



Financial Results Third Quarter 2019

- Plus 5.2% increase of Group Net Sales to EUR 32.7 million (9M 2018: EUR 31.1 million). FX Adjusted Growth Rate¹⁾ for 9M 2019: plus 2.2% (9M 2018: 3.6%).
- 21.1% increase in Group EBITDA¹⁾ to EUR 4.3 million versus EUR 3.6 million for the first nine months, reaching 13.2% of Net Sales. Excluding the one-off restructuring costs of EUR 0.8 million, the Recurring EBITDA Margin¹⁾ would be 15.6% of Net Sales.
- EUR 1.3 million Group (9M 2018: minus EUR 0.1 million) supported by a positive non-cash currency effect of EUR 0.9 million and including the one-off restructuring costs of EUR 0.8 million. The Recurring Group Net Result¹⁾ would be EUR 1.2 million.
- On 30 September 2019: Order Backlog¹⁾ at EUR 13.5 million; Cash at EUR 112.3 million, Net Cash¹⁾ at EUR 108.8 million and Equity Ratio¹⁾ at 87.0%.
- exceet has given notification on several corporate issues on 19 September 2019 (see www.exceet.com). Thereof the payout of a special distribution in the amount of Euro 3.00 per share and the conversion of exceet Group SE into a SA under Luxembourg law will be decided on Ordinary and Extraordinary General Meetings scheduled for 20 November 2019.

Grevenmacher, 5 November 2019 – In the course of the fiscal year 2018, exceet signed several agreements to sell its portfolio companies exceet electronics, AEMtec GmbH (Germany) and exceet Medtec Romania S.R.L. These activities had been part of exceet's former business segment Electronic Components, Modules & Systems (ECMS). As a consequence, the Group's IFRS reporting had to be split into "Continued Operations" and "Discontinued Operations" as of Q3 2018 (see exceet Interim Financial Statements note 15 "Discontinued Operations").

1) See note 18 "Alternative Performance Measures (APM)" Pages 28 - 30

<https://www.exceet.com/Q3-2019-Report-APM>

The continued operations consist of the printed circuit boards (PCB) activities within the Healthcare segment (former ECMS segment) and the Software segment (former ESS segment), which is actually focused on industrial internet of things (IoT) and secure connectivity. Currently, locations are in Switzerland, Germany, USA and Luxembourg.

The progression of exceet's 9M 2019 performance is characterized by a dynamic Q1 2019 followed by the expected ease of the Group's operative businesses in Q2 2019 and a stabilization in Q3 2019. The actual business development is influenced by the intra-year volatility out of the short-term progression of demand from exceet's customers and the product mix (higher share of lower priced PCBs). Despite wide-spread and serious economic concerns, exceet's third quarter Net Sales raised by 1.8% to EUR 10.3 million. The 9M Net Sales increased by 5.2% (FX Adjusted Growth Rate¹⁾ 2.2%) to EUR 32.7 million (9M 2018: EUR 31.1 million). The operational profit (EBITDA¹⁾) amounted to EUR 1.0 million in Q3 improving the 9M figure to EUR 4.3 million – 13.2% of net Sales - and by 21.1% versus the preceding year period. The cumulative 9M EBITDA¹⁾ figure contains one-off restructuring costs of EUR 0.8 million. Without this impact, the 9M EBITDA Margin¹⁾ improved from 11.5% in 2018 to 15.6% in the current year.

The realized cost-stringency of the organization helps to leverage the Group's operational results to its top line performance. An optimal product cost mix, the absence of a slump in consumer spending on healthcare devices and a sustainable sales improvement of the software unit, keep continuing to be the keys for the further realization of benefits. The Book-to-Bill Ratio as of 30 September 2019 slightly improved and amounts to 1.0 (30 September 2018: 0.9).

The Group's 9M 2019 Net Result of EUR 1.3 million is driven by a substantially improved Financial Result containing the currency exchange gains, net of EUR 0.9 million out of the upstream transfer for the share premiums from the Swiss-based exceet Group AG to the Luxembourg-based exceet Group SE in Q3 2019 in preparation of the possible special distribution to be decided on at the upcoming shareholder meeting on 20 November 2019. The related non-cash effect over-compensated the cumulative currency exchange loss as of 30 September 2019 of EUR 3.4 million.

Healthcare Segment

The segment is focused on the development and production of innovative and miniaturized printed circuit boards (PCB) 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 aids industry represents a stable growing segment within the healthcare market and offers favorable business conditions for the segment's competence and know-how in miniaturization with strong quality requirements. In many cases exceet's deliveries of innovative PCB architectures are crucial for the realization of the demanded features by the customers.

The 9M 2019 performance of the segment was overall driven by typical small to medium size production characteristics. The sizes of series are generally limited and can experience visible volatility on a quarterly basis due to the short-term development of demand of the customers and the product mix with an impact out of differently priced PCBs. The volume of produced PCBs increased by over 9% to 13.6 million pieces in 9M 2019 compared to 9M 2018.

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The segment realized Net Sales of EUR 26.0 million (9M 2018: EUR 24.4 million) representing 79.3% of Group sales and an increase by 6.4%. The EBITDA¹⁾ amounted to EUR 6.8 million (9M 2018: EUR 6.3 million) – plus 7.8% - and resulting in an EBITDA Margin¹⁾ of 26.1% (9M 2018: 25.8%). Adjusted for currency effects, Net Sales amounted to EUR 25.0 million and increased by 4.0%.

The high level of performance of the segment – providing steady growth and above-average profitability – has been realized in addition to the substantial projects to ensure future growth:

- the enlargement of the location in Küsnacht, Switzerland, and
- the capability to produce flexible Ultra HDI Printed Circuit Boards.

These projects are promising and on the expected track to be finalized. At the end of 2019 the available production space of the building in Küsnacht will be expanded by about 1,000 m², an increase by more than 20%. This will allow the further optimization of the production processes and a clear separation of the clean-room areas for the Ultra HDI Printed Circuit Board production.

Software Segment (including IoT)

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

For the first nine months of 2019, the segment contributed 20.7% to Group sales. The segment generated external revenues of EUR 6.8 million after EUR 6.7 million in the corresponding period of 2018 (plus 0.8%). The EBITDA¹⁾ amounted to minus EUR 0.4 million (9M 2018: minus EUR 0.6 million). As of 30 September 2019, the segment has more than 94,000 routers in the market – plus 14% compared to 30 September 2018.

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

1) See note 18 "Alternative Performance Measures (APM)" Pages 28 - 30

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Outlook

After operative sales had been calming in Q2 2019 following an exceptionally strong Q1, top line growth in Q3 showed an encouraging stabilization amid overall deteriorating economic conditions. This has been bringing the Group's nine month top line growth figure to 5.2%, reaffirming the guidance given in the last annual report. As exceet's healthcare related Printed Circuit Board (PCB) activities show a higher resilience to the current economic downturn than more cyclically exposed industries, the Group sees itself in a good position to deliver further moderate growth. This is confirmed by an increased Order Backlog¹⁾ of EUR 13.5 million (30 June 2019: EUR 11.1 million) with a Book-To-Bill Ratio¹⁾ of 1.00. Nevertheless, the strongly clouded visibility for growth and earnings in many industrial sectors discourages the willingness to invest and exceet's customers are acting cautiously.

The Group's operative profitability on the EBITDA¹⁾ level (13.2% for the 9M period) still shows a satisfying improvement versus one year ago (11.5% for the nine months in 2018). exceet will be able to keep its structurally improved level of profitability, but the typical quarterly volatility of the EBITDA Margin¹⁾ could be negatively affected in case of a longer lasting reluctance of the markets to invest into technological innovations or a lower propensity to consume.

Notwithstanding, the substantial projects related to the enlargement and optimization of the PCB production, the enabling of the industrial fabrication of ultra-high-dense flexible PCB boards and the establishment of a market presence of "exceet connect" are on track and are expected to support exceet's growth in 2020.

As outlined in the ad hoc announcement published on 19 September 2019, exceet is in the process to implement a bundle of structural and operational adjustments on Group level of which defined topics will be the subject of two separate General Meetings. On 20 November 2019 the shareholders will decide on the proposed special distribution of Euro 3.00 per share in an Ordinary General Meeting (OGM) and on the conversion of the legal form of exceet Group SE into a stock corporation under the laws of Luxembourg (société anonyme (SA)) in an Extraordinary General Meeting (EGM). On a further EGM, not yet scheduled, the shareholders will decide on the change of the legal form of exceet Group SA into a partnership limited by shares under the laws of Luxembourg (société commandite par actions (SCA)) and on the cancellation of exceet shares held in treasury (450,000 shares).

On the occasion of the envisaged change of the legal form further steps will be taken regarding the consolidation of the Group activities in Luxembourg. In the course of this restructuring, one-off expenses in the amount of approximately EUR 1 million are expected to accrue.

1) See note 18 "Alternative Performance Measures (APM)" Pages 28 - 30

<https://www.exceet.com/Q3-2019-Report-APM>

Annex: Performance and Structural Data third quarter 2019

Complete Interim Report on the third quarter 2019 available at
<https://www.exceet.com/Q3-2019-Report>

and Company Presentation at

<http://www.exceet.com/Q3-2019-Presentation>

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exceet will announce full year results for 2019 on 12 March 2020

(after closing of the market)

About exceet

exceet is a listed holding company focusing on technology corporations within the healthcare and software markets.

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Performance and Structural Data			
(in EUR million, expenses & cash out in parentheses)	January - September ¹⁾		
	2019	2018	Change
Income Statement			
Net Sales	32.7	31.1	+5.2%
- Healthcare ²⁾	26.0	24.4	+6.4%
- Software (incl. IoT) ²⁾	6.7	6.7	0.0%
Gross Profit	7.9	7.1	+11.3%
EBITDA	4.3	3.6	+21.1%
<i>in % of Net Sales</i>	13.2%	11.5%	+1.7pp
- Healthcare	6.8	6.3	+7.9%
- Software (incl. IoT)	(0.4)	(0.6)	+33.3%
EBIT	2.0	1.5	+36.2%
<i>in % of Net Sales</i>	6.2%	4.8%	+1.4pp
Net Income	1.3	(0.1)	n.a.
- per Class A Share EUR	0.06	(0.00)	n.a.
Backlog	13.5	11.2	+20.5%
Cash Flow Statement			
Cash Flow from operations before change in net working capital	6.1	0.3	+1933.3%
Change in net working capital ³⁾	(0.7)	1.5	-146.7%
Cash Flow from operations	4.4	1.6	+175.0%
Capex (incl. finance lease agreements) ³⁾	(3.4)	(1.0)	+240.0%
Free Cash Flow ³⁾	1.0	0.6	+66.7%
Balance Sheet			
(in EUR million, expenses & cash out in parentheses)			
	30.09.2019	31.12.2018	Change
Balance Sheet			
Total Assets	150.0	144.2	+4.0%
Cash	112.3	113.2	-0.8%
Net Financial Cash	108.8	109.4	-0.5%
Goodwill	7.4	7.2	+2.8%
Shareholders' equity	130.6	131.5	-0.7%
Employees (full-time-equivalent)	210	214	-1.9%

1) Continued operations

2) 3rd party net sales only

3) See note 18 "Alternative Performance Measures (APM)" Pages 28 - 30
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