

BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

REPORT 3rd QUARTER
2018/2019

FORTEC
ELEKTRONIK AG

Report 3rd Quarter BY 2018/2019

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Preface

Dear Shareholders,

it is with great pride that we are able to announce the excellent results of the third quarter. Besides the financial figures as of 31st March 2019 and supported by pictures, I would like to inform you on the latest developments on the site of our subsidiary Emtron. We are pleased to say that the construction is on schedule and the arrangements for the relocation are running to plan.

The move from Chatham to Huntingdon and the office extension in Huntingdon were completed at the end of March. The 16 employees are now working from one location and since 1st Mai 2019 with the same ERP-system as FORTEC. The integration of the new entities in the corporate group is now largely concluded.

The final months of the current business year look exciting. We are working towards the defined goals with a lot of zest and enthusiasm.

We thank you for your confidence in us.

Sandra Maile

Spokeswoman of the Board



Construction project of the new office complex and the new logistic center at our subsidiary Emtron in Riedstadt

Group Management Report: 3rd Quarter 01.07.2018-31.03.2019

With sales revenues totaling 67.0 million EUR after three quarters of the financial year 2018/2019, FORTEC achieved significant growth in comparison to the figures for the same period last year of 59.2 million EUR. Segment revenues data visualization grew from 38.9 million EUR to 42.6 million EUR. Sales revenues in the segment power supplies also rose from 20.3 million EUR to 24.4 million EUR. The expansion of our sales team that was initiated last year has made an impact.

The increase in unfinished/finished goods depends on the reporting date and experience shows that it will decrease by the end of the business year due to inventory. Other operating income increased up to 1.1 million EUR due to a positive trend in currency differences and to the release of provisions (0.8 million EUR).

The cost of materials increased at a lower rate than sales from 41.0 million EUR to just 45.9 million EUR. The cost-of-material ratio decreased from 69.3% to 68.6%. The expansion of the sales force in both segments, additional staff in other parts of the business to achieve sustainable growth and annual salary reviews saw the wage bill rise to 10.3 million EUR (PY: 9.0 million EUR). Overall, the personnel cost ratio rose marginally from 15.2% to 15.4%.

As a result of investments, the depreciation on assets increased from 432 TEUR to 944 TEUR. At 5.4 million EUR other operating expenses grew slightly above last year's value of 5.1 million EUR.

Due to the excellent figures in Q1 and Q3, our operating result (EBIT) of 6.1 million EUR outperformed last year's value of 4.8 million EUR. The cumulated EBIT margin rose from 8.2% to 9.2%. Both segments contributed to this improvement. Qualitative growth resulted in an EBIT margin of 12.1% in the segment data visualization (PY: 10.8%) and of 4.0% (PY: 3.2%) in the segment power Supplies. These factors allowed FORTEC group to achieve a net income of 4.3 million EUR (PY: 3.3 million EUR) and a net return on sales of 6.5% (PY: 5.6%) after nine months. Consequently, the total result in the first nine months was 4.6 million EUR (PY: 2.7 million EUR) and earnings per share 1.33 EUR (PY 1.12 EUR).

Due to our latest UK acquisitions, goodwill increased from 5.1 million EUR to 6.5 million EUR. The value of tangible assets rose from 2.9 million EUR to 5.2 million EUR, 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 warehouses in UK led to an additional increase in inventories from 20.0 million EUR to 23.6 million EUR. At 41.9% (30.06.2018: 44.7%), the warehouse is the largest item on the balance sheet. Our cash on hand and cash equivalents increased from 5.4 million EUR to 7.9 million EUR.

Due to the capital increase performed in 2018, our capital reserves rose from 8.7 million EUR to 14.5 million EUR. Overall, shareholders' equity increased from 30.1 million EUR to 38.9 million EUR. Our shareholder equity ratio improved from 67.2% at 30.06.2018 to now 69.0%. Long-term bank liabilities rose from 2.9 million EUR to 4.8 million EUR on account of the new construction project. Trade payables augmented from 5.0 million EUR to 6.0 million EUR. Other liabilities decreased from 2.8 million EUR to 2.4 million EUR.

Our business backlog of 48 million EUR provides an excellent basis for the upcoming months.

The FORTEC board of directors is pleased by the positive business performance in the first nine months and has sent a positive message. The achieved results confirm the company's path to success. In a complex geopolitical situation FORTEC maintains cautious optimism for business year 2018/2019 and expects an organic revenue growth in the middle single-digit percent range plus 6 million EUR revenue from the acquired UK companies. Depending on the further development of the inventory change and due to the positive business development we slightly enhance our EBIT forecast to approx. 7.5 million EUR.

Consolidated Balance Sheet per 31.03.2019 according to IAS/IFRS

ASSETS in Euro	31.03.2019	30.06.2018	EQUITY/LIABILITIES in Euro	31.03.2019	30.06.2018
A. Non-current assets	12,391,780	8,643,727	A. Total Shareholders' equity	38,888,603	30,102,375
I. Goodwill	6,459,586	5,091,585	I. Subscribed capital	3,250,436	2,954,943
II. Intangible assets	235,361	218,824	II. Capital reserves	14,481,026	8,689,364
III. Tangible assets	5,242,264	2,886,850	III. Exchange differences	959,531	633,917
IV. Financial assets	95,780	95,780	IV. Other comprehensive income	15,876,393	13,508,079
V. Accounts receivables	74,868	74,009	V. Net income	4,321,218	4,316,072
VI. Deferred taxes	283,922	276,679			
B. Current assets	43,971,449	36,131,306	B. Long-term liabilities	6,042,349	3,409,906
I. Inventories	23,601,697	20,031,133	I. Long-term bank liabilities	4,806,962	2,916,660
II. Accounts receivables trade	10,158,369	8,852,140	II. Non-current provisions/liabilities/other provisions	1,027,549	237,300
III. Tax receivables	1,846,922	1,482,125	III. Deferred taxes	207,838	255,946
IV. Other assets	434,666	354,445			
V. Cash on hand and cash equivalents	7,929,794	5,411,462	C. Short-term liabilities	11,432,277	11,262,752
			I. Bank liabilities	847,226	1,041,670
			II. Trade payables	5,979,715	5,025,164
			III. Accruals from other taxes	1,784,879	1,693,132
			IV. Other provisions	441,591	701,584
			V. Other liabilities/accruals	2,378,666	2,801,202
Total Assets	56,363,229	44,775,033	Total Equity and Liabilities	56,363,229	44,775,033

Consolidated Statement of Comprehensive Income per 31.03.2019: uncertified, according to IAS/IFRS

in Euro	Consolidated P&L 01.07.18-31.03.19	Consolidated P&L 01.07.17-31.03.18
Sales revenues	66,965,442	59,205,140
Increase in finished goods/unfinished goods	653,240	367,780
Other operating income	1,057,789	784,329
Cost of materials	45,925,452	41,048,272
Personnel expenses	10,300,891	8,971,738
Depreciation	943,980	431,922
Other operating expenses	5,370,301	5,065,377
Operating result (EBIT)	6,135,846	4,839,940
Dividends	-	-
Other interest and similar income/expenses	-38,246	-30,565
Taxes on income	1,776,383	1,504,869
Net income	4,321,218	3,304,506
Other results*	325,614	-621,075
Total result	4,646,831	2,683,432
Earnings per share	1,33	1,12
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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