

Media Release



Financial Results 2016 (Annual Report)

Solid Basis for Improving Returns

- Q4 sales from continued operations at EUR 35.5 million, the highest quarterly figure since Q2 2015
- Total sales from continued operations EUR 135.3 million (excluding currency effect -0.2% against 2015)
- Total group sales at EUR 168.5 million (including EUR 33.2 million from sold IDMS segment)
- EBITDA continued operations: Q4 2016 EUR 1.6 million; full year 2016 EUR 8.1 million (-19% against 2015)
- Order backlog on 31 December 2016 EUR 92.2 million (+19.9% against 2015)
- On 31 December 2016, cash amounts to EUR 30.9 million (2015: EUR 33.3 million); net debt reaches EUR 5.4 million (2015: EUR 8.1 million); equity ratio of 55.4% (2015: 56.5%).

Luxembourg, 28 February 2017 – 06.30 p.m. – exceet kept streamlining its corporate organization and further sharpened its business focus on the markets of smart and secure electronics as well as secure connectivity solutions. This includes the simplification of the capital structure in Q3, the sale of the card business through a Management-Buy-Out (MBO) in September, the streamlined management structure and the ongoing reorganization of the Swiss market activities. This solid basis of exceet in combination with its strong customer and market orientation will enhance growth and improve returns.

Electronic Components, Modules & Systems (ECMS) achieved in the full year 2016 total third party net sales of EUR 126.1 million (2015: EUR 126.8 million) with an EBITDA of EUR 12.9 million (-14.6% against 2015) and an EBITDA margin of 10.3% (2015: 11.9%).

In 2016 ECMS has been working on the industrialization of innovative high quality wearables for the precise measurement of vital data. These medical grade wearables are produced and designed in cooperation with the customers. They minimize the need for hospitalization and help to reduce costs and increase patients' quality of life. In the future, wearables might require security and connectivity know-how – a key competence of exceet.

Thanks to the set of the vast ECMS competences in design, development and production of customer specific touch displays, the segment was able to open up new markets and win several projects, for example in the field of vending machines. ECMS took advantage of the practical proven connectivity and security expertise of the ESS segment. Furthermore, exceet realized a successful business development in the field of its i.MX6 system-on-module microprocessor solution. Hereby, exceet could benefit from its competences in electronic hardware and software development. To enlarge its range of services, ECMS enhanced the activities in the microchip placement process area by adding a wafer backend process. The setup of the new production infrastructure allows ECMS to be at the technological cutting edge for the next 3-5 years. The early integration in the customer process leads to a substantial reduction of the coordination efforts and related costs.

Combined with the continuous investment in production improvement and optimization of quality assurance- and production processes, ECMS shall be able to strengthen its market position in 2017.

exceet Secure Solutions (ESS) realized total third party net sales of EUR 9.2 million in 2016 after EUR 9.6 million in 2015. The EBITDA margin, still influenced by upfront development costs, remained negative.

ESS continued to focus on secure connectivity mainly based on IT Security and industrial Internet of Things (IoT) projects and solutions. The unit recorded a strong demand for concept development, customer specific IoT hardware, IoT software and especially process specific IT Security consulting, products and services. ESS is well positioned to benefit from the high potential in the secure connectivity and IT Security market.

In addition, ESS reached an important milestone in its product and services strategy as its trust center was certified according to the international eIDAS (Electronic Identification and Services) regulation. As one of the first German providers, ESS can now offer qualified time stamps according to this European wide regulation.

Outlook

From a current point of view, in 2017 a similar sales progression pattern as in 2016 can be considered probable. The management is confident that organic growth can be achieved in the current year, again with a better cumulative second half compared to the first half. Latest order backlog figures are giving confidence, but the general economic environment and possible effects on customers' behavior seem to be fragile. Operating profitability as measured by EBITDA should have bottomed out in the last year, as a solid base has been set for higher results again. As communicated earlier, a more favorable earnings development will be also supported by the adjusted management structure generating considerable savings in the future.

The EBITDA margin is expected to improve visibly on a total year basis but a certain volatility of this figure on a quarterly basis has to be kept in mind due to the project type business of the group. However, exceet's project cycle is developing favorably and cost structures have improved. The already mentioned new management structure, starting 1 January 2017, leaves the management board consisting of the positions of CEO and CFO (currently held by the same person). The second level management team reports now directly to the management board and will be supported by limited group functions related to business and technical development as well as sales activities. Furthermore, exceet has now a dilution-free, transparent capital structure, which will no longer have an impact on the financial results. The optimization of production by migrating and concentrating activities, as it is the case with the shift of production activities from Rotkreuz/CH to Ebbs/AT, is a time consuming procedure. exceet's customers are involved into that process as they have to agree to it in principle and renew all necessary certifications. The downsized electronics operations in Rotkreuz/CH will focus further on the promising innovative Swiss market. The management is expecting a transformation period of up to two years until the operations at Rotkreuz/CH will reach the initial turnover volume. The also Swiss-based PCB business in Küssnacht/CH will continue its successful track record.

The group is well positioned in the field of smart and secure electronics by offering innovative support for development, industrialization and manufacturing. The management is committed to its customers and to organic growth. A further focus will be placed on the improvement of the operational cash flow generation and on the effort to improve sustainably the EBITDA margin.

As published on 14 February 2017, Greenock S.à r.l., a major shareholder of exceet Group SE, has informed the Board of Directors of exceet Group SE that it has entered into discussions with a potential buyer of its stake in exceet at a price of Euro 3.90 to Euro 4.00 per share. exceet grants the potential buyer the opportunity to conduct a due diligence of exceet. However, the Board of Directors of exceet Group SE is not yet able to assess, whether the conditions precedent for the acquisition of Greenock's stake by the potential buyer and for the potential tender offer to the shareholders of exceet Group SE will be met or not.

Annex: Performance and Structural Data full year 2016

[Complete Annual Report 2016](#) and [actual Company Presentation](#) available at www.exceet.lu

Please contact for further information:

Wolf-Günter Freese, acting CEO & CFO - Email: Investor.relations@exceet.lu

exceet Group SE

115 avenue Gaston Diderich

L-1420 Luxembourg

Phone +352 26 29 91 22

ISIN LU0472835155 (Public Shares), Regulated Market, Prime Standard, Frankfurt/Main

exceet will announce first quarter results 2017 on 02 May 2017

(after closing of the market)

About exceet

exceet is an international technology group, which is specialized in the development and production of intelligent, complex and secure electronics.

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Performance and Structural Data						
(in EUR million, expenses & cash out in parentheses)	<u>Continued Operations</u>			<u>Total Group Basis ¹⁾</u>		
	2016	2015	Change	2016	2015	Change
Income Statement						
Net Sales	135.3	136.4	-0.8%	168.5	181.6	-7.2%
- ECMS ^{2), 3)}	126.1	126.8	-0.6%	126.1	126.8	-0.6%
- IDMS ^{2), 4)}				33.2	45.2	-26.5%
- ESS ^{2), 5)}	9.2	9.6	-4.2%	9.2	9.6	-4.2%
Gross Profit	17.2	20.5	-16.1%	22.5	27.0	-16.7%
EBITDA	8.1	10.0	-19.0%	7.3	12.7	-42.5%
<i>in % of Net Sales</i>	<i>6.0%</i>	<i>7.3%</i>	<i>-1.3pp</i>	<i>4.3%</i>	<i>7.0%</i>	<i>-2.7pp</i>
- ECMS	12.9	15.1	-14.6%	12.9	15.1	-14.6%
- IDMS				(0.8)	2.6	-130.8%
- ESS	(1.2)	(0.4)	-200.0%	(1.2)	(0.4)	-200.0%
EBIT	(4.4)	1.7	-358.8%	(15.3)	2.1	n.a.
<i>in % of Net Sales</i>	<i>(3.2%)</i>	<i>1.3%</i>	<i>-4.5pp</i>	<i>(9.1%)</i>	<i>1.2%</i>	<i>-10.3pp</i>
Net Income	(7.1)	(1.4)	n.a.	(31.4)	(1.2)	n.a.
- per Class A Share	EUR (0.35)	EUR (0.04)	n.a.	EUR (1.56)	EUR (0.03)	n.a.
- per Class B/C Share (canceled)		EUR (0.04)	n.a.		EUR (0.03)	n.a.
Backlog	92.2	76.9	+19.9%			
Cash Flow Statement						
Cash flow from operations						
before change in net working capital	6.4	11.6	-44.8%	7.1	13.9	-48.9%
Change in net working capital ⁶⁾	(2.2)	1.4	+257.1%	(5.1)	1.1	+563.6%
Cash flow from operations	0.3	7.6	+96.1%	(2.1)	9.1	+123.1%
Capex (incl. finance lease agreements)	(7.1)	(4.7)	+51.1%	(8.5)	(6.3)	+34.9%
Free Cash Flow	(6.8)	3.0	+326.7%	(10.7)	2.7	+496.3%
Balance Sheet						
(in EUR million, expenses & cash out in parentheses)	31.12.2016	31.12.2015	Change		31.12.2015	Change
Total Assets	151.8	186.6	-18.6%		186.6	-18.6%
Cash	30.9	29.1	+6.2%		33.3	-7.2%
Net Financial Debt	5.4	9.1	+40.7%		8.1	+33.3%
Goodwill	22.6	25.5	-11.4%		40.0	-43.5%
Shareholders' equity	84.1	105.5	-20.3%		105.5	-20.3%
Employees (full-time-equivalent)	642	643	-0.2%		1'021	-37.1%

- 1) Incl. discontinued operations (IDMS)
 2) 3rd party net sales only
 3) Electronic Components Modules & Systems

- 4) ID Management & Systems
 5) except Secure Solutions
 6) Increase / (Decrease); excluding interest and tax payments