

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

INTERIM GROUP REPORT
1st HY 2020/2021

FORTEC
ELEKTRONIK AG

Interim Report 1st Half Year 2020/2021

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Interim Group Report: 1. Group's principles

Business model

FORTEC, as a Group, has gradually transformed itself from a trading company to a systems supplier of industrial high-tech products and, today, the company is a well-established part of the international value chain. As a link between various production facilities of internationally active suppliers, especially from the Far East, and European as well as American customers, FORTEC occupies an interesting growth niche and is continuously expanding its position as a supplier of customer-specific product solutions for industrial use, for instance through its own software and hardware developments and the expansion of its own production services.

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 basis of FORTEC's success is the large number of customer relationships developed over the course of many years. Our sales activities aim at establishing strategic partnerships with top-customers who are the market leaders in their respective markets as well as those who generate small and medium-sized sales volumes. Due to increasing complexity, orders are more and more frequently turning into long-term projects and we, as a supplier, are becoming a long-term, strategic partner for our customers.

For more than 35 years, we have always generated excellent returns with our business model, which has been tested in several cycles. With increased activity in the design of complete (sub)systems based on our own technologies, we make ourselves more independent and competitive in a global environment.

The group occupies two attractive segments of high-quality electronics. In the areas of Data Visualisation (Display Technology) and Industrial Power Supplies, FORTEC is one of the market leaders in German-speaking countries. In addition, FORTEC has positioned itself well in the Anglo-American area through its subsidiaries.

In the product area of Power Supplies, FORTEC covers the entire range of AC/DC- and DC/DC converters – 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.

The successful subsidiary EMTRON focuses purely on the distribution business in the Power Supplies segment. The availability of the right products in stock is the basis for success here. With the new building in Riedstadt, the foundation stone was laid for new growth. Sales in England and the USA are to be consistently expanded via the foreign subsidiaries there.

By linking the product areas of Display Technology and Embedded Computer Technology into Data Visualisation 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 subsidiary DISTEC. Through the successful DISTEC, the FORTEC Group also has access to in-house developed TFT controllers and control solutions as well as to the latest generation of optical bonding technology.

As of 1 April 2020, a restructuring within the Group was carried out, in which the parent company transferred the entire display & embedded portfolio to the subsidiary DISTEC and the portfolio of power supplies to EMTRON. FORTEC Elektronik AG is now the holding company responsible for the management of the affiliated companies, the strategy of the Group and essential parts of the administration.

In Germany, the Group operates numerous regional offices that provide local customer service. FORTEC is represented with a sales office in Austria and with the wholly-owned sales subsidiary ALTRAC in Switzerland.

Additionally, FORTEC is represented in the Benelux countries with a share in the Dutch trading company Advantec Electronics, in England with the subsidiary Display Technology, in the US with the subsidiary Apollo Display Technologies and in the Czech Republic with Alltronic, a subsidiary of AUTRONIC.

All companies of the FORTEC Group are united by one goal: "With our expertise and our speed we create a sustainable benefit for our customers from all industrial sectors. In this way, long-term partnership-based customer relationships are created at eye level. Our customers encounter qualified employees for whom flexibility, reliability and transparency are a matter of course. We live the traditional values of medium-sized companies and also continuously improve our international competitiveness. We are "Big enough to complete, small enough to care". It is precisely this mix that creates a healthy basis for sustainable growth and attractive participation for our shareholders in the company's success".

Interim Group Report: 2. Economic Report

The *global economic environment* continues to be characterised by tensions of a geopolitical nature and has been affected by the outbreak of the COVID-19 pandemic worldwide since the beginning of 2020. Although the global economy continues to recover, business climate indicators signal a slowdown in the global economic catch-up process.

The *current economic situation* in the Eurozone continues to be burdened by the pandemic. Uncertainties regarding the further development of US and Chinese politics as well as the effects of Brexit persist.

In Germany, the willingness to invest remains very restrained. Compared to the previous quarter the gross domestic product in the fourth quarter of 2020 practically did not grow any more (+ 0.1 % adjusted for price, calendar and seasonal effects), after a strong plus of 8.5 % had been recorded in the third quarter. The recovery process, which has resumed after the end of the first lockdown in spring last year, has largely come to a standstill in the course of the second lockdown. In 2020 as a whole, economic output fell by 5 % due to the pandemic.

While the industrial sector was less affected by the second lockdown, the outlook for the economy remains cautious in view of the general pandemic and due to supply bottlenecks in the electrical components market, a shortage of freight capacities and a generally subdued mood among companies.

In the first half of the business year 2020/2021 the *business performance* of the FORTEC Group continued to be strongly influenced by the pandemic. Measures introduced at an early stage - as part of the COVID 19 crisis management - and the consistent continuation of the Group's transformation, which began in 2017, caused a moderate decline in turnover in the first quarter compared to the previous year. The second quarter was weaker than the first and sales revenues were also below the same quarter of the previous year.

Income Position

Group revenue in the first half of the 2020/2021 business year amounts to EUR 37.5 million (PY: EUR 41.4 million).

Our segments developed as follows: The Data Visualisation segment contributes EUR 23.5 million (PY: EUR 26.6 million) and the Power Supply segment contributes EUR 14.0 million (PY: EUR 14.7 million) to Group's revenue.

Other operating income fell from EUR 1.8 million to EUR 0.7 million due to the absence of positive special effects compared to the same period of the previous year.

The gross margin, taking into account the work in progress, increases from 30.4% to 31.3% in the first half of the 2020/2021 business year. The cost of sales ratio fell from 70.7 % in the previous year to 68.4 %, a sign that sales revenues could be disproportionately served from the existing inventory.

Synergy effects resulting from the leasing of the operating business to EMTRON and DISTEC led to a reduction in personnel expenses from EUR 7.1 million to EUR 6.6 million in the first half of the financial year; the personnel expense ratio rose from 17.1 % to 17.7 %.

Depreciation remained almost constant at EUR 0.9 million.

Other operating expenses of EUR 2.9 million, down from EUR 3.6 million in the previous year, were lower due to measures and amounted to 7.8% of turnover (previous year: 8.8%).

Due to the aforementioned factors, the operating result (EBIT) as a key *financial performance indicator* of EUR 1.9 million is below the previous year's value of EUR 3.0 million. The EBIT margin, based on revenue, fell from 7.1% in the previous year to 5.2%.

The segment Data Visualisation accounted for 77% of the Group's operating result with EUR 1.5 million (PY: EUR 2.3 million with 76%); the EBIT margin fell from 8.5% to 6.4%. Data visualisation contributed EUR 1.1 million (PY: EUR 1.7 million) to the net income for the period. The segment Power Supply achieved an operating profit of EUR 0.4 million (PY: EUR 0.7 million) and an EBIT margin of 3.2 % (PY: 4.8 %).

Compared to the previous year the net income for the period in the first half of 2020/2021 falls by approx. KEUR 700 to EUR 1.4 million. The return on sales after tax decreases from 5.1% to 3.7%.

Earnings per share fall from EUR 0.64 in the previous year to EUR 0.43.

Asset position

On the assets side, with a balance sheet total of EUR 61.5 million (30.06.2020: EUR 64.6 million), *non-current assets* amount to EUR 18.4 million (30.06.2020: EUR 18.9 million).

Of this, goodwill of the acquired subsidiaries is the largest item with EUR 6.7 million (30.06.2020: EUR 6.7 million), followed by the recognised rights of use in accordance with IFRS 16 in the amount of EUR 6.0 million (30.06.2020: EUR 6.3 million).

With a value of EUR 22.6 million (30.06.2020: EUR 24.7 million), inventories represent the largest single item in *current assets*, accounting for 36.7% of the balance sheet total (30.06.2020: 38.2%). The trade receivables item decreased from EUR 9.3 million on 30 June 2020 to EUR 5.8 million on the reporting date. Cash and cash equivalents of EUR 12.6 million (30.06.2020: EUR 8.9 million) represent the second largest item under current assets.

Financial and liquidity position

The *financial situation* of the company continues to be excellent, especially in comparison with companies pursuing similar business models, with a high and above-average equity ratio of 71.3 % (30.06.2020: 66.3 %). With EUR 43.8 million (30.06.2020: EUR 42.8 million), the company is sufficiently equipped with equity capital for future-oriented decisions.

Long-term liabilities to banks, the second-largest item under *non-current liabilities*, were reduced from EUR 3.5 million as of 30 June 2020 to EUR 2.9 million in accordance with the repayment plan. The largest item continues to be the long-term leasing liabilities in the amount of EUR 5.1 million (30.06.2020: EUR 5.4 million).

Under *current liabilities*, trade payables decreased from EUR 5.5 million on 30 June 2020 to EUR 3.0 million. Other liabilities decreased from EUR 2.2 million to EUR 1.8 million, primarily due to lower obligations to employees.

Cash flow from operating activities in the first half of the business year 2020/2021 increased from KEUR 176 on 31.12.2019 to almost EUR 5 million.

Cash flow from investing activities fell from KEUR 450 to KEUR -187. As at 31 December 2019, cash inflows from the sale of the buildings in Nauheim were included.

The negative cash flow from financing activities was EUR -1.1 million (31.12.2019: EUR -1.3 million)

Non-financial performance indicators such as employee concerns, long-term supplier and customer relationships, environmental concerns and ISO certifications are of great importance to the company. With regard to employee matters, FORTEC can point to an average period of employment of more than eight years.

FORTEC owes its stable business over decades to a long-lasting, close cooperation with selected suppliers. Many long-standing customers benefit from this, and we in turn owe our business success to them.

The company is committed to the ecological idea of *sustainability* in its operational activities. Environmental management is integrated into the management handbook and is being further expanded.

Research and development

FORTEC invests both in classic product development (e.g. video converters and network IoT products) and in the further development of production technologies with an annual expenditure of around EUR 2 million, primarily in the subsidiary DISTEC. The focus is particularly on vacuum technology as the latest generation of the optical bonding process.

Interim Group Report: 3. Forecast Report

The following statements on the future course of business and the assumptions of the economic developments of the market and the industry are based on our assessments, which we currently consider to be realistic according to the information available. As a result of various known and unknown risks, uncertainties and other factors the forecasted developments may not actually occur either in their tendency or in their extent.

The global economic situation continues to be massively influenced by the COVID 19 pandemic. According to the IFO Business Climate Index, the high level of uncertainty in Germany has reduced somewhat at the end of 2020. Although the lockdown is hitting individual sectors hard, the German economy has been proving resilient overall.

We had incorporated these expectations into our planning for the 2020/2021 business year with cautious optimism but had already pointed out in the 2020 annual report that an adjustment of the forecast given could be necessary due to further, still unknown effects of the Corona virus on the business development in the course of the year.

Now that the COVID 19 pandemic continues, a possible economic recovery is being held back by the following factors in the electronic components market: long delivery times and supply bottlenecks at manufacturers, limitations on freight capacities, and the fact that customers' demand can only be assessed at short notice. As a consequence of this development, we must expect higher material and freight costs in the short term.

The Board of Directors of FORTEC Elektronik AG therefore decided at the beginning of February to lower the forecast for the current business year as a precautionary measure. For the 2020/2021 business year, a reduction in Group revenue of up to 20% is expected; furthermore, a reduction in Group EBIT of between 20% and 35% is anticipated, in each case compared to the previous year. The order backlog as of 31 December 2020 was EUR 46.7 million (PY: EUR 47.4 million), indicating that the medium-term outlook for the company is quite positive. Cost-cutting measures have also been initiated to improve the result.

This outlook concerns both segments, power supply and data visualisation.

From today's perspective, the entire 2020/2021 financial year will be burdened by the COVID 19 pandemic. Nevertheless, FORTEC Elektronik AG will continue to be profitable and has positioned itself well for the time thereafter.

Our vision continues to motivate us: The FORTEC Group sees its long-term growth potential in connecting Display Technology, Power Supplies and Embedded Computer Technology into a complete sub-system. The aim is to position the company as a competent solution provider on the national market and to expedite internationalisation.

We are not interested in growth at any price, but in profitable growth. Factors such as the expansion of the solutions business, increased innovations and additional services as well as the expansion of the project business will serve to further strengthen the earning power. At the same time, the proximity to our customers and the broad positioning cushion the risks of economic fluctuations and ensure sustained profitability.

FORTEC will continue to participate in the digitalisation and visualisation trends. Together with external partners and own development departments, powerful and cost-effective standard and customised solutions for Industry 4.0 and IoT applications (Internet of Things) are being developed.

Interim Group 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), the two segments, our financial situation (financial risks) and our results (earnings-oriented risks). Further system-related risks are the personnel risk and the technical risk. We are permanently exposed to the risks listed below.

Balance sheet risks, insofar as they were evident when compiling the balance sheet, were taken into account through corresponding depreciation and provisions. A quantified assessment can be found in the Consolidated Notes (Note 18 of the Annual Report 2019/2020). Risks are assessed to the best of our knowledge and belief as of the balance sheet date but may not be sufficient in individual cases.

The *main insurable natural hazards* are covered by a comprehensive insurance policy. This policy is reviewed annually but may not be sufficient in individual cases.

Potential risks that we have to take in order to survive in the market are for both segments equally the distribution, product- and market-risk as well as the dependence on suppliers.

The close cooperation with only a few strategic partners in the product area poses a very large *systemic risk* which should not be underestimated. Since success with Asian suppliers in particular is often due to a long-standing personal relationship between the decision-makers, especially in the Power Supplies segment, a change in personnel, whether due to a departure of the decision-maker(s) from the companies or a change in the group of shareholders of the companies, can lead to the loss of existing business relationships.

For decades, the market for professional electronics has been characterised by a constant decline in market prices with the same level of performance data or by an above-average increase in technical performance with a constant market price. Even though we have always been able to deal with this risk in the past, there is no guarantee that *market price risks* will not result in future losses.

A significant *profit-oriented risk* lies in the inventory management. Wrong material planning can lead to considerable losses, despite our multi-stage procurement process. Delivery capacity characterized by long delivery times requires special care in procurement.

However, the risk of having unsaleable goods in stock is not only based on an incorrect assessment of future demand but is also dependent on a different perception of quality standards between customers and producers, especially with regard to the quality of goods, particularly those from the Asian region, as well as EU directives and regulations regarding the ingredients and use of the goods. Product liability is becoming an increasingly important risk for the society than it was just a few years ago due to changes in the sales law, among other things. Careful selection of suppliers and monitoring of assessments minimise this risk. However, in the event of deception and criminal acts on the part of suppliers, we as the importer are liable to the customer.

An ever-growing risk lies in *customer requirements* that go beyond the previous warranty period and the usual standard of a supply contract. In recent years, customers have gradually developed a sense of entitlement that is clearly to the detriment of the supplier. Claims arising from the supply contract can be considerably higher than the value of the goods. Increasing legal disputes with corresponding risks are the result.

To avoid default risks, credit checks are carried out and customer receivables are covered by trade credit insurance.

Our success in the market continues to depend heavily on the comprehensive knowledge and many years of experience of our employees (*personnel risk*). Necessary hygiene and control measures to protect against COVID-19 infection have been introduced at each site. A change in staff on a large scale or of individual key personnel can jeopardise the success achieved to date. Recruiting new employees against the background of a clearly noticeable shortage of skilled workers and increasing the attractiveness as an employer in a regional environment of full employment is a particular challenge and requires new, creative solutions such as a modern working environment and individual working models.

A change in the strategy of our industrial customers to no longer produce in Central Europe in the long term and to rely on local suppliers would call our business model as a supplier of technically sophisticated products into question. A change in the behaviour of our suppliers to sell directly to industrial customers via the internet in the future and to no longer sell their products exclusively through the established distribution channels would have the same effect. An expected concentration process on the supplier side could also have a negative effect on us, which in extreme cases could result in the termination of the supply relationship. The same effect can occur if due to the competitive information available to all customers via the Internet, the trading margin to be achieved is below our costs which are essentially influenced by personnel costs customary in the German-speaking countries.

The *technical risk* lies in the Group's entire IT network. A possible failure or serious malfunction in the computer system can cause considerable damage to the company. Misuse by external or internal parties, despite security precautions, especially through theft of information or insufficient data protection precautions, can endanger the company in extreme cases. The implementation of a company-internal MPLS network and the accompanying reduction of external interfaces minimises the risk.

Foreign currency risks are avoided as far as possible by conducting business in a single currency. Nevertheless, changes especially in the dollar and yen parity and fluctuations of the Swiss franc against the euro, dollar and yen can have a negative impact on our company.

The company's growth strategy to date has included both organic growth and acquisitions. In the case of company acquisitions, the value in excess of the "net asset value" is recognised as goodwill and tested annually for impairment. If the expectations for the acquired company are not fulfilled or if a positive cash flow as originally planned cannot be expected due to economic uncertainties, devaluations in the consolidated balance sheet prepared according to IFRS are the consequence.

The subsidiaries in England and the USA give rise to further risks. Extensive production capacities, especially in the data visualisation segment, increase the risk of not being able to react flexibly to market conditions due to the fixed cost block.

The list of risks is not exhaustive; additional risks may arise that we are currently unaware of or do not consider to be significant.

The Group's *overall risk position* is unchanged operationally compared to the previous year. Whether the effects of the COVID 19 pandemic can still have an impact, and if so, which, cannot be conclusively assessed today.

From today's perspective, no risks can be identified that could endanger the continued existence of the Group as a whole.

In addition to the risks, there are *opportunities* that have been integrated into the management manual in form of an opportunity management, which is updated annually as part of the management review in order to continuously develop the Group further.

The FORTEC Group sees a number of opportunities in the coming years for a continuation of the successful development, which compared to the previous year continue to arise from the company philosophy "big enough to compete - small enough to care".

New *market opportunities* are identified by the Board of Directors through targeted market observation, analysed and further developed together with the Supervisory Board within the framework of the strategic orientation. Outside the German-speaking region, we seize further market opportunities through subsidiaries in England and the USA.

Product opportunities also arise for FORTEC as a technology company through its own products and production services in the area of display controllers, touch solutions with the optical bonding process and high-quality industrial monitors due to the current trend towards digitalisation; above all through the rapidly developing Industry 4.0, namely the networking of industrial applications. This fourth industrial revolution with the scenario of a thoroughly rationalised factory will bring an enormous gain in productivity, especially in Central Europe. As a supplier to the capital goods industry, we could profit from this for years. Concrete opportunities are identified by the sales force, among others, or initiated by product marketing and evaluated in a regular exchange with the management. Where appropriate, the results are included in roadmaps and realised in new projects that tie up money and resources and thus again represent a potential risk.

In the Power Supplies segment (industrial power supplies), we are the know-how leader in application, problem solving and technical service. In the Data Visualisation segment (display technology, embedded computer technology), our technology know-how for complete and functionally tested subsystems is a growth driver.

Further opportunities arise from the bundling of operational activities in the subsidiaries, which will leverage synergies.

Although this cannot be guaranteed for the future, we are confident that there are good opportunities for long-term, sustainable growth in the two segments with our expanded mix of distribution, development, production & solutions.

The good financial situation enables us to react flexibly and quickly to strategic options as they arise in the relevant market and industry.

Interim Group Report: 5. Risk management

Risk management is an integral part of the management system and enables us to identify risks and limit their effects as far as possible. We understand risks as internal and external events that negatively influence the achievement of our goals and forecasts.

The FORTEC Group's risk management ensures that known or newly arising risks in the daily course of business become transparent and thus controllable.

The aim of risk management is to identify risks as early as possible, to assess them appropriately and to limit or avoid them by taking suitable measures. This means in particular that employees and decision-makers can work out appropriate solutions in good time, either on their own responsibility or in cooperation, before damages occur.

For this reason, corresponding processes and procedural instructions are integrated into the QMH process landscape and are retrievable via ad hoc reporting across the group.

Risk management is an ongoing task. Therefore, we create an awareness of the existing risks in the company among all employees and especially among the decision-makers. For this purpose, risk management and the legal register developed for this purpose are integrated in the management manual, they are defined annually and their effectiveness is reviewed in internal audits.

In accordance with the risk analyses (risk and opportunity matrix) carried out by the management or, in the case of technical risks, by the quality management officers of the individual FORTEC companies, appropriate risk measures are taken and persons responsible for their implementation are appointed.

We assess the relevant risks according to the probability of occurrence and the degree of impact on the business activities, assets, financial position and earnings as well as cash flow.

Risk reporting in connection with the quarterly reports ensures that the management can regularly obtain an overall picture of the risk situation, whereby the management is informed about significant risks at all times through internal structures.

The *internal control- and risk management with regard to the accounting process* is an integral part of all processes at the FORTEC Group and is based on a systematic process of risk identification, assessment and management that encompasses the entire group.

The Board of Directors is responsible for the design of the control and risk management. Active monitoring controls support the identification, assessment and handling of risks in the individual business areas of the AG and at the subsidiaries.

Findings in this regard, especially regarding process organisation, are reflected in the current QM manual.

As part of the control and risk management, monthly evaluations of the company and the subsidiaries enable the early detection of deviations in the target figures for incoming orders, orders on hand, inventory as well as turnover, gross margin and costs, and to take countermeasures if necessary.

Liquidity planning is prepared on a weekly basis, and the recoverability of receivables, especially of debtors, is reviewed regularly. The acquired goodwill is tested for impairment once a year and corrected if necessary.

The measures of the internal control system, which are geared towards the correctness and reliability of accounting, ensure that business transactions are recorded completely and promptly in accordance with the legal and statutory regulations, that inventories are properly carried out by means of guidelines, and that assets and liabilities are correctly recognised, measured and reported in the annual financial statements. It is ensured that the accounting records also provide reliable and comprehensible information through the separation of functions and control processes.

The auditor of the financial statements and other auditors, for example the tax auditor, the customs auditor and the social security auditor are involved in the control environment with process-independent audit activities. In particular, the audit of the consolidated financial statements by the group auditor constitutes an essential process-independent monitoring measure with regard to the group accounting process.

Interim Group 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 as well as receivables or similar. The company has a solvent and creditworthy customer base, which is also covered by a trade credit insurance for deliveries of goods to companies that are below the DAX 30 index as a general rule if receivables are higher than EUR 10,000. Bad debts losses are not expected to be of a magnitude that could endanger the Group.

Liabilities are paid within the agreed payment periods. A long-term bank loan has been taken up at a favourable interest rate. Credit lines amounting to EUR 8 million are available at group level, but are not being used at the moment.

The goal of the financial and risk management is to secure the company's success against financial risks of any kind.

Possible *price change risks*, which consist of a potential loss due to adverse changes in the market price or price-influencing parameters, are minimised through contract negotiations.

To hedge the *liquidity risk*, an overview of cash outflows and inflows is provided on a regular basis. To minimise default risks, the company has an adequate receivables management.

Existing *currency risks* are monitored. If necessary, appropriate instruments are evaluated and used to minimise risks.

Interim Group Report: 7. Overall view of the risk and opportunity situation

From the perspective of the management of a technology company, we believe that opportunities for the future development of the company prevail when weighing up opportunities and risks. Even though the business risks are constantly increasing, the demands on products are becoming higher and the product life cycles are becoming shorter and shorter, we believe that mainly the digitalisation trend in connection with Industry 4.0 as a subset of the Internet of Things (IoT) can positively change our market environment for both segments overall.

The ongoing risk of the COVID 19 pandemic could still have a negative impact on the Group's ability to deliver and on its sales markets. Developments continue to be monitored and analysed very closely by a crisis team set up for this purpose.

Interim Group Report: 8. Additional information in accordance with section 315a of the German Commercial Code (HGB)

The *number of shares* as at 31 December 2020 is 3,250,436 with a nominal value of EUR 1. There is currently neither conditional capital nor a share buyback program.

The subscribed capital consists exclusively of ordinary bearer shares with voting rights. There are neither restrictions on voting rights nor on the transfer of shares.

The Annual Shareholders' Meeting on 15 February 2018 authorised the Board of Directors, with the consent of the Supervisory Board, to increase the share capital of the company by up to EUR 1,477,471.00 by 14 February 2023 by issuing up to 1,477,471 no-par value bearer shares on one or more occasions against cash and/or non-cash contributions (Authorised Capital I). The Board of Directors was also authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in the following cases: (i) for peak amounts; (ii) in the case of capital increases against contributions in kind; (iii) in the case of cash contributions up to an amount not exceeding 10 per cent of the share capital existing at the time this authorisation becomes effective or - if this value is lower - at the time this authorisation is exercised, provided that the issue price of the shares is not significantly lower than the stock exchange price of the shares of the company already listed at the time the issue price is finally determined.

The authorised capital of 15 February 2018 (Authorised Capital 2018/I) amounts to EUR 1,187,978 after partial utilisation as at the balance sheet date.

Appointment and dismissal of the Board of Directors is carried out in accordance with the legal provisions (§§ 84, 85 AktG.). The company's *remuneration system* for the Board of Directors includes fixed and variable salary components. The royalties depend solely on the EBIT achieved or annual net profit. The Annual Shareholders' Meeting of 16 February 2017 resolved that the disclosures in the annual report required under section 314 no. 6a sentences 5-9 of the German Commercial Code (HGB) may be omitted. As of 1 July 2021, the system for the remuneration of the Board of Directors and the associated reporting resolved at the Annual General Meeting on 11 February 2021 will apply.

In the event of a change of control as a result of a takeover bid, the supplier contracts which are essential to the company can also be terminated by the contract suppliers. This danger exists in particular if the contract supplier has to fear the entry of a competitor.

Amendments to the articles of association require a majority of 75% of the votes at the Annual Shareholders' Meeting.

Further disclosures pursuant to § 315 a para. 1 sentence 2 HGB are made in the notes to the consolidated financial statements as of 30 June 2020.

Interim Group Report: 9. Declaration on Corporate Governance in accordance with section 315d in conjunction with section 289 f of German Commercial Code (HGB)

After due examination, the Board of Directors and the Supervisory Board of FORTEC were able to issue the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), dated October 2020, which has been made available to shareholders permanently on the company's website (www.fortecag.de) by the Board of Directors and the Supervisory Board.

Responsible corporate governance geared towards long-term value creation determines the actions of the management and control bodies of FORTEC Elektronik AG (FORTEC). In this declaration, the Board of Directors reports on corporate governance in accordance with Section 289 f (1) No. 2 of the German Commercial Code (HGB).

For FORTEC, corporate governance is characterised not only by legal requirements and internal procedural instructions but also by a high degree of self-responsibility and ethical conduct on the part of all employees.

The corporate governance of FORTEC as a listed German stock corporation is primarily determined by the German Stock Corporation Act and, with restrictions, by the requirements of the German Corporate Governance Code in its current version.

The Code in its version of 16 December 2019 was published in the Federal Gazette on 20 March 2020. It represents essential legal regulations for the management and supervision of German listed companies and contains internationally and nationally recognised standards of good and responsible corporate governance. The aim of the adopted guidelines is to make the rules applicable in Germany transparent in order to strengthen the confidence of international and national investors, customers, employees and the public in the management of German companies.

Germering, 24. March 2021

Sandra Maile
Chief Executive Officer

Bernhard Staller
Chief Operating Officer

Consolidated Balance Sheet per 31.12.2020 according to IAS/IFRS

ASSETS in Euro		31.12.2020	30.06.2020	EQUITY/LIABILITIES in Euro		31.12.2020	30.06.2020
A.	Non-current assets	18,374,312	18,870,081	A.	Shareholders' equity	43,836,010	42,796,272
I.	Goodwill	6,686,621	6,700,451	I.	Subscribed capital	3,250,436	3,250,436
II.	Intangible assets	236,575	243,321	II.	Capital reserves	14,481,026	14,481,026
III.	Tangible assets	5,108,661	5,271,276	III.	Exchange differences	655,406	1,001,611
IV.	Rights-of-use	5,968,971	6,269,211	IV.	Other reserves	24,063,198	19,286,571
V.	Financial assets	95,780	95,780	V.	Net income for the period	1,385,942	4,776,628
VI.	Non-current receivables	72,869	74,947				
VII.	Deferred taxes	204,833	215,095				
B.	Current assets	43,136,065	45,718,670	B.	Non-current liabilities	8,837,150	9,563,440
I.	Inventories	22,595,515	24,662,999	I.	Long-term bank liabilities	2,944,424	3,527,760
II.	Trade receivables	5,838,834	9,261,198	II.	Non-current provisions/liabilities	330,493	348,536
III.	Tax receivables	1,675,811	2,456,881	III.	Non-current lease liabilities	5,091,302	5,354,178
IV.	Other assets	457,284	472,607	IV.	Deferred taxes	470,930	332,966
V.	Cash and cash equivalents	12,568,622	8,864,986	C.	Current liabilities	8,837,218	12,229,040
VI.	Assets held for sale	0	0	I.	Liabilities to banks	1,166,672	1,166,672
				II.	Trade payables	3,013,452	5,510,164
				III.	Current lease liabilities	959,067	972,314
				IV.	Tax liabilities	882,338	1,341,752
				V.	Other provisions	1,047,206	1,020,296
				VI.	Other liabilities/accruals	1,768,482	2,217,842
Total Assets		61,510,377	64,588,752	Total Equity and Liabilities		61,510,377	64,588,752

Consolidated Statement of Comprehensive Income 1st HY per 31.12.2020

uncertified, according to IAS/IFRS

in Euro	Consolidated income statement 01.07.20-31.12.20	Consolidated income statement 01.07.19-31.12.19
Sales revenues	37,514,039	41,369,864
Change in inventories of unfinished/finished products	-147,310	651,582
Other operating income	672,922	1,781,525
Cost of materials	25,660,319	29,244,267
Personnel expenses	6,629,856	7,059,543
Depreciation	880,745	901,165
Other operating expenses	2,929,059	3,643,175
Operating result (EBIT)	1,939,672	2,954,820
Dividends	-	-
Other interest and similar income	56,710	2,217
Other interest and similar expenses	93,604	73,105
Taxes on income	516,836	793,925
Net income for the period	1,385,942	2,090,006
Other results*	-346,204	318,216
Total result	1,039,738	2,408,222
Earnings per share	0.43	0.64
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 31.12.2020

uncertified, according to IAS/IFRS

in Euro	Consolidated income statement 01.10.20-31.12.20	Consolidated income statement 01.10.19-31.12.19
Sales revenues	17,269,486	19,850,732
Change in inventories of unfinished/finished products	-600,923	126,248
Other operating income	258,848	806,344
Cost of materials	11,279,350	14,009,339
Personnel expenses	3,305,712	3,431,173
Depreciation	445,904	453,938
Other operating expenses	1,361,691	1,913,831
Operating result (EBIT)	534,755	975,043
Dividends	-	-
Other interest and similar income	220	84
Other interest and similar expenses	46,791	32,277
Taxes on income	123,645	285,447
Net income for the period	364,539	657,402
Other results*	- 100,337	- 24,587
Total result	264,202	632,815
Earnings per share	0.11	0.20
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 31.12.2020

in Euro	Subscribed Capital	Capital Reserve	Exchange Rate Differences	Other Reserves		Total
				Market Evaluation Reserve	Profit Reserve/ Carried Forward	
Balance 01.07.2019	3,250,436	14,481,026	846,489	0	21,561,877	40,139,827
Result for the period 01.07.-31.12.2019					2,090,006	2,090,006
Change in other result			318,216			318,216
Dividend payments						0
Changes 1 st 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
Balance 01.07.2020	3,250,436	14,481,026	1,001,611	0	24,063,200	42,796,272
Result for the period 01.07.-31.12.2020					1,385,942	1,385,942
Change in other result			-346,204			-346,204
Dividend payments						0
Changes 1 st HY 2019/2020	0	0	-346,204	0	1,385,942	1,039,738
Balance 31.12.2020	3,250,436	14,481,026	655,407	0	25,449,142	43,836,010

Consolidated Cash-flow Statement per 31.12.2020

in Euro		FY 2020/2021 01.07.20-31.12.20	FY 2019/2020 01.07.19-31.12.19
I.	Operating activities		
1.	Net - profit	1,385,942	2,090,006
2.	Income tax expense	375,815	668,282
3.	Depreciation on tangible and intangible assets	880,725	901,165
4.	Correction for other non-cash transactions	4,490	535,993
5.	-- (PY Gains) from disposal of tangible assets	0	-594,239
6.	Decrease (PY Increase) of inventories	2,067,485	-1,702,804
7.	Decrease (PY Decrease) of trade receivables and other receivables	3,922,305	1,924,199
8.	Decrease (PY Decrease) of trade payables	-2,496,712	-776,646
9.	Decrease (PY Decrease) of current liabilities	-881,864	-1,694,113
10.	Decrease (PY Increase) of non-current receivables	2,077	-304
11.	Decrease (PY Decrease) of non-current liabilities	-18,042	-28,301
12.	Interest expenses and Interest income	36,894	70,889
13.	Interest paid 1)	-93,604	-65,294
14.	Income taxes paid	-220,383	-1,153,245
	Cash-flow from operating activities	4,965,128	175,587
II.	Investing activities		
1.	Investments in tangible and intangible assets	-187,367	-510,789
2.	Payments from the acquisition of consolidated companies less acquired cash and cash equivalents	0	-144,070
3.	Proceeds from disposal of tangible and intangible fixed assets	345	1,103,000
4.	Interest received	17	2,217
	Cash-flow from investing activities	-187,005	450,357

Consolidated Cash-flow Statement per 31.12.2020

in Euro		FY 2020/2021 01.07.20-31.12.20	FY 2019/2020 01.07.19-31.12.19
III.	Financing activities		
1.	Payout for repayment of (financial) loans	-583,336	-771,704
2.	Interest received from financing activities	56,693	0
3.	Payout for lease liabilities 2)	-571,741	-519,496
	Cash-flow from financing activities	-1,098,384	-1,291,200
IV.	Net change in cash and cash equivalents	3,679,740	-665,255
	Cash/cash-equivalents p. 30.12.20 (PY 31.12.2019)	8,864,986	9,406,542
	Changes in cash and cash equivalents due to changes in exchange-rate	23,988	-140,825
V.	Cash/cash equivalents 31.12.2020 (PY 31.12.2019)	12,568,622	8,600,462
	Cash	10,798	12,457
	Bank deposits	12,557,825	8,588,005
	Cash and cash equivalents at end of period	12,568,622	8,600,462

- 1) Interest paid includes the interest portion of the lease liability.
- 2) The Group has classified payments for the repayment portion of the lease liability as financing activities, classified payments for the interest portion as operating activities in accordance with the presentation of interest paid, and classified payments under short-term leases and payments for leases that are based on low-value assets as operating activities.

Annex– Explanatory notes

Basis of preparation of the report

This shortened interim group report does not contain all information and disclosures required for a consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements and group management report as of 30 June 2020.

The interim group report was neither audited nor reviewed by an auditor.

The report is prepared in Euros. Due to arithmetical reasons, rounding differences may occur in the tables or in references.

Segment Report

The Group is active in the segments of Data Visualisation and Power Supplies.

In KEuro	Data Visualisation	Power Supplies	Total
Turnover	23,515	13,999	37,514
Operating result (EBIT)	1,493	446	1,940
Financial result	-34	-3	-37
Income Taxers	-397	-119	-517
Result for the period	1,062	324	1,386

Other information

The number of employees was 210 (PY: 222).

Assurance of Legal Representatives

To the best of our knowledge and in accordance with the applicable accounting principles, the interim 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 interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Germering, March 24, 2021

FORTEC Elektronik AG

Sandra Maile
Chief Executive Officer

Bernhard Staller
Chief Operating Officer

Disclaimer

This report contains certain forward-looking statements based on currently identifiable and available information, assumptions and forecasts made by the management of FORTEC Elektronik AG. They are for informational purposes only and are identified by words such as “believe”, “expect”, “forecast”, “intend”, “estimate” or “plan”. These statements can therefore only claim validity for the time of their publication. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual results, financial situation, development or performance of the company and the forecasts given. FORTEC Elektronik AG assumes no obligation to update such forward-looking statements or to adapt them to future events or developments. Accordingly, no liability or guarantee is assumed, either expressly or implied, for the timeliness, accuracy or completeness of this data and information.

FORTEC

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