BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

INTERIM GROUP REPORT 1st HY 2019/2020

FORTEC
ELEKTRONIK AG

Interim Report 1st Half Year 2019/2020

Content

Interim Group Management Report: 1. Group's principles

Business plan

FORTEC, as a Group, has gradually transformed itself from a trading company to a systems supplier for device manufacturers of industrial high-tech products and, today, the company is a well-established part of the international value chain. Serving as a link between numerous production sites for internationally active suppliers, especially customers in the Far East, Europe and the US, FORTEC occupies an attractive growth niche. By developing its own software and hardware and expanding its production services, the company is constantly developing itself within this niche and transforming itself into a supplier of customised product solutions for industrial applications. Our target customers are companies with an established and sustainable market position, especially in the high-growth areas of industrial automation, information technologies, security technologies, medical technologies and automotive. Attractive niche markets such as Railway & Transport are also a focus area. The foundation for the success achieved by FORTEC is the large number of customer relationships developed over the course of many years. Our sales activities aim at establishing strategic partnerships with our top-customers who are the market leaders in their respective markets as well as those who generate small and medium-sized sales volumes. On account of ever-increasing complexity, orders are more frequently becoming long-term projects and, as a supplier, FORTEC is becoming a permanent and strategic partner for its customers.

For 35 years now, we have always achieved above-average earnings with our business model, one that has been tried and tested through numerous cycles. With increasing activity in the area of designing complete (sub) systems based on our own technologies, FORTEC is gaining greater independence and boosting its competitiveness in the global environment. The company has two very attractive segments for high-quality electronics. In the areas of Industrial Power Supplies and Display Technology, FORTEC is among the market leaders in the German-speaking countries. Moreover, FORTEC also enjoys an important market position on the Anglo-American markets, thanks to its subsidiaries. In the product area of Power Supplies, FORTEC covers the entire product palette for grid components and DC/DC transformers – from standard products produced in the Far East, to serial devices modified in Germany, and customised developments for niche segments provided by our subsidiary Autronic. In contrast to FORTEC, our successful subsidiary Emtron focuses solely on the distribution business in the segment of Power Supplies. Stock availability of the right products is the foundation of success. The basis for further growth was laid with the new building in Riedstadt. Via its foreign subsidiaries, located in the respective countries, FORTEC plans to make a targeted effort to expand sales in England and the US. By linking the product areas of Display Technology and Embedded Computer Technology into Display Technology Systems, FORTEC also offers complex solutions for an innovative market. Our competence areas range from supplying system-assessed standard kits, to associated hardware and software services provided when selling standard devices, e.g. for professional display systems used in industries or digital signage as well as complete monitors, through to customised developments and product solutions provided by our subsidiaries Distec and Rotec. The particularly successful FORTEC Group subsidiary Distec gives the Group access to TFT controller solutions developed in house, as well as to the latest generation of optical bonding technology. In Germany, we operate numerous regional offices that provide local customer service and we also have a sales office in Austria. Our 100% subsidiary ALTRAC represents FORTEC in Switzerland. Additionally, we are present in the Benelux countries, with our share in the Dutch trading company, Advantec Electronics, in England, with the foreign subsidiaries Display Technology, in the US the well-positioned Apollo Display Technologies and in the Czech Republic with Alltronic, a subsidiary of Autronic.

Our competence rests on project and customer-related developments together with an effective approach to marketing and sales. Our strategy seeks to generate a stable margin through our existing, improved and expanding product portfolio by constantly increasing our own value creation, which, at the same time, must generate lucrative returns for our own invested capital, after deducting the costs.

Interim Group Management Report: 2. Economic report

In the first half of the business year 2019/2020 , the *global economic environment* continues to be characterised by tensions of a geopolitical nature.

The *current business situation* facing the euro zone is also, on balance, weighed down by a number of challenging economic circumstances. In Germany, the upwards trend, which has been consistent since 2017, could not be maintained. Since the beginning of 2019, the pace of growth has slowed. The difficult assessment of the economic situation remains. This is in particular dueto the level of uncertainty regarding the development of US and Chinese policy, the ongoing Brexit discussions and uncertain developments in individual EU states.

Despite some uncertain macroeconomic conditions, *the course of business* in business year 2019/2020 began with a good result for the first quarter. The second quarter was weaker in terms of sales revenues than the first, and also fell short of the previous year's quarter.

Sales revenues from the first half of business year 2019/2020 amounted to 41.4 million EUR (PY: 42.3 million EUR).

Our segments developed as follows: The segment Data Visualisation generated 26.6 million EUR (PY: 27.2 million EUR) and the segment Power Supply contributed 14.8 million EUR (PY: 15.1 million EUR) to Group's revenue.

Other operating income increased from 0.7 million EUR to 1.8 million EUR due to the sale of the EMTRON property in Nauheim.

When compared with the previous year, the cost of materials increased from 28.7 million EUR to 29.2 million EUR. Due to an increase in work in progress and greater price pressure experienced in the market, gross margin fell to 30.3% (PY: 32,3%).

Personnel expenses rose from 6.7 million EUR to 7.1 million EUR, thus increasing the personnel cost ratio from 15.9% to 17.1%. The higher personnel expenses resulted from the company's investment in sales force, its acquisition activity in UK and general salary adjustments.

Due to investments and the newly introduced accounting treatment of rights of use under IFRS 16, depreciation of non-current assets increased to 0.9 million EUR (PY: 0.5 million EUR)

Other operating expenses rose slightly to 3.6 million EUR, compared with 3.5 million EUR in the previous year.

The EBIT margin from operating business – excluding income from investments – is considered a key *financial performance indicator*. The consolidated operating result for the segment Data Visualisation stood at 2.3 million EUR (PY: 3.2 million EUR). For the segment Power Supply this amounted to 0.7 million EUR (PY: 0.5 million EUR).

Based on the sales revenues of both divisions, the company's operating result fell from 3.7 million EUR to 3.0 million EUR. The EBIT margin amounted to 7.1% compared to 8.8% in the previous year.

Net income for the first half of business year 2019/2020 fell by 451 TEUR to 2.1 million EUR vis-a-vis net income of the first half of business year 2018/2019. The return on sales after taxes fell from 6.0% to 5.0%.

Earnings per share fell from 0.78 EUR in the previous year to 0.64 EUR.

The company's *financial position* remains strong and is convincing – especially in comparison to companies pursuing similar business models – with an above-average equity of 42.5 million EUR, which corresponds to an equity ratio of 67.5%.

On the assets side, with a balance sheet total of 63.0 million EUR (30.06.2019: 57.4 million EUR), *non-current assets* amount to 19.3 million EUR (30.06.2019: 13.1 million EUR).

Thereof, 6.8 million EUR (30.06.2019: 6.6 million EUR) is attributable to goodwill – the largest stated item – for the acquired subsidiaries.

Due to the new construction project at Emtron and the first-time recognition of rights of use in accordance with IFRS 16, intangible assets, tangible assets, financial assets and accounts receivable increased to 12.2 million EUR (30.06.2019: 6.1 million EUR). 6.4 million EUR was reported for the first time for rights of use in accordance with IFRS 16.

Under *current assets*, the warehouse represents the largest single item with a value of 25.8 million EUR (30.06.2019: 24.1 million EUR) with 40.9% of the balance sheet total (30.06.2019: 41.9%) followed by cash and cash equivalents of 8.6 million EUR (30.06.2019: 9.4 million EUR), followed by accounts receivable of 6.3 million EUR (30.06.2019: 8.0 million EUR).

Long-term liabilities to banks fell from 4.7 million EUR to 4.1 million EUR. Other liabilities/accruals declined from 2.8 million EUR to 1.5 million EUR as of the reporting date.

Cash flow from operating activities in the first half of the business year 2019/2020 declined from 1.2 million EUR as of 31.12.2018, to 176 TEUR

Cash flow from investing activities of -3.5 million EUR in the same previous year period resulted from the new build project in Riedstadt as well as further investments in plant and machinery. In the first half of 2019/20, it amounted to + 450 TEUR due to the sale of the property in Nauheim.

The positive cash flow from financing activities standing at 6.1 million EUR in the same previous year period resulted, in particular, from the capital increase initiated in July 2018. In the current half-year, it amounted to -1.3 million EUR due to repayments and leasing expenses.

On balance, the Group recorded a decrease in cash and cash equivalents of 0.8 million EUR vis-a-vis 31.12.2018.

Non-financial performance indicators – such as our employees, as well as our long-term supplier and customer relationships – are important success factors for the company. We have many long-term employees, who we support in their continuous professional development.

We owe the success of our business, which has remained stable for 35 years, to a long-standing and close cooperation with selected suppliers. This benefits many long-standing customers, but also new customers, to whom we, in return, owe our business success.

FORTEC is committed to the environment and to *sustainability* in its business operations. Among other things, internal projects are under way to eradicate the use of paper. The selection of energy-efficient products also plays an important role here.

Interim Group Management Report: 3. Forecast report

The following statements about future business operations and our key assumptions about economic developments on the market and within the industry are based on estimates that, in view of the following information, we currently believe to be realistic. As a result of various known and unknown risks, uncertainties and other factors, the developments that we predict may not actually occur in terms of their tendencies or in terms of the degree to which they were forecasted.

A series of economic occurrences have been revealed a weaker economical momentum. In addition to this, some industries are facing a sudden technology change resulting in huge adaption requirements. Economy is destabilized and reluctant when it comes to investments. The UK economy was paralyzed by the ongoing Brexit discussions. Against this background, the management board expects an organic lateral trend regarding the group's sales and EBIT for business year 2019/2020. The current order backlog of around 47 Mio. EUR creates a sound base for the upcoming months. The executive board will do everything and take necessary measures to maintain the previous year's result. However there are external framework conditions we cannot evade.

We can respond to possible negative effects from the Brexit negotiations in UK by adapting the logistics concept. So far, we were able to almost overcome delivery problems resulting from the coronavirus epidemic, thanks to early measures. Due to the fact that the disease is spreading wider and wider there is, however, the risk of further supply and personnel shortages as well as sales difficulties. In the current situation we are only able to evaluate on a short-term basis to react on daily changes on air freight, components supply chain and official requirements. Currently, we may not make a reliable long-term forecast about the consequences of corona on FORTEC's business performance. An adjustment of the forecast during the running business year could be required, which does not deem necessary at the moment.

Our vision continues to motivate us: The FORTEC Group recognises long-term growth potential through connecting Power Supplies, Display Technology and Embedded Computer Technology into a complete sub-system. The aim is to position the company as a complete solutions supplier in the national market and to advance internationalisation. We will continue to participate in the trends towards digitalisation. Together with our suppliers and our own development departments, we are working on effective and cost-efficient standard and customised solutions for Industry 4.0 and IoT (Internet of Things) applications.

Interim Group Management Report: 4. Risk and opportunities report

The risks outlined below, subdivided into risk categories, could have an impact on our company as a whole (overall risk), our financial situation (financial risks) and our income (risks to profitability). Additional systemic risks include the human resources risk and technical risk. The risks outlined below are those that we are permanently exposed to.

Financial risks, as far as they were evident upon compiling the balance sheet, were accounted for by way of corresponding depreciation and provisions. A quantified estimation can be found in the Consolidated Notes (Note 17 of the Annual Report). An evaluation of risks is carried out to the best of its knowledge as of the balance sheet date, but may prove insufficient in certain cases.

The essential insurable basic risks are covered by a comprehensive insurance policy. This policy is reviewed on an annual basis but may prove insufficient in certain cases.

Potential risks that we must face in order to be present on the market are sales, product and market risks as well as dependence on suppliers; these risks apply to both segments in equal measure.

A very large risk that should not be under-estimated, albeit a *systemic risk*, relates to our close cooperation with only a few strategic partners in the product area. As successful cooperation with suppliers from Asia often rests on long-lasting personal relations between the decision-makers, especially in the Power Supplies segment, changes in personnel - be it due to a decision of that personnel member to leave the company or due to changes in the company's shareholder structure - can lead to the loss of existing business relationships.

For decades, the market for professional electronics has been marked by gradual decreases in the market price for the same level of performance data and through steady market prices for above-average increases in technical performance. Even though we have been able to overcome this risk in the past, there is no guarantee that we will not be subject to future losses due to market price risks.

A major *profitability risk* relates to inventory disposition. Misguided actions can lead to significant losses, despite our multi-tired procurement process. Current delivery capacities, influenced by long delivery times demand particular diligence in procurement. The risk of having unsellable goods in the warehouse may not only be the result of erroneous estimates of future demand but, rather, also depends on differing assessments of quality standards on the part of the customer and the manufacturer. This particularly applies with regard to what the condition of the goods from our Asian suppliers should be along with EU guidelines and regulations governing the materials used in products and the product's application. Product liability is becoming an ever-growing risk for the company compared to previous years inter alia due to changes in purchase rights. A careful selection of suppliers and monitoring evaluations can minimise this risk. However, in the event of deceptions or criminal activity on the part of our sub-suppliers, we, as the importer, are liable vis-à-vis the customer.

One constantly growing risk relates to customer demands that go beyond the hitherto scope of the warranty period and the common standards for supply contracts. In recent years, an entitlement mentality has developed among customers – to the serious detriment of suppliers. The requirements arising from the supply contract may significantly exceed the value of the good. The result of this is an increase in legal disputes and their associated risks.

In order to avoid default risks, creditworthiness checks will be carried out and customer receivables will be insured by a commercial credit insurance policy.

Our success on the market is once again strongly dependent on the comprehensive expertise and years of experience possessed by our personnel members (personnel risk). A large-scale personnel change or even the removal of a single key individual can place our on-going success at risk. The recruitment of new personnel members in response to a noticeable skills shortage and the increase of attractiveness as an employer in a regional environment marked by full employment represents a great challenge and calls for new, creative solutions.

A change in customer behaviour towards no longer producing in Central Europe in the long term and making use of local suppliers challenges our business model as a supplier of technically demanding products. We would experience the same effect if our sub-suppliers changed their behaviour and utilised the Internet to sell directly to industrial customers and refrain from exclusively selling their products via established sales channels. The expected concentration process on the side of suppliers could also have a negative impact on our business, which, in an extreme case, could lead to a termination of the supply relationship. The same effect would set in if the trade margin fell below our costs, which are mainly influenced by personnel costs in German-speaking countries, due to the availability of competitive information through the Internet.

A *technical risk* exists across the company's entire IT net- work. A possible malfunction or a serious disruption in the computer system can cause serious damage for the company. Misuse by external or internal parties, despite security precautions, especially the theft of information or insufficient data protection measures, may also endanger the company in extreme cases. The risk is minimised thanks to the initiated implementation of an internal MPLS network and the resulting reduction of external interfaces.

Foreign currency risks will be avoided as much as possible by carrying out business transactions in a single currency. Nevertheless, changes particularly in the dollar and yen parity as well as fluctuations of the Swiss franc and the British pound in relation to the euro, dollar and yen can have negative consequences for our company.

The company's former growth strategy included both organic growth as well as company acquisitions. When acquiring other companies, any value falling above the "net asset value" is recognised as goodwill on the balance sheet and assessed annually for impairment. If the expectations set for the acquired companies are not met, or if we can no longer count on the previously planned positive cash flow due to uncertainties in the economy, write-offs will be instituted in the consolidated balance sheet compiled by IFRS. The company faces additional risks in relation to the subsidiaries in England and the US. Due to the fixed costs block, comprehensive production capacities are increasing the risk of being unable to flexibly react to market conditions mainly in the Display Technology segment.

This list of risks is not exhaustive and additional risks may surface that we are currently unaware of or that we do not consider to be significant.

The overall risk position of the Group remains operationally unchanged as compared to the previous year. If the coronavirus epidemic can make an impact and if so, to what extent, cannot yet be conclusively assessed. Currently, we do not see a significant change in our evaluation.

From today's perspective, we do not recognise any risks that threaten the continued existence of the company as a whole.

In addition to risks, the following opportunities have been integrated in the form of new opportunity management into the management handbook, which is updated annually at the Management Review, in order to further develop the Group continuously. The board of directors identifies, analyses and works with the supervisory board in the scope of the com- pany's strategic orientation to further exploit new *market opportunities*. Outside of the German-speaking countries, our subsidiaries take advantage of additional market opportunities.

Current trends towards digitalisation are also creating *product opportunities* for FORTEC, as a technology company, such as through our own product and production services in the area of display controllers, touch screen solutions, using the optical bonding approach and high-quality industrial monitors, especially on account of rapid developments in Industry 4.0, relating to the networking of industrial applications. This fourth industrial revolution that envisions a fully- rationalised factory will translate into enormous productivity gains, especially in Central Europe. As a supplier for the capital goods industry, we will be able to profit from this for years to come. Concrete opportunities are regularly identified by our sales force, initiated by project marketing and evaluated through frequent exchanges with the management. When needed, the results are included in roadmaps and executed through new projects; these do, however, tie up money and resources and therefore constitute a potential risk factor. In the segment of Power Supplies, we are the leader for know-how in applications, solutions to problems and technical service. In the segment of data visualisation (Display Technology, Embedded Computer Technology), our technology know-how is the growth driver for complete and tested sub-systems.

Even though we cannot guarantee this in the future, we are confident that our expanded mixture of distribution, development, production and solutions puts us in a strong position that will ensure sustainable long-term growth.

Interim Group Management Report: 5. Risk management

Risk management is an integral part of the management system, ensuring that risks are identified, and that their impacts are minimised to the greatest degree possible. Risk management at FORTEC ensures that known or arising risks in our daily business remain transparent and manageable. The aim of risk management is to allow personnel members and decision-makers to identify risks and develop the relevant solutions in good time, either independently or in cooperation with the decision-makers. Therefore, the relevant processes and procedural guidelines are integrated in the QMH process landscape and available for everyone. Risk management is an ongoing task. As such, it is necessary to make our personnel members and especially our decision-makers aware of the existing risks in the company. For this, risk management and the index of legal provisions developed for this are integrated in the management handbook, defined annually and its effectiveness is verified during internal audits. In accordance with the risk analyses (risk and opportunity matrix) performed by management or, in the case of technical risks, by the quality management officers at the individual FORTEC Group companies, the corresponding risk-aversion measures have been developed, and officers have been appointed for overseeing their implementation.

Risk reporting combined with quarterly reports ensures that management can regularly create an overall picture of the risk situation, meaning that management is always immediately informed about significant risks through internal structures.

The system of *internal control and risk management in view of financial reporting processes* is an integral part of all processes at FORTEC Group, and it is based on a comprehensive and systematic approach to identifying, evaluating and controlling risks. The board of directors is responsible for the design of control and risk management. Active monitoring controls carried out by the board of directors help to identify, evaluate and process risks in the individual business areas at the company and among our subsidiaries. These findings, especially related to process organisation, have been incorporated into the current QM handbook. In the scope of control and risk management, monthly assessments by the company and the subsidiaries allow for early recognition of discrepancies in the planning figures for in- coming orders, order volumes and inventories, as well as with regard to sales, gross margin and costs, and for action to be taken when necessary. Liquidity planning is carried out on a weekly basis and the recoverability of the receivables, especially the debitors, is regularly checked. The acquired goodwill is reviewed once a year through a so-called impairment test and corrected, if necessary. The measures performed by the internal controlling system for the accuracy and reliability of financial accounting ensure that our business transactions are completely in line with the statutory provisions and the company's articles of incorporation, that these are recorded in a timely manner, that stocktaking is carried out in accordance with the guidelines in place, and that assets and debts in the annual financial statement are correctly estimated, evaluated and accounted for. We ensure that the accounting records also provide reliable and traceable information through separation of function and control processes.

The annual auditor and other auditors, e.g. the tax auditor, customs auditor and social security auditor, are incorporated into the controlling environment by way of process-independent auditing activities. In particular, the audit of the consolidated financial statement by the associated auditor entails an essential process-independent supervisory activity for the Group's financial accounting process.

Interim Group Management Report: 6. Risk reporting in relation to the use of financial instruments

The financial instruments that exist in the company include: Current and investment accounts, supplier credits, receivables, and the like. The company has a solvent and creditworthy base of customers that is also covered by a commercial credit insurance policy for deliveries to companies that are below the DAX 30 index resulting in receivables above 10,000 EUR. Defaults on debts are not expected on any scale that would pose a risk to the company. Liabilities are paid within the agreed payment period. A long-term bank loan was taken at a low interest rate. At the Group level, loans are available in the amount of 8 million EUR, which are, however, currently not being used. The goal of financial and risk management is ensuring corporate success against financial risks of all kinds.

Possible *price change risks*, which exist in a potential loss due to adverse changes in the market price or price-influencing parameters, are minimised through contractual negotiations. An overview of cash receipts and disposals is regularly communicated in order to hedge *liquidity risks*.

The company has a system of debtor management in place to minimise the default risks. Existing *currency risks* are monitored. If required, the relevant instruments for minimising risks are evaluated and used.

Currently, the risk of a global spread of the corona virus and possible consequences regarding our supply chain and our business market are monitored and evaluated thoroughly

Interim Group Management Report: 7. Overview of the risk and opportunity situation

From the point of view of the management in charge of a technology company, we identify more opportunities than risks for the future development of the company when balancing risks and opportunities. Despite the constant increase in risks to the company, the constantly rising demands for products and the ever-shorter product cycles, we are of the opinion that our market environment can undergo positive changes for both segments, especially due to the digitalisation trends in connection with Industry 4.0 as a subset of the Internet of Things (IoT).

The worldwide spread of the corona virus might have negative impacts on the group’s delivery capability. The developments are monitored and analysed very closely by a specifically established crisis team.

Interim Group Management Report: 8. Additional information in accordance with § 315 (2) and (4) German Commercial Code (HGB)

The *number of shares* as of 30 June 2019 amounted to 3,250,436 with a par value of 1 EUR. The company currently does not have any conditional capital nor a share-buyback scheme. The subscribed capital is entirely comprised of ordinary shares entitled to vote and ascribed to the holder. There are neither voting restrictions nor restrictions on the transfer of shares in place.

At the annual shareholders' meeting on 15 February 2018, the board of directors was authorised to increase the company's share capital by up to a value of TEUR 1,477,471 until 14 February 2023 with approval from the supervisory board through single or multiple issuances of up to 1,477,471 non- par bearer shares against cash contributions and/or assets in kind (Approved Chapter I). The board of directors was also authorised, with approval from the supervisory board, to exclude the prescription rights of the shareholders in the following cases:(i) for fractional amounts, (ii) in the event of capital increases for tangible assets, (iii) in the event of cash contributions up to an amount not exceeding the existing share capital on the date when this authorisation entered into force or on the date when this authorisation lapsed by more than 10% (whichever value is lower), to the extent that the issuing price of the shares does not significantly exceed the stock market price of the company's already listed shares at the time of the final determination of the issuing price. The authorised capital dated 15 February 2018 (authorised capital 2018/I) is 1,187,978 EUR after partial utilisation on balance sheet date. The appointment and dismissal of the board of directors is regulated by § 84 and § 85 of the German Stock Corporation Act (AktG).

The company's *remuneration system* for the boards of directors includes both fixed and variable salary components. The royalties are solely dependent on the EBIT achieved and from annual net income. The annual shareholders' meeting on 16 February 2017 decided that the requested information in the annual report in accordance with § 314 (6a), sentence 5-9 of the German Commercial Code (HGB) can be omitted. Additionally, in the event of a change in control following a take-over offer, the supply agreements from the contracted suppliers essential for the company can be terminated. In particular, this danger exists when the contracted supplier must be concerned with the entry of a competitor. Changes to the articles of incorporation require at least a 75% majority of votes at the annual shareholders' meeting. Additional information in accordance with § 315a (1) page 2 of German Commercial Code (HGB) is included in the Consolidated Notes.

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Interim Group Management Report: 9. Declaration of corporate governance in accordance with section 315d in connection with section 289f HGB

After conducting a mandatory review, the board of directors and the supervisory board of FORTEC were able to submit a statement of compliance in accordance with § 161 German Stock Corporations Act (AktG), which has been permanently available for the shareholders to view on the company's website (www.fortecag.de) since October 2019.

The activities of the management and controlling bodies at FORTEC Elektronik AG (FORTEC) are determined by a system of responsible corporate governance that is oriented towards sustainable value creation. In this declaration, the board of directors reports on the company's corporate governance in accordance with § 289f (1) no. 2 German Commercial Code (HGB).

At FORTEC, along with legal requirements and internal procedural guidelines, our corporate governance is characterised by a high degree of self- responsibility and the ethical behaviour exhibited by each and every personnel member.

As a listed German stock corporation, corporate governance at FORTEC is governed, first and foremost, by the German Stock Corporation Act (AktG) as well as by the limitations set out by the German Corporate Governance Codex, in their current versions. On 26 February 2002, the German federal government passed the German Corporate Governance Codex into law. In its version from 7 February 2017, the codex sets out the essential statutory guidelines for managing and supervising German listed stock corporations and it contains both domestically and internationally recognised standards for good and responsible corporate governance.
The aim of these guidelines is to ensure transparency of the regulations valid in Germany and thereby increase the confidence among international and domestic investors, customers, personnel members and the general public in the corporate governance of German corporations.

The governmental commission German Corporate Governance Code resolved a new version of the Code on December 16th, 2019. The new code was submitted to the Federal Ministry of Justice and Consumer Protection for assessment and publication on January 23rd, 2020. The code 2020 will enter into force with publication in the German Electronic Federal Gazette (elektronischer Bundesanzeiger) and thereby replace the hitherto valid codex as amended on February 7th, 2017.

Germering/Germany, March 24th, 2020

Sandra Maile	Bernhard Staller	Jörg Traum
Spokeswoman of the Board	Board Member	Board Member

Consolidated Balance Sheet per 31.12.2019 according to IAS/IFRS

	ASSETS in Euro	31.12.2019	30.06.2019		EQUITY/LIABILITIES in Euro	31.12.2019	30.06.2019
A.	**Non-current assets**	**19,311,928**	**13,065,037**	**A.**	**Total Shareholders' equity**	**42,548,049**	**40,139,827**
I.	Goodwill	6,765,019	6,623,491	I.	Subscribed capital	3,250,436	3,250,436
II.	Intangible assets	290,342	305,454	II.	Capital reserve	14,481,026	14,481,026
III.	Tangible assets	5,357,486	5,665,336	III.	Exchange differences	1,164,705	846,489
IV.	Right-of-use assets	6,409,564	0	IV.	Other comprehensive income	21,561,876	15,873,889
V.	Financial assets	95,780	95,780	V.	Net income	2,090,006	5,687,986
VI.	Accounts receivable	74,870	74,567				
VII.	Deferred taxes	327,867	300,409				
B.	**Current assets**	**43,686,028**	**44,354,183**	**B.**	**Long-term liabilities**	**10,705,926**	**5,818,891**
I.	Inventories	25,773,479	24,070,674	I.	Bank liabilities	4,138,874	4,694,432
II.	Accounts receivable	6,275,302	8,017,727	II.	Other provisions/liabilities	853,380	881,681
III.	Tax receivables	2,270,390	2,020,444	III.	Non-current lease liabilities	5,314,135	0
IV.	Other assets	498,843	584,896	IV.	Deferred taxes	399,536	242,778
V.	Cash on hand and cash equivalents	8,600,462	9,406,542	**C.**	**Short-term liabilities**	**9,743,982**	**11,460,501**
VI.	Assets hold for sale	267,553	253,900	I.	Bank liabilities	1,166,672	1,382,818
				II.	Trade payables	4,839,356	5,616,002
				III.	Current lease liabilities	1,114,457	0
				IV.	Tax liabilities	683,029	1,137,077
				V.	Other provisions	455,843	555,595
				VI.	Other liabilities/accruals	1,484,625	2,769,009
	Total Assets	**62.997.957**	**57,419,219**		**Total Equity and Liabilities**	**62,997,957**	**57,419,219**

Consolidated Statement of Comprehensive Income 1st HY per 31.12.2019

uncertified, according to IAS/IFRS

in Euro	Consolidated income statement 01.07.19-31.12.19	Consolidated income statement 01.07.18-31.12.18
Sales revenues	**41,369,864**	**42,307,012**
Increase in finished goods/unfinished goods	651,582	158,655
Other operating income	1,781,525	688,588
Cost of materials	29,244,267	28,655,513
Personnel expenses	7,059,543	6,734,558
Depreciation	901,165	534,924
Other operating expenses	3,643,175	3,488,417
Operating result (EBIT)	**2,954,820**	**3,740,842**
Dividends	-	-
Other interest and similar income	2,217	-
Other interest and similar expenses	73,105	22,701
Taxes on income	793,925	1,176,923
Net income	**2,090,006**	**2,541,219**
Other results*	318,216	155,780
Total result	**2,408,222**	**2,696,999**
Earnings per share	0.64	0.78
Shares in total	3,250,436	3,250,436

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

Consolidated Statement of Comprehensive Income Q2 per 31.12.2019

uncertified, according to IAS/IFRS

in Euro	Consolidated income statement 01.10.19-31.12.19	Consolidated income statement 01.10.18-31.12.18
Sales revenues	**19,850,732**	**20,474,980**
Increase in finished/unfinished goods	126,248	20,672
Other operating income	806,344	336,050
Cost of materials	14,009,339	13,573,144
Personnel expenses	3,431,173	3,557,050
Depreciation	453,938	387,067
Other operating expenses	1,913,831	1,938,015
Operating result (EBIT)	**975,043**	**1,376,427**
Dividends	-	-
Other interest and similar income	84	12
Other interest and similar expenses	32,277	15,482
Taxes on income	285,447	536,175
Net income	**657,402**	**824,782**
Other results*	-24,587	38,938
Total result	**632,815**	**863,720**
Earnings per share	0.20	0.25
Shares in total	3,250,436	3,250,436

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

Consolidated Statement of Changes in Equity per 31.12.2019

in Euro	Subscribed capital	Capital-reserve	Exchange rate differences	Other reserves		Total
				Market evaluation reserve	Profit reserve/ carried forward	
Balance 01.07.2018	**2,954,943**	**8,689,364**	**633,917**	**0**	**17,824,152**	**30,102,375**
Period's net income					2,541,219	2,541,219
Issue of new shares	295,493	5,791,663				6,087,156
Change „other results"			155,780			155.780
Dividend payments						0
Changes 1st HY 2018/2019	295,493	5,791,663	155,780	0	2,541,219	8,784,155
Balance 31.12.2018	**3,250,436**	**14,481,026**	**789,697**		**20,365,371**	**38,886,529**
Balance 01.07.2019	**3,250,436**	**14,481,026**	**846,489**	**0**	**21,561,877**	**40,139,828**
Period's net income					2,090,006	2,090,006
Change „other results"			318,216			318,216
Dividend payments				0		0
Changes 1st HY 2018/2019	0	0	318,216	0	2,090,006	2,408,222
Balance 31.12.2019	**3,250,436**	**14,481,026**	**1,164,705**	**0**	**23,651,883**	**42,548,049**

Consolidated Cash-flow Statement per 31.12.2019

in EUR	FY 2019/2020 01.07.19-31.12.19	FY 2018/2019 01.07.18-31.12.18
I. Operative area		
1. Net income	2,090,006	2,541,219
2. Income tax expense affecting net income	668,282	1,176,923
3. Depreciation on tangible assets and intangible assets	901,165	534,924
4. Correction for other non-cash transactions	535,993	-903,489
5. Gains (PY 0) from disposal of tangible assets	-594,239	0
6. Increase (PY Increase) of inventories	-1,702,804	-2,321,698
7. Decrease (PY Decrease) of accounts receivable trade and other receivables	1,924,199	2,788,537
8. Decrease (PY Decrease) of trade payables	-776,646	-1,679,388
9. Decrease (PY Decrease) of short-term liabilities	-1,694,113	-960,052
10. Increase (PY Increase) of non-current receivables	-304	-414
11. Decrease (PY Increase) of long-term liabilities	-28,301	761,552
12. Interest expenses and Interest income	70,889	26,219
13. Interest paid	-65,294	-22,659
14. Income taxes paid	-1,153,245	-763,837
Cash-flow from operations	175,587	1,177,836
II. Investment area		
1. Investments in tangible and intangible assets	-510,789	-1,367,595
2. Payments from the acquisition of consolidated companies less cash and cash equivalents acquired	-144,070	-2,152,978
3. Profits from disposal of tangible assets	1,103,000	0
4. Interest received	2,217	0
Cash-flow from investments	450,357	-3,520,572

Consolidated Cash-flow Statement per 31.12.2019

III. Financial activities		
1. Payments from (financial) loans	0	603,495
2. Payouts from repayment of (financial) loans	-771,704	-625,002
3. Payments from capital increase	0	6,087,156
4. Payments for lease liablities (2018: finance lease liabities)	-519,496	0
Cash-flow from financial activities	-1,291,200	6,065,649
IV. Net decrease (PY increase) of cash and payment equivalents	**-665,255**	**3,722,914**
Cash/cash-equivalents p. 30.06.18 (PY 30.06.17)	9,406,542	5,411,462
Changes in cash and cash equivalents due to currency changes	-140,825	-41,629
V. Cash/cash equivalents	**8,600,462**	**9,092,746**
Composition of financial resources		
Cash	12,457	16,390
Bank deposits	8,588,005	9,076,356
Cash and cash equivalents at end of period	8,600,462	9,092,745

Annex– Notes to the financial statements

Basics of preparation of report

This shortened interim manager group report does not contain all necessary information and data for a consolidated financial statement and therefore, has to be read in combination with the group management report and consolidated financial statements dated 30.06.2019.

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

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

Segment Report

The Group's operative field is Data Visualisation and Power Supplies.

In TEUR	Data Visualisation	Power Supplies	Total
Turnover	26,620	14,750	41,370
Company result (EBIT)	2,251	703	2,954
Financial result	-46	-25	-71
Tax on profit	-485	-309	-794
Period's result	1,720	370	2,090

Other information

The number of employees was 222 (PY: 224).

Assurance of Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the FORTEC Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group

Germering/Germany, March 24th, 2020

FORTEC Elektronik AG

Sandra Maile Spokeswoman of the Board	Bernhard Staller Board Member	Jörg Traum Board Member

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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