

**BIG ENOUGH
TO COMPETE –
SMALL ENOUGH
TO CARE.**

REPORT 1st QUARTER
2019/2020

FORTEC
ELEKTRONIK AG

Report 1st Quarter BY 2019/2020

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Preface

Dear Shareholders,

the first quarter of business year 2019/2020 commenced with the relocation of our subsidiary EMTRON to the new company building in Riedstadt. Since July, 20 employees have been working at the new site, which is designed for 40-50 staff members and provides enough space for further growth.

The quarterly figures as of 30.09.2019 are based on the first-time adoption of IFRS 16. Thus leases were recorded as rights of use and leasing liabilities are recognized in the balance sheet. In the consolidated statement of comprehensive income the type of expenses has changed, because now depreciation for rights of use and interest expenses on leasing liabilities were applied. This results in shifts in single balance sheet items and in a balance sheet extension.

Compared to the very strong performance in the prior-year quarter of business year 2018/2019 the financial figures in the first quarter of business year 2019/2020 prove to be slightly weaker. Since the beginning of autumn 2019 we have experienced a decline in dynamics in a difficult economic environment and, as a precaution, recently had to adapt our forecast from the group management report to the current developments. This forecast clarification towards the capital market became necessary due to a combination of the increase of uncertain customer prognoses and the postponement of already scheduled projects from client side within a very short time.

In the current business year 2019/2020 we will – besides already on-going digitalisation projects – as well focus on new issues: we have decided to spatially join forces in each segment Data Visualisation and Power Supplies in order to further take advantage of synergies and to gain more transparency in customer communication.

The geopolitical and macroeconomic conditions have become more difficult. Still, we aim to continue the modernisation and transformation of the group, started in 2017, with the appropriate sense of proportion.

Thank you for your confidence in us.

Sandra Maile

Spokeswoman of the Board

Group Management Report: 1st Quarter 01.07.2019-30.09.2019

In the first quarter 2019/2020 sales revenues totaling 21.5 million EUR (PY: 21.8 million EUR) were achieved. In the previous-year period the newly acquired UK subsidiaries have not been included, meaning the organic decline amounts to app. 10% and is inter alia the manifestation of the general worldwide economic slow-down. Segment revenues in Data Visualisation remained on previous year's level with 13.6 million EUR. Sales revenues in the segment Power Supplies slightly fell from 8.2 million EUR to 8.0 million EUR.

Other operating income increased due to the sale of the old EMTRON company building in excess of the carrying amount.

The cost of materials rose slightly from 15.1 million EUR to 15.2 million EUR. The cost-of-material ratio increased from 69.1% to 70.8% because of order-related advance. The expansion of the sales force, the acquisition in UK and annual salary reviews saw the wage bill rise to 3.6 million EUR (PY: 3.2 million EUR). Overall, the personnel cost ratio grew from 14.6% to 16.9%. A hiring freeze has been established in single divisions. Nevertheless, the investments in this field for strategic development are not being questioned in principle.

Overall, depreciation of assets increased from 148 TEUR in the previous year to now 447 TEUR. This development was being driven by the investment in the new EMTRON company building (123 TEUR) and by the first-time depreciation on rights of use in accordance with IFRS 16 (280 TEUR).

Other operating expenses were reduced by 230 TEUR due to the implementation of lessee accounting in accordance with IFRS 16. However, other operating expenses went slightly up from 1.6 million EUR to 1.7 million EUR. This rise results inter alia from increased advertising expenses, currency losses and the now larger subsidiary in UK.

Consequently our operating result (EBIT) fell from 2.4 million EUR to 2.0 million EUR and the cumulated EBIT margin reduced from 10.8% to 9.2% compared to the prior year. The segment Data Visualisation achieved an EBIT margin of 9.5% (PY: 10.8 %), the segment Power Supplies achieved an EBIT margin of 8.7% (PY: 9.3%). As anticipated, the planned and now implemented investments in staff as well as the new EMTRON building depress the outcome and the return of the segment. Initial successes manifest themselves in the number of newly won designs and projects and we expect the economic results in the next 12-18 months.

Due to the above-mentioned factors FORTEC group achieved a net income in the first quarter of 1.4 million EUR (PY: 1.7 million EUR). Consequently, the total result in the first three months was 1.8 million EUR (PY: 1.8 million EUR) and earnings per share 0.44 EUR (PY 0.53 EUR).

Goodwill amounted to 6.7 million EUR (PY: 6.6 million EUR). The value of tangible assets declined from 5.7 million EUR to 5.3 million EUR due to the sale of a building. In the course of the implementation of lessee accounting in accordance with IFRS 16 rights of use totaling 6.6 million EUR are now reported in the balance sheet, which leads to a significant asset increase. Inventories rose from 24.1 million EUR to 25.9 million EUR, especially through the subsidiaries DISTEC and EMTRON. At 39.5%, the warehouse is the largest item on our balance sheet and therefore is subject to special surveillance with regard to coverage by customer orders. Our cash on hand and cash equivalents decreased accordingly from 9.4 million EUR to 7.8 million EUR.

Overall, shareholders' equity rose from 40.1 million EUR to 41.9 million EUR. Our shareholders' equity ratio dropped due to the greater balance sheet total from 69.9% to now 64.0%. Long-term bank liabilities declined according to the repayment schedule. For the first time, long- and short-term leasing liabilities have been balanced according to IFRS 16, which leads to an increase on the liabilities side. Other liabilities decreased

compared to the previous year from 2.8 million EUR to 2.5 million EUR inter alia due to declining obligations towards staff members.

Our business backlog, 44.1 million EUR (PY: 47.1 million EUR) by end of September, now amounts to 45.2 million EUR (PY: 47.6 million EUR) and therefore still provides a solid base for the upcoming months.

Our business performance is affected by the general economic slow-down. Hence, as a precaution the board of directors of FORTEC Elektronik AG has decided to slightly lower the statement on the business forecast for business year 2019/2020 as of the beginning of September. Given the sound order backlog, an organic sideward trend in consolidated sales and consolidated EBIT is now anticipated for business year 2019/2020. The board of directors will make every effort and will take all necessary measures, to maintain the previous year's result.

Consolidated Balance Sheet per 30.09.2019 according to IAS/IFRS

ASSETS in Euro			EQUITY/LIABILITIES in Euro		
	30.09.2019	30.06.2019		30.09.2019	30.06.2019
A. Non-current assets	19,402,127	13,065,037	A. Total Shareholders' equity	41,915,234	40,139,827
I. Goodwill	6,697,923	6,623,491	I. Subscribed capital	3,250,436	3,250,436
II. Intangible assets	311,934	305,454	II. Capital reserve	14,481,026	14,481,026
III. Tangible assets	5,310,651	5,665,336	III. Exchange differences	1,189,292	846,489
IV. Right-of-use assets	6,572,292	0	IV. Other comprehensive income	21,561,876	15,873,889
V. Financial assets	95,780	95,780	V. Net income	1,432,603	5,687,986
VI. Accounts receivable	75,621	74,567			
VII. Deferred taxes	337,925	300,409			
B. Current assets	46,122,476	44,354,183	B. Long-term liabilities	11,188,788	5,818,891
I. Inventories	25,885,932	24,070,674	I. Long-term bank liabilities	4,394,952	4,694,432
II. Accounts receivable trade	9,589,388	8,017,727	II. Non-current provisions/liabilities	879,727	881,681
III. Tax receivables	2,016,110	2,020,444	III. Non-current lease liabilities	5,663,190	0
IV. Other assets	600,520	584,896	III. Deferred taxes	250,919	242,778
V. Cash on hand and other cash equivalents	7,773,524	9,406,542			
VI. Assets held for sale	257,002	253,900	C. Short-term liabilities	12,420,581	11,460,501
			I. Bank liabilities	1,174,484	1,382,818
			II. Trade payables	6,243,504	5,616,002
			III. Current lease liabilities	920,087	0
			IV. Accruals from other taxes	1,118,775	1,137,077
			V. Other provisions	486,568	555,595
			VI. Other liabilities/accruals	2,477,162	2,769,009
Total Assets	65,524,602	57,419,219	Total Equity and Liabilities	65,524,602	57,419,219

Consolidated Statement of Comprehensive Income per 30.09.2019: uncertified, according to IAS/IFRS

in Euro	Consolidated P&L 01.07.19-30.09.19	Consolidated P&L 01.07.18-31.03.18
Sales revenues	21,519,132	21,832,032
Increase in finished goods/unfinished goods	525,334	137,983
Other operating income	941,754	352,538
Cost of materials	15,234,928	15,082,369
Personnel expenses	3,628,371	3,177,508
Depreciation	447,227	147,858
Other operating expenses	1,695,918	1,550,402
Operating result (EBIT)	1,979,777	2,364,416
Dividends	-	-
Other interest and similar income	2,133	3,507
Other interest and similar expenses	40,828	10,737
Earnings before taxes	1,941,082	2,357,185
Taxes on income	508,478	640,748
Net income	1,432,603	1,716,437
Other results*	342,803	116,842
Total result	1,775,406	1,833,279
Earnings per share	0.44	0.53
Shares in total	3,250,436	3,250,436

*Other results exclusively include success-neutral currency exchange differences.

Explanatory Remarks

Basics as regards the preparation of the quarter report

This shortened group management quarter report does not contain all necessary information and data for a group's financial statement and therefore, has to be read in combination with the group's financial statement and management annual report dated 30.06.2019.

The group management quarter report was neither examined nor verified by a certified financial auditor.

The report is made up in Euro. The charts and data may have rounding differences due to mathematical reasons.

Disclaimer of Warranty

This report contains certain future data, which are based on current visible and available information, expectations and prospects of the management of FORTEC Elektronik AG. There are solely for informational purpose and are marked by terms like "believe", "expect", "forecast", "intend", "will", "plan", "estimate" or "attempt". These terms are only valid for the date of their publication. Certain known or unknown risks, uncertainties and other facts may yield that the real results, the financial situation, the development and/or performance of the group differ from the prognoses stated herein. The FORTEC Elektronik AG takes no obligation whatsoever to carry forward such future data and to adjust to future occurrences or developments. A responsibility or warranty for actuality, correctness, integrity of these data and information will therefore be neither explicit nor implied.

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