

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

**REPORT 1st QUARTER
2018/2019**

FORTEC
ELEKTRONIK AG

Report 1st Quarter BY 2018/2019

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Preface

Dear Shareholders,

we are pleased to hereby present the excellent results for the first quarter of the business year 2018/2019. Besides the financial figures as of 30th September 2018, I would like to offer a literal “insight” into our new team in UK and into the construction progress of our important new building project at our subsidiary Emtron.

The integration of the new entities in the corporate group and the envisaged relocation to the new company building are essential tasks in the current year. It is going to be an exciting business year and we are looking forward to it!

Thank you for your confidence in us.

Sandra Maile

Spokeswoman of the Board



Andrew Ferrier (General Manager CBL), Sandra Maile (CEO FORTEC), ChengYoe (MD CBL & DSL),
Brendan O’ Reilly (Commercial Manager DSL), Bernhard Staller (COO FORTEC)



Construction project for the new office complex and the new logistics center
of our subsidiary Emtron in Riedstadt

Group Management Report: 1st Quarter 01.07.-30.09.2018

With sales revenues totaling 21.8 million Euro in the first quarter of the financial year 2018/2019, FORTEC achieved significant growth in comparison to the figures for the same period last year of 19.6 million Euro. Sales revenues in the segment Data Visualization grew from 12.9 million Euro to 13.6 million Euro. Sales revenues in the segment Power Supplies also rose from 6.5 million Euro to 8.2 million Euro in this period. The expansion of our sales team that was initiated last year is starting to generate results.

Proportionally, cost of materials has increased to a lesser degree than sales, rising from 13.9 million Euro to just 15.1 million Euro. The cost-of-sales ratio decreased from 70.9% to 69.1%. Our heightened personnel expenses of 3.2 million Euro (PY 2.9 million Euro) were the result of the expansion of our sales force in both segments. Nevertheless, we managed to reduce the personnel cost ratio from 14.9% to 14.6%.

At 1.6 million Euro, the amount of other operating expenses remained slightly below last year's value.

Due to this, our operating result (EBIT) of 2.4 million Euro outperformed last year's value of 1.7 million Euro. The EBIT margin rose from 8.7% to 10.8%. Both segments contributed to this improvement in the first quarter of business year 2018/2019. Qualitative growth resulted in an EBIT margin of 11.7% in the segment Data Visualization and 9.4% in the segment Power Supplies. These factors allowed the FORTEC group to achieve a net income of 1.7 million Euro (PY 1.2 million Euro) in the first quarter. Consequently, the total result in the first three months added up to 1.8 million Euro and earnings per share equaled 0.53 Euro (PY 0.40 Euro).

Our acquisition in the UK has not yet had an impact on the comprehensive income statement, as it was only concluded on 28th September 2018. However, the asset values of the two new companies were already included in the balance sheet as of 30th September 2018.

Due to this acquisition, goodwill increased from 5.1 million Euro to 6.8 million Euro. The value of tangible assets rose by 0.6 million Euro to 3.5 million Euro, largely due to the new construction project executed by our subsidiary EMTRON. Measures to secure our delivery capability despite long delivery times and the new warehouse in the UK led to an additional increase in inventories from 20.0 million Euro to 21.6 million Euro. At 39.4%, the warehouse is the largest item on the balance sheet. Due to the capital increase performed in July, and despite the first purchase price payment, our cash on hand and cash equivalents increased from 5.4 million Euro to 9.6 million Euro.

The capital increase also led to a rise in capital reserves, from 8.7 million Euro to 14.5 million Euro. Overall, shareholders' equity increased from 30.1 million Euro to 38.0 million Euro. Our shareholder equity ratio rose from 67.2% to 69.3%, despite the increased balance sheet sums. Long-term bank liabilities rose slightly by 0.2 million Euro on account of the new construction project. Non-current provisions/liabilities and other provisions rose by 0.8 million Euro, primarily due to liabilities for purchase price payments.

Our business backlog of 47 million Euro (including the newly acquired UK companies) provides an excellent basis for the upcoming months.

With these outstanding quarterly results, the FORTEC board of directors has sent a positive message that confirms the company's path to success and allows us to maintain cautious optimism for business year 2018/2019.

Consolidated Balance Sheet per 30.09.2018 according to IAS/IFRS

ASSETS in Euro	30.09.2018	30.06.2018	EQUITY/LIABILITIES in Euro	30.09.2018	30.06.2018
A. Non-current assets	11,001,877	8,643,727	B. Total Shareholders' equity	38,022,809	30,102,375
I. Goodwill	6,842,021	5,091,585	I. Subscribed capital	3,250,436	2,954,943
II. Intangible assets	223,202	218,824	II. Capital reserves	14,481,026	8,689,364
III. Tangible assets	3,486,676	2,886,850	III. Exchange differences	750,759	633,917
IV. Financial assets	95,780	95,780	IV. Other comprehensive income	17,824,151	13,508,079
V. Accounts receivables	74,171	74,009	V. Net income	1,716,437	4,316,072
VI. Deferred taxes	280,027	276,679	VI. Shareholders' equity	38.022.809	30,102,375
B. Current assets	43,904,281	36,131,306	B. Long-term liabilities	4,375,976	3,409,906
I. Inventories	21,644,972	20,031,133	I. Long-term bank liabilities	3,150,526	2,916,660
II. Accounts receivables trade	10,677,912	8,852,140	II. Non-current provisions/liabilities/other provisions	1,009,739	237,300
III. Tax receivables	1,517,771	1,482,125	III. Deferred taxes	215,712	255,946
IV. Other assets	446,456	354,445			
V. Cash on hand and cash equivalents	9,617,169	5,411,462	B. Short-term liabilities	12,507,372	11,262,752
			I. Bank liabilities	1,506,595	1,041,670
			II. Trade payables	5,864,675	5,025,164
			III. Accruals from other taxes	1,477,873	1,693,132
			IV. Other provisions	684,348	701,584
			V. Other liabilities/accruals	2,973,882	2,801,202
Total Assets	54,906,158	44,775,033	Total Equity and Liabilities	54,906,158	44,775,033

Consolidated Statement of Comprehensive Income per 30.09.2018: uncertified, according to IAS/IFRS

in Euro	Consolidated P&L 01.07.18-30.09.18	ConsolidatedP&L 01.07.17-30.09.17
Sales revenues	21,832,032	19,617,714
Increase in finished goods/unfinished goods	137,983	323,125
Other operating income	352,538	363,594
Cost of materials	15,082,369	13,904,329
Personnel expenses	3,177,508	2,917,782
Depreciation	147,858	139,867
Other operating expenses	1,550,402	1,630,400
Operating result (EBIT)	2,364,415	1,712,055
Dividends	-	-
Other interest and similar income/expenses	-7,231	-6,374
Taxes on income	640,748	513,397
Net income	1,716,437	1,192,284
Other results*	116,842	-334,071
Total result	1,833,279	858,214
Earnings per share	0.53	0.40
Shares in total	3,250,436	2,954,943

*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 30.06.2018.

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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