



THIRD QUARTER 2014 REPORT

exceet Group SE
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L-1420 Luxembourg
Grand Duchy of Luxembourg

INTERIM MANAGEMENT REPORT

Continuous improvement of operational margins

- EBITDA-margin level of 10.8% for 9M 2014; 13.1% in Q3 2014
- Net income before warrant valuation increased for 9M 2014 by 11%
- exceet's outlook remains on track for FY 2014 expectations

Revenue Development

The revenue of the first nine months of 2014 reached EUR 140.1 million (9M 2013: EUR 141.8 million) representing a decrease of 1.2% (organic decrease -1.4%) which was mainly driven by the cautious market environment since Q2 2014 and the product mix within the segment for electronic components, modules & systems (ECMS). The quarterly revenue decreased in Q3 2014 by 7.4% to EUR 47.2 million (Q3 2013: EUR 50.9 million). The impact from foreign currencies remains still limited and is about 0.1 percentage points of the total revenue.

Gross Profit and EBITDA Development

The continuous focus on higher margin products in all segments supported the gross profit margin improvement from 18.0% in 9M 2013 to 18.6% in the first nine months of 2014. The gross profit margin of 19.5% in Q3 2014 (Q3 2013: 18.7%) is driven by a favorable product mix.

The operating result before depreciation and amortization (EBITDA) for the first nine months of 2014 reached EUR 15.1 million (10.8% margin) which represents an increase of 5%. The EBITDA for Q3 2014 of EUR 6.2 million represents 13.1% of net sales (Q3 2013: EUR 6.2 million or 12.1% of net sales).

Net Income and Earnings per Share

The Group's profit for the first three quarters of 2014 accounted for EUR 3.5 million (9M 2013: EUR 7.6 million). The earnings per share (EPS) for 9M 2014 reached EUR 0.17 in comparison to EUR 0.37 (9M 2013) per Class A Share. The earnings per Class A Share adjusted by the effect of the revaluation of the warrants amounted for 9M 2014 to EUR 0.20 (9M 2013: EUR 0.18).

Order Backlog

On 30 September 2014 exceet's order backlog amounted to EUR 92.5 million (30.09.2013: EUR 101.6 million) and reflects with a book-to-bill ratio of 0.97 the actual cautious customer behaviour on placing requests for delivering out of existing framework agreements and running development projects.

Cash Development

exceet generated in 9M 2014 an operational cash flow in the amount of EUR 5.2 million (9M 2013: EUR 9.4 million) and invested EUR 3.5 million (9M 2013: EUR 8.3 million) in tangible and intangible assets, including a single-card printing press for IDMS. Furthermore net debt increased to EUR 11.1 million compared to EUR 7.0 million at the end of 2013 due to the repayment of borrowings in the amount of EUR 6.2 million including a subordinated shareholder loan of EUR 5.7 million. With available cash of EUR 26.5 million (31 December 2013: EUR 31.2 million) the Group is well prepared for future business and acquisition opportunities.

Segment Reporting

Electronic Components, Modules & Systems (ECMS)

Net sales declined by 7.5% to EUR 99.2 million during the first nine months of 2014, against EUR 107.3 million in 9M 2013 which is mainly caused by the cautious order behavior of customers in the current uncertainty of the market and a project related lower share of traded electronic components. Revenues for the third quarter of 2014 declined by EUR 5.7 million to EUR 32.2 million (Q3 2013: EUR 37.9 million). ECMS represents 71% of the overall Group sales.

The EBITDA for the first nine months of 2014 reached EUR 16.2 million (16.3% margin) compared to EUR 16.1 million (15.0% margin) in 9M 2013. For the third quarter 2014 EBITDA amounts to EUR 5.3 million (Q3 2013: EUR 6.4 million) with a margin of 16.4% (Q3 2013: 16.8%).

The geographic expansion is showing the first positive results: French business development activities resulted in new medical projects, e.g. exceet engages in the complete development and production of a portable blood analysis device for usage outside the laboratory and a X-ray doses recorder.

Recent investments into production equipment allow ECMS to further decrease the size of the printed circuit boards (PCB's) structure (decrease line and space). This enables ECMS to drive developments in the area of medical implants. The recently acquired exceet Medtec Romania S.R.L. is specialised in these miniaturised electronics for implants.

ID Management & Systems (IDMS)

The IDMS revenue within the first nine months of 2014 amounted to EUR 35.0 million, which represents an increase of 9.7% compared to EUR 31.9 million in 9M 2013. IDMS achieved an EBITDA of EUR 2.3 million for the first three quarters of 2014 (9M 2013: EUR 1.5 million) representing 6.6% EBITDA margin (9M 2013: 4.6%). The previously initiated efficiency programs continue to support the profitable revenue growth.

The segment accounts for 25% of the group-wide sales. Revenues for the third quarter of 2014 increased by 5.8% to EUR 12.8 million (Q3 2013: EUR 12.1 million) which is due to the project related variability of exceet's IDMS business development. The EBITDA reached EUR 1.5 million compared to EUR 1.0 million in Q3 2013.

exceet Secure Solutions (ESS)

ESS is continuously investing in exceet's core markets of Health, Industry and Security with solutions for Machine-to-Machine (M2M) communication, identification and data security. Substantial parts of the ongoing project development work are multifunctional, multi-access and highly secure mobile access solutions.

During the reporting period, the ESS segment generated revenues of EUR 6.1 million in 9M 2014 (9M 2013: EUR 2.9 million), accounting for 4% of the total group sales. This reflects a strong improvement by doubling the sales compared to 9M 2013. Clear driver of this positive development is the ongoing telematics project for the German health card (eGK).

Due to the initial efforts required for the further development of the described technologies, the EBITDA of 9M 2014 reached EUR -0.2 million (9M 2013: EUR -0.3 million).

Group Balance Sheet Positions

As of 30 September 2014, the total assets of exceet Group amounted to EUR 182.7 million, compared to EUR 182.8 million as at 31 December 2013.

The non-current assets of EUR 92.6 million, decreased compared to the year-end position by EUR 2.5 million and include tangible assets of EUR 34.1 million (31.12.2013: EUR 35.4 million) and intangible assets of EUR 56.7 million (31.12.2013: EUR 58.6 million).

Current assets amount to EUR 90.1 million, compared to EUR 87.7 million at year-end 2013. Inventories rose by EUR 3.2 million to EUR 34.5 million (31.12.2013: EUR 31.3 million). Receivables increased from EUR 22.8 million to EUR 25.0 million. Tax prepayments remained with EUR 0.6 million stable. Cash and cash equivalents decreased from EUR 31.2 million to EUR 26.5 million. This decrease can be mainly attributed to the increase of working capital by EUR 4.3 million and the repayment of borrowing of EUR 6.2 million. The outflow for investing activities of EUR 3.2 million (9M 2013: EUR 7.9 million) was mainly invested in replacements. The net debt position, as of 30 September 2014 amounts to EUR 11.1 million (31.12.2013: EUR 7.0 million).

At the end of the reporting period, exceet Group's equity amounted to EUR 101.5 million, against EUR 98.7 million as of 31 December 2013. This reflects a reasonable equity ratio of 55.6% (31.12.2013: 54.0%).

The decrease of the current liabilities by EUR 3.8 million to EUR 33.2 million as of 30 September 2014 (31.12.2013: EUR 37.0 million) reflects the repayment of the subordinated shareholder loan of EUR 5.7 million, the increase of other financial liabilities of EUR 0.7 million (due to the revaluation of the Public Warrants), other current liabilities of EUR 0.6 million and accruals of EUR 0.6 million, the decrease in tax liabilities of EUR 0.6 million and other smaller movements.

Non-current liabilities increased by EUR 0.9 million from EUR 47.1 million at year-end of 2013 to EUR 48.0 million.

Capital Market Environment and Share Price Performance

The economic situation in the Eurozone sends mixed signals. Geopolitical tensions in Ukraine have weighed heavily on economic development in Q3 2014. This created uncertainty regarding the Eurozone. However, these setbacks demonstrate that the recovery is still highly vulnerable to external influences. In this situation, the European Central Bank (ECB) further eased its monetary policy, testing its outer limits.

Germany has been growing at a much higher rate than the Eurozone average over the last few years, and it has acted as an anchor for the Eurozone's growth. However, the figures from the second quarter show that Germany's economy contracted 0.2% like for like. This is also reflected by the International Monetary Fund (IMF), which lowers its expectation for the German economic growth from 1.9% to 1.4%.

From July 2014 to September 2014 the share price of exceet Group SE declined from EUR 5.79 to EUR 5.52 (minus 4.2%), but on minor trading volume and a lower volatility compared to prior quarters.

Employees

As of 30 September 2014, the Group employed 1'033 people (Headcount) or 972 full-time equivalents (FTE) (30.09.2013: 942). 383 (30.09.2013: 368) were employed in Germany, 161 (30.09.2013: 141) in Austria, 264 (30.09.2013: 269) in Switzerland, 134 (30.09.2013: 147) in the Czech Republic, 17 (30.09.2013: 17) in the Netherlands and 13 in Romania (30.09.2013: 0).

Opportunities and Risk Report

The statements provided in the Annual Report 2013 on the opportunities and risks of the business model remain unchanged.

Significant Events and Actions

Three subsidiaries of the IDMS segment are facing allegations of infringements against patent rights of the Smartrac Technology Group. exceet assures that no Smartrac patent rights were violated, since the appealed products were provided by a long-term supplier of exceet Group. The supplier confirmed his right to deliver the products in dispute to exceet and is teaming up with exceet to show joint interest in solving this case. Based on the available information as of today, Management does not expect a liability to occur from this case.

Outlook

Despite the economic slowdown of the market environment, exceet's outlook remains for the time being positive for further improvement of the operational margins on a full year basis.

Greenock S.à r.l. a major shareholder of exceet Group SE had informed the company in Q1 2014 that they are assessing their strategic options related to their shareholding in exceet Group SE, including a possible disposal of such shareholding to a third party. Pursuant to the updated information provided by Greenock S.à r.l., no final decision has still been taken regarding the form and timing of the potential transaction.

Luxembourg, 3 November 2014
exceet Group SE
The Board of Directors and the Management Board

INTERIM FINANCIAL STATEMENTS

(CONDENSED & CONSOLIDATED)

INTERIM BALANCE SHEET (CONSOLIDATED)

(in EUR 1'000)	unaudited 30 September 2014	audited 31 December 2013
ASSETS		
Non-current assets		
Tangible assets	34'135	35'425
Intangible assets ¹	56'664	58'597
Deferred tax assets	1'548	836
Other financial investments	28	28
Other non-current receivables	186	181
Total non-current assets	92'561	95'067
Current assets		
Inventories	34'495	31'335
Trade receivables, net	25'017	22'777
Other current receivables	2'448	1'230
Current income tax receivables	639	555
Accrued income and prepaid expenses	998	661
Cash and cash equivalents	26'532	31'170
Total current assets	90'129	87'728
Total assets	182'690	182'795
EQUITY		
Share capital	528	528
Reserves	100'997	98'214
Equity attributable to owners of the parent company	101'525	98'742
Total equity	101'525	98'742
LIABILITIES		
Non-current liabilities		
Borrowings ²	32'467	33'480
Retirement benefit obligations	6'632	4'192
Deferred tax liabilities	7'075	7'597
Provisions for other liabilities and charges	883	855
Other non-current liabilities	897	952
Total non-current liabilities	47'954	47'076
Current liabilities		
Trade payables	11'619	11'416
Other current liabilities	4'016	3'367
Accrued expenses and deferred income	8'818	8'181
Current income tax liabilities	1'899	2'538
Borrowings ^{2, 3}	5'127	10'347
Other financial liabilities	1'552	854
Provisions for other liabilities and charges	180	274
Total current liabilities	33'211	36'977
Total liabilities	81'165	84'053
Total equity and liabilities	182'690	182'795

1) Incl. Goodwill of EUR 35'738 (31.12.2013: EUR 35'446)

2) Net debt amount to EUR 11'062, based on third party borrowings EUR 37'594 less cash and cash equivalents of EUR 26'532

3) Incl. shareholder loan of EUR 0 (31.12.2013: EUR 5'622)

INTERIM INCOME STATEMENT (CONSOLIDATED)

(in EUR 1'000)	3 months		9 months	
	unaudited 01.07. - 30.09.2014	unaudited 01.07. - 30.09.2013	unaudited 01.01. - 30.09.2014	unaudited 01.01. - 30.09.2013
Revenue	47'150	50'918	140'060	141'758
Cost of sales	(37'953)	(41'380)	(114'068)	(116'215)
Gross profit	9'197	9'538	25'992	25'543
<i>Gross profit margin</i>	<i>19.5%</i>	<i>18.7%</i>	<i>18.6%</i>	<i>18.0%</i>
Distribution costs	(3'318)	(3'650)	(9'943)	(10'673)
Administrative expenses	(2'586)	(2'784)	(9'580)	(9'035)
Other operating income	376	574	1'144	1'163
Operating result (EBIT)¹	3'669	3'678	7'613	6'998
<i>EBIT margin</i>	<i>7.8%</i>	<i>7.2%</i>	<i>5.4%</i>	<i>4.9%</i>
Financial income	276	75	623	1'239
Financial expenses	(639)	(615)	(1'792)	(1'954)
Changes in fair value in financial instruments	84	381	(698)	3'802
Financial result, net	(279)	(159)	(1'867)	3'087
Profit before income tax	3'390	3'519	5'746	10'085
Income tax expense	(1'063)	(916)	(2'226)	(2'511)
Profit for the period	2'327	2'603	3'520	7'574
<i>Profit margin</i>	<i>4.9%</i>	<i>5.1%</i>	<i>2.5%</i>	<i>5.3%</i>
Profit attributable to:				
Shareholders of the parent company	2'327	2'603	3'520	7'574
Minority interests	0	0	0	0
Earnings per share (basic/dilutive) Euro				
Class A Shares	0.12	0.13	0.17	0.37
Class B/C Shares	0.00	0.00	0.01	0.01
Operating result (EBIT)	3'669	3'678	7'613	6'998
Depreciation, amortization and impairment charges	2'503	2'505	7'480	7'383
Operating result before depreciation, amortization (EBITDA)²	6'172	6'183	15'093	14'381
<i>EBITDA margin</i>	<i>13.1%</i>	<i>12.1%</i>	<i>10.8%</i>	<i>10.1%</i>

1) Earnings before Interest and Taxes

2) Earnings before Interest, Taxes, Depreciation and Amortization

INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONSOLIDATED)

(in EUR 1'000)	3 months		9 months	
	unaudited 01.07. - 30.09.2014	unaudited 01.07. - 30.09.2013	unaudited 01.01. - 30.09.2014	unaudited 01.01. - 30.09.2013
Profit for the period	2'327	2'603	3'520	7'574
Items not to be reclassified to profit and loss:				
Remeasurements of defined benefit obligation	(750)	1'299	(2'056)	1'111
Deferred tax effect on remeasurements of defined benefit obligation	116	(205)	318	(174)
Items not to be reclassified to profit and loss	(634)	1'094	(1'738)	937
Items to be reclassified to profit and loss:				
Currency translation differences	415	485	961	(637)
Items to be reclassified to profit and loss	415	485	961	(637)
Total comprehensive income for the period	2'108	4'182	2'743	7'874
Attributable to:				
Shareholders of the parent company	2'108	4'182	2'743	7'874
Minority interests	0	0	0	0

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

INTERIM STATEMENT OF CASH FLOWS (CONSOLIDATED)

(in EUR '000)	unaudited 01.01. - 30.09.2014	unaudited 01.01. - 30.09.2013
Profit before income tax	5'746	10'085
Adjustment for non-cash transactions		
Amortization on intangible assets	2'731	2'944
Depreciation on tangible assets	4'749	4'439
Losses/(gains) on disposal of assets	(22)	(127)
Change of provisions	(25)	0
Adjustments to retirement benefit obligation/prepaid cost (provision)	292	363
Financial expenses	792	851
Change in fair value in financial instruments	698	(3'802)
Other non-cash (income)/expenses	(767)	(366)
Operating net cash before changes in net working capital	14'194	14'387
Changes to net working capital		
- inventories	(2'376)	(1'020)
- receivables	(3'019)	(3'291)
- accrued income and prepaid expenses	(332)	(295)
- liabilities	804	1'559
- provisions for other liabilities and charges	(41)	(514)
- accrued expenses and deferred income	647	1'748
Tax refunds received (prior periods)	120	246
Tax paid	(4'049)	(2'645)
Interest received	20	38
Interest paid	(793)	(789)
Cash flow from operating activities¹	5'175	9'424
Acquisition of subsidiaries, net of cash acquired	(52)	(600)
Purchase of tangible assets	(2'937)	(6'920)
Sale of tangible assets	312	65
Purchase of intangible assets	(320)	(1'024)
Sale of intangible assets	0	215
Cash flow from investing activities	(2'997)	(8'264)
Increase of borrowings	848	4'395
Repayment of borrowings	(6'099)	(1'399)
Proceeds/Repayments of other non-current liabilities	(55)	76
Proceeds from finance lease prepayments	225	129
Payments of finance lease liabilities	(2'138)	(2'396)
Cash flow from financing activities	(7'219)	805
Net changes in cash and cash equivalents	(5'041)	1'965
Cash and cash equivalents at the beginning of the period	31'170	24'426
Net changes in cash and cash equivalents	(5'041)	1'965
Effect of exchange rate gains/(losses)	403	(320)
Cash and cash equivalents at the end of the period	26'532	26'071

1) Free cash flow amounts to EUR 1'944 based on cash flow from operations of EUR 5'175 minus net capital expenditure (adjusted for finance lease) of EUR 3'231.

INTERIM STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED)

(in EUR 1'000)	Issued and paid- in share capital	Capital reserves	Treasury shares	Share-based payments	Retained earnings	Foreign currency transl. diff.	exceed Group SE shareholder equity
Balances at 1 January 2014	528	65'485	(4'525)	152	28'681	8'421	98'742
Profit for the period					3'520		3'520
Remeasurements of defined benefit obligation					(2'056)		(2'056)
Deferred tax effect on remeasurements of defined benefit obligation					318		318
Currency translation differences						961	961
Other comprehensive income for the period					(1'738)	961	(777)
Comprehensive income for the period					1'782	961	2'743
Share-based payments				40			40
Other equity effects				40			40
Balances at 30 September 2014	528	65'485	(4'525)	192	30'463	9'382	101'525
Balances at 1 January 2013	528	65'485	(4'525)	56	19'488	9'309	90'341
Profit for the period					7'574		7'574
Remeasurements of defined benefit obligation					1'111		1'111
Deferred tax effect on remeasurements of defined benefit obligation					(174)		(174)
Currency translation differences						(637)	(637)
Other comprehensive income for the period					937	(637)	300
Comprehensive income for the period					8'511	(637)	7'874
Share-based payments				83			83
Other equity effects				83			83
Balances at 30 September 2013	528	65'485	(4'525)	139	27'999	8'672	98'298

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONDENSED & CONSOLIDATED)

1 General information

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

exceet Group SE is incorporated as a Société Européenne under the law of Luxembourg. The Company was incorporated on 9 October 2009 as Helikos SE and renamed to exceet Group SE on 27 July 2011. The registered office is at 115 avenue Gaston Diderich, L-1420 Luxembourg. exceet Group SE 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 consolidated exceet Group SE (“Group” or “exceet”) includes all relevant companies in which exceet Group SE, directly or indirectly, has a majority of the voting rights and is able to determine the financial and business policies based on the so-called control concept. All companies consolidated into the Group are disclosed in note 19 “List of consolidated subsidiaries of exceet Group SE”.

exceet is an international technology group specialized in the development and manufacturing of intelligent, mission critical and secure electronics of small and mid-size volumes. The Group provides worldwide added value solutions and distinguishes through its technical skill set in embedded intelligent electronics with a leading position in the health, industry & security markets.

The Group differentiates and reports in three business segments: Electronic Components Modules & Systems (ECMS), ID Management & Systems (IDMS) and exceet Secure Solutions (ESS).

The ECMS segment (71% of Group Sales YTD 2014) develops and produces innovative, complex and integrated electronic products, with a focus on miniaturization, cost optimization and a high degree of customization to suit the needs of the customers. The products and services of the ECMS segment are aimed primarily at customers in the sectors of medical and healthcare, industrial automation, security and avionics.

The IDMS segment (25% of Group Sales YTD 2014) is engaged in design, development and production of contact and contactless smart cards, multifunction cards, card reading devices and related services. Offering tailored, innovative solutions while meeting the highest quality and security standards, the Company considers itself as one of the leading providers of comprehensive solutions for high-tech smart cards and the corresponding card reading devices in Europe. IDMS security solutions are used primarily in the sectors of financial services, security, public sector, transportation, healthcare, as well as retail.

The ESS segment (4% of Group Sales YTD 2014) combines the experience gathered in the ECMS and IDMS segments relative to the development of innovative solutions for embedded security systems in selected markets. The ESS segment focuses on security solutions for customers in the sectors of medical and healthcare, industrial automation, financial services, security, avionics and in the public sector.

exceet is mainly focusing on the markets in Europe, but is also active in the markets of USA and Asia-Pacific. The Group consists of 21 legal entities with 15 locations in Austria, the Czech Republic, Germany, Luxembourg, the Netherlands, Romania and Switzerland. This setup allows the Group to benefit from specific local advantages (e.g. customer proximity) and to apply a flexible production process necessary to fulfill the specific requirements of customers.

This condensed consolidated interim financial information is unaudited and was approved for issue by the Board of Directors on 3 November 2014.

2 Adoption of new and revised accounting standards

New and amended standards adopted by the Group

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

- IFRS 10 (New) "Consolidated financial statements"
- IFRS 11 (New) "Joint arrangements"
- IFRS 12 (New) "Disclosure of interests in other entities"
- IAS 27 (Revised) "Separate financial statements"
- IAS 32 (Amendment) "Financial instruments: Presentation – offsetting financial assets and liabilities"
- IAS 39 (Amendment) "Novation of derivatives and continuation of hedge accounting"
- IFRIC 21 (New) "Levies"

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

Apart from these amendments, the interim condensed consolidated financial statements have been prepared on the basis of the accounting policies, significant judgments, key assumptions and estimates as described on pages 31 to 48 of the consolidated financial statements of exceet Group SE 2013.

New standards, amendments and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these interim condensed consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group:

- IFRS 9 (New) "Financial instruments" – IASB effective date 1 January 2018
- IFRS 14 (New) "Regulatory Deferral Accounts" – IASB effective date 1 January 2016
- IFRS 15 (New) "Contracts with Customers" – IASB effective date 1 January 2017
- IFRS 10 /IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" – IASB effective date 1 January 2016
- IFRS 11 (Amendments) "Accounting for Acquisitions of Interest in Joint Operations" – IASB effective date 1 January 2016
- IAS 16 /41 (Amendments) "Bearer Plants" – IASB effective date 1 January 2017
- IAS 16/38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortization" – IASB effective date 1 January 2016
- IAS 19 (Amendments) "Employee benefits" – IASB effective date 1 July 2014
- IAS 27 (Amendments) "Equity Method in separate Financial Statements" – IASB effective date 1 July 2016
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The Group is yet to assess the potential impacts of the new standards and amendments to the existing standards and intends to adopt them no later than the effective endorsement date by the EU.

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

3 Basis of preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2014, have been prepared in accordance with IAS 34, 'Interim financial reporting'.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

All figures presented should be read as in EUR 1'000.

Use of estimates and judgments

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

The following exchange rates were relevant to the interim financial report as per 30 September 2014:

	30 September 2014	Average 01.01. - 30.09.2014	31 December 2013	30 September 2013	Average 01.01. - 30.09.2013
CHF 1	0.83	0.82	0.81	0.82	0.81
USD 1	0.79	0.74	0.73	0.74	0.76

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

Consolidated statement of comprehensive income

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

Seasonality

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

4 Financial risk management and financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk, cash flow interest rate risk, price risk and public warrant fair value risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's consolidated financial statements for 2013. There have been no changes in any risk management policies since the year end.

Fair value estimation

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's asset and liabilities that are measured at fair value.

(in EUR 1'000)	Level 1	Level 2	Level 3	Total
30 September 2014				
Assets as per balance sheet				
Financial assets at fair value through profit or loss				
Interest cap				
Total	0	0	0	0
Liabilities as per balance sheet				
Financial liabilities at fair value through profit or loss				
Interest cap		52		52
Public Warrants	1'500			1'500
Total	1'500	52	0	1'552
31 December 2013				
Assets as per balance sheet				
Financial assets at fair value through profit or loss				
Interest cap				
Total	0	0	0	0
Liabilities as per balance sheet				
Financial liabilities at fair value through profit or loss				
Interest cap		54		54
Public Warrants	800			800
Total	800	54	0	854

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

Level 1 Public Warrants are valued on the quoted market price at the balance sheet date. The Public Warrants are listed on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse).

Level 2 interest caps were valued at fair value by using mark-to-market calculations of observable inputs of interest yield curves.

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.

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

(in EUR 1'000)	
Balance at 1 January 2014	
Currency translation differences	0
Balance at 30 September 2014	0
Total (gains)/losses for the period included in profit or loss	0
Balance at 1 January 2013	
Earn-out of acquisition	269
Currency translation differences	0
Balance at 30 September 2013	269
Total (gains)/losses for the period included in profit or loss	0

Fair value of financial assets and liabilities measured at amortized costs

The fair values of borrowings are as follows:

(in EUR 1'000)	unaudited	audited
	30 September 2014	31 December 2013
Carrying amount		
Bank borrowings	29'932	29'638
Finance lease liabilities	2'535	3'842
Total	32'467	33'480
Fair value		
Bank borrowings	29'932	29'638
Finance lease liabilities	2'535	3'842
Total	32'467	33'480

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

5 Additional information to the cash flow statement

(in EUR 1'000)	unaudited	unaudited	Date of consolidation
	01.01. - 30.09.2014	01.01. - 30.09.2013	
Cash flow on acquisition of investments			
Cash outflow on acquisition of exceet Medtec Romania S.R.L.	(52)		31 May 2014
Cash outflow on acquisition of exceet CZ s.r.o.		(600)	31 December 2010
Total	(52)	(600)	
Transaction cost directly recognized in the income statement			
exceet Medtec Romania S.R.L.	24		
Total	24	0	

The cash outflow on acquisition of exceet CZ s.r.o. is related to the acquisition in 2010, with final contractual payments in Q1 2013.

The acquisition of tangible assets is mainly related to the purchase of production facilities and machinery. The Group purchased fixed assets through finance lease arrangements of EUR 502 (9M 2013: EUR 365).

Proceeds from finance lease prepayments are reimbursements in the current reporting period of prepayments of leasing liabilities in previous reporting periods, these prepayments amount to EUR 225 (9M 2013: EUR 129).

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

6 Segment information

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

The segment information for the nine months ended 30 September 2014 and a reconciliation of EBIT to profit / (loss) for the period is provided as follows:

Income statement and capital expenditure by segment

01.01. - 30.09.2014 (in EUR '000)	ECMS	IDMS	ESS	Corporate and others	Eliminations	Group consolidated
External revenue	99'068	34'956	6'036	0		140'060
Inter-segment revenue	158	6	59	218	(441)	0
Total revenue	99'226	34'962	6'095	218	(441)	140'060
EBITDA	16'221	2'299	(208)	(3'219)		15'093
<i>EBITDA Margin</i>	<i>16.3%</i>	<i>6.6%</i>	<i>(3.4%)</i>			<i>10.8%</i>
Depreciation, amortization and impairment	(5'250)	(1'957)	(163)	(110)		(7'480)
EBIT	10'971	342	(371)	(3'329)		7'613
<i>EBIT Margin</i>	<i>11.1%</i>	<i>1.0%</i>	<i>(6.1%)</i>			<i>5.4%</i>
Financial income	401	52	0	448	(278)	623
Financial expense	(720)	(436)	(32)	(882)	278	(1'792)
Changes in fair value in financial instruments	0	2	0	(700)		(698)
Financial result – net	(319)	(382)	(32)	(1'134)	0	(1'867)
Profit before income tax	10'652	(40)	(403)	(4'463)		5'746
Income tax expense	(2'990)	703	96	(35)		(2'226)
Profit for the period	7'662	663	(307)	(4'498)		3'520
Capital expenditure tangible assets	2'068	1'084	64	8		3'224
Capital expenditure intangible assets	173	93	53	1		320
Depreciation tangible assets	(3'100)	(1'574)	(47)	(28)		(4'749)
Amortization intangible assets	(2'150)	(383)	(116)	(82)		(2'731)

01.01. - 30.09.2013 (in EUR 1'000)	ECMS	IDMS	ESS	Corporate and others	Eliminations	Group consolidated
External revenue	107'061	31'836	2'861	0		141'758
Inter-segment revenue	233	22	0	232	(487)	0
Total revenue	107'294	31'858	2'861	232	(487)	141'758
EBITDA	16'110	1'462	(274)	(2'917)		14'381
<i>EBITDA Margin</i>	<i>15.0%</i>	<i>4.6%</i>	<i>(9.6%)</i>			<i>10.1%</i>
Depreciation, amortization and impairment	(5'186)	(2'023)	(142)	(32)		(7'383)
EBIT	10'924	(561)	(416)	(2'949)		6'998
<i>EBIT Margin</i>	<i>10.2%</i>	<i>(1.8%)</i>	<i>(14.5%)</i>			<i>4.9%</i>
Financial income	434	129	1	825	(150)	1'239
Financial expense	(843)	(408)	(16)	(837)	150	(1'954)
Changes in fair value in financial instruments	0	22	0	3'780		3'802
Financial result – net	(409)	(257)	(15)	3'768	0	3'087
Profit before income tax	10'515	(818)	(431)	819		10'085
Income tax expense	(2'581)	(122)	133	59		(2'511)
Profit for the period	7'934	(940)	(298)	878		7'574
Capital expenditure tangible assets	5'487	1'416	17	0		6'920
Capital expenditure intangible assets	418	16	468	122		1'024
Depreciation tangible assets	(2'760)	(1'610)	(38)	(31)		(4'439)
Amortization intangible assets	(2'426)	(413)	(104)	(1)		(2'944)

Assets and liabilities by segment

(in EUR 1'000)	ECMS	IDMS	ESS	Corporate and others	Eliminations	Group consolidated
Balances at 30 September 2014 (unaudited)						
Non-current assets	65'948	23'939	2'297	377		92'561
Current assets	66'572	16'946	2'861	3'750		90'129
Liabilities	42'058	15'001	3'229	20'877		81'165
Balances at 31 December 2013 (audited)						
Non-current assets	67'927	24'452	2'256	432		95'067
Current assets	68'052	15'311	1'389	2'976		87'728
Liabilities	40'587	21'729	1'906	19'831		84'053
Balances at 30 September 2013 (unaudited)						
Non-current assets	67'917	24'433	2'518	231		95'099
Current assets	69'576	16'000	1'159	3'772		90'507
Liabilities	43'294	22'470	1'736	19'808		87'308

7 Financial result

Financial income for the nine months ended 30 September 2014, includes a loss of EUR 700 (9M 2013: Gain of EUR 3'780) realized on the fair value adjustment of the Public Warrants (note 14 "Other financial liability").

8 Development costs

The position “cost of sales” in the consolidated income statement includes development costs in the amount of EUR 6'073 (9M 2013: EUR 6'304; full year 2013: EUR 8'700).

Development costs are mainly related to development projects for customers as well to products, process development and optimizations for the production.

9 Equity

The authorized share capital as per 30 September 2014 amounts to 45'675'397 shares, thereof 34'734'221 shares are issued and can be divided into 20'523'695 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), 5'210'526 Class B Shares (Founding Shares) and 9'000'000 Class C Shares (Earn-out Shares) with a par value of EUR 0.0152 each. The not issued shares of 10'941'176 are Class A Shares. The Treasury Shares are designated to be used for the Management Stock Option Program.

There were no changes to the share capital of exceet Group SE since the last reporting date of 31 December 2013.

For further information regarding exceet’s equity structure, please refer to the consolidated financial statements of exceet Group SE 2013, Note 13 “Equity” on pages 69 to 72.

10 Earnings per share

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

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

Basic earnings per share

The calculation of basic EPS at 30 September 2014 is based on the profit attributable to the owners of the parent of EUR 3'520 (9M 2013: EUR 7'574) and the weighted average number of ordinary shares outstanding of 20'073'695 Class A Shares and 14'210'526 Class B/C Shares respectively. For the same period in the previous year the notional weighted average numbers of ordinary shares outstanding were 20'073'695 Class A Shares and 14'210'526 Class B/C Shares respectively.

		unaudited 01.01. - 30.09.2014	unaudited 01.01. - 30.09.2013
Profit for the year (EUR 1'000) attributable to equity holders of the Company	Class A Shares	3'378	7'432
	Class B/C Shares	142	142
Weighted average number of ordinary shares outstanding	Class A Shares	20'073'695	20'073'695
	Class B/C Shares	14'210'526	14'210'526
Basic earnings per share (EUR/share)	Class A Shares	0.17	0.37
	Class B/C Shares	0.01	0.01

Dilutive earnings per share

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

As described in the annual report of exceet Group SE 2013, Note 13 “Equity” on pages 69 to 72, Class B and C Shares that are not converted to Public Shares on or prior to the fifth anniversary of the consummation of the reversed asset acquisition will no longer be convertible into Public Shares and will be redeemed. The redemption would reduce the numbers of ordinary shares outstanding, which would then impact the EPS. In the period presented it would lead to higher earnings per share for the other class of shares and consequently has not been considered as dilutive.

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

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

11 Dividends

No dividends were paid during the nine months ended 30 September 2014.

12 Borrowings

(in EUR 1'000)	unaudited 30 September 2014	audited 31 December 2013
Non-current		
Bank borrowings	29'932	29'638
Finance lease liabilities	2'535	3'842
Total non-current borrowings	32'467	33'480
Current		
Bank borrowings	2'912	2'550
Finance lease liabilities	2'215	2'175
Other loans	0	5'622
Total current borrowings	5'127	10'347
Total borrowings	37'594	43'827

Other loans represented a subordinated loan from our shareholder Oranje-Nassau Participaties B.V., this loan in the total amount of EUR 5'668 has been fully repaid as per 31 August 2014.

13 Retirement Benefit Obligation

The impact of measurements of the defined benefit obligation arises from changes in economic assumptions (discount rates) of EUR 3'055 (9M 2013: EUR -2'097) and return on plan assets of EUR -999 (9M 2013: EUR -1'263), no changes arise from changes in demographic assumptions (9M 2013: EUR 2'249).

14 Other financial liability

The current financial liability contains a financial liability resulting from fair value measurement of the Public Warrants of EUR 1'500 (31.12.2013: EUR 800).

Public Warrants

exceet Group SE completed its initial public offering of 20'000'000 units consisting each of one share and one warrant, both traded on the Frankfurt Stock Exchange, at an initial price of euro 10.00 raising hence a total of EUR 200'000.

Public Warrants are treated as derivatives under IAS 32 as they will be settled net in shares (not in cash). Therefore, they are classified as financial liabilities at fair value through profit or loss.

As at 30 September 2014 the rating of one Public Warrant on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) was at eurocent 7.5 (31.12.2013: eurocent 4), hence a fair value of EUR 1'500 was recorded at 30 September 2014 (31.12.2013: EUR 800).

15 Ultimate controlling parties and related-party transactions

The Company has no ultimate controlling party.

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

The shareholder loan of EUR 5'000 (with cumulated interests of EUR 668 throughout the term of the loan) granted to exceet Card Group AG was repaid in full as per 31 August 2014. EUR 46 of interest was charged for the period until payment in 2014 (9M 2013: EUR 50). In addition, the Group had legal charges from related parties in the nine months of 2014 of EUR 89 (9M 2013: EUR 144). For the acquisition of exceet CZ s.r.o. at 31 December 2010, EUR 600 has been paid to members of Management Board of exceet Group SE by the end of the first quarter of 2013.

16 Business combinations

exceet Medtec Romania S.R.L. [former: Valtronic Technologies Romania S.R.L.]

On 31 May 2014 the Group acquired by way of a share purchase agreement 95% of the shares of Valtronic Technologies Romania S.R.L. (renamed to exceet Medtec Romania S.R.L.), a Romanian development company. The remaining 5% of the shares held by a third party have been acquired on 30 June 2014, also by way of a share purchase agreement. As this second step of the acquisition of the remaining 5% interest was based on the same valuation as the first step and the minority values are below the rounding and materiality level the whole acquisition will be reported as one transaction. With this acquisition exceet intends to strengthen its technical development resources for the ECMS segment. The aggregate cash consideration amounts to EUR 307. No earn-out payments have been agreed and the Group does not expect any future payments under the contingent consideration agreement. exceet Medtec Romania S.R.L. has been acquired by exceet Group AG. Transaction costs of EUR 24 have been recognized in administrative expenses.

The company employs 13 people and contributed revenue of EUR 197 and a net profit of EUR 27 to the Group for the period of 31 May 2014 to 30 September 2014. If the acquisition had occurred on 1 January 2014, exceet Medtec Romania S.R.L. would have contributed EUR 531 revenue and a net profit of EUR 110 to the Group for the nine months of 2014.

(in EUR 1'000)

Fair Value	
Cash and cash equivalents	255
Tangible assets	1
Software and other intangible assets	7
Prepayments to suppliers	4
Trade receivables (including allowance)	57
Other receivables	51
Trade payables	(1)
Other liabilities	(5)
Net assets acquired	369
Consideration settled in cash	(307)
Cash and cash equivalents in subsidiary acquired	255
Cash outflow on acquisition	(52)

(in EUR 1'000)

Purchase consideration	
Purchase consideration paid	307
Fair value of net assets acquired	(369)
Negative Goodwill	(62)

The final valuation of the fair value assigned to the identifiable assets and liabilities acquired has been finalized. The resulting negative Goodwill of EUR 62 has been recognized within other income in the current quarter.

The account receivables and other receivables are valued at fair value; there are no uncollectible receivables.

17 Events occurring after the reporting period

There were no other events since the balance sheet date on 30 September 2014 that would require adjustment of assets or liabilities or a disclosure.

18 Contingent Liability

Litigation

Three subsidiaries of the IDMS segment are facing allegations of infringements against patent rights of the Smartrac Technology Group. exceet assures that no Smartrac patent rights were violated, since the appealed products were provided by a long-term supplier of exceet Group. The supplier confirmed his right to deliver the products in dispute to exceet and is teaming up with exceet to show joint interest in solving this case. Based on the available information as of today, Management does not expect a liability to occur from this case. Therefore no provision has been recognised.

Personal costs

In the normal course of business, costs related to employment conflicts may arise. Management accrued all estimated costs as deemed necessary within the normal operations of the Group.

19 List of consolidated subsidiaries of exceet Group SE

In the effort of Group branding strategy, AuthentiDate International AG has been renamed to exceet Secure Solutions as of 18 August 2014.

Company	Country	Year of acquisition ¹⁾	Segment	Activity	Share Capital	Share in the capital	Share of the votes
exceet Group S.E.	LUX	2011	C&O	Holding	EUR 527,960	100%	100%
exceet Austria GmbH ⁶⁾	AUT	2011	C&O	Holding	EUR 35,000	100%	100%
exceet Holding AG	SUI	2011	C&O	Holding	CHF 100,000	100%	100%
exceet Group AG	SUI	2006	C&O	Holding & Services	CHF 25,528,040	100%	100%
exceet Medtec Romania S.R.L.	ROU	2014	ECMS	Development	RON 1,000	100%	100%
as electronics GmbH	GER	2012	ECMS	Development & Sales	EUR 102,150	100%	100%
AEMtec GmbH	GER	2008	ECMS	Manufacturing & Sales	EUR 2,250,000	100%	100%
Contec Steuerungstechnik & Automation GmbH	AUT	2011	ECMS	Manufacturing & Sales	EUR 36,000	100%	100%
ECR AG	SUI	2006	ECMS	Manufacturing & Sales	CHF 500,000	100%	100%
GS Swiss PCB AG	SUI	2006	ECMS	Manufacturing & Sales	CHF 1,350,000	100%	100%
Mikrap AG	SUI	2008	ECMS	Manufacturing & Sales	CHF 1,000,000	100%	100%
idVation GmbH ³⁾	GER	2009	IDMS	Development & Services	EUR 25,000	100%	100%
exceet Card Group AG ⁸⁾	GER	2009	IDMS	Holding & Services	EUR 5,915,500	100%	100%
exceet CZ s.r.o. ⁴⁾	CZE	2010	IDMS	Manufacturing	CZK 1,500,000	100%	100%
exceet Card AG ^{2),9),10)}	GER	2010	IDMS	Manufacturing & Sales	EUR 6,315,584	100%	100%
exceet Card Austria GmbH ²⁾	AUT	2009	IDMS	Manufacturing & Sales	EUR 35,000	100%	100%
exceet Card Nederland B.V. ⁵⁾	NED	2009	IDMS	Manufacturing & Sales	EUR 226,900	100%	100%
Inplator Graphische Produkte GmbH	AUT	2012	IDMS	no activity	EUR 50,000	100%	100%
AuthentiDate Deutschland GmbH ⁷⁾	GER	2011	ESS	Development & Services	EUR 25,000	100%	100%
exceet Secure Solutions (former: AuthentiDate International AG)	GER	2011	ESS	Sales	EUR 1,000,000	100%	100%

- 1) Year of acquisition refers to exceet Group AG point of view
- 2) exceet Card Group AG holds 100% of the share capital of these subsidiaries
- 3) exceet Card Austria GmbH holds 100% of the share capital of idVation GmbH
- 4) exceet Card Austria GmbH holds 98.67% of the share capital of exceet CZ s.r.o. idVation GmbH hold 1.33% of the share capital of exceet CZ s.r.o.
- 5) exceet Card AG holds 100% of the share capital of exceet Card Nederland B.V.
- 6) exceet Austria GmbH holds 99.01% of the share capital of Contec GmbH and exceet Group AG 0.99% of the share capital of Contec GmbH
- 7) exceet Secure Solutions (former AuthentiDate International AG) holds 100% of the share capital of AuthentiDate Deutschland GmbH
- 8) exceet Card Group AG holds 100% of the share capital of NovaCard Systems Inc., USA, which is an inactive company and therefore not consolidated
- 9) PPC Card Systems GmbH and exceet Card AG have been merged in August 2012 retroactively as per 1.1.2012
- 10) NovaCard Informationssysteme GmbH and exceet Card AG have been merged in February 2013 retroactively as per 1.1.2013

For more detailed information please visit www.exceet.lu/divisions/.