

Press Release



Financial Results First Half-Year 2016

Stabilization of operations in Q2

- Q2 group sales well stabilizing at EUR 44.2 million (+3.9% y-o-y) achieving an improved but still too low EBITDA-level of EUR 2.0 million (+58.8% y-o-y)
- H1 group sales amounted to EUR 86.8 million (-2.0% y-o-y) while EBITDA reached EUR 3.7 million (-13.9% y-o-y) both attributable to a strong basis in Q1 2015
- H1 sales of continued operations (electronics & secure solutions) at EUR 65.4 million (-5.3% y-o-y), EBITDA under proportionally down to EUR 3.5 million (-2.3% y-o-y)
- IDMS (discontinued operations) related goodwill was impaired by EUR 8.5 million
- As of 26 July 2016, expiration of outstanding warrants and rights to convert outstanding Class B and C shares in Class A shares – redemption at accounting par value of euro 0.0152 latest until 26 January 2017
- Twelve months rolling book-to-bill ratio of continued operations at 1.06 (H1 2015: 0.86), of discontinued operations at 1.05 (H1 2015: 0.95)

Luxembourg, 08 August 2016 – 06.30 p.m. – To focus the exceet Group on the electronic and secure solutions activities, the Board of exceet Group SE decided at the beginning of March 2016 to start a process to sell the business segment of ID Management & Systems (IDMS). As a consequence, the group's IFRS reporting is split in "Continued Operations" and "Discontinued Operations" as of Q1 2016. Please see for further details the notes of the Half-Year Report.

The sales of the first half-year 2016 of continued operations reached EUR 65.4 million (H1 2015: EUR 69.1 million) representing a decline of 5.3%; on a group total basis including IDMS EUR 86.8 million (H1 2015: EUR 88.6 million). In combination with the lower sales level, the project mix and the the lower efficiency to restructure and refocus the operations the continued operations of exceet showed an unsatisfactory EBITDA of EUR 3.5 million (5.4% of net sales) compared to EUR 3.6 million (5.2% of net sales) in H1 2015.

Electronic Components, Modules & Systems (ECMS) contributed 71.3% to overall Group sales on a total basis. Net sales decreased to EUR 61.8 million during H1 2016, against EUR 64.5 million during H1 2015. The ECMS segment achieved an EBITDA of EUR 7.0 million, accounting for an

EBITDA margin of 11.3% compared to EUR 7.2 million or a margin of 11.1% in the same period of the previous year.

ECMS strengthened its sales activities in the field of displays and control units for instance for vending machines. In Q2 the segment realized additional projects in this market and bundled competences of Großbettlingen (D) and Rotkreuz (CH) for the design, development and production of the customer specific touch displays. The customers also benefit from the secure connection of all vending machines, ensuring that e.g. sales figures and inventory levels are transmitted tamper-proof and protected against access of third parties. In this project ECMS profited by the practical proven industrial IoT and IT-Security expertise of the ESS segment.

exceet Secure Solutions (ESS) accounted for 4.1% of total group sales. In the first half-year 2016 the segment generated revenues of EUR 3.6 million. This reflects a decrease by 22.3% compared to H1 2015 by EUR 4.6 million. As of 30 June 2016 the future revenue out of capitalized work in progress is expected to amount to EUR 1.3 million (30.6.2015: none). The EBITDA for this reporting period reached EUR minus 1.0 million (H1 2015: EUR minus 0.4 million).

In Q2 ESS effectively continued its IoT projects, started further sales activities in the IT-Security market and could register an increasing demand for GRC (Governance, Risk & Compliance) related services.

ID Management & Systems (IDMS) revenue in the first half-year 2016 amounted to EUR 21.3 million, which represented an increase of 9.5% compared to EUR 19.5 million in H1 2015. The segment reports an EBITDA of EUR 0.2 million H1 2016 which results in an EBITDA Margin of 0.7%. This includes severance payments of EUR 0.2 million and higher material cost out of the actual product mix. In the same period of the previous year IDMS achieved an EBITDA of EUR 0.7 million (representing 3.4% EBITDA Margin).

In Q2 the IDMS divestment process was continued. Additionally the segment completed its strategy to implement the centers of excellence structure and had moved all loyalty card activities from Unterschleissheim (Germany) to Kematen (Austria). Based on its banking card competence IDMS also brought in Q2 a new wristlet with secure contactless payment functionality onto the market.

Outlook

After a successful stabilization of the business in Q2 with a sound pick-up versus a weak basis one year ago and a catch-up effect this year versus the subdued top line in Q1, the management of exceet is expecting further operational improvements in H2 – similar to the preceding fiscal year. Then, exceet achieved a solid recovery with H2 gaining higher cumulative sales than H1 and with H2 accounting for two thirds of the group's total EBITDA in 2015. This favorable development had been interrupted at the beginning of this year along with deteriorated expectations for the world economy, especially referring to the prospects for overall investment, which is crucial for the group. The current stabilization of the business is actually again followed by a fresh round of rising macroeconomic concerns. Therefore, the uncertainties about the possible size of further business improvements in H2 have risen substantially. However, the group is technologically well positioned in promising areas and has the standing as a long-term reliable partner for innovative customers. Along with the successful development of new applications in the field of intelligent secure electronics – these are sources of the

management's confidence. But project cycles that are typical for exceet's business tend to move slower in a low growth environment with a lack of a broad propensity to invest. With a business situation that remains subdued, the management is strongly committed to improve further the entire structure of the group to lower costs and enhance efficiencies in sales processes and market penetration. This includes the concentration of activities at competence centers like the move of the loyalty card business from Unterschleissheim to Kematen and the embedding activities of the electronics business from Rotkreuz to Ebbs. After an initial phase of reduced cost effectiveness to realize the changes, the management is convinced to increase EBITDA-margins to a sufficient sustainable level - irrespective of further top-line growth.

The decision to sell the card activities and to focus on the highly synergetic ECMS and ESS business units has being put into an organized process. The aimed execution in the course of this year will result in a simplified and more cost-efficient structure while improving some of the financial parameters of the group. The guidance will be adapted to these changes dependent on the timing of the execution.

With the expiration of the warrants and the expiration of the right to convert the outstanding Class B- and Class C-Shares into Class A-Shares, the capital structure will become more transparent and more attractive for investors as the company has to redeem these shares at their accounting par value. As announced earlier, exceet will hold an extraordinary shareholder meeting within the upcoming months referring to the issue of the B- and C-Shares and their redemption.

Greenock S.à r.l. a major shareholder of exceet Group SE had informed the company in Q3 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 a potential transaction.

Annex: Performance and Structural Data first half-year 2016

[Complete Interim Management Report](#) on the first half-year 2016 and [actual Investor Relation Presentation](#) available at www.exceet.lu

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exceet will announce third quarter results for 2016 on 07 Nov. 2016 (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</u>		
	1 st Half-Year			1 st Half-Year		
	2016	2015	Change	2016	2015	Change
Income Statement						
Net Sales	65.4	69.1	-5.4%	86.8	88.6	-2.0%
- ECMS ^{3), 4)}	61.8	64.5	-4.2%	61.8	64.5	-4.2%
- IDMS ^{3), 5)}				21.3	19.5	+9.2%
- ESS ^{3), 6)}	3.6	4.6	-21.7%	3.6	4.6	-21.7%
Gross Profit	9.0	9.9	-9.1%	11.7	12.5	-6.4%
EBITDA	3.5	3.6	-2.8%	3.7	4.2	-11.9%
<i>in % of Net Sales</i>	5.4%	5.2%	+0.2pp	4.2%	4.8%	-0.6pp
- ECMS	7.0	7.2	-2.8%	7.0	7.2	-2.8%
- IDMS				0.2	0.7	-71.4%
- ESS	(1.0)	(0.4)	-150.0%	(1.0)	(0.4)	-150.0%
EBIT	(0.5)	(0.5)	0.0%	(9.9)	(1.0)	n.a.
<i>in % of Net Sales</i>	(0.7%)	(0.8%)	+0.1pp	(11.4%)	(1.1%)	-10.3pp
Net Income	(1.4)	(4.9)	n.a.	(10.5)	(5.3)	n.a.
- per Class A Share	EUR (0.04)	EUR (0.14)	n.a.	EUR (0.31)	EUR (0.16)	n.a.
- per Class B/C Share	EUR (0.04)	EUR (0.14)	n.a.	EUR (0.31)	EUR (0.16)	n.a.
Backlog	82.2	77.4	+6.2%	91.9	85.2	+7.9%
Cash Flow Statement						
Cash flow from operations						
before change in net working capital	4.2	3.9	+7.7%	3.8	4.0	-5.0%
Change in net working capital ⁷⁾	(3.9)	(3.6)	-8.3%	(5.4)	(2.1)	-157.1%
Cash flow from operations	(2.1)	(3.5)	+40.0%	(4.1)	(2.0)	-105.0%
Capex (incl. finance lease agreements)	(3.8)	(2.5)	+52.0%	(5.1)	(3.4)	+50.0%
Free Cash Flow	(5.9)	(6.0)	+1.7%	(9.1)	(5.4)	-68.5%
Cash flow from discontinued operations (IDMS)	(2.9)	0.3	n.a.			
Balance Sheet						
(in EUR million, expenses & cash out in parentheses)	30.06.2016	31.12.2015	Change	30.06.2016	31.12.2015	Change
Balance Sheet						
Total Assets	178.7	186.6	-4.2%	178.7	186.6	-4.2%
Cash	23.9	29.1	-17.9%	25.1	33.3	-24.6%
Net Financial Debt	15.0	9.1	-64.8%	17.2	8.1	-112.3%
Goodwill	25.5	25.5	0.0%	31.4	40.0	-21.5%
Assets held for sale (IDMS)	27.9		n.a.			
Shareholders' equity	92.5	105.5	-12.3%	92.5	105.5	-12.3%
Employees (full-time-equivalent)	655	642	+2.0%	1,010	1,021	-1.1%

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

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