
Earn-out liability			269	269
Total	**3,800**	**90**	**269**	**4,159**
DECEMBER 31, 2011				
Assets as per balance sheet				
Financial assets at fair value through profit or loss				
Interest cap		15		15
Total		**15**		**15**
Liabilities as per balance sheet				
Financial liabilities at fair value through profit or loss				
Interest cap		73		73
Public Warrants	3,000			3,000
Earn-out liability			1,509	1,509
Total	**3,000**	**73**	**1,509**	**4,582**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following tables are presenting the changes in Level 3 instruments:

TEUR		Total
Balance at January 1, 2012	**1,509**	**1,509**
Earn-out of acquisition	1,900	1,900
Settlements	–300	–300
Paid into escrow account (note 33)	–200	–200
Gains recognized in profit or loss	–2,662	–2,662
Currency translation differences	22	22
Balance at December 31, 2012	**269**	**269**
Total (gains)/losses for the period included in profit or loss (note 27)	**–2,662**	**–2,662**
Balance at January 1, 2011	**639**	**639**
Earn-out of acquisition	2,445	2,445
Gains recognized in profit or loss	–1,650	–1,650
Currency translation differences	75	75
Balance at December 31, 2011	**1,509**	**1,509**
Total (gains)/losses for the period included in profit or loss (note 27)	**–1,650**	**–1,650**

7. SEGMENT INFORMATION

The Group has three main business segments, Electronic Components Modules & Systems (ECMS), ID Management & Systems (IDMS) and Embedded Security Solutions (ESS), representing different subsidiaries. The segment information is presented on the same basis as for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the Group's Chief Operating Decision Maker – Management Board. In addition, the Group has a fourth segment 'Corporate and others' for reporting purposes, which only includes the investment companies. Companies of exceet Group SE (formerly Helikos SE), which have been subject of reverse asset acquisition, have been assigned to the segment 'Corporate and others'.

The segment results are as follows:

	ECMS		IDMS	
TEUR	**2012**	**2011**	**2012**	**2011**
External revenue	132,234	121,401	52,811	45,094
Inter-segment revenue	184	0	128	576
Total revenue	**132,418**	**121,401**	**52,939**	**45,670**
EBITDA	**16,067**	**26,510**	**2,504**	**2,925**
EBITDA margin	*12.1%*	*21.8%*	*4.7%*	*6.4%*
Depreciation and amortization	–6,106	–5,578	–2,859	–2,205
EBIT	**9,961**	**20,932**	**–355**	**720**
EBIT margin	*7.5%*	*17.2%*	*–0.7%*	*1.6%*
Financial income	986	1,525	216	230
Financial expense	–1,597	–1,770	–513	–519
Changes in fair value in financial instruments	0	0	–16	–29
Financial result – net	**–611**	**–245**	**–313**	**–318**
Profit before income tax	**9,350**	**20,687**	**–668**	**402**
Income tax expense	–1,963	–4,314	–78	–269
Profit for the period	**7,387**	**16,373**	**–746**	**133**
Non-current assets	67,117	54,922	24,840	22,405
Current assets	64,002	61,824	16,292	13,720
Liabilities	41,855	41,255	17,081	15,841
Capital expenditure – tangible assets	7,201	3,923	2,325	2,178
Capital expenditure – intangible assets	616	200	326	77
Depreciation – tangible assets	–3,428	–3,148	–2,423	–1,847
Impairment – tangible assets	0	0	0	–104
Amortization – intangible assets	–2,678	–2,430	–436	–254
Impairment of goodwill	0	0	0	0

ESS		Corporate and others		Inter-segment elimination		Group consolidated	
2012	2011	2012	2011	2012	2011	2012	2011
3,707	3,981	0	0			188,752	170,476
0	0	329	419	−641	−995	0	0
3,707	**3,981**	**329**	**419**	**−641**	**−995**	**188,752**	**170,476**
−112	**285**	**−1,666**	**−5,265**			**16,793**	**24,455**
-3.0%	*7.2%*					*8.9%*	*14.3%*
−209	−294	−73	−42			−9,247	−8,119
−321	**−9**	**−1,739**	**−5,307**			**7,546**	**16,336**
−8.7%	*−0.2%*					*4.0%*	*9.6%*
3	0	361	2,915	−269	−372	1,297	4,298
−14	−12	−900	−3,119	269	372	−2,755	−5,048
0	0	**−800**	4,000			−816	3,971
−11	**−12**	**−1,339**	**3,796**	**0**	**0**	**−2,274**	**3,221**
−332	**−21**	**−3,078**	**−1,511**			**5,272**	**19,557**
131	126	81	−394			−1,829	−4,851
−201	**105**	**−2,997**	**−1,905**			**3,443**	**14,706**
2,122	1,745	370	197			94,449	79,269
727	877	3,668	15,492			84,689	91,913
1,284	1,227	29,959	27,258			90,179	85,581
46	90	33	163			9,605	6,354
391	2	192	4			1,525	283
−42	−17	−43	−13			−5,936	−5,025
0	0	0	0			0	−104
−167	−277	−30	−29			−3,311	−2,990
0	0	0	0			0	0

In 2012, 9.6% (2011: 11.7%) of total revenue of the Group was generated with one client from ECMS. There is no single customer with a share of revenue greater than 10% of total Group revenue in 2012.
In addition, a breakdown of sales is presented by country of end customer, which shows the geographic segments according to the country in which the products are used.

	Revenue 2012 TEUR	in %	Revenue 2011 TEUR	in %
Europe (excl. Switzerland)	136,366	*72.2*	122,654	*72.0*
Switzerland	39,047	*20.7*	40,470	*23.7*
USA/Asia	10,353	*5.5*	5,129	*3.0*
Rest of the World	2,986	*1.6*	2,223	*1.3*
Total	**188,752**	***100.0***	**170,476**	***100.0***

Within the revenues of Europe, Germany has a part of 46% (2011: 37%). The rest is a variety of different countries in Europe.

The assets and capital expenditure is allocated based on where the assets are located. The non-current assets can geographically be allocated to Switzerland TEUR 42,909 (2011: TEUR 42,669), Germany TEUR 26,781 (2011: TEUR 13,896), Netherlands TEUR 469 (2011: TEUR 546), Austria TEUR 22,352 (2011: TEUR 20,362) and Czech Republic TEUR 1,938 (2011: TEUR 1,796).

8. FINANCIAL INSTRUMENTS BY CATEGORY

DECEMBER 31, 2012 TEUR	Loans and receivables	Asset at fair value through profit and loss	Total
ASSETS AS PER BALANCE SHEET			
Derivative financial instruments		6	6
Trade and other receivables excluding prepayments	23,511		23,511
Cash and cash equivalents	24,426		24,426
Total	**47,937**	**6**	**47,943**

DECEMBER 31, 2012 TEUR	Other financial liabilities at amortized cost	Liabilities at fair value through profit and loss	Total
LIABILITIES AS PER BALANCE SHEET			
Borrowings (excluding finance lease liabilities)	36,835		36,835
Finance lease liabilities	7,153		7,153
Derivative financial instruments		90	90
Public Warrants		3,800	3,800
Trade and other payables excluding statutory liabilities	16,214		16,214
Total	**60,202**	**3,890**	**64,092**

DECEMBER 31, 2011 TEUR	Loans and receivables	Asset at fair value through profit and loss	Total
ASSETS AS PER BALANCE SHEET			
Derivative financial instruments		15	15
Trade and other receivables excluding prepayments	20,141		20,141
Cash and cash equivalents	40,132		40,132
Total	**60,273**	**15**	**60,288**

DECEMBER 31, 2011 TEUR	Other financial liabilities at amortized cost	Liabilities at fair value through profit and loss	Total
LIABILITIES AS PER BALANCE SHEET			
Borrowings (excluding finance lease liabilities)	29,651		29,651
Finance lease liabilities	5,853		5,853
Derivative financial instruments		73	73
Public Warrants		3,000	3,000
Trade and other payables excluding statutory liabilities	19,108		19,108
Total	**54,612**	**3,073**	**57,685**

9. TANGIBLE ASSETS

2012 TEUR	Land & building	Production facilities & machinery	Equipment	Vehicles	IT Hardware	Assets under construction	Total
ACQUISITION COSTS							
As of January 1, 2012	**13,714**	**42,282**	**3,331**	**323**	**1,723**	**344**	**61,717**
Acquisition of subsidiaries (note 33)	0	423	226	0	57	0	706
Additions	38	5,639	781	101	255	2,791	9,605
Disposals	–22	–881	–24	–84	–29	–2	–1,042
Transfer to other category	0	245	93	0	0	–338	0
Currency translation differences	34	92	13	0	2	0	141
As of December 31, 2012	**13,764**	**47,800**	**4,420**	**340**	**2,008**	**2,795**	**71,127**
ACCUMULATED DEPRECIATION							
As of January 1, 2012	**–4,135**	**–27,269**	**–1,581**	**–198**	**–1,329**	**0**	**–34,512**
Additions	–527	–4,537	–567	–55	–250	0	–5,936
Disposals	19	801	16	39	27	0	902
Transfer to other category	0	0	0	0	0	0	0
Currency translation differences	–5	–51	–6	1	–1	0	–62
As of December 31, 2012	**–4,648**	**–31,056**	**–2,138**	**–213**	**–1,553**	**0**	**–39,608**
ACCUMULATED IMPAIRMENT							
As of January 1, 2012	**0**	**–104**	**0**	**0**	**0**	**0**	**–104**
Additions	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
As of December 31, 2012	**0**	**–104**	**0**	**0**	**0**	**0**	**–104**
Net book value as of January 1, 2012	**9,579**	**14,909**	**1,750**	**125**	**394**	**344**	**27,101**
Net book value as of December 31, 2012	**9,116**	**16,640**	**2,282**	**127**	**455**	**2,795**	**31,415**

2011 TEUR	Land & building	Production facilities & machinery	Equipment	Vehicles	IT Hardware	Assets under cons-truction	Total
ACQUISITION COSTS							
As of January 1, 2011	**9,211**	**37,435**	**2,483**	**212**	**1,420**	**219**	**50,980**
Acquisition of subsidiaries (note 33)	3,011	1,694	72	16	17	0	4,810
Additions	1,367	3,627	604	91	289	376	6,354
Disposals	0	–823	–14	0	–12	–109	–958
Transfer to other category	0	9	135	0	0	–144	0
Currency translation differences	125	340	51	4	9	2	531
As of December 31, 2011	**13,714**	**42,282**	**3,331**	**323**	**1,723**	**344**	**61,717**
ACCUMULATED DEPRECIATION							
As of January 1, 2011	**–3,566**	**–23,990**	**–1,161**	**–150**	**–1,132**	**0**	**–29,999**
Additions	–552	–3,812	–416	–46	–199	0	–5,025
Disposals	0	698	13	0	12	0	723
Transfer to other category	0	0	0	0	0	0	0
Currency translation differences	–17	–165	–17	–2	–10	0	–211
As of December 31, 2011	**–4,135**	**–27,269**	**–1,581**	**–198**	**–1,329**	**0**	**–34,512**
ACCUMULATED IMPAIRMENT							
As of January 1, 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions	0	–104	0	0	0	0	–104
Disposals	0	0	0	0	0	0	0
As of December 31, 2011	**0**	**–104**	**0**	**0**	**0**	**0**	**–104**
Net book value as of January 1, 2011	**5,645**	**13,445**	**1,322**	**62**	**288**	**219**	**20,981**
Net book value as of December 31, 2011	**9,579**	**14,909**	**1,750**	**125**	**394**	**344**	**27,101**

Production facilities and machinery includes the following amounts where the Group is a lessee under a finance lease:

PRODUCTION FACILITIES AND MACHINERY TEUR	2012	2011
Cost-capitalized finance leases	16,828	13,131
Accumulated depreciation	–6,796	–4,663
Net book amount	**10,032**	**8,468**

The Group leases various production facilities and machinery under non-cancellable finance lease agreements. The lease terms are 4 to 5 years. The Group purchased fixed assets through finance lease arrangements of TEUR 3,719 (2011: TEUR 1,653).

Depreciation expense of TEUR 4,831 (2011: TEUR 3,919) has been charged in “cost of sales”, TEUR 885 (2011: TEUR 1,072) in “administrative expenses”, TEUR 220 (2011: TEUR 138) in “distribution costs”.

FIRE INSURANCE VALUES TEUR	2012	2011
Buildings, machinery and equipment	109,233	108,020
Total	**109,233**	**108,020**

Bank borrowings (note 18) are secured on land and buildings for the value of TEUR 9,396 (2011: TEUR 6,879). Further TEUR 2,833 (2011: TEUR 2,811) machinery and equipment are pledged for borrowing facilities.

Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

COMMITMENTS TEUR	2012	2011
Property, plant and equipment	3,819	92
Intangible assets	49	0
Total	**3,868**	**92**

10. INTANGIBLE ASSETS

2012 TEUR	Goodwill	Customer base	Techno-logy	Brand	Software	Intangible assets under construc-tion	Other intangible assets	Total
ACQUISITION COSTS								
As of January 1, 2012	**31,907**	**20,623**	**5,222**	**1,550**	**3,008**	**0**	**10**	**62,320**
Acquisition of subsidiaries (note 33)	3,703	6,329	1,288	707	139	0	0	12,166
Additions	0	0	0	90	592	557	2	1,241
Cost capitalized	0	0	0	0	0	284	0	284
Disposals	0	0	0	0	–12	0	0	–12
Transfer to other category	0	0	0	–52	0	52	0	0
Currency translation differences	116	107	27	8	10	–1	0	267
As of December 31, 2012	**35,726**	**27,059**	**6,537**	**2,303**	**3,737**	**892**	**12**	**76,266**
ACCUMULATED AMORTIZATION								
As of January 1, 2012	**0**	**–5,432**	**–2,489**	**–542**	**–2,111**	**0**	**0**	**–10,574**
Additions	0	–2,090	–455	–216	–543	0	–7	–3,311
Disposals	0	0	0	0	10	0	0	10
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	0	–30	–16	–4	–7	0	0	–57
As of December 31, 2012	**0**	**–7,552**	**–2,960**	**–762**	**–2,651**	**0**	**–7**	**–13,932**
Net book value as of January 1, 2012	**31,907**	**15,191**	**2,733**	**1,008**	**897**	**0**	**10**	**51,746**
Net book value as of December 31, 2012	**35,726**	**19,507**	**3,577**	**1,541**	**1,086**	**892**	**5**	**62,334**

2011 TEUR	Goodwill	Customer base	Techno-logy	Brand	Software	Intangible assets under construc-tion	Other intangible assets	Total
ACQUISITION COSTS								
As of January 1, 2011	**30,315**	**16,444**	**3,824**	**1,493**	**2,502**	**0**	**0**	**54,578**
Acquisition of subsidiaries (note 33)	1,173	3,790	1,300	8	214	0	10	6,495
Additions	0	0	0	18	265	0	0	283
Cost capitalized	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	419	389	98	31	27	0	0	964
As of December 31, 2011	**31,907**	**20,623**	**5,222**	**1,550**	**3,008**	**0**	**10**	**62,320**
ACCUMULATED AMORTIZATION								
As of January 1, 2011	**0**	**–3,563**	**–1,830**	**–378**	**–1,624**	**0**	**0**	**–7,395**
Additions	0	–1,763	–604	–154	–469	0	0	–2,990
Disposals	0	0	0	0	0	0	0	0
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	0	–106	–55	–10	–18	0	0	–189
As of December 31, 2011	**0**	**–5,432**	**–2,489**	**–542**	**–2,111**	**0**	**0**	**–10,574**
Net book value as of January 1, 2011	**30,315**	**12,881**	**1,994**	**1,115**	**878**	**0**	**0**	**47,183**
Net book value as of December 31, 2011	**31,907**	**15,191**	**2,733**	**1,008**	**897**	**0**	**10**	**51,746**

The amortization expense of TEUR 3,311 (2011: TEUR 2,990) has been charged in “cost of sales”.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) which belong to the three business segments. A summary of the goodwill allocation is presented below:

GOODWILL TEUR	December 31, 2012	December 31, 2011
ECR AG	3,372	3,349
GS Swiss PCB AG	4,238	4,209
Mikrap AG	9,211	9,147
PPC Card GmbH*	0	2,825
NovaCard GmbH	880	880
exceet Card Austria GmbH (former VisionCard GmbH)	8,593	8,593
exceet Card AG (former Winter AG)	3,203	378
The Art of Packaging s.r.o.	1,353	1,353
AuthentiDate AG	380	380
Contec GmbH	793	793
Inplastor GmbH	423	0
as electronics GmbH	3,280	0
Total	**35,726**	**31,907**

*Goodwill of TEUR 2,825 in PPC Card GmbH was transferred into exceet Card AG (former Winter AG) as the companies were legally merged in 2012.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Management Board covering a five-year period. Cash flows beyond the five year period are extrapolated using the estimated growth rate of 1% (2011: 1%).

The estimated recoverable amount for ECR, GS, Mikrap, exceet Card (former Winter), NovaCard, exceet Card Austria (former VisionCard), The Art of Packaging s.r.o., AuthentiDate, Contec, Inplastor and as electronics exceeds the carrying amount of the unit. Management considers that it is not reasonably possible for the assumed gross margin to change so significantly as to eliminate this excess.

The following discount rates are used for value-in-use calculations for each CGU:

> Switzerland: ECR, GS, Mikrap: 7%
> Europe: exceet Card, NovaCard, exceet Card Austria, AuthentiDate, Contec, Inplastor and as electronics: 9.2%
> Europe: The Art of Packaging s.r.o.: 9.3%

See also note 5.2.1 for the impact of changes in estimates. These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the market development (Management medium-term planning). The compounded average growth rates (CAGR) used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. To meet the requirements of the region of the CGU's, different discount rates have been selected (2011: Switzerland 9%; Europe 9.55%). The gross margin varies depending on the operating function of the companies.

11. DEFERRED TAXES / INCOME TAXES

INCOME TAXES
TEUR

	2012	2011
Total current income tax	–2,862	–5,158
Total deferred tax	1,033	307
Total income tax recognized in income statement	**–1,829**	**–4,851**
Total deferred tax directly recognized in other comprehensive income	139	422
Total income tax (expense)/income	**–1,690**	**–4,429**

RECONCILIATION OF TAX EXPENSE
TEUR

	2012	2011
Profit before tax	5,272	19,557
Average of domestic tax rates	***15.00%***	***20.68%***
Tax calculated at average domestic tax rates applicable to profits in the respective jurisdictions	–791	–4,044
Non-taxable income	253	1,600
Non-deductible expenses	–84	0
Unrecognized tax loss carryforwards	–1,320	–2,328
Used unrecognized tax loss carryforwards	0	77
Effect of changes in local tax rates	–63	0
Tax effect from prior years	176	–156
Total income tax (current & deferred)	**–1,829**	**–4,851**
in % of earnings before tax	*34.69%*	*24.80%*

In the current year, the decrease of the average of domestic tax rates was the result of the change in the mix of the profit and loss of the different Group companies.

Deferred taxes

The gross movement on the deferred income tax accounts is as follows:

TEUR	2012	2011
At January 1	**–6,674**	**–6,519**
Acquisition of subsidiaries (note 33)	–2,362	–782
Income statement charge	1,033	307
Directly recognized in other comprehensive income	139	422
Currency translation difference	–27	–102
At December 31	**–7,891**	**–6,674**

Composition of deferred taxes in the balance sheet

Deferred tax assets and liabilities are presented on a net basis if a legally enforceable right exists to offset current tax receivables against tax payables and if the deferred taxes exist in the same tax jurisdiction. The following amounts were offset:

TEUR	2012	2011
DEFERRED TAX LIABILITIES		
Deferred tax liabilities, realized after 12 months	–6,752	–4,967
Deferred tax liabilities, realized within 12 months	–1,634	–1,838
Total deferred tax liabilities	**–8,386**	**–6,805**
DEFERRED TAX ASSETS		
Deferred tax assets, realized after 12 months	388	18
Deferred tax assets, realized within 12 months	107	113
Total deferred tax assets	**495**	**131**
Total deferred tax	**–7,891**	**–6,674**

The changes in deferred tax assets and liabilities in the current year, without taking into account the netting of open items within the same tax jurisdiction, are determined as follows:

2012 TEUR	Intangible assets	Tangible assets	Inventories	Provision	Pension liability	Others	Total
DEFERRED TAX LIABILITIES							
January 1, 2012	**–3,650**	**–1,422**	**–1,677**	**–123**	**0**	**–2,367**	**–9,239**
Acquisition of subsidiaries (note 33)	–2,210	–61	–59	–25	–7	0	–2,362
Movements via income statement	524	9	155	–23	2	–248	419
Movements via OCI	0	0	0	0	0	0	0
Currency translation differences	–15	–4	–12	–1	0	–2	–34
December 31, 2012	**–5,351**	**–1,478**	**–1,593**	**–172**	**–5**	**–2,617**	**–11,216**
DEFERRED TAX ASSETS							
January 1, 2012	**0**	**56**	**138**	**8**	**972**	**1,391**	**2,565**
Acquisition of subsidiaries (note 33)	0	0	0	0	0	0	0
Movements via income statement	0	4	17	–1	9	585	614
Movements via OCI	0	0	0	0	139	0	139
Currency translation differences	0	0	0	0	7	0	7
December 31, 2012	**0**	**60**	**155**	**7**	**1,127**	**1,976**	**3,325**

2011 TEUR	Intangible assets	Tangible assets	Inventories	Provision	Pension liability	Others	Total
DEFERRED TAX LIABILITIES							
January 1, 2011	**–2,739**	**–1,264**	**–1,671**	**–122**	**–2**	**–2,014**	**–7,812**
Acquisition of subsidiaries (note 33)	–1,368	–222	–39	0	0	–18	–1,647
Movements via income statement	510	77	82	1	0	–323	347
Movements via OCI	0	0	0	0	0	–8	–8
Currency translation differences	–53	–13	–49	–2	2	–4	–119
December 31, 2011	**–3,650**	**–1,422**	**–1,677**	**–123**	**0**	**–2,367**	**–9,239**
DEFERRED TAX ASSETS							
January 1, 2011	**0**	**91**	**0**	**15**	**566**	**621**	**1,293**
Acquisition of subsidiaries (note 33)	50	0	68	7	0	740	865
Movements via income statement	–50	–36	70	–14	–40	30	–40
Movements via OCI	0	0	0	0	430	0	430
Currency translation differences	0	1	0	0	16	0	17
December 31, 2011	**0**	**56**	**138**	**8**	**972**	**1,391**	**2,565**

Group companies have uncapitalized tax losses of TEUR 28,672 (2011: TEUR 25,465) as it is uncertain that the companies can utilize them. Of those tax losses TEUR 28,316 (2011: TEUR 25,140) have no expiry date and the remaining TEUR 356 (2011: TEUR 325) will expire in six years.

12. INVENTORIES

TEUR	2012	2011
Raw materials	22,132	18,716
Work in progress and semi-finished products	8,025	8,340
Finished goods	9,493	7,418
Inventory provision	–3,817	–3,352
Total	**35,833**	**31,122**

The cost of inventories recognized as expenses and included in “cost of sales” amounted to TEUR 101,727 (2011: TEUR 84,414).

There are no pledged inventories.

13. TRADE RECEIVABLES, NET

TEUR	2012	2011
Trade accounts receivable, gross – due to third parties	20,900	18,299
Provision for impairment	–834	–383
Total	**20,066**	**17,916**

As of December 31, 2012, trade receivables of TEUR 1,154 (2011: TEUR 883) were impaired and provided for. The amount of the total provision for these receivables amounts to TEUR 834 as of December 31, 2012 (2011: TEUR 383). In total there are TEUR 3,472 (2011: TEUR 1,824) insured, thereof TEUR 2,741 (2011: TEUR 1,557) receivables which are not due.

The ageing of the impaired receivables (referred to the due date of the receivables) is as follows:

TEUR	2012	2011
Not due and past due up to 3 months	0	0
Past due over 3 to 6 months	332	676
Past due over 6 to 12 months	399	30
Past due over 12 months	423	177
Total	**1,154**	**883**

As of December 31, 2012, trade receivables of TEUR 4,210 (2011: TEUR 4,142) were past due up to 3 months but were not impaired. These relate to a number of customers for whom there is no recent history of default.

The following table shows the movements of the provision for impairment for trade receivables:

TEUR	2012	2011
At January 1	**383**	**272**
Acquisition of subsidiaries (note 33)	10	30
Charged/(credited) to the income statement		
– additional provisions	706	307
– unused amounts reversed	–116	–71
Used during the year	–149	–156
Currency translation differences	0	1
At December 31	**834**	**383**

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

TEUR	2012	2011
EUR	14,595	11,933
CHF	4,544	5,491
USD	1,761	875
Total	**20,900**	**18,299**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Accounts receivables in the amount of TEUR 12,832 (2011: TEUR 11,514) are pledged (note 32).

14. OTHER RECEIVABLES

TEUR	2012	2011
Short-term deposit	216	123
Social securities	20	1
Payables with debit balances	29	49
Interest	8	7
Value added tax/withholding tax	893	466
Payments in advance	459	13
Government grants	30	322
Services not yet invoiced	430	548
Others	344	224
Total other current receivables	**2,429**	**1,753**
Long-term deposit	178	265
Total other non-current receivables	**178**	**265**

Other receivables in the amount of TEUR 417 (2011: TEUR 200) are pledged (note 32).

15. ACCRUED INCOME AND PREPAID EXPENSES

TEUR	2012	2011
Insurance companies	92	121
Rents	6	37
Maintenance contracts	245	355
Exhibition	11	19
Credit note for goods	126	110
Fees	61	13
Others	91	100
Total	**632**	**755**

Accrued income and prepaid expenses primarily comprise prepaid expenses which will be reflected in expenses.

16. CASH AND CASH EQUIVALENTS

TEUR	2012	2011
Cash at bank and on hand	24,426	34,120
Short-term bank deposits	0	6,012
Total	**24,426**	**40,132**

The risk that these assets will be subject to changes in value is minimal. Short-term bank deposits in 2011 of TEUR 4,012 are time deposits available within 48 hours.

17. EQUITY

On June 7, 2011, as subsequently amended on June 28, 2011, and on July 21, 2011, exceet Group SE (previously named Helikos SE), and former shareholders of exceet Group AG signed a share purchase and acquisition agreement in connection with the acquisition of exceet Group AG in consideration for

- the payment of TEUR 110,500 in cash,
- the transfer of 3,069,736 new Class A shares and
- 9,000,000 new Class C shares of Helikos SE.

exceet Group SE is a publicly listed company having no operating business prior to the closing of the acquisition. The entity comprises mainly cash positions which were collected from investors with the objective of investing in an operating non-listed company. Therefore, exceet Group SE does not meet the definition of a business in terms of IFRS 3.

The transaction is deemed to be a capital transaction of exceet Group AG and is the equivalent to the issuance of shares by exceet Group AG in exchange for the net assets of exceet Group SE (as-if capital increase). The deemed new shares are virtually allocated to exceet Group SE's pre-deal shareholders in relation to the economically acquired significant holding interest in exceet Group AG.

Basically the reversed asset acquisition is accounted for similarly to accounting for a reversed asset acquisition of a business combination under IFRS 3. However, in the absence of a business combination, recognition of goodwill and intangible assets does not apply. To the extent that there is a difference between the fair value of net assets of exceet Group SE before the acquisition and the fair value of the equity instruments held by its former owners after the acquisition, there will be a listing fee that is expensed on the date of the reversed asset acquisition.

The deemed cost of the shares issued is TEUR 178,750. This represents the fair value of shares that exceet Group AG would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of exceet Group AG acquiring 100% of the shares in exceet Group SE.

Fair Value of net assets of exceet Group SE:

FAIR VALUE	TEUR
Cash and cash equivalents	131,062
Financial assets	51,300
Short-term financial assets	4,554
Other receivables	83
Accrued income and deferred expenses	32
Trade payables	–186
Other liabilities	–16
Accrued expenses and deferred income	–752
Short-term financial liabilities	–7,000
Tax liabilities	–280
Net assets acquired	**178,797**
Cash and cash equivalents in subsidiary acquired	131,062
Distribution of profits to shareholder	–110,500
Cash inflow on group recapitalization after distribution	**20,562**

Since the carrying amount of exceet Group SE's net assets sums up to TEUR 178,797, the remaining difference of TEUR 47 is considered as other operating income in the income statement.

As the consolidation is prepared on the basis of exceet Group AG's financial statements, the consolidated financial statements are presented as a continuation of exceet Group AG's financial statements added by the reverse asset acquisition. Although equity in total comprises exceet Group AG's equity after the "as-if capital increase" (former capital plus value of reverse asset acquisition), the legal capital has to show exceet Group SE´s subscribed capital. From a legal perspective the subscribed capital of a listed entity reflects the shareholder's par value.

The cash consideration of TEUR 110,500 paid by exceet Group SE (the accounting acquiree) has been accounted for as a distribution from the consolidated Group to the acquirer's (exceet Group AG's) shareholders.

Share capital of exceet Group SE

Share capital of exceet Group SE has developed as follows:

	EUR
Balance at January 1, 2011	**400,000.00**
Capital increase from issuance of Class B shares	15,200.00
Capital increase from issuance of new Class A shares	46,659.99
Capital increase from issuance of new Class C shares	136,800.00
Share capital restructuring	–70,699.83
Balance at December 31, 2011	**527,960.16**
Balance at January 1, 2012	**527,960.16**
Balance at December 31, 2012	**527,960.16**

	Total shares	Class A shares	Class B shares	Class C shares
Number of shares as at January 1, 2011	**26,315,790**	**20,000,000**	**6,315,790**	**0**
Issuance of Class B shares	1,000,000		1,000,000	
Issuance of new Class A shares	3,069,736	3,069,736		
Issuance of new Class C shares	9,000,000			9,000,000
Conversion of Class B1 shares into Class A shares	0	2,105,264	–2,105,264	
Share capital restructuring	–4,651,305	–4,651,305		
Number of shares as at December 31, 2011	**34,734,221**	**20,523,695**	**5,210,526**	**9,000,000**
Number of shares as at January 1, 2012	**34,734,221**	**20,523,695**	**5,210,526**	**9,000,000**
Number of shares as at December 31, 2012	**34,734,221**	**20,523,695**	**5,210,526**	**9,000,000**

The share capital as per December 31, 2012, consists of 34,734,221 (2011: 34,734,221) shares and can be divided into 20,523,695 (2011: 20,523,695) Class A shares (Public Shares), thereof 20,073,695 (2011: 20,073,695) Class A shares listed on the stock exchange and 450,000 (2011: 450,000) unlisted own Class A shares held by the Company in Treasury (Treasury Shares), 5,210,526 (2011: 5,210,526) Class B shares (Founding Shares) and 9,000,000 (2011: 9,000,000) Class C shares (Earn-out shares) with a par value of EUR 0.0152 each. The Treasury Shares are designated to be used for the Management Stock Option Program (note 20).

In the course of the acquisition of exceet Group AG, 5,101,305 Class A shares, which have been validly redeemed for a price of EUR 10.05625 per Class A share, have been transferred to the Company as Treasury Shares. Furthermore, 10,000,000 Founder Warrants have been redeemed for a price of EUR 1 per warrant and the founders have subscribed 1,000,000 new Class B4 shares for EUR 10 per share.

Additionally, the Company was obligated by the share purchase agreement to issue 3,069,736 new Class A shares and 9,000,000 Class C shares (3,000,000 Class C1, Class C2 and Class C3 shares each) and transfer them to the previous shareholders of exceet Group AG.

Furthermore, as a consequence of the consummation of the reverse asset acquisition, all 2,105,264 Class B1 shares automatically have been converted into Class A shares of the Company at a ratio of one Class B1 Share for one Class A share.

By resolution of the extraordinary General Meeting on November 21, 2011, the redeemed 5,101,305 listed Class A shares held in Treasury were exchanged against

5,101,305 unlisted Class A shares issued by the Company to the shareholders on July 26, 2011 (issuance of 3,069,736 new Class A Shares and conversion of 2,105,264 Class B1 shares into Class A shares). In addition, the General Meeting approved the cancellation of 4,651,305 unlisted Class A shares held in Treasury by the Company after the exchange. As a consequence, the Company's issued share capital was reduced by EUR 70,699.83 whereas the other reserves were reduced by the residual share premium of EUR 46,703,986.08. The residual 450,000 unlisted Class A shares held in Treasury by the Company and were deducted from equity according to IAS 32 (see "Other Reserves" in this note).

The Class B and Class C shares are redeemable shares in the sense of the Luxembourg Company Law and are split into six separate classes of shares, with rights identical to those of the Public Shares, except as described below:

Conversion into Public Shares
The remaining Class B and Class C shares will be automatically converted into Public Shares, at a ratio of one Public Share for each Founding Share as follows:

- 2,105,263 Class B2 shares will be converted into Public Shares if the Daily VWAP (as defined hereafter) on any 20 out of any 30 consecutive Trading Days following consummation of the reversed asset acquisition is at least equal to EUR 14.00.
- 2,105,263 Class B3 shares will be converted into Public Shares if the Daily VWAP (as defined hereafter) on any 20 out of any 30 consecutive Trading Days following consummation of the reversed asset acquisition is at least equal to EUR 16.00.
- 1,000,000 Class B4 shares will be converted into Public Shares if the Daily VWAP (as defined hereafter) on any 20 out of 30 consecutive Trading Days following consummation of the reversed asset acquisition is at least equal to EUR 12.00.
- 3,000,000 Class C1 shares will be converted into Public Shares if the Daily VWAP (as defined hereafter) on any 20 out of any 30 consecutive Trading Days following consummation of the reversed asset acquisition is at least equal to EUR 12.00.
- 3,000,000 Class C2 shares will be converted into Public Shares if the Daily VWAP (as defined hereafter) on any 20 out of any 30 consecutive Trading Days following consummation of the reversed asset acquisition is at least equal to EUR 13.00.
- 3,000,000 Class C3 shares will be converted into Public Shares if the Daily VWAP (as defined hereafter) on any 20 out of any 30 consecutive Trading Days following consummation of the reversed asset acquisition is at least equal to EUR 15.00.

For this purpose, the "Daily VWAP" means, for any trading day, the per Public Share volume-weighted average price on Xetra as reported by Bloomberg for such trading day (or if such volume-weighted average price is unavailable from Bloomberg, the volume weighted average share price of the Public Shares on such trading day determined by an internationally recognized investment bank selected by the Company).

In connection with the aforementioned conversion, the Board of Directors shall be given all powers to implement the conversion of Class B shares and Class C shares into Public Shares and to make any statement, cast votes, sign all minutes of meetings and other documents, appear in front of a Luxembourg notary to state the occurrence of the conversion and make relevant amendments to the Articles of Association, do everything which is lawful, necessary or simply useful in view of the accomplishment and fulfillment of such conversion.

Any Class B or Class C shares that are not converted to Public Shares on or prior to the fifth anniversary of the consummation of the reverse asset acquisition will no longer be convertible into Public Shares and will be redeemed within six months of such date at a redemption price per Class B shares and Class C shares corresponding to the accounting par value of such Class B shares and Class C shares (subject to availability of sufficient funds).

Dividend rights
In the event that distributions are made after the date of consummation of the reversed asset acquisition, (i) each Founding Share and Public Share shall be entitled to receive the same amount to the extent such amount does not exceed one eurocent (EUR 0.01) per share, and (ii) each Public Share shall be entitled to the same fraction of (and the Class B and the Class C shares shall be entitled to none of) any distribution in excess of one eurocent (EUR 0.01). In terms of calculation of earnings per share for the different share classes see note 30.

Voting rights
All shares are entitled to one vote at any ordinary or extraordinary general meeting of shareholders.

Transfer restrictions
The shares are freely transferable, subject to the provisions of the law and these articles of association. All rights and obligations attached to any share are passed to any transferee thereof. Until (and including) the last day of a sixty-six (66) months period beginning with the date of consummation of the reversed asset acquisition.

- Class B shares may be transferred only to existing holders of Class B shares and their Affiliates (as defined hereafter);
- Class B shares may be transferred only in the event of death of a B shareholder, to the successors of such B shareholder;
- Class C shares may be transferred only to members of management of exceet Group SE and/or members of management of Affiliates of exceet Group SE;
- Class C shares may be transferred as in-kind distributions to direct shareholders who held Class C shares on the date of consummation of the reversed asset acquisition, but only after (and including) the last day of a twenty-four (24) month period beginning with the date of consummation of the reversed asset acquisition; or
- Class C shares may be transferred in the event of death of a C shareholder, to the successors of such C shareholder.

"Affiliate" of, or person "affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified and the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of shares, by contract, or otherwise.

Listing
The Class B and Class C shares are not listed on a stock exchange.

Other reserves

	TEUR
Balance at January 1, 2011	**39,297**
Total comprehensive income for the period	12,906
Acquisition of non-controlling interests	–397
As-if capital increase	178,750
Distribution of profits to shareholder	–110,500
Purchase of treasury shares	–51,300
Reclassification share capital of exceet Group SE	16,271
Capital restructuring	71
Elimination of loss on merger of Helikos companies	–46
Pension adjustment, prior year	21
Balance at December 31, 2011	**85,073**
Balance at January 1, 2012	**85,073**
Total comprehensive income for the period	3,302
Share-based payments	56
Balance at December 31, 2012	**88,431**

Other equity effects are related to the merger of Helikos Acquisition GmbH & Co. KG with exceet Group SE and to the transfer and subsequent merger of Helikos Management GmbH with AEMtec GmbH eliminating the resulting loss of TEUR 46 reported on the consolidated income statements.

As the consolidated financial statements represent a continuation of the financial statements of exceet Group AG, the equity recognized in the consolidated financial statements as if those of exceet Group AG (the accounting acquirer). Although equity in total comprises exceet Group AG´s equity after the “as-if capital increase” (former capital plus value of reversed asset acquisition), the legal capital has to show the legal parent’s (exceet Group SE) share capital. This is required, because from a legal perspective the share capital of a listed entity reflects the shareholder’s par value. As a result, TEUR 16,271 have been reallocated from share capital to reserves in order to reflect the legal parent’s share capital of TEUR 528.

In the course of the acquisition, 5,101,305 Class A shares have been validly redeemed for a price of EUR 10.05625 per Class A share and are transferred to the Company. On November 21, 2011 the extraordinary General Meeting decided to cancel 4,651,305 non-listed Class A shares held in Treasury by the Company. The other reserves were reduced by the amount of the share premium of the cancelled Class A shares, amounting to 46,703,986.08. The book value of the residual 450,000 Treasury Shares of EUR 4,525,312.50 was deducted from equity according to IAS 32.33.

Refer to note 33 for further details on acquisition of non-controlling interests.

18. BORROWINGS

TEUR	2012	2011
NON-CURRENT		
Bank borrowings	28,200	16,754
Finance lease liabilities (note 31)	4,602	3,538
Other loans	0	5,426
Total non-current borrowings	32,802	25,718
CURRENT		
Bank borrowings	3,079	6,200
Finance lease liabilities (note 31)	2,551	2,315
Other loans	5,556	1,271
Total current borrowings	11,186	9,786
Total borrowings	**43,988**	**35,504**

In 2012, a new bank agreement has been signed to replace the existing agreement. The credit facility has been increased with extended maturity dates; therefore, TEUR 4,133 in prior year shown as current borrowings have been reclassified to non-current borrowings.

Bank borrowings are denominated to 67% in Swiss francs (2011: 70%) and 33% (2011: 30%) in euro. Under the main facility agreement, the bank has the right for an extraordinary termination with the consequence of immediate repayment of outstanding debt there under and payment of a prepayment penalty, if, inter alia, a certain leverage ratio (defined as net debt divided by EBITDA) is exceeded or certain operation measures are not met. The bank covenants were maintained. The nominal value of the bank borrowings is TEUR 31,279 (2011: TEUR 22,954).

The total bank borrowings are secured liabilities. Bank borrowings in the amount of TEUR 26,770 (2011: TEUR 21,119) are secured by land and buildings of the Group (note 9). Bank borrowings of TEUR 18,224 (2011: TEUR 13,162) are additionally secured by shares of certain subsidiaries (GS Swiss PCB AG, ECR AG, Mikrap AG, AEMtec GmbH) of the exceet Group AG and by assigned trade receivables (note 32).

Other loans contains loans due to the shareholder of TEUR 5,556 (2011: TEUR 6,697) which are subordinated. In 2011, there was a loan to related parties in the amount of TEUR 1,271 which has been repaid in 2012.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

TEUR	2012	2011
6 months or less	29,609	28,352
6 – 12 months	7,715	831
1 – 2 years	1,746	1,097
2 – 5 years	4,918	4,974
Over 5 years	0	250
Total	**43,988**	**35,504**

The carrying amounts and fair value of the non-current borrowings are as follows:

TEUR	2012	2011
CARRYING AMOUNT		
Bank borrowings	28,200	16,754
Finance lease liabilities	4,602	3,538
Other loans	0	5,426
Total	**32,802**	**25,718**
FAIR VALUE		
Bank borrowings	28,013	16,825
Finance lease liabilities	4,602	3,538
Other loans	0	5,426
Total	**32,615**	**25,789**

The interest rates for the non-current borrowings as per December 31, 2012, are floating. Therefore the carrying amount equals approximately the fair value. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The Group has the following undrawn borrowing facilities:

TEUR	2012	2011
Floating rate:		
– Expiring within one year	3,862	6,494
– Expiring beyond one year	1,000	1,000
Fixed rate:		
– Expiring within one year	0	0
– Expiring beyond one year	3,700	0
Total	**8,562**	**7,494**

The facilities have been arranged to help finance the operational activities if required. The granted current account lines are normally not fully utilized.

19. RETIREMENT BENEFIT OBLIGATIONS

Contributions to retirement benefit plans are generally calculated based on the salary of the insured employees. In Switzerland, pension obligations are covered by legally segregated assets. The retirement benefit scheme of the Group's subsidiaries located in Switzerland is organized as a legally independent pension fund according to Swiss Law (BVG). The pension fund provides benefits in the event of retirement, death or disability. The plans' benefits are based on age, years of service, salary and on an individual old age account. The plan is financed by contributions paid by the employees and by the employer.

The retirement benefit obligation for the German subsidiary, AEMtec GmbH, Berlin, is an obligation due to the former employees of Infineon Technologies AG (predecessor of AEMtec GmbH). Employees of Infineon Technologies AG were transferred to new founded AEMtec GmbH. For these employees, the retirement benefit obligation went over to AEMtec GmbH by March 31, 2000. The amount of the obligation depends on different factors such as staff membership, age and salary.

The calculated retirement benefit obligation for the German subsidiary, exceet Card AG (former PPC Card Systems GmbH, Paderborn), comprises two persons who receive benefits in the event of retirement, death or disability.

The net periodic pension cost and the defined benefit obligations have been calculated using the projected unit credit method.

The amount recognized in the balance sheet is composed as follows:

TEUR	2012	2011
Present value of funded obligation	–35,033	–31,069
Fair value of plan asset	28,751	25,141
	–6,282	–5,928
Present value of unfunded obligation	–1,049	–723
Liability in the balance sheet	**–7,331**	**–6,651**

Changes in the defined benefit obligation:

TEUR	2012	2011
Present value of obligation at January 1	–31,792	–26,540
Current service cost	–1,313	–977
Interest on obligation	–786	–789
Contributions by plan participants	–1,031	–928
Actuarial gains /losses	–1,895	–1,925
Benefits paid through pension assets	928	69
Benefits paid by employer	15	15
Liabilities extinguished on settlements	0	–21
Foreign currency translation differences	–208	–696
Present value of obligation at December 31	**–36,082**	**–31,792**

Changes in the fair value of plan assets:

TEUR	2012	2011
Fair value of plan assets at January 1	25,141	22,419
Expected returns on plan assets	937	960
Actuarial gains /(losses) on assets	1,163	–815
Plan participants' contribution	1,031	928
Company contributions	1,237	1,115
Benefits paid through pension assets	–928	–69
Currency translation differences	170	603
Fair value of plan assets at December 31	**28,751**	**25,141**

Amounts recognized in the income statement:

TEUR	2012	2011
Current service cost	–1,313	–977
Interest on obligation	–786	–789
Expected returns on plan assets	937	960
Total amount recorded in the income statement	**–1,162**	**–806**

Of the total charge of TEUR 1,162 (2011: TEUR 806), TEUR 841 (2011: TEUR 574) were included in “cost of sales”, TEUR 136 (2011: TEUR 106) in “administrative expenses”, TEUR 185 (2011: TEUR 126) in “distribution costs”.

The actual return on plan assets amounted to a gain of TEUR 2,100 (2011: gain of TEUR 145).

Actuarial gains and losses recognized directly in the statement of comprehensive income (recognized directly in equity):

TEUR	2012	2011
Cumulative amount at January 1	–4,707	–1,967
Actuarial gains/(losses): Change in assumptions	–2,617	–944
Actuarial gains/(losses): Experiences	722	–981
Gains/(losses) on assets	1,163	–815
Total recognized actuarial gains/(losses) in the OCI	**–732**	**–2,740**
Cumulative amount at December 31	**–5,439**	**–4,707**

Components of the defined benefit obligation:

TEUR	2012	2011
Defined benefit obligation for active employees	–31,394	–27,286
Defined benefit obligation for pensioners	–4,688	–4,506
Total defined benefit obligation	**–36,082**	**–31,792**

Actuarial assumptions for the Swiss pension plan:

	2012	2011
Discount rate	*1.80%*	*2.40%*
Expected return on plan assets	*3.60%*	*4.05%*
Future salary increases	*1.75%*	*2.00%*
Labor turnover rate	*6.09%*	*6.47%*
Future pension increases	*0.00%*	*0.00%*

The average life expectancy for Swiss pension plans was calculated on the basis of BVG 2010 projected 2012 (2011: BVG 2010 projected 2011). The disability rates were also calculated on the basis of BVG 2010 projected 2012 (2011: BVG 2010 projected 2011). The retirement age used for the calculation is 65 years for men and 64 years for women.

Actuarial assumptions for the German pension plan of AEMtec GmbH, Berlin:

	2012	2011
Discount rate	*3.30%*	*4.90%*
Future salary increases	*0.00%*	*0.00%*
Labor turnover rate until age 30	*5.00%*	*5.00%*
Labor turnover rate until age 40	*3.00%*	*3.00%*
Labor turnover rate until age 50	*1.00%*	*1.00%*
Labor turnover rate until age 51 and older	*0.00%*	*0.00%*
Future pension increases	*1.75%*	*1.75%*

Actuarial assumptions for the German pension plan of exceet Card AG (former PPC Card Systems GmbH, Paderborn):

	2012	2011
Discount rate	*3.30%*	*4.90%*
Expected return on plan assets	*4.00%*	*4.00%*
Future salary increases	*0.00%*	*0.00%*
Labor turnover rate	*0.00%*	*0.00%*
Future pension increases	*1.75%*	*1.75%*

The average life expectancy for the German pension plans is based on the biometric basis values by Prof. Dr. Klaus Heubeck, according to the German law.

As of the balance sheet date, the plan assets comprise the following items:

	2012 TEUR	2012 in %	2011 TEUR	2011 in %
Equities	9,963	*34.7*	8,629	*34.3*
Bonds	11,538	*40.1*	9,876	*39.3*
Real estate	4,212	*14.6*	3,523	*14.0*
Qualified insurance policies	460	*1.6*	799	*3.2*
Other	2,578	*9.0*	2,314	*9.2*
Total	**28,751**	***100.0***	**25,141**	***100.0***

The investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The main proportions of assets are invested in bonds and equities, although the Group also invests in property, hedge funds and cash. The Group believes that bonds and equities offer the best returns in the long term with an acceptable level of risk. The expected long-term return is based on past experience and on expected future returns.

The Group expects TEUR 1,209 (2011: TEUR 1,255) in contributions to be paid to the defined benefits plans in 2013.

TEUR	2012	2011	2010	2009	2008
Present value of defined benefit obligation	–36,082	–31,792	–26,540	–23,053	–21,900
Fair value of plan assets	28,751	25,141	22,420	18,730	17,782
Deficit in the plan at December 31	**–7,331**	**–6,651**	**–4,120**	**–4,323**	**–4,118**
Experience adjustments on plan liabilities	722	–981	190	10	–10
Experience adjustments on plan assets	1,163	–815	526	40	–1,888

20. SHARE-BASED PAYMENTS

In January 2012, the Company announced the implementation of the Management Stock Option Program (MSOP), pursuant to which up to 450,000 options to acquire Class A shares of the Company to be granted to selected current and future executives of the Company and its affiliated enterprises. On November 21, 2011, the Board of Directors approved the reservation of 450,000 unlisted Class A shares held as Treasury Shares by the Company to be used for the settlement of the MSOP granted.

In August 2012, two executives of the Company were awarded with 66,667 options each with the following terms:

i) The total number of options granted is divided into four equal tranches, where each tranche is characterized by a different strike price of EUR 7.00, EUR 12.00, EUR 13.00, and EUR 16.00;
ii) The options can only be exercised in predefined periods, if the volume-weighted average share price, as defined in the Articles of the Company, rises above the strike prices defined above;
iii) The options have a contractual option term of five years from the grant date and the Group has no legal or constructive obligation to repurchase or settle the options in cash;
iv) Options are conditional on the beneficiary's continuing employment with the Company and expire immediately with no compensation should the employment be terminated; and
v) The beneficiary receives one Class A share for each option exercised with no further payment required.

Movements in the number of share options outstanding their related weighted average exercise prices are as follows:

	2012	
	Average exercise price per share options	Share options
At January 1, 2012	**0.00**	**0**
Granted	12.00	133,334
Forfeited	12.00	–66,667
Excercised	0.00	0
Expired	0.00	0
At December 31, 2012	**12.00**	**66,667**

Out of the 66,667 outstanding options (2011: 0 options), none of the options were exercisable as at December 31, 2012.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant	Expiry date	Exercise price per share options	Share options 2012
2012	2017	7.00	16,667
2012	2017	12.00	16,667
2012	2017	13.00	16,667
2012	2017	16.00	16,666
			66,667

The weighted average fair value of options granted during the period was determined using the Monte Carlo simulation based on the logarithmical calculation of the base values over five years on the Gaussian distribution model. Simulation is performed for each beneficiary and individual share options tranche with the following assumptions:

FAIR VALUE OF SHARE OPTIONS AND ASSUMTIONS BY STRIKE PRICE	Euro 7.00	Euro 12.00	Euro 13.00	Euro 16.00
Fair value at grant date	**4.04**	**2.82**	**2.64**	**2.21**
Share price at grant date	4.87	4.87	4.87	4.87
Excercise price	7.00	12.00	13.00	16.00
Expected volatility	50.5%	50.5%	50.5%	50.5%
Option life (expected weighted average life) in months	14	26	28	32
Expected dividend	0	0	0	0
Risk-free interest rate used	0.46%	0.46%	0.46%	0.46%

Expected volatility was based on an average from the peer group of the Group as the Company does not have a sufficient historical data for its own shares. Risk-free interest rates used were based on the corresponding EURO swap and forward rate on the grant date. The estimated fair value of the share options will be charged to the income statement over the estimated option life. In 2012, TEUR 56 has been recognized in personnel costs and in equity (note 17 and 26).

21. ACCRUED EXPENSES AND DEFERRED INCOME

TEUR	2012	2011
Incentives for staff	3,328	2,724
Holiday and overtime	1,337	1,282
Social securities	160	184
Salaries	142	201
Audit and consulting fees	505	911
Goods received without credit note	429	358
Provisions, third party	16	79
Accrued outstanding bills	162	61
Cost of shipment	40	62
Interest	77	16
Accrued license cost	541	616
Credit note for client	382	179
Others	506	463
Total accrued expenses and deferred income	**7,625**	**7,136**

22. OTHER FINANCIAL LIABILITIES

The current financial liability contains a financial liability resulting from fair value measurement of the Public Warrants of TEUR 3,800 (2011: TEUR 3,000) and a negative replacement value for interest cap of TEUR 90 (2011: TEUR 73).

Public Warrants

exceet Group SE completed its initial public offering of 20,000,000 units consisting each of one share and one warrant, both traded on the Frankfurt Stock Exchange, at an initial price of EUR 10.00 raising a total of TEUR 200,000.
With consummation of the reversed asset acquisition on July 26, 2011, the terms and conditions of the Class A warrant were amended, notably;

(i) to provide for the payment in cash of EUR 0.625 per Class A warrant upon consummation of the reversed asset acquisition; (amount to TEUR 12,500 for all Public Warrants)
(ii) to amend the exercise formula for the Class A warrants to provide that the number of Class A shares received upon exercise of each Class A warrant is reduced by 50%;
(iii) to increase the warrant exercise price per Class A share from EUR 9 per Class A share to EUR 12 per Class A share;
(iv) to increase the redemption trigger from EUR 14 to EUR 17; and
(v) to extend the term of the Class A warrants from five years from the date of Helikos SE's IPO to five years from the consummation of the reversed asset acquisition.

Public Warrants are treated as derivatives under IAS 32 as they will be settled net in shares (not in cash). Therefore they are classified as financial liabilities at fair value through profit or loss. As at the date of the consummation of the reversed asset acquisition the financial liability resulting from Public Warrants amounted to TEUR 7,000 (please refer to the fair value table exceet Group SE as shown within note 17).

As at December 31, 2012, the rating of one Public Warrant on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) was at EUR 0.19, hence a fair value of TEUR 3,800 (2011: TEUR 3,000) and a fair value adjustment loss of TEUR 800 was recorded at December 31, 2012 (2011: gain of TEUR 4,000).

Interest Cap

The negative replacement value is recorded as financial liability at fair value through profit and loss (note 29). The Group has the following contracts:

Instrument	2012 Contract amount	2011 Contract amount	Contract period	Instrument rate	Index Tenor
	TEUR	TEUR			
Interest Cap	3,106	6,170	30.09.2008 – 28.03.2013	3.00%	LIBOR
Interest Cap	2,725	2,632	30.06.2011 – 30.06.2015	2.30%	LIBOR
Interest Swap	1,045	1,235	03.01.2011 – 30.06.2018	3.30%	EURIBOR
Interest Cap	3,500	3,500	26.10.2006 – 31.10.2013	4.00%	EURIBOR

23. OTHER LIABILITIES

TEUR	2012	2011
Prepayments	742	901
Value-added tax	1,601	1,268
Other taxes payable	544	366
Social securities	658	1,024
Government grants	27	23
Liabilities from acquisition	269	267
Grant for purchase of equipment from customer	195	194
Others	261	375
Total other current liabilities, third parties	**4,297**	**4,418**
Other current liabilities, related parties	910	817
Total other current liabilities	**5,207**	**5,235**

The position "Others" contains liabilities to consultants and other third parties.

Other liabilities to related parties include mainly the purchase price of the acquisition of The Art of Packaging s.r.o. TEUR 600 (2011: TEUR 724), a short term loan of TEUR 250 owed to Members of Management Board, and legal fees of TEUR 60 (2011: TEUR 93 owed to the Board of Directors (note 33.2/36)).

The position liabilities from acquisition relates to the earn-out of exceet Card AG (former Winter AG) TEUR 269 (2011: TEUR 267).

The position in the balance sheet of other non-current liabilities TEUR 304 (2011: TEUR 1,535) representing a government subsidized loan (2011: TEUR 293). In 2011, it contained additionally the long-term portion of the earn-out of exceet Card AG (former Winter AG) of TEUR 260 and TEUR 982 for the long-term portion of the earn-out of Contec AG.

24. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

TEUR	Guarantees	Legal claims	Reconstruction obligations	Social provisions	Restructuring	Others	Total
2012							
At January 1, 2012	**390**	**500**	**228**	**251**	**985**	**293**	**2,647**
Acquisition of subsidiaries (note 33)	14	0	20	189	13	0	236
Charged/(credited) to the income statement							
– Additional provisions	1	150	3	59	947	105	1,265
– Unused amounts reversed	–153	–250	–6	–9	–51	0	–469
Used during the year	–201	0	0	–26	–1,535	–51	–1,813
Currency translation differences	0	0	0	0	0	0	0
At December 31, 2012	**51**	**400**	**245**	**464**	**359**	**347**	**1,866**

TEUR	Guarantees	Legal claims	Reconstruction obligations	Social provisions	Restructuring	Others	Total
2011							
At January 1, 2011	**339**	**0**	**231**	**115**	**364**	**491**	**1,540**
Acquisition of subsidiaries (note 33)	5	0	0	116	0	0	121
Charged/(credited) to the income statement							
– Additional provisions	385	500	6	20	985	106	2,002
– Unused amounts reversed	–339	0	–9	0	–225	–239	–812
Used during the year	0	0	0	0	–139	–66	–205
Currency translation differences	0	0	0	0	0	1	1
At December 31, 2011	**390**	**500**	**228**	**251**	**985**	**293**	**2,647**

TEUR	2012	2011
ANALYSIS OF TOTAL PROVISIONS		
Non-current	755	556
Current	1,111	2,091
Total provisions	**1,866**	**2,647**

Guarantees

The Group recognizes guarantee provisions to cover warranty claims. The calculation of this provision is based on past experience of warranty claims and returns. The actual costs for warranty and returns may differ from these estimates.

Legal claims

The amount represents a provision for a legal claim brought against the Group by customers in 2011. The provision charge and the unused amount reversed are recognized within "other operating income/(expenses)" in the income statement. It is expected that the claim will be resolved in 2013, in Management's opinion, after taking appropriate legal advice. The outcome of this claim will not give rise to any significant loss beyond the amounts provided at December 31, 2012.

Reconstruction obligations

The Group provides for costs associated to asset retirement obligations in connection with any legal or contractual obligation associated with the retirement of a tangible asset or from lease agreements.

Social provisions

The amount provided covers the legally required provisions for possible future severance payments in Austria.

Restructuring

The restructuring provisions made and used this year are related to IDMS and ECMS in order to streamline production and include termination costs of employees. The restructuring provisions will be utilized in 2013.

Others

Other provisions include predominantly provisions for reclamation of charges from customers TEUR 92, provisions for anniversaries of TEUR 75 and provisions for unoccupied offices TEUR 68 (2011: TEUR 170) which will be utilized over the remaining term of the lease contract, expiring in 2014.

25. EXPENSES BY NATURE

TEUR	2012	2011
Changes in inventories of finished goods and work in progress	695	–1,089
Raw materials and consumables used	102,429	84,901
Personnel cost (note 26)	54,609	46,456
Depreciation, amortization and impairment charges (notes 9/10)	9,247	8,119
Repair and maintenance expense	2,890	2,847
Leasing expense (note 31)	658	458
Rental expense (note 31)	2,883	2,441
Administrative expense	5,495	8,290
Marketing and acquisition expense	1,536	1,285
Other operating expense (note 28)	4,962	3,989
Total cost of sales, distribution costs & admin. expenses	**185,404**	**157,697**

Development costs of TEUR 8,500 (2011: TEUR 6,800) are included in above expenses by nature.

Administrative expenses include TEUR 284 (2011: TEUR 178) of audit costs and TEUR 22 (2011: TEUR 742) for non-audit services charged by the primary auditor.

26. PERSONNEL COSTS

Personnel costs comprise the following cost items:

TEUR	2012	2011
Salaries	43,882	38,617
Social contributions	6,835	5,757
Defined benefit plan expenses	1,256	806
Share-based payments (note 20)	56	0
Other personnel expenses	2,580	1,276
Total	**54,609**	**46,456**

Average staff headcount for 2012 amounts to 966 (2011: 825), split into production & technical of 656 (2011: 584); management & administration of 133 (2011: 102); sales & marketing of 92 (2011: 84) and research and development of 85 (2011: 55).

27. OTHER OPERATING INCOME

Other operating income includes the following items:

TEUR	2012	2011
Income from earn-out release	2,662	1,650
Income from insurance company	95	129
Government benefits	163	292
Gain on sale of tangible assets	119	183
Rental income	25	24
License fee income	6	0
Income from shipment	293	282
Income from release of other liabilities	251	344
Income from services	15	152
Income from employees	192	53
Others	377	448
Total other operating income	**4,198**	**3,557**

Income from earn-out release contains release of earn-out liability for as electronics GmbH (TEUR 1,393), Contec GmbH (TEUR 1,000) and exceet Card AG (former Winter AG) (TEUR 269).

28. OTHER OPERATING EXPENSES

Other operating expenses result from the following items:

TEUR	2012	2011
Energy costs	1,650	1,427
Freight costs	949	729
Waste disposal and cleaning costs	704	549
Insurance costs	720	602
Expenses for guarantees	26	38
Book loss of sales of equipment	26	4
Security	148	46
Costs of change location	183	170
Other tax and government requirements	80	60
Costs for claims	0	279
Others	476	85
Total other operating expenses	**4,962**	**3,989**

29. FINANCIAL RESULT

The financial results are derived as follows:

TEUR	2012	2011
Interest income	123	110
Foreign currency exchange gains	1,164	4,180
Other financial income	10	8
Financial income	**1,297**	**4,298**
Interest expenses	–819	–855
Financial leasing expenses	–89	–134
Foreign currency exchange losses	–1,522	–3,698
Financial expenses, related parties	–143	–226
Other financial expenses	–182	–135
Financial expenses	**–2,755**	**–5,048**
Fair value gains on other financial liabilities (note 22)	0	4,042
Fair value losses on other financial liabilities (note 22)	–816	–71
Changes in fair value in financial instruments	**–816**	**3,971**
Total financial result	**–2,274**	**3,221**

30. EARNINGS PER SHARE

Earnings per shares (EPS) are calculated by dividing the profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period excluding ordinary shares purchased by the Company and held as Treasury Shares.

For the prior year financial statements of exceet Group SE the earnings per share are calculated according to the rules applicable for a reversed asset acquisition.

Profits represent those of exceet Group AG (legal subsidiary) for the periods presented plus profits of exceet Group SE (legal acquirer) from the date of the reversed asset acquisition.

IFRS 3 B26 required that the weighted average number of shares outstanding during the period the reversed asset acquisition took place is calculated as follows:

(i) from the beginning of the period to the acquisition date, the number of shares used to calculate the EPS is based on the number of shares issued by the legal parent to acquire the legal subsidiary (exceet Group AG), and
(ii) for the period after the acquisition, the actual number of shares issued by the legal parent (exceet Group SE) which comprises the original number of shares plus the shares issued as a result of the reversed asset acquisition shall be considered for calculating the EPS.

Due to different rights to receive dividends (note 17), exceet Group SE has two classes of ordinary shares. Disclosure of EPS amounts is required for both classes of ordinary shares.

a) Basic

The calculation of basic EPS at December 31, 2012 is based on the profit attributable to the owners of the parent of TEUR 3,443 (2011: TEUR 14,858) and the weighted average number of ordinary shares outstanding of 20,073,695 Class A shares and 14,210,526 Class B/C shares respectively. For the previous year, the notional weighted average numbers of ordinary shares outstanding are 10,154,719 Class A shares and 11,171,053 Class B/C shares respectively.

		2012	2011
Profit for the year (TEUR) attributable to equity holders of the Company	Class A shares	3,301	14,746
	Class B/C shares	142	112
Weighted average number of ordinary shares outstanding	Class A shares	20,073,695	10,154,719
	Class B/C shares	14,210,526	11,171,053
Basic earnings per share (EUR/share)	Class A shares	**0.16**	**1.45**
	Class B/C shares	**0.01**	**0.01**

b) Diluted

Diluted EPS are calculated by increasing the average number of shares outstanding by the total number of potential shares arising from option rights. The Group has 20,000,000 outstanding Public Warrants and 66,667 share options from the Management Stock Option Program (MSOP). The warrants and share options are not dilutive as the average market price of the ordinary shares is below the exercise price of the warrants or the share options.

As described under note 17, Class B and C shares that are not converted to Public Shares on or prior to the fifth anniversary of the consummation of the reversed asset acquisition will no longer be convertible into Public Shares and will be redeemed. A redemption would reduce the numbers of ordinary shares outstanding, which would then impact the EPS. In the period presented it would lead to higher earnings per share for the other class of shares and consequently has not been considered as dilutive.

Should the share options be exercised, the total number of Class A share would increase by 66,667 to 20,140,362 Class A shares, having minor impact on the EPS. Share options from the MSOP not exercised within the contractual time frame expire without any redemption and have no dilutive impact on the EPS.

As a result the basic earnings per share equal the dilutive EPS.

31. OTHER FINANCIAL OBLIGATIONS / COMMITMENTS AND CONTINGENCIES

31.1 RENTAL AND LEASE CONTRACTS

Description of rental and lease contracts:

TEUR	2012	2011
OPERATING LEASE OBLIGATIONS (RENTAL) AS OF DECEMBER 31		
< 1 year	3,049	3,072
> 1 – 5 years	5,291	4,504
More than 5 years	1,676	918
Total	**10,016**	**8,494**

TEUR	2012	2011
FINANCE LEASE OBLIGATIONS AS OF DECEMBER 31		
< 1 year	2,772	2,513
> 1 – 5 years	4,843	3,786
More than 5 years	0	4
Total	**7,615**	**6,303**
Future finance charges on finance leases	462	450
Present value of finance lease liabilities	**7,153**	**5,853**

The present value of finance lease liabilities as follows:

TEUR	2012	2011
< 1 year	2,551	2,315
> 1 – 5 years	4,602	3,534
More than 5 years	0	4
Present value of future lease liabilities	**7,153**	**5,853**

In financial year 2012, the rental and leasing expenses amounted to TEUR 3,541 (2011: TEUR 2,899).

31.2 CONTINGENT LIABILITIES

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those already provided for (note 24).

32. PLEDGED ASSETS

The Company has the following pledged assets:

TEUR	2012	2011
Land and building	9,396	6,879
Pledged accounts receivables	12,832	11,514
Pledged other receivables	417	200
Pledged machinery and equipment	2,833	2,811
Total pledged assets	**25,478**	**21,404**

Bank borrowings are secured by land and buildings, receivables and machines and equipment (note 18).

33. BUSINESS COMBINATIONS

33.1 ACQUISITION OF NON-CONTROLLING INTERESTS

exceet Card Group AG

On July 15, 2011, the general shareholders' meeting of exceet Group AG resolved to increase the share capital of exceet Group AG by TEUR 2,807 to TEUR 16,870 (in Swiss francs: CHF 3,241,040 to CHF 25,528,040) against contribution in kind of 1,800,500 registered shares in exceet Card Group AG by Ulrich Reutner, Robert Wolny and Jan Trommershausen. By way of a contribution agreement of the same date, Mr. Reutner, Mr. Wolny and Mr. Trommershausen transferred 1,800,500 of their shares in exceet Card Group AG to exceet Group AG against subscription of 3,241,040 new shares at a nominal value of CHF 1 each at a price of CHF 4.53 per share. The agio (from the difference of nominal value to price) of TEUR 9,705 was booked as an increase in capital reserves. The difference between the non-controlling interests of TEUR 2,396 and the increase in share capital and capital reserves is shown as a decrease in retained earnings of TEUR 10,116 (see consolidated statement of changes in equity). The share capital increase was entered into the commercial register on July 25, 2011.

exceet Card AG (former Winter AG)

On February 15, 2011, the Group acquired additional 4.88% of the issued share capital of Winter AG and increased its interest in the subsidiary to 100%. The purchase of additional subsidiary shares once control is obtained by the parent entity is accounted for as an equity transaction and no gain or loss was recorded. The purchase price was TEUR 52.

33.2. ACQUISITION OF SUBSIDIARIES

as electronics GmbH

On May 24, 2012, the Group acquired all shares of as electronics GmbH located in Grossbettlingen, Germany.

Inplastor GmbH

On January 23, 2012, the Group acquired all shares of Inplastor Graphische Produkte Gesellschaft m.b.H. located in Vienna, Austria.

Helikos AG

Helikos AG was incorporated at May 27, 2011, and is a 100% subsidiary of exceet Group SE.

Contec Steuerungstechnik & Automation Gesellschaft m.b.H.

On May 2, 2011, the Group (exceet Austria GmbH 99.01%, exceet Group AG 0.99%) acquired all of the issued shares in Contec Steuerungstechnik & Automation Gesellschaft m.b.H.

AuthentiDate AG

On April 1, 2011, the Group acquired all of the issued shares in AuthentiDate AG, Düsseldorf, for a cash consideration of TEUR 1,031 (TUSD 1,530).

exceet Austria GmbH

On March 1, 2011, the Group acquired exceet Austria GmbH, an inactive holding company, which has been purchased for TEUR 40. At the date of acquisition, the acquired asset contains only cash positions.

The following table shows the cash flows of the acquisitions made in 2012 and 2011, and the transaction costs which were directly recognized in the income statement:

TEUR	2012	2011	Date of consolidation
CASH FLOW ON ACQUISITION OF INVESTMENTS			
Cash outflow on acquisition of as electronics GmbH	–8,811		May 24, 2012
Cash outflow on acquisition of Inplastor GmbH	–1,944		January 23, 2012
Cash outflow on acquisition of Contec GmbH		–4,609	May 2, 2011
Cash outflow on acquisition of AuthentiDate AG		–946	April 1, 2011
Cash outflow on acquisition of exceet Austria GmbH		–9	March 1, 2011
Cash outflow on acquisition of The Art of Packaging s.r.o.	–100	–780	December 31, 2010
Total	**–10,855**	**–6,344**	
TRANSACTION COST DIRECTLY RECOGNIZED IN THE INCOME STATEMENT			
AuthentiDate AG	0	255	
Contec GmbH	0	253	
exceet Austria GmbH	0	4	
exceet Card AG (former Winter AG)	0	1	
Inplastor GmbH	14	0	
as electronics GmbH	134	0	
Total	**148**	**513**	

The cash outflow on acquisition of The Art of Packaging s.r.o. is related to the acquisition in 2010, with delayed payment up to 2013.

The transaction costs are included in the administrative expenses.

33.2.1 ACQUISITION 2012 – AS ELECTRONICS GMBH

On May 24, 2012, the Group acquired by way of a share purchase agreement all of the shares of as electronics GmbH, a leading provider of embedded electronics and security solutions in Germany. The rationale for the acquisition was to expand the Group's engineering and development expertise in the electronics sector. The aggregate consideration amounts to TEUR 11,470, which consists of TEUR 10,070 cash consideration and a contingent consideration which requires the Group to pay TEUR 1,400 depending on defined operating results for the financial year 2012. Management expected the earn-out payment to be made in full on the date of the acquisition.
as electronics GmbH was acquired by exceet Group AG.

Transaction costs of TEUR 134 have been recognized in administrative expenses.

as electronics GmbH contributed revenue of TEUR 9,761 and a net profit of TEUR 239 to the Group for the period of May 24, 2012 to December 31, 2012. If the acquisition had occurred on January 1, 2012, as electronics GmbH would have contributed revenue of TEUR 16,384 and a net profit of TEUR 424 to the Group for the financial year 2012.

Details of net assets acquired and goodwill are as follows:

	TEUR
PURCHASE CONSIDERATION	
Purchase consideration paid	10,070
Contingent consideration	1,400
Total purchase consideration	**11,470**
Fair value of net assets acquired	–8,190
Goodwill (note 10)	**3,280**

The goodwill of TEUR 3,280 arises from a number of factors, such as expected synergies by integrating the acquired company into the Group's existing business model, the highly skilled workforce and to obtain economies of scale. The goodwill is not tax deductible.

The assets and liabilities arising from the acquisition are as follows:

	TEUR
FAIR VALUE	
Cash and cash equivalents	1,259
Tangible assets (note 9)	217
Software and other intangible assets (note 10)	68
Customer base, technology and brand (note 10)	6,559
Other financial assets	20
Inventory	4,691
Trade receivables (including allowance)	1,456
Other receivables	922
Accrued income and deferred expenses	84
Trade payables	–971
Other liabilities	–1,083
Accrued expenses and deferred income	–564
Provisions	–47
Bank liabilities	–2,524
Liabilities from finance leasing	–44
Deferred tax, net	–1,853
Net assets acquired	**8,190**
Consideration settled in cash	–10,070
Cash and cash equivalents in subsidiary acquired	1,259
Cash outflow on acquisition	**–8,811**

The fair value of trade receivables is TEUR 1,456. The gross contractual amount for trade receivables due is TEUR 1,466, of which TEUR 10 is expected to be uncollectible.

33.2.2 ACQUISITION 2012 - INPLASTOR GRAPHISCHE PRODUKTE GESELLSCHAFT M.B.H.

On January 23, 2012, the Group acquired by way of a share purchase agreement all of the shares of Inplastor Graphische Produkte Gesellschaft m.b.H. (Inplastor GmbH), an Austrian full-line provider of card-based loyalty and ID security solutions. The rationale for the acquisition was to strengthen the Group's market leader position in the card-based loyalty and ID security solution market in the DACH-Region (Germany, Austria and Switzerland). The aggregate consideration amounts to TEUR 2,700, which consists of TEUR 2,200 cash consideration, contingent considerations of TEUR 300 payable upon the submission of the audited financial statements as of December 31, 2011 of Inplastor GmbH, and TEUR 200 payable one year after the effective date of the acquisition provided all defined conditions have been fulfilled.

The contingent considerations of TEUR 500 have been paid into an escrow account, and TEUR 300 has been released as of December 31, 2012.

Inplastor GmbH was acquired through an intermediate Austrian holding company (exceet Austria GmbH). Transaction costs of TEUR 14 have been recognized in administrative expenses.

Inplastor GmbH contributed revenue of TEUR 8,356 and a net loss of TEUR 326 to the Group for the period of January 23, 2012 to December 31, 2012. If the acquisition had occurred on January 1, 2012, Inplastor GmbH would have contributed revenue of TEUR 8,615 and a net loss of TEUR 414 to the Group for the financial year 2012.

Details of net assets acquired and goodwill are as follows:

	TEUR
PURCHASE CONSIDERATION	
Purchase consideration paid	2,200
Contingent consideration paid in an escrow account	500
Total purchase consideration	**2,700**
Fair value of net assets acquired	–2,277
Goodwill (note 10)	**423**

The goodwill of TEUR 423 arises mainly from the expected synergies by integrating the acquired company into the Group's existing businesses. The goodwill is not tax deductible.

The assets and liabilities arising from the acquisition are as follows:

	TEUR
FAIR VALUE	
Cash and cash equivalents	756
Tangible assets (note 9)	489
Software and other intangible assets (note 10)	71
Customer base and technology (note 10)	1,765
Inventory	299
Trade receivables (including allowance)	172
Other receivables	20
Accrued income and deferred expenses	29
Trade payables	–291
Other liabilities	–211
Accrued expenses and deferred income	–72
Provisions	–189
Other long-term liabilities	–52
Deferred tax, net	–509
Net assets acquired	**2,277**
Purchase consideration settled in cash	–2,700
Cash and cash equivalents in subsidiary acquired	756
Cash outflow on acquisition	**–1,944**

The fair value of trade receivables is TEUR 172. The gross contractual amount for trade receivables due is TEUR 172; there are no trade receivable expected to be uncollectible.

33.2.3 ACQUISITION 2011 - CONTEC STEUERUNGSTECHNIK & AUTOMATION GESELLSCHAFT M.B.H.

Contec Steuerungstechnik & Automation Gesellschaft m.b.H. contributed revenue of TEUR 18,078 and a net loss of TEUR 208 to the Group for the period of May 2, 2011 to December 31, 2011. If the acquisition had occurred on January 1, 2011, Contec GmbH would have contributed revenue of TEUR 27,418 and a net loss of TEUR 281 to the Group.

Details of net assets acquired and goodwill are as follows:

	TEUR
PURCHASE CONSIDERATION	
Purchase consideration settled in cash	4,745
Contingent consideration	2,445
Total purchase consideration	**7,190**
Fair value of net assets acquired	–6,397
Goodwill (note 10)	**793**

The contingent consideration arrangement required the Group to pay over 2 years (2012 -2013) up to TEUR 3,000 (undiscounted amount) depending on defined results. The Management expected a revised earn-out payment of TEUR 1,000 (discounted amount TEUR 982) based on best estimate.

The goodwill is attributable mainly to expected synergies, labor force and the favorable sales growth opportunities. The goodwill is not tax deductible.

The assets and liabilities arising from the acquisition are as follows:

	TEUR
FAIR VALUE	
Cash and cash equivalents	136
Tangible assets (note 9)	4,769
Software and other intangible assets (note 10)	206
Customer base and technology (note 10)	3,590
Other financial assets	27
Inventory	7,440
Trade receivables (including allowance)	1,972
Other receivables	804
Accrued income and deferred expenses	152
Trade payables	–2,244
Other liabilities	–1,394
Accrued expenses and deferred income	–508
Provisions	–116
Long-term financial liabilities	–7,763
Deferred tax, net	–674
Net assets acquired	**6,397**
Purchase consideration settled in cash	–4,745
Cash and cash equivalents in subsidiary acquired	136
Cash outflow on acquisition	**–4,609**

The fair value of trade receivables is TEUR 1,972. The gross contractual amount for trade receivables due is TEUR 1,983, of which TEUR 11 is expected to be uncollectible.

33.2.4 ACQUISITION 2011 - AUTHENTIDATE AG

AuthentiDate AG contributed revenue of TEUR 3,981 and a net profit of TEUR 209 to the Group for the period of April 1, 2011 to December 31, 2011. If the acquisition had occurred on January 1, 2011, AuthentiDate AG would have contributed revenue of TEUR 4,931 and a net gain of TEUR 121 to the Group.

Details of net assets acquired and goodwill are as follows:

	TEUR
PURCHASE CONSIDERATION	
Purchase consideration settled in cash	1.031
Total purchase consideration	**1,031**
Fair value of net assets acquired	–651
Goodwill (note 10)	**380**

The goodwill is mainly attributable to expected synergies and labor force. The goodwill is not tax deductible.

The assets and liabilities arising from the acquisition are as follows:

	TEUR
FAIR VALUE	
Cash and cash equivalents	85
Tangible assets (note 9)	41
Software and other intangible assets (note 10)	26
Customer base (note 10)	1,500
Inventory	6
Trade receivables (including allowance)	455
Other receivables	360
Accrued income and deferred expenses	43
Trade payables	–106
Other liabilities	–517
Accrued expenses and deferred income	–1,059
Provisions	–5
Loan from shareholder	–70
Deferred tax, net	–108
Net assets acquired	**651**
Purchase consideration settled in cash	–1,031
Cash and cash equivalents in subsidiary acquired	85
Cash outflow on acquisition	**–946**

The fair value of trade receivables is TEUR 455. The gross contractual amount for trade receivables due is TEUR 474, of which TEUR 19 is expected to be uncollectible.

33.2.5 ACQUISITION 2011 - EXCEET AUSTRIA GMBH

On March 1, 2011, the Group acquired exceet Austria GmbH, an inactive holding company, which has been purchased for TEUR 40. At the date of acquisition, the acquired asset contains only cash positions. In June 2011 the Group made a capital contribution into exceet Austria GmbH.

34. INVESTMENT IN ASSOCIATE

IEE Opto Sense GmbH, Carl-Scheele-Strasse 16, D-12489 Berlin, Germany, which was a 20% equity investment, was immaterial for Group purposes and carried at cost less impairment. By December 31, 2010, it was written down to EUR 1 because the investment was sold in February 2011 for EUR 1. The loss of TEUR 6 was recognized in other financial expenses (note 29).

35. LIST OF CONSOLIDATED SUBSIDIARIES OF EXCEET GROUP SE

Company	Year of acquisition[1]	Activity
exceet Group SE	2011	Investments in subsidiaries
– Helikos AG	2011	Investments in subsidiaries
– exceet Group AG	2006	Investments in subsidiaries
– ECR AG	2006	Manufacturing of electronic components for industrial and med-tech application
– GS Swiss PCB AG	2006	Manufacturing of flexible, semi-flexible and HDI printed circuit boards
– Mikrap AG	2008	Development and distribution of software and hardware for instrumentation and control technology
– AEMtec GmbH	2008	Manufacturing of multi-chip modules
– as electronics GmbH	2012	Development and manufacturing of electronic components for industrial applications
– exceet Austria GmbH	2011	Investments in subsidiaries
– Contec Steuerungstechnik & Automation Gesellschaft m.b.H.[7]	2011	Manufacturing of electronic components for industrial and med-tech application
– Inplastor Graphische Produkte Gesellschaft m.b.H.	2012	Manufacturing of plastic card for Loyality, Events and ID Security Solutions
– AuthentiDate International AG	2011	Digital signatures and trust center
– AuthentiDate Deutschland GmbH[8]	2011	Digital signatures and trust center
– exceet Card Group AG[9]	2009	Investments in subsidiaries
– exceet Card Austria GmbH (former: VisionCard Kunststoffkartenproduktions GmbH)[2]	2009	Manufacturing of plastic card for Loyality, Access, Events and Transportation
– idVation GmbH[3]	2009	Customizing Solutions for RFID area and Logical Access
– The Art of Packaging s.r.o.[4]	2010	Production of prelaminates for RFID card components, packaging services
– exceet Card AG[2, 6, 10] (former Winter AG)	2010	Production of smart cards and card personalization
– PPC Card Systems B.V.[5]	2009	Personalization and mailing of all types of cards
– NovaCard Informationssysteme GmbH[2]	2009	Development and marketing of contact and contactless smart cards

1 Year of acquisition refers to exceet Group AG point of view
2 exceet Card Group AG holds 100% of the share capital of these subsidiaries
3 exceet Card Austria GmbH (former VisionCard GmbH) holds 100% of the share capital of idVation GmbH
4 exceet Card Austria GmbH (former VisionCard Kunststoffkartenproduktions GmbH) holds 98.67% of the share capital of TAoP s.r.o. idVation GmbH holds 1.33% of the share capital of TAoP s.r.o.
5 exceet Card AG (former Winter AG) holds 100% of the share capital of PPC Card Systems B.V. (due to the merger with PPC Card Systems GmbH)
6 4.88% of the share in the capital and in the votes were held by the public and purchased by exceet Group AG on February 16, 2011
7 exceet Austria GmbH holds 99.01% of the share capital of Contec GmbH and exceet Group AG 0.99% of the share capital of Contec GmbH
8 AuthentiDate International AG holds 100% of the share capital of AuthentiDate Deutschland GmbH
9 exceet Card Group AG holds 100% of the share capital of NovaCard Systems Inc., USA, which is an inactive company and therefore not consolidated.
10 PPC Card Systems GmbH and exceet Card AG (former Winter AG) have been merged in August 2012 retroactively as per January 1, 2012

Country	Ref.	Share capital	Share in the capital	Share of the votes
LUX	1	EUR 527,960	100%	100%
SUI	2	CHF 100,000	100%	100%
SUI	3	CHF 25,528,040	100%	100%
SUI	2	CHF 500,000	100%	100%
SUI	4	CHF 1,350,000	100%	100%
SUI	2	CHF 1,000,000	100%	100%
GER	5	EUR 2,250,000	100%	100%
GER	6	EUR 102,150	100%	100%
AUT	7	EUR 35,000	100%	100%
AUT	7	EUR 36,000	100%	100%
AUT	8	EUR 50,000	100%	100%
GER	9	EUR 1,000,000	100%	100%
GER	9	EUR 25,000	100%	100%
GER	10	EUR 5,915,500	100%	100%
AUT	11	EUR 35,000	100%	100%
GER	12	EUR 25,000	100%	100%
CZE	13	CZK 1,500,000	100%	100%
GER	12	EUR 6,315,584	100%	100%
NED	14	EUR 226,900	100%	100%
GER	10	EUR 1,022,584	100%	100%

Ref.	Address		
1	115 avenue Gaston Diderich	L-1420 Luxembourg	Luxembourg
2	Riedstrasse 1	CH-6343 Rotkreuz	Switzerland
3	Marktplatz 4	CH-9004 St. Gallen	Switzerland
4	Fännring 8	CH-6403 Küssnacht a. R.	Switzerland
5	Carl-Scheele-Strasse 16	D-12489 Berlin	Germany
6	Kantstrasse 10	D-72663 Grossbettlingen	Germany
7	Wildbichler Strasse 2E	A-6341 Ebbs	Austria
8	Leberstrasse 62	A-1110 Wien	Austria
9	Rethelstrasse 47	D-40237 Düsseldorf	Germany
10	Senefelderstrasse 10	D-33100 Paderborn	Germany
11	Industriezone 3	A-6175 Kematen in Tirol	Austria
12	Edisonstrasse 3	D-85716 Unterschleissheim/München	Germany
13	Zernovice 1	CZ-383 01 Okr.Prachatice	Czech Republic
14	Neutronstraat 8	NL-9743 AM Groningen	Netherland

As a result of internal restructuring, PPC Card Systems GmbH was merged into exceet Card AG (former Winter AG) as at January 1, 2012. No gain or loss was realized as result of the merger.

In the effort of Group branding strategy, several companies have their legal name changed to incorporate "exceet" as per the following table:

New name	Previous name	Date of change
exceet Card Austria GmbH	VisionCard Kunststoffkartenproduktions GmbH	December 14, 2012
exceet Card AG	Winter AG	December 10, 2012
exceet CZ s.r.o.	The Art of Packaging s.r.o.	January 1, 2013
exceet Card Nederland B.V.	PPC Card Systems B.V.	January 4, 2013

As a result of the restructuring of the Group, the two subsidiary companies Helikos Management GmbH, Frankfurt am Main, Germany ("Helikos GmbH") and the Helikos Acquisition GmbH & Co. KG, Frankfurt am Main, Germany ("Helikos KG") are not consolidated as at December 31, 2011. Helikos GmbH was merged by means of acquisition into AEMtec GmbH, Berlin, Germany as at September 30, 2011, whereas Helikos KG was merged into exceet Group SE as at December 5, 2011. Due to the fact, that the restructuring was executed within the Group, no gain or loss was realized on group level.

36. ULTIMATE CONTROLLING PARTIES AND RELATED-PARTY TRANSACTIONS

The Company has no ultimate controlling party.

Entities and natural persons (and their families) are considered related parties if they have the possibility to control the exceet Group SE or to exert a significant influence on its financial and business policies. For the purpose of assessing the significant influence exercised by related parties on the financial or business policies of the exceet Group SE, the existence of fiduciary relationships is taken into account in addition, to the existing control relationships.

RELATED ENTITIES

The following entities are to be considered related parties:

- Greenock S.à.r.l. (Ventizz) New York, USA (shareholder)
- Oranje-Nassau Participaties B.V., Amsterdam, Netherlands (shareholder)
- Eiflia Holding GmbH, Bonn, Germany (shareholder)
- Dagogen AG, St. Gallen, Switzerland (shareholder)

- ICID Handels GmbH, Kematen, Austria (entity controlled by related person)
- TAoP GmbH, Kematen, Austria (entity controlled by related person)

RELATED PERSONS

Board of Directors

- Hans Hofstetter, President of the Board of Directors
- Thomas Brauchli
- Dr. Hagen Hultzsch
- Roland Lienau
- Dirk-Jan Van Ommeren
- Ulrich Reutner

MEMBERS OF THE MANAGEMENT BOARD OF EXCEET GROUP SE

Ulrich Reutner	Chief Executive Officer
	Chief Financial Officer
Robert Wolny	Chief Operating Officer – IDMS
Jan Trommershausen	Chief Operating Officer – ECMS
Ulrich Feisst *	Chief Financial Officer

*Resigned from the Group as of June 30, 2012

The remuneration of members of Management Board and the Board of Directors is disclosed in note 37.

TRANSACTIONS WITH RELATED PARTIES RELATED TO THE CONSUMMATION OF THE ACQUISITION

In October 2009, the founding shareholders (Wendel Group, Prof. Dr. Dr. h.c. Hermann Simon and Mr. Roland Lienau) acquired an aggregate of 9,473,684 founding shares at a price of EUR 0.0152 per founding share or an aggregate purchase price of TEUR 144. Subsequently and after successful completion of the IPO, the amount of founding shares has been reduced in order to cap the maximum ownership of founding shareholders to 24% via share capital decrease by means of a reimbursement in cash at the nominal acquisition value. Immediately prior to the IPO closing date, the founding shareholders purchased 10,000,000 founding warrants at a purchase price of EUR 1.00 per founding warrant (aggregate price of TEUR 10,000). Wendel Group subscribed for TEUR 8,800 and each of Prof. Dr. Dr. h.c. Hermann Simon and Mr. Roland Lienau subscribed for TEUR 600. The terms and conditions of the founding shares and warrants are described in note 17 and note 22 respectively. With consummation of the reversed asset acquisition in 2011, the 10,000,000 founding warrants have been redeemed for a price of EUR 1 per warrant and the founders have subscribed 1,000,000 new Class B4 shares for EUR 10 per share. Furthermore, the Class B1 shares automatically have been converted into Class A shares. As at December 31, 2012, 5,210,526 Class B shares are outstanding.

On July 21, 2011, Greenock S.à r.l., Oranje-Nassau Participaties B.V., Ulrich Reutner, Robert Wolny, Eiflia Holding GmbH, Roland Lienau and Jan Trommershausen concluded a shareholders' agreement, committing themselves to a common, long-term strategy regarding the management of exceet Group SE according to article 9(a) of the Luxembourg law of transparency. The parties of this shareholders' agreement have controlled 71.34% of the total voting rights since July 29, 2011.

One shareholder loan of TEUR 4,350 (with additional interest and any other amounts accrued) granted to exceet Card Group AG was repaid in full with consummation of the reversed asset acquisition and one shareholder loan of TEUR 1,050 (with additional interest and any other amounts accrued) granted to exceet Group AG was repaid in full by January 30, 2012. All other shareholder loans remain unchanged since year-end (interest charge for the period 2012 – TEUR 143 (2011: TEUR 226)). In addition, the Group had legal charges in 2012 of TEUR 272 (2011: TEUR 208). For the acquisition of The Art of Packaging s.r.o. at December 31, 2010, TEUR 100 (2011: TEUR 780) was paid to Members of Management Board of exceet Group AG (note 33) by the end of the first quarter of 2012.

In April 2012, Dagogen AG (St. Gallen, Switzerland) acquired 11,000 of Class A shares.

OTHER TRANSACTIONS WITH RELATED PARTIES

A number of board members or related entities transacted with the Group in the reporting period. The terms and conditions of the transactions with related entities were no more favorable than those available on similar transactions to non-related parties. The interest of the shareholder's loans is in line with the guideline of the Swiss Federal tax authority.

The aggregate value of transactions and outstanding balances relating to transactions with related parties were as follows:

TEUR		2012	2011
TRANSACTION VALUE YEAR ENDED DECEMBER 31			
Related party	**Transaction**		
Entity controlled by Members of the Board of Directors and Management Board	Legal service	–272	–208
Ultimate parent	Loans interest charged	–130	–204
Associate	Loans interest charged	–13	–22
Entity controlled by Members of the Board of Directors and Management Board	Other administration costs	–34	–178
Associate	Other administration costs	0	–7
Board of Directors and Management Board	Other administration costs	–36	–57
BALANCE OUTSTANDING AT DECEMBER 31			
Related party	**Balance outstanding**		
Entity controlled by Members of the Board of Directors and Management Board	Trade payables and other liabilities	–60	–93
Board of Directors and Management Board	Trade payables and other liabilities	–2	–3
Associate	Borrowings and other liabilities	–250	0
Ultimate parent	Borrowings and other liabilities	–5,556	–6,761
Board of Directors and Management Board	Borrowings and other liabilities	–600	–779

The conditions of the loan to shareholders are described in note 18.

CONTINGENT LIABILITIES TOWARDS RELATED PARTIES

No contingent liabilities towards related parties.

37. REMUNERATION OF MEMBERS OF BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The following renumeration relates to the financial year 2012:

TEUR	2012	2011
Remuneration for meetings	112	24
Total remuneration to the Board of Directors	**112**	**24**
Salaries and social cost payments to Management Board	1,684	1,516
Share-based payments to Managment Board (note 20)	56	0
Post-employment benefits payments to Management Board	109	81
Total remuneration Management Board	**1,849**	**1,597**

In 2012, seven (2011: eight) meetings took place. Furthermore the directors receive a fee on an hourly basis for additional services rendered.

The remuneration of the Management Board comprises a fixed and a variable component.

The members of the Management Board and the Board of Directors hold the following shares and options:

MANAGEMENT BOARD	2012 Total shares	2012 Class A shares	2012 Class B shares	2012 Class C shares	2011 Number of shares
Ulrich Reutner	1,179,054	634,689	0	544,365	1,029,054
Robert Wolny	1,025,854	481,489	0	544,365	1,025,854
Jan Trommershausen	101,593	47,683	0	53,910	101,593
Total	**2,306,501**	**1,163,861**	**0**	**1,142,640**	**2,156,501**

	Options carry forward January 1, 2012	Granted during financial year	Vested during financial year	Closing position December 31, 2012
Jan Trommershausen	0	66,667	0	66,667
Total	**0**	**66,667**	**0**	**66,667**

BOARD OF DIRECTORS	2012 Total shares	2012 Class A shares	2012 Class B shares	2012 Class C shares	2011 Number of shares
Hans Hofstetter, President of the Board of Directors	0	0	0	0	0
Thomas Brauchli	0	0	0	0	0
Dr. Hagen Hultzsch	0	0	0	0	0
Roland Lienau	395,668	108,829	286,839	0	395,668
Dirk-Jan Van Ommeren	0	0	0	0	0
Ulrich Reutner	1,179,054	634,689	0	544,365	1,029,054
Total	**1,574,722**	**743,518**	**286,839**	**544,365**	**1,424,722**

38. EVENTS AFTER THE BALANCE SHEET DATE

LIST OF CONSOLIDATED SUBSIDIARIES OF EXCEET GROUP SE

Continuing the internal restructures in IDMS to promote brand awareness, the Board of Directors has approved the merger of NovaCard Informationssysteme GmbH into exceet Card AG on December 11, 2012 effective as of January 1, 2013. As the restructure is a merger within the Group, no gain or loss is expected to be realized.

39. REPORT OF THE INDEPENDENT AUDITOR

To the Shareholders of
exceet Group SE
Société Européenne
115, avenue Gaston Diderich
L-1420 Luxembourg

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of exceet Group SE (the "Company") and its subsidiaries (all together, the "Group"), which comprise the consolidated balance sheet as at December 31, 2012, and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Consolidated Management Report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

The Corporate Governance Statement, as published on the Company's website www.exceet.lu, as of the date of this report, is the responsibility of the Board of Directors. This statement is consistent, at the date of this report, with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

PricewaterhouseCoopers, Société coopérative
Luxembourg, February 28, 2013
Represented by

Philippe Duren

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