

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

REPORT 3rd QUARTER
2019/2020

FORTEC
ELEKTRONIK AG

Report 3rd Quarter BY 2019/2020

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Preface

Dear Shareholders,

We have already been experiencing a decline in dynamics in a difficult economic environment since 2019. The economic forecast for 2020 was marked by slight optimism. However, since the outbreak of the global COVID 19 pandemic at the beginning of the year, we have been facing new challenges every day: Current problems in the supply chain, limited communication with suppliers and customers, delays in the sales market, shortage of air freight capacity, etc. This extraordinary situation requires extraordinary measures instead of "business as usual". Forward-looking and considered action has helped us to manoeuvre through the rough seas together with our employees. We have taken appropriate countermeasures such as more flexible core working hours and flexitime accounts, introduction of shift operation - also in administration - and home office, reduction of holidays, use of short-time work since May. The health of our employees has top priority. In order to maintain operations and the supply chain for vital applications, proof of system relevance was prepared for individual locations.

The result as of 31.03.2020 is influenced by a slowdown in 2019 and, since mid-February, by the global COVID 19 pandemic. Uncertainties referring to the health policy measures to contain the pandemic and regarding our customers' ordering behaviour affect the ability to make forecasts. The Board of Directors is constantly checking the situation very carefully and is taking all appropriate steps. With regard to the economic development, measures to reduce costs have been prepared and in some cases already implemented. Nevertheless, it was necessary to adjust the forecast in the current situation.

Despite the current challenges, we are continuing to modernise and transform the Group with the necessary sense of proportion. The leasing of the operative business of FORTEC AG to the subsidiaries Distec and Emtron including the relocation of the warehouse to Germering and Riedstadt respectively was successfully implemented as of 01.04.2020. The relocation of the employees to Germering was postponed by one month due to current events. The closure of the Landsberg am Lech site will now be completed on 30.06.2020.

We will continue to act transparently with a great deal of energy, reason as well as empathy and will continue to pursue our goals consistently.

Many thanks for your trust & stay healthy!

[Sandra Maile](#)

Spokeswoman of the Board



Group Management Report: 3rd Quarter 01.07.2019-31.03.2020

After three quarters in the 2019/2020 financial year, consolidated sales of 65.8 million EUR are slightly below the previous year's figure of 67.0 million EUR. Segment sales revenues in Data Visualisation amount to 42.1 million EUR (PY: 42.6 million EUR). Sales revenues in the Power Supplies segment amount to 23.6 million EUR, slightly below the previous year's figure of 24.4 million EUR.

Other operating income already increased in the first quarter due to the sale of Emtron's old building above book value. Due to the paralyzing BREXIT discussion in 2019, we adjusted our budget figures for the UK in the third quarter, which led to the release of accruals and a purchase price reduction, which is reflected in other operating income.

The cost of materials rose slightly from 45.9 million EUR to 46.1 million EUR. The cost-of-material ratio increased from 68.6% to 70.1% due to a mix of higher purchase prices of individual product lines and lower profitability of individual projects. The higher personnel expenses of 10.8 million EUR (PY: 10.3 million EUR) resulted from the increase in the number of employees in sales, the acquisition in the UK and general salary adjustments. As a result, the personnel cost ratio grew from 15.4% to 16.4%.

Depreciation increased due to investments in the new Emtron office and warehouse building but also due to the first-time depreciation of rights of use in accordance with IFRS 16 to 1.4 million EUR compared to 0.9 million EUR in the previous year.

Other operating expenses went up from 5.4 million EUR to 5.8 million EUR. The increase resulted from higher advertising expenses, currency losses and the now larger subsidiary in the UK, but also one-off costs incurred in preparation for the lease and the relocation to Germering and Riedstadt.

The operating-result (EBIT) fell from 6.1 million EUR to 5.2 million EUR and compared to the previous year the EBIT-margin fell from 9.2% to 7.9%. The segment Data Visualisation achieved an EBIT margin of 8.5% (PY: 12.1%). The EBIT margin of the segment Power Supplies amounted to 6.9% (PY: 4.0%) – adjusted for the sale of the building the EBIT margin was 4.4%. As expected, the planned and now implemented investments in personnel and the new EMTRON building are burdening the segment's earnings and returns.

Due to these factors the FORTEC Group was able to generate a net income in the third quarter of 3.8 million EUR (PY: 4.3 million EUR). Thus, the total result after nine months amounts to 4.1 million EUR (PY: 4.6 million EUR) and earnings per share of 1.16 EUR (PY: 1.33 EUR).

Goodwill amounted to 6.8 million EUR (30.06.2019: 6.6 million EUR). The value of tangible assets decreased due to the sale of the building from 5.7 million EUR to 5.4 million EUR. As part of the introduction of lessee accounting in accordance with IFRS 16, rights of use are now reported in the amount of 6.2 million EUR, which leads to an increase in assets. Inventories decreased slightly from 24.1 million EUR to 24.0 million EUR. At 38.6%, the warehouse is the largest balance sheet item and is therefore subject to special monitoring with regard to coverage by customer orders. Cash on hand and other cash equivalents decreased due to dividend payments from 9.4 million EUR in the previous year to 6.9 million EUR. FORTEC is therefore in a very solid financial position and has sufficient liquidity.

Total shareholder's equity rose from 40.1 million EUR to 42.0 million EUR. Nevertheless, the shareholder's equity ratio dropped due to the higher balance sheet total from 69.9% to 67.4%. Long-term bank liabilities were reduced in accordance with 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 accruals decreased from

2.8 million EUR to 1.8 million EUR compared to the same period of the previous year, inter alia due to declining liabilities to employees and release of accruals in connection with the UK acquisition.

The order backlog amounted to 45.8 million EUR (PY: 47.1 million EUR) and provides a good base for the upcoming months.

The business development of FORTEC Elektronik AG will probably continue to be affected by the current COVID 19 pandemic. Hence, as a precaution the Board of Directors of FORTEC Elektronik AG has decided to lower the statement referring to the forecast for business year 2019/2020 made at the beginning of November. For the financial year 2019/2020 the Board of Directors expects a decline in organic consolidated sales revenues of up to 15% and an EBIT-decline between 10% and 35% compared to the previous year.

Consolidated Balance Sheet per 31.03.2020 according to IAS/IFRS

ASSETS in Euro			EQUITY/LIABILITIES in Euro		
	31.03.2020	30.06.2019		31.03.2020	30.06.2019
A. Non-current assets	19,118,358	13,065,037	A. Total Shareholders' equity	41,988,354	40,139,827
I. Goodwill	6,757,386	6,623,491	I. Subscribed capital	3,250,436	3,250,436
II. Intangible assets	257,299	305,454	II. Capital reserve	14,481,026	14,481,026
III. Tangible assets	5,410,486	5,665,336	III. Exchange differences	1,211,343	846,489
IV. Right-of-use assets	6,166,110	0	IV. Other comprehensive income	19,286,571	15,873,889
V. Financial assets	95,780	95,780	V. Net income	3,758,977	5,687,986
VI. Accounts receivable	75,471	74,567			
VII. Deferred taxes	355,826	300,409			
B. Current assets	43,153,733	44,354,183	B. Long-term liabilities	9,020,201	5,818,891
I. Inventories	24,007,265	24,070,674	I. Long-term bank liabilities	3,819,428	4,694,432
II. Accounts receivable trade	9,301,923	8,017,727	II. Non-current provisions/liabilities	283,930	881,681
III. Tax receivables	2,217,646	2,020,444	III. Non-current lease liabilities	4,539,620	0
IV. Other assets	513,069	584,896	III. Deferred taxes	377,223	242,778
V. Cash on hand and other cash equivalents	6,857,031	9,406,542			
VI. Assets held for sale	256,799	253,900	C. Short-term liabilities	11,263,536	11,460,501
			I. Bank liabilities	1,166,672	1,382,818
			II. Trade payables	4,515,219	5,616,002
			III. Current lease liabilities	1,652,610	0
			IV. Accruals from other taxes	1,491,817	1,137,077
			V. Other provisions	670,473	555,595
			VI. Other liabilities/accruals	1,766,746	2,769,009
Total Assets	62,272,091	57,419,219	Total Equity and Liabilities	62,272,091	57,419,219

Consolidated Statement of Comprehensive Income per 31.03.2020: uncertified, according to IAS/IFRS

in Euro	Consolidated P&L 01.07.19-31.03.20	Consolidated P&L 01.07.18-31.03.19
Sales revenues	65,754,366	66,965,442
Increase in finished goods/unfinished goods	784,828	653,240
Other operating income	2,764,866	1,057,789
Cost of materials	46,086,700	45,925,452
Personnel expenses	10,802,605	10,300,891
Depreciation	1,415,786	943,980
Other operating expenses	5,799,532	5,370,301
Operating result (EBIT)	5,199,437	6,135,847
Dividends	-	-
Other interest and similar income	2,361	4.020
Other interest and similar expenses	109,663	42.266
Earnings before taxes	5,092,135	6,097,601
Taxes on income	1,333,158	1,776,383
Net income	3,758,977	4,321,218
Other results*	364,854	325,614
Total result	4,123,831	4,646,831
Earnings per share	1.16	1,33
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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