# FIRST QUARTER 2018 REPORT

**exceet Group SE**
115 avenue Gaston Diderich
L-1420 Luxembourg
Grand Duchy of Luxembourg

# INTERIM MANAGEMENT REPORT

# Electronics Market in Good Condition

- 3M 2018 group sales at EUR 38.0 million (3M 2017: EUR 35.4 million), plus 7.4% compared to prior year; Organic Growth Rate[1] 3M 2018: plus 10.4% (3M 2017: plus 11.5%)
- 3M 2018 group EBITDA[1] at EUR 3.1 million (3M 2017: EUR 1.9 million), up 62.9% versus 3M 2017
- Positive net income for the first quarter 2018 of EUR 0.8 million (3M 2017: minus EUR 0.4 million)
- 3M Group Cash Flow from operating activities reached minus EUR 1.0 million (3M 2017: minus EUR 2.9 million)
- On 31 March 2018, Order Backlog[1] at EUR 113.0 million (plus EUR 17.0 million compared to 31 March 2017), cash at EUR 27.0 million, Net Debt[1] at EUR 0.8 million (31.12.2017: Net Cash EUR 0.7 million), Equity Ratio[1] at 56.3% (31.12.2017: 57.4%)

## Financial Performance

Q1 2018 sales of exceet amounted to EUR 38.0 million, an increase by 7.4% versus the corresponding quarterly figure of the previous year and surpassing the turnover of the preceding quarter by 9.7%. Excluding the negative currency impact of EUR 1.1 million mainly due to the weaker Swiss Franc the Organic Growth reached 10.4%. The actual sales figure for Q1 2018 is the highest Q1 figure recorded within the last four fiscal years.

Q1 2018 EBITDA reached EUR 3.1 million, +62.9% compared to Q1 2017 and +107.3% versus the preceding Q4 2017. This lifts the EBITDA margin[1] to 8.2% on a quarterly basis (3M 2017: 5.4%). Q1 2018 EBIT reached EUR 1.4 million after it had been marginally positive one year ago. The group's year to date net result amounts to EUR 0.8 million and represents earnings per share of Euro 0.04 (3M 2017: minus Euro 0.02).

exceet's Order Backlog increased further to EUR 113.0 million after having exceeded the EUR 100.0 million mark at the end of 2017 (31.12.2017: EUR 107.3 million). In comparison to 31 March 2017 the Order Backlog increased by EUR 17.0 million (+17.7%). The twelve months rolling Book-to-Bill Ratio[1] of 1.11 (3M 2017: 1.12) supports the continued promising sales trend.

The cost structure has been optimized at all levels within exceet's electronics activities. Particularly, the fix cost base in the printed circuit board activities and at the ESS location in Dusseldorf (Germany) were reduced. Additionally, the production and sales structures at the location in Ebbs (Austria) were further improved. Therefore, further top line growth can be expected to translate into a disproportionately higher profit growth. However, some locations, respectively product areas, are still at the beginning of a successful development and need more time to prove concepts, as this is the case for the restructured location in Rotkreuz (Switzerland) and for the ESS segment, which still operates within a framework of conditions similar to a start-up environment.

1) See note 19 "Alternative Performance Measures (APM)" Page 27-29

## Segment Reporting

### Electronic Components, Modules & Systems (ECMS)

The segment, which is accounting for 93.9% of group sales, increased its external net sales by 8.7% to EUR 35.7 million during the first three months of 2018 (3M 2017: EUR 32.8 million). The EBITDA of the segment reached EUR 4.1 million, plus 28.0% compared to the prior year (3M 2017: EUR 3.2 million) reflecting an EBITDA Margin for the segment of 11.4% (3M 2017: 9.7%).

The ECMS segment develops and produces innovative, complex and integrated electronic products, with a focus on miniaturization, cost optimization and a high degree of customization to suit the needs of its customers. The segment covers the whole customer value chain from design and development through production to after sales services. ECMS addresses primarily the markets of medical & healthcare and industrial automation.

The positive sales trend of 2017 continued during the first three months of 2018 and has set a favourable basis for the group's further business development in 2018. This was achieved with new projects and higher volumes ordered by existing customers in a positive market environment. The pick-up of sales in Ebbs (Austria) leveraged positively the performance of group revenues. Higher order volumes and a strong backlog situation supported this positive development.

The increasing demand for exceet's wafer backend solution which offers added-value features along the entire value chain for high-end micro- and opto-electronic solutions was an additional positive aspect of the first quarter. On the other side, the sales of medical grade body wearable products continued to be moderate due to project delays.

The integrated development of hardware and software becomes more and more important for the segment. The demand for microprocessor related product suites as well as for customer-specific product bundles like control units and displays continues to be on high demand. To support this trend, the segment launched a new product, "Passepartout for Raspberry Pi", an industrial development kit based on the Raspberry Pi compute module 3 processor. Development engineers benefit from a quick and easy implementation by taking advantage of a standard technology which can be customized to their demands while also benefitting from a faster time-to-market for their products. The kit perfectly links the world of the innovative electronics maker scene to the world of production-oriented industrial environments by helping technological innovations on their way to industrialization.

Technologically, the electronic experts in Grossbettlingen (Germany) started the implementation of a testing and programming environment using collaborative robots which are able to reduce production times in the near future. Furthermore, the teams in Bucharest (Romania) and Rotkreuz (Switzerland) developed a complex electronic module for a reader of QR codes and bar codes. Further new development projects like the alignment of opto-electronic components and optical fiber have been started.

The group's high-end printed circuit board business which is focused on miniaturized applications for the medical industry started into 2018 on a stable level and is still mainly based on the cochlear implant and hearing aid market. The ongoing development of the semi-additive process looks promising and will be continued in 2018.

### exceet Secure Solutions (ESS)

ESS contributed 6.1% to group sales and generated external revenues of EUR 2.3 million in the first three months of the year, minus 9.2% versus the year earlier figure (3M 2017: EUR 2.6 million). The EBITDA for the reporting period remained negative with minus EUR 0.2 million versus minus EUR 0.6 million the year before.

The segment was able to win new customers in the field of electrical interconnect and automation solutions as well as in new markets like renewable energy production. The modular product suite "exceet connect" which ensures secure communication between users and devices was launched and first customer orders have been received.

To support this positive trend the workforce was selectively enlarged and the team of Zirndorf (Germany) moved to the new location in Fürth (Germany) in order to have optimized workflow conditions. The new management team is committed to strengthen customer relationships and to further improvements of the business.

In collaboration with partners, exceet will combine the block chain technology with classic cryptographic solutions and at the same time integrate virtual Hardware Security Modules (HSM) in its product suite. Together with its eSignature and HSM solutions, ESS offers a complete digital and secure communication portfolio.

## Group Balance Sheet Positions

As of 31 March 2018, the total assets of exceet Group amounted to EUR 133.3 million, compared to the restated EUR 130.2 million as of 31 December 2017 (see exceet Interim Financial Statements note 16).

The non-current assets amounted to EUR 49.9 million (31.12.2017: EUR 50.9 million) and decreased by EUR 1.0 million. This position includes tangible assets of EUR 26.3 million (31.12.2017: EUR 26.5 million), intangible assets of EUR 22.2 million (31.12.2017: EUR 22.8 million) and other non-current assets of EUR 1.4 million (31.12.2017: EUR 1.6 million). The non-current assets include deferred tax assets of EUR 1.4 million (31.12.2017: EUR 1.2 million).

Current assets amounted to EUR 83.4 million, compared to restated EUR 79.3 million at year-end 2017. The increase of EUR 4.1 million includes an increase of the inventories by EUR 2.0 million and the trade receivables of EUR 4.2 million due to the good level of sales and the preceding material purchases for projects in progress. However, the difficult procurement market with its shortage of electronic components and the related delay in finishing customer orders are substantial elements of this tendency to higher inventories. The lower cash and cash equivalents of EUR 27.0 million (31.12.2017: EUR 29.0 million) reflects the further increase of the Operating Net Working Capital[1)] from EUR 37.1 million to EUR 42.1 million despite the stronger net cash from the other operating activities.

At the end of the reporting period, exceet Group's equity amounted to EUR 75.0 million, against restated EUR 74.7 million as of 31 December 2017. This represents a reasonable equity ratio of 56.3% (31.12.2017: 57.4%), caused by the higher total assets as of 31 March 2018.

The decrease of the current liabilities by EUR 15.4 million to EUR 23.2 million as of 31 March 2018 (31.12.2017: EUR 38.6 million) includes the reclassification of borrowings of EUR 18.3 million from current liabilities to non-current liabilities as a new main bank facility agreement was signed in February 2018. The agreement has a duration period of five years till 28 February 2023. Further, the trade payables increased due to the higher level of sales by EUR 1.1 million and the accrued expenses increased by EUR 2.5 million.

Non-current liabilities increased by EUR 18.2 million from EUR 16.9 million at year-end of 2017 to EUR 35.1 million. EUR 18.3 million are related to the reclassification of the borrowings covered by the new main bank facility agreement from current liabilities. In addition borrowings were reduced by EUR 0.1 million caused by the weaker Swiss Francs. The adjustment of the retirement benefit obligations according to the actual actuarial calculation caused an increase of the provision by EUR 0.5 million mainly caused by the lower returns on the plan assets and the deferred tax liabilities decreased by EUR 0.2 million.

## Cash Development and Net Debt

The cash and cash equivalents of EUR 27.0 million (31.12.2017: EUR 29.0 million) reflect the further increase of the operating net working capital caused by the higher level of sales and material purchases for projects in progress especially driven by the actual shortage of electronic components on the global market.

The 3M 2018 cash outflow of EUR 2.0 million (3M 2017: outflow EUR 7.9 million) consisted of EUR 1.0 million for investments into tangible and intangible assets, investments into the net working capital of EUR 3.2 million, net tax payments of EUR 0.8 million, interest payments of EUR 0.2 million, currency impact on cash of minus EUR 0.1 million and the cash inflow out of operations with EUR 3.2 million. The net debt position as of 31 March 2018 amounts to EUR 0.8 million (31.12.2017: net cash EUR 0.7 million).

1) See note 19 "Alternative Performance Measures (APM)" Page 27-29

## Employees

As of 31 March 2018, the Group had 692 employees (Headcount) (31.3.2017: 698) or 637 full-time equivalents (FTE) (31.3.2017: 645). 326 (31.3.2017: 315) were employed in Germany, 209 (31.3.2017: 232) in Switzerland, 87 (31.3.2017: 83) in Austria, 15 (31.3.2017: 14) in Romania and 1 (31.3.2017: 1) in the USA.

## Capital Market Environment and Share Price Performance

After a series of upward revisions of growth estimates for Germany and the Eurozone during last year, many economic observers had confirmed their expectation of a sound growth in 2018 based on private demand, exports and investment spending.

Having passed the first quarter of 2018, the optimism has been dampened noticeable by deteriorating economic data. Partially surprisingly weak figures for order intakes, industrial production, retail sales and exports along visible drops of sentiment indicators have raised concerns that growth for Q1 2018 most probably will fall short of the 0.6% - 0.9% range seen in 2017. Also Asia has been delivering some economic warnings such as a weak industrial production in Japan and weak Purchasing Managers Index data in China.

In the US, growth concerns seemed to be less pronounced. The unemployment rate of around 4% shows a strong labour market. Consumer confidence maintains a high level and the tax reform of the Trump administration is widely expected to be supportive for growth. The key concern, which currently overshadows world growth, is the uncertain effect out of the latent trade conflict between the US and China. An escalation in which a high proportion of the global trade volume could be affected by new or higher customs duties could significantly harm global trade and growth.

However, recent comments by central banks still assume further growth at satisfying levels. Inflation in the US is estimated to tend towards 2% in the course of the year, supporting the expectation of a gradually further tightening of monetary policy after the Fed Funds target rate has been increased to 1.5% - 1.75% in March 2018. Recently, some market analysts even seemed to be concerned about the prospects of a possibly stronger tightening of interest rates due to potential inflation risks from the labour market and new or higher customs duties. The European Central Bank (ECB), who has reduced its bond purchase program as of 1 January 2018, will keep its monetary policy on hold for the time being. Eurozone inflation, which stood at 1.4% in March 2018, is expected to approach the 2% target rate in 2020 at the earliest. In Germany, inflation could pick up earlier due to rising labour costs. This might be compensated by lower import prices as the Euro has strengthened by roughly 15% over the last 12 months.

In Q1 2018, equity markets were clearly negatively affected by growth and interest rate concerns. Investors reduced equity exposures with respect to rising volatilities and mixed corporate news. The German DAX 30 lost about half of its last year performance and finished the first quarter with a result of minus 6.4%. The Swiss SMI showed a similar minus of 6.8% in Q1 while the EuroStoxx 50 ended the reporting period with minus 4.1% - more than 50% of its already subdued performance in 2017. On the contrary, US markets, which had already been strongly outperforming European markets in 2017, lost only 2.5% (Dow Jones Industrial Average) and even managed to add 2.9% (Nasdaq Composite) respectively. The technology-driven German TecDAX (minus 1.4%) showed a quarterly performance closer to the Nasdaq Composite than to the DAX.

exceet shares, which started with a strong momentum into the year 2018, reached a peak of Euro 5.75 in Q1 2018 and marked a low price of Euro 4.00. The share price as of 31 March 2018 was Euro 4.34 (+3.3% versus 31 December 2017). The cumulative trading volume on XETRA amounted to 181,351 shares (3M 2017: 412,007 shares).

## Opportunities and Risk Report

The statements provided in the Annual Report 2017 on the opportunities and risks of the business model remain unchanged.

## Significant Events and Actions

There were no events since the balance sheet date on 31 March 2018 that would require adjustment of assets or liabilities or a disclosure.

## Outlook

After an overall satisfying business year 2017, the first quarter of the new fiscal year confirmed the management's positive expectations that had already been expressed in the 2017 full year report and gives cause for further optimism. Latest order backlog figures have been marking a fresh record level for the group and suggest a reasonable assumption of a mid-single digit organic top line growth for the current portfolio of exceet's electronics activities. A pre-condition for this scenario is the absence of major general economic or industry-related disruptions. Points of concerns to be mentioned are geopolitical conflicts, trade conflicts, Eurozone tensions, global indebtedness and monetary policy. With respect to the electronics industry, electronic material shortages and longer lead times for specific components have to be outlined again. Also a lack of highly qualified employees remains a crucial factor for future growth.

The EBITDA margin has entered a solid recovery process and is now catching up step-by-step. But the project driven characteristics of exceet's business – as outlined several times before – can lead to a certain volatility of this figure on a quarterly basis.

exceet's portfolio seems to be in a promising position to create further value for exceet's shareholders. The Management and Board of Directors continue to assess exceet's activities to improve the value of its portfolio. This may result in an active portfolio management which includes the acquisition and sale of companies.

If the coming shareholder meeting of 2 May 2018 approves the transfer of the registered office of the company, the new address will be:

17, rue de Flaxweiler, L-6776 Grevenmacher (Luxembourg)

Luxembourg, 30 April 2018
exceet Group SE
The Board of Directors and the CEO / CFO

# INTERIM FINANCIAL STATEMENTS
## (CONDENSED & CONSOLIDATED)

The accompanying notes are an integral part of the Interim Financial Statements (condensed & consolidated).

## INTERIM BALANCE SHEET (CONSOLIDATED)

| (in EUR 1,000) | unaudited 31 March 2018 | restated 31 December 2017 | audited 31 December 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible assets | 26,293 | 26,528 | 26,528 |
| Intangible assets [1] | 22,165 | 22,770 | 22,770 |
| Deferred tax assets | 1,439 | 1,233 | 1,233 |
| Financial assets at fair value through profit or loss | 9 | 9 | 0 |
| Financial assets at amortized costs | 0 | 375 | 0 |
| Other financial investments | 0 | 0 | 384 |
| **Total non-current assets** | **49,906** | **50,915** | **50,915** |
| | | | |
| **Current assets** | | | |
| Inventories | 31,365 | 29,380 | 30,033 |
| Trade receivables, net | 21,533 | 17,366 | 17,366 |
| Contract assets | 1,088 | 1,072 | 0 |
| Other current receivables | 873 | 1,262 | 1,262 |
| Current income tax receivables | 464 | 617 | 617 |
| Accrued income and prepaid expenses | 1,083 | 603 | 603 |
| Cash and cash equivalents | 26,982 | 28,965 | 28,965 |
| **Total current assets** | **83,388** | **79,265** | **78,846** |
| | | | |
| **Total assets** | **133,294** | **130,180** | **129,761** |
| | | | |
| **EQUITY** | | | |
| Share capital | 312 | 312 | 312 |
| Reserves | 74,734 | 74,415 | 74,056 |
| **Equity attributable to Shareholders of the parent company** | **75,046** | **74,727** | **74,368** |
| **Total equity** | **75,046** | **74,727** | **74,368** |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings [2] | 26,310 | 8,385 | 8,385 |
| Retirement benefit obligations | 5,512 | 5,051 | 5,051 |
| Deferred tax liabilities | 1,500 | 1,696 | 1,636 |
| Provisions for other liabilities and charges | 663 | 643 | 643 |
| Other non-current liabilities | 1,098 | 1,121 | 1,121 |
| **Total non-current liabilities** | **35,083** | **16,896** | **16,836** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 10,818 | 9,686 | 9,686 |
| Contract liabilities | 570 | 445 | 0 |
| Other current liabilities | 1,324 | 2,039 | 2,039 |
| Accrued expenses and deferred income | 8,078 | 5,568 | 6,013 |
| Current income tax liabilities | 806 | 863 | 863 |
| Borrowings [2] | 1,446 | 19,832 | 19,832 |
| Provisions for other liabilities and charges | 123 | 124 | 124 |
| **Total current liabilities** | **23,165** | **38,557** | **38,557** |
| | | | |
| **Total liabilities** | **58,248** | **55,453** | **55,393** |
| | | | |
| **Total equity and liabilities** | **133,294** | **130,180** | **129,761** |

1) Incl. Goodwill of EUR 12,647 (31.12.2017: EUR 12,688)
2) Net debt amount to EUR 774 (31.12.2017: Net cash EUR 748) based on third party borrowings EUR 27,756 (31.12.2017: EUR 28,217) less cash and cash equivalents of EUR 26,982 (31.12.2017: EUR 28,965)

The accompanying notes are an integral part of the Interim Financial Statements (condensed & consolidated).

# INTERIM INCOME STATEMENT (CONSOLIDATED)

| (in EUR 1,000) | unaudited 01.01. - 31.03.2018 | unaudited 01.01. - 31.03.2017 |
|---|---|---|
| | | |
| Revenue | 38,008 | 35,401 |
| Cost of sales | (32,640) | (31,017) |
| **Gross profit** | **5,368** | **4,384** |
| *Gross profit margin* | *14.1%* | *12.4%* |
| | | |
| Distribution costs | (2,016) | (2,450) |
| Administrative expenses | (2,048) | (2,036) |
| Other operating income | 126 | 117 |
| **Operating result (EBIT)** [1] | **1,430** | **15** |
| *EBIT margin* | *3.8%* | *0.0%* |
| | | |
| Financial income | 815 | 246 |
| Financial expenses | (911) | (545) |
| **Financial result, net** | **(96)** | **(299)** |
| | | |
| **Profit/(Loss) before income tax** | **1,334** | **(284)** |
| Income tax expense | (525) | (109) |
| **Profit/(Loss) for the period** | **809** | **(393)** |
| *Profit/(Loss) margin* | *2.1%* | *(1.1%)* |
| | | |
| EARNINGS PER SHARE IN EURO ON TOTAL GROUP BASIS (BASIC = DILUTIVE) | | |
| Class A shares | 0.04 | (0.02) |
| | | |
| Operating result (EBIT) | 1,430 | 15 |
| Depreciation and amortization | 1,681 | 1,895 |
| **Operating result before depreciation, amortization and impairment charges (EBITDA)** [2] | **3,111** | **1,910** |
| *EBITDA margin* | *8.2%* | *5.4%* |

1) Earnings Before Interest and Taxes
2) Earnings Before Interest, Taxes, Depreciation and Amortization

The accompanying notes are an integral part of the Interim Financial Statements (condensed & consolidated).

# INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONSOLIDATED)

| (in EUR 1,000) | unaudited 01.01. - 31.03.2018 | unaudited 01.01. - 31.03.2017 |
|---|---|---|
| | | |
| **Profit/(Loss) for the period** | 809 | (393) |
| | | |
| **Items not to be reclassified to profit and loss:** | | |
| Remeasurements of defined benefit obligation | (357) | 1,050 |
| Deferred tax effect on remeasurements of defined benefit obligation | 48 | (141) |
| **Items not to be reclassified to profit and loss** | (309) | 909 |
| | | |
| **Items to be reclassified to profit and loss:** | | |
| Currency translation differences | (181) | 145 |
| **Items to be reclassified to profit and loss** | (181) | 145 |
| **Total comprehensive income for the period** | 319 | 661 |
| | | |
| Attributable to: | | |
| Shareholders of the parent company | 319 | 661 |

The accompanying notes are an integral part of the Interim Financial Statements (condensed & consolidated).

# INTERIM STATEMENT OF CASH FLOWS (CONSOLIDATED)

| (in EUR 1,000) | unaudited 01.01. - 31.03.2018 | unaudited 01.01. - 31.03.2017 |
|---|---|---|
| **Profit/(Loss) before income tax** | **1,334** | **(284)** |
| Amortization on intangible assets | 628 | 722 |
| Depreciation on tangible assets | 1,053 | 1,173 |
| (Gains)/Losses on disposal of assets | 0 | (8) |
| Change of provisions | 20 | 19 |
| Adjustments to retirement benefit obligations/prepaid costs | 138 | (416) |
| Financial (income)/expenses | 138 | 204 |
| Other non-cash (income)/expenses | (63) | 300 |
| **Operating net cash before changes in net working capital** | **3,248** | **1,710** |
| | | |
| Changes to net working capital | | |
| - inventories | (1,974) | (2,270) |
| - receivables | (3,828) | (3,476) |
| - accrued income and prepaid expenses | (482) | (475) |
| - liabilities | 424 | 785 |
| - provisions for other liabilities and charges | 0 | (18) |
| - accrued expenses and deferred income | 2,635 | 1,830 |
| | | |
| Tax received (prior periods) | 1 | 273 |
| Tax paid | (783) | (1,084) |
| Interest received | 17 | 5 |
| Interest paid | (211) | (217) |
| **Cashflows from operating activities** [1)] | **(953)** | **(2,937)** |
| | | |
| Purchase of tangible assets | (877) | (513) |
| Sale of tangible assets | 3 | 8 |
| Purchase of intangible assets | (79) | (171) |
| **Cashflows from investing activities** | **(953)** | **(676)** |
| | | |
| Increase of borrowings | 378 | 383 |
| Repayments of borrowings | (122) | (4,987) |
| Proceeds/(Repayments) of other non-current liabilities | (23) | (19) |
| Proceeds from finance lease prepayments | 0 | 488 |
| Payments of finance lease liabilities | (194) | (205) |
| **Cashflows from financing activities** | **39** | **(4,340)** |
| | | |
| **Net changes in cash and cash equivalents** | **(1,867)** | **(7,953)** |
| | | |
| **Cash and cash equivalents at the beginning of the period** | **28,965** | **30,874** |
| Net changes in cash and cash equivalents | (1,867) | (7,953) |
| Effect of exchange rate gains/(losses) | (116) | 101 |
| **Cash and cash equivalents at the end of the period** | **26,982** | **23,022** |

1) Free cash flow amounts to minus EUR 1,906 (3M 2017: minus EUR 3,940) based on cash flow from operations of minus EUR 953 less net capital expenditure (adjusted for finance lease) of EUR 953

The accompanying notes are an integral part of the Interim Financial Statements (condensed & consolidated).

# INTERIM STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED)

| (in EUR 1,000) | Issued and paid-in share capital | Capital reserves | Treasury shares | Share-based payments IFRS 2 | Retained earnings | Foreign currency transl. diff. | Total shareholders of the parent company |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| BALANCES AT 31 DECEMBER 2017 | 312 | 65,485 | (4,525) | 0 | (9,463) | 22,559 | 74,368 |
| Change in accounting policies (IFRS 15) | | | | | 359 | | |
| BALANCES AT 1 JANUARY 2018 | 312 | 65,485 | (4,525) | 0 | (9,104) | 22,559 | 74,727 |
| | | | | | | | |
| Profit/(Loss) for the period | | | | | 809 | | 809 |
| **Other comprehensive income:** | | | | | | | |
| Remeasurements of defined benefit obligations | | | | | (357) | | (357) |
| Deferred tax effect on remeasurements | | | | | 48 | | 48 |
| Currency translation differences | | | | | | (181) | (181) |
| Total other comprehensive income for the period | 0 | 0 | 0 | 0 | (309) | (181) | (490) |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 500 | (181) | 319 |
| | | | | | | | |
| BALANCES AT 31 MARCH 2018 | 312 | 65,485 | (4,525) | 0 | (8,604) | 22,378 | 75,046 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| BALANCES AT 31 DECEMBER 2016 | 312 | 65,485 | (4,525) | 202 | (2,945) | 25,613 | 84,142 |
| | | | | | | | |
| Profit/(Loss) for the period | | | | | (393) | | (393) |
| **Other comprehensive income:** | | | | | | | |
| Remeasurements of defined benefit obligations | | | | | 1,050 | | 1,050 |
| Deferred tax effect on remeasurements | | | | | (141) | | (141) |
| Currency translation differences | | | | | | 145 | 145 |
| Total other comprehensive income for the period | 0 | 0 | 0 | 0 | 909 | 145 | 1,054 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | 516 | 145 | 661 |
| | | | | | | | |
| BALANCES AT 31 MARCH 2017 | 312 | 65,485 | (4,525) | 202 | (2,429) | 25,758 | 84,803 |

The accompanying notes are an integral part of the Interim Financial Statements (condensed & consolidated).

# NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONDENSED & CONSOLIDATED)

## 1 General information

exceet Group SE (the "Company"), is incorporated as a Société Européenne under the law of Luxembourg. The Company was incorporated on 9 October 2009 as Helikos SE and renamed to exceet Group SE on 27 July 2011. The registered office is at 115 avenue Gaston Diderich, L-1420 Luxembourg. exceet Group SE is listed in the Prime Standard of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) under the symbol "EXC".

The consolidated exceet Group SE (the "Group" or "exceet") includes all companies in which exceet Group SE, directly or indirectly, exercises control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All companies consolidated into the Group are disclosed in note 18 "List of consolidated subsidiaries of exceet Group SE".

exceet is a portfolio of technology companies specialized in the development and production of intelligent, complex and secure electronics of small and mid-size volumes. The Group provides highly sophisticated solutions and distinguishes itself through its technical skill set in embedded intelligent electronics with a leading position in the health and industrial markets.

To focus the exceet Group on the electronic and secure solutions activities, the business segment of ID Management & Systems (IDMS) was sold as of 30 September 2016. The Group is structured in two business segments: Electronic Components Modules & Systems (ECMS) and exceet Secure Solutions (ESS).

The ECMS segment (94% of Sales Q1 2018) develops and produces innovative, complex and integrated electronic products, with a focus on miniaturization, cost optimization and a high degree of customization to suit the needs of the customers. The products and services of the ECMS segment are aimed primarily at customers in the sectors of healthcare and industrial.

The ESS segment (6% of Sales Q1 2018) is focused on secure connectivity mainly based on IT Security and industrial Internet of Things (IoT) projects and solutions. Within all IoT projects, the segment provides concept development, customer specific IoT hard- and software and especially process specific IT Security consulting, products and services. The segment also engages further in eHealth, eSignature and Hardware Security Module (HSM) related developments and sales activities.

exceet is mainly focusing on the markets in Europe, but is also active in the markets of USA and Asia-Pacific. The Group consists of 13 legal entities with 10 locations in Austria, Germany, Luxembourg, Romania, Switzerland and the USA. This setup allows the Group 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.

This condensed consolidated interim financial information is unaudited and was approved for issue by the Board of Directors on 30 April 2018.

## 2 Adoption of new and revised accounting standards

### New and amended standards adopted by the Group

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

The interim condensed consolidated financial statements have been prepared on the basis of the accounting policies, significant judgments, key assumptions and estimates as described on pages 33 to 50 of the consolidated financial statements of exceet Group SE 2017.

- IFRS 9 (New) "Financial instruments" – IASB and EU effective date 1 January 2018
- IFRS 15 (New) "Revenue from contracts with Customers" – IASB and EU effective date 1 January 2018
- IFRS 4 (Amendment) "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" – IASB and EU effective date 1 January 2018
- IFRS 2 (Amendment) "Share based payments" – IASB and EU effective date 1 January 2018
- IAS 40 (Amendment) "Transfer of Investment Property" – IASB and EU effective date: 1 January 2018
- IFRIC 22 (Interpretation) "Foreign Currency Translation and Advance Consideration" – IASB and EU effective date: 1 January 2018
- Annual improvement cycle 2014 - 2016 IASB and EU effective date: 1 January 2017/1 January 2018

For the details of adoption of IFRS 9 and IFRS 15 please refer to note 16 for further details.

### 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 1 January 2018 and have not been applied in preparing these interim condensed consolidated financial statements.

- IFRS 16 (New) "Leases" – IASB and EU effective date 1 January 2019
- IFRS 17 (New) "Insurance Contracts" – IASB effective date 1 January 2021 – EU endorsement outstanding
- IFRS 9 (Amendment) "Prepayment Features with Negative Compensation" – IASB and EU effective date: 1 January 2019
- IAS 19 (Amendment) "Plan Amendment, Curtailment or Settlement" – IASB effective date: 1 January 2019 – EU endorsement outstanding
- IAS 28 (Amendment) "Long-term interests in Associates and Joint Ventures" – IASB effective date: 1 January 2019 – EU endorsement outstanding
- IFRIC 23 (Interpretation) "Uncertainty over Income Tax Treatments" – IASB effective date: 1 January 2019 – EU endorsement outstanding

- Annual improvement cycle 2015 - 2017 — IASB effective date: 1 January 2019 – EU endorsement outstanding

The Group is in the process to assess the potential impacts of the above new standards and amendments to the existing standards and intends to adopt them no later than the effective endorsement date by the EU.

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

## 3 Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2018, have been prepared in accordance with IAS 34, 'Interim financial reporting'.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

All figures presented should be read as in EUR 1,000, if not presented otherwise.

### Use of estimates and judgments

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

The following exchange rates were relevant to the interim financial report as of 31 March 2018:

| | 31 March 2018 | Average 01.01. - 31.03.2018 | 31 December 2017 | 31 March 2017 | Average 01.01. - 31.03.2017 |
|---|---|---|---|---|---|
| 1 CHF | 0.85 | 0.86 | 0.85 | 0.93 | 0.93 |
| 1 USD | 0.81 | 0.81 | 0.83 | 0.94 | 0.94 |

Taxes on income in the interim periods are accrued using the local tax rate that would be applicable to expected total annual profit or loss.

### Consolidated statement of comprehensive income

The interim consolidated statement of comprehensive income was prepared based on an accruals basis. The consolidated statement of comprehensive income has been presented by using "cost of sales" method.

### Seasonality

Revenues and costs are not influenced by seasonal effects, but are impacted by the economic environment in the markets the Group is operating in.

## 4 Financial risk management and financial instruments

### 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), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's consolidated financial statements for 2017. There have been no changes in any risk management policies since the year end.

### Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not valued on observable market data (that are, unobservable inputs, for instance estimation and assumptions)

The following table presents the Group's assets that are measured at fair value. There are no liabilities measured at fair value.

| (in EUR 1,000) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| 31 MARCH 2018 | | | | |
| **Assets as per balance sheet** | | | | |
| Financial assets at fair value through profit or loss | 9 | | | 9 |
| **Total** | **9** | **0** | **0** | **9** |
| 31 DECEMBER 2017 (restated) | | | | |
| **Assets as per balance sheet** | | | | |
| Financial assets at fair value through profit or loss | 9 | | | 9 |
| **Total** | **9** | **0** | **0** | **9** |

The Group's accounting rules demands the recognition of transfers into or out of fair value hierarchy levels as of the date of the event or at the change in circumstances that caused the transfer. There were no transfers between the levels during the reporting period.

Level 1 represent quoted prices (unadjusted) in active markets for identical assets or liabilities.

Due to the implementation of IFRS 9, new financial assets at fair value through profit or loss of EUR 9 were recognized as per 31 December 2017.

### Fair value of financial assets and liabilities measured at amortized costs

The fair values of non-current borrowings are as follows:

| (in EUR 1,000) | unaudited<br>31 March 2018 | audited<br>31 December 2017 |
|---|---|---|
| CARRYING AMOUNT | | |
| Bank borrowings | 25,344 | 7,231 |
| Finance lease liabilities | 966 | 1,154 |
| **Total** | **26,310** | **8,385** |
| FAIR VALUE | | |
| Bank borrowings | 27,255 | 7,762 |
| Finance lease liabilities | 966 | 1,154 |
| **Total** | **28,221** | **8,916** |

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.

## 5 Additional information to the cash flow statement

The acquisition of tangible assets is mainly related to the purchase of production facilities and machinery. The Group purchased no fixed assets through finance lease arrangements during the first three months of 2018 (3M 2017: EUR 815).

Payments of finance lease liabilities represent payments of amortizations of current lease liabilities and prepayments for new lease liabilities in the current period.

## 6 Segment information

The Group has two main business segments, Electronic Components Modules & Systems (ECMS) and exceet Secure Solutions (ESS), representing different business activities. The segments are reported in a manner that is consistent with the internal reporting provided to the Group's Chief Operating Decision Maker – CEO/CFO. In addition, the Group has a third segment "Corporate and others" for reporting purposes, which only includes the investment companies. Companies of exceet Group SE, which have been subject to the reverse asset acquisition, have been assigned to the segment "Corporate and others".

The segment information for the three months ended 31 March 2018 and a reconciliation of EBIT to profit/(loss) for the period is provided as follows:

### Income statement and capital expenditure by segment

| 01.01. - 31.03.2018 (in EUR 1,000) | ECMS | ESS | Corporate and others | Eliminations | Total Group |
|---|---|---|---|---|---|
| Revenue from sale of electronic components | 33,064 | 1,753 | 0 | 0 | 34,817 |
| Revenue from sale of services | 2,622 | 569 | 0 | 0 | 3,191 |
| External revenue | 35,686 | 2,322 | 0 | | 38,008 |
| Inter-segment revenue | 5 | 0 | 0 | (5) | 0 |
| **Total revenue** | **35,691** | **2,322** | **0** | **(5)** | **38,008** |
| | | | | | |
| **EBITDA** | **4,059** | **(247)** | **(701)** | **0** | **3,111** |
| *EBITDA Margin* | *11.4%* | *(10.6%)* | | | *8.2%* |
| Depreciation, amortization and impairment [1] | (1,511) | (150) | (20) | 0 | (1,681) |
| **EBIT** | **2,548** | **(397)** | **(721)** | **0** | **1,430** |
| *EBIT Margin* | *7.1%* | *(17.1%)* | | | *3.8%* |
| | | | | | |
| Financial income | 493 | 0 | 367 | (45) | 815 |
| Financial expenses | (611) | (20) | (325) | 45 | (911) |
| **Financial result, net** | **(118)** | **(20)** | **42** | **0** | **(96)** |
| | | | | | |
| **Profit/(Loss) before income tax** | **2,430** | **(417)** | **(679)** | **0** | **1,334** |
| Income tax | (643) | 119 | (1) | 0 | (525) |
| **Profit/(Loss) for the period** | **1,787** | **(298)** | **(680)** | **0** | **809** |
| | | | | | |
| Capital expenditure tangible assets | 864 | 6 | 7 | 0 | 877 |
| Capital expenditure intangible assets | 76 | 3 | 0 | 0 | 79 |
| Depreciation tangible assets | (1,025) | (22) | (6) | 0 | (1,053) |
| Amortization intangible assets | (486) | (128) | (14) | 0 | (628) |

1) Incl. Impairment charge of EUR 0 (ECMS EUR 0 / ESS EUR 0)

| 01.01. - 31.03.2017 (in EUR 1,000) | ECMS | ESS | Corporate and others | Eliminations | Total Group |
|---|---|---|---|---|---|
| Revenue from sale of electronic components | 30,080 | 2,264 | 0 | 0 | 32,344 |
| Revenue from sale of services | 2,766 | 291 | 0 | 0 | 3,057 |
| External revenue | 32,846 | 2,555 | 0 | | 35,401 |
| Inter-segment revenue | 0 | 1 | 57 | (58) | 0 |
| **Total revenue** | **32,846** | **2,556** | **57** | **(58)** | **35,401** |
| | | | | | |
| **EBITDA** | **3,171** | **(563)** | **(698)** | **0** | **1,910** |
| *EBITDA Margin* | *9.7%* | *(22.0%)* | | | *5.4%* |
| Depreciation, amortization and impairment [1] | (1,733) | (141) | (21) | 0 | (1,895) |
| **EBIT** | **1,438** | **(704)** | **(719)** | **0** | **15** |
| *EBIT Margin* | *4.4%* | *(27.5%)* | | | *0.0%* |
| | | | | | |
| Financial income | 129 | | 161 | (44) | 246 |
| Financial expenses | (268) | (21) | (300) | 44 | (545) |
| **Financial result, net** | **(139)** | **(21)** | **(139)** | **0** | **(299)** |
| | | | | | |
| **Profit/(Loss) before income tax** | **1,299** | **(725)** | **(858)** | **0** | **(284)** |
| Income tax | (398) | 239 | 50 | 0 | (109) |
| **Profit/(Loss) for the period** | **901** | **(486)** | **(808)** | **0** | **(393)** |
| | | | | | |
| Capital expenditure tangible assets | 830 | 10 | 0 | 0 | 840 |
| Capital expenditure intangible assets | 22 | 149 | 0 | 0 | 171 |
| Depreciation tangible assets | (1,139) | (29) | (5) | 0 | (1,173) |
| Amortization intangible assets | (594) | (112) | (16) | 0 | (722) |

1) Incl. Impairment charge of EUR 0 (ECMS EUR 0 / ESS EUR 0)

## Assets and liabilities by segment

| (in EUR 1,000) | ECMS | ESS | Corporate and others | Total Group |
|---|---|---|---|---|
| BALANCES AT 31 MARCH 2018 (UNAUDITED) | | | | |
| Tangible assets | 26,059 | 205 | 29 | 26,293 |
| Intangible assets | 16,050 | 6,047 | 68 | 22,165 |
| Other non-current assets | 1,312 | 136 | 0 | 1,448 |
| Non-current assets | 43,421 | 6,388 | 97 | 49,906 |
| Current assets | 72,603 | 2,138 | 8,647 | 83,388 |
| Liabilities | 37,279 | 1,773 | 19,196 | 58,248 |
| | | | | |
| BALANCES AT 31 DECEMBER 2017 (AUDITED) | | | | |
| Tangible assets | 26,279 | 221 | 28 | 26,528 |
| Intangible assets | 16,516 | 6,172 | 82 | 22,770 |
| Other non-current assets | 1,242 | 0 | 375 | 1,617 |
| Non-current assets | 44,037 | 6,393 | 485 | 50,915 |
| Current assets | 67,523 | 1,887 | 9,436 | 78,846 |
| Liabilities | 34,522 | 1,565 | 19,306 | 55,393 |
| | | | | |
| BALANCES AT 31 MARCH 2017 (UNAUDITED) | | | | |
| Tangible assets | 28,473 | 278 | 44 | 28,795 |
| Intangible assets | 31,133 | 6,819 | 138 | 38,090 |
| Other non-current assets | 1,241 | 172 | 1,125 | 2,538 |
| Non-current assets | 60,847 | 7,269 | 1,307 | 69,423 |
| Current assets | 64,299 | 2,787 | 12,294 | 79,380 |
| Liabilities | 40,400 | 2,279 | 21,321 | 64,000 |

## 7 Financial result

The financial result includes a non-cash gain of EUR 113 (3M 2017: Gain of EUR 6) related to the revaluation of Euro-loans given by the Swiss holding to finance the other group companies.

## 8 Development costs

The position "cost of sales" in the consolidated income statement includes development costs in the amount of EUR 2,481 (3M 2017: EUR 2,025; full year 2017: EUR 9,197). Development costs are mainly related to development projects for customers as well to products, process development and optimizations for the production.

## 9 Trade receivables, net

| | unaudited | audited |
|---|---|---|
| (in EUR 1,000) | 31 March 2018 | 31 December 2017 |
| Trade accounts receivable, gross - due from third parties | 22,065 | 17,883 |
| Provision for impairment | (532) | (517) |
| **Total** | **21,533** | **17,366** |

As of 31 March 2018 trade receivables of EUR 1,725 (31.12.2017: EUR 1,416) were impaired. The amount of total provisions for these receivables at risk amounts to EUR 532 (31.12.2017: EUR 517), as there is evidence that not all amounts due will be collected.

## 10 Equity

The issued share capital is set at 20,523,695 shares with a par value of Euro 0.0152, issued as Class A Shares ("Public Shares"), with 20,073,695 Class A Shares listed on the stock exchange and 450,000 own Class A Shares held by the Company (Treasury Shares). The Company's share capital amounts to Euro 311,960.16.

For further information regarding exceet's equity structure, please refer to the consolidated financial statements of exceet Group Consolidated Financial Statements note 13 "Equity" on pages 71 to 73.

## 11 Earnings per share

Earnings per share (EPS) is 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.

### Basic earnings per share

The calculation of basic EPS at 31 March 2018 is based on the profit attributable to the owners of the parent of EUR 809 for three months 2018 (3M 2017: Loss of EUR 393) and the weighted average number of ordinary shares outstanding of 20,073,695 Class A Shares. For the same period in the previous year the notional weighted average numbers of ordinary shares outstanding were 20,073,695 Class A Shares.

| | | unaudited 01.01. - 31.03.2018 | unaudited 01.01. - 31.03.2017 |
|---|---|---|---|
| Profit/(Loss) for the year (EUR 1,000) attributable to equity holders of the Company | Class A Shares | 809 | (393) |
| Weighted average number of ordinary shares outstanding | Class A Shares | 20,073,695 | 20,073,695 |
| Basic earnings/(loss) per share (Euro/share) | Class A Shares | 0.04 | (0.02) |

### Dilutive earnings per share

Diluted EPS are calculated by increasing the average number of shares outstanding by the total number of potential shares arising from potential option rights. As per 31 March 2018 the Group has no option rights outstanding, therefore no dilutive impact on the EPS is possible.

## 12 Dividends

No dividends were paid during the three months ended 31 March 2018.

## 13 Borrowings

Borrowings are as follows:

| (in EUR 1,000) | unaudited 31 March 2018 | audited 31 December 2017 |
|---|---|---|
| NON-CURRENT | | |
| Bank borrowings | 25,344 | 7,231 |
| Finance lease liabilities | 966 | 1,154 |
| **Total non-current borrowings** | **26,310** | **8,385** |
| CURRENT | | |
| Bank borrowings | 662 | 19,034 |
| Finance lease liabilities | 784 | 798 |
| **Total current borrowings** | **1,446** | **19,832** |
| **Total borrowings** | **27,756** | **28,217** |

As of 8 February 2018 the Group entered into a new main bank credit facility agreement by continuing the same bank relationship. The agreement has a duration period of five years and is replacing the current main facility agreement which was ending by 28 February 2018. The main facility agreement continues to offer a possible maximal amount of CHF 23 million (EUR 19.5 million), whereof CHF 21.5 million (EUR 18.3 million) are used. At the same time the two associated loan facilities for the Swiss operational subsidiaries with a line of credit in the amount of CHF 10 million (EUR 8.5 million) have also been signed with a duration period of five years. Due to the new duration period, bank borrowings of EUR 18.3 million were reclassified form current to non-current borrowings.

## 14 Retirement benefit obligation

For the three months of 2018 there were EUR 357 impact from return on plan assets (3M 2017: EUR 1,053) and no impact (3M 2017: none) from measurements of the defined benefit obligation arising from changes in economic assumptions (discount rates).

## 15 Ultimate controlling parties and related-party transactions

The Company has no ultimate controlling party.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Group had no legal charges from related parties in the first three months of 2018 (3M 2017: EUR 16).

## 16 Changes in accounting policies

The implementation of the new standards IFRS 9 ("Financial instruments") and IFRS 15 ("Contract with Customers") lead to changes in the accounting policy of the Group and financial statements had to be restated. The following table shows the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included; therefore the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

| Balance Sheet (exctract)<br>(in EUR 1,000) | originally presented<br>31 December 2017 | Adjustment<br>IFRS 9 | Adjustment<br>IFRS 15 | restated<br>1 January 2018 |
|---|---|---|---|---|
| ASSETS | | | | |
| **Non-current assets** | | | | |
| Financial assets at fair value through profit or loss | 0 | 9 | | 9 |
| Financial assets at fair value at amortized costs | 0 | 375 | | 375 |
| Other financial investments | 384 | (384) | | 0 |
| **Total non-current assets** | **50,915** | **0** | | **50,915** |
| | | | | |
| **Current assets** | | | | |
| Inventories | 30,033 | | (653) | 29,380 |
| Contract assets | 0 | | 1,072 | 1,072 |
| **Total current assets** | **78,846** | | **419** | **79,265** |
| | | | | |
| **Total assets** | **129,761** | **0** | **419** | **130,180** |
| | | | | |
| EQUITY | | | | |
| Reserves | 74,056 | | 359 | 74,415 |
| **Equity attributable to Shareholders of the parent company** | **74,368** | | **359** | **74,727** |
| | | | | |
| LIABILITIES | | | | |
| **Current liabilities** | | | | |
| Contract liabilities | 0 | | 445 | 445 |
| Accrued expenses and deferred income | 6,013 | | (445) | 5,568 |
| **Total current liabilities** | **38,557** | | **0** | **38,557** |
| | | | | |
| **Non-current liabilities** | | | | |
| Deferred tax liabilitites | 1,636 | | 60 | 1,696 |
| **Total non-current liabilitites** | **16,836** | | **60** | **16,896** |
| | | | | |
| **Total liabilities** | **55,393** | | **0** | **55,393** |
| | | | | |
| **Total equity and liabilities** | **129,761** | **0** | **359** | **130,120** |

## Implementation of IFRS 9 ("Financial instruments")

### Changes from Implementation of IFRS 9

As per 31 December 2017 the Group had financial assets in the amount of EUR 384, thereof EUR 375 represented a loan to exceet Card Austria GmbH, a former participation of the Group. This amount was reclassified to "Financial assets at amortized costs" and has been fully repaid by 31 March 2018. The remaining amount of EUR 9 represents a financial asset in connection to compensation in case of disposal of staff in exceet electronics GesmbH in Austria and has been reclassified to "Financial assets at fair value through profit or loss"

In regards to impairment of financial assets, the Group has different types of financial assets that are subject to IFRS 9's credit loss model:

- Trade receivables
- Contract assets

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. As contract assets related to unbilled deliveries and have substantially the same loss characteristics as trade receivables for the same type of contract, the Group decided to use the same loss rates for both categories. The recognized impairment remained on the same level.

### Relevant accounting policies adjustments IFRS 9

*Classification and measurement of investments and other financial assets*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Financial assets at fair value through other comprehensive income (OCI)
- Financial assets at fair value through profit or loss (FVPL)
- Financial assets at amortized costs

The classification depends on the Groups business model for managing the financial assets and the contractual terms of the cash flows of the assets. The Group reclassifies debt investments when and only when its business model for managing those assets change.

For the initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss (FVPL), transaction costs. Transaction costs are costs only directly related to the acquisition of the financial asset. Transaction costs for financial assets carried at FVPL are expensed in profit or loss.

The subsequent measurement of the financial assets is based on the Group's policy for managing the asset and the related cash flow characteristics.

Financial assets at amortized costs represent assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest rate income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on derecognition is recognized in profit or loss in financial income or expenses, together with foreign exchange gains and losses. Impairment losses are presented as financial expenses in the statement of profit or loss.

For financial assets at fair value through profit or loss a gain or loss is subsequently recognized in profit and loss and presented net within "Changes in fair value in financial instruments" within the financial result in the period in which it arises.

From 1 January 2018, the Group assess on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

## Implementation of IFRS 15 ("Contract with customers")

### Changes from Implementation of IFRS 15

The Group decided to adopt the standard using the cumulative approach, which means that the cumulative impact of the adoption concerning contracts not fulfilled as of 31 December 2017 will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

### Presentation of contract assets and contract liabilities

- Contract assets in the amount of EUR 1,072 have been recognized in relation to stock managed by exceet companies, (Vendor Managed Inventory (VMI)), which were previously presented within inventory (at costs, excluding margin), as the timing of transfer of control has been newly applied according the new standard.
- Contract liabilities in the amount of EUR 445 have been recognized in relation to prepayments of customers for IT service contracts, which were previously included within provisions for other liabilities.
- Within deferred tax liabilities a liability of EUR 60 had to be recognized in connection with the recognition of contract assets.

### Relevant accounting policies adjustments IFRS 15

*Revenue recognition for sale of electronics components*

Revenue from the sale of electronic components is recorded as income at the time of delivery to the customer. Trade discounts are deducted, whereas accumulated experience is used to estimate and provide for the discounts, using the expected value method.

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 recognition for Services*

The Group sells consulting, research and development services to its ECMS and ESS customers.

Research and development including the subsequent production and sale of electronic components are, depending on the contract and products, regarded as two performance obligations. Whereas the revenue for research and development are recognized based on agreed milestones. Milestones are agreed with the intention to closely match the work performed and the receipt and use of benefits by the customer.

Revenue from consulting services and research and development of software projects for customers are also recognized over time, based on agreed milestones. Milestones are agreed with the intention to closely match the work performed and the receipt and use of benefits by the customer.

*Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

## 17 Events occurring after the reporting period

There were no events since the balance sheet date on 31 March 2018 that would require adjustment of assets or liabilities or a disclosure.

## 18 List of consolidated subsidiaries of exceet Group SE

As of 1 July 2017 ECR AG, Rotkreuz (Switzerland) has been merged with exceet electronics AG, Rotkreuz (Switzerland) retroactively per 1 January 2017.

| Company | Country | Year of acquisition [1] | Segment | Activity | Share Capital | Share in the capital | Share of the votes |
|---|---|---|---|---|---|---|---|
| exceet Holding AG [2] | SUI | 2011 | C&O | Holding | CHF 100,000 | 100% | 100% |
| exceet Group AG | SUI | 2006 | C&O | Holding & Services | CHF 25,528,040 | 100% | 100% |
| exceet Austria GmbH | AUT | 2011 | C&O | Holding | EUR 35,000 | 100% | 100% |
| GS Swiss PCB AG | SUI | 2006 | ECMS | Manufacturing & Sales | CHF 1,350,000 | 100% | 100% |
| exceet electronics AG [3][4] | SUI | 2006 | ECMS | Manufacturing & Sales | CHF 1,000,000 | 100% | 100% |
| AEMtec GmbH | GER | 2008 | ECMS | Manufacturing & Sales | EUR 2,250,000 | 100% | 100% |
| exceet electronics GesmbH [5][6][7] | AUT | 2011 | ECMS | Manufacturing & Sales | EUR 54,000 | 100% | 100% |
| exceet electronics GmbH [8] | GER | 2012 | ECMS | Development & Sales | EUR 102,150 | 100% | 100% |
| exceet Medtec Romania S.R.L. [9] | ROU | 2014 | ECMS | Development | RON 1,000 | 100% | 100% |
| exceet USA, Inc. | USA | 2015 | ECMS | Sales | USD 10 | 100% | 100% |
| exceet Secure Solutions GmbH [10][11][12] | GER | 2011 | ESS | Development & Sales | EUR 1,000,000 | 100% | 100% |
| Lucom GmbH Elektrokomponenten und Systeme [13] | GER | 2014 | ESS | Development & Services | EUR 26,000 | 100% | 100% |

1) Year of acquisition refers to exceet Group AG point of view
2) exceet Holding AG (former: Helikos AG) was renamed by 9.5.2014
3) exceet electronics AG (former: Mikrap AG) was renamed by 30.12.2014
4) exceet electronics AG (former: Mikrap AG) and ECR AG have been merged as of 1 July 2017 retroactively by 1 January 2017
5) exceet electronics GesmbH (former: Contec Steuerungstechnik & Automation Gesellschaft m.b.H.) was renamed by 28.1.2015
6) exceet electronics GesmbH (former: Contec Steuerungstechnik & Automation Gesellschaft m.b.H.) and Inplastor GmbH have been merged in December 2014 retroactively as per 28.3.2014
7) exceet Austria GmbH holds 99.34% of the share capital of exceet electronics GesmbH and exceet Group AG 0.66% of the share capital of exceet electronics GesmbH
8) exceet electronics GmbH (former: as electronics GmbH) was renamed by 5.1.2015
9) exceet Medtec Romania S.R.L. (former: Valtronic Technologies Romania S.R.L.) was renamed by 20.6.2014
10) exceet Secure Solutions AG (former: AuthentiDate International AG) has been renamed by 13.8.2014
11) exceet Secure Solutions AG and exceet Secure Solutions Deutschland GmbH have been merged on 15 August 2016 retroactively as per 1 January 2016
12) exceet Secure Solutions GmbH (former: exceet Secure Solutions AG) has been renamed by 6.10.2016
13) exceet Secure Solutions GmbH holds 100% of the share capital of Lucom GmbH Elektrokomponenten und Systeme

For more operational company information please visit www.exceet.com/divisions/.

## 19 Alternative Performance Measures

### 19.1 EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated as operating result (EBIT) plus depreciation and impairments. EBITDA is an indicator of the operating profitability of the Group.

| (in EUR 1,000) | Q1 2018 | Q1 2017 | Reference |
|---|---|---|---|
| Operating result (EBIT) | 1,430 | 15 | Consolidated Income Statement |
| Depreciation tangible assets | 1,053 | 1,173 | Note 6 |
| Amortisation intangible assets | 628 | 722 | Note 6 |
| Impairment intangible assets (incl. Goodwill) | 0 | 0 | |
| **EBITDA** | **3,111** | **1,910** | |

### 19.2 EBITDA MARGIN

EBITDA Margin represents EBITDA in % of net sales. EBITDA Margin is used as a normalised indicator of the operating profitability of the Group, comparable between different periods.

| (in EUR 1,000) | Q1 2018 | Q1 2017 | Reference |
|---|---|---|---|
| Revenue | 38,008 | 35,401 | Consolidated Income Statement |
| EBITDA | 3,111 | 1,910 | Note 19 |
| **EBITDA Margin** | **8.2%** | **5.4%** | |

### 19.3 ORGANIC GROWTH RATE

Organic growth is the growth rate calculated excluding impact from changes in exchange rates or acquisitions during the reporting period. Organic growth aims at evaluating the performance of the Group without considering non-organic factors, like acquisitions or currency fluctuations.

| (in EUR 1,000) | Q1 2018 | Q1 2017 | Reference |
|---|---|---|---|
| Revenue | 38,008 | 35,401 | Consolidated Income Statement |
| Impact of the exchange rates on revenues | (1,071) | 286 | |
| Revenue from acquisitions of companies | 0 | 0 | |
| **Revenue for organic growth calculation** | **39,079** | **35,115** | |
| Prior year comparable revenue | 35,401 | 31,500 | Consolidated Income Statement |
| **Organic growth** | **10.4%** | **11.5%** | |

### 19.4 ORDER BACKLOG

Order Backlog shows the total of all not yet delivered customer orders at revenue value as at balance sheet date, to help to assess future revenue development.

| (in EUR 1,000) | 2018 | 2017 | Reference |
|---|---|---|---|
| **Order Backlog as per 31 March** | **113,019** | **96,048** | |

## 19.5 BOOK-TO-BILL RATIO

Twelve months rolling Book-to-Bill Ratio is the ratio of orders received over the last twelve months to net sales over the last twelve months, to support the analysis of potential future growth.

| (in EUR 1,000) | 2018 | 2017 | Reference |
|---|---|---|---|
| Revenue | 38,008 | 35,401 | Consolidated Income Statement |
| | | | |
| Order backlog 31 March (prior year) | 96,048 | 81,733 | |
| Revenue (last 12 months) | 145,964 | 139,223 | Revenue from 01.04. until 31.03. |
| Order backlog prior year adjustment/FX effects | (594) | 2,501 | |
| Order backlog 31 March (reporting year) | 113,019 | 96,048 | |
| Orders received during the period | 162,341 | 156,039 | |
| | | | |
| **Book-to-Bill Ratio** | **1.11** | **1.12** | |

## 19.6 OPERATING NET WORKING CAPITAL

Operating Net Working Capital is defined as the sum of inventories plus trade receivables minus trade payables. This values allows to assess the capital requirement of the Group.

| (in EUR 1,000) | 31 March 2018 | 31 December 2017 | Reference |
|---|---|---|---|
| Inventories | 31,365 | 29,380 | Consolidated Balance Sheet |
| Trade receivables | 21,533 | 17,366 | Consolidated Balance Sheet |
| Trade payables | 10,818 | 9,686 | Consolidated Balance Sheet |
| **Operating Net Working Capital** | **42,080** | **37,060** | |

## 19.7 NET (CASH)/DEBT

Net Debt is calculated as financial debt adjusted for cash and cash equivalents to assist in presenting the Group's financial capacities at balance sheet date.

| (in EUR 1,000) | 31 March 2018 | 31 December 2017 | Reference |
|---|---|---|---|
| Bank borrowings (current and non-current) | 26,006 | 26,265 | |
| Finance lease (current and non-current) | 1,750 | 1,952 | |
| Total borrowings (current and non-current) | 27,756 | 28,217 | Consolidated Balance Sheet |
| Less: cash and cash equivalents | (26,982) | (28,965) | Consolidated Balance Sheet |
| **Net (Cash)/Debt** | **774** | **(748)** | |

## 19.8 EQUITY RATIO

Equity Ratio is calculated as the ratio of total equity to total assets, representing the Group's financial leverage and stability.

| (in EUR 1,000) | 31 March 2018 | 31 December 2017 | Reference |
|---|---|---|---|
| Total Assets | 133,294 | 130,180 | Consolidated Balance Sheet |
| Total Equity | 75,046 | 74,727 | Consolidated Balance Sheet |
| **Equity Ratio** | **56.3%** | **57.4%** | |

## 19.9 FREE CASH FLOW

Free cash flow is based on cash flow from operations minus net capital expenditure (adjusted for finance lease). This performance indicator represents the cash being generated by the Group after necessary capital expenditures to maintain and expand its asset base.

| (in EUR 1,000) | 31 March 2018 | 31 March 2017 | Reference |
|---|---|---|---|
| Cash flow from operating activities | (953) | (2,937) | Consolidated Cash Flow |
| Net capital expenditures [1)] | (953) | (1,003) | Note 6 |
| **Free cash flow** | **(1,906)** | **(3,940)** | |

1) Including cash from disposal of assets EUR 3 (Q1 2017: EUR 8)