



ANNUAL REPORT 2019

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# SUPERVISORY BOARD (since 23 January 2020)

The Supervisory Board of exceet Group SCA consists of three members.

**ROLAND LIENAU**

Chairman

**GEORGES BOCK**

**JAN KLOPP**

# GENERAL PARTNER (since 23 January 2020)

**EXCEET MANAGEMENT S.À R.L.**

Directors of exceet Management S.à r.l. are Klaus Röhrig, Florian Schuhbauer and Bastian Bubel.

# EXCEET GROUP MANAGEMENT REPORT

# STREAMLINED AND STRENGTHENED STRUCTURE FOR FURTHER VALUE CREATION

## STRUCTURE & REPORTING

exceet Group SCA (hereafter the “Company”) – until 20 November 2019 trading as exceet Group SE and as of then, until 23 January 2020, trading as exceet Group S.A. - is a company existing as a “Société en Commandite par Actions” under the law of Luxembourg and listed on the regulated market of the Frankfurt Stock Exchange (WKN: A0YF5P / ISIN: LU0472835155) in the Prime Standard segment. The Company’s purpose is to pursue an opportunistic investment approach without a defined investment strategy.

In an extraordinary general meeting, held on 20 November 2019, the shareholders of the exceet Group SE approved the conversion of the legal form of exceet Group SE into exceet Group S.A. (a stock corporation under the laws of Luxembourg (Société Anonyme), keeping the legal and economic identity of exceet Group SE unaffected while maintaining the listing on the regulated market of the Frankfurt Stock Exchange. This conversion was a necessary interim step towards the intended conversion of exceet Group SE into a partnership limited by shares under the law of Luxembourg (Société en Commandite par Actions (SCA)). On 23 January 2020 an extraordinary shareholder meeting of exceet Group S.A. approved the conversion of exceet Group S.A. into exceet Group SCA. Under the SCA as the new legal form, exceet will be managed by exceet Management S.à r.l. (hereafter the “General Partner”), a limited liability company under the law of Luxembourg (Société à responsabilité limitée (S.à r.l.)), the shares in which are held indirectly by the founders of the Active Ownership Group (AOC) Florian Schuhbauer and

Klaus Röhrig (50% each). The office in Rotkreuz (Switzerland) will be closed as part of the change-process regarding the legal form of the Company.

The consolidated exceet Group SCA (“Group” or “exceet”) consists of a portfolio of technology companies, which are specialized in the development and production of complex electronics for small and mid-sized volumes and software. The Group companies provide highly sophisticated solutions and distinguish themselves through their technical skill set with strong positions in the healthcare and industrial markets. They are situated in six locations in Switzerland, Germany, Luxembourg and the USA.

As indicated in the last annual report, the Group has renamed its two reporting segments as of 1 January 2019 into “Healthcare” (formerly “Electronic Components, Modules & Systems” (ECMS)) and “Software (incl. IoT)” (formerly “exceet Secure Solutions” (ESS)) to reflect a more end market oriented perspective of the Company’s operations as well as the sale of several activities in the course of 2018.

## BUSINESS MODEL

exceet's investment focus lays on seizing attractive risk / reward profiles without restrictions regarding the asset class, structure or duration of such investments. Therefore, it might be possible that further investments will take place in areas outside the current business activities of exceet. As a long-term investor, exceet has today no exit strategy for its investments and bases its decisions for a continuous engagement on the sustainable development of the Company and its market environment.

In exceet's actual portfolio, the operational activities of both segments are characterized by distinguished engineering, manufacturing and software skills enabling them to offer solutions with a high degree of customization and qualified process certifications to fulfill demanding customer requirements. For its customers, mainly in the industrial and healthcare sector, the companies provide full-service development and manufacturing of complex and miniaturized electronic printed circuit boards (PCB) as well as secure connectivity related hard- and software solutions.

The businesses are typically project-driven. To a certain extent, the businesses are determined by the Group's customers themselves, who are long-term project partners in most cases. Many projects, especially in the healthcare market have a multi-year duration over a number of consecutive product life cycles.

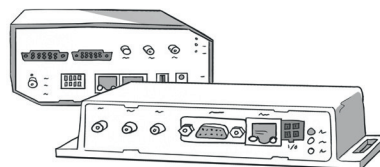
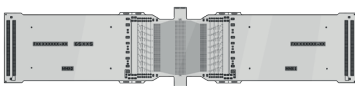
However, the progression of a project often follows a cyclical pattern and each project step in a row of steps over a product life cycle is usually initialized on a short-term basis. Essential for the speed, duration and depth of customers' action are their market assessments

referring to possible market potentials, the available project conversion power, sales volumes and the actual phase of the product life cycle. The resulting sales forecasts are normally given on short notice, which in turn limits exceet's quarterly visibility. This can lead to a higher quarterly business volatility compared to other industrial business models.

## OBJECTIVES AND BUSINESS STRATEGY

exceet Group SCA is a listed cash-flow and growth oriented holding company. Group companies benefit from economies of scale out of continuous operational improvement processes as well as from financing support. The managing directors of the companies have the operational freedom to realize the targets agreed within the framework of exceet's reporting and risk management system. This allows the fast recognition of operational and strategic tendencies, which might have to be discussed and followed up. Important elements of this steering process are key performance indicators related to profitability and liquidity. This stringent process will allow for continued organic growth or new acquisitions. Finally, for exceet the increase of its share price is considered to be a key indicator for rising shareholder value.

In September 2019 the Board of Directors decided to follow for future investments an opportunistic investment approach by abandoning fixed criteria. This includes value-enhancing investments into the existing operational units: the PCB activities (healthcare) and the secure connectivity related activities (software).



Highly specialized and miniaturized printed circuit boards and secure connectivity equipment

## OPERATIONS

After analyzing the future business development potential and the level of cash flow generation of the business activities of exceet in detail, the Board of Directors decided to refocus the Group step by step in 2018. On 30 July 2018, exceet sold the exceet electronics activities (EE activities). These activities included the operating locations in Grossbettlingen (Germany), Ebbs (Austria) and Rotkreuz (Switzerland). In addition, on 31 October 2018, the Group sold its micro- and optoelectronics activities held in AEMtec GmbH, Berlin (Germany). On 22 November 2018 exceet's romanian electronic development company exceet Medtec Romania S.R.L. was sold to the management. All activities sold were part of exceet's former business segment Electronic Components, Modules & Systems (ECMS) and were primarily focusing on microprocessor related product suites, customer-specific product bundles like control units and displays as well as micro- and optoelectronic solutions.

After the sale of these activities in 2018 with total proceeds of EUR 117 million the continuous operations of exceet consist of the segments "Healthcare" with its printed circuit boards (PCB) activities for healthcare products and "Software" comprising the business around the Industrial Internet of Things (IoT) and secure connectivity.

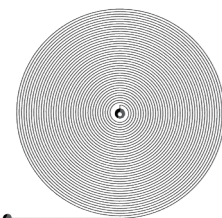
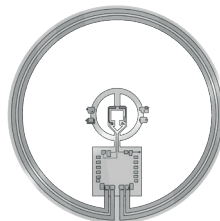
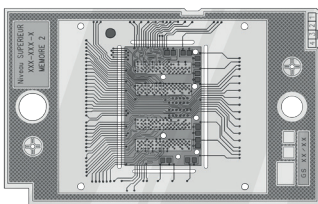
The refocusing was completed on 23 January 2020 with the change of the legal form of exceet Group S.A. (formerly exceet Group SE) to a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)) and the immediate redemption of the 450,000 Treasury Shares to clean up the capital structure of the Company.

The remaining operating activities will be further developed in the context of the Group's strategy.

## HEALTHCARE

This segment is focused on the development and production of innovative and miniaturized PCBs in close cooperation with its customers for high-end electronic functionalities in healthcare and medtech devices, particularly in hearing aids, cochlear implants and other medtech implants. The hearing aid market represents a stable growing segment within the healthcare market and offers favorable business conditions for the segment's competence and know-how in miniaturization with strong quality requirements. In many cases, innovative PCB architectures are crucial for the realization of the features demanded by the customers. The continued optimization of the production processes and additional technology driven investments are important to maintain a market-leading position.

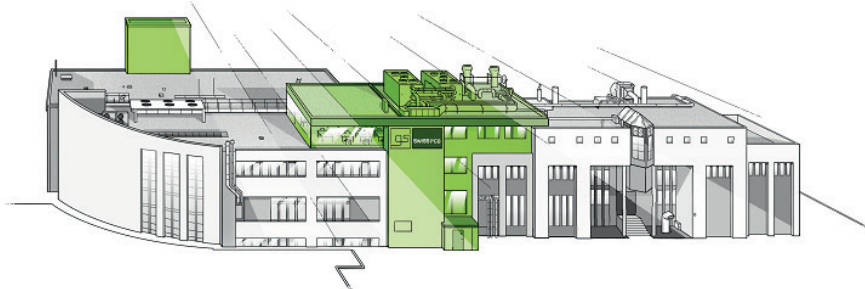
The 2019 performance of the segment was overall driven by typical small to medium size production characteristics. The size of series are generally limited and can experience visible volatility on a quarterly basis due to the short-term development of the demand from customers and due to the specific product mix having an impact out of differently priced PCBs. The volume of produced PCBs increased by over 12% to 18.0 million units in 2019 compared to 16.0 million units in 2018.



Various highly specialized and miniaturized printed circuit boards

The investment program started in 2019 to enlarge the production site in Küssnacht (Switzerland) by additional 1,000 m<sup>2</sup> (more than 20%) is expected to be finished soon. This step will support the growth of the PCB activities by further optimizing the production process

and separating the clean-room areas for the Ultra HDI Printed Circuit Board (Ultra HDI PCBs) production already in 2020. exceet's capabilities to produce new generation flexible Ultra HDI PCBs will be presented to the market within the next months.



PCB production site in Küssnacht, Switzerland (building extension in green)

## SOFTWARE (INCLUDING IOT)

Secure connectivity in data-critical IT environments such as eHealth architectures and industrial IoT is the focus of this segment.

The segment continued its efforts to extend the existing partner network to advance market reach of exceet's expertise in secure edge computing applications. Edge computing follows the trend of decentralized data processing close to the device, allowing data computations to be available faster, network traffic to be reduced and pre-processed data to be sent to the cloud. With "exceet connect", the segment has developed a promising market solution, which provides easy implementation and a comprehensive lifecycle management dedicated to guarantee the chosen security level on a long-term basis. "exceet connect" offers system sustainability and security even in environments where no permanent network connection is available and an intelligent modular structure with various levels of security to be chosen by the customer. Technically, "exceet connect" is completely utilizing certificate-based two-factor authentication and uses no longer any passwords throughout the whole system. This reduces the attack surface dramatically. Even the mobile app for device configuration and the web interface for device management is using near field communication (NFC)-based tokens. The product consists of an edge computing gateway with updatable

secure element, cloud based

device management and regular services such as updates and Common Vulnerabilities and Exposures (CVE) scanning and is offered also as "secure edge computing as a service".

With its IoT related activities, the segment offers concept alignment and management, project coordination as well as customer specific IoT hardware, software and cloud services. In the meanwhile, more than 97,000 industry routers and customized gateways are installed within the market – plus 15.1% compared to 2018. In addition several ten thousand items of additional fixtures are sold as well. The field for industrial routers and customized gateways, the demand for connected solutions regarding remote services and protective maintenance systems is still on a high level. The offered solutions guarantee secure communication and an optimal and easy monitoring.



## FUNDAMENTALS OF EXCEET SHARES

In the extraordinary general meeting held on 23 January 2020, the shareholders of exceet Group S.A. approved the proposal of the Board of Directors to change the Company's legal form into a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)), thus concluding the reorganization process initiated in 2019. Parallel to this, the shareholders adopted the immediate cancellation of the 450,000 treasury shares in order to clean up the capital structure of exceet. Both decisions have implications for the size and structure of the share capital of exceet Group SCA, effective as of 23 January 2020, compared to the capital structure of exceet Group S.A. before.

The number of the ordinary shares (bearer shares listed in the Prime Standard segment of the Frankfurt Stock Exchange), formerly Class A Shares, is reduced by 450,000 shares to 20,073,695 shares. In addition, one unlimited share (held by exceet Management S.à r.l., the General Partner of the SCA) increases the total number of shares outstanding to 20,073,696 shares. exceet shares trading started into the reporting year from a price level of Euro 6.40, recorded on 28 December 2018, the last trading day of the preceding year on the Xetra trading platform. Based on this share price, the market capitalization of the Group amounted to EUR 131.3 million including a cash position of EUR 113.2 million and reflecting an Equity Ratio<sup>1)</sup> of 91.2%. In 2019 exceet shares traded in narrow bands around Euro 6.50 - largely uncorrelated to general equity market movements and the ups and downs of overall market sentiment. The awareness for exceet's shareholder value oriented business model flared up again after the ad-hoc announcement dated 19 September 2019 on several corporate actions

including the proposal of a special distribution of Euro 3.00 per share. On this news the share price jumped from Euro 6.70 to Euro 7.20 but after a short period of time, the share price settled at a slightly lower level around Euro 7.00.

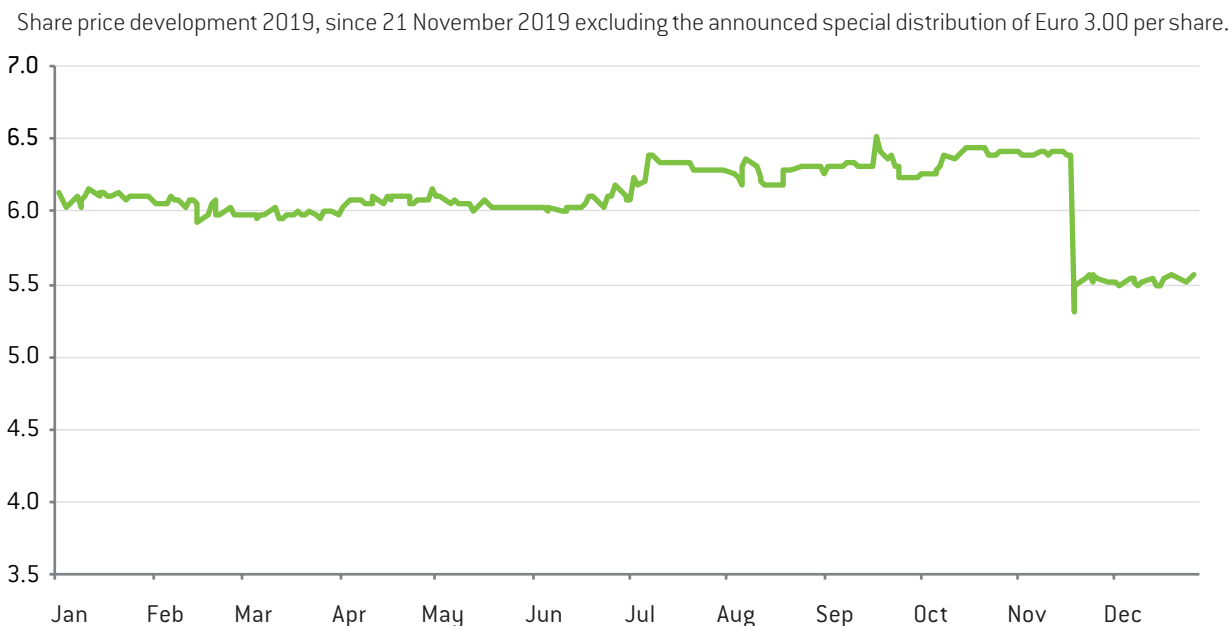
Investors in exceet shares who held their shares beyond the date of the payment of the special distribution (25 November 2019) finally realized an overall equity performance of around 25% as exceet shares managed to catch up a substantial part of the special distribution markdown. Until the end of the year, exceet shares fluctuated around Euro 5.00 increasing the shareholder value to around Euro 8.00 per share. The share price ended the reporting year at Euro 4.94 resulting in a market capitalization of exceet Group S.A. of EUR 101.4 million including a cash position of EUR 51.5 million.

The trading volume on the Xetra trading platform accumulated to 809,249 shares in 2019 compared to 778,544 in 2018 and 1,126,614 in 2017. During the last three years, investors increased their value position from a share price of Euro 2.38 to a share price of Euro 4.94 plus the special distribution of Euro 3.00 per share. This results in a compound annual growth rate (CAGR) of 49.4%. This extraordinary three year performance could be achieved in parallel to constantly and visibly improving operational figures and a value enhancing corporate news flow concerning fundamental changes in the Group's shareholder structure resulting in an active portfolio management policy carried out successfully by the Board of Directors.

1) See Group Consolidated Financial Statements note 32 "Alternative Performance Measures (APM)" Page 110

## EXCEET SHARE PRICE DEVELOPMENT 2019 (in Euro)

Year 2019                      High                      Low  
Euro 7.20 (19.09.2019)      Euro 4.36 (21.11.2019)



## BUSINESS ENVIRONMENT

### OVERALL ECONOMIC ENVIRONMENT

#### Economic Growth

According to the World Bank's January outlook, gross domestic product (GDP) for the Eurozone is expected to have reached 1.1% in 2019 and is expected to be followed by almost the same figure for the current year (1.0%). Versus the institute's projections from last June, this is a minus of 0.4 percentage points for 2020. A slight pick-up of growth is expected for 2021 and 2022 to 1.3% for both years. But the actually spreading coronavirus could impact the upcoming growth projections of analysts for the current year and beyond significantly. Germany, the major European economy, recorded a GDP growth of merely 0.6% last year, according to the German Federal Bureau of Statistics, after 1.5% in 2018 and 2.5% in 2017. As in other European countries, strong private

consumption (+1.6%) and construction (+3.8%) have been supporting German growth, while investments into machinery and equipment (+0.4%) and exports (+0.9%) have been reflecting an outright recession in Germany's key industrial sectors, causing also a dampening effect on European growth. Global trade conflicts and Brexit uncertainties, but also structural changes and disruptive trends, like digitalization remain major concerns. In Germany, the forced move away from fossil energy production and a significant lack of skilled workers are dragging down the economy. Additionally in the course of the year 2019, economic observers had been constantly reducing their projections, but there was a broad conviction that a recession in the western countries could be avoided and growth most probably would pick up again in 2020. Related hopes have been underpinned by the stability of labour markets, low interest rates and the development of the construction sector. But apart from the major economic fears of the

last year – global trade conflicts and the pending Brexit, both still waiting to be solved – the unforeseeable economic consequences of the coronavirus could call most of the recently published growth projections into question. Therefore, even without the coronavirus impact, economical analysts had not been ruling out the necessity of fiscal stimulations in the course of the year to support growth. China, as recently reported, has marked its lowest growth rate since 1990. GDP in the Chinese economy grew by 6.1% in 2019 – at the lower end of the target range from 6.0% to 6.5% previously set by the Chinese government. The World Bank is expecting that China will grow even slower in 2020. With plus 1.8% the US economy is also expected to grow slower in 2020 compared to 2019. On aggregate, this results in a growth rate of 1.4% for the advanced economies and 4.1% for the emerging markets and developing economies. World economic growth in total is expected to reach 2.5% in 2020 (minus 0.2 percentage points versus the World Bank's June forecast). But all of the World Bank's January 2020 projections have not been taking into account the recent development concerning the coronavirus and its possible economic consequences. Especially the recent broad shutdown of production capacities in China is expected to depress Chinese growth in Q1 2020 or may even lead to a temporary recession there.

### Monetary Policies

As of 1 November 2019, Christine Lagarde has taken over the European Central Bank (ECB) presidency from Mario Draghi. ECB observers are not expecting a fundamental alteration in the central bank's monetary policy due to the change in the bank's presidency. But, with the coronavirus impact potentially harming economic growth, observers are strongly expecting a short term easing of monetary policy for the Eurozone. Looking back, since March 2016 the key interest rate is marking its record low of zero per cent. The penalty rate which commercial banks are obliged to pay for deposits at the central bank has been increased to minus 0.5% from minus 0.4% on 12 September 2019. The ECB also relaunched its open market bond purchase program (Quantitative Easing). As of November 2019, the ECB is buying a monthly equivalent of EUR 20 billion. The mid-term inflation target of 2% set by Mario Draghi - which is considered to be a natural rate of inflation in an environment of moderate GDP growth,

capacity expansion and productivity gains – has been continuously missed in past years. Therefore, the ECB might re-consider its inflation target rate as the main single parameter for its monetary policy. Latest Eurozone inflation figures for December 2019 (1.3%) were slightly higher than for the month before (1.0%), but this was attributable to a rise in volatile energy prices and lies well below the defined target rate of 2%. In the USA, the Fed lowered its key money market rate by 50 basis points on 3 March 2020 under the impact of coronavirus uncertainties. Market observers see this as an pre-emptive interest rate cut due to possibly further economic implications of the spreading virus disease. Further rate cuts are currently seen as probable. In reaction to the spreading coronavirus and its possible implications for growth, the Chinese central bank has made an initial injection of USD 174 billion into the monetary system in China.

### Capital Markets

Last year has been one of the most successful years for the performance of equity prices in recent capital markets history. Monetary policy turned out to be supportive and a number of observers were positively surprised in this respect. Despite constantly deteriorating economic fundamentals, markets managed to avoid a clouding of investor sentiment. On the contrary, prices broadly appreciated and price-earnings ratios experienced an overall expansion.

The German DAX gained 6.6% in the final quarter of the year and ended 2019 with an aggregate price appreciation of 25.5%. This is exactly the same performance as European Equities measured by the EuroStoxx 50. The economically more sensitive TecDAX added 7.1% in Q4 but showed a slightly weaker result on a total year basis than the broader DAX. German technology shares rose by 23% during the entire year. This could be explained by the slower growth figures in Germany compared to the US. There, the Dow Jones Index increased by 22.3%, but cyclical technology shares, summarized in the Nasdaq Composite Index, rose by 35.9% of which 11.8% were realized in the final quarter of the year. The UK equity market under-performed the rest of Europe and gained merely 1.8% in Q4 and 12.1% for the entire reporting year, whereas Swiss equities represented by the SMI Index added 5.3% between October and December to end the year with a 26% overall performance.

The moderately positive sentiment for equities at the beginning of the year has given way to serious fears concerning the coronavirus impact and has slashed equity prices recently within an extremely short period of time. Factors that have been counted as supportive (e.g. ultra-low interest rates, less Brexit uncertainties, first signs of relief concerning global trade disputes, a positive flow of funds into equity markets, the approaching US presidential elections) have receded into the background. Currently, markets are trying to assess the extent of the possible consequences of the coronavirus impact on demand and production worldwide. The sharp correction, reminding many market participants of SARS and its harmful effect on global capital markets in 2002/2003, could lead to a longer lasting bear market and trigger further losses according to some market observers. Other analysts are pointing to valuations that have risen too high in view of the weak development of corporate profits and see investment chances with respect to the second half of the year.

## SECTOR-SPECIFIC ENVIRONMENT

exceet's current Group companies concentrate on (1) customer-specific developments and small-to mid-size-series manufacturing of highly miniaturized PCB required in medical and industrial devices and on (2) certified security solutions focussed on environments that require secure connectivity, communication and automation. This puts exceet into an excellent technological position to successfully participate in the transformation processes taking place in the health market and in many areas of industrial manufacturing. The health market is transforming into eHealth and of industrial manufacturing turns into smart factory surroundings by implementing projects for the industrial IoT. For exceet's current operations, the relevant market developments are therefore the observable mega trends in "healthcare, medtech and the hearing aids market" and in "digitalisation and cyber security".

### Major Trends in Healthcare

Currently, the most relevant single trend in the healthcare sector is progressing digitalization. A PricewaterhouseCoopers (PwC) study, evaluating the financially measurable potential of a consequently pursued eHealth agenda in Germany, has calculated efficiency gains of EUR 39 billion or 12.2% of the entire

treatment expenditures of all cases of disease recorded in 2014. Apart from broadly spread efficiency gains over the system, another effect of digitalization in the healthcare sector is the creation of innovative purely digital healthcare products and services. In Germany, such products and services accounted already for EUR 3.3 billion in 2018. This number could increase by 16% annually (CAGR) within the next ten years, according to a joint study by Spectaris, the German industrial association of medical technology, Roland Berger Consultants and Messe Düsseldorf.

Beyond achieving higher efficiency and the creation of digital innovations, eHealth also allows a major shift from the treatment of diseases to the management of health, which turns patients into customers. In the future, personal health management mainly takes place decentralized at home and in everyday life situations. Zion Research estimates the volume of home healthcare services to rise to USD 391 billion in 2021 from USD 229 billion in 2018 resulting in a 3-year compound annual growth rate (CAGR) of 19.5%. Essential for the realization is a new generation of Medical Devices, i.e. wearables connected to the smartphone via app. They can provide a constant monitoring of vital functions under changing environmental conditions. The technological requirements are utmost miniaturization, multi-functionality and secure connectivity. According to MedTech Europe, market characteristics are a tight regulation in Europe and relatively short life cycles of only 18 to 24 months before innovative and improved follow-ups are kicking in. For example, European manufacturers from the EU, Norway and Switzerland filed around 5,200 patents with the European Patent Office in 2017.

Closely connected to modern healthcare management via Medical Devices is the generation of big data volumes, which have to be structured and processed by intelligent software applications. This generates smart data and artificial intelligence (AI) solutions, which are expected to contribute to the early detection of diseases and prevention.

According to latest market size data, MedTech Europe, the European trade association representing the medical technology industries, gives evidence that European countries in the meanwhile are spending roughly 10% of

their gross domestic product (GDP) on average on their healthcare systems. Spectaris has published figures revealing the dimension of the worldwide Medtech sector in 2019. The world market amounted to a total volume of USD 445.5 billion of which North America accounts for 39.2%, Europe for 27% and Asia/Pacific for 25.9%. Within Europe, the EU accounts for EUR 78 billion of which Germany was the biggest single market with a volume of EUR 32.7 billion and an average annual growth rate of about 5% from 2010 to 2018. Outside the EU, traditionally strong markets are Ireland and Switzerland who also reach the highest direct MedTech employment per capita.

Within the healthcare market, the global hearing aids market shows overall stable growth rates in the mid-single digit area since 2006, comprised of a unit growth rate of around 4% and moderately rising average selling prices per unit. However, the sub-segment of cochlea implants is able to achieve stronger growth rates between 10% and 15% annually. In their recent sector study, analysts of Commerzbank have been hinting to a fresh acceleration of value growth to 6.5% in 2019, underpinned by a unit growth of 6.2% and a slightly positive price impact. For 2020, the analysts are expecting value growth of 4.8%. The age of 68 years is the statistically proven age on average for the first time use of a hearing aid. As the baby boomers are reaching this age in the upcoming years, they are expected to support growth for this sector visibly. Reimbursement schemes within national health systems, duration-of-use patterns and the relevant legislation in favour of certain population groups can vary from country to country in the developed world, thus having an impact on the referring national growth rate assumptions. But, from a global perspective, the World Health Organization (WHO) states that, in principal, 600 million humans worldwide need a hearing aid, while this demand is only covered at roughly 10%.

Hearing aids can be expected to increase their consumer attractiveness as a medical device, because more smart features become part of the operational chain. While handling becomes easier by adding innovative technologies (e.g. bluetooth-based installation and control via smartphone-app, re-chargeability of batteries, automatic adaption of the hearing aid to changing acoustical environments, etc.), hearing aids

also offer the potential to become multi-functional smart medical devices increasing the benefits of their users. The key to the medical enhancement of hearing aids is further miniaturization and more electronic complexity on smallest possible spaces.

### Major Trends in Digitalization and Data Security

Digital transformation covers almost every process chain in private, public and business environments. Most established business models, as well as manufacturing- and service-related sectors are to be impacted, possibly in a disruptive manner. Digitalization generates big data volumes. Their innovative allocation, structuring and processing creates smart data and artificial intelligence (AI) requirements. In the corporate sector, this enables certain corporate functions to become anticipatory. For example, customer relationship management (CRM) systems turn to a predictive customer relationship system (PCR). It is expected that in the future even the valuation of corporations will take into account the capabilities of its AI-algorithms. In the private sector, smart data can be used to create and channel customer needs and wants. Individuals are increasingly wearing, additionally to their smart phone, other smart electronic devices that cover a number of functionalities like hearing aids, smart watches or smart spectacles. Concerning the latter, the market research institute IDC estimates a market volume of USD 160 billion until 2023 for virtual reality- and augmented reality-applications based on smart spectacles. In the public sector, new concepts of living (smart cities, woven cities), mobility (autonomous driving), assistance (robotics), etc. are becoming subjects of pilot projects. In a recently published study, management consultants for strategy, innovation & technology, Arthur D. Little, have referred to AI as one major growth driver for digitalization in the next years. The study focuses on the value enhancing potentials of AI within the existing structures, but excludes the possible impact of new business models arising. The entire potential as of now is estimated at nearly USD 500 billion until 2025 and includes cost savings as well as possible turnover increases.

In the industrial sector, the discrepancy between the awareness for Industry 4.0 / IoT projects and their realization still seems to be significant, specifically in Germany which is seen lagging behind by international observers though the strongly industrialized economic structure is highly dependent on pursuing a successful transformation process. According to the “Industry 4.0 barometer” by MHP

(a Porsche subsidiary for Management and IT Consulting) and the Ludwig-Maximilians-University Munich, the relevance of IoT for the own company was acclaimed very high or rather high by 81.3% of the contributors. Other studies reveal that corporations have serious security concerns, which prevent an introduction of IoT-networks on a broad basis. The industrial sector appears to prefer evolutionary progress, which achieves immediate cost reductions and efficiency gains rather than disruptive processes that take longer times to get implemented.

Data security seems to be the most unsettling issue in digitalization. According to Bitkom (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien), cyber-attacks in Germany caused damages of around EUR 100 billion in 2019. In an international study by EfficientIP, the Finance Sector has been marked as the most heavily attacked business sector worldwide. A survey among international banks, published by EY Ernst & Young, revealed that 53% of banking executives see either a low or at best medium level of security in their own institute. But other sectors are also suffering from unsolved security concerns. According to Gematik, in 90% of all physicians’ medical practices that are connected to the telematics infrastructure, security risks in their IT infrastructure have been identified. Compared to the size of possible damages, investment into cyber-security is still seriously lagging behind. This is specifically true for public investment where also the discrepancy between the United States and the European Union is tremendous. Public cyber-security investment in the US is ten-fold the size of corresponding investments within the EU. The major reasons for cyber-crimes are blackmailing, espionage, sabotage and ID-theft.

The possible points of attack have shifted from the classical Email malware to routers and gateways. Here the demand for implementation of the latest technology seems most important. Apart from wide-spread disruption concerns, a limiting factor to the implementation of security tools might be the contradiction between tamper-proof data transmission on the one hand and the full functionality of innovative applications on the other hand. For example, autonomous driving requires “vehicle2vehicle” or “vehicle2infrastructure” communication and a seamless tracking of all data. This could negatively interfere with the introduction of the latest security features. In the healthcare sector, for example, the full encryption of MedTech devices could be an obstacle to rapid assistance in emergency cases.

## RESULTS OF OPERATIONS, SEGMENT REPORTING AND BALANCE SHEET POSITIONS

In 2018 exceet sold several activities, which were a substantial part of the Group. As a consequence, the Group’s IFRS reporting has been split into “Continued Operations” and “Discontinued Operations”. In general, comments and comparisons are made on basis of continued operations.

exceet’s operations consist of the PCB activities within the Healthcare segment (former ECMS segment) and the Software segment (former ESS segment), which is actually focused on industrial IoT and secure connectivity. Currently, locations are in Switzerland, Germany, USA and Luxembourg.

(in EUR 1,000)	4th Quarter			January - December		
	2019	2018		2019	2018	
Net Sales	10,919	10,420	+4.8%	43,657	41,535	+5.1%
FX Adjusted Organic Growth Rate			+2.2%			+2.2%
EBITDA <sup>1)</sup>	2,488	1,344	+85.1%	6,803	4,907	+38.6%
in % of Net Sales	22.8%	12.9%		15.6%	11.8%	
One-off restructuring effects	[205]	0		597	0	
Recurring EBITDA <sup>1)</sup>	2,283	1,344	+69.9%	7,400	4,907	+50.8%
in % of Net Sales	20.9%	12.9%		17.0%	11.8%	
Result for the period	1,251	[471]	[365.6%]	2,520	[535]	[571.0%]
One-off restructuring effects	[205]	0		597	0	
Currency exchange differences (non-cash)						
- gains, net	0	0		[752]	0	
- losses, net	144	922		0	1,900	
Recurring Net Result <sup>1)</sup> before currency exchange differences and one-off costs	1,190	451	+163.9%	2,365	1,365	+73.3%
in % Net Sales	10.9%	4.3%		5.4%	3.3%	

The cumulative 2019 EBITDA<sup>1)</sup> figure contains one-off restructuring effects of EUR 0.6 million mainly out of the shutdown of the location in Rotkreuz (Switzerland) at the end of March 2021 and advisory costs related to the structural changes at the level of the Luxembourg holding company (see section "Structure & Reporting" Page 5).

Based on IFRS requirements, the non-cash foreign currency effect out of cash held in EUR in the Swiss holding company with the functional currency of Swiss francs is neutralized on balance sheet level via the equity position. The payment of the special distribution to the shareholders in 2019 reduces the future P&L impact substantially, but is still influenced by the development of the Swiss Francs / Euro currency rate.

## RESULTS OF OPERATIONS

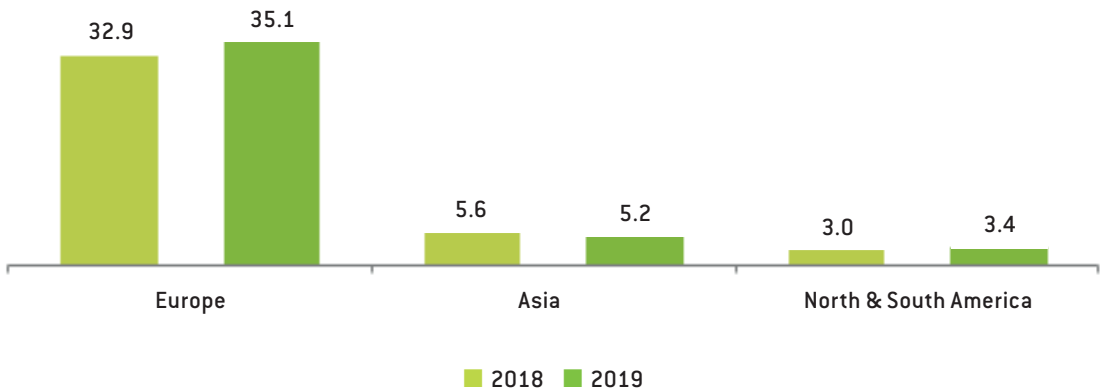
The progression of exceet's 2019 performance is characterized by a dynamic Q1 followed by the ease of the Group's operative businesses in Q2 before Q3 2019 was influenced by the intra-year volatility out of the short-term progression of demand from exceet's customers and the product mix (higher share of lower priced PCBs). Despite persistent and serious economic concerns, exceet's fourth quarter net sales rose by 4.8% to EUR 10.9 million finalizing the year 2019 with net sales of EUR 43.7 million. The operational profit (EBITDA<sup>1)</sup>) amounted to EUR 2.5 million in Q4 raising the 2019 figure to EUR 6.8 million – 15.6% of net sales. The realized cost-stringency of the organization helps to leverage the Group's operational results to its top line performance. An optimal product cost mix, as shown in Q4 2019, the absence of a slump in consumer spending on healthcare devices and a sustainable sales improvement of the software unit, continue to be the key for the further realization of benefits.

1) See Group Consolidated Financial Statements note32 "Alternative Performance Measures (APM)" Page 110

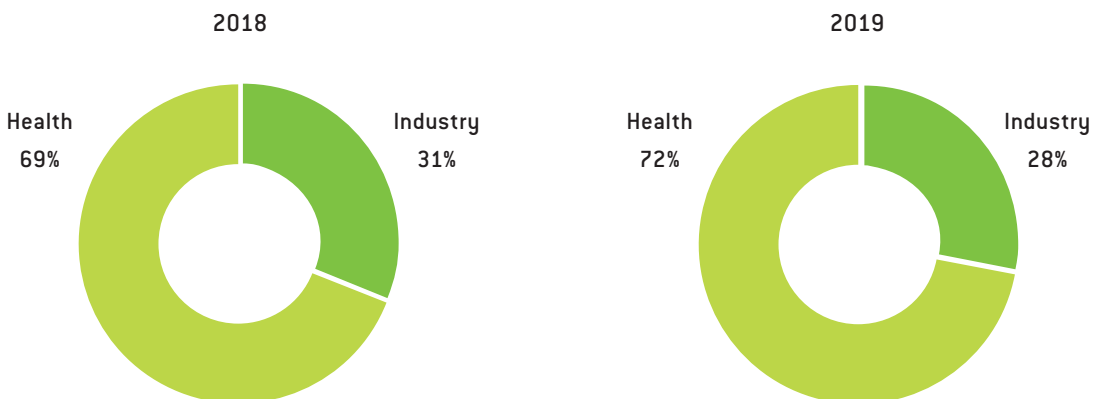
except's revenue of EUR 43.7 million (2018: EUR 41.5 million) increased by 5.1% but the weaker average exchange rate of the Swiss franc versus the Euro reduced the consolidated net sales by EUR 1.2 million. The FX Adjusted Organic Growth Rate<sup>1)</sup> of 2.2% (2018: increase of 0.7%) consists of a growth of 2.6% of the Healthcare segment and an increase of 0.8% of the Software segment. As this growth came mainly from health projects, the share of the health market activities increased by three percentage points to 72% of the total net sales (2018: 69%).

On 31 December 2019, except's Order Backlog<sup>1)</sup> amounted to EUR 13.9 million which is EUR 1.2 million higher than on 31 December 2018 (EUR 12.6 million) and reflects a Book-to-Bill Ratio<sup>1)</sup> of 0.99 (2018: 0.93). The increase of the total Order Backlog<sup>1)</sup> is caused by EUR 0.7 million from the Healthcare segment and EUR 0.5 million out of the Software segment. The Currency Adjusted Order Backlog<sup>1)</sup> increased by 7.0%.

**GEOGRAPHICAL GLOBAL PRESENCE**  
(in EUR million)



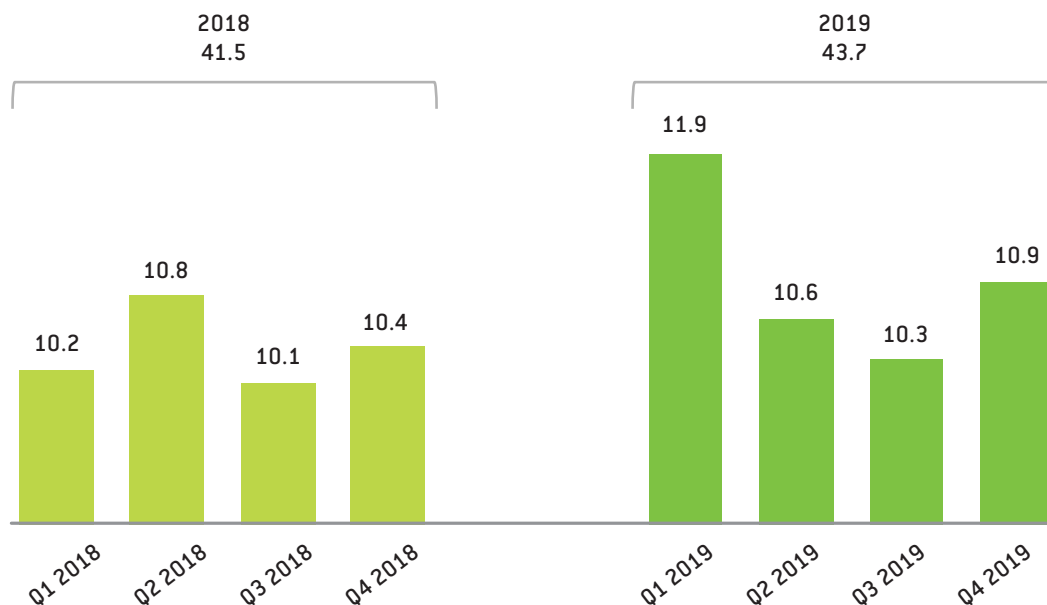
**EXCEET'S REVENUE BY MARKETS**  
(share of total net sales)



1) See Group Consolidated Financial Statements note 32 "Alternative Performance Measures (APM)" Page 110



## EXCEET'S QUARTERLY NET SALES DEVELOPMENT (in EUR million)



In 2019, the Group achieved net sales of EUR 11.9 million in Q1, EUR 10.6 million in Q2, EUR 10.3 million in Q3 and EUR 10.9 million in the fourth quarter. The quarterly variation is caused by the mix of delivery dates as requested by the customers.

Gross Profit increased by EUR 1.1 million to EUR 11.0 million which was 25.1% of net sales (2018: EUR 9.9 million or 23.9%) due to a favourable sales mix, economies of scale out of higher net sales by stable costs and an release of operational provisions in the amount of EUR 0.2 million.

The EBITDA<sup>1)</sup> amounted to EUR 6.8 million or 15.6% of net sales (2018: EUR 4.9 million or 11.8%). In addition to the leverage out of the higher Gross profit of EUR 1.1 million, the positive effect on the EBITDA Margin<sup>1)</sup> was further driven by reductions of the distribution costs by EUR 0.2 million and administrative expenses by EUR 0.3 million.

Depreciations, amortizations and impairment charges in the amount of EUR 3.1 million increased by EUR 0.3 million against the previous year (2018: EUR 2.8 million). EUR 2.3 million (2018: EUR 2.0 million) relate to the depreciation of tangible assets, EUR 0.8 million (2018: EUR 0.8 million) relate to the amortization of intangible assets.

The Group's 2019 net result of EUR 2.5 million is driven by a substantially improved financial result containing a non-cash currency exchange gain, net of EUR 0.8 million. This amount includes a foreign currency exchange gain of EUR 4.3 million out of the upstream transfer for the share premiums from the Swiss-based exceet Group AG to the Luxembourg-based exceet Group SE in Q3 2019 in preparation of the special distribution paid out to shareholders on 25 November 2019 and a foreign currency exchange loss of EUR 3.5 million on the substantial amount of cash received with the sale of several activities in 2018 (EUR 117.0 million) and now being held in the Swiss holding company with the functional currency of Swiss francs. The net effect is neutralized on the balance sheet level via the

1) See Group Consolidated Financial Statements note 32 "Alternative Performance Measures (APM)" Page 110

equity position. In addition, other foreign currency exchange losses of EUR 0.1 million were caused by Euro intercompany loans given by the Swiss holding to finance other Group companies (2018: minus EUR 0.2 million). These valuation adjustments reflect in 2019 again the strengthening of the Swiss franc to CHF 1.0854 against the Euro (e.g. 31.12.2016: CHF 1.1702).

The Group result 2018 of EUR 52.4 million, included the loss from continued operations - due to foreign exchange differences – of EUR 0.5 million and the gain of EUR 52.9 million out of discontinued operations (see

Consolidated Financial Statements except Group note 28 “Discontinued operations”).

The calculation of basic earnings per share (EPS) on 31 December 2019 (see Consolidated Financial Statements except Group note 25 “Earnings per share”) is based on the net profit attributable to the shareholders of except Group S.A. (formerly except Group SE of EUR 2.5 million for 2019 (2018: gain of EUR 52.4 million) and the weighted average number of 20,073,695 ordinary Class A Shares outstanding excluding the 450,000 treasury shares.

## EARNINGS PER SHARE (in EURO)

		2019	2018
Profit/(loss) for the year (EUR 1,000) attributable to equity holders of the Company	Class A Shares	2,520	52,400
Weighted average number of ordinary shares outstanding	Class A Shares	20,073,695	20,073,695
<b>Basic earnings/(loss) per share (Euro/share)</b>	<b>Class A Shares</b>	<b>0.13</b>	<b>2.61</b>

## SEGMENT REPORTING

### Healthcare

The segment realized net sales of EUR 34.6 million (2018: EUR 32.6 million) representing 79.3% of Group sales and an increase by 6.3%. The EBITDA<sup>1)</sup> amounted to EUR 9.2 million (2018: EUR 8.3 million) – plus 11.5% - and resulting in an EBITDA Margin<sup>1)</sup> of 26.6% (2018: 25.4%). Adjusted for currency effects, net sales amounted to EUR 33.4 million and increased by 2.6%. The further improvement of the EBITDA Margin<sup>1)</sup> was supported by the leverage out of the higher sales volume with stable costs and an optimal sales mix.

### Software (including IoT)

In 2019, the segment contributed 20.7% to Group sales. The segment generated external revenues of EUR 9.1 million after EUR 9.0 million in 2018 (plus 1.2%). The EBITDA<sup>1)</sup> amounted to minus EUR 0.1 million (2018: minus EUR 0.6 million).

## BALANCE SHEET POSITIONS

As of 31 December 2019, the total assets of except Group amounted to EUR 89.6 million, compared to EUR 144.2 million as of 31 December 2018.

The non-current assets amounted to EUR 25.5 million (31.12.2018: EUR 20.7 million). The total position includes tangible assets of EUR 11.6 million (31.12.2018: EUR 9.3 million), intangible assets of EUR 10.3 million (31.12.2018: EUR 10.8 million) and other non-current assets of EUR 3.6 million (31.12.2018: EUR 0.6 million) including deferred tax assets of EUR 1.0 million (31.12.2018: EUR 0.6 million) and tangible right-of-use assets (IFRS 16: see Consolidated Financial Statements except Group note 2.6 “Change in accounting policy”) of EUR 2.5 million. The tangible assets increased due to the investments into the PCB activities in Küssnacht (Switzerland) by EUR 5.2 million and decreased by the separation of tangible right-of-use assets by EUR 2.0 million.

1) See Group Consolidated Financial Statements note 32 “Alternative Performance Measures (APM)” Page 110

Current assets amounted to EUR 64.1 million, compared to EUR 123.5 million at year-end 2018. The Position included EUR 51.5 million cash and cash equivalents (31.12.2018: EUR 113.2 million) and decreased by EUR 59.4 million, net. Thereof EUR 61.7 million from cash and cash equivalents caused by the payment of a special distribution to the shareholders in the amount of EUR 60.2 million, EUR 0.1 million from contract assets related to vendor managed inventories, EUR 0.2 million from other current receivables and an decrease of EUR 0.1 million from inventories and EUR 0.9 million from accrued income and prepaid expenses.

As of 31 December 2019, exceet Group's equity amounted to EUR 73.6 million, against EUR 131.5 million as of 31 December 2018. This represents an Equity Ratio<sup>1)</sup> of 82.2% (2018: 91.2%).

The non-current liabilities increased by EUR 1.0 million from EUR 6.7 million at year-end of 2018 to EUR 7.7 million. The increase, net includes mainly EUR 1.0 million out of the separation of the right-of-use assets and EUR 0.2 million out of the adjustment of the retirement benefit obligations according to the actual actuarial calculation due to an adaptation of the capital conversion rate of the Swiss plan.

The increase of the current liabilities by EUR 2.2 million to EUR 8.2 million as of 31 December 2019 (31.12.2018: EUR 6.0 million) includes the increase of the contract liabilities of EUR 1.0 million, EUR 0.9 million out of higher income tax liabilities caused by the improved profit level and EUR 0.3 million net from other current liabilities.

### Financial situation

The cash and cash equivalents amounted as of 31 December 2019 to EUR 51.5 million (31.12.2018: EUR 113.2 million). The decrease of net EUR 61.7 million is mainly caused by the payment of a special distribution to the shareholders in the amount of EUR 60.2 million. Other components of the cash flow 2019 are a cash in from operating activities of EUR 5.4 million (2018: EUR 2.3 million), cash-out for capital expenditures of EUR 5.2 million (2018: EUR 3.0 million), EUR 0.9 million (2018: EUR 0.8 million) Net Cash<sup>1)</sup> out for repayments of financial leases and an effect of exchange rate losses of EUR 0.9 million (2018: gain of EUR 2.0 million)

The 2019 operating cash flow of EUR 5.4 million consisted of EUR 1.0 million investments into the Net Operating Working Capital<sup>1)</sup> (mainly receivables and prepaid expenses), net tax payments of EUR 1.0 million, interest payments of EUR 0.1 million and the cash inflow out of operations with EUR 7.5 million. The Net Cash<sup>1)</sup> position as of 31 December 2019 amounted to EUR 48.1 million (31.12.2018: EUR 109.4 million).

### Capital expenditures

Net capital expenditures, including financial leasing and excluding the disposal of subsidiaries amounted to EUR 6.0 million (2018: EUR 3.8 million). Net capital expenditures of EUR 5.2 million (2018: EUR 1.7 million), representing 11.9% (2018: 4.1%) of revenues, were invested in property, plant, equipment and software during 2019. Main investments were realized in the context of the extension of the PCB production site and the production capability for the new Ultra-HDI technology.

1) See Group Consolidated Financial Statements note 32 "Alternative Performance Measures (APM)" Page 110

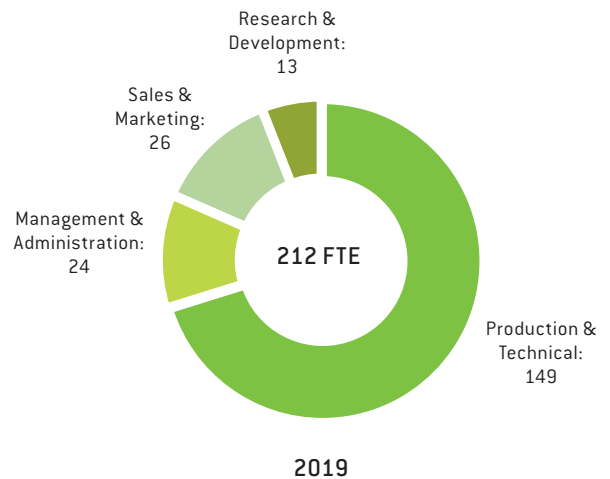
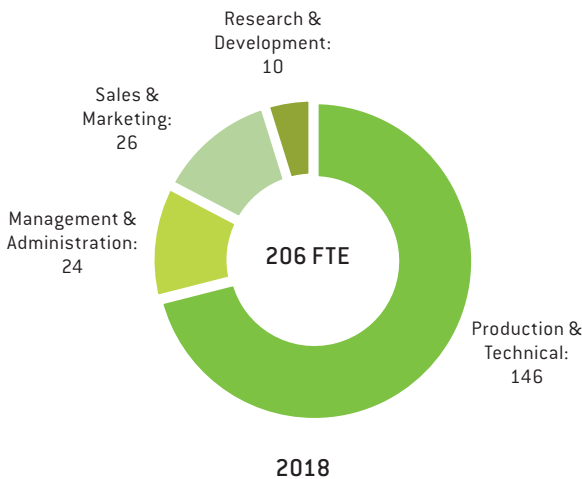
## NON-FINANCIAL PERFORMANCE INDICATORS

### EMPLOYEES

As of 31 December 2019, the Group had 231 employees (Headcount) (2018: 226) or 212 full-time equivalents (FTE) (2018: 206). 55 FTE (2018: 53) were employed in Germany, 156 FTE (2018: 152) in Switzerland and 1 FTE (2018: 1) in the USA.

The number of 212 FTEs as of 31 December 2019 was split into 149 (2018: 146) in production & technology, 13 (2018:10) in research & development, 24 (2018: 24) in management & administration and 26 (2018: 26) in sales & marketing.

### EXCEET'S EMPLOYEES BY ACTIVITIES



### Staff as a key success factor

exceet's companies are an attractive employer, offering interesting job prospects in an international environment. The loyalty of our employees and their motivation and expertise represent important success factors and a great competitive advantage. To support an open communication culture, exceet companies hold regular shop floor meetings including shift workers, administration employees and management team to talk about relevant issues, answer questions and discuss the actual business development.

The human resource (HR) strategy supports the core objectives of the corporate strategy. The HR strategy focuses on competitiveness and diversity. Specifically, this strategy entails the forward-looking establishment of expertise through selected talent

recruitment and promotion as well as the attractive and flexible structuring of safe working conditions. The Group considers criteria like personality, skills and qualifications when selecting employees and is an equal opportunity employer. In consideration of individual qualification and the integrative capacity of an applicant, exceet aims to enhance the quota of female staff at all hierarchical levels. In 2019 exceet employed 82 female employees (2018: 84) and 149 male employees (2018: 142). The exceet companies aim to generate a corporate culture that is characterized by open and friendly interaction. Therefore, fairness to everybody is an important principle.

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

significance is also allocated to recruit specialist and managerial staff to realize complex customer projects and to further standardize internal processes and systems. In addition, exceet offers apprenticeship programs in business administration and for technical engineers. As of 31 December 2019 exceet trained two apprentices (2018: three).

exceet has a zero tolerance approach with regard to the violation of human rights. However, since the Group is mainly active in countries with a stable democratic and regulatory environment, the violation of human rights is not regarded as an issue.

### Work Safety

exceet's companies aim at making the workplace as safe as possible for their employees. The management complies with legal regulations regarding labour force safety and health. Therefore, substantial efforts are in place regarding accident prevention and the limitation of dangers that can arise in the daily work routines.

In order to increase the awareness of the employee's with regards to safety issues, a regular risk assessment is in place and measures, like employee trainings or work process adjustments, are taken. Within our healthcare production activities, monthly working group meetings are held to discuss actual safety issues or safety improvement measures; e.g. extended training of the internal first-aid team. Free influenza vaccination is offered regularly.

## ENVIRONMENT

### Corporate responsibility

exceet contributes actively to environmental protection through its careful handling of natural resources as well as the avoidance or recycling of production waste. 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).

With the reconstruction of the location in Küssnacht in 2019 the main system has been renewed which will lead to future energy savings and further reduce the risk of environmental pollution issues. The renewed water system of the location prepares the impure fresh water to reduce

waste material and water consumption within the stripping process of the PCB production.

The power consumption of the Group decreased further in 2019 by 8.1% from 3.56 MWh in 2018 to 3.27 MWh even with a higher production volume.

## SOCIAL RESPONSIBILITY

### Sustainability

With its technological portfolio, exceet provides innovative products and solutions worldwide that secure sustainable success for its customers and therefore, contributes continuously to global sustainable development. This is based on a responsible corporate management geared to long-term value creation.

### Development and technology investments

The availability of qualified development capacities and state-of-the-art production technologies is crucial for the sustainable business development of exceet's business activities. The research and development expenditures for the year 2019 amounted to EUR 0.8 million (2018: EUR 0.7 million), representing 1.7% of the Group's net sales. Due to this continuous investment in development and technology, exceet is expecting to keep the technology and quality leadership for customers benefits sustainable.

### Social projects

Social responsibility is important for the management and the employees of exceet, not only in the area of customers and sustainable products. Since 2012 an annual donation program of exceet named "exceet helps" supports selected projects, located especially in the countries of operations. Employee suggestions about the need for supporting donation projects are highly appreciated by the management.

## CORRUPTION AND BRIBERY

### Sustainability

With regard to corruption and bribery the Group has a zero tolerance approach. Since the Group is mainly active in countries with a stable political and regulatory environment, corruption is not regarded as a priority issue.

### Internal Control System

The Supervisory Board and the General Partner are aware that a well-functioning internal control system including a regular detailed reporting essentially helps to prevent and detect cases of corruption and bribery.

The Group has a clear management and corporate structure. The areas of responsibility are clearly assigned. The financial systems used are protected against unauthorized access by appropriate IT systems and processes. In addition, for all relevant and significant processes, the four-eye principle is required.

## OPPORTUNITIES AND RISK REPORT

exceet is exposed to numerous risks and opportunities as part of its business activities; these are invariably linked to the Group'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 decision-making 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 Group's value. The Supervisory Board and the General Partner 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 Supervisory Board and the General Partner of the Group regularly review the Group's strategic opportunities. The task of the Group's companies is to identify opportunities at the operational level and to improve earnings performance where possible. The latest strategy update was announced in Q3 2019 and is reflected within the business description of this report.

### RISK MANAGEMENT

exceet manages company risks with a group-wide risk management system, which is an integral component of the business processes and a significant element of the decision-making in the company. This allows 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 the Group strategy. The risks relevant 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, as well as upcoming trade barriers can have a negative impact on demand for exceet products. This would result in decreasing sales and increased margin pressure. exceet counters these risks by way of constantly improving its technology leadership position in all segments with permanent and comprehensive development activities and state-of-the-art manufacturing processes. In addition, exceet is constantly working on promising market segments (e.g. healthcare or secure connectivity) and strictly managing its fixed costs and focussing on the core competences of its activities, e.g. further miniaturization of its PCBs.

### STRATEGIC RISKS

exceet might pursue a substantial part of its growth via acquisitions. If the Group is not able to identify suitable companies in the future or to successfully develop the acquired companies, this could have a negative impact on the Group's competitive position, growth opportunities and profitability. However, these risks are considered to be limited, given the long-term experience of Management and Supervisory Board as well as of the solid acquisition policy.

## INTEREST RATE, LIQUIDITY AND CURRENCY RISKS

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exceet is exposed to interest rate, liquidity and currency risks as part of its business activities. Derivative financial instruments are used from time to time in order to limit interest rate risk. 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 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. 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 with delay due to a lack of liquidity. Solvency is ensured by way of revolving liquidity planning and a substantial Net Cash<sup>1)</sup> position.

As the functional currency of exceet Group AG – the Swiss based holding company holding the participations and a substantial Euro cash position – is Swiss francs, a material currency impact might occur to the consolidated profit and loss accounts due to the currency valuation at the effective date. However, this impact will be neutralized at the consolidated balance sheet level within the equity value.

## CREDIT RISKS

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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 mainly 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 group-wide basis. Credit risks arise 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. The monitoring of the credit risks is supported by an internal monthly reporting.

## QUALITY RISKS

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Ensuring maximum and consistent quality of all exceet products requires close collaboration with all contract partners. Therefore, procurement, production and logistic risks are monitored regularly to achieve the target of maximum and consistent quality. One risk factor is a potential decrease of product quality. exceet counters these risks with numerous regular audits and quality tests by independent testers and subsequent quality assurance measures.

## LEGAL RISKS

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Legal risks in connection with product liability, warranties or employment law are comprehensively analysed by the Legal Department and, where required, with 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

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exceet places great value on the proper and respectful treatment of all employees. The loss of managers or other key employees could have a negative impact on the development of exceet. This risk is countered by creating a good working environment as well as attractive remuneration agreements, taking the Group's long-term objectives into consideration.

## IT RISKS

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The availability and efficiency of IT infrastructure and applications is crucial for the economic performance of exceet's companies. IT risks consist of the possible failure of operational and administrative IT systems which could impair business transactions. A failure of IT systems could entail existential risks. exceet therefore specifically invests in the expansion and

1) See Group Consolidated Financial Statements note 32 "Alternative Performance Measures (APM)" Page 110

continual development of modern IT systems in order to ensure functionality at all times and to 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. excelet has appointed data protection officers according to the legal requirements in all relevant areas.

#### WITHHOLDING TAX RISKS SWITZERLAND

The majority of the Group's cash currently sits in bank accounts of excelet Group AG, Rotkreuz, Switzerland (31.12.2019:EUR 40.2 million). In case such cash is distributed to excelet Group S.à r.l. Grevenmacher, Luxembourg, the Swiss withholding tax of 35% applies on all shareholder distributions not paid out of capital reserves of excelet Group AG. The payment of this withholding tax can be in whole or partially reduced by a notification procedure approved by the Swiss Federal Tax Administration. excelet Group AG filed an application in 2019. The decision of the tax authority is still pending. The potential for future distributions might be significantly reduced in the case of a negative ruling.

#### 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 2018 financial year.

## REPORT ON EXPECTED DEVELOPMENTS

#### OUTLOOK FOR 2020

The progression of excelet Group's healthcare and software operations in the course of 2019 were characterized by a buoyant start into the year resulting in exceptionally strong figures for the first three months, an expected business calming in Q2, followed by an encouraging stabilization amid a deteriorating economic climate in Q3 and, finally, again a pleasing upward trend in the last quarter of the reporting year. In total, excelet's top line growth reached a mid-single-digit figure as guided in the annual report one year ago.

The management is optimistic that the regained momentum in the final quarter of 2019 can be carried over into the current year, even though the strength of Q1 2019 is setting a strong comparison for the Group's business in Q1 2020. The Order Backlog<sup>1)</sup> as of 31 December 2019 amounts to EUR 13.9 million compared to EUR 12.6 million (+10.3%) versus one year ago and can be interpreted as a positive early indicator for the business progression in the course of 2020.

Actually, the final implications of the rapid spread of the coronavirus are difficult to predict. The slow growth environment could even suffer more and for a longer time while recessionary trends in certain economic and geographical areas cannot be ruled out. But excelet's healthcare related PCB activities proved to be rather unaffected by the currently gloomy economic conditions. The Swiss based PCB business can even be expected to deliver a slight acceleration of growth this year versus last year. Especially in the second half of the year the Group could be in a favorable position to develop the full potential of its extended state-of-the-art operations there. This positive assessment is mainly technology-driven and has to be considered excelet-specific. The industrial fabrication of ultra-high-dense flexible boards could become an accelerator for excelet's PCB value chain. With respect to excelet's software operations, located in Germany, the management expects further progress to establish the market presence of excelet's product suite "excelet connect". Related projects are well on track and will be finalized in the course of the year with positive results.

The Group's operative profitability as measured on the EBITDA<sup>1)</sup> level could experience some further improvement on a full year basis from the figure realized in 2019. Nevertheless, as indicated before, a quarterly volatility of the EBITDA-Margin<sup>1)</sup> remains linked to excelet's business model.

#### SUPPLEMENTARY REPORT

Up to the beginning of March 2020, no other than these mentioned noteworthy operational and structural changes or business transactions have occurred that would significantly change the net assets, financial position and results of operations of excelet Group as compared to 31 December 2019.

1) See Group Consolidated Financial Statements note 32 "Alternative Performance Measures (APM)" Page 110



## CORPORATE GOVERNANCE

exceet Group SCA (formerly exceet Group SE/exceet Group S.A., hereinafter exceet Group SCA) recognizes the importance of corporate governance. The corporate governance rules of exceet Group SCA are based on Luxembourg law (the “Law”), its articles of association (the “Articles”).

Electronic copies of the Articles can be downloaded from the website of exceet Group SCA:

[www.exceet.com/investor-relations/corporate-governance](http://www.exceet.com/investor-relations/corporate-governance)

The main characteristics of exceet’s internal control and risk management systems, as far as the establishment of financial information is concerned, can be found in the Consolidated Financial Statements of exceet Group under note 2.8 “Financial risk management”.

### THE SUPERVISORY BOARD AND THE GENERAL PARTNER

The Supervisory Board is responsible for the supervision of all transactions of the Company and assumes the function of the audit committee of exceet. In particular, the Supervisory Board is to provide opinions on any matters which the General Partner may submit to it, and to resolve on matters exceeding the scope of the General partner’s powers such as related party transactions. The members of the Supervisory Board are Roland Lienau (Chairman), Jan Klopp and Georges Bock. The management of the business as such is ensured by the General Partner.

The role of exceet Management S.à r.l. as General Partner is to manage the Company whereby, subject to applicable laws and the Articles, the General Partner is vested with the broadest power to act in the name of the Company and to take any action necessary or useful to fulfil the Company’s corporate purpose.

The authority and the responsibilities of the Supervisory Board and the General Partner are further set out in the Articles.

### COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has not appointed any committees, but acts as audit committee of the Company and is, in such function, responsible for oversight of the financial reporting process and audit matters, selection of the independent auditor, and receipt of audit results both internal and external. When acting as audit committee, the Supervisory Board is chaired by Georges Bock. The Supervisory Board meets at least twice a year in this committee composition.

Information on the composition and function of the Supervisory Board of the Company can be found in the Consolidated Financial Statements of exceet Group under note 30 “Ultimate controlling parties and related-party transactions”.

### AUDITOR

PricewaterhouseCoopers, Société coopérative, Luxembourg, represented by lead auditor François Mousel, has been the statutory and group auditors of exceet Group SCA and the exceet Group, respectively, since the financial year 2012. The auditor is elected by the annual general meeting of the shareholders of the Company for the term of office of one year.

## TAKEOVER LAW

The following disclosures are made in compliance with article 11 of the Luxembourg Law of 19 May 2006 on takeover bids, as amended (the “Takeover Law”):

### SHARES

As of 23 January 2020 the shareholders of the Company accepted the proposal of the Board of Directors of the exceet Group S.A. (formerly exceet Group SE) and adopted the change of the legal form of exceet Group S.A. to a partnership limited by shares under the laws of Luxembourg (société en commandite par actions (SCA)). The general partner of the SCA is exceet Management S.à r.l., a limited liability company under the laws of Luxembourg (société à responsabilité (S.à r.l.)), the shares in which are held indirectly by the founders of

the Active Ownership Group (AOC) Florian Schuhbauer and Klaus Röhrig (50% each). Prior to the change of the legal form, the shareholders resolved the immediate redemption of the 450,000 treasury shares in order to clean up the capital structure of the Company.

As a consequence the Company's issued share capital is today set at EUR 311,960.18 and represented by 20,073,696 Voting Shares (the "Shares") split into 20,073,695 ordinary bearer shares (the "Ordinary Shares") without nominal value and one registered unlimited share (the "Unlimited Share") held by the General Partner, with the Unlimited Share having a veto right in case of shareholder resolutions affecting the interest of the Company vis-à-vis third parties or on the amendment of the Articles. The Ordinary Shares are listed on the regulated market of the Frankfurt Stock Exchange within the "Prime Standard" segment, whereas the Unlimited Share is a registered share, and cannot be freely traded, requiring, for the transfer and resulting replacement of the General Partner, a majority of 85% of the votes validly cast at a general meeting convened for such purpose.

A copy of the Articles can be accessed at [www.exceet.com/investor-relations/corporate-governance](http://www.exceet.com/investor-relations/corporate-governance)

## RIGHTS ATTACHED TO THE SHARES

Each Share entitles the holder thereof to one vote, with the Unlimited Share having a veto right with respect to decisions regarding the interests of the Company vis-à-vis third parties and with respect to changes to the Articles. All Shares carry equal rights as provided for by Law and as set forth in the Articles, including rights to receive dividends (if declared) or liquidation proceeds.

Holders of Ordinary Shares and derivatives or other financial instruments linked to the Ordinary Shares may be subject to notification obligations pursuant to the Luxembourg Law of 11 January 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market, as amended (the "Transparency Law"). The following description summarises these obligations.

The Transparency Law provides that, if a person acquires or disposes of a shareholding in the Company, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33<sup>1</sup>/<sub>3</sub> % or 66<sup>2</sup>/<sub>3</sub>%, of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Company and the "Commission de Surveillance du Secteur Financier" (the "CSSF") of the proportion of voting rights held by it further to such event.

A person must also notify the Company and the CSSF of the proportion of his voting rights if that proportion reaches, exceeds or falls below the abovementioned thresholds as a result of events changing the breakdown of voting rights and on the basis of the information disclosed by the Company.

The same notification requirements apply to a natural person or legal entity to the extent he is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

- (i) voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer;
- (ii) voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- (iii) voting rights attaching to Shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares his intention of exercising them;
- (iv) voting rights attaching to Shares in which that person or entity has the life interest;
- (v) voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by that person or entity;

- (vi) voting rights attaching to Shares deposited with that person or entity which the person or entity can exercise at his discretion in the absence of specific instructions from the shareholders;
- (vii) voting rights held by a third party in its own name on behalf of that person or entity;
- (viii) voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at his discretion in the absence of specific instructions from the shareholders.

The notification requirements as set out in article 12 of the Transparency Law also apply to a natural person or legal entity that holds, directly or indirectly:

- (i) financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire, Shares to which voting rights are attached, already issued by the Company, or
- (ii) financial instruments which are not included in point (i), but which are referenced to the Shares referred to in that point and with economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

In addition, where the relevant thresholds are reached or passed upwards or downwards, the Law provides for the notification of the aggregate amount of voting rights attached to Shares and those that are notifiable in connection with the special financial instruments set out in the preceding paragraph.

The notification to the Company and to the CSSF must be effected as soon as possible, but not later than six trading days following a transaction or four trading days following information of an event changing the breakdown of voting rights by the issuer. Upon receipt of the notification, but no later than three trading days thereafter, the Company must make public all the information contained in the notification as regulated information within the meaning of the Transparency Law.

Where within the 15 days preceding the date for which the general meeting of shareholders has been convened, the Company receives a notification or becomes aware of the fact that a notification has to be or should have been made in accordance with the Luxembourg Transparency Law, the General Partner may postpone the general meeting of shareholders for up to four weeks.

Among other exemptions, in accordance with Article 8(4) of the Transparency Law, the disclosure requirements do not apply to the acquisition or disposal of a major holding by a market maker (teneur de marché) in securities insofar as the acquisition or disposal is effected in his capacity as a market maker in securities and insofar as the acquisition is not used by the market maker to intervene in the management of the Company.

#### RESTRICTIONS ON VOTING RIGHTS

Each Share issued and outstanding in the Company represents one vote, however the Unlimited Share has a veto right in the general meeting with respect to resolutions regarding the interest of the Company vis-à-vis third parties, and amendments of the Articles.

The Articles do not provide for any voting restrictions. Shareholders' votes are exercisable by the persons who are shareholders on the record date as further set out in article 12 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 11.8 of the Articles. In accordance with the provisions of the Articles, the General Partner may determine any such other conditions to be fulfilled by the shareholders willing to take part in any meeting of shareholders of the Company 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 the exercise of voting rights related to the Shares exceeding the fraction that should have been notified under the respective provisions as set out above is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the relevant notification.

### SPECIAL CONTROL RIGHTS

The Unlimited Share is held by the General Partner, who is vested with the broadest power to act in the name of the Company and to take any action necessary or useful to fulfil the Company's corporate purpose, with the exception of the powers reserved by Law or by the Articles to the general meeting of shareholders.

The following actions and transactions in relation to the Company's daily management require an express decision of the General Partner:

- (i) any listing or public transactions in relation to the Company or its affiliates; and
- (ii) any material change to the business or activities of the Company or its affiliates, including entering into material new lines of business, discontinuing of a material activity or adopting any material change in strategic direction.

The general meeting of shareholders may only adopt or ratify acts affecting the interests of the Company vis-à-vis third parties or amend the Articles with the consent of the General Partner.

The General Partner may be removed as general partner at any time with cause by a decision of the general meeting of shareholders approved by a majority of at least eighty-five percent (85%) of the votes validly cast at such general meeting. The sole General Partner may only be removed if a replacement general partner is appointed at the same time.

There are no special control rights attached to the Ordinary Shares.

### SHARE TRANSFER RESTRICTIONS

The Ordinary Shares of the Company are freely transferable, subject to the provisions of the Law and the Articles. The Unlimited Share is only transferrable

to a new unlimited shareholder liable for all liabilities of the Company which cannot be met out of the assets of the Company. All rights and obligations attached to any Share are passed to any transferee thereof.

The transfer of the registered Unlimited Shares becomes effective towards the Company and third parties either (i) through a declaration of transfer recorded in the register of shares, signed and dated by the transferor and the transferee or their representatives, or (ii) upon notification of a transfer to, or upon the acceptance of the transfer by the Company, both being subject to the aforementioned approval of 85% of the votes validly cast at the general meeting convened for such purpose.

### AUTHORISATIONS REGARDING OPERATIONS ON SHARES

The general meeting of the shareholders of the Company (at the time in the form of an SE) has granted (at the time) the board of directors, the authorisation to repurchase a maximum of shares issued by the Company not exceeding 10% of the total number of shares composing the issued share capital at the time of the acquisition in accordance with the conditions set forth in article 430-15 of the law of 10 August 1915 on commercial companies, as amended, for a purchase price to range between the nominal value per share and ten percent (10%) above the average listing price per share during the calendar month preceding the relevant buy-back transactions, with such authorization remaining in place for 5 years.

### CONTRACTUAL TRANSFER RESTRICTIONS

Other than the restrictions set out in the Articles, except Group SCA (formerly except Group SE) is not aware of any factors, including agreements between shareholders, which may result in restrictions on the transfer of Shares or voting rights attached thereto.

### SIGNIFICANT SHAREHOLDINGS

The details of shareholders holding 5% of the Shares or more as notified to the Company are published under "Notifications of Voting Rights" on the "Investor Relations" page at <http://www.exceet.com>. The major shareholders notified to the Company until 10 March 2020 are set out in the following table:

Shareholders	Number of Shares	Percentage of total shareholding notified
White Elephant S.à r.l. & related parties (Active Ownership Corporation S.à r.l.) <sup>1)</sup>	14,100,656	70.24%
Quaero Capital Funds <sup>2)</sup>	1,803,967	8.99%
MISTRAL Medien AG	1,290,000	6.43%
Mr. Roland Lienau (Chairman of the Supervisory Board)	50,000	0.25%
Mr. Wolf-Günter Freese	10,000	0.05%

<sup>1)</sup> White Elephant S.à r.l. is an indirect holding of Active Ownership Fund, Luxembourg

<sup>2)</sup> Quaero Capital-Funds, Luxembourg and Quaero Capital Funds (CH) Swiss Small & Mid Cap, Geneva are indirect holdings of Quaero Capital S.A., Geneva

## EMPLOYEE SHARE SCHEME

except Group SCA has currently no employee share.

## APPOINTMENT AND REMOVAL OF SUPERVISORY BOARD MEMBERS, AMENDMENTS TO THE ARTICLES

The appointment and replacement of the members of the Supervisory Board are governed by Law and article 19 of the Articles. The Supervisory Board is composed of a minimum of 3 members which are appointed by the general meeting of shareholders, with one member being selected from a list of candidates proposed by Active Ownership Investments Limited. The members may be removed at any time, with or without cause, by decision of the general meeting of shareholders at a majority of two thirds of the votes validly cast at such meeting. The Articles are amended in accordance with the Law and article 14 of the Articles, i.e. the amendment requires a majority of at least two-thirds of the votes validly cast at a general meeting where at least half of the share capital present or represented plus the affirmative vote of the General Partner. In case the quorum is not met, a second meeting may be convened in accordance with the Law, which may deliberate regardless of the proportion of the capital represented and at which resolutions are taken at a majority of at least two-thirds of the votes validly cast plus the affirmative vote of the General Partner.

## POWERS OF THE SUPERVISORY BOARD

The Supervisory Board may be consulted by the General Partner of the Company on such matters as the General Partner may determine and may authorise any action that may, pursuant to Law or regulation or under article 19 of the Articles, exceed the powers of the General

Partner. In particular, the Supervisory Board has to sign off on any decision of the General Partner regarding any transaction between the General Partner and the Company, or between the Company and an affiliate of the General Partner (for the avoidance of doubt, excluding the Company and its subsidiaries) before the General Partner itself brings such matter to the vote.

## THE EFFECT OF A TAKEOVER BID ON SIGNIFICANT AGREEMENTS

The Company is party to finance agreements which terminate upon a change of control of the Company following a takeover bid (see Consolidated Financial Statements except Group note 15 "Borrowings"). No other significant agreements are known which take effect, alter or terminate in that case.

## AGREEMENTS WITH DIRECTORS AND EMPLOYEES

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

The remuneration of the manager(s), and of the members of the Supervisory Board for the performance of their respective mandates is determined by the general meeting of shareholders. In the absence of such determination with respect to the manager, when such manager is, as in the case of the Company, the General Partner, the General Partner receives only a pro rata portion of any distributions corresponding to its shareholding in the Company.

## RESPONSIBILITY STATEMENT

In accordance with article 3(2) c) of the Transparency Law the undersigned declares that, to the best of his 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 declares that, to the best of his 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.

Grevenmacher, 12 March 2020

exceet Management S.à r.l. in its capacity  
as General Partner



Klaus Röhrig  
On behalf of the Board of Managers  
of exceet Management S.à r.l.

exceet Group SCA

## 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 SCA 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 SCA 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 2020

<u>Date</u>	<u>Publication</u>
30 April	Interim First Quarter Report 2020 (Q1)
14 May	Annual General Meeting of exceet Group SCA in Luxembourg
6 August	Interim First Half Year Report 2020 (Q2)
5 November	Interim 9 Months Report 2020 (Q3)

exceet intends to be present on the German Equity Forum 2020 in Frankfurt/Main, Germany [16 – 18 November 2020].

# EXCEET GROUP CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

(in EUR 1,000)	Note	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	5	11,576	9,295
Right-of-use assets	2.6/5	2,598	0
Intangible assets	6	10,284	10,843
Deferred tax assets	7	1,042	599
<b>Total non-current assets</b>		<b>25,500</b>	<b>20,737</b>
<b>Current assets</b>			
Inventories	8	3,803	3,872
Trade receivables	9	5,223	3,458
Contract assets	10	1,705	1,819
Other current receivables	11	658	873
Prepaid expenses	12	1,222	276
Cash and cash equivalents	13	51,476	113,188
<b>Total current assets</b>		<b>64,087</b>	<b>123,486</b>
<b>Total assets</b>		<b>89,587</b>	<b>144,223</b>
<b>EQUITY</b>			
Share capital	14	312	312
Reserves	14	73,325	131,168
<b>Equity attributable to Shareholders of the parent company</b>		<b>73,637</b>	<b>131,480</b>
<b>Total equity</b>		<b>73,637</b>	<b>131,480</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	3,024	3,242
Lease liabilities		1,027	0
Retirement benefit obligations	16	2,853	2,627
Deferred tax liabilities	7	479	526
Provisions	19	333	326
<b>Total non-current liabilities</b>		<b>7,716</b>	<b>6,721</b>
<b>Current liabilities</b>			
Trade payables		1,167	1,051
Contract liabilities	10	1,448	411
Other current liabilities	18	557	364
Accrued expenses	17	2,258	2,570
Current income tax liabilities		1,451	594
Borrowings	15	358	548
Lease liabilities		371	0
Provisions	19	624	484
<b>Total current liabilities</b>		<b>8,234</b>	<b>6,022</b>
<b>Total liabilities</b>		<b>15,950</b>	<b>12,743</b>
<b>Total equity and liabilities</b>		<b>89,587</b>	<b>144,223</b>

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



## CONSOLIDATED INCOME STATEMENT

(in EUR 1,000)	Note	Continued Operations 2019	Continued Operations 2018
Revenue from contracts with customers	3	43,657	41,535
Cost of sales	20-23	32,666	(31,627)
<b>Gross profit</b>		<b>10,991</b>	<b>9,908</b>
<i>Gross profit margin</i>		25.2%	23.9%
Distribution expenses	20-23	(3,222)	(3,415)
Administrative expenses	20-23	(4,186)	(4,472)
Net impairment losses on financial and contract assets		(14)	0
Other operating income	22	140	92
<b>Operating result (EBIT)<sup>1]</sup></b>		<b>3,709</b>	<b>2,113</b>
<i>EBIT margin</i>		8.5%	5.1%
Financial income		8,820	1,701
Financial expenses		(8,642)	(4,051)
<b>Financial result, net</b>	24	<b>178</b>	<b>(2,350)</b>
<b>Profit/(Loss) before income tax</b>		<b>3,887</b>	<b>(237)</b>
Income tax expense	7	(1,367)	(298)
<b>Profit/(Loss) from continued operations</b>		<b>2,520</b>	<b>(535)</b>
<i>Profit/(Loss) margin</i>		5.8%	(1.3%)
<b>Profit/(Loss) from discontinued operations</b>	28	<b>0</b>	<b>52,935</b>
<b>Profit/(Loss) for the period</b>		<b>2,520</b>	<b>52,400</b>
<i>Profit/(Loss) margin</i>		5.8%	126.2%
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
Shareholders of the parent company		2,520	52,400
<b>EARNINGS PER SHARE IN EURO FROM CONTINUED OPERATIONS (BASIC = DILUTIVE)</b>	25		
Class A Shares		0.13	(0.03)
<b>EARNINGS PER SHARE IN EURO FROM DISCONTINUED OPERATIONS (BASIC = DILUTIVE)</b>			
Class A Shares		0.00	2.64
<b>EARNINGS PER SHARE IN EURO ON TOTAL GROUP BASIS (BASIC = DILUTIVE)</b>			
Class A Shares		0.13	2.61
Operating result (EBIT)		3,709	2,113
Depreciation, amortization and impairment charges	5/6	3,094	2,794
<b>Operating result before depreciation, amortization and impairment charges (EBITDA)<sup>2]</sup></b>		<b>6,803</b>	<b>4,907</b>
<i>EBITDA margin</i>		15.6%	11.8%

<sup>1]</sup> Earnings before Interest and Taxes

<sup>2]</sup> Earnings before Interest, Taxes, Depreciation and Amortization

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR 1,000)	Note	2019	2018
<b>Profit/(Loss) for the period</b>		<b>2,520</b>	<b>52,400</b>
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to income statement:</b>			
Remeasurements of defined benefit obligations	16	(270)	629
Deferred tax effect on actuarial (gains)/losses	7	22	(71)
<b>Total items not to be reclassified to income statement</b>		<b>(248)</b>	<b>558</b>
<b>Items to be reclassified to income statement:</b>			
Reclassification of foreign currency translation reserve <sup>1)</sup>		(4,255)	1,433
Currency translation differences		4,479	2,360
<b>Total items to be reclassified to income statement</b>		<b>224</b>	<b>3,793</b>
<b>Total comprehensive income for the period</b>		<b>2,496</b>	<b>56,751</b>
Attributable to:			
Shareholders of the parent company		2,496	56,751
Total comprehensive income for the period attributable to the Shareholders of the company			
Continued operations		2,496	1,262
Discontinued operations		0	55,489
<b>Total comprehensive income for the period</b>		<b>2,496</b>	<b>56,751</b>

<sup>1)</sup> Reclassification of foreign currency translation reserve:

2019: Due to payments of dividends from a CHF-entity (exceet Group AG) to an EUR-entity (exceet Holding S.à r.l.) in the total amount of EUR 76.1 million, an foreign exchange gain of EUR 4,255 - resulting from the difference between historic and actual exchange rate - was recycled into the income statement.

2018: Recycling of accumulated foreign currency translation differences in equity for divested operations (see note 28 "Discontinued Operations")

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR 1,000)	Note	2019	2018
<b>Profit/(Loss) before income tax<sup>1)</sup></b>		<b>3,887</b>	<b>54,783</b>
Adjustment for non-cash transactions			
Amortization on intangible assets	6	842	1,679
Impairment on intangible assets	6	0	1,500
Depreciation on tangible assets	5	1,155	3,595
Depreciation on right-of-use assets	5	1,097	0
(Gains)/Losses on disposal of assets	22/23	(17)	(28)
Change of provisions	19	119	1,977
Adjustments to retirement benefit obligations/prepaid costs	16	(165)	403
Financial (income)/expenses	24	118	(936)
Gain on sale of discontinued operations, net of income tax	28	0	(54,400)
Other non-cash (income)/expenses		455	1,298
<b>Operating net cash before changes in net working capital</b>		<b>7,491</b>	<b>9,871</b>
Changes to net working capital			
- inventories		266	(5,670)
- receivables		(1,407)	(1,912)
- prepaid expenses and contract assets		(762)	(1,545)
- liabilities		266	1,625
- provisions		0	(10)
- accrued expenses and contract liabilities		661	2,052
Tax received (prior periods)		16	516
Tax paid		(987)	(2,079)
Interest received		40	41
Interest paid		(148)	(610)
<b>Cashflows from operating activities</b>		<b>5,436</b>	<b>2,279</b>
Disposal of subsidiaries, net of cash disposed	28	0	101,997
Purchase of tangible assets	5	(5,125)	(2,966)
Sale of tangible assets	5	18	119
Purchase of intangible assets	6	(87)	(163)
<b>Cashflows from investing activities</b>		<b>(5,194)</b>	<b>98,987</b>
Special distribution	14	(60,221)	0
Repayment of financial investments		0	380
Proceeds from borrowings		0	321
Repayments of borrowings		0	(18,871)
Proceeds/(Repayments) of other non-current liabilities		0	(67)
Payments of finance lease liabilities		(855)	(764)
<b>Cashflows from financing activities</b>		<b>(61,076)</b>	<b>(19,001)</b>
<b>Net changes in cash and cash equivalents</b>		<b>(60,834)</b>	<b>82,265</b>
<b>Cash and cash equivalents at 1 January</b>	13	<b>113,188</b>	<b>28,965</b>
Net changes in cash and cash equivalents		(60,834)	82,265
Effect of exchange rate gains/(losses)		(878)	1,958
<b>Cash and cash equivalents at 31 December</b>	13	<b>51,476</b>	<b>113,188</b>

<sup>1)</sup> In 2018 gain before income tax consists of loss before income tax from continued operations EUR 237 and profit before income tax from discontinued operations of EUR 55,020.

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in EUR 1,000)	Note	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
<b>BALANCES AT 1 JANUARY 2019</b>	<b>14</b>	<b>312</b>	<b>65,485</b>	<b>(4,525)</b>	<b>0</b>	<b>43,856</b>	<b>26,352</b>	<b>131,480</b>
Change in accounting policies (IFRS 16), net of tax	2.6					(118)		(118)
<b>BALANCES AT 1 JANUARY 2019</b>		<b>312</b>	<b>65,485</b>	<b>(4,525)</b>	<b>0</b>	<b>43,738</b>	<b>26,352</b>	<b>131,362</b>
Profit/(Loss) for the period						2,520		2,520
<b>Other comprehensive income:</b>								
Remeasurements of defined benefit obligations	16					(270)		(270)
Deferred tax effect on remeasurements	7					22		22
Reclassification of foreign currency translation reserve							(4,255)	(4,255)
Currency translation differences							4,479	4,479
Total other comprehensive income/(loss) for the period		0	0	0	0	(248)	224	(24)
Total comprehensive income/(loss) for the period		0	0	0	0	2,272	224	2,496
Special distribution	14		(60,221)					(60,221)
Total other equity effects		0	(60,221)	0	0	0	0	(60,221)
<b>BALANCES AT 31 DECEMBER 2019</b>		<b>312</b>	<b>5,264</b>	<b>(4,525)</b>	<b>0</b>	<b>46,010</b>	<b>26,576</b>	<b>73,637</b>
<b>BALANCES AT 31 DECEMBER 2017</b>		<b>312</b>	<b>65,485</b>	<b>(4,525)</b>	<b>0</b>	<b>(9,463)</b>	<b>22,559</b>	<b>74,368</b>
Remeasurement IFRS 15						361		361
<b>BALANCES AT 1 JANUARY 2018</b>	<b>14</b>	<b>312</b>	<b>65,485</b>	<b>(4,525)</b>	<b>0</b>	<b>(9,102)</b>	<b>22,559</b>	<b>74,729</b>
Profit/(Loss) for the period						52,400		52,400
<b>Other comprehensive income:</b>								
Remeasurements of defined benefit obligations	16					629		629
Deferred tax effect on remeasurements	7					(71)		(71)
Reclassification of foreign currency translation reserve	28						1,433	1,433
Currency translation differences							2,360	2,360
Total other comprehensive income/(loss) for the period		0	0	0	0	558	3,793	4,351
Total comprehensive income/(loss) for the period		0	0	0	0	52,958	3,793	56,751
<b>BALANCES AT 31 DECEMBER 2018</b>		<b>312</b>	<b>65,485</b>	<b>(4,525)</b>	<b>0</b>	<b>43,856</b>	<b>26,352</b>	<b>131,480</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

exceet Group SCA (hereafter the “Company”) – until 20 November 2019 trading as exceet Group SE and as of then, until 23 January 2020, trading as exceet Group S.A. - is a company existing as a “Société en Commandite par Actions” under the law of Luxembourg and listed on the regulated market of the Frankfurt Stock Exchange (WKN: AOYF5P / ISIN: LU0472835155) in the Prime Standard segment. The Company’s purpose is to pursue an opportunistic investment approach without a defined investment strategy. The registered office is at 17, rue de Flaxweiler, L-6776 Grevenmacher.

In an extraordinary general meeting, held on 20 November 2019, the shareholders of the exceet Group SE approved the conversion of the legal form of exceet Group SE into exceet Group S.A. (a stock corporation under the laws of Luxembourg (Société Anonyme)), keeping the legal and economic identity of exceet Group SE unaffected while maintaining the listing on the regulated market of the Frankfurt Stock Exchange. This conversion was a necessary interim step towards the intended conversion of exceet Group SE into a partnership limited by shares under the law of Luxembourg (Société en Commandite par Actions (SCA)). On 23 January 2020 an extraordinary shareholder meeting of exceet Group S.A. approved the conversion of exceet Group S.A. into exceet Group SCA. Under the SCA as the new legal form, exceet will be managed by exceet Management S.à r.l. (hereafter the “General Partner”), a limited liability company under the law of Luxembourg (Société à responsabilité limitée (S.à r.l.)), the shares in which are held indirectly by the founders of the Active Ownership Group (AOC) Florian Schuhbauer and Klaus Röhrig (50% each). The office in Rotkreuz (Switzerland) will be closed as part of the change-process regarding the legal form of the Company.

The consolidated exceet Group SCA (“Group” or “exceet”) consists of a portfolio of technology companies, which are specialized in the development and production of complex electronics for small and mid-sized volumes and software. The Group companies provide highly sophisticated solutions and distinguish themselves through their technical skill set

with strong positions in the healthcare and industrial markets. They are situated in six locations in Switzerland, Germany, Luxembourg and the USA. All companies consolidated into the Group are disclosed in note 29 “List of consolidated subsidiaries of exceet Group SCA”.

As indicated in the last annual report, the Group has re-named its two reporting segments as of 1 January 2019 into “Healthcare” (formerly “Electronic Components, Modules & Systems” (ECMS)) and “Software (incl. IoT)” (formerly “exceet Secure Solutions” (ESS)) to reflect a more end market oriented perspective of the Company’s operations as well as the sale of portfolio companies in the course of 2018.

The Healthcare segment (79% of Sales 2019) is focused on the development and production of innovative and miniaturized printed circuit boards (PCBs) in close cooperation with its customers for high-end electronic functionalities in healthcare and medtech devices, particularly in hearing aids, cochlear implants and other medtech implants. The hearing aid market represents a stable growing segment within the healthcare market and offers favorable business conditions for the segment’s competences and know-how in miniaturization with strong quality requirements. In many cases, innovative PCB architectures are crucial for the realization of the demanded features by our customers. The continued optimization of the production processes and additional technology driven investments are important to maintain a market-leading position.

The Software (incl. IoT) segment (21% of Sales 2019) focused on secure connectivity mainly based on IT Security and industrial internet of things (IIoT) projects and solutions.

The Group refocused its activities in 2018 and sold several entities of its micro- and optoelectronics activities in Germany and an electronics development company in Romania.

The consolidated financial statements as of 31 December 2019 were approved by the Supervisory Board and the General Partner of exceet Group SCA on 12 March 2020.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of exceet are based on the financial statements of the individual Group companies drawn up according to uniform accounting principles at 31 December 2019. They were drawn up in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the EU and comply with Luxembourg law.

The consolidated financial statements have been prepared under the historical cost convention, except for plan assets within pension liability.

The accounting principles applied to the consolidated financial statements at 31 December 2019 have been amended to comply with all new and revised IFRS standards and interpretations adopted by the European Union (EU) with effective date in 2019:

- IFRS 16 (New) “Leases”  
(IASB and EU effective date: 1 January 2019)

The standard specifies how to recognize, measure, present and disclose leases. The standard demands from lessees to recognize all leases on the balance sheet, unless the lease term is 12 months or less or the underlying asset has a low value (below EUR 5) which was the threshold applied by exceet. This requirement removes the distinction between operating and financing leases and requires to present an asset (right-to-use asset for the leased item) and a financial liability (payment of rental/leases) in the balance sheet.

For the details of adoption of IFRS 16 please refer to note 2.6 “Changes in accounting principles” for further details.

The following amendments/interpretations/improvements were effective as of 1 January 2019, but had no impact on the consolidated financial statement of the Group.

- IFRS 9 (Amendment)  
“Prepayment Features with Negative Compensation”  
(IASB and EU effective date: 1 January 2019)

The amendment addresses the concerns about how IFRS 9 “Financial Instruments” classifies particular pre-payable financial assets. In addition, it clarifies an aspect of the accounting for financial liabilities following a modification.

- IAS 19 (Amendment)  
“Plan Amendment, Curtailment or Settlement”  
(IASB and EU effective date: 1 January 2019)

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements.

- IAS 28 (Amendment) “Long-term interests in Associated and Joint Ventures”  
(IASB effective date: 1 January 2019 –  
EU endorsement outstanding)

The amendment clarifies the application of IFRS 9 “Financial Instruments” to long-term interests in an associate or joint ventures that form part of the net investment, but to which the equity method is not applied.

- IFRIC 23 (Interpretation)  
“Uncertainty over Income Tax Treatments”  
(IASB and EU effective date: 1 January 2019)

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

- “Annual improvement cycle 2015 - 2017” (IASB effective date: 1 January 2019 – EU endorsement outstanding)

The cycle 2015 – 2017 represents a collection of amendments to IFRSs in response to issues addressed during the cycle for annual improvements to IFRSs. The standards IFRS 3, IFRS 11, IAS 12 and IAS 23 are affected by these adaptations.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 31 December 2019 and have not been applied in preparing these consolidated financial statements.

- IFRS 17 (New) “Insurance Contracts” (IASB effective date: 1 January 2021 – EU endorsement outstanding)

The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The objective is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows.

The Group does not expect an impact on the consolidated financial statements.

- IFRS 3 (Amendment) “Definition of a business” (IASB effective date: 1 January 2020 – EU endorsement outstanding)

The amendment is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The Group does not expect an impact on the consolidated financial statements.

- IAS 1 and IAS 8 (Amendment) “Definition of Material” (IASB and EU effective date: 1 January 2020 )

The amendment is to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves.

The Group is assessing the impact on the consolidated financial statements.

- IAS 1 (Amendment) “Clarification of Liabilities as Current or Non-current” (IASB effective date: 1 January 2022 – EU endorsement outstanding)

The amendment is to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The Group is assessing the impact on the consolidated financial statements.

- IFRS 7, IFRS 9 and IAS39 (Amendment) “Interest Rate Benchmark Reform” (IASB and EU effective date: 1 January 2020 )

The amendment is to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that interbank offered rate (IBOR) reform should not generally cause hedge accounting to terminate.

The Group does not expect an impact on the consolidated financial statements.

- Amendments to the References to the Conceptual Framework in IFRS Standards – (IASB and EU effective date: 1 January 2020 )

Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to IFRS Standards (Standards), their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).

The Group is assessing the impact on the consolidated financial statements.

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.

## 2.2 PRINCIPLES OF CONSOLIDATION

### INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are fully consolidated. These are entities over which exceet Group SCA (formerly exceet Group SE) directly or indirectly exercises control (see note 29 “List of consolidated subsidiaries of exceet Group SCA”). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity from the date on which control is transferred to the Group.

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. For the consolidated entities, 100% of assets, liabilities, income and expenses are included. Intercompany balances and transactions (including unrealized profit on intercompany inventories) are eliminated in full.

## 2.3 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 two main business segments, representing different subsidiaries (see also section 1 “General information”). The General Partner’s decisions are based on the Management reporting.

## 2.4 CURRENCY TRANSLATION

### 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 exceet are prepared in Euro (EUR), the functional and presentation currency of the Group. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### FOREIGN CURRENCY TRANSLATION

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Transactions in foreign currencies are translated at the exchange rate of the functional currency prevailing on the date of the transaction. All resulting foreign exchange differences are recognized in the income statement.

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.

Foreign exchange rate differences on long-term inter-company loans (equity like loans) are recorded within other comprehensive income.

#### GROUP COMPANIES

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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 are translated at the closing rate at the balance sheet date
- Income and expenses 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)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. At the time the foreign operation is partially disposed of or sold, these exchange differences that were recorded in equity are reclassified into 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 transaction date rate.

## 2.5 ACCOUNTING AND VALUATION PRINCIPLES

### CASH AND CASH EQUIVALENTS

This position includes cash in hand, cash at banks, time deposits with original maturities of three months or less and bank overdrafts. The cash flow statement summarizes the movements on cash and cash equivalents.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. They are subsequently measured at amortized costs using the effective interest method, less loss allowance.

### INVENTORIES

Purchased raw materials, components and finished goods are valued at the lower of cost and net realizable value.

Purchased raw materials costs are valued at the average purchase cost.

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. For these costs, 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 and net realizable value. Provisions are established for slow-moving, obsolete and phase-out inventory.

### TANGIBLE ASSETS

Tangible assets are valued at acquisition 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 owned assets. 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.

Subsequent expenditure on an item of tangible assets is included in the asset's carrying amount or recognized as a separate asset, as appropriate 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 for impairment, 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.

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

## LEASING

The Group leases various offices, equipment and cars. Rental contracts are typically agreed for fixed periods of 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased property assets may not be used as security for borrowing purposes.

Until 31 December 2018 assets that were held under leases which effectively transfer to the Group the risks and rewards of ownership (finance leases) were 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 was or could 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 were depreciated over their estimated useful life. The corresponding financial obligations were classified as "current borrowings" or "non-current borrowings", depending on whether they were payable within or after 12 months.

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

From 1 January 2019, formerly defined operating leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leases asset is available for use by the Group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between liability and finance cost. The finance cost is charged to profit or loss over the lease period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases (lease term of 12 month or less) and leases of low-value assets (below EUR 5) are recognized on a straight-line basis as an expense in profit or loss.

## INTANGIBLE ASSETS

Purchased intangible assets are measured initially at historical 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. Intangible assets that are not ready to use are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### *Customer Base, Technology, Brands*

Customer base purchased or acquired through a business combination is amortized over the useful life of the asset. The useful life is estimated between 10 – 15 years. Purchased technology is amortized over the useful life of the asset; usually a period of 5 years and technology acquired through a business combination is amortized between 5 – 10 years, due to the additional know-how basis included (e.g. employees). Brands are amortized over 5 – 15 years depending on the useful life. For amortization, the Group applies the straight-line method. Except for goodwill, the Group has no intangible asset with an indefinite useful life.

### *Software*

Software is amortized over the useful life of the asset, 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.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- it is intended to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

The directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

## 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.

## DISPOSAL OF SUBSIDIARIES

When the Group ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the income statement. Amounts previously recognized in other comprehensive income that may be reclassified to the income statement are reclassified.

## DISCONTINUED OPERATIONS

A component of the Group is reclassified into "Discontinued operations" if its divestment is highly probable (according IFRS 5), and if it fulfils the criteria for being classified as "held for sale" and for being presented as "Discontinued operations", as it:

- represents a major line of operations (e.g. entity or group of entities) or a geographical area of operations;
- is part of a single coordinated plan to dispose this major line of operations/geographical area; or
- is an entity acquired exclusively with a view to resale.

"Discontinued Operations" are disclosed as follows:

### *Balance Sheet*

All asset positions from a discontinued operation are reclassified as "Asset classified as held for sale". All liability positions are reclassified as "Liabilities directly associated with assets classified as held for sale".

### *Income Statement*

The income statement only contains expenses and costs in relation to the continued operations. The net result of the discontinued operations is shown as a separate line as "Profit/(Loss) from discontinued operations" after "Profit/(Loss) from continued operations".

### *Cash Flow Statement*

The cash flow statement is presented including movements from discontinued operations. Net cash flows attributable to the operating, investing and financing activities of the discontinued operations are separately disclosed within the detailed note regarding discontinued operations.

## 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 consolidated 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 the settlement of the liability for at least 12 months after the balance sheet date.

#### OTHER FINANCIAL LIABILITIES

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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.

#### PROVISIONS

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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.

#### INCOME TAXES / DEFERRED INCOME TAXES

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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 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 consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income.

## REVENUE RECOGNITION

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The revenue of the Group mainly comprises revenues for the sale of goods. In addition, exceet generates revenues from the sale of services. The Group follows the IFRS 15 five-step model framework, when recognizing the revenue from contracts with customers.

### *Revenue from sale of electronic components*

Revenue from the sale of electronics components (produced goods and prototypes) is recorded as revenue at the time of delivery to the customer in both segments of Healthcare and Software (incl. IoT). 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, except standard warranties. Delivery does not occur until products have been shipped to the specified location and the control over the product have been transferred to the customer.

The Group has consignment arrangements in regards to Vendor Managed Inventories (VMI), whereas the Group delivers to inventory locations controlled by the customer, these deliveries are recorded as contract assets. The related revenue is recognized when the customer accepts and uses the products out of the inventory location.

The Group's obligation under the standard warranty terms is recognized as guarantee provisions.

### *Revenue from services*

Especially in its Software (incl. IoT) segment, the Group sells consulting, research and development services. Sales of services are recognized in the accounting period in which the services are rendered.

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, which are agreed with the intention to closely match the work performed with the receipt and use of benefits by the customer. The subsequent

production and sale of electronics components are then recognized at the point in time the products are delivered to the customer and the customer has control over them.

### *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.

### *Contract asset*

Contract assets are recognized when the Group's right to consideration is conditional on something other than the passage of time. Within the Healthcare segment contract assets are recognized in the case of Vendor Management Inventory (VMI) contracts, where the control over the goods is already transferred to the customer and the customer then decides on accepting and using the delivered goods. As contract assets related to unbilled deliveries have substantially the same loss characteristics as trade receivables for the same type of contract, the Group decided to use the same expected loss rates for both categories.

### *Contract liabilities*

Contract liabilities are recognized in relation to prepayments of customers for IT service contracts within the Software (incl. IoT) segment, where the delivery of the related service will happen over time.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

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The Group reviews 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 calculated. 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.

## RELATED PARTIES

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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 and close members of their families are also considered as related parties.

## RETIREMENT BENEFIT OBLIGATIONS

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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. This amount usually depends on one or more factors, such as age, period of service and salary.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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 directly in the consolidated statement of comprehensive income. Past-service costs are recognized immediately in the income statement.

## EARNINGS PER SHARE

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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 (excluding own shares held by the Group). 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.

## DEFINITION OF NON-GAAP MEASURES

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The Group reports the various alternative performance measures (not defined by IFRS) because management believe that these measures are relevant for measuring the performance of the operations, the financial position and cash flows for making decisions. These performance measures also provide additional information for users of the consolidated financial statements based on consistent information over time and regularity of reporting.

The Group controls its financial situation by means of various performance measures, such as revenue, organic growth of revenue, EBITDA, EBITDA margin, EBIT, order backlog, book-to-bill ratio, operating working capital, equity ratio, net cash and free cash flow. Please refer to note 32 "Alternative Performance Measures" for the definitions and usages of these alternative performance measures.

The performance measures used, might not be comparable to similar titled measures reported by other groups due to differences in the way these measures are calculated.



## FINANCIAL ASSETS

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The Group classifies its financial assets in the following measurement categories:

- 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 fair value 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 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.

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.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

## 2.6 CHANGES IN ACCOUNTING PRINCIPLES

The implementation of the new standard IFRS 16 (“Leases”) led to changes in the accounting policy of the Group and the financial statements had to be adjusted accordingly. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for 2018, as permitted under the specific transitional provision in the standard. The reclassifications and adjustments arising from the new leasing

rules are therefore recognized in the opening balance sheet on 1 January 2019. 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 below.

<b>BALANCE SHEET (extract)</b> (in EUR 1,000)	originally presented 1 January 2019	Adjustment IFRS 16	adjusted 1 January 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	9,295	(2,060)	7,235
Right-of-use assets	0	3,659	3,659
<b>Total non-current assets</b>	<b>20,737</b>	<b>1,599</b>	<b>22,336</b>
<b>Total assets</b>	<b>144,223</b>	<b>1,599</b>	<b>145,822</b>
<b>EQUITY</b>			
Reserves	131,168	(118)	131,050
<b>Equity attributable to Shareholders of the parent company</b>	<b>131,480</b>	<b>(118)</b>	<b>131,362</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	0	1,434	1,434
Deferred tax liabilities	526	(46)	480
<b>Total current liabilities</b>	<b>6,721</b>	<b>1,388</b>	<b>8,109</b>
<b>Current liabilities</b>			
Lease liabilities	0	329	329
<b>Total non-current liabilities</b>	<b>6,022</b>	<b>329</b>	<b>6,351</b>
<b>Total liabilities</b>	<b>12,743</b>	<b>1,717</b>	<b>14,460</b>
<b>Total equity and liabilities</b>	<b>144,223</b>	<b>1,599</b>	<b>145,822</b>

## IMPLEMENTATION OF IFRS 16 (“LEASES”)

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as “operating leases” according to IAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019: 1.1% for the Swiss entities and 6.0% for the German and Luxembourg entities.

For leases previously classified as finance leases the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

## Lease liability

For the year ending 31 December 2018, operating lease liabilities in the amount of EUR 1,550 have been disclosed, these included low value and short term lease liabilities in the amount of EUR 20. Calculating the liabilities of the remaining contracts to be recognized according to IFRS 16 by using the incremental borrowing rate of the lessee, resulted in liabilities of EUR 1,763, with the following split into current and non-current liability:

(in EUR 1,000)	1 January 2019
Current lease liabilities	329
Non-current lease liabilities	1,434
<b>Total</b>	<b>1,763</b>

## Right-of-use asset

The associated right-of-use assets for operating leases were measured on a retrospective basis as if the new standard had always been applied. The recognized right-of-use assets related to the following type of assets:

(in EUR 1,000)	Land & building	Production facilities & machinery	Equipment	Vehicles	IT Hardware	Total
<b>ACQUISITION COSTS</b>						
As of 1 January 2019	2,921	11,664	15	63	0	14,663
<b>ACCUMULATED DEPRECIATION</b>						
As of 1 January 2019	(1,362)	(9,604)	(10)	(28)	0	(11,004)
<b>Net book value as of 1 January 2019</b>	<b>1,559</b>	<b>2,060</b>	<b>5</b>	<b>35</b>	<b>0</b>	<b>3,659</b>

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The presentation of operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term lease.
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## 2.7 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.

### CRITICAL JUDGMENTS IN APPLYING ENTITY'S ACCOUNTING POLICIES

#### *Revenue recognition*

The Group uses judgments to identify the existence of a contract with customers based on IFRS 15. Furthermore, the Group uses judgments in regards to the distinction of separate performance obligation, e.g. in case of research and development projects with subsequent production and sale of electronic components; the determination and allocation of transactional prices, including judgment on variable consideration components (e.g. discounts, payment to customers, etc.) which can influence the amount of revenue recognized; and determination of the timing for the revenue to be recognized at a point in time for sale of electronics components or over time for services provided to customers.

These judgments are incorporated within the accounting policy.

#### *Intangible and tangible assets*

exceet reviews regularly the useful life of its intangible assets with definite useful life and also if there are triggering 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.

To review the underlying value of the customer base related intangible assets from acquisitions, the Group compares on a regular basis the customer list of the relevant entities with the customer list at the date of acquisition. To measure the customer loyalty the Group calculates the percentage of actual/budget revenue of customers for the year still remaining since acquisition to the total actual/budget revenue of the company. If this calculated

percentage of customer loyalty is below the relation of the net book value of the corresponding customer base asset to its acquisition value, an impairment is required.

The Group also regularly assesses the useful life of its tangible assets life and also if there are triggering 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.

### 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.

#### *Inventories*

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

#### *Goodwill Impairment*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.5 "Accounting and valuation principles". 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. For further information on the level of goodwill and the impairment valuation please refer to note 6 "Intangible assets".

#### *Provisions*

The Group is exposed to different risks, especially in regards to guarantees and costs associated with restructuring events. 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 recognized or the actual costs are lower than

expected in the provision. Any arising changes can have effects on future periods. For details of current provisions refer to note 19 "Provisions".

### **Retirement benefit obligation**

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 benefit plans.

### **Leasing**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

## **2.8 FINANCIAL RISK MANAGEMENT**

### **FINANCIAL RISK FACTORS**

The Group's activities are exposed to a variety of financial risks: market risks (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management system aims to identify key financial risks at an early juncture, within the subsidiaries and at the Group level, to implement appropriate

countermeasures to minimize potential adverse effects on the Group's financial performance.

### **MARKET RISK**

#### **Foreign exchange risk**

The Group companies generate revenue mostly in Euro (EUR), Swiss francs (CHF) and US dollars (USD). Most of the equipment and the raw materials are purchased from European manufacturers or distributors in Euro. Concerning the Swiss operational company, the revenues generated do not fully cover the Company's demand for Euro from time to time.

The revenue generated in USD 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. The sales teams are instructed to either price the products in EUR and CHF, to include exchange rate adjustments in framework contracts or to include an adequate foreign exchange margin in the pricing. In general foreign currencies are only kept if future payments are expected to be made in a particular currency.

The Group is exposed to foreign exchange risks especially with regards to CHF/EUR and USD/CHF. Impacts of foreign exchange rates on the profit and loss accounts are shown in Note 24 "Financial result".

As of 31 December 2019, the profits for the period and therefore equity would have been EUR 313 higher (2018: EUR 135) if the CHF had strengthened 10% against the EUR ceteris paribus. With a weaker CHF compared to EUR, profits would have been decreased by similar amounts. This effect is caused by foreign exchange gains/losses of CHF-denominated trade account receivables and trade account payables.

Similarly, as of 31 December 2019, the profits for the period and therefore equity would have been EUR 38 lower (2018: EUR 36) if the USD had weakened by 10% against the EUR ceteris paribus. With a stronger USD, profits would have increased by the same extent, mainly due to foreign exchange gains/losses of USD-denominated trade account receivables and trade account payables.

### Foreign exchange rates

The exchange rates relevant to the annual financial statements were:

	31.12.2019	Average 2019	31.12.2018	Average 2018
1 CHF	0.92	0.90	0.89	0.87
1 USD	0.89	0.89	0.87	0.85

### 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 printed circuit boards (PCB's).

### Healthcare Segment

With a high value-added, the production of PCB's has a low exposure to raw material prices. Raw material prices for epoxy and polyimide are to a less degree driven by the oil price, whereas copper, nickel and gold are purchased at spot rates. However, the total cost component of precious metal is low in relation to the average selling price and consequently 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.

The Group, in close cooperation with its customers, guard effectively these risks with long-term supplier contracts and flexible inventory levels. Higher component costs and the cost of increased inventories are shared with the clients whenever possible.

### Software (incl. IoT) Segment

Most of the revenues within the segment are generated through software, cloud services and professional services. These services are mainly based on human capital which is employed by the operations. Consequently, the price risk is very limited.

### 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.

Until end of 2018 the Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates exposed 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.

Covenants, as agreed with the lending bank, 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 manoeuvre.

### 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 and impacted equity in 2019 of EUR 29 (2018: EUR 28). The Group's borrowings at variable and fixed rates are denominated in EUR and CHF.

## CREDIT RISK

Credit risk is managed on Group level. Credit risk arises from cash, cash equivalents and deposits with banks and financial institutions. Credit exposures to customers, including outstanding receivables, contract assets and committed transactions are managed by individual Group companies. The ratings for the engaged banks and financial institutions are monitored regularly. 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 regu-

larly monitored and supported by an effective accounts receivables management method in close cooperation with key account managers. The application of the expected credit loss model, according to IFRS 9, is based on historical experience and considering additional forward looking elements as well.

The table below shows the trade receivables and loan balances of the counterparties of each subsidiary as per the balance sheet date. None of the trade receivable and loan counterparties has an external credit rating. Management does not expect any losses from non-performance by these counterparties.

TRADE RECEIVABLES (in EUR 1,000)	2019	2018
<b>MAJOR COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING</b>		
Group 1	126	140
Group 2	5,095	2,665
Group 3	2	0
<b>Total counterparties without external credit rating</b>	<b>5,223</b>	<b>2,805</b>

Group 1 - new customers/related parties less than 6 months

Group 2 - existing customers/related parties since more than 6 months with no defaults in the past

Group 3 - existing customers/related parties since more than 6 months with some defaults in the past (all defaults were fully recovered)

The table below shows the bank balances rated:

CASH AT BANK AND SHORT-TERM BANK DEPOSITS (in EUR 1,000)	2019	2018
<b>BANKS WITH EXTERNAL CREDIT RATING<sup>1)</sup></b>		
AAA	40,167	105,438
AA	5	5
AA-	364	516
A+	2,315	52
A	1,814	6,755
A-	6,631	185
BBB	180	234
not rated	0	3
<b>Total cash at bank and short-term bank deposits</b>	<b>51,476</b>	<b>113,188</b>

<sup>1)</sup> Source for external credit rating: Standard & Poor's

## 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 regularly. In addition, Management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The following table analyses the maturity profile of the Group's financial liabilities. The amounts disclosed are the contractual undiscounted cash flows including accrued interest and do therefore not reconcile with the financial liabilities presented in the consolidated balance sheet.

(in EUR 1,000)	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>BALANCES AT 31 DECEMBER 2019</b>					
Bank borrowings	30	2,994	0	0	3,024
Other borrowings	362	76	0	0	438
Lease liabilities	371	317	710	0	1,398
Trade payables	1,167	0	0	0	1,167
Other payables	557	0	0	0	557
<b>BALANCES AT 31 DECEMBER 2018</b>					
Bank borrowings	29	2,897	15	0	2,941
Other borrowings	566	332	75	0	973
Trade payables	1,051	0	0	0	1,051
Other payables	364	0	0	0	364



## 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.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net (cash)/debt divided by total capital. Net (cash)/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 cash. With the strong net cash position of the Group, the gearing ratios at 31 December 2019 and 2018 were as follows:

(in EUR 1,000)	2019	2018
Bank borrowings	2,948	2,840
Finance lease	434	950
Total borrowings	3,382	3,790
Less: cash and cash equivalents (note 13)	(51,476)	(113,188)
<b>Net cash</b>	<b>48,094</b>	<b>109,398</b>
Equity	73,637	131,480
Total equity and equity equivalents	73,637	131,480
<b>Total capital</b>	<b>25,543</b>	<b>22,082</b>
<i>Gearing ratio</i>	<i>(188%)</i>	<i>(495%)</i>

The increase of the gearing ratio in 2019 is attributable to the reduction in net cash due to the special distribution of reserves to the shareholders in the amount of EUR 60.2 millions. The reduction of net debt caused by the repayment of debt as of 31 December 2018 in the amount of EUR 18.6 million (see the Consolidated Statement of Cash Flows) decreased the gearing ratio in 2018.

The Group monitors covenants out of the bank facility agreement (see Note 15 "Borrowings"). The covenants are continuously meet.

## FAIR VALUE ESTIMATION

For fair value estimation, the Group has defined the different levels 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, alternative prices) or indirectly (that is, derived from prices)
- Level 3: Classifications for assets or liabilities that are not valued on observable market data (that is, unobservable inputs, for instance estimation and assumptions)

The Group has currently no assets or liabilities that are measured at fair value (2018: none). Financial instruments are shown in note 4 "Financial instruments".

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

Management is assisted for the valuation of financial assets required for financial reporting purposes, including level 3 fair values, by the Group's finance department. Discussions of valuation processes and results are made regularly.

There were no changes in Level 3 instruments.

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.

## 3. SEGMENT INFORMATION

The Group has two main business segments, Healthcare and Software (incl. IoT), representing different business activities as described in note 1 “General information”. The segments are reported in a manner that is consistent with the internal reporting provided to the Group’s Chief Operating Decision Maker – CEO/CFD. In addition, the Group has a third segment “Corporate and others” for reporting purposes, which only includes the investment companies. The Group primarily uses a measure of adjusted earnings before interest, tax, depreciation and

amortization (EBITDA) to assess the performance of the segments. Furthermore, the internal reporting consists of information about the segments revenue and assets on a monthly basis. Segment assets and liabilities are measured in the same way as in the consolidated financial statements and are allocated to the relevant segment based on the underlying entities or their physical location.

The segment results were as follows:

2019 (in EUR 1,000)	Healthcare	Software (incl. IoT)	Corporate and others	Intersegment elimination	Continued Operations
Revenue from sale of electronic components <sup>1)</sup>	34,482	6,816	0		41,298
Revenue from sale of services <sup>2)</sup>	117	2,242	0		2,359
External revenue	34,599	9,058	0		43,657
Inter-segment revenue	0	0	0		0
<b>Total revenue</b>	<b>34,599</b>	<b>9,058</b>	<b>0</b>	<b>0</b>	<b>43,657</b>
<b>EBITDA</b>	<b>9,215</b>	<b>(43)</b>	<b>(2,369)</b>		<b>6,803</b>
<i>EBITDA Margin</i>	<i>26.6%</i>	<i>(0.5%)</i>			<i>15.6%</i>
Depreciation, amortization and impairment	(2,089)	(916)	(89)		(3,094)
<b>EBIT</b>	<b>7,126</b>	<b>(959)</b>	<b>(2,458)</b>		<b>3,709</b>
<i>EBIT Margin</i>	<i>20.6%</i>	<i>(10.6%)</i>			<i>8.5%</i>
Financial income	440	0	8,449	(69)	8,820
Financial expense	(574)	(138)	(7,999)	69	(8,642)
<b>Financial result – net</b>	<b>(134)</b>	<b>(138)</b>	<b>450</b>	<b>0</b>	<b>178</b>
<b>Profit/(Loss) before income tax</b>	<b>6,992</b>	<b>(1,097)</b>	<b>(2,008)</b>		<b>3,887</b>
Income tax	(958)	308	(717)		(1,367)
<b>Profit/(Loss) for the period</b>	<b>6,034</b>	<b>(789)</b>	<b>(2,725)</b>		<b>2,520</b>
Non-current assets	18,386	6,973	141		25,500
Current assets	12,471	2,914	48,702		64,087
Liabilities	10,532	3,194	2,224		15,950
Capital expenditure tangible assets	5,073	52	0		5,125
Capital expenditure intangible assets	87	0	0		87
Depreciation tangible assets	(1,060)	(82)	(13)		(1,155)
Depreciation right-of-use assets	(782)	(239)	(76)		(1,097)
Amortization intangible assets	(247)	(595)	0		(842)

1) Revenue is recognized at a point in time

2) Revenue is recognized overtime

2018 (in EUR 1,000)	Healthcare	Software (incl. IoT)	Corporate and others	Intersegment elimination	Continued Operations
Revenue from sale of electronic components <sup>1)</sup>	32,441	6,764	0		39,205
Revenue from sale of services <sup>2)</sup>	111	2,219	0		2,330
External revenue	32,552	8,983	0		41,535
Inter-segment revenue	0	1	0	(1)	0
<b>Total revenue</b>	<b>32,552</b>	<b>8,984</b>	<b>0</b>	<b>(1)</b>	<b>41,535</b>
<b>EBITDA</b>	<b>8,263</b>	<b>(560)</b>	<b>(2,796)</b>		<b>4,907</b>
<i>EBITDA Margin</i>	25.4%	(6.2%)			11.8%
Depreciation, amortization and impairment	(2,088)	(605)	(101)		(2,794)
<b>EBIT</b>	<b>6,175</b>	<b>(1,165)</b>	<b>(2,897)</b>		<b>2,113</b>
<i>EBIT Margin</i>	19.0%	(13.0%)			5.1%
Financial income	481	4	1,292	(76)	1,701
Financial expense	(599)	(90)	(3,438)	76	(4,051)
<b>Financial result – net</b>	<b>(118)</b>	<b>(86)</b>	<b>(2,146)</b>	<b>0</b>	<b>(2,350)</b>
<b>Profit/[Loss] before income tax</b>	<b>6,057</b>	<b>(1,251)</b>	<b>(5,043)</b>		<b>(237)</b>
Income tax	(803)	504	1		(298)
<b>Profit/[Loss] for the period</b>	<b>5,254</b>	<b>(747)</b>	<b>(5,042)</b>		<b>(535)</b>
Non-current assets	14,345	6,373	19		20,737
Current assets	15,410	2,224	105,852		123,486
Liabilities	9,952	1,250	1,541		12,743
Capital expenditure tangible assets	1,572	61	10		1,643
Capital expenditure intangible assets	42	3	0		45
Depreciation tangible assets	(1,862)	(96)	(19)		(1,977)
Amortization intangible assets	(226)	(509)	(82)		(817)
Impairment intangible assets	0	0	0		0

1) Revenue is recognized at a point in time

2) Revenue is recognized overtime

### Disaggregation of revenue

The Group generated revenue in its two main markets Health and Industry as follows:

(in EUR 1,000)	2019	2018
Health	31,648	28,643
Industry	12,009	12,892
<b>Total</b>	<b>43,657</b>	<b>41,535</b>

### Top customer information

In 2019, 25.9% (2018: 26.0%) of total revenue of the Group was generated with one client from the segment Healthcare, with two other clients from Healthcare generating 12.1% (2018: 6.8%) and 10.4% (2018: 10.4%) of revenue in 2019. There is no other single customer with a share of revenue greater than 10.0% of the total Group revenue in 2019.

### Breakdown of the revenue and non-current assets by geographic segments

In addition, a breakdown of sales and is presented by country of end customer, which shows the geographic segments according to the country in which the products are used. Non-current assets are allocated based on where the assets are located.

(in EUR 1,000)	Revenue				Non-current assets			
	2019	in %	2018	in %	2019	in %	2018	in %
Germany	8,620	19.7%	8,597	20.7%	6,973	27.5%	6,373	30.7%
Switzerland	11,381	26.1%	10,137	24.4%	18,338	72.3%	14,364	69.3%
Rest of Europe	14,758	33.9%	13,954	33.8%	61	0.2%	0	0.0%
<b>Total Europe</b>	<b>34,759</b>	<b>79.7%</b>	<b>32,688</b>	<b>78.8%</b>	<b>25,372</b>	<b>100.0%</b>	<b>20,737</b>	<b>100.0%</b>
North & South America	3,370	7.7%	3,048	7.3%	0	0.0%	0	0.0%
Asia (incl. Australia)	5,209	11.9%	5,574	13.4%	0	0.0%	0	0.0%
Middle East & Africa	319	0.7%	225	0.5%	0	0.0%	0	0.0%
<b>Total</b>	<b>43,657</b>	<b>100.0%</b>	<b>41,535</b>	<b>100.0%</b>	<b>25,372</b>	<b>100.0%</b>	<b>20,737</b>	<b>100.0%</b>

## 4. FINANCIAL INSTRUMENTS BY CATEGORY

31 DECEMBER 2019 (in EUR 1,000)	Financial assets at amortized costs	Financial assets at fair value through profit or loss	Total
<b>ASSETS AS PER BALANCE SHEET</b>			
Trade and other receivables (excluding prepayments)	5,880		5,880
Cash and cash equivalents	51,476		51,476
<b>Total</b>	<b>57,356</b>	<b>0</b>	<b>57,356</b>

31 DECEMBER 2019 (in EUR 1,000)	Other financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
<b>LIABILITIES AS PER BALANCE SHEET</b>			
Borrowings (excluding finance lease liabilities)	2,948		2,948
Lease liabilities	1,704		1,704
Trade and other payables (excluding non-financial liabilities)	1,724		1,724
Accrued expenses	2,258		2,258
<b>Total</b>	<b>8,634</b>	<b>0</b>	<b>8,634</b>

31 DECEMBER 2018 (in EUR 1,000)	Financial assets at amortized costs	Financial asset at fair value through profit or loss	Total
<b>ASSETS AS PER BALANCE SHEET</b>			
Trade and other receivables (excluding prepayments)	4,033		4,033
Cash and cash equivalents	113,188		113,188
<b>Total</b>	<b>117,221</b>	<b>0</b>	<b>117,221</b>

31 DECEMBER 2018 (in EUR 1,000)	Other financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
<b>LIABILITIES AS PER BALANCE SHEET</b>			
Borrowings (excluding finance lease liabilities)	2,840		2,840
Lease liabilities	950		950
Trade and other payables (excluding non-financial liabilities)	1,415		1,415
Accrued expenses	2,570		2,570
<b>Total</b>	<b>7,775</b>	<b>0</b>	<b>7,775</b>

## 5. TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

2019 (in EUR 1,000)	Land & building	Production facilities & machinery	Equipment	Vehicles	IT Hardware	Assets under construction	Total
<b>AQUISITION COSTS</b>							
<b>As of 1 January 2019</b>	<b>5,320</b>	<b>19,173</b>	<b>3,648</b>	<b>172</b>	<b>834</b>	<b>852</b>	<b>29,999</b>
Change in accounting policies (IFRS 16)		(11,664)					(11,664)
<b>As of 1 January 2019</b>	<b>5,320</b>	<b>7,509</b>	<b>3,648</b>	<b>172</b>	<b>834</b>	<b>852</b>	<b>18,335</b>
Disposal of subsidiaries	0	0	0	0	0	0	0
Additions	2,138	1,550	264	27	160	986	5,126
Disposals	0	0	(1)	(57)	0	0	(59)
Transfer to other category	355	508	0	0	0	(863)	0
Currency translation differences	266	338	137	5	16	36	798
<b>As of 31 December 2019</b>	<b>8,079</b>	<b>9,905</b>	<b>4,048</b>	<b>147</b>	<b>1,010</b>	<b>1,011</b>	<b>24,200</b>
<b>ACCUMULATED DEPRECIATION</b>							
<b>As of 1 January 2019</b>	<b>(1,864)</b>	<b>(15,348)</b>	<b>(2,628)</b>	<b>(156)</b>	<b>(708)</b>	<b>0</b>	<b>(20,704)</b>
Change in accounting policies (IFRS 16)		9,604					9,604
<b>As of 1 January 2019</b>	<b>(1,864)</b>	<b>(5,744)</b>	<b>(2,628)</b>	<b>(156)</b>	<b>(708)</b>	<b>0</b>	<b>(11,100)</b>
Disposal of subsidiaries	0	0	0	0	0	0	0
Additions	(163)	(586)	(292)	(13)	(101)	0	(1,155)
Disposals	0	0	1	57	0	0	58
Transfer to other category	0	0	0	0	0	0	0
Currency translation differences	(75)	(234)	(102)	(4)	(12)	0	(427)
<b>As of 31 December 2019</b>	<b>(2,102)</b>	<b>(6,564)</b>	<b>(3,021)</b>	<b>(116)</b>	<b>(821)</b>	<b>0</b>	<b>(12,624)</b>
<b>Net book value as of 1 January 2019</b>	<b>3,456</b>	<b>3,825</b>	<b>1,020</b>	<b>16</b>	<b>126</b>	<b>852</b>	<b>9,295</b>
<b>Net book value as of 31 December 2019</b>	<b>5,977</b>	<b>3,341</b>	<b>1,027</b>	<b>31</b>	<b>189</b>	<b>1,011</b>	<b>11,576</b>

2018 (in EUR 1,000)	Land & building	Production facilities & machinery	Equipment	Vehicles	IT Hardware	Assets under construction	Total
<b>AQUISITION COSTS</b>							
<b>As of 1 January 2018</b>	<b>18,303</b>	<b>39,554</b>	<b>5,601</b>	<b>203</b>	<b>2,265</b>	<b>420</b>	<b>66,346</b>
Disposal of subsidiaries (note 28)	(13,216)	(22,782)	(2,452)	(36)	(1,577)	(93)	(40,156)
Additions	35	2,049	179	0	131	875	3,269
Disposals	0	(573)	(1)	0	0	0	(574)
Transfer to other category	0	185	186	0	0	(371)	0
Currency translation differences	198	740	135	5	15	21	1,114
<b>As of 31 December 2018</b>	<b>5,320</b>	<b>19,173</b>	<b>3,648</b>	<b>172</b>	<b>834</b>	<b>852</b>	<b>29,999</b>
<b>ACCUMULATED DEPRECIATION</b>							
<b>As of 1 January 2018</b>	<b>(3,606)</b>	<b>(30,475)</b>	<b>(4,012)</b>	<b>(174)</b>	<b>(1,551)</b>	<b>0</b>	<b>(39,818)</b>
Disposal of subsidiaries (note 28)	2,268	17,737	1,877	35	1,085	0	23,002
Additions	(457)	(2,503)	(396)	(13)	(226)	0	(3,595)
Disposals	0	482	1	0	0	0	483
Transfer to other category	0	0	0	0	0	0	0
Currency translation differences	(69)	(589)	(98)	(4)	(16)	0	(776)
<b>As of 31 December 2018</b>	<b>(1,864)</b>	<b>(15,348)</b>	<b>(2,628)</b>	<b>(156)</b>	<b>(708)</b>	<b>0</b>	<b>(20,704)</b>
<b>Net book value as of 1 January 2018</b>	<b>14,697</b>	<b>9,079</b>	<b>1,589</b>	<b>29</b>	<b>714</b>	<b>420</b>	<b>26,528</b>
<b>Net book value as of 31 December 2018</b>	<b>3,456</b>	<b>3,825</b>	<b>1,020</b>	<b>16</b>	<b>126</b>	<b>852</b>	<b>9,295</b>

**Right-of-use assets**

2019 (in EUR 1,000)	Land & building	Production facilities & machinery	Equipment	Vehicles	Total
<b>AQUISITION COSTS</b>					
<b>As of 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in accounting policies (IFRS 16)	2,921	11,664	15	63	14,663
<b>As of 1 January 2019</b>	<b>2,921</b>	<b>11,664</b>	<b>15</b>	<b>63</b>	<b>14,663</b>
Additions	125	0	0	35	160
Disposals	(174)	0	0	(22)	(196)
Currency translation differences	30	446	0	1	477
<b>As of 31 December 2019</b>	<b>2,902</b>	<b>12,110</b>	<b>15</b>	<b>77</b>	<b>15,104</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>As of 1 January 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in accounting policies (IFRS 16)	(1,362)	(9,604)	(10)	(28)	(11,004)
<b>As of 1 January 2019</b>	<b>(1,362)</b>	<b>(9,604)</b>	<b>(10)</b>	<b>(28)</b>	<b>(11,004)</b>
Additions	(307)	(761)	(3)	(28)	(1,099)
Disposals	0	0	0	0	0
Currency translation differences	(17)	(386)	0	0	(403)
<b>As of 31 December 2019</b>	<b>(1,686)</b>	<b>(10,751)</b>	<b>(13)</b>	<b>(56)</b>	<b>(12,506)</b>
<b>Net book value as of 1 January 2019</b>	<b>1,559</b>	<b>2,060</b>	<b>5</b>	<b>35</b>	<b>3,659</b>
<b>Net book value as of 31 December 2019</b>	<b>1,216</b>	<b>1,359</b>	<b>2</b>	<b>21</b>	<b>2,598</b>

The Group has adopted IFRS 16 retrospectively from 1 January 2019. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019 in the tables above. For further details regarding the adoption of IFRS 16 please refer to note 2.6 “Changes in accounting policies”.

In 2019 depreciation expense of EUR 2,118 (2018: EUR 1,213) has been charged in “cost of sales”, EUR 649 (2018: EUR 536) in “administrative expenses” and EUR 327 (2018: EUR 228) in “distribution costs”. In 2018 the mentioned depreciation was concerning continued operations. EUR 1,618 were within discontinued operations.

EUR 5,986 (2018: EUR 3,465) of land and buildings are secured for bank borrowings. In 2019 und 2018 no machinery and equipment are pledged for borrowing facilities (see note 27 “Pledged assets”).

### Commitments

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

(in EUR 1,000)	2019	2018
Property, plant and equipment	3,243	3,312
Intangible assets	0	0
<b>Total</b>	<b>3,243</b>	<b>3,312</b>



## 6. INTANGIBLE ASSETS

2019 (in EUR 1,000)	Goodwill	Customer base	Technology	Brand	Software	Intangible assets under construction	Other intangible assets	Total
<b>AQUISITION COSTS</b>								
<b>As of 1 January 2019</b>	7,239	5,998	3,635	0	1,866	1,922	27	20,687
Disposal of subsidiaries	0	0	0	0	0	0	0	0
Additions	0	0	0	0	87	0	0	87
Transfer to other category	0	0	371	0	0	(371)	0	0
Currency translation differences	173	118	60	0	66	0	0	417
<b>As of 31 December 2019</b>	7,412	6,116	4,066	0	2,019	1,551	27	21,191
<b>ACCUMULATED AMORTIZATION</b>								
<b>As of 1 January 2019</b>	0	(3,788)	(2,650)	0	(1,828)	0	(27)	(8,293)
Disposal of subsidiaries	0	0	0	0	0	0	0	0
Additions	0	(480)	(321)	0	(41)	0	0	(842)
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	0	(99)	(60)	0	(62)	0	0	(221)
<b>As of 31 December 2019</b>	0	(4,367)	(3,031)	0	(1,931)	0	(27)	(9,356)
<b>ACCUMULATED IMPAIRMENT</b>								
<b>As of 1 January 2019</b>	0	0	0	0	0	(1,551)	0	(1,551)
Disposal of subsidiaries	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	0	0	0	0	0	0	0	0
<b>As of 31 December 2019</b>	0	0	0	0	0	(1,551)	0	(1,551)
<b>Net book value as of 1 January 2019</b>	7,239	2,210	985	0	38	371	0	10,843
<b>Net book value as of 31 December 2019</b>	7,412	1,749	1,035	0	88	0	0	10,284

2018 (in EUR 1,000)	Goodwill	Customer base	Technology	Brand	Software	Intangible assets under construction	Other intangible assets	Total
<b>AQUISITION COSTS</b>								
<b>As of 1 January 2018</b>	<b>24,125</b>	<b>27,475</b>	<b>6,882</b>	<b>1,875</b>	<b>4,965</b>	<b>2,480</b>	<b>27</b>	<b>67,829</b>
Disposal of subsidiaries (note 28)	(17,177)	(21,716)	(3,886)	(1,887)	(3,334)	0	0	(48,000)
Additions	0	0	0	0	163	0	0	163
Transfer to other category	0	0	558	0	0	(558)	0	0
Currency translation differences	291	239	81	12	72	0	0	695
<b>As of 31 December 2018</b>	<b>7,239</b>	<b>5,998</b>	<b>3,635</b>	<b>0</b>	<b>1,866</b>	<b>1,922</b>	<b>27</b>	<b>20,687</b>
<b>ACCUMULATED AMORTIZATION</b>								
<b>As of 1 January 2018</b>	<b>0</b>	<b>(16,708)</b>	<b>(5,684)</b>	<b>(1,589)</b>	<b>(4,555)</b>	<b>0</b>	<b>(27)</b>	<b>(28,563)</b>
Disposal of subsidiaries (note 28)	0	14,237	3,384	1,635	3,035	0	0	22,291
Additions	0	(1,139)	(269)	(34)	(237)	0	0	(1,679)
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	0	(178)	(81)	(12)	(71)	0	0	(342)
<b>As of 31 December 2018</b>	<b>0</b>	<b>(3,788)</b>	<b>(2,650)</b>	<b>0</b>	<b>(1,828)</b>	<b>0</b>	<b>(27)</b>	<b>(8,293)</b>
<b>ACCUMULATED IMPAIRMENT</b>								
<b>As of 1 January 2018</b>	<b>(11,437)</b>	<b>(3,508)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,551)</b>	<b>0</b>	<b>(16,496)</b>
Disposal of subsidiaries (note 28)	13,055	3,531	0	0	0	0	0	16,586
Additions	(1,500)	0	0	0	0	0	0	(1,500)
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	(118)	(23)	0	0	0	0	0	(141)
<b>As of 31 December 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,551)</b>	<b>0</b>	<b>(1,551)</b>
<b>Net book value as of 1 January 2018</b>	<b>12,688</b>	<b>7,259</b>	<b>1,198</b>	<b>286</b>	<b>410</b>	<b>929</b>	<b>0</b>	<b>22,770</b>
<b>Net book value as of 31 December 2018</b>	<b>7,239</b>	<b>2,210</b>	<b>985</b>	<b>0</b>	<b>38</b>	<b>371</b>	<b>0</b>	<b>10,843</b>

The amortization expense of EUR 842 (2018: EUR 1,679) has been charged in "cost of sales".

For 2019 no impairment had to be recognized. In 2018, based on the negotiations with the buyer of the exceet electronics activities, the carrying value of the combined CGU exceet electronics activities exceeded the sales price of EUR 30,771, therefore an impairment of EUR 1,500 was recorded within Goodwill of the exceet electronics activities. The goodwill amounted to EUR 4,122 before disposal as discontinued operation.

**Impairment tests for goodwill**

Management reviews the business performance by entity and by segment level reflecting the lowest operational level of cash-generating units (CGUs). With the divestment in 2018 of all exceet electronics activities, the cash generating units of exceet electronics GmbH, exceet

electronics GesmbH and exceet electronics AG were combined into one CGU "exceet electronics activities".

Summary of the goodwill allocation and movements:

2019 (in EUR 1,000)	Opening	Impairment	Disposal	Currency translation difference	Closing
GS Swiss PCB AG	4,540	0	0	173	4,713
<b>Healthcare Segment</b>	<b>4,540</b>	<b>0</b>	<b>0</b>	<b>173</b>	<b>4,713</b>
exceet Secure Solutions GmbH	380	0	0	0	380
Lucom GmbH Elektrokomponenten und Systeme	2,319	0	0	0	2,319
<b>Software (incl. IoT) Segment</b>	<b>2,699</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,699</b>
<b>Total</b>	<b>7,239</b>	<b>0</b>	<b>0</b>	<b>173</b>	<b>7,412</b>

2018 (in EUR 1,000)	Opening	Impairment	Disposal	Currency translation difference	Closing
GS Swiss PCB AG	4,372	0	0	168	4,540
<b>Healthcare Segment</b>	<b>4,372</b>	<b>0</b>	<b>0</b>	<b>168</b>	<b>4,540</b>
exceet Secure Solutions GmbH	380	0	0	0	380
Lucom GmbH Elektrokomponenten und Systeme	2,319	0	0	0	2,319
<b>Software (incl. IoT) Segment</b>	<b>2,699</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,699</b>
exceet electronics AG <sup>1)</sup>	1,544	(1,500)	(49)	5	0
exceet electronics GesmbH	793	0	(793)	0	0
exceet electronics GmbH	3,280	0	(3,280)	0	0
<b>exceet electronics activities</b>	<b>5,617</b>	<b>(1,500)</b>	<b>(4,122)</b>	<b>5</b>	<b>0</b>
<b>Total</b>	<b>12,688</b>	<b>(1,500)</b>	<b>(4,122)</b>	<b>173</b>	<b>7,239</b>

1) former Mikrap AG, merged with ECRAG as per 1 July 2017

The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets covering a five-year period. Cash flows beyond the five-

year period are extrapolated using an estimated long term growth rate.

Key assumptions used for value-in-use calculations:

CASH-GENERATING UNIT (CGU)	Compound annual revenue growth rate (av. next five years)		Gross margin growth rate (av. next five years)		Long term growth rate		Pre-tax discount rate	
	2019	2018	2019	2018	2019	2018	2019	2018
GS Swiss PCB AG	4%	4%	5%	4%	1%	1%	7.9%	7.6%
exceet Secure Solutions GmbH	17%	14%	21%	20%	1%	1%	10.6%	10.7%
Lucom GmbH Elektrokomponenten und Systeme	10%	7%	11%	8%	1%	1%	10.6%	10.7%

The estimated recoverable amount for all cash generating units exceeds the carrying amount. Management considers the assumed gross margin will not change so significantly as to eliminate this excess.

#### Compound annual revenue growth / Gross margin growth

Budgeted revenues and gross margins are based on past performance and the expectation for the market and customer developments (medium-term planning) over the course of the next five years. The gross margin varies depending on the operating function of the companies and their customer mix.

#### Long term growth rate

The long term growth rate is estimated at 1% (2018: 1%) and used to extrapolate cash flows beyond the forecast period of five years.

#### Pre-tax Discount rate

Discount rates are used on a pre-tax basis and represent the current market assessment of the risks specific to each CGU. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) depending on the country in which the Group operates. The WACC takes debt and equity into account. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service in the different countries of operation. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

**Sensitivity analysis**

The Group has performed a sensitivity analysis on the following critical factors of the calculation for its CGU of GS Swiss PCB AG and Lucom GmbH:

- If the estimated annual revenue growth rate at 31 December 2019 would be 1 percentage point lower than management's estimates at 31 December 2019 (for example, 4.0% instead of 5.0).
- If the estimated gross margin (Net sales less material costs) at 31 December 2019 would be 1 percentage point lower than management's estimates at 31 December 2019 (for example, 32% instead of 33%).
- If the estimated pre-tax discount rate applied to the discounted cash flows would be 1 percentage point higher than management's estimates (for example, 8.9% instead of 7.9%).

The sensitivity analysis provided no indication for potential impairments for the CGU GS Swiss PCB AG and Lucom GmbH, as the valuation of the recoverable amount with each sensitivity impact and their combination exceeded the carrying value.

Due to the difficult foreseeable nature and volatility of projects resulting in revenues for exceet Secure Solutions GmbH CGU, the sensitivity analysis was amended as follows:

- If the estimated annual revenue growth rate at 31 December 2019 would be 10 percentage point lower than management's estimates at 31 December 2019 (for example, 7.0% instead of 17.0%).
- If the estimated gross margin (Net sales less material costs) at 31 December 2019 would be 10 percentage point lower than management's estimates at 31 December 2019 (for example, 22% instead of 32%).

The valuation headroom (the estimated recoverable amount exceeding the carrying amount) and the impact of changes in key assumptions on this headroom are shown in the following table only for entities, where a potential impairment loss might be recognized:

	„Valuation Headroom based on assumptions 2019	Impact on the headroom of the sensitivity analysis			
		Revenue growth rate [-10 percentage points]	Gross margin rate [-10 percentage points]	Discount rate [+1 percentage point]	Combination of all factors
<b>CASH-GENERATING UNIT (CGU)</b>					
exceet Secure Solutions GmbH	7,433	(3,389)	(8,240)	(944)	(12,573)

Based on the additional sensitivity analysis performed for exceet Secure Solutions GmbH, with a recoverable amount, based on value-in-use calculation, of EUR 8,829 as per 31 December 2019, any combination of the sensitivity of the Gross margin rate with another sensitivity

or the combination of all three key assumptions of the sensitivity analysis together might lead to recognize an impairment loss for the amount of Goodwill of EUR 380.

## 7. DEFERRED TAXES / INCOME TAXES

### Income taxes

(in EUR 1,000)	2019	2018
Total current income tax	[1,807]	[3,295]
Total deferred tax	440	912
<b>Total income tax recognized in income statement</b>	<b>[1,367]</b>	<b>[2,383]</b>
Total deferred tax directly recognized in other comprehensive income	65	[71]
<b>Total income tax expense</b>	<b>[1,302]</b>	<b>[2,454]</b>

#### Income tax expense is attributable to:

Loss from continued operations	[1,367]	[298]
Loss from discontinued operations	0	[2,085]
<b>Total income tax recognized in income statement</b>	<b>[1,367]</b>	<b>[2,383]</b>
Total income tax directly recognized in other comprehensive income attributable to continued operations	65	71
Total income tax directly recognized in other comprehensive income attributable to discontinued operations	0	[142]
<b>Total income tax expense</b>	<b>[1,302]</b>	<b>[2,454]</b>

### Reconciliation of tax expense

(in EUR 1,000)	2019	2018
Profit/(Loss) from continued operations before income tax expense	3,887	[237]
Profit/(Loss) from discontinued operations before income tax expense	0	55,020
	3,887	54,783
<b>Group effective tax rate</b>	<b>7.80%</b>	<b>5.06%</b>
Tax calculated at average domestic tax rates applicable to profits in the respective jurisdictions	[303]	[2,765]
Non-taxable income/additional taxable expenses	0	902
Non-deductible expenses/additional taxable income	[1,069]	[382]
Unrecognized tax loss carryforwards attributable to continued operations	0	[7]
Unrecognized tax loss carryforwards attributable to discontinued operations	0	0
Unrecognized tax loss carryforwards, used	7	0
Effect of changes in local tax rates	43	30
Effect of sale of companies	0	[150]
Tax effect from prior years	[31]	[11]
Various effects	[14]	0
<b>Total income tax (current &amp; deferred)</b>	<b>[1,367]</b>	<b>[2,383]</b>
<i>in % of earnings before tax</i>	<i>35.17%</i>	<i>4.35%</i>

In 2019, the composition of the Group effective tax rate was the result of the mix of profit and loss of Group companies located in countries with different tax rates.

The reason for the “additional taxable income” in the tax reconciliation is mainly due to the capital contribution from exceet Group AG to exceet Holding S.à r.l. which triggered an income tax due to the different transaction currency of the contribution compared to the historical currency which was recognized as investment in exceet Holding S.à r.l. The gain for this transaction recognized in exceet Holding S.à r.l. amounted to EUR 2,723,191 and was taxed with a tax rate of 27.19%. The calculated tax of EUR 740,436 is shown under “Non-deductible expenses/additional taxable income” in the table above.

In 2018, the composition of the Group effective tax rate was mainly a result from the gain from the discontinued operations realized in non-taxable entities and from the change in the mix of profit and loss of Group companies located in countries with different tax rates.

The two main reasons for the movements in the reconciliation of tax expense in 2018 were as follows: EUR 901 of “Non-taxable income” and EUR 225 of “Non-deductible expense” resulted out of the year-end currency adjustment (EUR/CHF) of a convertible bond between Group companies with different tax rates. On 2 October 2018 the convertible loan of CHF 132,858,871 was converted into an increase of the investment in exceet Holding S.à r.l.

At 31 December 2019, unremitted earnings have been retained by consolidated entities for reinvestment. Therefore, no provisions were made for income taxes that would be payable upon the distribution of these earnings. If these earnings were remitted, an income tax charge could result based on the tax statutes currently in effect.

### Deferred taxes

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

(in EUR 1,000)	2019	2018
<b>At 1 January</b>	<b>73</b>	<b>(403)</b>
Income statement charge	440	912
Disposal of subsidiaries	0	(363)
Directly recognized in other comprehensive income	65	(71)
Currency translation difference	(15)	(2)
<b>At 31 December</b>	<b>563</b>	<b>73</b>

**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. In 2019 deferred tax liabilities in the amount of EUR 1,031 (2018: EUR 1,473) were offset with deferred tax assets. The following amounts remain after offsetting:

(in EUR 1,000)	2019	2018
<b>DEFERRED TAX ASSETS</b>		
Deferred tax assets, realized after 12 months	1,042	599
Deferred tax assets, realized within 12 months	0	0
<b>Total deferred tax assets</b>	<b>1,042</b>	<b>599</b>
<b>DEFERRED TAX LIABILITIES</b>		
Deferred tax liabilities, realized after 12 months	0	0
Deferred tax liabilities, realized within 12 months	(479)	(526)
<b>Total deferred tax liabilities</b>	<b>(479)</b>	<b>(526)</b>
<b>Total deferred tax</b>	<b>563</b>	<b>73</b>



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:

(in EUR 1,000)	Intangible assets	Tangible assets	Inventories	Provisions	Pension liability	Capitalized tax losses carry-forwards	Others	Total
<b>DEFERRED TAX ASSETS</b>								
<b>1 January 2019</b>	0	0	0	0	332	1,740	0	2,072
Disposal of subsidiaries (note 28)								0
Movements via income statement	2				12	(91)		(77)
Movements via OCI	43				22			65
Currency translation differences					14			14
<b>31 December 2019</b>	45	0	0	0	380	1,649	0	2,074
<b>1 January 2018</b>	0	0	148	10	716	3,023	138	4,035
Disposal of subsidiaries (note 28)			(148)	(10)	(242)	(2,047)	(138)	(2,585)
Movements via income statement					(88)	731		643
Movements via OCI					(70)			(70)
Currency translation differences					16	33		49
<b>31 December 2018</b>	0	0	0	0	332	1,740	0	2,072

(in EUR 1,000)	Intangible assets	Tangible assets	Inventories	Provisions	Pension liability	Longterm Liabilities	Others	Total
<b>DEFERRED TAX LIABILITIES</b>								
<b>1 January 2019</b>	(1,149)	(162)	(500)	(6)	0	(156)	(26)	(1,999)
Disposal of subsidiaries (note 28)								0
Movements via income statement	416	34	70				(3)	517
Movements via OCI								0
Currency translation differences	(2)	(6)	(21)					(29)
<b>31 December 2019</b>	(735)	(134)	(451)	(6)	0	(156)	(29)	(1,511)
<b>1 January 2018</b>	(2,596)	(292)	(635)	(64)	0	(781)	(70)	(4,438)
Disposal of subsidiaries (note 28)	1,080	143	287	58		625	29	2,222
Movements via income statement	379	(6)	(121)				17	269
Movements via OCI			(1)					(1)
Currency translation differences	(12)	(7)	(30)				(2)	(51)
<b>31 December 2018</b>	(1,149)	(162)	(500)	(6)	0	(156)	(26)	(1,999)

Group companies have uncapitalized tax losses of EUR 29,150 (2018: EUR 28,163) as it is uncertain that the companies can utilize them. Of those tax losses EUR 20,091 (2018: EUR 20,091) have no expiry date.

## 8. INVENTORIES

(in EUR 1,000)	2019	2018
Raw materials	1,768	1,882
Work in progress and semi-finished products	1,503	1,595
Finished goods	1,006	912
Inventory provision	(474)	(517)
<b>Total</b>	<b>3,803</b>	<b>3,872</b>

The cost of inventories recognized as expenses and included in "cost of sales" amounted to EUR 14,111 (2018: EUR 13,290).

No Inventories are pledged (2018: EUR 0) (see note 27 "Pledged assets").

## 9. TRADE RECEIVABLES, NET

(in EUR 1,000)	2019	2018
Trade accounts receivable, gross - due from third parties	5,247	3,468
Loss allowance	(24)	(10)
<b>Total</b>	<b>5,223</b>	<b>3,458</b>

As of 31 December 2019 trade receivables of EUR 61 (2018: EUR 13) were partially impaired. The amount of the total loss allowance for these receivables amounts to EUR 24 as of 31 December 2019 (2018: EUR 10), as there is evidence that not all amounts due will be collected. In total there are EUR 0 (2018: EUR 0) insured, including EUR 0 (2018: EUR 0) receivables which are not due.

As of 31 December 2019 trade receivables of EUR 577 (2018: EUR 256) were past due since up to 3 months but were not impaired. This decision is made based on no recent history of default of these customers.

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

(in EUR 1,000)	2019	2018
<b>At 1 January</b>	<b>10</b>	<b>517</b>
Disposal of subsidiaries (note 28)	0	(354)
Charged/(credited) to the income statement		
- additional provisions	18	283
- unused amounts reversed	0	(411)
Used during the year	(5)	(32)
Currency translation differences	1	7
<b>At 31 December</b>	<b>24</b>	<b>10</b>

The gross amounts of the Group's trade receivables are denominated in the following currencies:

(in EUR 1,000)	2019	2018
EUR	1,281	1,268
CHF	3,589	1,840
USD	377	360
<b>Total</b>	<b>5,247</b>	<b>3,468</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Accounts receivables in the amount of EUR 4,204 (2018: EUR 2,673) are pledged (see note 27 "Pledged assets").

## 10. CONTRACT ASSETS / LIABILITIES

The Group has recognized the following assets and liabilities related to contracts with customers:

(in EUR 1,000)	2019	2018
Contract assets from Vendor Managed Inventory (VMI) contracts	1,705	1,819
<b>Contract assets</b>	<b>1,705</b>	<b>1,819</b>

(in EUR 1,000)	2019	2018
Contract liability from IT services contracts	1,448	411
<b>Contract liabilities</b>	<b>1,448</b>	<b>411</b>

After billing the goods finally to the customer, contract assets of EUR 1,819 [2018: EUR 1,072] were moved to trade receivables. Contract assets decreased by year-end 2019 as deliveries into Vendor Managed Inventory decreased depending on the expected demand from the customer.

EUR 335 [2018: EUR 445] of contract liabilities in relation to IT service contracts have been recognized as revenue in the current year. Contract liabilities in 2019 increased due to higher maintenance and support requirements out of signed customer agreements.

## 11. OTHER CURRENT RECEIVABLES

(in EUR 1,000)	2019	2018
Short-term deposit	86	85
Social securities	13	226
Payables with debit balances	0	15
Value added tax/withholding tax	530	210
Payments in advance	1	298
Others	28	39
<b>Total</b>	<b>658</b>	<b>873</b>

Other receivables in the amount of EUR 503 (2018: EUR 412) are pledged (see note 27 "Pledged assets").

## 12. PREPAID EXPENSES

(in EUR 1,000)	2019	2018
Insurance companies	6	8
Social costs	2	2
Rents	18	18
Maintenance contracts	1,091	145
Exhibition	26	29
Fees	54	51
Others	25	23
<b>Total</b>	<b>1,222</b>	<b>276</b>

Prepaid expenses are reflected in different expense accounts.

Maintenance contracts are contracts for up to 5 years and include maintenance and support services acquired from third parties to cater for customer requirements [see note 10 “Contract assets/liabilities”].

## 13. CASH AND CASH EQUIVALENTS

(in EUR 1,000)	2019	2018
Cash at bank and on hand	51,387	112,996
Short-term bank deposits	89	192
<b>Total</b>	<b>51,476</b>	<b>113,188</b>

The risk that these assets will be subject to changes in value is minimal.

No cash and cash equivalents were pledged in 2019 (2018: EUR 0) (see note 27 "Pledged assets").



## 14. EQUITY

### *Share capital of exceet Group S.A.*

With resolution at the extraordinary general meeting (EGM) held on 20 November 2019, the company exceet Group SE has been converted from an “Société Européenne” into the legal form of a “Société Anonyme”. The issued share capital is set at 20,523,695 shares with no par value, 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).

Share capital of exceet Group S.A. has developed as follows:

	Euro
Balance at 1 January 2019	311,960.16
Balance at 31 December 2019	311,960.16
Balance at 1 January 2018	311,960.16
Balance at 31 December 2018	311,960.16

The number of shares is as follows:

	Total Shares	Class A Shares
Number of shares issued as at 1 January 2019	20,523,695	20,523,695
Number of shares issued as at 31 December 2019	20,523,695	20,523,695
Number of shares issued as at 1 January 2018	20,523,695	20,523,695
Number of shares issued as at 31 December 2018	20,523,695	20,523,695

### *Dividend rights*

Each Public Share is entitled to receive the same amount of dividend.

### *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.

**Other Reserves**

Other reserves contain capital reserve, reserve for Treasury Shares, as well as retained earnings and the foreign currency translation difference for equity.

(in EUR 1,000)

<b>Balance at 31 December 2018</b>	<b>131,168</b>
Change in accounting policies (IFRS 16), net of tax	(118)
<b>Balance at 1 January 2019</b>	<b>131,050</b>
Special distribution of reserves to the shareholders	(60,221)
Total comprehensive income for the period	2,496
<b>Balance at 31 December 2019</b>	<b>73,325</b>
<b>Balance at 31 December 2017</b>	<b>74,056</b>
Remeasurement IFRS 15	361
<b>Balance at 1 January 2018</b>	<b>74,417</b>
Total comprehensive income for the period	56,751
<b>Balance at 31 December 2018</b>	<b>131,168</b>

With resolution at the ordinary general meeting (OGM) held on 20 November 2019, the shareholders approved the decision of the Board of Directors of the Company for a special distribution of reserves in the amount of Euro 3.00 per share or EUR 60,221 in total. The distribution was effected on 25 November 2019.

## 15. BORROWINGS

(in EUR 1,000)	2019	2018
<b>NON-CURRENT</b>		
Bank borrowings	2,948	2,840
Finance lease liabilities (note 26)	76	402
Total non-current borrowings	3,024	3,242
<b>CURRENT</b>		
Finance lease liabilities (note 26)	358	548
Total current borrowings	358	548
<b>Total</b>	<b>3,382</b>	<b>3,790</b>

Bank borrowings are denominated 100% in CHF.

In February 2018 the Group signed a new bank credit facility agreement with a possible maximal amount of CHF 23 million (EUR 20.4 million with exchange rate 2018) and a duration until 28 February 2023, of which CHF 21.5 million (EUR 19.1 million with exchange rate 2018) were drawn. The bank had the right for an extraordinary termination with the consequence of immediate repayment of outstanding debt and payment of a prepayment penalty, if certain covenants (equity ratio and leverage ratio - defined as net debt divided by EBITDA) were not met or in the case of a change of control of the Group. The interest for the facility is based on Euromarket condition, including a margin depending on the leverage ratio.

With the sales process of certain business activities in 2018 except repaid the drawn amount of CHF 21.5 million (EUR 19.1 million with exchange rate 2018) as of 31 December 2018 and agreed with the bank a new possible maximal amount of CHF 1.5 million (EUR 1.3 million with exchange rate 2018) as of 1 January 2019 with the already agreed covenants staying in place. The facility is not drawn.

For the two Swiss operational subsidiaries lines of credit in the amount of CHF 10 million (EUR 8.9 million with exchange rate 2018) were agreed at the same time as for the Group, containing general market conditions and requirements, including restrictions due to change of control. One loan facility with one of the Swiss companies ended due to its divestment, so the remaining facility amounts to CHF 9 million (EUR 8.0 million with exchange rate 2018), without any changes to market conditions and requirements.

The total bank borrowings of EUR 2,948 (2018: EUR 2,840) are secured by land and buildings (see note 5 "Tangible assets") and by assigned trade receivables.

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

(in EUR 1,000)	2019	2018
6 months up to	0	0
6 - 12 months	358	548
1 - 2 years	3,024	0
2 - 5 years	0	3,242
Over 5 years	0	0
<b>Total</b>	<b>3,382</b>	<b>3,790</b>

As per 31 December 2019, the borrowings within interest repricing dates of 6 months or less are mainly non-current with floating interest rates.

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

(in EUR 1,000)	2019	2018
<b>CARRYING AMOUNT</b>		
Bank borrowings	2,948	2,840
Finance lease liabilities	76	402
<b>Total</b>	<b>3,024</b>	<b>3,242</b>
<b>FAIR VALUE</b>		
Bank borrowings	2,993	2,912
Finance lease liabilities	76	402
<b>Total</b>	<b>3,069</b>	<b>3,314</b>

The fair values of bank borrowings are level 2 fair values and were determined based on actual interest rates.

The Group had the following undrawn borrowing facilities:

(in EUR 1,000)	2019	2018
Floating rate:		
- Expiring within one year	6,292	5,527
- Expiring beyond one year	0	0
Fixed rate:		
- Expiring within one year	0	0
- Expiring beyond one year	0	0
<b>Total</b>	<b>6,292</b>	<b>5,527</b>

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

The table below displays the cash and non-cash movements in relation to borrowings and other financial investments:

(in EUR 1,000)	Bank borrowings	Financial lease liability	Borrowings Total	Other financial investments
<b>2019</b>				
Current	0	548	548	0
Non-current	2,840	402	3,242	0
<b>As of 1 January 2019</b>	<b>2,840</b>	<b>950</b>	<b>3,790</b>	<b>0</b>
Changes from financing Cash flows	0	(540)	(540)	0
Changes arising from losing control of subsidiaries or other businesses	0	0	0	0
Foreign exchange adjustments	108	24	132	0
Other non-cash movements	0	0	0	0
<b>As of 31 December 2019</b>	<b>2,948</b>	<b>434</b>	<b>3,382</b>	<b>0</b>
Current	0	358	358	0
Non-current	2,948	76	3,024	0

<b>2018</b>				
Current	19,034	798	19,832	0
Non-current	7,231	1,154	8,385	384
<b>As of 1 January 2018</b>	<b>26,265</b>	<b>1,952</b>	<b>28,217</b>	<b>384</b>
Changes from financing Cash flows	(18,550)	(764)	(19,314)	(380)
Changes arising from losing control of subsidiaries or other businesses	(5,222)	(584)	(5,806)	0
Foreign exchange adjustments	347	43	390	(4)
Other non-cash movements	0	303	303	0
<b>As of 31 December 2018</b>	<b>2,840</b>	<b>950</b>	<b>3,790</b>	<b>0</b>
Current	0	548	548	0
Non-current	2,840	402	3,242	0

## 16. 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.

With the disposal of the exceet electronics activities in July 2018, a part of the Swiss retirement benefit obliga-

tion related to exceet electronics AG were transferred to the buyer. The German retirement benefit obligation was transferred to the buyer with the disposal of AEMtec GmbH in October 2018.

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:

(in EUR 1,000)	2019	2018
Present value of funded obligation	(35,279)	(33,208)
Fair value of plan asset	32,426	30,581
<b>Liability in the balance sheet</b>	<b>(2,853)</b>	<b>(2,627)</b>

## Movement of the defined benefit obligation:

2019 (in EUR 1,000)	Present value of obligation	Fair value of plan assets	Total
<b>At 1 January 2019</b>	<b>(33,208)</b>	<b>30,581</b>	<b>(2,627)</b>
Current service cost	(960)		(960)
Plan amendments	(734)		(734)
Gain on curtailments	1,073		1,073
Interest on obligation/assets	(250)	232	(18)
Administration expense		(56)	(56)
<b>Total amount recorded in the income statement</b>	<b>(871)</b>	<b>176</b>	<b>(695)</b>
<b>REMEASUREMENTS</b>			
-Return on plan assets		3,180	3,180
-Gain/(loss) from change in economic assumptions	(2,939)		(2,939)
-Gain/(loss) from experience	(511)		(511)
<b>Total remeasurements</b>	<b>(3,450)</b>	<b>3,180</b>	<b>(270)</b>
<b>CONTRIBUTIONS</b>			
-Company contributions		843	843
-Plan participants	(713)	713	0
<b>Total contributions</b>	<b>(713)</b>	<b>1,556</b>	<b>843</b>
<b>PAYMENTS FOR PLAN</b>			
-Benefit payments	4,253	(4,253)	0
<b>Total payments for Plan</b>	<b>4,253</b>	<b>(4,253)</b>	<b>0</b>
Exchange differences	(1,290)	1,186	(104)
<b>At 31 December 2019</b>	<b>(35,279)</b>	<b>32,426</b>	<b>(2,853)</b>
<b>2018 (in EUR 1,000)</b>			
<b>At 1 January 2018</b>	<b>(47,023)</b>	<b>41,972</b>	<b>(5,051)</b>
Disposal of exceet electronics activities /AEMtec GmbH	12,679	(10,365)	2,314
Current service cost	(1,231)		(1,231)
Interest on obligation/assets	(320)	292	(28)
Administration expense		(56)	(56)
<b>Total amount recorded in the income statement</b>	<b>(1,551)</b>	<b>236</b>	<b>(1,315)</b>
<b>REMEASUREMENTS</b>			
-Return on plan assets		(1,675)	(1,675)
-Gain/(loss) from change in economic assumptions	1,445		1,445
-Gain/(loss) from experience	859		859
<b>Total remeasurements</b>	<b>2,304</b>	<b>(1,675)</b>	<b>629</b>
<b>CONTRIBUTIONS</b>			
-Company contributions		892	892
-Plan participants	(754)	754	0
<b>Total contributions</b>	<b>(754)</b>	<b>1,646</b>	<b>892</b>
<b>PAYMENTS FOR PLAN</b>			
-Benefit payments	2,532	(2,532)	0
-Benefits paid by employer	9		9
<b>Total payments for plan</b>	<b>2,541</b>	<b>(2,532)</b>	<b>9</b>
Exchange differences	(1,404)	1,299	(105)
<b>At 31 December 2018</b>	<b>(33,208)</b>	<b>30,581</b>	<b>(2,627)</b>

Due to the restructuring process within the Group, employees of except Group AG received limited worktime contracts, as they will leave the company latest in the next 18 months. This resulted in costs for plan amendments of EUR 734 and gains from curtailment of EUR 1,073.

Of the total charge of EUR 695 (2018: EUR 1,315), EUR 503 (2018: EUR 731) were included in "cost of sales", EUR 101 (2018: EUR 122) in "administrative expenses", EUR 91 (2018: EUR 136) in "distribution costs", EUR 326 in 2018 were in relation to discontinued operations.

The significant actuarial assumptions are as follows:

	2019	2018
Discount rate	0.30%	0.90%
Inflation rate	1.00%	1.00%
Interest on old age accounts	0.60%	1.00%
Future salary increases	1.00%	1.00%
Labor turnover rate	5.60%	5.80%

### Swiss pension plan

The average life expectancy for Swiss pension plans was calculated on the basis of BVG2015 Generation tables (2018: BVG2015 Generation tables). The disability rates were also calculated on the basis of BVG2015 (2018: BVG2015).

Life expectancy at age 65 (years):

	2019	2018
- Retiring at the end of the reporting period		
- Male	22.61	22.50
- Female	24.65	24.54
- Retiring 20 years after the end of the reporting period		
- Male	24.40	24.33
- Female	26.44	26.37

### SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION TO CHANGES IN THE PRINCIPAL ASSUMPTIONS

Impact on defined benefit obligation:

	Switzerland/Total Group	
Discount rate	- 0.25%	increase of 4.4%
	+ 0.25%	decrease of 4.1%
Salary increase	- 0.25%	decrease of 0.4%
	+ 0.25%	increase of 0.5%
Pension indexation	- 0.25%	n/a
	+ 0.25%	n/a



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

(in EUR 1,000)	2019	in %	2018	in %
Equities	8,039	24.8%	7,100	23.2%
Bonds	15,084	46.5%	14,628	47.9%
Real estate	6,383	19.7%	5,968	19.5%
Qualified insurance policies	332	1.0%	571	1.9%
Cash and cash equivalents	975	3.0%	897	2.9%
Other	1,613	5.0%	1,417	4.6%
<b>Total</b>	<b>32,426</b>	<b>100.0%</b>	<b>30,581</b>	<b>100.0%</b>

The qualified insurance policies are based on unquoted prices, all other categories are based on quoted prices in an active market.

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 EUR 841 (2018: EUR 732) in contributions to be paid to the defined benefits plans in 2020.

The weighted average duration of the defined benefit obligation for the Swiss pension plans is 20 years.

## 17. ACCRUED EXPENSES

(in EUR 1,000)	2019	2018
Incentives for employees	1,009	935
Holiday and overtime	390	316
Audit and consulting fees	337	321
Fee of Board of Directors	185	160
Social securities	112	113
Goods received without invoice	65	307
Salaries	55	54
Accrued outstanding bills	51	29
Others	36	38
Interest	10	0
Provisions, third party	8	35
Stamp Duty Sale of AEMtec	0	262
<b>Total</b>	<b>2,258</b>	<b>2,570</b>

## 18. OTHER CURRENT LIABILITIES

(in EUR 1,000)	2019	2018
Social securities	228	204
Audit & consultancy	174	50
Value-added tax	51	23
Others	50	81
Other taxes payable	31	6
Prepayments	23	0
<b>Total</b>	<b>557</b>	<b>364</b>

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

# 19. PROVISIONS

(in EUR 1,000)	Guarantees	Restructuring	Social provisions	Others	Total
<b>2019</b>					
<b>At 1 January 2019</b>	804	0	0	6	810
Disposal of subsidiaries (note 28)					0
Charged/(credited) to the income statement					
-Additional provisions		225			225
-Unused amounts reversed	(106)				(106)
Used during year					0
Currency translation differences	23	5			28
<b>At 31 December 2019</b>	<b>721</b>	<b>230</b>	<b>0</b>	<b>6</b>	<b>957</b>

(in EUR 1,000)	Guarantees	Restructuring	Social provisions	Others	Total
<b>2018</b>					
<b>At 1 January 2018</b>	241	0	343	183	767
Disposal of subsidiaries (note 28)	(1,085)		(355)	(171)	(1,611)
Charged/(credited) to the income statement					
-Additional provisions	1,712			8	1,720
-Unused amounts reversed	(19)				(19)
Used during year	(65)			(10)	(75)
Currency translation differences	20		12	(4)	28
<b>At 31 December 2018</b>	<b>804</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>810</b>

(in EUR 1,000)	2019	2018
<b>ANALYSIS OF TOTAL PROVISIONS</b>		
Non-current	333	326
Current	624	484
<b>Total</b>	<b>957</b>	<b>810</b>

## Guarantees

The Group recognizes guarantee provision 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.

## Restructuring

The restructuring provision is to cover cost in relation to the close of the office located in Rotkreuz (Switzerland).

## Others

Other provisions contain EUR 6 for storage of business documents.

## 20. EXPENSES BY NATURE

(in EUR 1,000)	2019	2018
Raw materials and consumables used	14,011	13,409
Changes in inventories of finished goods and work in progress	97	172
Personnel cost (note 21)	17,996	17,792
Repair and maintenance expense	1,124	1,165
Leasing expense	47	73
Rental expense	55	380
Administrative expense	2,346	1,889
Marketing and acquisition expense	274	426
Other expense (note 23)	1,044	1,414
Depreciation, amortization and impairment charges (note 5/6)	3,094	2,794
<b>Total cost of sales, distribution costs, admin &amp; other expenses</b>	<b>40,088</b>	<b>39,514</b>

Development costs of EUR 752 (2018: EUR 676) are included in above expenses by nature.

Administrative expenses include EUR 70 (2018: EUR 233) of audit costs for the consolidated accounts and EUR 21 (2018: EUR 0) for non-audit services charged by the Group auditor, as well as EUR 686 (2018: EUR 0) costs in relation to the restructuring of the Group.

## 21. PERSONNEL COSTS

Personnel costs comprised the following cost items:

(in EUR 1,000)	2019	2018
Salaries	15,387	14,855
Social contributions	1,612	1,623
Defined benefit plan expenses (note 16)	695	989
Other personnel expenses	302	325
<b>Total</b>	<b>17,996</b>	<b>17,792</b>

Average staff headcount (FTE) for 2019 amounts to 208 (2018: 212), split into production & technical of 149 (2018: 150); management & administration of 24 (2018: 24); sales & marketing of 25 (2018: 28) and research & development of 10 (2018: 10).

## 22. OTHER OPERATING INCOME

Other operating income included the following items:

(in EUR 1,000)	2019	2018
Income from supplier	75	26
Others	26	31
Gain on sale of tangible assets	18	0
Income from employees	17	11
Income from delivery	4	3
Income from insurance company	0	21
<b>Total</b>	<b>140</b>	<b>92</b>

## 23. OTHER EXPENSES

Other expenses resulted from the following items:

(in EUR 1,000)	2019	2018
Energy costs	494	529
Waste disposal and cleaning costs	234	254
Insurance costs	125	144
Freight costs	93	90
Others	69	81
Vehicle Costs	23	37
Other tax and government requirements	3	3
Costs for claims	3	276
<b>Total</b>	<b>1,044</b>	<b>1,414</b>



## 24. FINANCIAL RESULT

The financial results were derived as follows:

(in EUR 1,000)	2019	2018
Interest income	40	26
Foreign currency exchange gains	8,780	1,675
<b>Financial income</b>	<b>8,820</b>	<b>1,701</b>
Interest expenses	(152)	(302)
Financial leasing expense	(22)	(35)
Foreign currency exchange losses	(8,045)	(3,575)
Other financial expenses	(423)	(139)
<b>Financial expenses</b>	<b>(8,642)</b>	<b>(4,051)</b>
<b>Total</b>	<b>178</b>	<b>(2,350)</b>

## 25. EARNINGS PER SHARE

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

### a) Basic earnings per share continued operations

The calculation of basic EPS at 31 December 2019 is based on the profit attributable to the owners of the parent of EUR 2,520 for 2019 (2018: Loss of EUR 535) 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.

BASIC EARNINGS PER SHARE CONTINUED OPERATIONS		2019	2018
Profit/(Loss) for continued operations for the year (EUR 1,000) attributable to equity holders of the Company	Class A Shares	2,520	(535)
Weighted average number of ordinary shares outstanding	Class A Shares	20,073,695	20,073,695
<b>Basic earnings/(loss) per share (Euro/share)</b>	<b>Class A Shares</b>	<b>0.13</b>	<b>(0.03)</b>

### b) Dilutive earnings per share

There are no share options which could dilute earnings per share for 2019 and 2018.

## 26. OTHER FINANCIAL OBLIGATIONS/ COMMITMENTS AND CONTINGENCIES

### 26.1 RENTAL AND LEASE CONTRACTS

Description of rental and lease contracts  
(short term and below EUR 5)

(in EUR 1,000)	2019	2018
<b>OPERATING LEASE OBLIGATIONS (RENTAL) AS OF 31 DECEMBER</b>		
< 1 year	42	396
> 1 - 5 years	1	1,154
More than 5 years	0	0
<b>Total</b>	<b>43</b>	<b>1,550</b>

(in EUR 1,000)	2019	2018
<b>FINANCE LEASE OBLIGATIONS AS OF 31 DECEMBER</b>		
< 1 year	362	566
> 1 - 5 years	76	407
More than 5 years	0	0
<b>Total</b>	<b>438</b>	<b>973</b>
Future finance charges on finance lease	(4)	(23)
<b>Present value of finance lease liabilities</b>	<b>434</b>	<b>950</b>

The present value of finance lease liabilities is as follows:

(in EUR 1,000)	2019	2018
< 1 year	358	548
> 1 - 5 years	76	402
More than 5 years	0	0
<b>Present value of future finance lease liabilities</b>	<b>434</b>	<b>950</b>

In the financial year 2019, the rental and leasing expenses for short term (up to 12 month) and below EUR 5 leasing contracts amounted total to EUR 102 (2018: EUR 437 for all leasing contracts).

### 26.2 CONTINGENT LIABILITIES

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those already provided for (see note 19 "Provisions").

## 27. PLEDGED ASSETS

The Company had the following pledged assets:

(in EUR 1,000)	2019	2018
Land and building	5,986	3,465
Pledged accounts receivables	4,204	2,673
Pledged other receivables	503	412
<b>Total</b>	<b>10,693</b>	<b>6,550</b>

Bank borrowings are secured by land and building, receivables (see note 15 "Borrowings").

## 28. DISCONTINUED OPERATIONS

### DIVESTMENT OF SUBSIDIARIES

The Group had no divestment of subsidiaries in 2019. In 2018 the Group divested the following activities:

- “exceet electronics activities”, consisting of the entities exceet electronics GmbH (Grossbettlingen, Germany), exceet electronics GesmbH (Ebbs, Austria), exceet electronics AG (Rotkreuz, Switzerland) and exceet Austria GmbH (Ebbs, Austria) as of 30 July 2018
- AEMtec GmbH (Berlin, Germany) as of 31 October 2018
- exceet Medtec Romania S.R.L. (Bucarest, Romania) as of 22 November 2018

The following table shows the cash flows of the divestments and the transaction costs which were recognized within discontinued operations in the income statement in 2018:

(in EUR 1,000)	2018	Date of deconsolidation
<b>CASH FLOW FROM DIVESTMENT, NET OF CASH DISPOSED</b>		
Cash inflow on divestment exceet electronics activities	29,673	30 July 2018
Cash inflow on divestment AEMtec GmbH	72,542	31 October 2018
Cash outflow on divestment exceet Medtec Romania S.R.L.	[218]	22 November 2018
<b>Total</b>	<b>101,997</b>	
<b>TRANSACTION COSTS DIRECTLY RECOGNIZED IN THE INCOME STATEMENT UNDER DISCONTINUED OPERATIONS</b>		
exceet electronics activities	354	
AEMtec GmbH	2,793	
exceet Medtec Romania S.R.L.	225	
<b>Total</b>	<b>3,372</b>	

The transaction costs of EUR 3,372 were directly recognized within discontinued operations as administrative expenses.

The summary of the gain on disposal and the consideration received for the divested activities for 2018 were as follows:

(in EUR 1,000)	exceet electronics activities 30 July 2018	AEMtec GmbH 31 October 2018	exceet Medtec Romania S.R.L. 22 November 2018	Total Discontinued Operations
<b>DISPOSAL CONSIDERATION</b>				
Consideration received	30,771	86,000	0	116,771
Carrying amount of net assets disposed	(30,070)	(30,942)	(74)	(61,086)
<b>Gain on Disposal before reclassification of foreign currency translation reserve</b>	<b>701</b>	<b>55,058</b>	<b>(74)</b>	<b>55,685</b>
Reclassification of foreign currency translation reserve	(161)	(1,232)	(40)	(1,433)
<b>Gain on Disposal</b>	<b>540</b>	<b>53,826</b>	<b>34</b>	<b>54,252</b>

(in EUR 1,000)				
Consideration settled in cash	30,771	86,000	0	116,771
Cash and cash equivalents in subsidiaries disposed	(1,098)	(13,458)	(218)	(14,774)
<b>Cash inflow on divestment, net of cash</b>	<b>29,673</b>	<b>72,542</b>	<b>(218)</b>	<b>101,997</b>

## EXCEET ELECTRONICS ACTIVITIES

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The discontinued operations “exceet electronics activities” consist of three separate cash generating units of the former ECMS segment (exceet electronics GmbH, exceet electronics GesmbH, exceet electronics AG) and a holding company (exceet Austria GmbH) which was part of the Corporate & Other segment. These companies have been summarized into “exceet electronics activities”.

The Group signed on 29 June 2018 a contract to sell its “exceet electronics activities”. This transaction was completed on 30 July 2018, after clearance by the appropriate cartel authorities. The final sales prices was EUR 30.8 million. With the completion of the transaction and taking into account the business development until the closing date the carrying value of the “exceet electronics activities” amounted finally to EUR 30,070, resulting in a gain of disposal of EUR 701.

As of 30 July 2018, the “exceet electronics activities” and the corresponding intercompany loans held within the Group were sold with effect on the same date.

## AEMTEC GMBH

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On 25 September 2018 the Group signed a contract with a third party buyer to sell its micro- and optoelectronics activities subsidiary AEMtec GmbH, Berlin, part of the former ECMS segment for a price of EUR 86.0 million. The transaction was completed on 31 October 2018 after clearance by the appropriate cartel authorities and fulfilment of other contractual issues. The final carrying value of AEMtec GmbH amounted to EUR 30,942, resulting in a gain of disposal of EUR 55,058.

## EXCEET MEDTEC ROMANIA S.R.L.

On 25 September 2018 the Group signed an agreement to sell its electronics development activities entity exceet Medtec Romania S.R.L., part of the former ECMS segment, to the management. The transaction was completed as of 22 November 2018. The final carrying

value of the entity amounted to minus EUR 74, which resulted in a gain on disposal of EUR 74. The sales agreement includes a clause in regards to a possible earn-out payment of EUR 100 by the buyer for the year 2021, if in the financial year 2020 a specific revenue target is met by the company.

The profit and loss details for the discontinued operations in 2018 were as follows:

2018 (in EUR 1,000)	exceet electronics	AEMtec GmbH	exceet Medtec Romania S.R.L	Eliminations	Discontinued Operations
<b>FINANCIAL PERFORMANCE</b>	<b>01.01.-30.07.</b>	<b>01.01.-31.10.</b>	<b>01.01.-22.11.</b>		
External revenue	37,511	43,792	705	(1,356)	80,652
Expenses	(39,490)	(39,197)	(872)	1,356	(78,203)
Fair value adjustment - Impairment of Goodwill	(1,500)	0	(329)		(1,829)
<b>Profit/(Loss) before income tax</b>	<b>(3,479)</b>	<b>4,595</b>	<b>(496)</b>		<b>620</b>
Income tax	68	(2,170)	17		(2,085)
<b>Profit/(Loss) from discontinued operations</b>	<b>(3,411)</b>	<b>2,425</b>	<b>(479)</b>		<b>(1,465)</b>
Profit/(Loss) on Disposal of discontinued operations	540	53,826	34		54,400
<b>Profit/(Loss) from discontinued operations</b>	<b>(2,871)</b>	<b>56,251</b>	<b>(445)</b>		<b>52,935</b>
Remeasurement of defined benefit obligation (net of tax)	1,068	53	0		1,121
Currency translation differences	161	1,232	40		1,433
<b>Comprehensive income from discontinued operations</b>	<b>(1,642)</b>	<b>57,536</b>	<b>(405)</b>		<b>55,489</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>					
Shareholders of the parent company					52,935
<b>EARNINGS PER SHARE IN EURO FROM DISCONTINUED OPERATIONS (BASIC = DILUTIVE)</b>					
Class A shares					2.65
<b>CASH FLOW INFORMATION</b>					
Net Cash inflow/(outflow) from operating activities	(2,237)	5,316	(74)		3,005
Net Cash inflow/(outflow) from investing activities	(480)	(833)	(6)		(1,319)
Net Cash inflow/(outflow) from financing activities	162	(481)	0		(319)
<b>Net increase/(decrease) in cash generated by discontinued operations</b>	<b>(2,555)</b>	<b>4,002</b>	<b>(80)</b>		<b>1,367</b>



## 29. LIST OF CONSOLIDATED SUBSIDIARIES OF EXCEET GROUP SCA

Company	Country	Year of acquisition <sup>1)</sup>	Segment	Activity	Ref.	Share capital	Share in the capital	Share of the votes
CONTINUED OPERATIONS								
exceet Holding S.à r.l. <sup>2)</sup>	LUX	2011	C&O	Holding	1	EUR 30,000	100%	100%
exceet Group AG	SUI	2006	C&O	Holding & Services	2	CHF 25,528,040	100%	100%
GS Swiss PCB AG	SUI	2006	Health-care	Manufacturing & Sales	3	CHF 1,350,000	100%	100%
exceet USA, Inc.	USA	2015	Health-care	Sales	4	USD 10	100%	100%
exceet Secure Solutions GmbH <sup>3)4)</sup>	GER	2011	Software (incl. IoT)	Development & Sales	5	EUR 1,000,000	100%	100%
Lucom GmbH Elektrokomponenten und Systeme <sup>5)</sup>	GER	2014	Software (incl. IoT)	Development & Services	6	EUR 26,000	100%	100%

<sup>1)</sup> Year of acquisition refers to exceet Group AG point of view

<sup>2)</sup> exceet Holding S.à r.l. (former: exceet Holding AG) has been renamed on 02.10.2018

<sup>3)</sup> exceet Secure Solutions AG and exceet Secure Solutions Deutschland GmbH have been merged on 15.08.2016 retroactively as per 01.01.2016

<sup>4)</sup> exceet Secure Solutions GmbH (former: exceet Secure Solutions AG) has been renamed on 06.10.2016

<sup>5)</sup> exceet Secure Solutions GmbH holds 100% of the share capital of Lucom GmbH Elektrokomponenten und Systeme

Ref.	Address		
1	17, rue de Flaxweiler	L-6776 Grevenmacher	Luxembourg
2	Riedstrasse 1	CH-6343 Rotkreuz	Switzerland
3	Fännring 8	CH-6403 Küssnacht a. R.	Switzerland
4	100 Sylvan Road, Suite G-700	Woburn, Massachusetts 01801	USA
5	Rethelstrasse 47	D-40237 Düsseldorf	Germany
6	Flössastrasse 22a	D-90763 Fürth	Germany

On 20 November 2019 the extraordinary general meeting approved the change of the legal form of exceet Group SE from a “Société Européenne” into a “Société Anonyme” and change the name accordingly as follows:

New name	Previous name	Date of change
exceet Group S.A.	exceet Group SE	20 November 2019

Furthermore on 23 January 2020 the extraordinary general meeting approved the change from a “Société Anonyme” into “Société en commandite par actions” and changed the name to “exceet Group SCA”.

## 30. ULTIMATE CONTROLLING PARTIES AND RELATED-PARTY TRANSACTIONS

Entities and natural persons (and their families) are considered related parties if they have the possibility to control the exceet Group SCA (formerly 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 SCA (formerly 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 entities:

White Elephant S.à r.l. (Active Ownership Fund) (controlling shareholder)  
 White Hills Management & Co S.C.S. (director)  
 White Elephant Holdco S.à r.l.  
 Active Ownership Investments Ltd.  
 Active Ownership Advisors GmbH  
 Active Ownership Capital S.à r.l.  
 Active Ownership Fund SICAV-SIF SCS  
 Tamlino Import & Advisory L.P.  
 Tamlino Investments Ltd.  
 DLA Piper UK LLP

### RELATED PERSONS

#### Board of Directors exceet Group S.A. (until 23 January 2020)

- Klaus Röhrig, Chairman of the Board of Directors
- Florian Schuhbauer
- Jan Klopp
- Roland Lienau
- Andreas Füchsel as Representative of White Hills Management & Co S.C.S. (until 18 December 2019)
- Wolf-Günter Freese

On 23 January 2020 the extraordinary general meeting of exceet Group S.A. acknowledged the termination of the current members of the Board of Directors of the Company and discharged the members of Board of Directors to be granted to their performance of their mandate.

#### Supervisory Board exceet Group SCA (as from 23 January 2020)

Due to the change of the legal form of the Company to a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)), the extraordinary general meeting on 23 January 2020 appointed the following members of the Supervisory Board of the Company:

- Roland Lienau (Chairman)
- Georges Bock
- Jan Klopp

**MEMBERS OF THE MANAGEMENT BOARD**

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Wolf-Günter Freese  
Chief Executive Officer & Chief Financial Officer

Mr. Wolf-Günter Freese, resigned from his functions as member of the management board as per 23 January 2020. On 23 January 2020 the extraordinary general meeting of exceet Group S.A. adopted the change of the legal form of the Company to a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)) and the creation and issuance of one unlimited share to the general partner exceet Management S.à r.l. The directors of exceet Management S.à r.l. are Klaus Röhrig, Florian Schuhbauer and Bastian Bubel.

The remuneration of members of the Management Board and the Board of Directors is disclosed in note 31 "Remuneration of members of Board of Directors and the Management Board".

**TRANSACTIONS WITH RELATED PARTIES**

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The Group had legal charges in 2019 of EUR 316 (2018: EUR 21), EUR 26 of them outstanding as per 31 December 2019 (2018: EUR 0). For remuneration to Members of the Board of Directors and the Management Board see note 31 "Remuneration of members of Board of Directors and the Management Board".

**CONTINGENT LIABILITIES TOWARDS RELATED PARTIES**

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No contingent liabilities towards related parties.

## 31. REMUNERATION OF MEMBERS OF BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The following remuneration relates to the financial year 2019:

(in EUR 1,000)	2019	2018
Remuneration for meetings	160	160
<b>Total remuneration to the Board of Directors</b>	<b>160</b>	<b>160</b>
Salaries and social cost payments to Management Board	399	486
Post employment benefits payments to Management Board	37	36
<b>Total payments to Management Board</b>	<b>436</b>	<b>522</b>

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

BOARD OF DIRECTORS	2019 Total shares	2018 Total shares
Klaus Röhrig, Chairman of the Board of Directors	0	0
Florian Schuhbauer	0	0
Roland Lienau	50,000	50,000
Jan Klopp	0	0
White Hills Management & Co S.C.S., represented by Andreas Füchsel	0	0
Wolf-Günter Freese	10,000	0
<b>Total</b>	<b>60,000</b>	<b>50,000</b>

## 32. ALTERNATIVE PERFORMANCE MEASURES

### 32.1 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)	2019	2018	Reference
Operating result (EBIT)	3,709	2,113	Consolidated Income Statement
Depreciation tangible assets	1,155	1,977	Note 3
Depreciation right-of-use assets	1,097	0	Note 3
Amortisation intangible assets	842	817	Note 3
<b>EBITDA</b>	<b>6,803</b>	<b>4,907</b>	

### 32.2 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)	2019	2018	Reference
Revenue	43,657	41,535	Consolidated Income Statement
EBITDA	6,803	4,907	Note 32
<b>EBITDA Margin</b>	<b>15.6%</b>	<b>11.8%</b>	

### 32.3 RECURRING EBITDA

Recurring EBITDA is calculated by adding back non-recurring costs, which are not related to the recurring operation of the Group, to the EBITDA. Non-recurring costs are defined within the Group as one-off costs (e.g. external advisory costs, provisions for reduction of workforce) which occur due to restructuring activities within the Group. The Recurring EBITDA displays the recurring (normalized) performance of the Group.

(in EUR 1,000)	2019	2018	Reference
EBITDA	6,803	4,907	Note 32.2
Non-recurring costs due to restructuring	597	0	
<b>Recurring EBITDA</b>	<b>7,400</b>	<b>4,907</b>	

## 32.4 RECURRING EBITDA MARGIN

Recurring EBITDA Margin represents Recurring EBITDA in % of net sales. The Recurring EBITDA Margin is used as a normalized indicator of the recurring operating profitabil-

ity of the Group, comparable between different periods excluding any one-off costs.

(in EUR 1,000)	2019	2018	Reference
Revenue	43,657	41,535	Consolidated Income Statement
EBITDA	7,400	4,907	Note 32.3
<b>EBITDA Margin</b>	<b>17.0%</b>	<b>11.8%</b>	

## 32.5 RECURRING GROUP NET RESULT

Recurring Group net result is calculated by adding back non-recurring costs, which are not related to the recurring operation of the Group, to the net result of the period. Non-recurring costs are defined within the Group as one-off costs (personnel, administration and other

expenses) which occur due to restructuring activities within the Group and foreign exchange difference not related to the normal course of business of the Group. It is used to assess the recurring (normalized) performance of the Group.

(in EUR 1,000)	2019	2018	Reference
Profit/(Loss)	2,477	(535)	Consolidated Income Statement
Non-recurring costs due to restructuring	597	0	
Currency exchange difference (non-cash)	(752)	1,900	
<b>Recurring Group net result</b>	<b>2,322</b>	<b>1,365</b>	

## 32.6 FX ADJUSTED 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)	2019	2018	Reference
Revenue	43,657	41,535	Consolidated Income Statement
Impact of the exchange rates on revenues	1,203	(1,184)	
<b>Revenue for organic growth calculation</b>	<b>42,454</b>	<b>42,719</b>	
Prior year comparable revenue	41,535	42,401	Consolidated Income Statement
<b>Organic growth</b>	<b>2.2%</b>	<b>0.7%</b>	

## 32.7 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)	2019	2018	Reference
<b>Order Backlog as per 31 December</b>	<b>13,871</b>	<b>12,623</b>	

### Currency Adjusted Backlog Healthcare:

(in EUR 1,000)	2019	2018	Reference
Order Backlog as per 31 December	13,871	12,623	
Impact of the exchange rates on backlog	(365)	(340)	
<b>Order Backlog as per 31 December</b>	<b>13,506</b>	<b>12,283</b>	
Prior year comparable backlog	12,623	13,163	
<b>Currency adjusted Backlog</b>	<b>7.0%</b>	<b>(6.7%)</b>	

## 32.8 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)	2019	2018	Reference
Revenue	43,657	41,535	Consolidated Income Statement
Order backlog 1 January	12,623	13,249	
Revenue	43,657	41,535	Consolidated Income Statement
Order backlog prior year adjustment/FX effects	(1,578)	(2,144)	
Order backlog 31 December	13,871	12,623	
Orders received during the period	43,327	38,765	
<b>Book-to-bill ratio</b>	<b>0.99</b>	<b>0.93</b>	

## 32.9 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)	2019	2018	Reference
Inventories	3,803	3,872	Consolidated Balance Sheet
Trade receivables	5,223	3,458	Consolidated Balance Sheet
Trade payables	(1,167)	(1,051)	Consolidated Balance Sheet
<b>Operating Net Working Capital</b>	<b>7,859</b>	<b>6,279</b>	



## 32.10 NET CASH

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)	2019	2018	Reference
Bank borrowings (current and non-current)	2,948	2,840	Note 15
Finance lease (current and non-current)	434	950	Note 15
Total borrowings (current and non-current)	3,382	3,790	Consolidated Balance Sheet
Less: cash and cash equivalents	(51,476)	(113,188)	Consolidated Balance Sheet
<b>Net (cash)/debt</b>	<b>(48,094)</b>	<b>(109,398)</b>	

## 32.11 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)	2019	2018	Reference
Total Assets	89,587	144,223	Consolidated Balance Sheet
Total Equity	73,637	131,480	Consolidated Balance Sheet
<b>Equity ratio</b>	<b>82.2%</b>	<b>91.2%</b>	

## 32.12 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)	2019	2018	Reference
Cash flow from operating activities	5,436	4,152	Consolidated Cash Flow
Net capital expenditures <sup>4)</sup>	(5,194)	(1,688)	Note 3
<b>Free cash flow</b>	<b>242</b>	<b>2,464</b>	

<sup>4)</sup> Including cash from disposal of assets EUR 18 (2018: EUR 0)

## 33. EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2020 the extraordinary general meeting of exceet Group S.A. adopted several proposals of the Board of Directors as follows:

- immediate redemption of the 450,000 Treasury Shares to clean up the capital structure of exceet Group S.A.
- change of the legal form of the Company to a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)).
- creation and issuance of one unlimited share to the general partner exceet Management S.à r.l. - a limited liability company under the laws of Luxembourg (Société à responsabilité limitée (S.à r.l.)), the Shares in which are held indirectly by the founders of the Active Ownership Group (AOC) Florian Schuhbauer and Klaus Röhrig (50% each) - subsequently increasing the share capital by Euro 0.02 to Euro 311,960.18 with 20,073,096 Voting Shares, represented by 20,073,695 Ordinary Shares and 1 Unlimited Share.
- restatement of the articles of association in order to adapt the new legal form of exceet Group SCA.
- acknowledgement of the termination of the current members of the Board of Directors of exceet Group S.A. and discharge to be granted to their performance of their mandate, and confirmation of Pricewaterhouse-Coopers, Société cooperative, as independent auditor of exceet Group SCA.
- appointment of Roland Lienau, Georges Bock and Jan Klopp as members of the Supervisory Board of exceet Group SCA.

There were no other events since the balance sheet date on 31 December 2019 that would require adjustment of assets or liabilities of disclosure.

# AUDIT REPORT

To the Shareholders of  
exceet Group SCA – previously exceet Group SE  
until 20 November 2019, and then exceet Group S.A.  
until 23 January 2020

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OUR OPINION

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of exceet Group SCA (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

### What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements” section of our report.

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter: Recoverability of goodwill

As per Note 6 to the consolidated financial statements, Intangible Assets mainly comprise Goodwill (EUR 7.4 million).

Management's assessment of the recoverable amount of Goodwill requires significant judgment, as it relates to the estimation of future revenues, cashflows, discount rates and long term growth rates. If the estimates or assumptions used should significantly change, the resulting differences could materially affect the carrying amount of the goodwill.

### How our audit addressed the Key audit matter

With respect to the impairment test of Goodwill, our procedures included, but were not limited to the following:

- We evaluated Management's determination of the underlying cash-generating units. We gained an understanding of and assessed the process of identification of impairment indicators and of the annual impairment test and the development of the key assumptions in the valuation models used. We tested the valuation models for consistency and arithmetical accuracy;
- We assessed the reasonableness of assumptions in the prospective financial information attributable to the cash-generating units (projected revenues, margins, long-term growth rates, tax rates) by considering past and current performance and comparing trends with external industry specific analysis, when appropriate;
- We have further compared the current year actual results with the forecast figures included in the prior year impairment tests and assessed that the prior year assumptions have proven to be reasonable;
- We have also compared year-to-date results with the 2020 budget to ensure that the current assumptions have proven to be reasonable;
- We performed procedures with our internal valuation specialists to obtain audit evidence over the weighted average cost of capital (WACC) independently. We also benchmarked the Group's WACC with comparable manufacturing companies and external data;
- We reviewed Management's sensitivity analysis and related disclosures;
- We assessed the overall adequacy of the disclosures in the consolidated financial statements.

## OTHER MATTER

The Corporate Governance Statement includes, when applicable, the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

## OTHER INFORMATION

except Management S.à r.l. ("The General Partner") is responsible for the other information. The other information comprises the information stated in the Management Report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF THE GENERAL PARTNER FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the General Partner is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July

2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner;
- conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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The Management Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements. The Corporate Governance Statement is included in the Management Report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements. We have been appointed as “Réviseur d’Entreprises Agréé” of the Group by the General Meeting of the Shareholders on 16 May 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

PricewaterhouseCoopers, Société coopérative  
Luxembourg, 12 March 2020  
Represented by

François Mousel

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# EXCEET GROUP SCA<sup>1)</sup>

(FORMERLY EXCEET GROUP SE)

## MANAGEMENT REPORT

Registered office:  
exceet Group SCA  
17, rue de Flaxweiler  
L-6776 Grevenmacher

RCS No.: B148525

All figures presented should be read as in Euro, if not stated otherwise.

<sup>1)</sup> Société en commandite par actions

## STRUCTURE & REPORTING

exceet Group SCA (hereafter the “Company” or “exceet”) – until 20 November 2019 trading as exceet Group SE and as of then, until 23 January 2020, trading as exceet Group S.A. - is a company existing as a “Société en Commandite par Actions” under the law of Luxembourg and listed on the regulated market of the Frankfurt Stock Exchange (WKN: A0YF5P / ISIN: LU0472835155) in the Prime Standard segment. The Company’s purpose is to pursue an opportunistic investment approach without a defined investment strategy.

exceet Group SCA has a portfolio of technology companies, which are specialized in the development and production of complex electronics for small and mid-sized volumes and software with six locations in Switzerland, Germany, Luxembourg and the USA. For further details in relation to the subsidiaries please refer to the exceet Group consolidated financial statements.

## OBJECTIVES & BUSINESS STRATEGY

exceet Group SCA is a listed cash-flow and growth oriented holding company. Group companies benefit from economies of scale out of continuous operational improvement processes as well as from financing support. The managing directors of the companies have the operational freedom to realize the targets agreed within the framework of exceet’s reporting and risk management system. This allows the fast recognition of operational and strategic tendencies, which might have to be discussed and followed up. Important elements of this steering process are key performance indicators related to profitability and liquidity. This stringent process will allow for continued organic growth or new acquisitions. Finally, for exceet the increase of its share price is considered to be a key indicator for rising shareholder value.

In September 2019 the Board of Directors decided to follow for future investments an opportunistic investment approach by abandoning fixed criteria. This includes value-enhancing investments into the existing operational units: the PCB activities (healthcare) and the secure connectivity related activities (software).

exceet’s investment focus lays on seizing attractive risk/reward profiles without restrictions regarding the asset class and structure or duration of such investments. Therefore, it might be possible that further investments will take place in areas outside the current business activities of exceet. As a long-term investor, exceet has today no exit strategy for its investments and bases its decisions for a continuous engagement on the sustainable development of the Company and its market environment.

For further details please refer to the exceet Group Management Report and the articles of the association of exceet Group SCA ([www.exceet.com/investor-relations/corporate-governance](http://www.exceet.com/investor-relations/corporate-governance)).

## MAJOR EVENTS DURING THE REPORTING PERIOD

After analyzing the future business development potential and the level of cash flow generation of the business activities of exceet in detail, the Board of Directors decided to refocus the Group step by step in 2018. In 2018 exceet sold several companies of exceet’s business segment Electronic Components, Modules & Systems (ECMS) for a total of EUR 117 million. The continuous operations of exceet consist of the segments “Healthcare” with its printed circuit boards (PCB) activities for healthcare products and “Software” comprising the business around the Industrial Internet of Things (IoT) and secure connectivity.

The refocusing was completed on 23 January 2020 with the change of the legal form of exceet Group S.A. (formerly exceet Group SE) to a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)) and the immediate redemption of the 450,000 Treasury Shares to clean up the capital structure of the Company.



## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

exceet Group SCA, as a holding company, is subject to operating expenses in nature and does not have any operational profit.

In 2019 the company made a loss of EUR 1,844,739 (2018: loss of EUR 7,123,022).

The other external expenses amounted to EUR 930,790 (2018: EUR 416,735). These comprised mainly of costs in connection with legal fees, audit fees, investor relations, consulting fees, rent charges, insurance charges, fees for tax compliance, bank charges and travel costs of the Board of Directors. The other operating expenses of EUR 192,922 (2018: EUR 180,354) included mainly compensation for the Company's independent directors for their services on the Board of Directors in the amount of EUR 160,000 (2018: EUR 160,000).

In 2019 the "value adjustments in respect of financial assets and of investments held as current assets" resulted from the valuation loss of own shares of EUR 657,000. In the prior year the "value adjustments in respect of financial assets and of investments held as current assets" of EUR 9,986,011 were composed by the impairment of the investment (loss of EUR 10,980,511) and the revaluation gain on own shares of EUR 994,500.

In 2018 the "other interest receivable and similar income" was driven by the foreign exchange valuation gain of the convertible bond at the date of conversion (2 October 2018) of EUR 3,467,167. In 2019 no "other interest payable and similar income" was recognized. The "interest payable and similar expenses" included interests concerning affiliated undertakings for the year 2019 of EUR 6,778 (2018: EUR 2,422) and negative bank interests of EUR 52,434 (2018: EUR 0).

### BALANCE SHEET POSITIONS

As at 31 December 2019 the Company's balance sheet revealed total assets of EUR 119,769,082, compared to EUR 182,065,692 at the end of the previous year. The reduction of EUR 62,296,610 was caused by the capital contribution from exceet Holding S.à r.l. of EUR 68,000,000 which reduced the shares in affiliated undertakings from EUR 179,000,000 to EUR 111,000,000 as per 31 December 2019.

The higher level of cash at bank and in hand of EUR 6,540,945 (31.12.2018: 184,614) raised the current assets to EUR 8,763,945 (31.12.2018: EUR 3,064,614). The current assets included the value of the own shares in the amount of EUR 2,223,000 (31.12.2018: EUR 2,880,000).

The prepayments amounted to EUR 5,137 (31.12.2018: EUR 1,078).

Capital and reserves moved from EUR 181,303,051 as per 31 December 2018, to EUR 119,237,227 as per 31 December 2019, reflecting the loss of the financial year of EUR 1,844,739 (2018: loss of EUR 7,123,022) and the special distribution to the shareholders in the total amount of EUR 60,221,085 (EUR 3.00 per share). This amount was paid on 25 November 2019 out of the share premium account. The position capital and reserves included a special non-distributable reserve for own shares created according to provisions of the law for an amount of EUR 4,525,313.

The total creditors amounted to EUR 531,855 (2018: EUR 762,641). Trade creditors increased to EUR 531,855 from EUR 260,219 in prior year. In 2018, exceet Group AG granted an interest bearing loan to the Company which amounted to EUR 502,422 as per 31 December 2018. On 28 August 2019 the loan was repaid by the Company.

### EMPLOYEES

As at 31 December 2019, there were no employees in the Company. For further information concerning employees of the exceet Group, please refer to the exceet Group Management Report pages 20 to 21.

## DEVELOPMENT AND TECHNOLOGY INVESTMENTS

In 2019, no development expenditures occurred within the Company. For details concerning development expenditure of the exceet Group please refer to the exceet Group Consolidated Financial Statements note 20 "Expenses by nature".

## OTHER DISCLOSURES

For information regarding:

- Non-financial performance indicators
- Opportunities and risk report
- Report on expected developments
- Corporate Governance
- Takeover Law
- Forward-Looking Statements
- Financial calendar

Please refer to the exceet Group Management Report pages 4 to 30.

## RESPONSIBILITY STATEMENT

In accordance with article 3(2) c) of the Transparency Law the undersigned declares that, to the best of his knowledge, the Annual Accounts in accordance with Luxembourg Law give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company. The undersigned further declares that, to the best of his knowledge, the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with the description of the principal risks and uncertainties it faces.

Grevenmacher, 12 March 2020

exceet Management S.à r.l. in its capacity  
as General Partner



Klaus Röhrig  
On behalf of the Board of Managers  
of exceet Management S.à r.l.

exceet Group SCA

# EXCEET GROUP SCA

(FORMERLY EXCEET GROUP SE)

# ANNUAL ACCOUNTS 2019

## BALANCE SHEET

(in EUR)	Note	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Financial assets</b>			
Shares in affiliated undertakings	3	111,000,000	179,000,000
<b>Total fixed assets</b>		<b>111,000,000</b>	<b>179,000,000</b>
<b>Current assets</b>			
<b>Investments</b>			
Own Shares	4	2,223,000	2,880,000
<b>Cash at bank and in hand</b>		<b>6,540,945</b>	<b>184,614</b>
<b>Total current assets</b>		<b>8,763,945</b>	<b>3,064,614</b>
<b>Prepayments</b>		<b>5,137</b>	<b>1,078</b>
<b>Total assets</b>		<b>119,769,082</b>	<b>182,065,692</b>
<b>CAPITAL, RESERVES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Subscribed capital		311,960	311,960
Share premium account		138,706,989	198,928,074
<b>Reserves</b>			
Reserve for own shares	4	4,525,313	4,525,313
Profit/(loss) brought forward		(22,462,296)	(15,339,274)
Profit/(loss) for the financial year		(1,844,739)	(7,123,022)
<b>Total capital and reserves</b>	<b>5</b>	<b>119,237,227</b>	<b>181,303,051</b>
<b>Creditors</b>			
<b>Trade creditors</b>			
Becoming due and payable within one year	6	531,855	260,219
<b>Amounts owed to undertakings</b>			
Becoming due and payable after more than one year	7	0	502,422
<b>Total creditors</b>		<b>531,855</b>	<b>762,641</b>
<b>Total capital, reserves and liabilities</b>		<b>119,769,082</b>	<b>182,065,692</b>

The accompanying notes form an integral part of these annual accounts.

## PROFIT AND LOSS ACCOUNT

(in EUR)	Note	2019	2018
Other external expenses	8	(930,790)	(416,735)
Other operating expenses	9	(192,922)	(180,354)
Value adjustments in respect of financial assets and of investments held as current assets	3/4/10	(657,000)	(9,986,011)
Other interest receivable and similar income			
- other interest and similar income	3	0	3,467,315
Interest payable and similar expenses			
- concerning affiliated undertakings	7	(6,778)	(2,422)
- other interest and similar expenses		(52,434)	0
Other taxes (net wealth tax)		(4,815)	(4,815)
<b>Loss for the financial year</b>		<b>(1,844,739)</b>	<b>(7,123,022)</b>

The accompanying notes form an integral part of these annual accounts.

# NOTES TO THE ANNUAL ACCOUNTS

## 1. GENERAL INFORMATION

exceet Group SCA (formerly exceet Group SE) (hereafter the “Company”) is a Luxembourg Company and subject to the general company law of Luxembourg. The company was originally incorporated as a European Stock Corporation (Société Européenne (SE)) on 9 October 2009. exceet Group SE was converted into a Luxembourg Société Anonyme (S.A.) on 20 November 2019. On 23 January 2020 an extraordinary shareholder meeting of exceet Group S.A. approved the conversion into exceet Group SCA a Luxembourg Société en Commandite par Actions (SCA). Under the SCA as the new legal form, exceet will be managed by exceet Management S.à r.l. (hereafter the “General Partner”), a limited liability company under the law of Luxembourg (Société à responsabilité limitée (S.à r.l.)), the shares in which are held indirectly by the founders of the Active Ownership Group (AOC) Florian Schuhbauer and Klaus Röhrig (50% each).

The Company is established for an unlimited period and is located at 17, rue de Flaxweiler, L-6776 Grevenmacher (Luxembourg) and is registered with the Register of Commerce and Companies of Luxembourg under the section B number 148.525. The shares are listed on the regulated market of the Frankfurt Stock Exchange (WKN: A0YF5P/ISIN:LU0472835155) in the Prime Segment.

The Company’s purpose is to pursue an opportunistic investment approach without a defined investment strategy. Therefore it is creating, holding, developing and realizing a portfolio consisting of interests and rights of any kind and of any other form of investment in entities in the Grand Duchy of Luxembourg and in foreign entities, whether such entities exist or are to be created, especially by way of subscription, acquisition by purchase, sale or exchange of securities or rights

of any kind whatsoever, such as equity instruments, debt instruments, patents and licenses, as well as the administration and control of such portfolio.

The Company may further grant any form of security for the performance of any obligations of the Company or of any entity in which it holds a direct or indirect interest or right of any kind or in which the Company has invested in any other manner or which forms part of the same group of entities as the Company and lend funds or otherwise assist any entity in which it holds a direct or indirect interest or right of any kind or in which the Company has invested in any other manner or which forms part of the same group of companies as the Company. It may borrow in any form and may issue any kind of notes, bonds and debentures and generally issue any debt, equity and/or hybrid securities in accordance with Luxembourg law and may carry out any commercial, industrial, financial, real estate or intellectual property activities which it may deem useful in accomplishment of these purposes.

The accounting period of the Company is from 1 January to 31 December. The Company also prepares consolidated financial statements, which are published according to the provisions of the Luxembourg Law. For further details please refer to Group consolidated financial statements on pages 31 to 118.

The conversion into a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)) did not affect the legal and economic identity of the Company. The two steps from exceet Group SE via exceet Group S.A. to exceet Group SCA were necessary since the Company, under its legal form of a European Stock Corporation, could not be directly converted into an SCA.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The annual accounts as per 31 December 2019 of the Company are prepared in accordance with current Luxembourg legal and regulatory requirements under the historical cost convention.

Accounting policies and valuation rules are, besides the ones laid down by the modified Law of 19 December 2002, as amended on 18 December 2015, determined and applied by the Supervisory Board and General Partner of the Company.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Supervisory Board and General Partner to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. The Supervisory Board and General Partner believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements 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.

### 2.2 FOREIGN CURRENCY TRANSLATION

The Company maintains its accounting records in Euro (EUR). The annual accounts are expressed in this currency.

Transactions denominated in foreign currencies other than EUR are translated separately into EUR at the exchange rates ruling at the date of transaction.

Fixed assets, which are expressed in currencies other than EUR, are translated into EUR at the exchange rate effective at the date of the transaction. No subsequent translation adjustments are recorded at each balance sheet date. At the balance sheet date, these assets remain translated at historical exchange rates.

All other assets, including long term loans disclosed under fixed assets, expressed in currencies other than EUR are valued individually at the lower of their value translated into EUR at historical exchange rates or at exchange rates prevailing at the balance sheet date. Unrealized exchange losses resulting from this conversion are recorded in the profit and loss account of the year. The exchange gains are recorded in the profit and loss account at the moment of their realization.

Liabilities expressed in currencies other than EUR are valued individually at the higher of their value translated into EUR at historical exchange rates or at the exchange rates prevailing at the balance sheet date. Unrealized exchange losses resulting from this conversion are recorded in the profit and loss accounts of the year. The exchange gains are recorded in the profit and loss account at the moment of their realization.

Where there is an economic link between an asset and liability, these are valued in total according to the method described above and the net unrealized losses are recorded in the profit and loss account whereas the net unrealized exchange gains are not recognized.

Realized exchange gains and losses are reflected in the profit and loss account of the year.

## 2.3 FINANCIAL ASSETS

Financial assets, including shares in affiliated undertakings and loans to these undertakings, are valued at their acquisition cost including the expenses incidental hereto. Value adjustments are made in respect of financial assets to recognize a durable reduction in their value. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

## 2.4 OWN SHARES

Own shares are recorded at acquisition cost. In accordance with article 430-18 of the Law on Commercial companies, a non-distributable reserve (“Reserve for own shares”) was credited for an equivalent amount from “Profit or loss brought forward”. A value adjustment for own shares is recorded in profit and loss when the market value is lower than the acquisition cost, without any impact on the non-distributable reserve. If the share price increases and the impairment is no longer considered durable, a reversal of value adjustments will be recognized in the profit and loss account without any impact on the non-distributable reserve.

## 2.5 PREPAYMENTS

Prepayments include expenditure incurred during the financial year but relating to a subsequent financial year.

## 2.7 CREDITORS

Creditors are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt based on a linear method.



### 3. FINANCIAL ASSETS - SHARES IN AFFILIATED UNDERTAKINGS

Undertakings in which the Company holds at least 20% of the share capital are as follows:

Name	Registered office	Percentage of ownership	Last balance sheet date	Net equity* (EUR)	Gain for the financial year* (EUR)
exceet Holding S.à r.l.	Grevenmacher, Luxembourg	100%	31 December 2019	91,380,621	1,948,413

\* according to audited annual accounts in accordance with current Luxembourg legal and regulatory requirements

exceet Holding S.à r.l. (former exceet Holding AG) had originally been located in Risch, Canton of Zug, Switzerland before in October 2018 the registered office was relocated to Grevenmacher, Luxembourg and, on this occasion, the legal form of the company transformed in a limited liability company under Luxembourg law (Société à responsabilité limitée (S.à r.l.) under the name "exceet Holding S.à r.l."

On 2 October 2018 the convertible loan of CHF 132,858,871 translated at the exchange rate of 2 October 2018 published by the European Central Bank (CHF/EUR 0.8807) was converted, resulting in an increase of the investment in exceet Holding S.à r.l. of EUR 117,008,808. The total investment after conversion was EUR 189,980,511.

The impairment test of the investments and assets of the Company resulted in 2018 in a value adjustment on the investment in exceet Holding S.à r.l. in the amount of EUR 10,980,511. The investment as per 31 December 2018 after the impairment is valued at EUR 179,000,000.

On 23 August 2019, the Company received a distribution of capital reserves (share premium) from its sole investment exceet Holding S.à r.l. in the amount of EUR 3,000,000. On 1 October 2019, the Company received a second distribution of capital reserves (share premium) from exceet Holding S.à r.l. in the amount of EUR 65,000,000. Both received amounts reduced the investment to EUR 111,000,000. The net equity of exceet Holding S.à r.l. according to the audited annual accounts as per 31 December 2019 amounted to EUR 91,380,621 after the distribution of EUR 68,000,000 share premium.

## 4. OWN SHARES

At 31 December 2019, the market value of the listed shares of the Company (ISIN LU0472835155) was EUR 4.90 (2018: EUR 6.10) based on the information made available by the Frankfurt Stock Exchange and EUR 4.94 (2018: EUR 6.40) based on the information made available by XETRA. On that basis, the 450,000 Class A Shares held in treasury by the Company at balance sheet date would be valued at EUR 2,025,000 (2018: EUR 2,745,000) according to the Frankfurt Stock Exchange and EUR 2,223,000 (2018: EUR 2,880,000) according

to XETRA. A value adjustment (loss) of EUR 657,000 (2018: gain of EUR 994,500) was recognized on these own shares. The loss in value of shares compared to prior year is mainly due to the payment of the share premium of EUR 3.00 per share (see details in note 5 “Capital and reserves”). The value provided by XETRA of EUR 2,223,000 (2018: EUR 2,880,000) equalled the book value at balance sheet date after the value adjustment. The calculated nominal value of the shares was EUR 0.0152. On that basis the 450,000 own shares have a nominal value of EUR 6,840.

## 5. CAPITAL AND RESERVES

Changes in equity are:

(in EUR)	Subscribed capital	Share premium account	Reserve for own shares	Profit or (loss) brought forward	Profit or (loss) for the financial period	Total capital and reserves
<b>Opening balance 1 January 2019</b>	<b>311,960</b>	<b>198,928,074</b>	<b>4,525,313</b>	<b>(15,339,274)</b>	<b>(7,123,022)</b>	<b>181,303,051</b>
Allocation of prior year result	0	0	0	(7,123,022)	7,123,022	0
Special distribution	0	(60,221,085)	0	0	0	(60,221,085)
Result for the financial year	0	0	0	0	(1,844,739)	(1,844,739)
<b>Closing balance 31 December 2019</b>	<b>311,960</b>	<b>138,706,989</b>	<b>4,525,313</b>	<b>(22,462,296)</b>	<b>(1,844,739)</b>	<b>119,237,227</b>

The issued share capital as of 31 December 2019 was set at 20,523,695 shares, 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).

As at 31 December 2019 the issued share capital equalled the authorized share capital.

On 20 November 2019 an ordinary general meeting on 20 November 2019 approved a special distribution to the shareholders in the amount of EUR 3.00 per share. The overall pay out amounted to EUR 60,221,085.00 and was paid on 25 November 2019 out of the share premium account.

### Legal Reserve

Under Luxembourg law, 5% of the net profit of the year, net of any losses brought forward, must be allocated to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution.

### Reserve for own shares

As at 31 December 2019, the Company hold 450,000 Class A Shares (see note 4 “Own shares”) having an acquisition cost of EUR 4,525,313. Accordingly, a non-distributable reserve is maintained for the same amount under the caption “Reserve for own shares”.

## 6. TRADE CREDITORS

This caption included amounts for invoices payable to suppliers and for accrued charges for invoices received after the balance sheet date regarding expenses

incurred during the financial year ended 31 December 2019. They are becoming due and payable within one year.

(in EUR)	31 December 2019	31 December 2018
Third party invoices payable	174,487	45,091
Accruals for tax compliance services	6,500	8,000
Accruals for audit services	35,968	16,408
Accruals for directors remuneration	185,000	160,000
Accruals for legal services from related parties	25,500	20,000
Accruals for legal services from third parties	100,000	0
Other accruals	4,400	10,720
<b>Total</b>	<b>531,855</b>	<b>260,219</b>

## 7. AMOUNTS OWED TO UNDERTAKINGS

### Loan payable to exceet Group AG

In 2018, exceet Group AG granted an interest bearing loan of EUR 1,000,000 to the Company. The interest bearing loan has been paid out as follows: EUR 300,000 on 27 March 2018, EUR 200,000 on 6 December 2018 and EUR 500,000 on 25 January 2019. On 28 August 2019 the loan and related interest were repaid by the Company.

## 8. OTHER EXTERNAL EXPENSES

The other external expenses included mainly costs for legal fees, audit fees, investor relations, consulting fees, rent charges, insurance charges, fees for tax compliance, bank charges and travel costs of the Board of Directors. The accrued costs for the audit of the

Company's annual accounts amounted to EUR 109,790. The higher costs comparing to prior year are mainly driven by consulting costs for the change of legal form and the special distribution to the shareholders of the Company.

## 9. OTHER OPERATING EXPENSES

The other operating charges resulted mainly from the compensation of the Company's independent directors for their services on its Board of Directors as well as the

annual charges of the Commission de Surveillance du Secteur Financier (CSSF) and charges for listing to the Frankfurt Stock Exchange.

## 10. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

The value adjustment in the financial period was the result of the valuation of the own shares (further details in note 4 "Own shares"). In 2018 the value adjustment was caused by the impairment of the investment

(further details in note 3 "Financial assets – shares in affiliated undertakings") and the valuation of the own shares.

(in EUR)	2019	2018
Impairment on the investment of exceet Holding S.à r.l.	0	(10,980,511)
Value adjustment recognized on own shares	(657,000)	994,500
Total	(657,000)	(9,986,011)

## 11. EMOLUMENTS GRANTED TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

For 2019 an amount of EUR 160,000 (2018: EUR 160,000) has been recognized in profit and loss statement and has not been paid yet to the Board of Directors. As at 31 December 2019, a further EUR 25,000

was not paid out of the remuneration of the Board of Directors for the previous year.

## 12. INCOME TAX

The Company is subject to all taxes applicable to Luxembourg companies.

## 13. OFF-BALANCE SHEET COMMITMENTS

### Letter of guarantee

In connection with the sale of its subsidiary AEMtec GmbH in 2018, the Company granted to the purchaser an independent guarantee to fulfil any and all payment claims of the purchaser against the seller (being the indirect subsidiary exceet Group AG) under the

share purchase agreement up to an amount of EUR 5,000,000 in case the seller has not paid such claims to the purchaser when due and payable under the share purchase agreement. The guarantee expires on 31 October 2020 unless the purchaser has made a claim under this guarantee prior to such expiration date.

## 14. SUBSEQUENT EVENTS

On 23 January 2020 the extraordinary general meeting of exceet Group S.A. (formerly exceet Group SE) adopted several proposals of the Board of Directors as follows:

- immediate redemption of the 450,000 Treasury Shares to clean up the capital structure of exceet Group S.A.
- change of the legal form of the Company to a partnership limited by shares under the laws of Luxembourg (Société en Commandite par Actions (SCA)).
- creation and issuance of one unlimited share to the general partner exceet Management S.à r.l. - a limited liability company under the laws of Luxembourg (Société à responsabilité limitée (S.à r.l.)), the Shares in which are held indirectly by the founders of the Active Ownership Group (AOC) Florian Schuhbauer and Klaus Röhrig (50% each) - subsequently increasing the share capital by EUR 0.02 to EUR 311,960.18 with 20,073,096 Voting Shares, represented by 20,073,695 Ordinary Shares and 1 Unlimited Share.
- restatement of the articles of association in order to adapt the new legal form of exceet Group SCA.
- acknowledgement of the termination of the current members of the Board of Directors of exceet Group S.A. and discharge to be granted to their performance of their mandate, and confirmation of PricewaterhouseCoopers, Société cooperative, as independent auditor of exceet Group SCA.
- appointment of Roland Lienau, Georges Bock and Jan Klopp as members of the Supervisory Board of exceet Group SCA.

There were no other events since the balance sheet date on 31 December 2019 that would require adjustment of assets or liabilities of disclosure.

# AUDIT REPORT

To the Shareholders of  
 exceet Group SCA – previously exceet Group SE  
 until 20 November 2019, and then exceet Group S.A.  
 until 23 January 2020

## REPORT ON THE AUDIT OF THE ANNUAL ACCOUNTS

### OUR OPINION

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of exceet Group SCA (the “Company”) as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

### What we have audited

The Company’s annual accounts comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

### BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016

and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the annual accounts” section of our report.

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period.

These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter: Carrying value of investment

As per Note 3 to the annual accounts, the Company has an investment in shares in one subsidiary for a carrying value of EUR 111.0 million, representing 93% of the total assets of the Company. The Company recorded an impairment of EUR 11.0 million during the previous financial year on this investment.

Management's assessment of the recoverable value requires significant judgment, as it relates to the estimation of future revenues, cash-flows, discount rates and long term growth rate of the underlying investments. Should the estimates or assumptions used significantly change, the resulting differences could materially affect the carrying value of the subsidiary.

#### How our audit addressed the key audit matter

- We gained an understanding of and evaluated Management's processes to estimate the recoverable value of the investment and development of the key assumptions in the valuation model used. We tested the valuation model for consistency and mathematical accuracy;
- We agreed the forecasted cash-flows used for determination of the recoverable value to the approved business plans;
- We assessed the reasonableness of assumptions in the prospective financial information (projected revenues, margins, long-term growth rates, tax rates) by considering past and current performance and comparing trends with external industry specific analysis, when appropriate;
- We performed procedures with our internal valuation specialists to obtain audit evidence over the weighted average cost of capital (WACC). We reviewed the inputs used in the calculation and compared the reasonableness of the rates. We also benchmarked the group's WACC with comparable manufacturing companies and external data;

- We agreed with Management's assessment on the recoverability of the investment to the underlying calculation prepared by the Management;
- We also compared the carrying value of the investment with the market capitalisation of the Company;
- We assessed the overall adequacy of the disclosures in the annual accounts.

#### OTHER MATTER

The Corporate Governance Statement includes, when applicable, the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

#### OTHER INFORMATION

exceet Management S.à r.l. ("The General Partner") is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE GENERAL PARTNER FOR THE ANNUAL ACCOUNTS

The General Partner is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the General Partner determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the General Partner is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE ANNUAL ACCOUNTS

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner;
- conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as “Réviseur d’Entreprises Agréé” of the Company by the General Meeting of the Shareholders on 16 May 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

PricewaterhouseCoopers, Société cooperative  
Luxembourg, 12 March 2020  
Represented by

François Mousel

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# IMPRINT

## PUBLISHER / LEGAL NOTICE

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exceet Group SCA

## PHOTO CREDITS

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The images used in this report show illustrated comic strips of exceet products and applications. Artworks by Paul Blotzki.

## PREPRESS

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icobra, Stuttgart - Germany

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