

BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

REPORT 1st QUARTER
2020/2021

FORTEC
ELEKTRONIK AG

Report 1st Quarter BY 2020/2021

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Preface

Dear Shareholders,

Since the outbreak of the global COVID 19 pandemic at the beginning of the year, we have continued to face new challenges: Problems in the supply chain, limited communication with suppliers and customers, restrained ordering behaviour on the part of customers, rapid and not always predictable implementation of corona regulations and necessary health and safety measures respectively. This exceptional situation requires exceptional responsiveness and adequate measures instead of "business as usual".

Our Corona crisis management team defined appropriate measures at an early stage to protect our employees from infection, but also to protect our customers and suppliers. These include mobile working, the company-wide implementation of a platform for web conferences and telephony, and the introduction of shift work or short-time working at individual sites. Our investments in the IT infrastructure over the past two years were a basic prerequisite for the rapid introduction of the necessary tools. All these measures have so far helped us to cope well with the ongoing challenges.

Nevertheless, the result as of September 30, 2020 was inevitably strongly influenced by the COVID 19 pandemic. Uncertainties regarding the future ordering behaviour of customers in Germany, and particularly at our sites in the UK and the USA, are weakening our momentum to date. With regard to economic trends, additional cost-cutting measures have been initiated in connection with the intercompany leasing of the operating business and are already showing first synergy effects from the merger of the sites in Landsberg and Germering and Riedstadt respectively.

Despite the existing challenges, we are continuing to modernise and transform the Group with the necessary sense of proportion.

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

Thank you very much for your trust & stay healthy!

Sandra Maile
CEO



Group Management Report: 1st Quarter 01.07.2020-30.09.2020

Profit situation:

Consolidated sales in the first quarter of the 2020/2021 financial year amounting to EUR 20.2 million are slightly below the previous year's figure of EUR 21.5 million which is in line with the forecast. The sales of the segment Data Visualisation amount to EUR 12.8 million (previous year: EUR 13.6 million). Sales in the Power Supplies segment, at EUR 7.4 million, are also slightly below the previous year's figure of EUR 8.0 million.

In the previous year's figure, other operating income included a special effect from the sale of the old EMTRON building. For this reason, the item was reduced from KEUR 975 to KEUR 414. Adjusted for the difference from the one-off effect, this corresponds roughly to the level of the 2018/2019 financial year.

The cost of materials fell slightly from EUR 15.2 million to EUR 14.4 million. The cost-of-material-ratio increased slightly compared to the previous year from 70.8 % to 71.0 %. The reduced personnel expenses of EUR 3.3 million (previous year: EUR 3.6 million) resulted in particular from the closure of the Rastatt site due to the liquidation of the subsidiary ROTEC. Moreover, the first synergy effects from leasing the operating business to EMTRON and DISTEC are also becoming apparent. For this reason, the personnel cost ratio fell slightly from 16.9 % to 16.4 %.

The level of depreciation and amortisation at EUR 0.4 million almost matched the previous year's figure.

Other operating expenses fell from EUR 1.7 million to EUR 1.6 million. The reasons for the reduction are cost-cutting measures in the area of advertising and synergies resulting from the merger of the sites in Landsberg and Germering and Riedstadt respectively.

The operating result (EBIT) fell from EUR 2.0 million to EUR 1.4 million and is thus - adjusted for the above-mentioned special effect in the same period last year - within the forecast range. Compared to the first quarter of the previous year the EBIT margin fell from 9.2% to 6.9%. The Data Visualisation segment achieved an EBIT margin of 8.2 % (previous year: 9.5 %). The Power Supplies segment achieved an EBIT margin of 4.7 % (previous year: 8.7 %).

As a result of the factors listed above, the FORTEC Group was able to generate a net income of EUR 1.0 million (previous year: EUR 1.4 million) in the first quarter of the 2020/2021 financial year. The earnings per share amounted to EUR 0.31 (previous year: EUR 0.44).

Assets and financial situation:

Goodwill amounted to EUR 6.7 million (30 June 2020: EUR 6.7 million). The value of tangible assets decreased from EUR 5.3 million to EUR 5.2 million. In the context of lessee accounting in accordance with IFRS 16, rights of use are reported in the amount of EUR 6.0 million (30 June 2020: EUR 6.3 million). Inventories decreased slightly from EUR 24.7 million to EUR 24.3 million. At 38.8 %, inventories are the largest balance sheet item and are therefore subject to special monitoring with regard to coverage by customer orders. Cash and cash equivalents increased slightly in the first quarter from EUR 8.9 million to EUR 9.1 million. FORTEC is therefore in a very solid financial position and has sufficient liquidity.

Shareholder's equity increased from EUR 42.8 million to EUR 43.6 million. The equity ratio rose from 66.3% to 69.4%. Long-term liabilities fell from EUR 9.6 million to EUR 9.1 million due to loan repayments and reduced leasing liabilities. Current liabilities fell from EUR 12.2 million to EUR 10.1 million due to significantly lower trade payables. The order backlog at the end of September amounted to EUR 46.9 million (previous year: EUR 44.1 million) and is a solid basis for the coming months.

The business development of FORTEC Elektronik AG will continue to be affected by the current COVID 19 pandemic. Reliable statements on the further effects of the corona virus cannot be made at present with a longer-term perspective. Therefore, an adjustment of the forecast in the course of the year cannot be excluded. However, the Board of Directors of FORTEC AG will continue to do everything to implement any measures necessary to achieve the targets set, which appears to have been relatively successful so far under the given circumstances.

Consolidated Balance Sheet per 30.09.2020 according to IAS/IFRS

ASSETS in Euro	30.09.2020	30.06.2020	EQUITY/LIABILITIES in Euro	30.09.2020	30.06.2020
A. Non-current assets	18,512,126	18,870,081	A. Total Shareholders' equity	43,571,808	42,796,271
I. Goodwill	6,665,259	6,700,451	I. Subscribed capital	3,250,436	3,250,436
II. Intangible asset	233,868	243,321	II. Capital reserve	14,481,026	14,481,026
III. Tangible assets	5,191,867	5,271,276	III. Exchange differences	755,744	1,001,611
IV. Right-of-use assets	6,040,869	6,269,211	IV. Other reserves	24,063,198	19,286,571
V. Financial assets	95,780	95,780	V. Net income	1,021,403	4,776,628
VI. Long-term receivables	73,912	74,947			
VII. Deferred taxes	210,572	215,095			
B. Current assets	44,236,653	45,718,670	B. Long-term liabilities	9,106,099	9,563,439
I. Inventories	24,323,406	24,662,999	I. Long-term bank liabilities	3,236,092	3,527,760
II. Trade receivables	8,891,085	9,261,198	II. Non-current provisions/liabilities	335,640	348,536
III. Tax receivables	1,490,857	2,456,881	III. Non-current lease liabilities	5,167,404	5,354,178
IV. Other assets	398,036	472,607	IV. Deferred taxes	366,964	332,966
V. Cash on hand and cash equivalents	9,133,269	8,864,986	C. Short-term liabilities	10,070,872	12,229,040
VI. Assets held for sale	0	0	I. Bank liabilities	1,166,672	1,166,672
			II. Trade payables	3,831,376	5,510,163
			III. Current lease liabilities	963,014	972,314
			IV. Accruals from other taxes	1,173,975	1,341,752
			V. Other provisions	1,009,256	1,020,296
			VI. Other liabilities/accruals	1,926,579	2,217,842
Total Assets	62,748,779	64,588,752	Total Equity and Liabilities	62,748,779	64,588,752

Consolidated Statement of Comprehensive Income per 30.09.2020: uncertified, according to IAS/IFRS

in Euro	Consolidated P&L 01.07.20-30.09.20	Consolidated P&L 01.07.19- 30.09.19
Sales revenues	20,244,553	21,519,132
Increase of finished/unfinished goods	453,613	525,334
Other operating income	414,074	975,181
Cost of materials	14,380,968	15,234,928
Personnel expenses	3,324,144	3,628,371
Depreciation	434,841	447,227
Other operating expenses	1,567,369	1,729,344
Operating result (EBIT)	1,404,917	1,979,777
Dividends	-	-
Other interest and similar income	56,491	2,133
Other interest and similar expenses	46,814	40,828
Earnings before taxes	1,414,595	1,941,082
Taxes on income	393,191	508,478
Net income	1,021,403	1,432,603
Other results*	245,867	342,803
Total result	775,536	1,775,406
Earnings per share	0.31	0.44
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 quarterly report

This shortened group management quarterly 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 30.06.2020.

The group management quarterly 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 forward-looking statements based on currently available information, assumptions and forecasts of the management of FORTEC Elektronik AG. They are for informational purposes only and are identified by terms such as "believe", "expect", "predict", "intend", "forecast", "plan", "estimate" or "endeavor". These statements can therefore only be valid for the time of their publication. Various known and unknown risks, uncertainties and other factors could lead to material differences between actual results, financial situation, development or performance of the company and the forecasts given here. FORTEC Elektronik AG assumes no obligation whatsoever to update these forward-looking statements or to revise them to future events or developments. Accordingly, no liability or guarantee is assumed, either explicitly or implicitly, for the timeliness, accuracy or completeness of this data and information.

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