exceet

ANNUAL REPORT 2018

BOARD OF DIRECTORS

The Board of exceet Group SE consists of five members and a permanent representative of White Hills Management & Co S.C.S.

KLAUS RÖHRIG	Chairman
FLORIAN SCHUHBAUER	
JAN KLOPP	
ROLAND LIENAU	
ANDREAS FÜCHSEL	Representative of White Hills Management & Co S.C.S.
WOLF-GÜNTER FREESE	

MANAGEMENT

WOLF-GÜNTER FREESE	Chief Executive Officer & Chief Financial Officer

EXCEET GROUP MANAGEMENT REPORT

STRONG CAPITAL BASE FOR FUTURE DEVELOPMENT AND GROWTH

STRUCTURE & REPORTING

exceet Group SE (hereafter the "Company") is a company incorporated as a Société Européenne under the law of Luxembourg and listed on the regulated Frankfurt Stock Exchange (WKN: A0YF5P / ISIN: LU0472835155) in the Prime Standard segment. The Company's purpose is to invest into structurally growing industries like healthcare, technology and software.

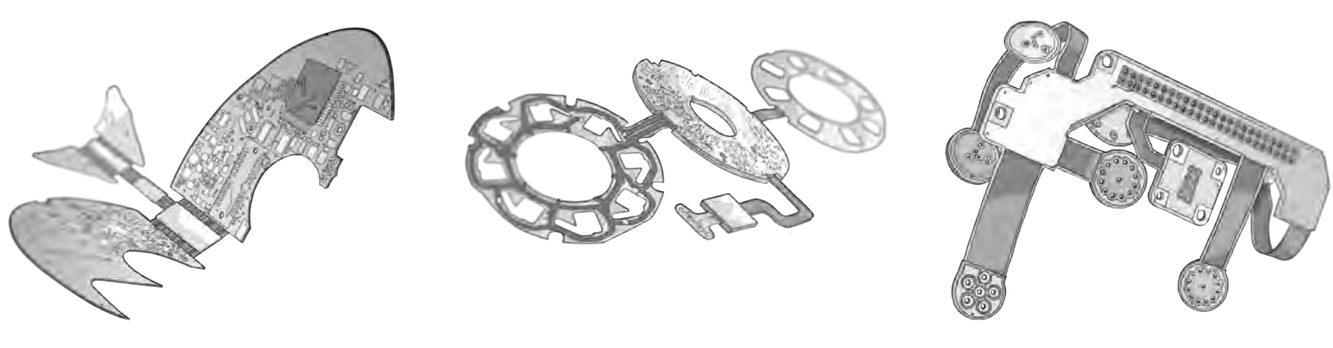
The consolidated exceet Group SE ("Group" or "exceet") is a portfolio of technology companies specialized in the development and production of complex electronics for small and mid-sized volumes and software. The Group provides highly sophisticated solutions and distinguishes itself through its technical skill set with a strong position in the healthcare and industrial markets. The overall six locations are situated in Switzerland, Germany, Luxembourg and the USA.

In 2018 the Group consisted of the Electronic Components Modules & Systems (ECMS) and the exceet Secure Solutions (ESS) segments. To reflect the actual development of business these segments will be renamed in "Healthcare" (former ECMS) and "Software and IoT" (former ESS) with the beginning of 2019.

BUSINESS MODEL

Distinguished engineering, manufacturing and software skills enable exceet to offer solutions with a high degree of customization and qualified process certifications to fulfill demanding customer requirements. exceet offers for its mainly industrial and healthcare customers full-service development and manufacturing of complex and miniaturized electronic printed circuit boards (PCB) as well as secure connectivity related hard- and software.

exceet's business is a classical project based business. It is to a certain degree determined by the customers who are project partners. Most projects in ECMS are with long-term partners and often have multi-year periods. However, projects normally are cyclical on a short-term base. Their speed, duration and depth depend on the market assessments given by the customers, referring to possible market potentials and sales volumes of products and their life cycles. These assessments and forecasts are given on short notice and are characterized by a higher volatility compared to other industrial business models. exceet's dependence on customers' market assessments and investment decisions leads to a limited visibility for exceet regarding the project development.



Various highly specialized and miniaturized printed circuit boards

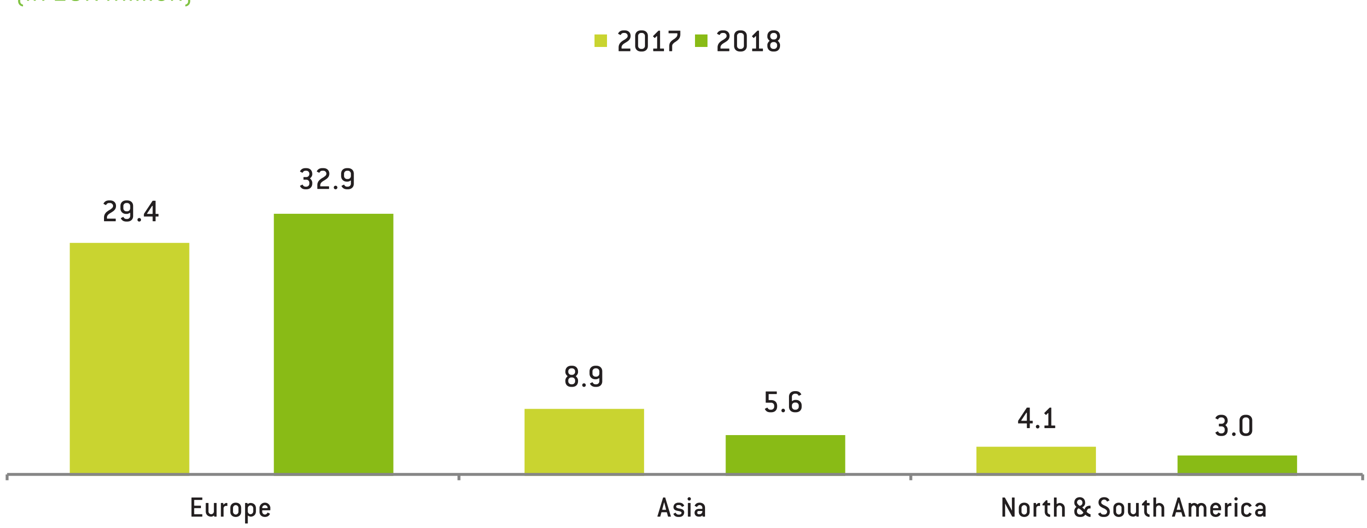
OBJECTIVES AND BUSINESS STRATEGY

exceet Group SE is a listed cash-flow and growth oriented holding company being active as a long-term shareholder in strategically defined markets. The focus is the holding of participations in structurally growing markets like healthcare, technology and software. To extend its actual field of activities to offset market fluctuations, the Group is constantly looking for new investment opportunities. exceet follows a partnership approach with an entrepreneurial mind set. 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 general the Group continues to develop and re-invest in the existing activities and to opportunistically deploy the excess cash in new and adjacent businesses. exceet's structure provides distinct competitive advantages:
- perpetual capital to grow European companies with further value potential,
- a flexible, opportunistic investment approach and
- a focus on structurally growing industries in German speaking Europe and Western Europe – regions exceet understands well.

As a long-term investor, exceet has 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. Potential new investments should be profitable small and mid-size companies with a strong management team in structurally growing industries like healthcare, software or technology. Some sectors of these industries can be expected to grow far above average as they have become subject to the mega trend of digital transformation. Within the healthcare sector this applies to the MedTech industry as well as the service-related areas of healthcare-administration and patient-care. Recent studies give evidence that a consequently pursued eHealth agenda generates efficiency gains in the double-digit billion Euro range for larger European economies with a developed healthcare system. Purely digital MedTech-products and -services are expected to grow on average by 16% annually until 2028.

GEOGRAPHICAL GLOBAL PRESENCE
(in EUR million)



In contrast, the average share of sales invested into digitalization by MedTech providers, currently does not exceed a 2.5% threshold, which is expected to change dramatically. Apart from digital innovations, also traditional MedTech niches offer superior growth rates like cochlear implants which achieve up to 15% volume growth annually. Similar to medical technology, industrial digitalization technologies enable classical manufacturing enterprises to develop into Industry 4.0 environments which in Germany is expeted to have grown by 20% to a volume of EUR 8.5 billion in 2018. Finally Cyber Crime is causing annual damages of close to USD 445 billion worldwide. Related protection software, avoiding these damages, has a promising substantial growth potential.

OPERATIONS

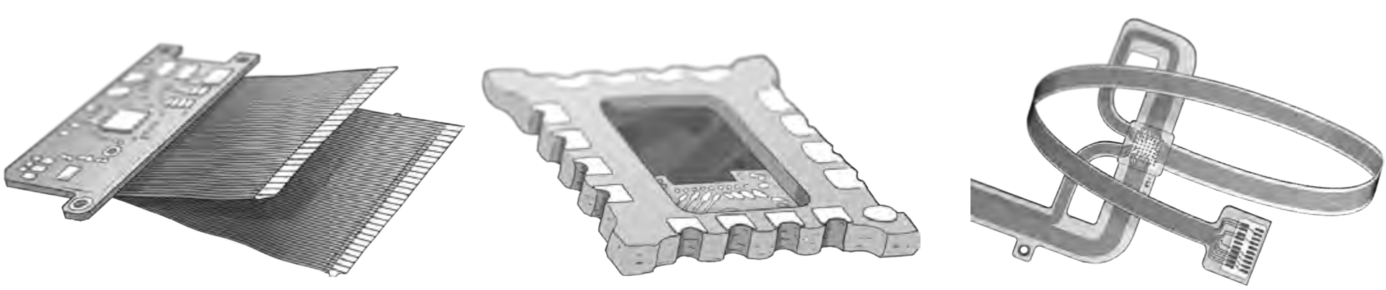
After analyzing in detail the future business development potential and the level of cash flow generation of the business activities of exceet, the Board of Directors decided to refocus the Group step by step in 2018. On 30 July 2018, exceet sold the exceet electronics activities (EE activities). These activities included the operating locations in Grossbettlingen (Germany), Ebbs (Austria) and Rotkreuz (Switzerland). In addition, the Group sold on 31 October 2018 its micro- and optoelectronics activities held in the company 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 sold activities were part of exceet's 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 different activities in 2018 with total proceeds of EUR 117 million the continuous operations of exceet consists of the segment Electronic Components Modules & Systems (ECMS) with its printed circuit boards (PCB) activities for healthcare products and the exceet Secure Solutions (ESS) segment comprising the business around the Industrial internet of things (IoT) and secure connectivity. These activities will be further developed in the context of the Group's strategy.

Any comment, comparison and outlook given will be for the entire Group on a continued basis.

ELECTRONIC COMPONENTS MODULES & SYSTEMS (ECMS) – (2019: HEALTHCARE)

The segment 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 ECMS'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.



Various highly specialized and miniaturized printed circuit boards

In 2018 ECMS increased the production volume by over 20% from 13.3 million PCB's to 16.0 million PCB's ordered by existing and new customers. To support this growth an investment program to extend and refurbish the production site in Küssnacht (Switzerland) has been started to create space for further optimizations of the production process and to enable the manufacturing of ultra-fine circuitry. In parallel ECMS is developing new technologies for the semi-additive process (SAP), a proven production method used on rigid and flexible materials, enabling the manufacturing of these very strong miniaturized PCB's. Both projects are on time and the technology improvements regarding SAP are very promising. First small series have already been produced.

EXCEET SECURE SOLUTIONS (ESS) – (2019: SOFTWARE AND IOT)

The segment is focused on secure connectivity in data-critical IT environments such as eHealth architectures and industrial internet of things (IoT) solutions.

With "exceet connect" ESS is offering a modular product suite which ensures secure communication between users and devices and guarantees protection against theft and manipulation of data. This solution portfolio is based on modular elements and the customer has the choice of different security levels by using a state-of-the-art multilayer security architecture for the complete crypto logical protection of data, applications and processes in spread environments. Additionally, the segment further develops eHealth, eSignature and Hardware Security Module (HSM) related solutions. ESS provides, in addition to HSM products, the whole spectrum of HSM Services (provisioning, administration monitoring and second level service support), including customized software development for a leading provider of carrier and cloud-neutral colocation datacenter-services in Europe, who is serving a wide range of customers through over 40 datacenters in 11 European countries.

With its IoT related activities, ESS offers concept alignment and management, project coordination as well as customer specific IoT hardware, software and cloud services. More than 85,000 industry routers and customized gateways are meanwhile installed within the market plus several ten thousand items of additional fixtures. 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. ESS solutions guarantee secure communication and offers an optimal and easy monitoring.

In 2018 ESS increased its efforts to present its competences and know-how on fairs and expert events. In addition, several new technical upgrades and releases were launched to the market and the partner network was extended. However, the recognition from the market of the competences and know-how of ESS is still unsatisfactory. The IoT related activities moved in 2018 into a new location in Fürth (Germany) to offer better working conditions to our employees and to support realized and expected growth.

FUNDAMENTALS OF EXCEET SHARES

The company's authorized share capital amounts to 20,523,695 ordinary shares outstanding (Class A Shares), of which 450,000 shares being held in treasury by the company (see exceet Group Consolidated Financial Statements note 14 "Equity"). In 2018 no treasury shares were bought or sold (2017: none).

The market capitalization of exceet Group SE accumulated from EUR 86.0 million at 29 December 2017, the last trading day of the year 2017, to EUR 131.4 million at 28 December 2018, the last trading day of the year 2018, due to the increase of the share price from Euro 4.19 to Euro 6.40.

The cumulative XETRA trading volume for the entire year amounted to 778,544 shares (2017: 1,126,614), of which 214,022 shares were traded between October and December 2018. In 2018, trading in exceet shares on XETRA was supported by the Investment Bank Hauck & Aufhäuser as exceet's designated sponsor. After the share price had increased by 67.8% in 2017, the market capitalization of the Group experienced another strong revaluation in 2018. In contrast to the major movements of most world equity markets, exceet shares appreciated by 52.7%. Even in the weak last quarter of 2018 for most equity prices, exceet shares managed to add 2.4% to end the year on an overall firm tone. The annual high of Euro 6.45 was marked in September, the low was recorded in March at Euro 4.06. Two major reasons drove exceet's share price significantly higher. On one hand, visibly improving fundamental data and operational achievements influenced exceet's valuation positively. On the other hand, the corporate news flow concerning positive results from the Group's active portfolio management carried out by the Board of Directors improved investor sentiment towards exceet's equity story and triggered a higher valuation. Particularly, the successful sale of several business activities resulted in a Net Cash[1] position of EUR 109.4 million while the two remaining business units are characterized by further potential growth.

EXCEET SHARE PRICE DEVELOPMENT 2018 (in EURO)

	High	Low
Year 2018	Euro 6.45 (02.10.2018)	Euro 4.06 (27.03.2018)

BUSINESS ENVIRONMENT

OVERALL ECONOMIC ENVIRONMENT

Economic Growth

Economic sentiment tended to be enthusiastic at the beginning of last year, due to synchronized world growth and promising prospects, but has now deteriorated almost into the opposite. With the exception of the USA, worldwide growth has weakened visibly since early summer 2018 with most forward-looking indicators at pronounced lows by the end of the year. For 2019, the Organisation for Economic Co-operation and Development (OECD) reduced its world growth estimate stepwise by 0.4% in the course of the year to finally 3.5%, the same figure as forecasted recently by the International Monetary Fund (IMF). The World Bank is expecting world economic growth even below 3.0% at 2.9% for 2019.

Global trade disputes continue to be an issue for world trade. Hence, the IMF reduced early its world trade volume forecast by minus 0.9 percentage points to 4.2% and expects a decreasing width of the global growth

1) See Group Consolidated Financial Statements note 33 "Alternative Performance Measures (APM)" Page 112

foundation. In Germany, exports started to weaken as of Q2 2018 with growth drivers narrowing to mainly domestic demand. Q3 2018 with a contraction of growth by minus 0.2% triggered first recession worries, even if the major reason for the weakness was specifically a temporarily lower automotive production due to certification problems concerning the new EU-emission standard as of 1 September 2018. The final quarter of 2018 showed stagnating growth compared to the Q3 2018 (+0.02% according to the German federal statistics office) thus barely avoiding a technical recession, which is defined as two quarterly GDP contractions in a row. This left overall economic growth in Germany at 1.4% for 2018 after 2.2% in 2017. This result was below latest estimates by economic observers reflecting stable private consumption, robust construction and investment, but exports that failed to deliver a positive impetus. Projections for growth in Germany this year, as provided by the major German economic institutes, now range between 1.8% (IfW) and 1.1% (Ifo). Particularly, the Ifo institute sees higher risks and expects longer-lasting negative effects on the automotive industry, exports and on investment spending in general.

For the United States and China, the OECD estimates growth for this year at 2.7% (after 2.9% in 2018) and 6.3% (after 6.6% in 2018). Weaker US consumer sentiment and purchasing managers data by the end of the year raised concerns about the shape of the US-economy as the positive effects of last year's tax cuts are expected to fade out in 2019 and the current shape of the yield curve tends to flaten which is interpreted as a recession risk. Late 2018, the Chinese economy was negatively impacted by declining exports, weaker investment spending and a lower industrial production. This fuels hopes for fiscal impetus to provide a "soft landing" of the economy. In their pending trade conflict, the US and China seem to be willing to de-escalate as further tariff measures were put on hold while new rounds of negotiations have taken place. However, Chinese export data on a total annual basis for 2018 were again strong (+10.0%) and the trade surplus with the US reached a significant level of about USD 323 billion.

Monetary Policies

In December 2018, inflation data for the Eurozone and Germany fell again below the 2.0% level seen before due to the slump in oil prices in Q4. This takes pressure from the European Central Bank (ECB) to tighten the monetary policy too early. The ECB's Quantitative Easing (QE) program, effective as of March 2015, was lowered for the last time as of 1 October 2018 to a monthly purchasing volume of EUR 15 billion. From 1 January 2019 only expiring bonds will be replaced keeping the total volume outstanding stable at around EUR 3 trillion. In its latest risk outlook, the ECB has stated that meanwhile economic risks are outweighing the opportunities. According to Cross Border Capital, 80% of all central banks worldwide have already introduced a tightening of their monetary policy. Particularly, the US Federal Reserve Board (FED) has raised the target range for its key Fed Funds rate four times in 2018 to finally 2.25%-2.5% as of 20 December 2018. Additionally, the Fed withdraws liquidity from the market by carrying out balance sheet contractions and selling bonds back into the open market on a monthly scale of USD 50 billion. Currently, market observers are expecting a possible interruption of the interest rate hike cycle due to certain weaknesses in the US economy.

Capital Markets

In 2018, the German bond performance index RexP outperformed the broad German equity market as measured by the DAX significantly, and for the first time in many years. It showed a positive total annual return of 3.0% while the DAX lost 18.3%.

Having started positively, the DAX marked its all-time high of 13,596 points on 23 January 2018. But until March, the index lost visibly ground and decreased by roughly 1,000 points in February before recovering some of these losses in Q2 2018. However, the DAX and other major indices ended the first half-year with a mid-single digit percentage minus. On the contrary, the technology driven German TecDAX and US Nasdaq Composite performed positively in H1 2018 before even accelerating their outperformance in Q3 to double-digit price appreciations despite gradually spreading economic concerns. Other markets stayed flat with the exception of the Dow Jones Industrial Average Index, which had a strong run of more than 9.0% in Q3 2018.

In Q4, all global equity markets showed a pronounced weakness with losses of close to minus 15.0%. The Nasdaq Composite Index even lost 17.4% wiping out the entire positive performance achieved so far to close the year down 4.5%. The German TecDAX followed these moves with minus 13.6% in Q4 and minus 2.2% for the full year. Broad market indices extended their already negative nine-months results. The Dow Jones Industrial Average Index lost its entire Q3 performance and ended the year with a loss of minus 6.1%. For US markets, the December losses were the most severe ones since 1931 after having reached all-time highs in October. For the DAX, the cyclical structure and export dependency turned out to be a specific burden. The index marked a 2-year low at the penultimate trading day, but managed to end the year on a slightly firmer tone. 2018 was the first loss-making year since 2011. Profit warnings and growth concerns sent the German DAX technically even into a bear market, which is defined as a loss of more than 20% versus the last index high. Looking forward, earnings dynamics seem to be an issue. Consensus earnings growth estimates for 2019 have more than halved versus 2018 in Europe and the US. Additionally, interest rates support is fading, the Euro is seen strengthening versus the US-Dollar and the German government bond yield is expected to approach the 1.0% level from 0.25% currently. However, the analysts' consensus DAX target for 2019 was calculated at slightly above 12,000 index points by the end of the year, but the index progression is widely expected to be volatile.

SECTOR-SPECIFIC ENVIRONMENT

exceet's dedicated electronics business concentrates on customer-specific developments and small to mid-size series manufacturing of highly miniaturized printed circuit boards (PCB) as demanded in medical and industrial devices. exceet's software and certified security solutions business is focussed on environments that require secure connectivity, communication and automation as it is the case in both of the Group's target markets: the health market is transforming into eHealth and the market of industrial manufacturing turns into smart factory surroundings where exceet implements projects for the industrial internet of things (IoT). Therefore, exceet's sector-specific environment consists of health, industry, data security and electronics.

Health

In advance of the 2018 "Connecting Health IT" fair (conhIT), the results of a study by PricewaterhouseCoopers (PwC) gave evidence to a possible efficiency improving potential of EUR 39 billion in the case of a consequently pursued eHealth agenda in Germany. Concerning MedTech, at the November fairs Medica and Compamed 2018, a study presented by the German research house Roland Berger pointed out that more than two thirds of all German MedTech providers and hospitals currently are investing less than 2.5% of their revenues into digitalization projects. On the other hand, Spectaris, the German Association of High Tech Industries, estimates that sales with solely digital MedTech products and services can reach EUR 15 billion in Germany by the year 2028 up from actual EUR 3.3 billion which translates into an compound annual growth rate (CAGR) of 16% on average.

In this environment, exceet acts out of a strong position as a specialized technology provider for several MedTech-OEMs in the field of hearing aids and high-end cochlear implants. According to the World Health Organization (WHO), 600 million humans worldwide need hearing aids while the demand is only covered to roughly 10%. As of 2006, the average annual growth rate of total units sold is about 4%, while the average selling price per unit is rising constantly on a smaller scale, thus bringing overall sales growth into the mid-single digit area. However, cochlea implants achieve growth rates between 10% and 15%. The total annual turnover volume of all manufacturers worldwide is estimated at around USD 5 billion. The market volume in Germany (initial equipment sales and subsequent services) reaches EUR 1.6 billion, which classifies Germany as one of the most important end markets worldwide.

Industry

The Digital Transformation turns the classical areas of industrial manufacturing into connected, decentralized and less hierarchical production environments tagged with terms like Industry 4.0, industrial internet of things (IoT) or smart factory. Analysts describe smart factories as cyber physical systems characterized by the utilization of machine-to-machine-communication (M2M Communication), product life cycle management systems (PLM Systems) with embedded 3D modules such as 3D printing/additive manufacturing, robotics solutions or digital twins. The German Electrical and Electronic Manufacturers' Association (ZVEI) sees the electrical & electronics industry as a major driver for enhancing the development of Smart Factories. Currently three trends have emerged: Predictive Maintenance, Modular Production/Modular Automation, which allows flexible configurations of existing machinery and equipment resources to enable different production procedures, and the combination of Smart Grid and Smart Factory to optimize energy demands by machines 24/7. But these developments are dependent on the availability of a high-performance telecommunication infrastructure (like 5G).

The German Federal Association for IT, Telecommunication and New Media (Bitkom) estimated the size of the German Industry 4.0 market in 2018 at about EUR 8.5 billion (+20% year over year). International fairs and industry shows like Hannover Messe, Automatica or SPS IPC Drives deliver regularly insights into new business model around digitalization. In Sweden, a fully automated plant for the production of E-Cars will be brought into operation this year. China will have installed about 210,000 industry robots by the year 2020, accounting for almost 50% of the worldwide installed robots. Particularly the market segment for "Cobots" (collaborative robots) is growing quickly by around 15% annually. An additional driver for new business models in the digital manufacturing industry is the generation and management of Big Data. Product data and manufacturing data from intelligent plants have to be collected, combined and analyzed. Actually, roughly 1,000 different digital platforms for Industry 4.0 are in competition with each other. Resulting in this market to be still highly fragmented and lacking standardization.

Data Security

The Center for Strategic and International Studies (CSIS) is estimating the scale of global damages through cyber-crime at USD 445 billion annually. According to Bitkom, Germany accounts for more than 5% of the worldwide losses by cyber-crimes. Compared to the size of global damages, the international research institute Gartner Inc. estimates that global investment into cyber-security reached USD 81.6 billion in 2016 and growth at being merely a mid-single digit rate.

Cyber-crime is widely underestimated as a corporate investment issue, in the public sector there are tremendous global differences concerning awareness and investment into security. Public cyber-security investment in the US is tenfold the size of corresponding investments within the European Union. The Indian research Institute "Markets and Markets" estimates the size of the global cyber-security market at around USD 200 Billion by the year 2021. From an estimated total volume of USD 120 billion in 2016 this translates into a five year compound annual growth rate (CAGR) of 10.6%. According to the consulting agency Deloitte, the major reasons for cyber-crimes are blackmailing, espionage, sabotage and ID-theft, targeting mainly the areas of finance, health and critical infrastructure. The German Federal Office for Security and IT (BSI) identified 800 million malware programs in 2017. With expected more than 30 billion connected hardware-devices worldwide by 2020, the possible attacks will shift from the classical E-Mail malware to routers and gateways.

The German Fraunhofer Institute for secure Information Technology (SIT) points out that connected critical infrastructures also provides a connected surface for cyber-crime attacks. Therefore systems should be decoupled and separated outside public cloud solutions. The Blockchain technology in some cases is seen as a tool to provide more safety in defined infrastructures and defined transaction participants. The German cyber-security authorities have recently started to invest into router-certification, early warning systems and two-factor-authentication.

Electronics

In its latest data report, the German Electrical and Electronic Manufacturers' Association (ZVEI) forecasted a total turnover growth rate (including software and services) of roughly 3% to around EUR 197 billion in 2018 for the German electrical industry. The major driver of growth should again be exports (+5.4% year over year, Jan.-Nov.) However, the eleven-months-growth rate of exports has halved versus 2017. The biggest export markets were again China (+11.4% year over year to about EUR 19 billion) and the US (+3.8% year over year to about EUR 16 billion). For the current year, the ZVEI is cautiously optimistic to achieve a total sales volume that should exceed EUR 200 billion.

The Semiconductor Industry Association (SIA), gave a similar picture on 31 December 2018 for the global semiconductor industry. Strong November sales of

USD 41.8 billion (+9.8% y-o-y) lifted year-to-date sales through November 2018 beyond the total sales of the entire year 2017. But a contraction of sales on a monthly basis in November 2018 of -1.1% has triggered an overall cautious outlook for 2019. Most pronounced was the November weakness in the US with minus 2.2% and in China with minus 2.7%. But, as China is pushing for large-scale E-mobility with E-cars containing twice as many semiconductors compared to conventional cars, a structurally high demand for chips should support sales to a certain extent longer-term.

Of greater importance is that the electrical industry is widely regarded as a major driver and an enabling technology provider for the process of digital transformation. However, the current proportion of smart products and smart services, according to the ZVEI, amounts to merely 20% of the total value added of the electrical industry in Germany.

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 splitted into "Continued Operations" and "Discontinued Operations". In general, comments and comparisons are made on basis of continued operations.

Continued Operations

The continued operations consist of the segment "Electronic Components Modules & Systems" (ECMS) consisting of the printed circuit board (PCB) activities and the segment "exceet Secure Solutions" (ESS) focussing on Industrial internet of things (IoT) and secure connectivity.

	4th Quarter			January - December		
(in EUR 1,000)	2018	2017		2018	2017	
Net Sales	10,420	10,616	(1.8%)	41,535	42,401	(2.0%)
Organic Growth Rate			(3.4%)			+0.7%
EBITDA	1,344	998	+ 34.7%	4,907	2,230	+ 120.0%
in % of Net Sales	12.9%	9.4%		11.8%	5.3%	
Result of the period before currency exchange differences	451	(1,189)	n.a.	1,365	(2,110)	n.a.
in % of Net Sales	4.3%	n.a.		3.3%	n.a.	
Currency exchange differences	(922)	405		(1,900)	1,706	
Result of the period	(471)	(784)	n.a.	(535)	(404)	n.a.

The increased operational profit 2018 is mainly caused by higher efficiency allowed to reduce the personnel costs by EUR 2.3 million. EUR 1.1 million were realized in the ECMS segment and EUR 1.1 million within ESS. In addition some benefits were realized out of a cost optimal product mix. The main component of the currency exchange differences is the effect of EUR 1.7 million on the substantial amount of cash received with the sale of several activities in 2018 (EUR 117.0 million) and now held in the Swiss holding company with the functional currency of Swiss francs. This effect is neutralized on balance sheet level via the equity.

Discontinued Operations

The discontinued operations consist of the sold exceet electronics activities (EE activities) until end of July 2018, the German micro- and optoelectronics activities (AEMtec GmbH, Berlin) until end of October 2018 and the Romanian electronic development company (exceet Medtec Romania S.R.L., Bucarest) until end of November 2018.

(in EUR 1,000)	4th Quarter 2018	4th Quarter 2017	January - December 2018	January - December 2017
Net Sales	4,941	24,022	80,652	100,982
EBITDA	662	501	5,261	7,257
in % of Net Sales	n.a.	2.1%	n.a.	7.2%
Result of the period	53,740	(1,595)	52,935	(10,611)

The net sales and EBITDA[1] figures for 2018 and 2017 are not comparable as 2018 does not include the full 12 month period for each of the activities sold.

RESULTS OF OPERATIONS

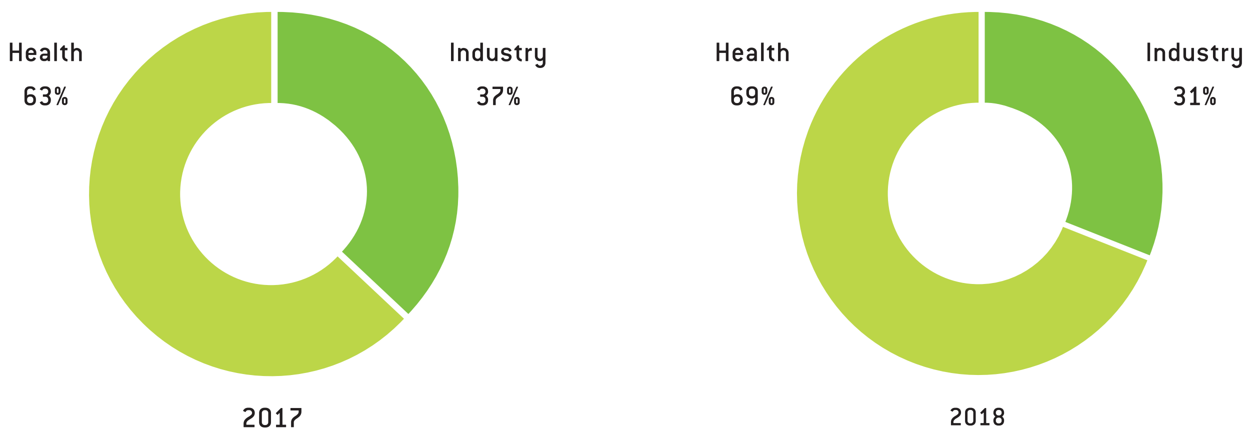
The 2018 result was influenced by a substantial improvement of the EBITDA Margin[1] and the weaker average rate of the Swiss francs. The EBITDA[1] of EUR 4.9 million, included non-recurring costs of EUR 0.2 million out of the restructuring measures, increased by EUR 2.7 million or 120.0% and underline a favourable sales mix in ECMS and operational improvements in ESS.

exceet's revenue of EUR 41.5 million (2017: EUR 42.4 million) decreased by 2.0%. The weaker average exchange rate of the Swiss franc versus the Euro reduced the consolidated net sales by 2.8% or EUR 1.2 million. The Organic Growth Rate[1] of 0.7% (2017: decline of 5.1%) consists of a growth of 3.4% of the ECMS segment and a decline of 4.4% of the ESS segment. The ESS decline is caused by a project of EUR 0.5 million agreed to be delivered at year end, but finally delivered in the first week of January 2019. As this growth came mainly from ECMS health projects, the share of the health market activities increased to 69% of the total net sales.

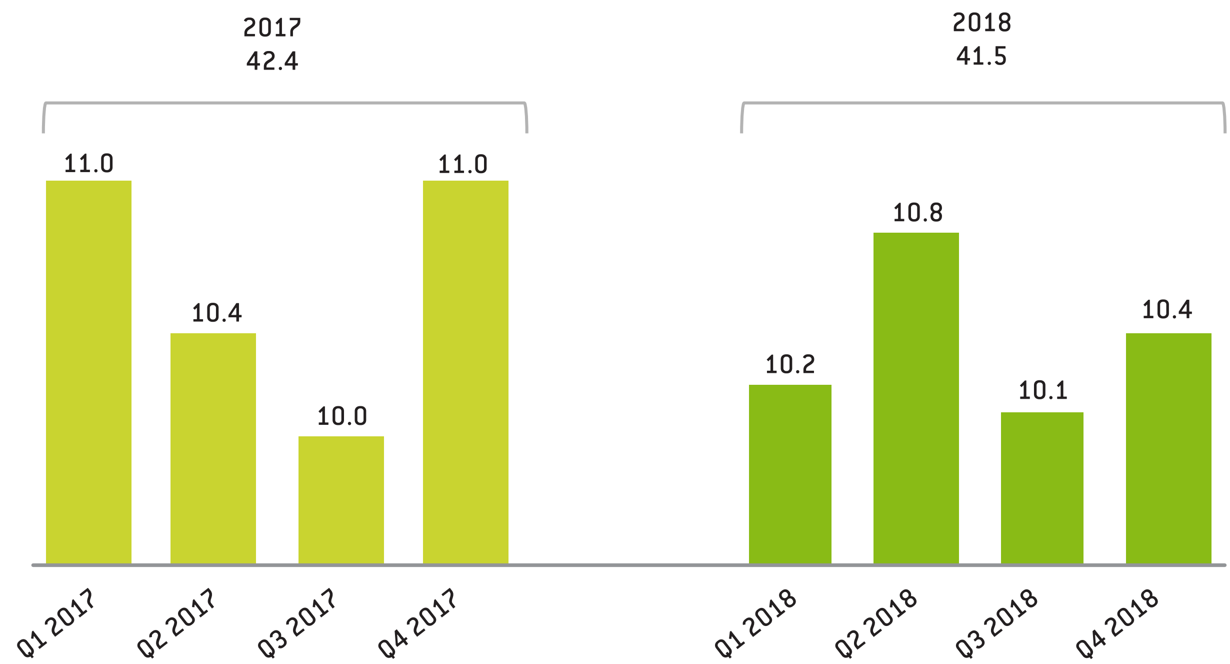
On 31 December 2018, exceet's Order Backlog[1] amounted to EUR 12.6 million which is EUR 0.6 million lower as of 31 December 2017 (EUR 13.2 million) and reflects a Book-to-Bill Ratio[1] of 0.93 (2017: 0.94). This reduction of the total Order Backlog[1] is mainly caused by the smaller size of connectivity projects within the ESS segment compared to agreed projects at the end of 2017. ECMS was able to increase the Currency Adjusted Order Backlog[1] by 2%.

1) See exceet Group Consolidated Financial Statements note 33 "Alternative Performance Measures (APM)" Page 112

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



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



The Group achieved in 2018 sales of EUR 10.2 million in Q1, EUR 10.8 million in Q2, EUR 10.1 million in Q3 and EUR 10.4 million in the fourth quarter. The quarterly variation is caused by mix of delivery date requested by the customers. Q4 was additionally influenced by a postponed delivery finally invoiced in the first week of January 2019 in the amount of EUR 0.5 million in ESS.

The Gross Profit increased by EUR 2.1 million to EUR 9.9 million which was 23.9% of net sales (2017: EUR 7.8 million or 18.4%). This improvement is caused by the favourable sales mix of the ECMS activities in combination with economies of scale out of efficiency improvements in the production and less temporary consulting workers in ESS.

The EBITDA[1] amounted to EUR 4.9 million or 11.8% of net sales (2017: EUR 2.2 million or 5.3%). In addition to the leverage out of the higher Gross profit of EUR 2.1 million, the positive effect on the EBITDA Margin[1] was further

1) See exceet Group Consolidated Financial Statements note 33 "Alternative Performance Measures (APM)" Page 112

driven by a reduction of distribution costs of EUR 0.6 million (mainly ESS).

Depreciations, amortizations and impairment charges in the amount of EUR 2.8 million were down by EUR 0.8 million against the previous year (2017: EUR 3.6 million). EUR 2.0 million (2017: EUR 2.1 million) relate to the depreciation of tangible assets, EUR 0.8 million (2017: EUR 0.7 million) relate to the amortization of intangible assets. In 2017 exceet impaired capitalized development costs of EUR 0.7 million in exceet Secure Solutions GmbH.

The net financial loss of EUR 2.4 million (2017: net financial gain of EUR 1.4 million) included a negative net foreign currency effect of EUR 1.9 million (2017: gain of EUR 1.7 million) and interest cost in the amount of EUR 0.5 million (2017: EUR 0.3 million). The foreign currency effect is non-cash. The main component of the foreign currency effect is the effect of EUR 1.7 million on the substantial amount of cash received with the sale of several activities in 2018 (EUR 117.0 million) and now held in the Swiss holding company with the functional currency of Swiss francs. This effect is neutralized on balance sheet level via the equity. In addition, other positive value adjustments of EUR 0.2 million were caused by Euro intercompany loans given by the Swiss holding to finance other group companies (2017: minus EUR 0.1 million). These valuation adjustments reflect in 2018 the strengthening of the Swiss franc to CHF 1.1269 against the Euro (31.12.2017: CHF 1.1702).

The Group result 2018 of EUR 52.4 million (2017: minus EUR 11.0 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 exceet Group note 29 “Discontinued Operations”)

The calculation of basic earnings per share (EPS) on 31 December 2018 (see Consolidated Financial Statements exceet Group note 26 “Earnings per Share”) is based on the net profit attributable to the shareholders of exceet Group SE of EUR 52.4 million for 2018 (2017: loss of EUR 11.0 million) and the weighted average number of 20,073,695 ordinary Class A Shares outstanding.

EARNINGS PER SHARE (in EURO)

		2018	2017
Profit/(loss) for the year (EUR 1,000) attributable to equity holders of the Company	Class A Shares	52,400	(11,015)
Weighted average number of ordinary shares outstanding	Class A Shares	20,073,695	20,073,695
Basic earnings/(loss) per share (Euro/share)	**Class A Shares**	**2.61**	**(0.55)**

SEGMENT REPORTING

Electronic Components, Modules & Systems (ECMS) - (2019: Healthcare)

Segment sales decreased by 0.8% to EUR 32.6 million (2017: EUR 32.8 million). Without the currency effect net sales increased by 3.4%. The growth was mainly driven by hearing aid activities. In 2018, EBITDA[1)] reached EUR 8.3 million against EUR 7.1 million in 2017. The EBITDA Margin[1)] increased accordingly from 21.7% in 2017 to 25.4% in 2018. This was supported by the leverage out of the higher sales volume with stable costs and an optimal sales mix.

exceet Secure Solutions (ESS) - (2019: Software and IoT)

The ESS segment achieved sales of EUR 9.0 million during the reporting period (2017: EUR 9.4 million). As of 31 December 2018 no costs of current projects have been capitalized as work in progress (2017: EUR 0.6 million). The improvement of the negative EBITDA[1)] from minus EUR 2.2 million in 2017 to minus EUR 0.6 million in 2018 reflects the efforts done to adopt the cost base – especially the personnel cost – to the still not sufficient sales level.

BALANCE SHEET POSITIONS

As of 31 December 2018, the total assets of exceet Group amounted to EUR 144.2 million, compared to EUR 129.8 million as of 31 December 2017.

The non-current assets amounted to EUR 20.7 million (31.12.2017: EUR 50.9 million) and decreased by EUR 30.2 million of which EUR 29.8 million are related to the sold non-current assets of the exceet electronics activities, the micro- and optoelectronic activities and the Romanian development activities. On a continued basis the non-current assets decreased slightly by EUR 0.4 million. The total position includes tangible assets of EUR 9.3 million (31.12.2017: EUR 26.5 million), intangible assets of EUR 10.8 million (31.12.2017: EUR 22.8 million) and other non-current assets of EUR 0.6 million (31.12.2017: EUR 1.6 million). The non-current assets include deferred tax assets of EUR 0.6 million (31.12.2017: EUR 1.2 million).

Current assets amounted to EUR 123.5 million, compared to EUR 78.8 million at year-end 2017. The Position included EUR 113.2 cash and cash equivalents which reflects the profit out of the sale of the business activities (see Consolidated Financial Statements exceet Group note 29 "Discontinued Operations")and the repayment of bank debt as of 31 December 2018 in the amount of EUR 19.1 million (see Consolidated Financial Statements exceet Group note 15 "Borrowings").
The current assets increased by EUR 44.2 million, net. Thereof EUR 97.8 million from cash and cash equivalents, EUR 1.0 million from contract assets related to vendor managed inventories (IFRS 15: see Consolidated Financial Statements exceet Group note 2.6 "Change in accounting principles", EUR 0.7 from other current receivables, EUR 0.2 million from inventories and decreased by EUR 53.9 million out of the deconsolidation of the sold activities and by EUR 1.5 million from lower trade receivables. The decrease of the other current receivables is mainly caused by the repayment of a loan in the amount of EUR 0.4 million in relation to the sale of the card business activities in 2016.

As of 31 December 2018, exceet Group's equity amounted to EUR 131.5 million, against EUR 74.4 million as of 31 December 2017. This represents an Equity Ratio[1] of 91.2% (2017: 57.3%).

The non-current liabilities decreased by EUR 10.1 million from EUR 16.8 million at year-end of 2017 to EUR 6.7 million. The decrease, net includes mainly EUR 11.0 million out of the deconsolidation of sold liabilities, further EUR 0.1 million related to deferred taxes, EUR 0.4 million to borrowings and the adjustment of the retirement benefit obligations according to the actual actuarial calculation caused an increase of the provision by EUR 1.1 million due to an increase of the discount rate related to the Swiss plan.

The decrease of the current liabilities by EUR 32.5 million to EUR 6.0 million as of 31 December 2018 (31.12.2017: EUR 38.6 million) includes the repayment of borrowings of EUR 18.4 million, EUR 14.9 million out of the deconsolidation of sold current liabilities and an increase of EUR 0.8 million from other current liabilities.

Financial situation

The cash and cash equivalents amounted as of 31 December 2018 to EUR 113.2 million (31.12.2017: EUR 29.0 million). The increase of net EUR 84.2 million is mainly caused by the generated net cash from the sale of the exceet electronics activities, the micro- and optoelectronic activities and the Romanian development activities with EUR 102.0 million and the repayment of bank debt as of 31 December 2018 in the amount of EUR 19.1 million.

Components of the cash flow 2018 are a cash in from operating activities of EUR 2.3 million and divesting activities of EUR 99.0 million, EUR 19.0 million net cash out for repayments of debt and financial lease and an effect of exchange rate gains of EUR 2.0 million.

The 2018 operating cash flow of EUR 2.3 million (2017: inflow EUR 8.3 million) consisted of EUR 5.5 million investments into the Net Operating Working Capital[1] (mainly inventories), net tax payments of EUR 1.6 million, interest payments of EUR 0.6 million and the cash inflow out of operations with EUR 9.9 million. The Net Cash[1] position as of 31 December 2018 amounted to EUR 109.4 million (31.12.2017: EUR 0.7 million).

1) See exceet Group Consolidated Financial Statements note 33 "Alternative Performance Measures (APM)" Page 112

Capital expenditures

Net capital expenditures, including financial leasing and excluding the disposal of subsidiaries amounted to EUR 3.3 million (2017: EUR 3.7 million). On the continued basis, net capital expenditures of EUR 1.7 million (2017: EUR 1.7 million), representing 4.1% (2017: 4.0%) of revenues, were invested in property, plant, equipment and software during 2018. Main investments were realized for the machinery and infrastructure of the PCB production.

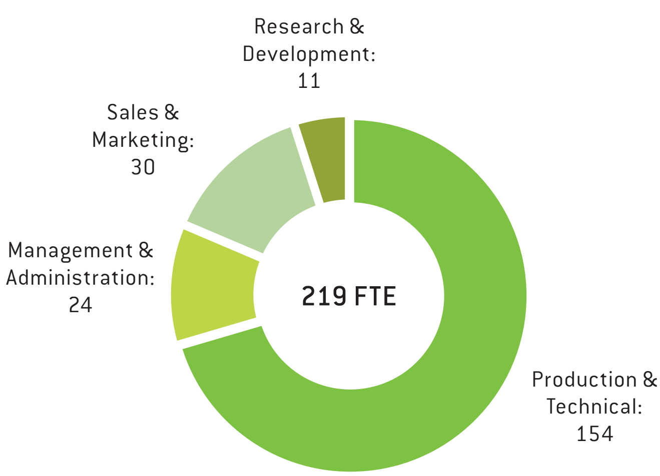
NON- FINANCIAL PERFORMANCE INDICATORS

EMPLOYEES

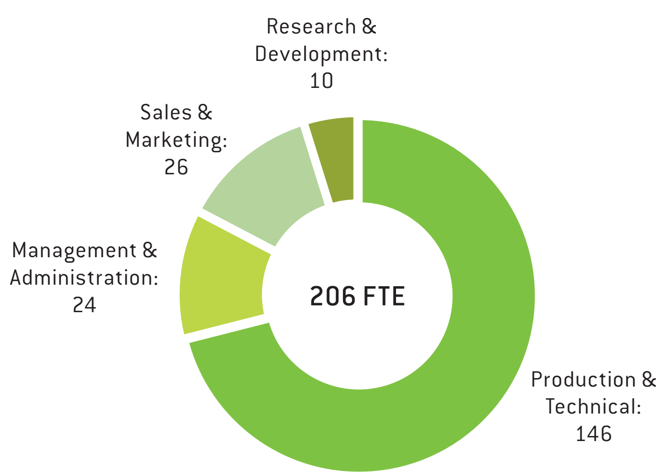
As of 31 December 2018, the Group had 226 employees (Headcount) (2017: 242) or 206 full-time equivalents (FTE) (2017: 219). 53 FTE (2017: 62) were employed in Germany, 152 FTE (2017: 156) in Switzerland and 1 FTE (2017: 1) in the USA.

The number of 206 FTEs as of 31 December 2018 was split into 146 (2017: 154) in production & technology, 10 (2017:11) in research & development, 24 (2017: 24) in management & administration and 26 (2017: 30) in sales & marketing.

EXCEET'S EMPLOYEES BY ACTIVITIES



2017



2018

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 2018 exceet employed 84 female employees (2017: 88) and 142 male employees (2017: 154). 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 2018 exceet trained three apprentices (2017: four).

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 has to comply 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 ECMS production activities, monthly working group meetings are held to discuss actual safety issues or safety improvement measures; e.g. all employees were retrained in using the installed emergency eye showers to avoid caustics of the eyes. Eye tests and free influenza vaccination are 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 on-going reconstruction of the location in Küssnacht the main system will be renewed which should 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 in 2018 by 8.2% from 3.88 MWh in 2017 to 3.56 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 2018 amounted to EUR 0.7 million (2017: EUR 0.6 million), representing 1.6% 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 Board of Directors and the Management 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 Board of Directors and the Management Board have established an internal control system for the diverse organizational, technical and commercial processes within the Group. A central component of exceet's risk policy is to take risks only if there is a high probability that the associated business activities will provide added value for the Company. The underlying requirement is that the risks must always remain transparent and manageable.

OPPORTUNITY MANAGEMENT

The Management Board of the Group regularly reviews 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 Q4 2018 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 for exceet Group can be divided into external, i.e. market and sector-specific risks, as well as internal risks. The latter include strategic, financial, operational and company-related risks.

SECTOR- AND MARKET-RELATED RISKS

Sustained weak economic development or a downturn of the economy, particularly in Europe, 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. secure cloud services) and strictly managing its fixed costs and focussing on the core competences of its activities, e.g. further miniaturization of its produced printed circuit boards.

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 Board as well as of the solid acquisition policy.

INTEREST RATE, LIQUIDITY AND CURRENCY RISKS

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. The Group also has adequate lines of credit to achieve short-term flexibility.

As the functional currency of exceet Group AG – the Swiss based holding company holding the participations and the substantial Euro income out of the sale of the activities in 2018 – 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

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

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

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

exceet places great value on the proper and respectful treatment of all employees. However, the Group also depends heavily on the Management Board and other managers. The loss of managers 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

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 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. exceet has appointed data protection officers according to the legal requirements in all relevant areas.

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 2017 financial year.

REPORT ON EXPECTED DEVELOPMENTS

OUTLOOK FOR 2019

exceet's continued operations closed the financial year 2018 with a visibly improved operative profitability. The EBITDA Margin[1)] more than doubled versus the preceding year while sales, particularly in the IoT business, fell slightly short of expectations. After broadly cleaning-up the balance sheet in 2017 and a series of value-enhancing divestments in 2018, exceet will now further develop its remaining operative activities consisting of dedicated businesses in printed circuit boards mainly for the healthcare industry and IoT/data security, but – as indicated - also consider opportunistic investments to strengthen the remaining businesses or into new activities out of its Net Cash[1)] position currently amounting to roughly EUR 109 million.

Concerning the existing operations, the ECMS segment has undergone successfully various streamlining measurements at the location in Küssnacht (Switzerland) combined with selective capacity expansions. The Ultra High Density Technology currently

1) See exceet Group Consolidated Financial Statements note 33 "Alternative Performance Measures (APM)" Page 112

enjoys a positive market attention and offers more design opportunities for the health and industrial market. The IoT/Data Security business will be concentrating on the further development of "exceet connect" and other secure connectivity projects. Overall these operations are expected to achieve a mid-single digit top line growth in 2019. Order Backlog[1)] figures, having provided a reliable indicator for short-term business prospects in the past quarters, can again be interpreted in a moderate positive way. But market sentiment is generally subdued and customers are acting cautiously and at sight.

In the future new investments should generate an average increase of the intrinsic value by at least 15% annually. The availability of perpetual capital allows exceet to respond flexible and immediately with a partnership approach to upcoming opportunities. Targeted industries are the structurally growing markets like healthcare, software or technology.

SUPPLEMENTARY REPORT

Up to end of February 2019, no noteworthy operational and structural changes or business transactions have occurred that would significantly change the net assets, financial position and results of operations of exceet Group as compared to 31 December 2018.

CORPORATE GOVERNANCE

exceet Group SE recognizes the importance of corporate governance. The corporate governance rules of exceet Group SE are based on Luxembourg law, its articles of association (the "Articles"), and its internal regulations. The internal regulations comprise (i) the bylaws of the Board of Directors of exceet Group SE, approved on 2 May 2018 (the "Bylaws"), (ii) the charter of the audit committee, approved on 2 May 2018 (the "Charter of the Audit Committee"), and (iii) the charter of the compensation and appointment committee, approved on 2 May 2018 (the "Charter of the Compensation and Appointment Committee").

Electronic copies of the Articles, the Bylaws of the Charter of the Audit Committee as well as of the Charter of the Compensation and Appointment Committee can be downloaded from the website of exceet Group SE:

http://ir.exceet.lu/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 BOARD OF DIRECTORS AND THE GROUP MANAGEMENT BOARD

The Board of Directors is responsible for the strategic orientation, the organizational principles and material financial aspects of exceet. Members of the Board are Klaus Röhrig (Chairman), Florian Schuhbauer, Jan Klopp, Roland Lienau, Andreas Füchsel (representative of White Hills Management & Co S.C.S.) and Wolf-Günter Freese (CEO & CFO). Management of the business as such is delegated to the Group Management Board. The authority and the responsibilities of the Board of Directors and its committees, as well as the rules governing authority over group management, are set out in the Bylaws.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors as a whole is supported by the Audit Committee to obtain information and to strengthen the supervision and coordination with the auditor.
The Audit Committee consists of all members of the Board of Directors with Jan Klopp as Chairmann. The Compensation and Appointment Committee elaborates the principles concerning the remuneration of the Board of Directors and the Group Management Board. The Compensation and Appointment committee consists of independent and non-executive directors: members are Klaus Röhrig (Chairman), Florian Schuhbauer, Roland Lienau. Both committees meet at least once a year.

1) See exceet Group Consolidated Financial Statements note 33 "Alternative Performance Measures (APM)" Page 112

Information on the composition and function of the administrative, management and supervisory bodies of the Company and its committees can be found in the Consolidated Financial Statements of exceet Group under note 31 "Ultimate controlling parties and related-party transactions".

AUDITORS

PwC Société cooperative, Luxembourg, represented by lead auditor Philippe Duren, has been the statutory and group auditors of exceet Group SE 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

The Company's issued share capital is set at Euro 311,960.16, represented by 20,523,695 shares (the "Shares"). The Shares are listed on the regulated market of the Frankfurt Stock Exchange within the "Prime Standard" segment.

As of 31 December 2018, 450,000 Shares with a par value of Euro 0.0152 each, representing 2.2% of the issued share capital of the Company, are held by it as treasury shares.

A copy of the Articles can be accessed at http://ir.exceet.lu/investor-relations.

RIGHTS ATTACHED TO THE SHARES

Each Share entitles the holder thereof to one vote. All Shares carry equal rights as provided for by Luxembourg Law and as set forth in the Articles, including rights to receive dividends (if declared) or liquidation proceeds.

Holders of the Shares and derivatives or other financial instruments linked to the 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%, 33⅓ % or 66⅔%, 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 Board of Directors 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.

Any shareholder together with any affiliate (as defined at article 7.4 of the Articles) and any shareholder with whom such a shareholder is acting as a group and whose aggregate shareholding exceeds two percent of the issued Shares at any time or any multiple thereof must provide the Company with written notice of such event within four business days of such event, as set out in article 7.4 of the Articles. The foregoing is without prejudice to the statutory notification obligations of shareholders of the Company and holders of other financial instruments related to the Shares.

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

RESTRICTIONS ON VOTING RIGHTS

Each Share issued and outstanding in the Company represents one vote.

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 10 of the Articles, and proxies must be received by the Company a certain time before the date of the relevant shareholder meeting, as set out in article 11 of the Articles. In accordance with the provisions of the Articles, the Board of Directors of the Company 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 and in accordance with article 7.4 of the Articles, 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

There are no special control rights attached to any of the Shares.

SHARE TRANSFER RESTRICTIONS

As at the date of this report all Shares are freely transferable.

CONTRACTUAL TRANSFER RESTRICTIONS

Other than the restrictions set out in the Articles, exceet Group SE is not aware of any factors, including agreements between shareholders, which may result in restrictions on the transfer of 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.lu. Furthermore, as of 28 February 2019, the Company currently holds 450,000 own Shares (2.2% of the total outstanding Shares) as treasury shares. The major shareholders notified to the Company until 28 February 2019 are set out in the following table:

Shareholders	Number of Shares	Percentage of total shareholding notified
White Elephant S.à r.l.[1]	11,533,721	56.20%
Argos Funds & Quaero Funds (CH) Swiss Mid and Small Cap Fund [2]	2,634,142	12.83%
Heidelberger Beteiligungsholding AG	1,512,978	7.37%
VM Holding GmbH & Co. KG	1,149,808	5.60%
Mr. Roland Lienau (Member of the Board)	50,000	0.24%
Mr. Wolf-Günter Freese (CEO & CFO / Member of the Board)	10,000	0.05%

[1] White Elephant S.à r.l. is an indirect holding of Active Ownership Fund, Luxembourg

[2] Argos-Funds, Luxembourg and Quaero Funds (CH) Swiss Mid and Small Cap Fund, Geneva are indirect holdings of Quaero Capital S.A., Geneva

EMPLOYEE SHARE SCHEME

exceet Group SE has currently no employee share scheme (see Consolidated Financial Statements exceet Group note 17 “Share-based payments”).

APPOINTMENT OF BOARD MEMBERS, AMENDMENTS TO THE ARTICLES

The appointment and replacement of the members of the Board of Directors are governed by Luxembourg law and articles 17 and 18 of the Articles. The Articles are amended in accordance with Luxembourg law and article 12 of the Articles.

POWERS OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the broadest powers to take any actions necessary or useful to fulfil the Company’s corporate object, with the exception of the actions reserved by law or by regulation or the Articles to the general meeting of shareholders.

THE 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 exceet 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 exceet Group SE and the members of its Board of Directors or its employees that provide for compensation if the members of the Board of Directors or employees resign or are made redundant without valid reason, or if their employment ceases due to a takeover bid for the Company.

RESPONSIBILITY STATEMENT

In accordance with article 3(2) c) of the Transparency Law the undersigned 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, 28 February 2019

Wolf-Günter Freese
CEO & CFO

On behalf of the Board of Directors
and Management Board

exceet Group SE

FORWARD-LOOKING STATEMENTS

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

FINANCIAL CALENDAR 2019

Date	Publication
30 April	Interim First Quarter Report 2019 (Q1)
16 May	Annual General Meeting of exceet Group SE in Luxembourg
6 August	Interim First Half Year Report 2019 (Q2)
5 November	Interim 9 Months Report 2019 (Q3)

exceet intends to be present on the German Equity Forum 2019 in Frankfurt/Main, Germany (25 – 27 November 2019).

EXCEET GROUP CONSOLIDATED FINANCIAL STATEMENTS

All comments within the accompanying notes are in EUR 1,000, if not stated otherwise.

CONSOLIDATED BALANCE SHEET

(in EUR 1,000)	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Tangible assets	5	9,295	26,528
Intangible assets	6	10,843	22,770
Deferred tax assets	7	599	1,233
Other financial investments		0	384
Total non-current assets		**20,737**	**50,915**
Current assets			
Inventories	8	3,872	30,033
Trade receivables	9	3,458	17,366
Contract assets	10	1,819	0
Other current receivables	11	873	1,262
Current income tax receivables		0	617
Prepaid expenses	12	276	603
Cash and cash equivalents	13	113,188	28,965
Total current assets		**123,486**	**78,846**
Total assets		**144,223**	**129,761**
EQUITY			
Share capital	14	312	312
Reserves	14	131,168	74,056
Equity attributable to Shareholders of the parent company		**131,480**	**74,368**
Total equity		**131,480**	**74,368**
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,242	8,385
Retirement benefit obligations	16	2,627	5,051
Deferred tax liabilities	7	526	1,636
Provisions	20	326	643
Other non-current liabilities	19	0	1,121
Total non-current liabilities		**6,721**	**16,836**
Current liabilities			
Trade payables		1,051	9,686
Contract liabilities	11	411	0
Other current liabilities	19	364	2,039
Accrued expenses	18	2,570	6,013
Current income tax liabilities		594	863
Borrowings	15	548	19,832
Provisions	20	484	124
Total current liabilities		**6,022**	**38,557**
Total liabilities		**12,743**	**55,393**
Total equity and liabilities		**144,223**	**129,761**

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

CONSOLIDATED INCOME STATEMENT

(in EUR 1,000)	Note	Continued Operations 2018	Continued Operations 2017
Revenue	3	41,535	42,401
Cost of sales	21-24	(31,627)	(34,602)
Gross profit		**9,908**	**7,799**
Gross profit margin		*23.9%*	*18.4%*
Distribution expenses	21-24	(3,415)	(4,006)
Administrative expenses	21-24	(4,472)	(4,503)
Other operating expenses	21-24	0	(717)
Other operating income	23	92	61
Operating result (EBIT)[1]		**2,113**	**(1,366)**
EBIT margin		*5.1%*	*(3.2%)*
Financial income		1,701	2,321
Financial expenses		(4,051)	(917)
Financial result, net	25	**(2,350)**	**1,404**
Profit/(Loss) before income tax		**(237)**	**38**
Income tax expense	7	(298)	(442)
Profit/(Loss) from continued operations		**(535)**	**(404)**
Profit/(Loss) margin		(1.3%)	(1.0%)
Profit/(Loss) from discontinued operations	29	**52,935**	**(10,611)**
Profit/(Loss) for the period		**52,400**	**(11,015)**
Profit/(Loss) margin		*126.2%*	*(26.0%)*
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of the parent company		52,400	(11,015)
EARNINGS PER SHARE IN EURO FROM CONTINUED OPERATIONS (BASIC = DILUTIVE)	26		
Class A Shares		(0.03)	(0.02)
EARNINGS PER SHARE IN EURO FROM DISCONTINUED OPERATIONS (BASIC = DILUTIVE)	26		
Class A Shares		2.64	(0.53)
EARNINGS PER SHARE IN EURO ON TOTAL GROUP BASIS (BASIC = DILUTIVE)	26		
Class A Shares		2.61	(0.55)
Operating result (EBIT)		2,113	(1,366)
Depreciation, amortization and impairment charges	3	2,794	3,596
Operating result before depreciation, amortization and impairment charges (EBITDA)[2]		4,907	2,230
EBITDA margin		*11.8%*	*5.3%*

[1] Earnings before Interest and Taxes
[2] 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	2018	2017
Profit/(Loss) for the period		**52,400**	**(11,015)**
<u>Other comprehensive income</u>			
Items not to be reclassified to income statement:			
Remeasurements of defined benefit obligations	16	629	4,949
Deferred tax effect on actuarial (gains)/losses	7	(71)	(654)
Total items not to be reclassified to income statement		**558**	**4,295**
Items to be reclassified to income statement:			
Reclassification of foreign currency translation reserve	29	1,433	0
Currency translation differences		2,360	(3,054)
Total items to be reclassified to income statement		**3,793**	**(3,054)**
Total comprehensive income for the period		**56,751**	**(9,774)**
Attributable to:			
Shareholders of the parent company		56,751	(9,774)
Total comprehensive income for the period attributable to the Shareholders of the company			
Continued operations		1,262	(4,841)
Discontinued operations		55,489	(4,933)
Total comprehensive income for the period		**56,751**	**(9,774)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR 1,000)	Note	2018	2017
Profit/(Loss) before income tax [1]		**54,783**	**(9,410)**
Adjustment for non-cash transactions			
Amortization on intangible assets	6	1,679	2,905
Impairment on intangible assets	6	1,500	12,398
Depreciation on tangible assets	5	3,595	4,687
(Gains)/Losses on disposal of assets	23/24	(28)	(19)
Change of provisions	20	1,977	188
Adjustments to retirement benefit obligations/prepaid costs	16	403	159
Financial (income)/expenses	25	(936)	663
Gain on sale of discontinued operations, net of income tax	29	(54,400)	0
Other non-cash (income)/expenses		1,298	(378)
Operating net cash before changes in net working capital		**9,871**	**11,193**
Changes to net working capital			
- inventories		(5,670)	(2,487)
- receivables		(1,912)	678
- prepaid expenses and contract assets		(1,545)	(101)
- liabilities		1,625	1,575
- provisions		(10)	(18)
- accrued expenses and contract liabilities		2,052	341
Tax received (prior periods)		516	789
Tax paid		(2,079)	(3,111)
Interest received		41	18
Interest paid		(610)	(586)
Cashflows from operating activities		**2,279**	**8,291**
Disposal of subsidiaries, net of cash disposed	29	101,997	0
Purchase of tangible assets	5	(2,966)	(2,685)
Sale of tangible assets	5	119	24
Purchase of intangible assets	6	(163)	(733)
Cashflows from investing activities		**98,987**	**(3,394)**
Repayment of financial investments		380	1,060
Proceeds from borrowings		321	0
Repayments of borrowings		(18,871)	(5,771)
Proceeds/(Repayments) of other non-current liabilities	15	(67)	67
Proceeds from finance lease prepayments [2]		0	471
Payments of finance lease liabilities		(764)	(910)
Cashflows from financing activities		**(19,001)**	**(5,083)**
Net changes in cash and cash equivalents		**82,265**	**(186)**
Cash and cash equivalents at 1 January	13	**28,965**	**30,874**
Net changes in cash and cash equivalents		82,265	(186)
Effect of exchange rate gains/(losses)		1,958	(1,723)
Cash and cash equivalents at 31 December	13	**113,188**	**28,965**

[1] 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. For 2017 no discontinued operations were recognized.

[2] The exceet Group made prepayments to suppliers for equipment which have been reimbursed to exceet Group by the finance lease company. These payments amounted to EUR 0(2017: EUR 471). These cash flows have been presented in the cash flow statement in the line proceeds from finance lease prepayments.

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
BALANCES AT 31 DECEMBER 2017	14	312	65,485	(4,525)	0	(9,463)	22,559	74,368
Remeasurement IFRS 15	2.6					361		361
BALANCES AT 1 JANUARY 2018		312	65,485	(4,525)	0	(9,102)	22,559	74,729
Profit/(Loss) for the period						52,400		52,400
Other comprehensive income:								
Remeasurements of defined benefit obligations	16					629		629
Deferred tax effect on remeasurements	7					(71)		(71)
Reclassification of foreign currency translation reserve	29						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
BALANCES AT 31 DECEMBER 2018		312	65,485	(4,525)	0	43,856	26,352	131,480

(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
BALANCES AT 1 JANUARY 2017	14	312	65,485	(4,525)	202	(2,945)	25,613	84,142
Profit/(Loss) for the period						(11,015)		(11,015)
Other comprehensive income:								
Remeasurements of defined benefit obligations	16					4,949		4,949
Deferred tax effect on remeasurements	7					(654)		(654)
Reclassification of foreign currency translation reserve	29							0
Currency translation differences							(3,054)	(3,054)
Total other comprehensive income/(loss) for the period		0	0	0	0	4,295	(3,054)	1,241
Total comprehensive income/(loss) for the period		0	0	0	0	(6,720)	(3,054)	(9,774)
Reclassification of Share based payments IFRS 2	17				(202)	202		0
Total other equity effects		0	0	0	(202)	202	0	0
BALANCES AT 31 DECEMBER 2017		312	65,485	(4,525)	0	(9,463)	22,559	74,368

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

exceet Group SE (hereafter the "Company") is a company incorporated as a Société Européenne under the law of Luxembourg and listed on the regulated Frankfurt Stock Exchange (WKN: A0YF5P / ISIN: LU0472835155) in the Prime Standard segment. The Company's purpose is to focus investments on structurally growing industries like healthcare, technology and software. The Company was incorporated on 9 October 2009 as Helikos SE and renamed to exceet Group SE on 27 July 2011. The registered office is at 17, rue de Flaxweiler, L-6776 Grevenmacher.

The consolidated exceet Group SE (the **"Group"** or **"exceet"**) is a portfolio of technology companies specialized in the development and production of complex electronics for small and mid-sized volumes and software. The Group provides highly sophisticated solutions and distinguishes itself through its technical skill set with a strong position in the healthcare and industrial markets. The overall six locations are located in Switzerland, Germany, Luxembourg and the USA. All companies consolidated into the Group are disclosed in note 30 "List of consolidated subsidiaries of exceet Group SE".

In 2018 the Group consisted of the Electronic Components Modules & Systems (ECMS) and the exceet Secure Solutions (ESS) segments. To reflect the actual business these segments will be renamed in "Healthcare" (former ECMS) and "Software and IoT" (former ESS) with the beginning of 2019.

The ECMS segment (78% of Sales 2018) 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 ECMS'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 ESS segment (22% of Sales 2018) focused on secure connectivity mainly based on IT Security and industrial internet of things (IoT) projects and solutions.

The Group refocused its activities and sold several entitites of the ECMS segment, this included the exceet electronics activities with operating locations in Germany, Austria and Switzerland, its micro- and optoelectronics activities in Germany and its electronics development company in Romania. As a consequence, the Group's IFRS reporting is split into "Continued Operations" and "Discontinued Operations". In general comments and comparisons are made on basis of continued operations.

The consolidated financial statements as of 31 December 2018 were approved by exceet Group SE's Board of Directors on 28 February 2019.

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 2018. 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 2018 have been amended to comply with all new and revised IFRS standards and interpretations adopted by the European Union (EU) with effective date in 2018:

- IFRS 9 (New) "Financial instruments"
  (IASB and EU effective date: 1 January 2018)

  The standard covers the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized costs, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI for liabilities designated at fair value through profit or loss.

- IFRS 15 (New) "Revenue from contracts with customers"
  (IASB and EU effective date: 1 January 2018)

  The standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

For the details of adoption of IFRS 9 and IFRS 15 please refer to note 2.6 "Change in accounting principles" for further details.

The following amendments/interpretations/improvements were effective as of 1 January 2018, but had no impact on the consolidated financial statement of the Group.

- IFRS 2 (Amendment) "Share based payments"
  (IASB and EU effective date: 1 January 2018)

  The three amendments eliminate diversity in practice in the classification and measurement of particular share-based payment transactions.

- IFRS 4 (Amendment) "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
  (IASB and EU effective date: 1 January 2018)

  The amendment provides two options for entities that issue insurance contracts within the scope of IFRS 4. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

- IAS 40 (Amendment) "Transfer of Investment Property" (IASB and EU effective date: 1 January 2018)

  The amendment clarifies the requirements on transfers to or from investment property.

- IFRIC 22 (Interpretation) "Foreign Currency Translation and Advance Consideration"
  (IASB and EU effective date: 1 January 2018)

The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

- "Annual improvement cycle 2014 - 2016" (IASB effective date: 1 January 2017/1 January 2018 – EU effective date: 1 January 2018)

  The cycle 2014 – 2016 represents a collection of amendments to IFRSs in response to issues addressed during the cycle for annual improvements to IFRSs. The standards IFRS 1, IFRS 12 and IAS 28 are affected by these adaptations.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 31 December 2018 and have not been applied in preparing these consolidated financial statements.

- 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). 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. Furthermore, the income statement will be affected, as operating expenses for rent/leases will be replaced by depreciation and interest. In the consequence key metrics like EBITDA will be influenced. In the cash flow statement operating cash flows will be higher as cash payments of current rent/leases are classified as financing activities.

  The Group assessed the impact of the new standard on the consolidated financial statements. It identified current operating leases for buildings, offices and cars to be impacted by the application of the standard. Based on the assessment, the Group calculated for a first time recognition of right-to-use assets as of 1 January 2019 in the amount of EUR 1.6 million, lease liabilities of EUR 1.8 million and minus EUR 0.2 million (one time balancing effect in equity) within its entities. Impact on the metric EBITDA within the income statement on Group level is assumed to be an improvement of EUR 0.4 million, as rental/lease expenses are reclassified to depreciation of approx. EUR 0.3 million, and EUR 0.1 million to interest costs below EBIT, improving EBIT by EUR 0.1 million.

- 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 and EU effective date: 1 January 2020)

  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

- 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.

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

- IAS 1 and IAS 8 (Amendment) "Definition of Material" (IASB effective date: 1 January 2020 – EU endorsement outstanding)

The amendments are to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

- IAS 19 (Amendment) "Plan Amendment, Curtailment or Settlement"
  (IASB effective date: 1 January 2019 – EU endorsement outstanding)

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

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

- 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.

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

- 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.

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

- "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 28 are affected by these adaptations.

  The Group does not expect an 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 SE directly or indirectly exercises control (see note 30 with a list of the Group companies). 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.

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 Management Board'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 presentation currency of the Group. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

FOREIGN CURRENCY TRANSLATION

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 intercompany loans (equity like loans) are recorded within other comprehensive income.

GROUP COMPANIES

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

- Assets and liabilities 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 recognized 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 item includes cash in hand and cash at banks and 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.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables and other receivables initially are recorded at original invoice amount, which is considered to be at fair value, less provision made for impairment of these receivables. Until 31 December 2017, a provision for impairment of trade and other receivables was established when there was objective evidence that the Group will not be able to collect all amounts due according to the original terms of the invoice. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows. With implementation of IFRS 9, from 1 January 2018, applying the permitted simplified approach for trade receivables, which requires expected lifetime losses to be recognized from initial recognition of the receivables, taking into account expected credit loss for groups of trade receivables classified based on days past due.

INVENTORIES

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

Purchased raw materials costs comprise of 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 or 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 capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures for repair and maintenance which do not increase the estimated useful lives of the related assets are recognized as expenses in the period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 5 "Tangible assets").

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

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

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

INTANGIBLE ASSETS

Purchased intangible assets are measured initially at cost; intangible assets acquired in a business combination are measured at fair value. Intangible assets are recognized when they are identifiable and controlled by the Group, when it is probable that future economic benefits to the Group can be expected from the asset and when cost can be measured reliably. With respect to intangible assets, it must first of all be determined whether they have finite or indefinite useful lives. Intangible assets with a finite useful life are amortized over their useful life and shall be tested for possible impairment whenever an indication exists that such intangible asset may be impaired. The amortization period and the amortization method are reviewed at the end of each financial year. Amortization of intangible assets with finite useful lives is recognized in the income statement under the expense category that corresponds to the intangible asset's function. 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 a useful life. The useful life is estimated between 10 – 15 years. Purchased technology is amortized over a useful life; 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 a useful life of 3 – 5 years, unless the software is part of a machine. In this case, the useful life could depend on the machine or the technical equipment.

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;
- management intends 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" is 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 settlement of the liability for at least 12 months after the balance sheet date.

OTHER FINANCIAL LIABILITIES

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

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

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

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

Until 31 December 2017, revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue was shown net of value-added tax, returns, discounts and after eliminating intercompany sales. The Group recognized revenue when the amount of revenue could be reliably measured, when it was probable that future economic benefits will flow to the entity when specific criteria have been met for each of the Group's activities as described below.

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

Revenue from Sale of electronic components

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

Revenue from Services

The Group sells consulting, research and development services to its ECMS and ESS customers. Sales of services are recognized in the accounting period in which the services are rendered.

With the implementation of IFRS 15, from 1 January 2018 onwards, the Group used the following accounting policy in regard to revenue recognition.

The Group follows the IFRS 15 five-step model framework in identifying contracts with customers.

Revenue recognition for sale of electronics components

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

The Group typically sells its products through purchase orders under contracts that include fixed or determinable prices and that generally do not include a right of return or similar provisions or other significant post-delivery obligations. Delivery does not occur until products have been shipped to the specified location as well as the risks of obsolescence and loss have been transferred to the customer.

Revenue recognition for Services

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

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

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

Financing components

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

Contract asset

Contract assets are recognized when the Group's right to consideration is conditional on something other then the passage of time. In the case of Vendor Management Inventory, control of the goods are 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 loss rates for both categories.

Contract liabilities

Contract liabilities are recognized in relation to prepayments of customers for IT service contracts, where the delivery of the related service will happen over time.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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. Impairment of financial assets is described under the section on financial instruments.

To review the underlying value of 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 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.

RELATED PARTIES

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

RETIREMENT BENEFIT OBLIGATIONS

The Group has defined benefit pension plans. A defined benefit plan is a pension plan which defines the pension obligation amount that the employee will receive at retirement age. 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.

SHARE-BASED PAYMENTS

When the Group received services from employees, it might offer as consideration equity instruments (options). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

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

EARNINGS PER SHARE

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

DEFINITION OF NON-GAAP MEASURES

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, net debt and free cash flow. Please refer to note 33 "Alternative Performance Measures" for the defintions and useages 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.

GOVERNMENT GRANTS

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

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

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

FINANCIAL ASSETS

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. The adjustments arising from the new rules are therefore recognized in the opening balance sheet as of 1 January 2018. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previoius accounting policy until 31 December 2017.

Until 31 December 2017, exceet classified its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and reclassified them whenever their intention or ability changed.

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

- Loans and receivables
  Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for maturities greater than 12 months after the balance sheet date. These were classified as non-current assets. Loans and receivables were classified as trade and other receivables in the balance sheet (see note 2.5 "Accounting and Valuation Principles").

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

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category were presented in the consolidated income statement within "Changes in fair value in financial instruments", in the period in which they arose. Dividend income from financial assets at fair value through profit or loss was recognized in the income statement as part of other income when the Group's right to receive payments was established.

The translation differences on monetary securities were recognized in profit or loss; translation differences on non-monetary securities were recognized in the consolidated statement of comprehensive income.

The Group assessed at each balance sheet date whether there was objective evidence that a financial asset or a group of financial assets was impaired. Impairment losses recognized in the consolidated income statement on equity instruments were not reversed through the income statement. Impairment testing of trade receivables is described in the section "2.5 Accounting and Valuation Principles.

From 1 January 2018, 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 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.

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

The fair value hierarchy has the following levels:

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

Level 2: Inputs other than quoted prices included within in 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: Classification for asset or liabilities which are not valued on observable market data (that is, unobservable inputs, for instance estimation and assumptions)

2.6 CHANGES IN ACCOUNTING PRINCIPLES

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

BALANCE SHEET (extract) (in EUR 1,000)	originally presented 31 December 2017	Adjustment IFRS 9	Adjustment IFRS 15	adjusted 1 January 2018
ASSETS				
Non-current assets				
Financial assets at fair value at amortized costs	0	384		384
Other financial investments	384	(384)		0
Total non-current assets	**50,915**	**0**		**50,915**
Current assets				
Inventories	30,033		(653)	29,380
Contract assets	0		1,072	1,072
Total current assets	**78,846**		**419**	**79,265**
Total assets	**129,761**	**0**	**419**	**130,180**
EQUITY				
Reserves	74,056		361	74,417
Equity attributable to Shareholders of the parent company	**74,368**		**361**	**74,729**
LIABILITIES				
Current liabilities				
Contract liabilities	0		445	445
Accrued expenses and deferred income	6,013		(445)	5,568
Total current liabilities	**38,557**		**0**	**38,557**
Non-current liabilities				
Deferred tax liabilitites	1,636		58	1,694
Total non-current liabilitites	**16,836**		**58**	**16,894**
Total liabilities	**55,393**		**58**	**55,451**
Total equity and liabilities	**129,761**	**0**	**419**	**130,180**

IMPLEMENTATION OF IFRS 9 ("FINANCIAL INSTRUMENTS")

Changes from Implementation of IFRS 9

As per 31 December 2017 the Group had financial assets in the amount of EUR 384, reclassified as "Financial assets at fair value at amortized costs". Thereof EUR 375 represented a loan to exceet Card Austria GmbH, a former participation of the Group, which was repayed by 31 March 2018 and EUR 9 represented a financial asset in connection to termination benefits for employees in exceet electronics GesmbH in Austria, which was divested with the exceet electronics activities.

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

- Trade receivables
- Contract assets

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. As contract assets related to unbilled deliveries and have substantially the same loss characteristics as trade receivables for the same type of contract, the Group decided to use the same loss rates for both categories. The recognized impairment was not materially different and remained on the same level.

IMPLEMENTATION OF IFRS 15 ("CONTRACT WITH CUSTOMERS")

Changes from Implementation of IFRS 15

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

Presentation of contract assets and contract liabilities

- Contract assets in the amount of EUR 1,072 have been recognized in relation to stock managed by exceet companies, (Vendor Managed Inventory (VMI)), which were previously presented within inventory (at costs, excluding margin), as the timing of transfer of control has been newly applied according the new standard.
- Contract liabilities in the amount of EUR 445 have been recognized in relation to prepayments of customers for IT service contracts, which were previously included within provisions for other liabilities.
- Within deferred tax liabilities a liability of EUR 58 had to be recognized in connection with the recognition of contract assets.
- The amount of EUR 361 was recognized within retained earnings related to the recognition of contract assets, after tax.

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

Deferred tax

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

Inventories

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

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.

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.

Goodwill impairment
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.5. 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. Management assumes at the current time that the provisions cover the different risks of the Group. However, it is possible that the situation will change and the costs are not covered with the existing provisions or the costs are lower than expected. Any arising changes can have effects on future periods. For details refer to note 20 “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. The carrying amounts of the plan assets and liabilities carried in the balance sheet are set out in note 16 “Retirement benefit obligations”.

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

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. Sales teams try to price goods in CHF, so long as the market is accepting this.

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 priving. 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 and USD.

As of 31 December 2018, the profits for the period and therefore equity would have been EUR 135 higher (2017: EUR 341) 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 2018, the profits for the period and therefore equity would have been EUR 36 lower (2017: EUR 27) 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:

	31.12.2018	Average 2018	31.12.2017	Average 2017
1 CHF	0.89	0.87	0.85	0.90
1 USD	0.87	0.85	0.83	0.89

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).

ECMS Segment

With a high value-added, the production of printed circuit boards (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.

ESS Segment

Most of the revenues within the ESS 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 expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The duration for which the Group has fixed the interest rates depends on the current interest conditions in the market.

Covenants, as agreed with the lending banks, determine the interest rate margin over the LIBOR or EURIBOR. This margin largely depends on business performance of the Group (leverage ratio). Compliance with the financial covenants means that the Group has good credit standing with banks and access to further financing resources. In addition, banks provide credit lines that also create scope for short-term financial 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 2018 of EUR 28 (2017: EUR 72). 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 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 regularly monitored and supported by an effective accounts receivables management method in close cooperation with key account managers. Applying the expected credit loss model according IFRS 9 is based on historical experience as well.

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

TRADE RECEIVABLES / LOANS (in EUR 1,000)	2018	2017
MAJOR COUNTERPARTIES WITH EXTERNAL CREDIT RATING[1]		
AA	0	296
A+	0	2,466
A	0	0
BBB	0	1,546
Total counterparties with external credit rating	**0**	**4,308**
MAJOR COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING		
Group 1	140	276
Group 2	2,665	11,716
Group 3	0	1,441
Total counterparties without external credit rating	**2,805**	**13,433**

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)
[1] Source for external credit rating: Standard & Poor's

The table below shows the bank balances rated:

CASH AT BANK AND SHORT-TERM BANK DEPOSITS (in EUR 1,000)	2018	2017
BANKS WITH EXTERNAL CREDIT RATING[1]		
AAA	105,438	11,624
AA	5	4,016
AA-	516	462
A+	52	38
A	6,755	5,628
A-	185	105
BBB	234	7,069
not rated	3	23
Total cash at bank and short-term bank deposits	**113,188**	**28,965**

[1] 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 damageto the Group's reputation.

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

The 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)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
BALANCES AT 31 DECEMBER 2018					
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	84	205	832	1,485
BALANCES AT 31 DECEMBER 2017					
Bank borrowings	19,206	3,424	1,969	2,369	26,968
Other borrowings	906	691	492	0	2,089
Trade payables	9,686	0	0	0	9,686
Other payables	2,039	84	205	832	3,160

CAPITAL RISK MANAGEMENT

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

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 debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at 31 December 2018 and 2017 were as follows:

(in EUR 1,000)	2018	2017
Bank borrowings	2,840	26,265
Finance lease	950	1,952
Total borrowings	3,790	28,217
Less: cash and cash equivalents (note 13)	(113,188)	(28,965)
Net (cash)/debt	**(109,398)**	**(748)**
Equity	131,480	74,368
Total equity and equity equivalents	131,480	74,368
Total capital	**22,082**	**73,620**
Gearing ratio	*(495%)*	*(1%)*

With the divestment of entities, the Group received a cash inflow of EUR 116.8 millions, increasing cash and cash equivalents. The decrease in gearing ratio in 2018 resulted from the reduction of net debt due to the repayment of debt as of 31 December 2018 in the amount of EUR 18.6 million (see the Consolidated Statement of Cash Flows).

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 (2017: none) that are measured at fair value.

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 held regularly between the CFO and the finance department.

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, Electronic Components Modules & Systems (ECMS)- in 2019 to be renamed as "Healthcare" - and exceet Secure Solutions (ESS) - in 2019 to be renamed as "Software and IoT"- representing different subsidiaries. The segments are reported in a manner that is consistent with the internal reporting provided to the Group's Chief Operating Decision Maker – CEO/CFO. In addition, the Group has a third segment "Corporate and others" for reporting purposes, which only includes the investment companies.

The segment results are were follows:

2018 (in EUR 1,000)	**ECMS**	**ESS**	**Corporate and others**	**Intersegment elimination**	**Continued Operations**
Revenue from sale of electronic components [1]	32,441	6,764	0		39,205
Revenue from sale of services [2]	111	2,219	0		2,330
External revenue	32,552	8,983	0		41,535
Inter-segment revenue	0	1	0	(1)	0
Total revenue	**32,552**	**8,984**	**0**	**(1)**	**41,535**
EBITDA	**8,263**	**(560)**	**(2,796)**		**4,907**
EBITDA Margin	*25.4%*	*(6.2%)*			*11.8%*
Depreciation, amortization and impairment	(2,088)	(605)	(101)		(2,794)
EBIT	**6,175**	**(1,165)**	**(2,897)**		**2,113**
EBIT Margin	*19.0%*	*(13.0%)*			*5.1%*
Financial income	481	4	1,292	(76)	1,701
Financial expense	(599)	(90)	(3,438)	76	(4,051)
Financial result – net	**(118)**	**(86)**	**(2,146)**	**0**	**(2,350)**
Profit/(Loss) before income tax	**6,057**	**(1,251)**	**(5,043)**		**(237)**
Income tax	(803)	504	1		(298)
Profit/(Loss) for the period	**5,254**	**(747)**	**(5,042)**		**(535)**
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 recognied overtime

2017 (in EUR 1,000)	ECMS	ESS	Corporate and others	Intersegment elimination	Continued Operations
Revenue from sale of electronic components [1]	32,754	6,523	0		39,277
Revenue from sale of services [2]	55	2,862	207		3,124
External revenue	32,809	9,385	207		42,401
Inter-segment revenue	0	0	0	0	0
Total revenue	**32,809**	**9,385**	**207**	**0**	**42,401**
EBITDA	**7,123**	**(2,166)**	**(2,727)**		**2,230**
EBITDA Margin	*21.7%*	*(23.1%)*			*5.3%*
Depreciation, amortization and impairment	(2,235)	(1,280)	(81)		(3,596)
EBIT	**4,888**	**(3,446)**	**(2,808)**		**(1,366)**
EBIT Margin	*14.9%*	*(36.7%)*			*(3.2%)*
Financial income	323	0	2,094	(96)	2,321
Financial expense	(476)	(97)	(440)	96	(917)
Financial result – net	**(153)**	**(97)**	**1,654**	**0**	**1,404**
Profit/(Loss) before income tax	**4,735**	**(3,543)**	**(1,154)**		**38**
Income tax	(635)	193	0		(442)
Profit/(Loss) for the period	**4,100**	**(3,350)**	**(1,154)**		**(404)**
Non-current assets	14,211	6,393	485		21,089
Current assets	14,211	1,892	9,278		25,381
Liabilities	8,938	1,085	19,573		29,596
Capital expenditure tangible assets	1,129	34	4		1,167
Capital expenditure intangible assets	6	560	0		566
Depreciation tangible assets	(2,002)	(110)	(20)		(2,132)
Amortization intangible assets	(233)	(453)	(61)		(747)
Impairment intangible assets	0	(717)	0		(717)

1) Revenue is recognized at a point in time
2) Revenue is recognied overtime

Disaggregation of revenue

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

(in EUR 1,000)	2018	2017
Health	28,643	26,671
Industry	12,892	15,730
Total	**41,535**	**42,401**

Top customer information

In 2018, 26.0% (2017: 16.1%) of total revenue of the Group was generated with one client from ECMS, with another client from ECMS 10.4% (2017: 15.6%) revenue was generated in 2018. There is no other single customer with a share of revenue greater than 10.0% of total Group revenue in 2018.

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

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

	Revenue				Non-current assets			
(in EUR 1,000)	**2018**	***in %***	**2017**	***in %***	**2018**	***in %***	**2017**	***in %***
Germany	8,597	*20.7%*	9,074	*21.4%*	6,373	*30.7%*	6,393	*30.3%*
Switzerland	10,137	*24.4%*	9,998	*23.6%*	14,364	*69.3%*	14,695	*69.7%*
Rest of Europe	13,954	*33.7%*	10,134	*23.9%*	0	*0.0%*	0	*0.0%*
Total Europe	**32,688**	***78.8%***	**29,206**	***68.9%***	**20,737**	***100.0%***	**21,088**	***100.0%***
North & South America	3,048	*7.3%*	4,140	*9.8%*	0	*0.0%*	1	*0.0%*
Asia (incl. Australia)	5,574	*13.4%*	8,875	*20.9%*	0	*0.0%*	0	*0.0%*
Middle East & Africa	225	*0.5%*	180	*0.4%*	0	*0.0%*	0	*0.0%*
Total	**41,535**	***100.0%***	**42,401**	***100.0%***	**20,737**	***100.0%***	**21,089**	***100.0%***

4. FINANCIAL INSTRUMENTS BY CATEGORY

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

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

31 DECEMBER 2017 (in EUR 1,000)	Loans and receivables[1)]	Assets at fair value through profit or loss	Total
ASSETS AS PER BALANCE SHEET			
Loan	375		375
Trade and other receivables (excluding prepayments)	19,198		19,198
Cash and cash equivalents	28,965		28,965
Total	**48,538**	**0**	**48,538**

31 DECEMBER 2017 (in EUR 1,000)	Other financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
LIABILITIES AS PER BALANCE SHEET			
Borrowings (excluding finance lease liabilities)	26,265		26,265
Finance lease liabilities	1,952		1,952
Trade and other payables (excluding non-financial liabilities)	12,846		12,846
Accrued expenses and prepaid income	6,013		6,013
Total	**47,076**	**0**	**47,076**

1) With the implementation of IFRS 9 without restatement of prior year periods, the description for 2017 has not been adjusted

5. TANGIBLE ASSETS

2018 (in EUR 1,000)	Land & building	Production facilities & machinery	Equipment	Vehicles	IT Hardware	Assets under construction	Total
AQUISITION COSTS							
As of 1 January 2018	**18,303**	**39,554**	**5,601**	**203**	**2,265**	**420**	**66,346**
Disposal of subsidiaries (note 29)	(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
As of 31 December 2018	**5,320**	**19,173**	**3,648**	**172**	**834**	**852**	**29,999**
ACCUMULATED DEPRECIATION							
As of 1 January 2018	**(3,606)**	**(30,475)**	**(4,012)**	**(174)**	**(1,551)**	**0**	**(39,818)**
Disposal of subsidiaries (Note 29)	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)
As of 31 December 2018	**(1,864)**	**(15,348)**	**(2,628)**	**(156)**	**(708)**	**0**	**(20,704)**
ACCUMULATED IMPAIRMENT							
As of 1 January 2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Disposal of subsidiaries (Note 29)	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
As of 31 December 2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as of 1 January 2018	**14,697**	**9,079**	**1,589**	**29**	**714**	**420**	**26,528**
Net book value as of 31 December 2018	**3,456**	**3,825**	**1,020**	**16**	**126**	**852**	**9,295**

2017 (in EUR 1,000)	Land & building	Production facilities & machinery	Equipment	Vehicles	IT Hardware	Assets under construction	Total
AQUISITION COSTS							
As of 1 January 2017	**18,307**	**39,772**	**5,691**	**200**	**2,097**	**594**	**66,661**
Disposal of subsidiaries (note 29)	0	0	0	0	0	0	0
Additions	457	1,357	339	32	352	443	2,980
Disposals	0	(240)	(65)	(14)	(117)	0	(436)
Transfer to other category	0	593	23	0	0	(616)	0
Currency translation differences	(461)	(1,928)	(387)	(15)	(67)	(1)	(2,859)
As of 31 December 2017	**18,303**	**39,554**	**5,601**	**203**	**2,265**	**420**	**66,346**
ACCUMULATED DEPRECIATION							
As of 1 January 2017	**(3,157)**	**(28,998)**	**(3,819)**	**(172)**	**(1,429)**	**0**	**(37,575)**
Disposal of subsidiaries (Note 29)	0	0	0	0	0	0	0
Additions	(591)	(3,230)	(539)	(26)	(301)	0	(4,687)
Disposals	0	237	63	14	117	0	431
Transfer to other category	0	0	0	(3)	3	0	0
Currency translation differences	142	1,516	283	13	59	0	2,013
As of 31 December 2017	**(3,606)**	**(30,475)**	**(4,012)**	**(174)**	**(1,551)**	**0**	**(39,818)**
ACCUMULATED IMPAIRMENT							
As of 1 January 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Disposal of subsidiaries (Note 29)	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
As of 31 December 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as of 1 January 2017	**15,150**	**10,774**	**1,872**	**28**	**668**	**594**	**29,086**
Net book value as of 31 December 2017	**14,697**	**9,079**	**1,589**	**29**	**714**	**420**	**26,528**

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

Production facilities and machinery

(in EUR 1,000)	2018	2017
Cost - capitalized finance leases	11,664	14,056
Accumulated depreciation	(9,604)	(10,743)
Net book amount	**2,060**	**3,313**

The Group leases various production facilities and machinery under non-cancellable finance lease agreements. The lease terms are 4 to 5 years. The Group purchased fixed assets through finance lease arrangements of EUR 303 (2017: EUR 295).

Within continued operations depreciation expense of EUR 1,213 (2017: EUR 1,440) has been charged in “cost of sales”, EUR 536 (2017: EUR 614) in “administrative expenses”, EUR 228 (2017: EUR 77) in “distribution costs”. Depreciation expense of EUR 1,618 (2017: EUR 2,555) were within discontinued operations.

EUR 3,465 (2017: EUR 14,709) of land and buildings are secured for bank borrowings. Furthermore, EUR 0 (2017: EUR 4,340) machinery and equipment are pledged for borrowing facilities (see note 28 “Pledged assets”).

Commitments

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

(in EUR 1,000)	2018	2017
Property, plant and equipment	3,312	2,586
Intangible assets	0	13
Total	**3,312**	**2,599**

6. INTANGIBLE ASSETS

2018 (in EUR 1,000)	Goodwill	Customer base	Technology	Brand	Software	Intangible assets under construction	Other intangible assets	Total
AQUISITION COSTS								
As of 1 January 2018	**24,125**	**27,475**	**6,882**	**1,875**	**4,965**	**2,480**	**27**	**67,829**
Disposal of subsidiaries (note 29)	(17,177)	(21,716)	(3,886)	(1,887)	(3,334)	0	0	(48,000)
Additions	0	0	0	0	163	0	0	163
Disposals	0	0	0	0	0	0	0	0
Transfer to other category	0	0	558	0	0	(558)	0	0
Currency translation differences	291	239	81	12	72	0	0	695
As of 31 December 2018	**7,239**	**5,998**	**3,635**	**0**	**1,866**	**1,922**	**27**	**20,687**
ACCUMULATED AMORTIZATION								
As of 1 January 2018	**0**	**(16,708)**	**(5,684)**	**(1,589)**	**(4,555)**	**0**	**(27)**	**(28,563)**
Disposal of subsidiaries (note 29)	0	14,237	3,384	1,635	3,035	0	0	22,291
Additions	0	(1,139)	(269)	(34)	(237)	0	0	(1,679)
Disposals	0	0	0	0	0	0	0	0
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	0	(178)	(81)	(12)	(71)	0	0	(342)
As of 31 December 2018	**0**	**(3,788)**	**(2,650)**	**0**	**(1,828)**	**0**	**(27)**	**(8,293)**
ACCUMULATED IMPAIRMENT								
As of 1 January 2018	**(11,437)**	**(3,508)**	**0**	**0**	**0**	**(1,551)**	**0**	**(16,496)**
Disposal of subsidiaries (note 29)	13,055	3,531	0	0	0	0	0	16,586
Additions	(1,500)	0	0	0	0	0	0	(1,500)
Disposals	0	0	0	0	0	0	0	0
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	(118)	(23)	0	0	0	0	0	(141)
As of 31 December 2018	**0**	**0**	**0**	**0**	**0**	**(1,551)**	**0**	**(1,551)**
Net book value as of 1 January 2018	**12,688**	**7,259**	**1,198**	**286**	**410**	**929**	**0**	**22,770**
Net book value as of 31 December 2018	**7,239**	**2,210**	**985**	**0**	**38**	**371**	**0**	**10,843**

2017 (in EUR 1,000)	Goodwill	Customer base	Technology	Brand	Software	Intangible assets under construction	Other intangible assets	Total
AQUISITION COSTS								
As of 1 January 2017	**25,681**	**28,923**	**7,027**	**1,996**	**5,032**	**2,161**	**27**	**70,847**
Disposal of subsidiaries (note 29)	0	0	0	0	0	0	0	0
Additions	0	0	0	0	194	539	0	733
Disposals	0	0	0	(6)	(6)	0	0	(12)
Transfer to other category	0	0	220	0	0	(220)	0	0
Currency translation differences	(1,556)	(1,448)	(365)	(115)	(255)	0	0	(3,739)
As of 31 December 2017	**24,125**	**27,475**	**6,882**	**1,875**	**4,965**	**2,480**	**27**	**67,829**
ACCUMULATED AMORTIZATION								
As of 1 January 2017	**0**	**(15,973)**	**(5,446)**	**(1,489)**	**(4,406)**	**0**	**(27)**	**(27,341)**
Disposal of subsidiaries (note 29)	0	0	0	0	0	0	0	0
Additions	0	(1,705)	(591)	(215)	(394)	0	0	(2,905)
Disposals	0	0	0	6	6	0	0	12
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	0	970	353	109	239	0	0	1,671
As of 31 December 2017	**0**	**(16,708)**	**(5,684)**	**(1,589)**	**(4,555)**	**0**	**(27)**	**(28,563)**
ACCUMULATED IMPAIRMENT								
As of 1 January 2017	**(3,073)**	**(1,048)**	**0**	**0**	**0**	**(834)**	**0**	**(4,955)**
Disposal of subsidiaries (note 29)	0	0	0	0	0	0	0	0
Additions	(9,056)	(2,625)	0	0	0	(717)	0	(12,398)
Disposals	0	0	0	0	0	0	0	0
Transfer to other category	0	0	0	0	0	0	0	0
Currency translation differences	692	165	0	0	0	0	0	857
As of 31 December 2017	**(11,437)**	**(3,508)**	**0**	**0**	**0**	**(1,551)**	**0**	**(16,496)**
Net book value as of 1 January 2017	**22,608**	**11,902**	**1,581**	**507**	**626**	**1,327**	**0**	**38,551**
Net book value as of 31 December 2017	**12,688**	**7,259**	**1,198**	**286**	**410**	**929**	**0**	**22,770**

The amortization expense of EUR 1,679 (2017: EUR 2,905) has been charged in “cost of sales”.

Within the ECMS segment an impairment of EUR 1,625 was recognized in customer base for exceet electronics AG, as per 30 June 2017, due to the lowered expected future cash flow generated by the declined number of customer projects. The recoverable amount, based on value-in-use valuation, amounted to EUR 1,713 as per 31 December 2017.

As per 31 December 2017 an analysis on the long-term sustainability of the customer base of exceet electronics GesmbH resulted in an impairment of EUR 1,000. The recoverable amount was EUR 836, based on a value-in-use calculation.

In 2017, within the ESS segment an impairment of EUR 70 was recognized within the assets under construction for exceet Secure Solutions GmbH, related to a software project. Due to the re-evalutation of the software projects in exceet Secure Solutions as per 31 December 2017, an additional impairment of EUR 647 for assets under construction (software) was recognized. The recoverable amount was EUR 1,149 as per 31 December 2017.

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 combined divestment of all exceet electronics activities, the cash generating units of exceet electronics GmbH, exceet electronics GesmbH and exceet electronics AG were merged into one CGU "exceet electronics activities".

Summary of the goodwill allocation and movements:

2018 (in EUR 1,000)	Opening	Impairment	Disposal	Currency translation difference	Closing
GS Swiss PCB AG	4,372			168	4,540
ECMS Segment	**4,372**	**0**	**0**	**168**	**4,540**
exceet Secure Solutions GmbH	380				380
Lucom GmbH Elektrokomponenten und Systeme	2,319				2,319
ESS Segment	**2,699**	**0**	**0**	**0**	**2,699**
exceet electronics AG [1]	1,544	(1,500)	(49)	5	0
exceet electronics GesmbH	793		(793)		0
exceet electronics GmbH	3,280		(3,280)		0
exceet electronics activities	**5,617**	**(1,500)**	**(4,122)**	**5**	**0**
Total	**12,688**	**(1,500)**	**(4,122)**	**173**	**7,239**

2017 (in EUR 1,000)	Opening	Impairment	Disposal	Currency translation difference	Closing
GS Swiss PCB AG	4,764			(392)	4,372
ECMS Segment	**4,764**	**0**	**0**	**(392)**	**4,372**
exceet Secure Solutions GmbH	380				380
Lucom GmbH Elektrokomponenten und Systeme	2,319				2,319
ESS Segment	**2,699**	**0**	**0**	**0**	**2,699**
exceet electronics AG [1]	11,072	(9,056)		(472)	1,544
exceet electronics GesmbH	793				793
exceet electronics GmbH	3,280				3,280
exceet electronics activities	**15,145**	**(9,056)**	**0**	**(472)**	**5,617**
Total	**22,608**	**(9,056)**	**0**	**(864)**	**12,688**

1) former Mikrap AG, merged with ECR AG 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 were extrapolated using an estimated 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	
	2018	2017	2018	2017	2018	2017	2018	2017
GS Swiss PCB AG	4%	4%	4%	3%	1%	1%	7.6%	6.3%
exceet Secure Solutions GmbH	14%	14%	20%	20%	1%	1%	10.7%	8.3%
Lucom GmbH Elektrokomponenten und Systeme	7%	6%	8%	7%	1%	1%	10.7%	8.3%

The estimated recoverable amount for all cash generating units exceeded 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 were 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% (2017: 1%) and used to extrapolate cash flows beyond the forecast period of five years.

Pre-tax discount rate
Discount rates were used on a pre-tax basis and represent the current market assessment of the risks specific to each CGU. The discount rate calculation was based on the specific circumstances of the Group and its operating segments and was 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 was derived from the expected return on investment by the Group's investors. The cost of debt was based on the interest-bearing borrowings the Group is obliged to service in the different countries of operation. Segment-specific risk are incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

exceet electronics activities / exceet electronics AG
Based on the negotiations with the buyer of the exceet electronics activities, the carrying value of the combined CGU exceet electronics acitvities 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.

In line with the restructuring and subsequent merger as of 1 July 2017 (retroactively per 1 January 2017) of the two Rotkreuz based operational entities within the ECMS segment of ECR AG into exceet electronics AG, these two cash-generating-units (CGU) have been regarded as one CGU. Calculations based on the pre-tax cash flow of the CGU, taking into account the actual performance and expected business development, showed the carrying amount to exceed the recoverable amount. Therefore management decided as per 30 June 2017 to recognize an impairment loss of EUR 9,056 against the CGU's goodwill.

The goodwill amount in relation to exceet electronics AG amounted as per 31 December 2017 (after currency translation effects of minus EUR 472) to EUR 1,544.

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 2018 would be 1 percentage point lower than management's estimates at 31 December 2018 (for example, 4.0% instead of 5.0%).
- If the estimated gross margin (Net sales less material costs) at 31 December 2018 would be 1 percentage point lower than management's estimates at 31 December 2018 (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, 7.3% instead of 6.3%).

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 2018 would be 10 percentage points lower than management's estimates at 31 December 2018 (for example, 4.0% instead of 14.0%).
- If the estimated gross margin (Net sales less material costs) at 31 December 2018 would be 10 percentage points lower than management's estimates at 31 December 2018 (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:

		Impact on the headroom of the test			
CASH-GENERATING UNIT (CGU)	„Valuation Head-room based on assumptions 2018	Revenue growth rate (-10 percentage points)	Gross margin rate (-10 percentage points)	Discount rate (+1 percentage point)	Combination of all factors
exceet Secure Solutions GmbH	6,310	(2,856)	(7,853)	(900)	(11,609)

Based on the additional sensitivity analysis performed for exceet Secure Solutions GmbH, with a recoverable amount, based on value-in-use calculation, of EUR 7,853 as per 31 December 2018, any combination of the sensitivity of the Gross margin rate with another sensitivity or the combination of all three key assumptions of the sensitity analysis together might have 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)	2018	2017
Total current income tax	(3,295)	(3,255)
Total deferred tax	912	1,650
Total income tax recognized in income statement	**(2,383)**	**(1,605)**
Total deferred tax directly recognized in other comprehensive income	(71)	(654)
Total income tax expense	**(2,454)**	**(2,259)**

Income tax expense is attributable to:		
Loss from continued operations	(298)	(442)
Loss from discontinued operations	(2,085)	(1,163)
Total income tax recognized in income statement	**(2,383)**	**(1,605)**
Total income tax directly recognized in other comprehensive income att. to continued operations	71	(446)
Total income tax directly recognized in other comprehensive income att. to discontinued operations	(142)	(208)
Total income tax expense	**(2,454)**	**(2,259)**

Reconciliation of tax expense

(in EUR 1,000)	2018	2017
Profit/(Loss) from continued operations before income tax expense	(237)	38
Profit/(Loss) from discontinued operations before income taxe expense	55,020	(9,448)
	54,783	(9,410)
Group effective taxe rate	**5.05%**	**34.14%**
Tax calculated at average domestic tax rates applicable to results in the respective jurisdictions	(2,765)	3,213
Non-taxable income / additional taxable expenses	902	1,285
Non-deductible expenses / additional taxable income	(382)	(4,481)
Unrecognized tax loss carryforwards attributable to continued operations	(7)	(364)
Unrecognized tax loss carryforwards attributable to discontinued operations	0	(35)
Effect of changes in local tax rates	30	(17)
Write off intercompany loan	0	(1,186)
Effect of sale of companies	(150)	0
Tax effect from prior years	(11)	(20)
Total income tax (current & deferred)	**(2,383)**	**(1,605)**
in % of earnings before tax	*4.35%*	*(17.06%)*

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. In 2017 for some of the loss making subsidiaries no deferred tax asset was recognized as it appeared not likely that these entities will generate taxable income in the foreseeable future. As a result the tax calculated at average domestic tax rates has significantly changed for 2018 compared to the prior year.

The two main reasons for the movements in the reconciliation of tax expense in 2018 were as follows: EUR 901 (2017: EUR 865) of "Non-taxable income" and EUR 225 (2017: EUR 2,973) of "Non-deductible expense" resulted out of the year-end currency adjustment (EUR/CHF) of a convertible loan 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 2018, 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 was follows:

(in EUR 1,000)	2018	2017
At 1 January	**(403)**	**(1,429)**
Income statement charge	912	1,650
Disposal of subsidiaries	(363)	0
Directly recognized in other comprehensive income	(71)	(654)
Currency translation difference	(2)	30
At 31 December	**73**	**(403)**

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 2018 deferred tax liabilities in the amount of EUR 1,473 were offset with deferred tax assets. In 2017 deferred tax liabilities of EUR 1,252 and deferred tax assets of EUR 1,550 were offset with deferred tax assets and liabilities. The following amounts remained after offsetting:

(in EUR 1,000)	2018	2017
DEFERRED TAX ASSETS		
Deferred tax assets, realized after 12 months	599	994
Deferred tax assets, realized within 12 months	0	239
Total deferred tax assets	**599**	**1,233**
DEFERRED TAX LIABILITIES		
Deferred tax liabilities, realized after 12 months	0	(916)
Deferred tax liabilities, realized within 12 months	(526)	(720)
Total deferred tax liabilities	**(526)**	**(1,636)**
Total deferred tax	**73**	**(403)**

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, were determined as follows:

(in EUR 1,000)	Intangible assets	Tangible assets	Inventories	Provisions	Pension liability	Capitalized tax losses carry-forwards	Others	Total
DEFERRED TAX ASSETS								
1 January 2018	**0**	**0**	**148**	**10**	**716**	**3,023**	**138**	**4,035**
Disposal of subsidiaries (note 29)			(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
31 December 2018	**0**	**0**	**0**	**0**	**332**	**1,740**	**0**	**2,072**
1 January 2017	**0**	**2**	**161**	**8**	**1,411**	**2,620**	**55**	**4,257**
Disposal of subsidiaries (note 29)								0
Movements via income statement		(2)	(13)	2	20	446	83	536
Movements via OCI					(654)			(654)
Currency translation differences					(61)	(43)		(104)
31 December 2017	**0**	**0**	**148**	**10**	**716**	**3,023**	**138**	**4,035**

(in EUR 1,000)	Intangible assets	Tangible assets	Inventories	Provisions	Pension liability	Longterm Liabilities	Others	Total
DEFERRED TAX LIABILITIES								
1 January 2018	**(2,596)**	**(292)**	**(635)**	**(64)**	**0**	**(781)**	**(70)**	**(4,438)**
Disposal of subsidiaries (note 29)	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)
31 December 2018	**(1,149)**	**(162)**	**(500)**	**(6)**	**0**	**(156)**	**(26)**	**(1,999)**
1 January 2017	**(3,499)**	**(389)**	**(844)**	**(92)**	**0**	**(781)**	**(81)**	**(5,686)**
Disposal of subsidiaries (note 29)								0
Movements via income statement	856	78	148	26			5	1,113
Currency translation differences	47	19	61	2			6	135
31 December 2017	**(2,596)**	**(292)**	**(635)**	**(64)**	**0**	**(781)**	**(70)**	**(4,438)**

Group companies have uncapitalized tax losses of EUR 28,163 (2017: EUR 26,687) as it is uncertain that the companies can utilize them. Of those tax losses EUR 20,091 (2017: EUR 17,107) have no expiry date.

8. INVENTORIES

(in EUR 1,000)	2018	2017
Raw materials	1,882	21,189
Work in progress and semi-finished products	1,595	4,636
Finished goods	912	8,515
Inventory provision	(517)	(4,307)
Total	**3,872**	**30,033**

The cost of inventories recognized as expenses and included in "cost of sales" amounted to EUR 13,290 (2017: EUR 14,806).

No Inventories are pledged (2017: EUR 0) (see note 28 "Pledged assets").

9. TRADE RECEIVABLES

(in EUR 1,000)	2018	2017
Trade accounts receivable, gross - due from third parties	3,468	17,883
Provision for impairment	(10)	(517)
Total	**3,458**	**17,366**

As of 31 December 2018 trade receivables of EUR 13 (2017: EUR 1,416) were partially impaired. The amount of the total provision for these receivables amounted to EUR 10 as of 31 December 2018 (2017: EUR 517), as there was evidence that not all amounts due will be collected. In total there were EUR 0 (2017: EUR 0) insured, including EUR 0 (2017: EUR 0) receivables which were not due.

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

(in EUR 1,000)	2018	2017
Not due and past due up to 3 months	0	0
Past due over 3 to 6 months	1	1,012
Past due over 6 to 12 months	1	117
Past due over 12 months	11	287
Total	**13**	**1,416**

As of 31 December 2018 trade receivables of EUR 256 (2017: EUR 2,753) were past due since up to 3 months but were not impaired. This decision was 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)	2018	2017
At 1 January	**517**	**300**
Disposal of subsidiaries (note 29)	(354)	0
Charged/(credited) to the income statement		
- additional provisions	283	336
- unused amounts reversed	(411)	(25)
Used during the year	(32)	(93)
Currency translation differences	7	(1)
At 31 December	**10**	**517**

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

(in EUR 1,000)	2018	2017
EUR	1,268	12,147
CHF	1,840	4,525
USD	360	1,211
Total	**3,468**	**17,883**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Accounts receivables in the amount of EUR 2,673 (2017: EUR 9,139) were pledged (see note 28 "Pledged assets").

10. CONTRACT ASSETS / LIABILITIES

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

(in EUR 1,000)	2018	2017 [1]
Contract assets from Vendor Managed Inventory (VMI) contracts	1,819	1,072
Contract assets	**1,819**	**1,072**

(in EUR 1,000)	2018	2017 [1]
Contract liabiliity from IT services contracts	411	445
Contrat liabilities	**411**	**445**

1) Balance after adjustment as per 01.01.2018 - see note 2.6 "Change in accounting principle"

After billing the goods finally to the customer, contract assets of EUR 1'072 (2017: EUR 713) were moved to trade receivables. Contract assets increased by year end 2018 as deliveries into Vendor Managed Inventory increased depending on the expected demand from the customer.

EUR 445 (2017: EUR 527) of contract liabilities in relation to IT service contracts have been recognized as revenue in the current year.

11. OTHER RECEIVABLES

(in EUR 1,000)	2018	2017
Short-term deposit	85	141
Social securities	226	489
Payables with debit balances	15	38
Value added tax/withholding tax	210	297
Payments in advance	298	47
Services not yet invoiced	0	77
Others	39	173
Total	**873**	**1,262**

Other receivables in the amount of EUR 412 (2017: EUR 698) are pledged (see note 28 "Pledged assets").

12. PREPAID EXPENSES

(in EUR 1,000)	2018	2017
Insurance companies	8	24
Social costs	2	2
Rents	18	20
Maintenance contracts	145	209
Exhibition	29	74
Credit note for goods	0	215
Fees	51	28
Others	23	31
Total	**276**	**603**

Prepaid expenses are reflected in expenses.

13. CASH AND CASH EQUIVALENTS

(in EUR 1,000)	2018	2017
Cash at bank and on hand	112,996	28,664
Short-term bank deposits	192	301
Total	**113,188**	**28,965**

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

No cash and cash equivalents were pledged in 2018 (2017: EUR 0) (see note 28 “Pledged assets”).

14. EQUITY

Share capital of exceet Group SE

With resolution at the Extraordinary General Meeting (EGM) held on 2 May 2018, the issued share capital 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).

Share capital of exceet Group SE has developed as follows:

	Euro
Balance at 1 January 2018	311,960.16
Balance at 31 December 2018	311,960.16
Balance at 1 January 2017	311,960.16
Balance at 31 December 2017	311,960.16

The number of shares was as follows:

	Total Shares	Class A Shares
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
Number of shares issued as at 1 January 2017	20,523,695	20,523,695
Number of shares issued as at 31 December 2017	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

(in EUR 1,000)	
Balance at 31 December 2017	**74,056**
Remeasurement IFRS 15	361
Balance at 1 January 2018	**74,417**
Total comprehensive income for the period	56,751
Balance at 31 December 2018	**131,168**
Balance at 1 January 2017	**83,830**
Total comprehensive income for the period	(9,774)
Balance at 31 December 2017	**74,056**

15. BORROWINGS

(in EUR 1,000)	2018	2017
NON-CURRENT		
Bank borrowings	2,840	7,231
Finance lease liabilities (note 27)	402	1,154
Total non-current borrowings	3,242	8,385
CURRENT		
Bank borrowings	0	19,034
Finance lease liabilities (note 27)	548	798
Other loans	0	0
Total current borrowings	548	19,832
Total	**3,790**	**28,217**

Bank borrowings were denominated to 100% in CHF (2017: 80%) and 0% (2017: 20%) in EUR.

With the sale of the card business (IDMS) in 2016 exceet was obliged to reduce its bank borrowing debt by EUR 4.5 million (CHF 5.0 million) as of 31 March 2017.

After these adaptions, the main credit facility agreement offered exceet a possible maximal amount of CHF 23 million (EUR 19.7 million with exchange rate 2017) of which CHF 21.5 million (EUR 18.4 million with exchange rate 2017) were drawn. This facility was valid until 28 February 2018. 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 a certain leverage ratio (defined as net debt divided by EBITDA) was exceeded; certain operation measures were not met or in the case of a change of control of the Group. However, the possible termination of the bank facility due to the change of control triggered with the new majority shareholding of White Elephant S.à r.l. was waived by the bank and a new agreement with a duration period of five years was signed in February 2018.

In the same process, the two associated loan facilities of the Swiss operational subsidiaries with a line of credit in the amount of CHF 10 million (EUR 8.9 million) contain general market conditions and requirements, including restrictions due to change of control, were waived by the bank and new agreements with the bank were signed in February 2018.

During the sales process for certain business activities in 2018, exceet agreed with the bank providing the main credit facility a waiver regarding the immediate repayment obligation of the credit in the case of selling assets till end of 2018. Independent of the confirmed compliance with the financial covenants exceet repaid the drawn amount of CHF 21.5 million (EUR 19.1 million with exchange rate 2018) as of 31 December 2018. In the consquence the nominal value of the total bank borrowings as of 31 December 2018 was EUR 2,840 (2017: EUR 26,265).

The total bank borrowings are secured liabilities. Bank borrowings in the amount of EUR 2,840 (2017: EUR 7,303) are secured by land and buildings of the Group (see note 5 "Tangible assets") and by assigned trade receivables (2017: EUR 510).

In 2017 other bank borrowings of EUR 18,373 were additionally secured by shares of the subsidiary GS Swiss PCB AG,of the exceet Group AG and EUR 79 by machinery (see note 28 "Pledged assets).

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

(in EUR 1,000)	2018	2017
6 months or less	0	20,907
6 - 12 months	548	867
1 - 2 years	0	359
2 - 5 years	3,242	4,414
Over 5 years	0	1,670
Total	**3,790**	**28,217**

As per 31 December 2018, the borrowings within interest repricing dates of 6 months or less were mainly non-current with floating interest rates.

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

(in EUR 1,000)	2018	2017
CARRYING AMOUNT		
Bank borrowings	2,840	7,231
Finance lease liabilities	402	1,154
Total	**3,242**	**8,385**
FAIR VALUE		
Bank borrowings	2,912	7,762
Finance lease liabilities	402	1,154
Total	**3,314**	**8,916**

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

The Group had the following undrawn borrowing facilities:

(in EUR 1,000)	2018	2017
Floating rate:		
- Expiring within one year	5,527	6,361
- Expiring beyond one year	0	2,200
Fixed rate:		
- Expiring within one year	0	0
- Expiring beyond one year	0	0
Total	**5,527**	**8,561**

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
2018				
Current	19,034	798	19,832	
Non-current	7,231	1,154	8,385	384
As of 1 January 2018	**26,265**	**1,952**	**28,217**	**384**
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)	
Changes in fair value	0	0	0	
Currency translation differences	347	43	390	(4)
Other non-cash movements		303	303	
As of 31 December 2018	**2,840**	**950**	**3,790**	**0**
Current	0	548	548	
Non-current	2,840	402	3,242	

2017				
Current	6,154	779	6,933	
Non-current	27,926	1,432	29,358	1,517
As of 1 January 2017	**34,080**	**2,211**	**36,291**	**1,517**
Changes from financing cash flows	(5,771)	(439)	(6,210)	1,060
Changes arising from losing control of subsidiaries or other businesses	0	0	0	
Changes in fair value	0	0	0	
Currency translation differences	(2,044)	(115)	(2,159)	(71)
Other non-cash movements	0	295	295	(2)
As of 31 December 2017	**26,265**	**1,952**	**28,217**	**384**
Current	19,034	798	19,832	
Non-current	7,231	1,154	8,385	384

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.

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

With the disposal of the exceet electronics Group, part of the Swiss retirement benefit obligation related to exceet electronics AG was transferred to the buyer. The German retirement benefit obligation was transferred to the buyer with the disposal of AEMtec GmbH.

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 was composed as follows:

(in EUR 1,000)	2018	2017
Present value of funded obligation	(33,208)	(45,382)
Fair value of plan asset	30,581	41,972
	(2,627)	(3,410)
Present value of unfunded obligation	0	(1,641)
Liability in the balance sheet	**(2,627)**	**(5,051)**

Movement of the defined benefit obligation:

2018 (in EUR 1,000)	Present value of obligation	Fair value of plan assets	Total
At 1 January 2018	**(47,023)**	**41,972**	**(5,051)**
Disposal of exceet electronics Group / 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)
Total amount recorded in the income statement	**(1,551)**	**236**	**(1,315)**
REMEASUREMENTS			
-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
Total remeasurements	**2,304**	**(1,675)**	**629**
CONTRIBUTIONS			
-Company contributions		892	892
-Plan participants	(754)	754	0
Total contributions	**(754)**	**1,646**	**892**
PAYMENTS FOR PLAN			
-Benefit payments	2,532	(2,532)	0
-Benefits paid by employer	9		9
Total payments for plan	**2,541**	**(2,532)**	**9**
Exchange differences	**(1,404)**	**1,299**	**(105)**
At 31 December 2018	**(33,208)**	**30,581**	**(2,627)**

2017 (in EUR 1,000)	Present value of obligation	Fair value of plan assets	Total
At 1 January 2017	**(54,834)**	**44,523**	**(10,311)**
Current service cost	(1,756)		(1,756)
Plan amendments	600		600
(Gain) / loss from non-routine settlements	25		25
Interest on obligation / assets	(380)	297	(83)
Administration expense		(58)	(58)
Total amount recorded in the income statement	**(1,511)**	**239**	**(1,272)**
REMEASUREMENTS			
-Return on plan assets		2,241	2,241
-Gain / (loss) from change in economic assumptions	363		363
-Gain / (loss) from experience	2,345		2,345
Total remeasurements	**2,708**	**2,241**	**4,949**
CONTRIBUTIONS			
-Company contributions		1,090	1,090
-Plan participants	(922)	922	0
Total contributions	**(922)**	**2,012**	**1,090**
PAYMENTS FOR PLAN			
-Benefit payments	3,319	(3,319)	0
-Benefits paid by employer	17		17
Total payments for plan	**3,336**	**(3,319)**	**17**
Exchange differences	**4,200**	**(3,724)**	**476**
At 31 December 2017	**(47,023)**	**41,972**	**(5,051)**

Of the total charge of EUR 1'315 (2017: EUR 1,272), EUR 326 (2017: EUR 344) were in relation to discontinued operations, of the remaining EUR 989 (2017: EUR 928), EUR 731 (2017: EUR 699) were included in “cost of sales”, EUR 122 (2017: EUR 107) in “administrative expenses”, EUR 136 (2017: EUR 122) in “distribution costs”.

The significant actuarial assumptions were as follows:

Swiss pension plan

The average life expectancy for Swiss pension plans was calculated on the basis of BVG2015 Generation tables (2017: BVG2015 Generation tables). The disability rates were also calculated on the basis of BVG2015 (2017: BVG2015).

	2018	2017
Discount rate	*0.90%*	*0.75%*
Inflation rate	*1.00%*	*1.00%*
Interest on old age accounts	*1.00%*	*1.00%*
Future salary increases	*1.00%*	*1.00%*
Labor turnover rate	*5.80%*	*5.69%*

Life expectancy at age 65 (years):

	2018	2017
- Retiring at the end of the reporting period		
- Male	*22.50*	*22.38*
- Female	*24.54*	*24.43*
- Retiring 20 years after the end of the reporting period		
- Male	*24.33*	*24.26*
- Female	*26.37*	*26.29*

German pension plans (until 31 October 2018)

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

	2018	2017
Discount rate	*2.00%*	*1.80%*
Inflation rate	*1.75%*	*1.75%*
Pension indexation	*1.75%*	*1.75%*

Average retirement age (years):

	2018	2017
- Male	*60-65*	*60-65*
- Female	*60-65*	*60-65*

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 6.4%	increase of 6.4%
	+ 0.25%	decrease of 5.9%	decrease of 5.9%
Salary increase	- 0.25%	decrease of 0.8%	decrease of 0.8%
	+ 0.25%	increase of 0.9%	increase of 0.9%
Pension indexation	- 0.25%	n/a	n/a
	+ 0.25%	n/a	n/a

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

(in EUR 1,000)	2018	in %	2017	in %
Equities	7,100	*23.2%*	10,579	*25.2%*
Bonds	14,628	*47.9%*	18,619	*44.4%*
Real estate	5,968	*19.5%*	7,964	*19.0%*
Qualified insurance policies	571	*1.9%*	809	*1.9%*
Cash and cash equivalents	897	*2.9%*	2,016	*4.8%*
Other	1,417	*4.6%*	1,985	*4.7%*
Total	**30,581**	***100.0%***	**41,972**	***100.0%***

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

The investments were 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 was based on past experience and on expected future returns.

The Group expects EUR 732 (2017: EUR 1,025) in contributions to be paid to the defined benefits plans in 2019.

The weighted average duration of the defined benefit obligation for the Swiss pension plans is 19 years.

17. SHARE-BASED PAYMENTS

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

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

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

The stock option plans have been granted to two individuals. As one of the individuals left the company in the year 2012, the stock option plan of this person has been forfeited in line with the rules of the stock option plan. The other options expired in August 2017.

In 2017 and 2018 no options were awarded to any employee.

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

	2018 Average exercise price per share option in Euro	Share options
At 1 January 2018	n/a	0
At 31 December 2018	n/a	0

	2017 Average exercise price per share option in Euro	Share options
At 1 January 2017	12.00	66,667
At 31 December 2017	n/a	0

Share options outstanding at the end of 2016 had the following expiry dates and excercise prices:

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

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

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

Expected volatility was based on an average from the peer group of the Group as the Company did not have a sufficient historical data for its own shares. Risk-free interest rates used were based on the corresponding Euro-swap and forward rate on the grant date. The estimated fair value of the share options would have been charged to the income statement over the estimated option life. In 2018 and 2017 no cost has been recognized in personnel costs and in equity (see notes 13 “Equity” and 22 “Personnel costs”).

18. ACCRUED EXPENSES

(in EUR 1,000)	2018	2017
Incentives for employees	935	2,140
Holiday and overtime	316	1,175
Social securities	113	226
Salaries	54	154
Audit and consulting fees	321	400
Goods received without invoice	307	986
Stamp duty sale of AEMtec GmbH	262	0
Provisions, third party	35	90
Fee of Board of Directors	160	0
Accrued outstanding bills	29	114
Interest	0	81
Accrued licence cost	0	515
Others	38	132
Total	**2,570**	**6,013**

19. OTHER LIABILITIES

(in EUR 1,000)	2018	2017
Prepayments	0	498
Value-added tax	23	344
Other taxes payable	6	225
Social securities	204	605
Government grants	0	72
Others	131	295
Total	**364**	**2,039**

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

In prior year the position in the balance sheet of other non-current liabilities of EUR 1,121 are government grants. In 2018 there are none other non-current liabilities.

20. PROVISIONS

2018 (in EUR 1,000)	Guarantees	Social provisions	Others	Total
At 1 January 2018	**241**	**343**	**183**	**767**
Disposal of subsidiaries (note 29)	(1,085)	(355)	(171)	(1,611)
Charged/(credited) to the income statement				
-Additional provisions	1,712	12	8	1,732
-Unused amounts reversed	(19)			(19)
Used during year	(65)		(10)	(75)
Currency translation differences	20		(4)	16
At 31 December 2018	**804**	**0**	**6**	**810**

2017 (in EUR 1,000)	Guarantees	Social provisions	Others	Total
At 1 January 2017	**116**	**307**	**180**	**603**
Disposal of subsidiaries (note 29)				0
Charged/(credited) to the income statement				
-Additional provisions	131	36	21	188
-Unused amounts reversed				0
Used during year			(18)	(18)
Currency translation differences	(6)			(6)
At 31 December 2017	**241**	**343**	**183**	**767**

(in EUR 1,000)	2018	2017
ANALYSIS OF TOTAL PROVISIONS		
Non-current	326	643
Current	484	124
Total provisions	**810**	**767**

Guarantees

The Group recognized 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.

Social provisions

The amount provided in prior year covered the legally required provisions for possible severance payments in Austria.

Others

In 2017 other provisions included provisions for anniversaries of EUR 154 and provisions for storage of business documents EUR 29. In 2018 other provisions contain EUR 6 for storage of business documents.

21. EXPENSES BY NATURE

(in EUR 1,000)	2018	2017
Raw materials and consumables used	13,409	14,888
Changes in inventories of finished goods and work in progress	172	17
Personnel costs (note 22)	17,792	20,072
Repair and maintenance expenses	1,165	1,130
Leasing expenses (note 27)	73	143
Rental expenses (note 27)	380	403
Administrative expenses	1,889	2,062
Marketing and acquisition expenses	426	397
Other expenses (note 24)	1,414	1,120
Depreciation, amortization and impairment charges (note 5/6)	2,794	3,596
Total cost of sales, distribution costs, admin & other expenses	**39,514**	**43,828**

Development costs of EUR 676 (2017: EUR 600) were included in above expenses by nature.

Administrative expenses included EUR 233 (2017: EUR 229) of audit costs and no costs (2017: EUR 0) for non-audit services charged by the Group auditor. Additionally audit costs of EUR 114 (2017: EUR 85) were recognized in discontinued operations charged by the Group auditor.

22. PERSONNEL COSTS

Personnel costs comprised the following cost items:

(in EUR 1,000)	2018	2017
Salaries	14,855	16,835
Social contributions	1,881	2,078
Defined benefit plan expenses (note 16)	731	699
Other personnel expenses	325	460
Total	**17,792**	**20,072**

Average staff headcount (FTE) for 2018 amounted to 212 (2017: 238), split into production & technical of 143 (2017: 163); management & administration of 31 (2017: 34); sales & marketing of 28 (2017: 32) and research & development of 10 (2017: 9).

23. OTHER OPERATING INCOME

Other operating income included the following items:

(in EUR 1,000)	2018	2017
Income from insurance company	21	6
Gain on sale of tangible assets	0	22
Income from delivery	3	4
Income from supplier	26	7
Income from employees	11	8
Others	31	14
Total other operating income	**92**	**61**

24. OTHER EXPENSES

Other expenses resulted from the following items:

(in EUR 1,000)	2018	2017
Energy costs	529	473
Freight costs	90	93
Waste disposal and cleaning costs	254	235
Insurance costs	144	140
Other tax and government requirements	3	4
Vehicle Costs	37	58
Costs for claims	276	0
Others	81	117
Total other expenses	**1,414**	**1,120**

25. FINANCIAL RESULT

The financial results were derived as follows:

(in EUR 1,000)	2018	2017
Interest income	26	19
Foreign currency exchange gains	1,675	2,302
Other financial income	0	0
Financial income	**1,701**	**2,321**
Interest expenses	(302)	(225)
Financial leasing expenses	(35)	(64)
Foreign currency exchange losses	(3,575)	(596)
Other financial expenses	(139)	(32)
Financial expenses	**(4,051)**	**(917)**
Total	**(2,350)**	**1,404**

26. EARNINGS PER SHARE

Earnings per share (EPS) were 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 2018 was based on the loss from continued operations attributable to the owners of the parent of EUR 535 for 2018 (2017: loss of EUR 404) 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 number of ordinary shares outstanding was 20,073,695 Class A Shares.

BASIC EARNINGS PER SHARE CONTINUED OPERATIONS		2018	2017
Profit/(loss) for continued operations for the year (EUR 1,000) attributable to equity holders of the Company	Class A Shares	(535)	(404)
Weighted average number of ordinary shares outstanding	Class A Shares	20,073,695	20,073,695
Basic earnings/(loss) per share (Euro/share)	**Class A Shares**	**(0.03)**	**(0.02)**

b) Basic earnings per share discontinued operations

For 2018 the calculation of basic EPS was based on the profit from discontinued operations attributable to the owners of the parent of EUR 52,935 (2017: loss of EUR 10,611) and the weighted average number of ordinary shares outstanding of 20,073,695 Class A Shares.

BASIC EARNINGS PER SHARE DISCONTINUED OPERATIONS		2018	2017
Profit/(loss) for discontinued operations for the year (EUR 1,000) attributable to equity holders of the Company	Class A Shares	52,935	(10,611)
Weighted average number of ordinary shares outstanding	Class A Shares	20,073,695	20,073,695
Basic earnings/(loss) per share (Euro/share)	**Class A Shares**	**2.64**	**(0.53)**

c) Dilutive earnings per share

There were no share options which could dilute earnings per share for 2018 and 2017, as all issued share options expired in August 2017.

27. OTHER FINANCIAL OBLIGATIONS/ COMMITMENTS AND CONTINGENCIES

27.1 RENTAL AND LEASE CONTRACTS

Description of rental and lease contracts:

(in EUR 1,000)	2018	2017
OPERATING LEASE OBLIGATIONS (RENTAL) AS OF 31 DECEMBER		
< 1 year	396	1,310
> 1 - 5 years	1,154	2,755
More than 5 years	0	115
Total	**1,550**	**4,180**

(in EUR 1,000)	2018	2017
FINANCE LEASE OBLIGATIONS AS OF 31 DECEMBER		
< 1 year	566	667
> 1 - 5 years	407	905
More than 5 years	0	0
Total	**973**	**1,572**
Future finance charges on finance lease	(23)	(68)
Present value of finance lease liabilities	**950**	**1,504**

The present value of finance lease liabilities is as follows:

(in EUR 1,000)	2018	2017
< 1 year	548	623
> 1 - 5 years	402	881
More than 5 years	0	0
Present value of future lease liabilities	**950**	**1,504**

In the financial year 2018, the rental and leasing expenses amounted to EUR 453 (2017: EUR 546).

27.2 CONTINGENT LIABILITIES

Letter of guarantee

Subject to the sale of its subsidiary AEMtec GmbH, exceet Group SE guarantees to the purchaser, in the form of an independent guarantee, to fulfil any and all payment claims of the purchaser against the seller (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.

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those already mentioned or provided for (see note 20 “Provisions”).

28. PLEDGED ASSETS

The Company had the following pledged assets:

(in EUR 1,000)	2018	2017
Land and building	3,465	14,709
Pledged accounts receivables	2,673	9,139
Pledged other receivables	412	698
Pledged machinery and equipment	0	4,340
Total	**6,550**	**28,886**

Bank borrowings in 2018 were secured by land and building and receivables (see note 15 "Borrowings").

29. DISCONTINUED OPERATIONS

29.1 DIVESTMENT OF SUBSIDIARIES

As of 30 July 2018 the Group divested its "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). Furthermore, AEMtec GmbH (Berlin, Germany) was divested as of 31 October 2018 and 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	2017	Date of deconsolidation
CASH FLOW FROM DIVESTMENT, NET OF CASH DISPOSED			
Cash inflow on divestment exceet electronics activities	29,673	0	30 July 2018
Cash inflow on divestment AEMtec GmbH	72,542	0	31 October 2018
Cash outflow on divestment exceet Medtec Romania S.R.L.	(218)	0	22 November 2018
Total	**101,997**	**0**	
TRANSACTION COSTS DIRECTLY RECOGNIZED IN THE INCOME STATEMENT UNDER DISCONTINUED OPERATIONS			
exceet electronics activities	354	0	
AEMtec GmbH	2,793	0	
exceet Medtec Romania S.R.L.	225	0	
Total	**3,372**	**0**	

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

EXCEET ELECTRONICS ACTIVITIES

The discontinued operations "exceet electronics activities" consisted of three separate cash generating units of the 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. For reporting purposes of discontinued operations, these companies have now 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.

Based on the signed contract with the buyer as of 29 June 2018 and based on the carrying value of "exceet electronics activities" at that time an impairment of EUR 1,500 was recognized within goodwill. 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.

(in EUR 1,000)	30 July 2018
DISPOSAL CONSIDERATION	
Consideration received	30,771
Carrying amount of net assets disposed	(30,070)
Gain on Disposal before reclassification of foreign currency translation reserve	**701**
Reclassification of foreign currency translation reserve	(161)
Gain on Disposal	**540**

(in EUR 1,000)	30 July 2018
CARRYING VALUE	
Cash and cash equivalents	1,098
Tangible assets	5,184
Intangible assets	8,946
Inventory	22,468
Trade receivables (including allowance)	7,214
Other receivables	796
Deferred tax assets	66
Prepaid expenses	224
Trade payables	(6,819)
Other liabilities	(1,151)
Borrowings	(2,606)
Accrued expenses	(2,441)
Retirement benefit obligation	(699)
Provisions	(1,459)
Current income tax liability	(751)
Net assets disposed	**30,070**

(in EUR 1,000)	
Consideration settled in cash	30,771
Cash and cash equivalents in subsidiaries disposed	(1,098)
Cash inflow on divestment, net of cash	**29,673**

The financial performance of the exceet electronics activities for the first seven months of 2018 and full year 2017 is included within the discontinued operations table.

AEMTEC GMBH

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 ECMS segment for a price of EUR 86.0 million. An offsetting for an amount of EUR 0.6 million has been agreed between the acquirer and the seller, related to costs to be borne by the seller as per the Share Purchase Agreement. The transaction was completed on 31 October 2018 after clearance by the appropriate cartel authorities and fulfillment 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.

(in EUR 1,000)	31 October 2018
DISPOSAL CONSIDERATION	
Consideration received	86,000
Carrying amount of net assets disposed	(30,942)
Gain on Disposal before reclassification of foreign currency translation reserve	**55,058**
Reclassification of foreign currency translation reserve	(1,232)
Gain on Disposal	**53,826**

(in EUR 1,000)	31 October 2018
CARRYING VALUE	
Cash and cash equivalents	13,458
Tangible assets	11,967
Intangible assets	176
Inventory	9,027
Trade receivables (including allowance)	8,944
Other receivables	379
Deferred tax assets	294
Prepaid expenses	319
Trade payables	(4,165)
Other liabilities	(1,100)
Borrowings	(3,200)
Accrued expenses	(2,712)
Retirement benefit obligation	(1,615)
Provisions	(152)
Current income tax liability	(678)
Net assets disposed	**30,942**

(in EUR 1,000)	
Consideration settled in cash	86,000
Cash and cash equivalents in subsidiaries disposed	(13,458)
Cash inflow on divestment, net of cash	**72,542**

The financial performance of the entity for the first ten months of 2018 and full year 2017 is also presented below in the table regarding discontinued operations.

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 ECMS segment, to the management. The transaction was completed as of 22 November 2018. Based on the agreed sales price an impairment of EUR 329 has been recognized within the carrying value of the entity at the time the entity has been classified as held for sale. The final carrying value of the entity amounted to minus EUR 74, which resulted in a gain on disposal fo 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.

(in EUR 1,000)	22 November 2018
DISPOSAL CONSIDERATION	
Consideration received	0
Carrying amount of net assets disposed	74
Gain on Disposal before reclassification of foreign currency translation reserve	**74**
Reclassification of foreign currency translation reserve	(40)
Gain on Disposal	**34**

(in EUR 1,000)	22 November 2018
CARRYING VALUE	
Cash and cash equivalents	218
Tangible assets	3
Intangible assets	1
Trade receivables (including allowance)	112
Other receivables	57
Trade payables	(71)
Other liabilities	(392)
Current income tax liability	(2)
Net assets disposed	**(74)**

(in EUR 1,000)	
Consideration settled in cash	0
Cash and cash equivalents in subsidiaries disposed	(218)
Cash outflow on divestment, net of cash	**(218)**

The financial performance of the entity for the first eleven months of 2018 and full year 2017 is also presented below in the table regarding discontinued operations.

2018 (in EUR 1,000)	exceet electronics 01.01.-30.07	AEMtec GmbH 01.01.-31.10	exceet Medtec Romania S.R.L 01.01.-22.11.	Eliminations	Discontinued Operations
FINANCIAL PERFORMANCE					
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)
Profit / (loss) before income tax	**(3,479)**	**4,595**	**(496)**		**620**
Income tax	68	(2,170)	17		(2,085)
Profit/(loss) from discontinued operations	**(3,411)**	**2,425**	**(479)**		**(1,465)**
Profit/(loss) on Disposal of discontinued operations	540	53,826	34		54,400
Profit/(loss) from discontinued operations	**(2,871)**	**56,251**	**(445)**		**52,935**
Remeasurement of defined benefit obligation (net of tax)	1,068	53	0		1,121
Currency translation differences	161	1,232	40		1,433
Comprehensive income from discontinued operations	**(1,642)**	**57,536**	**(405)**		**55,489**
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Shareholders of the parent company					52,935
EARNINGS PER SHARE IN EURO FROM DISCONTINUED OPERATIONS (BASIC = DILUTIVE)					
Class A shares					2.64
CASH FLOW INFORMATION					
Net cash inflow/(outflow) from operating activities	(2,825)	1,291	(339)		(1,873)
Net cash inflow/(outflow) from investing activities	(480)	(833)	(6)		(1,319)
Net cash inflow/(outflow) from financing activities	162	(481)	0		(319)
Net increase/(decrease) in cash generated by discontinued operations	**(3,143)**	**(23)**	**(345)**		**(3,511)**

01.01. - 31.12.2017 (in EUR 1,000)	exceet electronics	AEMtec GmbH	exceet Medtec Romania S.R.L.	Eliminations	Discontinued Operations
FINANCIAL PERFORMANCE					
External revenue	55,825	46,462	811	(2,116)	100,982
Expenses	(59,878)	(40,168)	(819)	2,116	(98,749)
Fair value adjustment - Impairment of Goodwill	(11,681)	0	0		(11,681)
Profit/(loss) before income tax	**(15,734)**	**6,294**	**(8)**		**(9,448)**
Income tax	639	(1,802)	0		(1,163)
Profit/(loss) from discontinued operations	**(15,095)**	**4,492**	**(8)**		**(10,611)**
Profit/(loss) on Disposal of discontinued operations	0	0	0		0
Profit/(loss) from discontinued operations	(15,095)	4,492	(8)		(10,611)
Remeasurement of defined benefit obligation (net of tax)	1,310	(36)	0		1,274
Currency translation differences	3,990	380	34		4,404
Comprehensive income from discontinued operations	**(9,795)**	**4,836**	**26**		**(4,933)**
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Shareholders of the parent company					(10,611)
EARNINGS PER SHARE IN EURO FROM DISCONTINUED OPERATIONS (BASIC = DILUTIVE)					
Class A shares					(0.53)
CASH FLOW INFORMATION					
Net cash inflow/(outflow) from operating activities	(1,025)	7,485	(83)		6,377
Net cash inflow/(outflow) from investing activities	(572)	(1,403)	(3)		(1,978)
Net cash inflow/(outflow) from financing activities	846	(412)	(129)		305
Net increase/(decrease) in cash generated by discontinued operations	**(751)**	**5,670**	**(215)**		**4,704**

30. LIST OF CONSOLIDATED SUBSIDIARIES OF EXCEET GROUP SE

Company	Country	Year of acquisition[1]	Segment	Activity	Ref.	Share capital	Share in the capital	Share of the votes
CONTINUED OPERATIONS								
exceet Holding S.à r.l. [2][3]	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	ECMS	Manufacturing & Sales	3	CHF 1,350,000	100%	100%
exceet USA, Inc.	USA	2015	ECMS	Sales	4	USD 10	100%	100%
exceet Secure Solutions GmbH [4][5][6]	GER	2011	ESS	Development & Sales	5	EUR 1,000,000	100%	100%
Lucom GmbH Elektrokomponenten und Systeme [7]	GER	2014	ESS	Development & Services	6	EUR 26,000	100%	100%
DISCONTINUED OPERATIONS								
exceet Austria GmbH [15]	AUT	2011	C&O	Holding	7	EUR 35,000	100%	100%
exceet electronics AG [8][9][15]	SUI	2006	ECMS	Manufacturing & Sales	2	CHF 1,000,000	100%	100%
exceet electronics GesmbH [10][11][12][15]	AUT	2011	ECMS	Manufacturing & Sales	7	EUR 54,000	100%	100%
exceet electronics GmbH [13][15]	GER	2012	ECMS	Development & Sales	8	EUR 102,150	100%	100%
AEMtec GmbH [16]	GER	2008	ECMS	Manufacturing & Sales	9	EUR 2,250,000	100%	100%
exceet Medtec Romania S.R.L. [14][17]	ROU	2014	ECMS	Development	10	RON 1,000	100%	100%

[1] Year of acquisition refers to exceet Group AG point of view
[2] exceet Holding AG (former: Helikos AG) was renamed by 09.05.2014
[3] exceet Holding S.à r.l. (former: exceet Holding AG) has been renamed by 02.10.2018 and relocated from Switzerland to Luxembourg
[4] exceet Secure Solutions AG (former: AuthentiDate International AG) has been renamed by 13.08.2014
[5] exceet Secure Solutions AG and exceet Secure Solutions Deutschland GmbH have been merged on 15.08.2016 retroactively as per 01.01.2016
[6] exceet Secure Solutions GmbH (former: exceet Secure Solutions AG) has been renamed by 06.10.2016
[7] exceet Secure Solutions GmbH holds 100% of the share capital of Lucom GmbH Elektrokomponenten und Systeme
[8] exceet electronics AG (former: Mikrap AG) was renamed by 30.12.2014
[9] exceet electronics AG (former: Mikrap AG) have been merged as of 01.07.2017 retroactively as per 01.01.2017
[10] exceet electronics GesmbH (former: Contec Steuerungstechnik & Automation Gesellschaft m.b.H.) was renamed by 28.01.2015
[11] exceet electronics GesmbH (former: Contec Steuerungstechnik & Automation Gesellschaft m.b.H.) and Inplastor GmbH have been merged in December 2014 retroactively as per 28.03.2014
[12] exceet Austria GmbH holds 99.34% of the share capital of exceet electronics GesmbH and exceet Group AG 0.66% of the share capital of exceet electronics GesmbH
[13] exceet electronics GmbH (former: as electronics GmbH) was renamed by 05.01.2015
[14] exceet Medtec Romania S.R.L. (former: Valtronic Technologies Romania S.R.L.) was renamed by 20.06.2014
[15] Divested as of 30.7.2018
[16] Divested as of 31.10.2018
[17] Divested as of 22.11.2018

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	Flössaustrasse 22a	D-90763 Fürth	Germany
7	Wildbichler Strasse 2E	A-6341 Ebbs	Austria
8	Kantstrasse 10	D-72663 Grossbettlingen	Germany
9	James-Franck-Strasse 10	D-12489 Berlin	Germany
10	1 Decembrie 1918 Blvd., No. 1G, Sector 3	RO-032451 Bukarest	Romania

On 2 October 2018 exceet Holding AG relocated from Rotkreuz, Switzerland to Grevenmacher, Luxembourg. Additionally the company changed its legal form and adjusted its name accordingly.

New name	Previous name	Date of change
exceet Holding S.à r.l.	exceet Holding AG	2 October 2018

31. 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 SE or to exert a significant influence on its financial and business policies. For the purpose of assessing the significant influence exercised by related parties on the financial or business policies of the exceet Group SE, the existence of fiduciary relationships is taken into account in addition, to the existing control relationships.

RELATED ENTITIES

The following entities are to be considered related parties:

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
Greenock S.à r.l. (Ventizz) (until 15 September 2017)
Oranje-Nassau Participaties B.V. (until 28 November 2017)
Acrema AG (until 29 September 2017)

RELATED PERSONS

Board of Directors

- 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.
- Wolf-Günter Freese

The members of the Board of Directors, Hans Hofstetter, Dirk-Jan von Ommeren and Dr. Hagen Hultzsch resigned from the Board of Directors of exceet Group SE as of 5 December 2017. They were replaced by Klaus Röhrig, Florian Schuhbauer and Jan Klopp who have been appointed as new members with Klaus Röhrig as chairman. This adjustment of the Board of Directors reflects the significant change in shareholder structure of the Group resulting from the actual 56.2% stake held by the new majority shareholder White Elephant S.à r.l. Andreas Füchsel replaced Guido Bollue as permanent representative of White Hills Management & Co S.C.S.

MEMBERS OF THE MANAGEMENT BOARD

Wolf-Günter Freese
Chief Executive Officer & Chief Financial Officer

Mr. Wolf-Günter Freese, Chief Financial Officer (CFO), was appointed finally Chief Executive Officer (CEO) as of 31 March 2017.

Mr. Jan Trommershausen resigned from his functions as COO electronic Components Modules & Systems (ECMS) due to the organizational adjustments implemented in January 2017. The remuneration of members of the Management Board and the Board of Directors is disclosed in note 32 “Remuneration of members of Board of Directors and the Management Board”.

TRANSACTIONS WITH RELATED PARTIES

The Group had legal charges in 2018 of EUR 350 (2017: EUR 102), with EUR 329 recognized within discontinued operations, EUR 0 of them outstanding as per 31 December 2018 (2017: EUR 30 legal fees outstanding as per 31 December 2017). For remuneration to Members of the Board of Directors and the Management Board see note 32.

CONTINGENT LIABILITIES TOWARDS RELATED PARTIES

No contingent liabilities towards related parties.

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

The following remuneration relates to the financial year 2018:

(in EUR 1,000)	2018	2017
Remuneration for meetings	160	150
Total remuneration to the Board of Directors	**160**	**150**
Salaries and social cost payments to Management Board	486	367
Post employment benefits payments to Management Board	36	40
Total payments to Management Board	**522**	**407**

The payments to the Management Board in 2017 included costs for Jan Trommershausen until February 2017.

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

BOARD OF DIRECTORS	2018 Total shares	2017 Total shares
Klaus Röhrig, Chairman of the Board of Directors	0	0
Florian Schuhbauer	0	0
Roland Lienau	50,000	63,377
Jan Klopp	0	0
White Hills Management & Co S.C.S., represented by Andreas Füchsel	0	0
Wolf-Günter Freese	0	0
Hans Hofstetter, resigned from Board of Directors on 5 December 2017	n/a	220,000
Dr. Hagen Hultzsch, resigned from Board of Directors on 5 December 2017	n/a	0
Dirk-Jan van Ommeren, resigned from Board of Directors on 5 December 2017	n/a	0
Total	**50,000**	**283,377**

33. ALTERNATIVE PERFORMANCE MEASURES

33.1 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.

Continued operations

(in EUR 1,000)	2018	2017	Reference
Operating result (EBIT)	2,113	(1,366)	Consolidated Income Statement
Depreciation tangible assets	1,977	2,132	Note 3
Amortisation intangible assets	817	747	Note 3
Impairment intangible assets (incl. goodwill)	0	717	Note 3
EBITDA	**4,907**	**2,230**	

Discontinued operations

(in EUR 1,000)	2018	2017	Reference
EBITDA Total Group Basis	10,168	9,487	
EBITDA continued operations	(4,907)	(2,230)	Note 3
EBITDA discontinued operations	**5,261**	**7,257**	

33.2 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.

Continued operations

(in EUR 1,000)	2018	2017	Reference
Revenue	41,535	42,401	Consolidated Income Statement
EBITDA	4,907	2,230	Note 33.1
EBITDA Margin	**11.8%**	**5.3%**	

Discontinued operations

(in EUR 1,000)	2018	2017	Reference
Revenue	80,652	100,982	
EBITDA	5,261	7,257	Note 33.1
EBITDA Margin	**6.5%**	**7.2%**	

33.3 ORGANIC GROWTH RATE

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

Continued operations

(in EUR 1,000)	2018	2017	Reference
Revenue	41,535	42,401	Consolidated Income Statement
Impact of the exchange rates on revenues	(1,184)	(608)	
Revenue for organic growth calculation	**42,719**	**43,009**	
Prior year comparable revenue	42,401	45,330	Consolidated Income Statement
Organic growth	**0.7%**	**(5.1%)**	

33.4 ORDER BACKLOG

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

Continued operations

(in EUR 1,000)	2018	2017	Reference
Order Backlog as per 31 December	**12,623**	**13,249**	

Currency adjusted Backlog ECMS

(in EUR 1,000)	2018	2017
Order Backlog as per 31 December - Segment ECMS	9,195	8,682
Impact of the exchange rates on backlog	(340)	779
Order Backlog as per 31 December - Segment ECMS	**8,855**	**9,461**
Prior year comparable Backlog	8,682	8,441
Currency adjusted Backlog - Segment ECMS	**2.0%**	**12.1%**

33.5 BOOK-TO-BILL RATIO

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

Continued operations

(in EUR 1,000)	2018	2017	Reference
Revenue	41,535	42,401	Consolidated Income Statement
Order backlog 1 January	13,249	14,114	
Revenue	41,535	42,401	Consolidated Income Statement
Order backlog prior year adjustment/FX effects	(2,144)	(1,589)	
Order backlog 31 December	12,623	13,249	
Orders received during the period	38,765	39,947	
Book to bill ratio	**0.93**	**0.94**	

33.6 OPERATING NET WORKING CAPITAL

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

(in EUR 1,000)	2018	2017	Reference
Inventories	3,872	4,125	Consolidated Balance Sheet
Trade receivables	3,458	4,971	Consolidated Balance Sheet
Trade payables	(1,051)	(1,339)	Consolidated Balance Sheet
Operating Net Working Capital	6,279	7,757	

33.7 NET (CASH)/DEBT

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

Continued operations

(in EUR 1,000)	2018	2017	Reference
Bank borrowings (current and non-current)	2,840	21,108	
Finance lease (current and non-current)	950	1,504	
Total borrowings (current and non-current)	3,790	22,612	Consolidated Balance Sheet
Less: cash and cash equivalents	(113,188)	(15,433)	Consolidated Balance Sheet
Net (cash)/debt	**(109,398)**	**7,179**	

33.8 EQUITY RATIO

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

(in EUR 1,000)	2018	2017	Reference
Total Assets	144,223	129,761	Consolidated Balance Sheet
Total Equity	131,480	74,368	Consolidated Balance Sheet
Equity Ratio	**91.2%**	**57.3%**	

33.9 FREE CASH FLOW

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

Total Group Basis

(in EUR 1,000)	2018	2017	Reference
Cash flow from operating activities	2,279	8,291	Consolidated Cash Flow
Net capital expenditures [1]	(3,313)	(3,689)	Note 33.9
Free cash flow	**(1,034)**	**4,602**	

[1] Including cash from disposal of assets EUR 119 (2017: EUR 24)

Continued operations

(in EUR 1,000)	2018	2017	Reference
Cash flow from operating activities	4,152	1,914	
Net capital expenditures [1]	(1,688)	(1,711)	Note 3
Free cash flow	**2,464**	**203**	

[1] Including cash from disposal of assets EUR 0 (2017: EUR 22)

Discontinued operations

(in EUR 1,000)	2018	2017	Reference
Cash flow from operating activities	(1,873)	6,377	Consolidated Cash Flow, Note 29
Net capital expenditures [1]	(1,625)	(1,978)	
Free cash flow	**(3,498)**	**4,399**	

[1] Including cash from disposal of assets EUR 119 (2017: EUR 2)

34. EVENTS AFTER THE BALANCE SHEET DATE

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

AUDIT REPORT

To the Shareholders of
exceet Group SE

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 SE (the "Company") and its subsidiaries (the "Group") as at 31 December 2018, 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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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;
- 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 Regulation (EU) No 537/2014.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F:+352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477

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, and include the most significant assessed risks of material misstatement (whether or not due to fraud). 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 7.2 million).

The Board of Directors' assessment of the recoverable amount of Goodwill requires significant judgment, as it relates to the estimation of future revenues, cash-flows, 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 Board of Directors' 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 agreed the forecasted revenues with the latest business plan, as approved by the Board of Directors.

- 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 been 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 the Board of Directors' sensitivity analysis and related disclosures.

- We finally assessed the overall adequacy of the disclosures in the consolidated financial statements.

Divestment of certain Group companies

As per Note 29 to the consolidated financial statements, the Group disposed of several group companies including, the 'exceet electronics activites' as well as the subsidiaries 'AEMtec GmbH, Germany' and 'exceet Medtec Romania S.R.L., Romania'. The transactions generated a gain on disposal of EUR 54.4 million. The disposed businesses generated sales of EUR 80.7 million and an operating loss of EUR 1.5 million in the financial year 2018.

The Board of Directors reported the divestments in accordance with IFRS 5 – 'Non-Current Assets Held for Sale and discontinued operations' in the 2018 consolidated financial statements.

The application of IFRS 5 "Non-current assets held for sale and discontinued operations" is significant to our audit because the assessment of the classification is complex, the transaction and its accounting is non-routine and requires significant judgment and estimates by the Board of Directors.

How our audit addressed the key audit matter

Our audit procedures included an evaluation of the Board of Directors' judgments and estimates relating to the valuation of assets of the discontinued operations, and of the result of disposal.

In addition, we performed, among others, the following procedures:

- We held meetings and performed inquiries with the Board of Directors of the Company to obtain an understanding of the disposal process.

- We read and inspected the executed agreements to evaluate and determine whether the treatment of the transactions was appropriate and compliant with the requirements of IFRS 5.

- We performed an evaluation of the Board of Directors' conclusions on the classification of the disposal group as held for sale and the results as discontinued operations.

- We evaluated the presentation of the assets and liabilities, income and expenses and cashflows in the consolidated financial statements including the appropriateness of the assumptions and estimates taken by the Board of Directors with regard to the allocation.

- We checked the deconsolidation entries including the recycling of the associated currency translation adjustments and the corresponding deferred taxes.

- We tested the result on disposal of each underlying transaction by reconciling the consideration received to the underlying documentation and by verifying the net assets disposed to underlying group accounting records.

- We evaluated the adequacy and completeness of the disclosures of the disposals in the notes.

OTHER INFORMATION

The Board of Directors 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 BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors 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 Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, the Board of Directors 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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 Board of Directors;

- conclude on the appropriateness of the Board of Directors' 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 to communicate with 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

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 exceet Group 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, at the date of this report, 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 2 May 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

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.

PricewaterhouseCoopers, Société cooperative
Luxembourg, 28 February 2019
Represented by

Philippe Duren

EXCEET GROUP SE MANAGEMENT REPORT

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

STRUCTURE & REPORTING

exceet Group SE (hereafter the "Company") is a company incorporated as a Société Européenne under the law of Luxembourg and listed on the regulated Frankfurt Stock Exchange (WKN: A0YF5P / ISIN: LU0472835155) in the Prime Standard segment. The Company's purpose is to focus investments on structurally growing industries like healthcare, technology and software.

exceet Group SE is a holding Company and holds a group of subsidiaries with electronic and secure connectivity activities. For further details in relation to the subsidiaries please refer to the exceet Group consolidated financial statements.

The Company has a total of six locations in Switzerland, Germany, Luxembourg and the USA.

THE COMPANY'S STRATEGIC POSITIONING

The Company's purpose is the creation, holding, development and realization of 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 main objective of exceet Group SE is to hold directly or indirectly operating subsidiaries, wherein exceet Group SE, directly or indirectly, has a majority of the voting rights and is able to determine the financial and business policies based on the so-called control concept.

For further details please refer to the exceet Group Management Report and the consolidated articles of the association of exceet Group SE [1].

THE COMPANY'S FUTURE OBJECTIVES

exceet Group SE is a listed cash-flow and growth oriented holding company being active as a long-term oriented shareholder in strategically defined markets. The focus is the holding of participations in structurally growing markets like healthcare, technology and software. In general, the Group develops the existing activities and makes new investments. The core pillars of the highly differentiated investment approach are:

- perpetual capital to grow European companies with further value potential
- a flexible and opportunistic investment approach and
- a focus on structurally growing industries in German speaking Europe and Western Europe

MAJOR EVENTS DURING THE REPORTING PERIOD

After analyzing in detail the future development potential and the level of cash flow generation of the business activities of exceet, the Board of Directors decided step by step to refocus the Group 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, the Group sold on 31 October 2018 its micro- and optoelectronics activities held in the company 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.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

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

[1] http://ir.exceet.com/fileadmin/exceet/downloads/ir/corp_govern/Articles_of_Association_exceet_Group_SE.pdf

In 2018 the company made a loss of EUR 7,123,022 (2017: 1,232,102).

The other external expenses for the Company were EUR 416,735 (2017: EUR 456,770), this comprised mainly of costs in connection with legal fees, Investor Relations, insurance charges, audit fees, rent charges, fees for tax compliance and travel costs of the Board of Directors. The other operating charges of EUR 180,354 (2017: EUR 176,233) were mainly compensation of the Company's independent directors for their services on the Board of Directors in the amount of EUR 160,000 (2017: EUR 150,000).

The value adjustments in respect of financial assets and of investments held as current assets of EUR 9,986,011 was composed of the impairment of the investment (loss of EUR 10,980,511) and the revaluation gain of own shares amounted to EUR 994,500 (2017: gain of EUR 760,500). The revaluation gain was due to the current higher share price according to XETRA as per 28 December 2018.

In 2018 the "other interest and similar income" related mainly to the foreign exchange valuation gain of the convertible bond at the date of conversion (2 October 2018) of EUR 3,467,167. The remaining amount of EUR 148 (2017: EUR 35) concerned foreign translation gains on other items. In the prior year the convertible loan was valued at the lower of its value translated into EUR at historical exchange rates or at exchange rates prevailing at balance sheet date. In 2017 a foreign exchange loss of EUR 1,358,809 was recognized as "other interest and similar expenses". The interest expense for the year 2018 was EUR 2,422 (2017: interest income of EUR 3,990).

BALANCE SHEET POSITIONS

As at 31 December 2018 the Company's balance sheet revealed total assets of EUR 182,065,692, compared to EUR 188,604,614 at the end of the previous year. This decrease was mainly the result of the impairment on the investment (shares and loans to affiliated undertakings). Fixed assets therefore decreased to EUR 179,000,000 from EUR 186,512,895 in prior year.

The current assets amounted to EUR 3,064,614 (2017: EUR 2,066,560). The main reason was the higher valuation of the own shares (own shares 2018: EUR 2,880,000; 2017: EUR 1,885,500). The cash at bank and in hand increased from EUR 105,195 in 2017 to EUR 184,614 in 2018. The current amount owed by affiliated undertakings as of 31 December 2017 of EUR 75,865 was received in 2018.

The prepayments amounted to EUR 1,078 (2017: EUR 25,159).

Capital and reserves moved from EUR 188,426,073 as per 31 December 2017, to EUR 181,303,051 as per 31 December 2018, reflecting the loss of the financial year of EUR 7,123,022 (2017: loss of EUR 1,232,102). 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 762,641 (2017: EUR 178,541). Trade creditors increased to EUR 260,219 from EUR 178,541 in prior year. In 2018, exceet Group AG granted an interest bearing loan to exceet Group SE which amounted to EUR 502,422 as per 31 December 2018. This amount included also unpaid interests of EUR 2,422.

EMPLOYEES

As at 31 December 2018, 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 18 to 19.

DEVELOPMENT AND TECHNOLOGY INVESTMENTS

In 2018, 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 21 "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 28.

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, 28 February 2019

Wolf-Günter Freese
CEO & CFO

On behalf of the Board of Directors
and Management Board

exceet Group SE

EXCEET GROUP SE FINANCIAL STATEMENTS

BALANCE SHEET

(in EUR)	Note	31 December 2018	31 December 2017
ASSETS			
Fixed assets			
Financial assets			
Shares in affiliated undertakings	3	179,000,000	72,971,704
Loans to affiliated undertakings	4	0	113,541,191
Total fixed assets		**179,000,000**	**186,512,895**
Current assets			
Amounts owed by affiliated undertakings	4	**0**	**75,865**
Investments			
Own shares	5	2,880,000	1,885,500
Cash at bank and in hand		**184,614**	**105,195**
Total current assets		**3,064,614**	**2,066,560**
Prepayments		**1,078**	**25,159**
Total assets		**182,065,692**	**188,604,614**
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves			
Subscribed capital		311,960	311,960
Share premium account		198,928,074	198,928,074
Reserves			
Reserve for own shares	5	4,525,313	4,525,313
Profit or (loss) brought forward		(15,339,274)	(14,107,172)
Profit or (loss) for the financial year		(7,123,022)	(1,232,102)
Total capital and reserves	6	**181,303,051**	**188,426,073**
Creditors			
Trade creditors			
Becoming due and payable within one year	7	260,219	178,541
Amounts owed to undertakings			
Becoming due and payable after more than one year	8	502,422	0
Total creditors		**762,641**	**178,541**
Total capital, reserves and liabilities		**182,065,692**	**188,604,614**

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

PROFIT AND LOSS ACCOUNT

(in EUR)	Note	2018	2017
Other external expenses	9	(416,735)	(456,770)
Other operating charges	10	(180,354)	(176,233)
Value adjustments in respect of financial assets and of investments held as current assets	3/5/11	(9,986,011)	760,500
Other interest receivable and similar income			
- derived from affiliated undertakings	4	0	3,990
- other interest and similar income	4	3,467,315	35
Interest payable and similar expenses			
- concerning affiliated undertakings	8	(2,422)	0
- other interest and similar expenses	4	0	(1,358,809)
Other taxes (net wealth tax)		(4,815)	(4,815)
Loss for the financial year		**(7,123,022)**	**(1,232,102)**

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

exceet Group SE (hereafter the "Company") is a Luxembourg Company incorporated as a Société Européenne and subject to the general company law of Luxembourg. The Company was incorporated on 9 October 2009, as Helikos SE and renamed to exceet Group SE on 27 July 2011. The Company is established for an unlimited period. The registered office of the Company is located in Luxembourg, at 17, rue de Flaxweiler, L-6776 Grevenmacher. The Company is registered with the Register of Commerce and Companies of Luxembourg under the section B number 148.525. exceet Group SE carried out its initial public offering on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) under the symbol "EXC" on 4 February 2010.

The Company's purpose is the creation, holding, development and realization of 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 main objective of exceet Group SE is to hold directly or indirectly operating subsidiaries, wherein exceet Group SE, directly or indirectly, has a majority of the voting rights and is able to determine the financial and business policies based on the so-called control concept.

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.

The Company 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.

The Company 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 the exceet Group Consolidated Financial Statements on pages 29 to 121.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The annual accounts 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 Board of Directors of the Company.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors 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 Board of Directors 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.

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 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.

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 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.

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 DEBTORS

Debtors are stated at their nominal value. Value adjustments are recorded if the net realizable value is lower than the book value. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.5 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 profit and loss without any impact on the non-distributable reserve.

2.6 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)	Loss for the financial year * (EUR)
exceet Holding S.à r.l.	Grevenmacher, Luxembourg	100%	31 December 2018	157,432,208	(27,099)

* according to audited financial statements in accordance with current Luxembourg legal and regulatory requirements

Until 2 October 2018, the registered office of exceet Holding S.à r.l. (former exceet Holding AG) was in Risch, Canton of Zug, Switzerland. In addition, the legal form of the company was transformed into a Société à responsabilité limitée (S.à r.l.). The name of the investment after the relocation is "exceet Holding S.à r.l.".

On 2 October 2018 the convertible loan of CHF 132,858,871 translated at exchange rate of 2 October 2018 published by the European Central Bank (CHF/EUR 0.8807) was converted into 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. See also further details in Note 4 "Financial assets – loans to affiliated undertakings".

At balance sheet date, the Board of Directors has assessed that an impairment is deemed required because of the changes in the group sale of substantial business activities of exceet group (see details in Management Report of the Company under "Major events during the reporting period").

The impairment test of the remaining investments and assets of exceet Group SE resulted in a value adjustment on the investment of exceet Holding S.à r.l. in the amount of EUR 10,980,511. The investment after the impairment is valued at EUR 179,000,000.

4. FINANCIAL ASSETS - LOANS TO AFFILIATED UNDERTAKINGS

(in EUR)	31 December 2018	31 December 2017
Convertible loan	0	113,541,191
Current receivable from exceet Group AG	0	75,865
Total amounts owed by affiliated undertakings	**0**	**113,617,056**

Convertible Loan

exceet Holding S.à r.l. has exercised the right to convert the convertible loan in the amount of CHF 132,858,871 into its equity on 2 October 2018. The total principal amount of CHF 132,858,871 was valued at the exchange rate of 2 October 2018 published by the European Central Bank (CHF/EUR 0.8807), which corresponds to a value of EUR 117,008,808. According to the historical exchange rate the convertible loan amounted to EUR 114,900,000. As of 31 December 2017 the convertible loan was valued at the lower of its value translated into EUR at historical exchange rate or at exchange rates prevailing at balance sheet date. The equivalent according to the exchange rate at 31 December 2017 amounted to EUR 113,541,191. The difference of EUR 3,467,167 between the value at 31 December 2017 and the value at 2 October 2018 was recognized as a gain under the position "other interest and similar income". In 2017 a foreign exchange loss of EUR 1,358,809 was recognized in the position "other interest and similar expenses". This loss reflected the difference between the foreign exchange rate at 31 December 2017 compared to the historical exchange rate which was applicable in 2016. The loan borne no interest.

At 31 December 2017, the fair value of the loan receivable from exceet Group AG was not lower than its net book value as reflected in the Company's annual accounts.

Loan receivable from exceet Group AG

On 25 May 2012, the Company granted an interest bearing loan of EUR 1,000,000 to exceet Group AG, an affiliate of the Company. The interest bearing loan has been reduced to EUR 750,000 as per 14 October 2016 and has further been reduced to zero during 2017. The interest rate is based on the relevant guideline of the Swiss Federal Tax Administration (official annual notification of Swiss Federal Tax Administration). The rate can change annually.

The interest income for the year 2017 was EUR 3,990 and remained unpaid at the balance sheet date. The total interests which were unpaid as per 31 December 2017 amounted to EUR 75,865. The full amount was repaid as per 30 January 2018. Therefore the amount has been reclassified as current asset in 2017.

At balance sheet date, the fair value of the loan receivable from exceet Group AG was not lower than its net book value as reflected in the Company's annual accounts.

5. OWN SHARES

At balance sheet date, the market value of the listed shares of the Company (ISIN LU0472835155) was Euro 6.10 (2017: Euro 3.935) based on the information made available by the Frankfurt Stock Exchange and Euro 6.40 (2017: Euro 4.19) based on the information made available by XETRA. On that basis, the 450,000 unlisted Class A shares held in treasury by the Company at balance sheet date would be valued at EUR 2,745,000 (2017: EUR 1,770,750) according to the Frankfurt Stock Exchange and EUR 2,880,000 according to XETRA (2017: EUR 1,885,500). A value adjustment (gain) of EUR 994,500 (2017: gain of EUR 760,500) was recognized on own shares. The value provided by XETRA of EUR 2,880,000 (2017: EUR 1,885,500) equalled the book value at balance sheet date after the value adjustment. The nominal value of the shares was Euro 0.0152. On that basis the 450,000 own shares had a nominal value of EUR 6,840.

6. EQUITY

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 year	Total capital and reserves
Opening balance 1 January 2018	**311,960**	**198,928,074**	**4,525,313**	**(14,107,172)**	**(1,232,102)**	**188,426,073**
Allocation of prior year result				(1,232,102)	1,232,102	0
Result for the financial year					(7,123,022)	(7,123,022)
Closing balance 31 December 2018	**311,960**	**198,928,074**	**4,525,313**	**(15,339,274)**	**(7,123,022)**	**181,303,051**

With resolution at the Extraordinary General Meeting (EGM) held on 2 May 2018, the issued share capital is 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 2018 the issued share capital equalled the authorized share capital.

For further details please refer to the exceet Group Consolidated Financial Statements note 14 "Equity".

Legal Reserve

Under the 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 2018, the Company held 450,000 listed Class A Shares (see note 5 "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".

7. TRADE CREDITORS

This caption included amounts for invoices payable to suppliers and for accrued charges for invoices received after balance sheet date regarding expenses incurred during the financial year ended 31 December 2018. They were becoming due and payable within one year.

(in EUR)	31 December 2018	31 December 2017
Third party invoices payable	45,091	35,366
Accruals for tax compliance services	8,000	4,500
Accruals for audit services	16,408	54,000
Accruals for directors remuneration	160,000	43,315
Accruals for legal services from related parties	20,000	30,000
Other accruals	10,720	11,360
Total trade creditors	**260,219**	**178,541**

8. 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 exceet Group SE. The interest bearing loan has been paid out as follows: EUR 300,000 on 27 March 2018 and EUR 200,000 on 6 December 2018. The interest rate is based on the relevant guideline of the Swiss Federal Tax Administration (official annual notification of Swiss Federal Tax Administration). The rate can change annually.

The interest expense for the year 2018 was EUR 2,422 and remains unpaid at the balance sheet date.

The loan is repayable on 31 December 2021 or can be extended.

At 31 December 2018, the fair value of the loan from exceet Group AG was not lower than its net book value as reflected in the Company's annual accounts.

9. OTHER EXTERNAL EXPENSES

The other external expenses included mainly costs for legal fees, Investor Relations, insurance charges, audit fees, rent charges, fees for tax compliance and travel costs of Board of Directors. The costs of the audit of the exceet Group SE financial statements amount to EUR 64,137.

10. OTHER OPERATING CHARGES

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.

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

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 (further details in note 5 “Own shares”).

(in EUR)	2018	2017
Impairment on the investment of exceet Holding S.à r.l.	(10,980,511)	0
Value adjustment recognized on own shares	994,500	760,500
Total value adjustments in respect of financial assets and of investments held as current assets	**(9,986,011)**	**760,500**

12. EMOLUMENTS GRANTED TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

An amount of EUR 160,000 (2017: EUR 150,000) has been recognized in profit and loss statement. Thereof EUR 160,000 (2017: EUR 43,315) have not been paid yet to the Board of Directors for the financial year 2018 (for further details please refer to the Consolidated Financial Statements note 32 “Remuneration of members of Board of Directors and the Management Board”). For details to the Management Stock Option Program please refer to the Consolidated Financial Statements note 17 “Share-based payments”.

13. OFF-BALANCE SHEET COMMITMENTS

Letter of guarantee

Subject to the sale of its subsidiary AEMtec GmbH, exceet Group SE guarantees to the purchaser, in the form of an independent guarantee, to fulfil any and all payment claims of the purchaser against the seller (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

There are no subsequent events.

AUDIT REPORT

To the Shareholders of
exceet Group SE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of exceet Group SE (the "Company") as at 31 December 2018, 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 financial statements.

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

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2018;
- the profit and loss account for the year then ended;
- the notes to the 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 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 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 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 Regulation (EU) 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 financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud).

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

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F:+352 494848 2900, www.pwc.lu

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R.C.S. Luxembourg B 65 477

Key audit matter

Carrying value of investment

As per Note 3 to the financial statements, the Company has an investment in shares in one subsidiary for a carrying value of EUR 179.0 million, representing 98.9% of the total assets of the Company. The entity recorded an impairment of EUR 11.0 million. during the financial year. The Board of Directors' assessment of the recoverable value of the investment is based on the discounted cash-flow (DCF) model applied on the underlying indirect participations held by the subsidiary.
The Board of Directors' 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. If the estimates or assumptions used should significantly change, the resulting differences could materially affect the carrying value of the investment.

How our audit addressed the key audit matter

- We gained an understanding of and evaluated the Board of Directors' processes to estimate the recoverable values of the investment and development of the key assumptions in the valuation model used. We tested the valuation model for consistency and mathematically 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 the recorded impairment on investments to the underlying calculation prepared by the Board of Directors.

OTHER INFORMATION

The Board of Directors 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 financial statements and our audit report thereon.

Our opinion on the 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 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 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 BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

The objectives of our audit are to obtain reasonable assurance about whether the 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 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 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' 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 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 Company to cease to continue as a going concern;

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F:+352 494848 2900, www.pwc.lu

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 to communicate with 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 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

The Management Report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the exceet Group 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, at the date of this report, with the financial statements 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 2 May 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

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.

PricewaterhouseCoopers, Société cooperative
Luxembourg, 28 February 2019
Represented by

Philippe Duren

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F:+352 494848 2900, www.pwc.lu

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exceet Group SE
17, rue de Flaxweiler
L-6776 Grevenmacher
Grand Duchy of Luxembourg

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PHOTO CREDITS

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

PREPRESS

icobra, Stuttgart - Germany

CONTACT

exceet Group SE
Wolf-Günter Freese
Chief Executive Officer & Chief Financial Officer
w.freese@exceet.com