BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

INTERIM GROUP REPORT
1st HY 2021/2022

FORTEC
ELEKTRONIK AG

Interim report 1st Half Year 2021/2022

Contents

Interim Group Management Report
Consolidated Balance Sheet
Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Cash-flow Statement
Annex including Segment Reporting

Interim group report: 1. Group’s principles

In recent years, FORTEC as a group has gradually transformed itself from a trading company into a system supplier of industrial high-tech products, and is now part of the international added value chain. Acting as a link between various production plants of internationally active suppliers, in particular from the Far East, as well as European and American customers, FORTEC occupies an attractive growth niche and is constantly expanding its position as a supplier of customer-specific product solutions for industrial use, for example through its own software and hardware developments, as well as the expansion of its own production services.

Target customers are companies with long-term positioning, primarily in the high-growth areas of industrial automation, information technology, security technology, medical technology and the field of automotive engineering. Attractive niche markets such as railway and transportation are also focal areas. FORTEC's success is founded on a large number of long-standing customer relationships. The aim of our sales activities is to build strategic partnerships with top customers who are leaders in their own market sectors, as well as with customers with smaller and medium-sized order volumes. Due to ever-greater complexity, orders are increasingly commonly long-term projects and the companies of the FORTEC Group - as suppliers - are becoming long-term, strategic partners to their customers.

For over 35 years now, FORTEC has consistently generated excellent returns with its business model, which has been tested in multiple cycles. With increased activity in the design of complete (sub)systems based on in-house technologies, the Group is gaining in autonomy and becoming increasingly competitive in a global environment.

The Group has several regional offices in Germany that provide local customer support. FORTEC is represented by a sales office in Austria and by its wholly owned sales subsidiary ALTRAC in Switzerland. Further to this, FORTEC is represented in the Benelux states with a shareholding in the Dutch trading company Advantec Electronics and through the foreign subsidiaries Display Technology in Great Britain, Apollo Display Technologies in the USA, and Alltronic - a subsidiary of AUTRONIC - in the Czech Republic.

The Group occupies two attractive sectors of the high-quality electronics market. FORTEC is one of the market leaders in German-speaking countries in the fields of data visualisation (display and embedded computer technology) and industrial power supplies. Furthermore, FORTEC has established good positioning on the Anglo-American market with its subsidiaries.

By linking the product areas of Display Technology and Embedded Computer Technology to form a data visualisation system, FORTEC also offers complex solutions for an innovative market. The Group's fields of competence range from the delivery of system-tested standard kits, to support services in the area of hardware and software for the sale of standard devices (for example, for professional display systems for industry or digital signage as well as complete monitors), right up to customer-specific developments and product solutions. The FORTEC Group's portfolio also includes TFT controller and drive solutions developed in-house, as well as the latest generation of optical bonding technology.

In the product area of power supplies, FORTEC covers the complete product range of power supplies and DC/DC converters, from standard products from the Far East, through series devices modified in Germany, right to customer-specific developments for niche markets realised by the subsidiary company AUTRONIC.

In this successful segment, EMTRON continues to concentrate on the pure distribution business. Stock availability of the right products forms the basis for success here. The foundations for further growth were set in place in 2019 with the construction of the new building in Riedstadt. Distribution in Great Britain and the USA is undergoing consistent expansion via the foreign subsidiaries there.

All companies of the FORTEC Group have one claim in common: "Using our expertise and speed, we create long-term value for our customers in all industries. That is how we establish long-term partnerships of equals with our customers. Our customers interact with qualified employees for whom flexibility, reliability and transparency are a given. By living the traditional values of a medium-sized business, we also continually improve our international competitiveness. We are "big enough to compete, small enough to care". This is the combination that creates a firm basis for long-term growth and gives our owners an attractive stake in our business success."

Interim group report: 2. Control system

As a group listed on the stock exchange, FORTEC has well-established control systems that enable it to maintain a constant overview of important group activities. The Management Board receives monthly reports on the control and monitoring of the companies and is in regular contact with them.

In order to fully utilise synergies, reporting is partially carried out on an inter-company basis according to segments. Such aspects as incoming orders, the contribution margin (CM I = gross margin), turnover and EBIT serve as relevant key performance indicators. The Group considers turnover and EBIT to be the most important financial performance indicators.

Interim group report: 3. Research and development

Through its transformation from a trading company to a system supplier in the data visualisation segment, the Group realises much broader added value today. The development of new applications and processes adapted to customer needs and market requirements is accordingly becoming increasingly important for FORTEC. The Group therefore has a development department of 26 employees (30/06/2021: 25 employees), works with external development partners and invests both in traditional 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. The focus in the 2021/2022 financial year will continue to be on the development of a new generation of intelligent industrial monitors (panel PCs, a display control solution with state-of-the-art microprocessor architecture and the further development of software in combination with the monitors developed and produced in the Group to form a functional solution).

Macroeconomic and sector-specific framework conditions

The *global economic framework conditions* remain characterised by tensions of a geopolitical nature and have also been dominated to varying degrees since the beginning of 2020 by the global COVID-19 pandemic. In January 2022 the World Bank lowered its expectations for the global economy due to ongoing Corona virus outbreaks, a decline in state pandemic aid and persistent supply chain bottlenecks. In 2022 , the World Bank reduced its expectations for the global economy to growth of 4.1 per cent.

According to the European Commission's winter forecast, growth in *Europe* pick up again after a flat winter break and stands at around 4 % in the Euro Zone.

The mood among companies in *Germany* brightened at the beginning of the year. The ifo Business Climate Index rose from 94.8 points in December to 95.7 points in January. Although companies assessed the current situation as slightly worse, expectations rose significantly. The German economy embarked on the new year with a glimmer of hope, although 67.3 % of companies are reporting bottlenecks and issues in the procurement of precursors and raw materials.

Uncertainty regarding the development of US and Chinese policy persists, as does the continued risk of emerging new virus mutations and their influence on infection events, and these issues - together with the extremely strained supply chain - represent the greatest unknowns in relation to the further course of economic development.

Interim group report: 5. Business development

FORTEC's business performance in the first half of the 2021/2022 financial year was also affected by the impact of the COVID-19 pandemic and bottlenecks for precursors, as well as freight capacities. Thanks to effective crisis and supply chain management, an increase in turnover of around 12 % was nevertheless achieved and therefore fell within the optimistic range of forecast expectations. Despite higher material and transport costs, profitability also improved significantly during the reporting period. The operating earnings before interest and taxes (EBIT) more than doubled from EUR 1.9 million to around EUR 4.1 million. The pleasing development is due to sales growth and continued good price implementation. The order book as per 31 December 2021 rose once again to EUR 73.7 million (30.06.2021: EUR 64.5 million).

Interim group report: 6. Profit situation

Group turnover, a key financial performance indicator, stood at EUR 42.1 million after 6 months (previous year: EUR 37.5 million). As such, the Group succeeded in generating growth in turnover of EUR 4.6 million compared to the previous year, despite the pandemic situation and bottlenecks in the supply chains.

Other operating income rose from EUR 0.7 million to EUR 1.1 million. The increase is also due to the first-time consolidation of the Czech second-tier subsidiary ALLTRONIC.

The cost of materials increased from EUR 25.7 million to EUR 28.1 million in line with the higher turnover despite the stretched supply chains. The gross margin, taking into account the change in inventories of unfinished/finished goods, increased from 31.3% to 33.2% in the first half of the 2021/2022 financial year. The cost of sales ratio decreased from 68.7% in the first half of 2020/2021 to 66.9% in the same period of 2021/2022.

Personnel expenses rose from EUR 6.6 million to EUR 7.2 million. This increase is the result of salary adjustments and more expensive new appointments due to the tough situation on the labour market. The personnel cost ratio decreased slightly from 17.7% to 17.1%.

Depreciation witnessed a minimal decline from TEUR 881 to TEUR 806 due to lower investments than in the previous year and reduced depreciation on rental properties.

Other operating expenses increased slightly from EUR 2.9 million to EUR 3.0 million. The reason for the increase is higher advertising and travel activities, as well as costs for external service providers for personnel recruiting. Nonetheless, costs fell relative to turnover from 7.8% to 7.1%.

As a result of the factors previously mentioned, the EBIT result as a key *financial performance indicator* of EUR 4.1 million stands significantly above the previous year's value of EUR 1.9 million. The EBIT margin, based on sales revenues, rose from 5.2 % in the previous year to 9.7 %.

Taxes on income and earnings rose by TEUR 289 in line with the rise in the consolidated net income.

The consolidated net profit for the first half of the 2021/2022 financial year stood at EUR 3.2 million (previous year: EUR 1.4 million). The return on sales after taxes rose from 3.7 % in the previous year to 7.5 %.

Earnings per share rose from EUR 0.43 to EUR 0.98.

Interim group report: 7. Asset situation

On the assets side, with a balance sheet total of EUR 66.2 million (30/06/2021: EUR 64.0 million), *non-current assets* amount to EUR 18 million (30/06/2021: EUR 18.3 million).

Of this figure, at EUR 6.9 million (30/06/2021: EUR 6.7 million) the goodwill from the acquired subsidiaries is the largest item. Due to accounting in accordance with IFRS 16, rights of use amounting to EUR 5.6 million (30/06/2021: EUR 5.9 million) are reported.

Under *current assets*, the largest item, with a value of EUR 22.1 million (30/06/2021: EUR 19.7 million), is the stocks standing at 33.4 % (30/06/2021: 30.8 %) of the balance sheet total. The increase in this item is due in part to our efforts to ensure our ability to deliver at short notice.

The item *receivables from deliveries and services* fell as of the reporting date from EUR 8.7 million on 30/06/2021 to EUR 7.5 million. Cash and cash equivalents, the second largest item on the assets side, rose from EUR 14.7 million on 30/06/2021 to EUR 16.3 million.

The Group's equity ratio is 73.0 % (30/06/2021: 69.6 %). At EUR 48.3 million (30/06/2021: EUR 44.5 million), the Group has sufficient equity. Equity increased by the consolidated net profit for the period of EUR 3.2 million.

On the liabilities side, *non-current bank liabilities* fell from EUR 2.4 million to EUR 1.8 million due to scheduled repayments.

The *current provisions* remained unchanged at TEUR 242. Furthermore, liabilities from deliveries and services fell from EUR 4.9 million as on 30/06/2021 to EUR 4.1 million. The reasons for this are the delays in delivery of stock orders.

Interim group report: 8. Financial and liquidity position

The goal of financial management is to safeguard corporate success against financial risks of any kind. The Group pursues a conservative financing policy with the aim of securing its liquidity at all times. In doing so, the Group applies a steady and responsible dividend policy and utilises the freely available bank balances, which are intended to exceed the Group's current liabilities. This ensures liquidity at all times.

The Group's objective is to sustain a strong capital base in order to maintain investor, market and creditor confidence. The objective of capital management is to ensure that business operations are based on a high level of equity financing. To maintain or adjust the capital structure, the Group may make adjustments to dividend payments and share buybacks, and issue new shares.

The Group monitors capital using a ratio of net financial debt to the sum of the equity capital and net financial debt (capital controlling indicator). Net financial debt includes all debts according to the balance sheet less cash and cash equivalents. The equity capital comprises the equity capital shown in the balance sheet.

In TEUR	**31.12.2021**	**30.06.2021**
Total debts	17,849	19,473
Less cash and cash equivalents	- 16,286	- 14,696
Net debt	1,563	4,777
Equity	48,319	44,540
Capital management ratio	30.91	9.32

Cash flow from operations decreased from EUR 5.0 million to EUR 2.4 million in the first half of the 2021/2022 financial year despite the increased consolidated net profit for the period. The reasons for this are the increase in stocks to ensure readiness for delivery and the decrease in receivables from deliveries and services.
The cash flow from investments increased compared to the previous year to TEUR 107. In the previous year, the figure was affected by investments in the reorganisation and redesign of the office space in Germering.

The negative cash flow from financing activities was almost unchanged at EUR 1.1 million. In total, the Group recorded cash and cash equivalents of EUR 16.3 million (previous year: EUR 12.6 million).

Interim group report: 9. Forecast report

The following statements regarding the future course of business and the assumptions of the economic development of the market and the industry are based on our assessments, which we currently consider to be realistic according to the information available to us. Various known and unknown risks, uncertainties and other factors may mean that the forecast developments do not actually come into being, either in terms of their tendency or their extent.

Based on the successful business development in the first half of the year and the high order backlog of EUR 73.7 million as at 31 December 2021 (PY: EUR 48.6 million), the Management Board of FORTEC Elektronik AG decided on 14 February 2022 to raise its revenue and EBIT forecast for the current financial year. Buoyed by a confident outlook for the second half of the year, the company now expects group revenue to grow by up to 15 % (previously: up to 12 %) in the 2021/2022 financial year. The Management Board expects Group EBIT to increase by up to 20 % (previously: up to 10 %).

FORTEC's business performance will continue to be affected by the impact of the global pandemic and the critical supply situation due to strained supply chains. The forecast for the 2021/2022 financial year is therefore subject to the proviso that further mutations of the COVID-19 virus and possible lockdowns, especially in China, as well as current supply bottlenecks for precursors do not further restrict the development of the global economy. Reliable forecasts with a longer-term perspective cannot be made even with regard to the current military events in Ukraine.

This outlook relates to both the data visualisation and the power supplies divisions.

Our vision continues to drive us forward: The FORTEC Group sees its long-term growth potential in the linking of power supplies, display technology and embedded computer technology to form a complete subsystem. FORTEC is increasing its holistic approach with the "Grow Together 2025 Strategy". The aim is to continue to position the company as a competent solution provider on the national market, and to push ahead with internationalisation.

FORTEC will also continue to participate in the global digitalisation trend. Working in collaboration with cooperation partners and its own development departments, FORTEC will develop powerful and cost-effective standard and customer-specific solutions for Industry 4.0 and IoT (Internet of Things) applications. In doing so, intelligent hardware solutions will also be equipped with the company's own software solutions.

Interim group report: 10. Risk and opportunity report

10.1 Risk management

Fundamentals of risk management

Risk management is an ongoing task of identifying risks as possible negative developments and their effects on the Group at an early stage, evaluating them and implementing measures to deal with the risks accordingly.
It is therefore necessary to create an awareness of the risks existing in the company among all employees and in particular among decision-makers. For this reason, corresponding processes and procedural instructions are integrated into the QM process landscape and are permanently available to all employees; they are defined annually and their effectiveness is reviewed in internal audits. Employees are additionally sensitised in this regard through training.
Risk management is an integral part of the management system and facilitates the identification of risks and the limiting of their effects insofar as possible.

Risk identification

Once a year, the FORTEC Group carries out a risk survey by means of questionnaires and checklists. This results in a risk matrix (risk inventory) and is reported to the Management Board. This process ensures that both known and newly arising risks in the daily course of business are made transparent and therefore controllable. To this end, specifications are also devised for the subsidiaries.

Risk assessment

Risks are assessed and classified in terms of their probability of occurrence and their qualitative significance for the company, in order to establish transparency with regards to risk relevance for the group. FORTEC draws up a quantitative assessment to facilitate even more precise evaluation of the risk-bearing capacity.

Risk management measures

Risk control can take place on the basis of the risk assessment. Appropriate risk measures have been implemented in accordance with the risk assessment carried out by the management, and the individuals responsible for their implementation have been appointed. One of the aims of the risk management system is to ensure that risks are recognised by employees and decision-makers before they result in damage to the company and that those responsible reduce the risks in good time - either independently or in cooperation with the decision-makers - to a level that is acceptable to FORTEC.

Risk reporting

Continuous risk reporting, in particular by the legally independent Group companies, ensures that the Management Board is able to regularly obtain an overall picture of the risk situation of the participations. The formal implementation of the risk management system helps in this regard. However, FORTEC also focuses on ensuring that the employees are made permanently aware of potential risks, and that risks are recognised and dealt with promptly.

Internal control and risk management with regard to the accounting process is an integral part of all processes of the FORTEC Group and is based on a systematic approach of risk identification, assessment and management that encompasses the entire Group. An internal control system supports the attainment of business policy objectives by ensuring the functionality and efficiency of business processes, compliance with laws and regulations, and the protection of business assets. The Management Board is responsible for the design of the control and risk management. Active monitoring controls by the Management Board support the identification, assessment and handling of risks in the individual business areas of the holding company and within the subsidiaries.
The Group has implemented a comprehensive QM management system for process organisation, which includes work instructions for the preparation of financial statements and other accounting-related activities that help to prevent errors.
As part of the control and risk management from the participations, monthly evaluations of the segments facilitate the prompt identification of any deviations in the planned figures for incoming orders, the order inventory, stock on hand, as well as turnover, gross margin and costs, and the implementation of countermeasures if necessary. The maturity of receivables, in particular debtors, is reviewed regularly.
The measures aimed at the correctness and reliability of accounting ensure that business transactions are recorded fully and promptly in accordance with the legal and statutory regulations, that inventories are carried out correctly, and that both assets and liabilities are accurately recognised, valued and reported in the annual financial statements. The processes serve to ensure that the accounting records provide reliable and comprehensible information.

External consultants with appropriate expertise in accounting processes, such as auditors, accountants, as well as software providers, are included in the internal risk management.

10.2 Risk report

The risks listed below - subdivided into risk categories - can affect the company as a whole (overall risk), the two segments, the financial situation (financial risks) and the results (earnings-oriented risks). Further system-related risks are the personnel risk and technical risk. The Group is permanently exposed to the risks listed below.

The principle insurable natural hazards are covered by a comprehensive insurance policy. This is reviewed annually, but may be insufficient in individual cases.

For both segments, potential risks that FORTEC must take in order to exist and survive in the market are the product risk, the risk of price changes and default risk, as well as the market risk and the dependence on upstream suppliers.

Market price risks

Since the start of 2020, the market for professional electronics has been characterised by a constant decline in market prices with consistent performance data, or by an above-average increase in technical performance with constant market prices. In times of high demand and product availability shortages, the prices for purchased parts increase dynamically.
Price change risks - which consist of a potential loss due to adverse changes in the market price and price-influencing parameters - are minimised through secure contracts and price adjustment clauses. Although FORTEC has always succeeded in managing this risk in the past, it is not possible to guarantee that market price risks will not result in future losses.

Procurement risks

a) Inventory risks

A significant earnings-oriented risk lies in the material planning of inventories. Incorrect scheduling can lead to considerable losses despite a multi-stage procurement process.

However, the risk of having unsaleable goods in stock is not only based on an incorrect estimation of future demand, but also depends on a different perception of quality standards between customers and producers, in particular with respect to the quality of the goods (especially from the Asian region), and on EU directives and regulations regarding the constituents and use of the goods.

Product liability is an ongoing risk for FORTEC, for example due to changes in purchasing rights (e.g. effects arising due to Brexit). The risk is minimised through the careful selection of suppliers and the monitoring of assessments. However, in the event of deception and criminal acts on the part of upstream suppliers, Group companies are each liable to the customer as importers.

b) Changes in suppliers

Close cooperation with only a few strategic partners in the product area poses a major *risk that is inherent in the system* that must not be underestimated. Success with Asian suppliers in particular is often based on a long-standing personal relationship between the decision-makers, in particular in the power supply segment. As such, a change in personnel - be it due to the departure of the decision-maker(s) from the company or a change in the company's shareholder structure - can lead to the loss of existing business relationships. The company counteracts this risk by establishing secondary suppliers in certain areas.

c) Availability of goods and procurement prices

The rise in demand is currently being affected by a shortage of goods for certain electronics items, in particular in the electronics sector. In addition to price effects (rising purchase prices), this is causing delivery delays and even the non-delivery of products. This in turn can have negative consequences with regards to FORTEC's delivery capability, meaning that a loss of sales could arise in the worst case scenario. The Group attempts to counteract this risk through a forward-looking procurement policy and back-up inventories.

Risk reporting in relation to the use of financial instruments

The company holds financial instruments including: Current and investment accounts, supplier credits and receivables or similar. FORTEC has a solvent and highly creditworthy customer base, which is also generally covered by trade credit insurance for deliveries of goods to groups listed in the DAX 40 index above a receivables amount of EUR 10,000. Losses arising due to bad debts are not expected to be of a magnitude that could endanger the Group's existence.
Liabilities are paid within the agreed payment periods.

To hedge the *liquidity risk*, a liquidity plan is prepared on a weekly basis and the value of receivables, especially debtors, is reviewed regularly. To further secure liquidity, the Group has sufficient bank balances that exceed current liabilities from deliveries and services.

Furthermore, the Group has two long-term bank loans with favourable conditions from the Management Board's perspective. Credit lines amounting to EUR 8 million have also been granted at group level, but these are not in use at the moment. The goal of financial and risk management is to secure the company's success against any form of financial risk.

Legal and warranty risks

A constantly increasing risk lies in customer requirements, which extend 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 places a clear burden on the supplier. Claims arising from the supply contract can be considerably higher than the value of the goods and legal disputes with corresponding risks are increasingly resulting from this.

Default risks

Default risk is the risk of financial loss if a customer or a contracting party to a financial instrument fails to meet their contractual obligations. A default risk generally arises from the Group's receivables due to deliveries and services, as well as debt securities held as financial investments.

As a general rule, the Group checks the creditworthiness of the customer relationship with a trade credit insurer for all new customers and otherwise on an annual basis. Uninsured relationships are individually assessed and entered into through bank guarantees, other hedges or advance payment. Accounts receivable are constantly monitored and known risks are reflected in value adjustments. Further to this, no significant default risks exist from current business activities.

The "expected credit losses" (ECL) model is used for receivables arising due deliveries and services.

Personnel risks

Success in the market remains heavily dependent on the comprehensive knowledge, long-term experience and - at the present time in particular - very much on the health of the employees. The requisite hygiene and control measures to protect against COVID-19 infection have been introduced at every site. Any large-scale change in personnel or individual key members of staff could jeopardise the success achieved so far. Hiring new employees against the background of a highly discernible shortage of skilled workers and enhancing attractiveness as an employer in a regional environment of full employment has presented a particular challenge. Recruitment therefore requires new and creative solutions such as a modern working environment, personalised working models and support from external personnel consultants who conduct searches for the best possible candidates. Furthermore, FORTEC endeavours to secure and keep the expertise within the company through early succession planning for employees who are set to leave the company.

Corporate strategy risks and competitive risks

If our industrial customers were to change their strategy and to cease production in Central Europe on a long-term basis (and in doing so rely on local suppliers), this would call our business model as a supplier of technically sophisticated products into question. A similar effect would arise in the event of a future change in the behaviour of our upstream suppliers, resulting in these suppliers realising sales directly to industrial customers via the internet and no longer selling their products exclusively through the established distribution channels.

An expected concentration process on the supplier side could also have a negative effect on us. In extreme cases, this could result in the termination of the supply relationship.

The same effect could occur if the trading margin to be achieved is below our costs due to the competitive information available to all customers via the Internet, which is mainly influenced by personnel expenses. Extensive production capacities, in particular in the data visualisation segment, increase the risk of not being able to react flexibly to market conditions due to the fixed cost block.

IT risks / cyber risks

A technical risk lies in the Group's entire IT network. Any possible failure or serious malfunction in the computer system could cause considerable damage to FORTEC. Misuse by internal or external parties despite security precautions - in particular through theft of information or through inadequate data protection precautions - can endanger the company in extreme cases. This risk is minimised through the implementation of an internal MPLS network and the associated reduction of external interfaces, as well as the ongoing training of employees.

Currency risks

Foreign currency risks are avoided insofar as possible by conducting business in a single currency. Nevertheless, changes (in particular with regards to the dollar and yen parity as well as fluctuations of the Swiss franc and the British pound against the euro, dollar and yen) can have negative effects for the Group. Currency risks can arise in particular as a result of the foreign activities, because currency fluctuations there directly influence the Group's results. The list of risks is not exhaustive; additional risks may arise that we are currently unaware of or do not consider significant.

Summary risk assessment

The overall risk position of the Group is operationally unchanged compared to the previous year. At the present time it is not possible to definitively assess whether and what effects the COVID-19 pandemic and the war in Ukraine could still have. At the present time, no risks are identifiable that could endanger the continued existence of the Group as a whole. In addition to the risks, the following opportunities, in the form of opportunity management, have been integrated into the management manual. This manual is updated annually as part of the management review, in order to continuously develop the Group.

10.3 Opportunities report

The FORTEC Group sees a number of opportunities to successfully develop the company in the coming years. The company philosophy "Big enough to compete, small enough to care" continues to create opportunities compared to the previous year. New market opportunities are identified by the Management Board 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 are seizing further market opportunities through subsidiaries in Great Britain and the USA.

Product opportunities arise for FORTEC as a technology company through its own products and production services in the area of display controls, 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, i.e. the networking of industrial applications. This fourth industrial revolution with the scenario of a thoroughly rationalised factory will bring a productivity gain, from the Management Board's perspective in particular in Central Europe. FORTEC, as a supplier to the capital goods industry, could benefit from this for years. Definitive opportunities are identified by the external sales team, for example, or initiated by product marketing and evaluated in regular exchange with the company management. If applicable, the results are included in roadmaps and realised in new projects, which tie up money and resources and therefore represent a potential risk in their own right.

In the power supplies segment, FORTEC possesses expertise in application, problem solving and technical service. In the data visualisation segment (display and embedded computer technology), the technology expertise for complete and functionally tested subsystems and functional solutions is a growth driver.

Further opportunities arise due to the consolidation of operational activities within the subsidiaries, which results in synergies and forms a basis for a successful future in accordance with the "Grow Together 2025 Strategy".

Although this cannot be guaranteed for the future, FORTEC is confident that the expanded mix of Distribution, Development, Production & Solutions in both segments offers good opportunities for long-term, sustainable growth.
The solid financial situation enables the Group to respond with flexibility and speed to strategic options as they arise in the light of market and industry developments.

Overall assessment of the risk and opportunity situation

From the perspective of the management of a technology company, the opportunities for the future development of FORTEC outweigh the risks. Although the entrepreneurial risks are constantly increasing, the demands on products are permanently higher and the product life cycles are becoming ever shorter, FORTEC remains of the opinion that the market environment for both segments can undergo positive change overall, in particular due to the digitalisation trend in connection with Industry 4.0 as a subset of the Internet of Things (IoT).

Nonetheless, the COVID-19 pandemic and geopolitical conflicts could continue to have a negative impact on the Group's delivery capability and sales market. The Management Board is monitoring and analysing the developments very closely.

Interim group report: 11. Additional information in accordance with section § 315a HGB

The *number of shares* on 31 December 2021 stood at 3,250,436 with a nominal value of EUR 1. There is currently neither conditional capital nor a share buyback programme.

The subscribed capital consists exclusively of ordinary bearer shares with voting rights. There are no restrictions on voting rights, nor are there any restrictions on the transfer of shares.

The AGM of 15 February 2018 authorised the Management Board, with the approval of the Supervisory Board, to increase FORTEC's share capital by up to EUR 1,477,471 by issuing up to 1,477,471 no-par value bearer shares on one or more occasions against cash and/or non-cash contributions by 14 February 2023 (Authorised Capital I). The Management Board was also authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

(i) for fractional amounts;
(ii) for capital increases against contributions in kind;
(iii) in the case of cash contributions up to an amount not exceeding 10 percent 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 already listed shares of FORTEC at the time the issue price is finally determined.

The authorised capital per 15 February 2018 (Authorised Capital 2018/I) amounts to EUR 1,187,978 after partial utilisation as on 31 December 2021.

Appointment and dismissal of the Management Board take place in accordance with the statutory provisions (§§ 84, 85 of the Stock Corporation Act [AktG]). Compensation agreements in the event of a change of control or a takeover bid have not been concluded with the Management Board. However, in the event of a change of control as a result of a takeover bid, the supplier contracts essential to the company may be terminated by the contractual suppliers. This danger exists in particular if the contractual supplier has reason to fear the entry of a competitor.
FORTEC's *remuneration system* for the members of the Management Board includes fixed and variable salary components. The company adopted a new remuneration system at the Annual General Meeting on 11 February 2021. The fundamental features of the remuneration system can be found on the website at www.fortecag.de/en/investor-relations/corporate-governance. FORTEC will

report in detail in accordance with § 162 AktG on the remuneration of the Management Board once a year in a separate remuneration report.

Interim group report: 12. Declaration on corporate governance in accordance with §315d in conjunction with §289f of the German Commercial Code (HGB)

Following due examination, the Management Board and Supervisory Board of FORTEC Elektronik AG were able to issue the Declaration of Conformity pursuant to § 161 AktG, which has been made permanently available to shareholders by the Management Board and Supervisory Board on FORTEC's website (https://www.fortecag.de/en/investor-relations/corporate-governance) as of 18 October 2021.

Responsible corporate governance with a focus on long-term value creation has been a distinguishing feature of the work of the FORTEC Elektronik AG executive and oversight boards. The Management Board reports on corporate governance in this declaration in accordance with § 289f section 1 no. 2 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.

Working methods and composition of management bodies and committees in accordance with § 289f section 2 no. 3 HGB

Management and corporate structure: In accordance with its legal form, FORTEC Elektronik AG has a dual responsibility structure consisting of a Supervisory Board and a Management Board. The Annual General Meeting serves as the third body. All three bodies are committed to the interests of the shareholders and the company.

The Management Board is a management body bound to the interests of the company. It conducts business in accordance with the law, the articles of association and the rules of procedure issued by the Supervisory Board.
Within the framework of its responsibilities, the Management Board is responsible for the preparation of the quarterly, annual and consolidated financial statements and for the appointment of key positions in the company. Furthermore, the Management Board is responsible for ensuring compliance with legal provisions, official requirements and internal company guidelines. It facilitates and promotes their observance by the Group companies.

Significant decisions of the Management Board require the approval of the Supervisory Board. The Management Board informs the Supervisory Board regularly and comprehensively about all aspects of business development that are important for FORTEC, significant business transactions and the current earnings situation, including the risk situation and risk management.
The Management Board coordinates the strategic orientation of the company with the Supervisory Board and discusses the status of strategy implementation with it at regular intervals.

The Management Board consisted of two persons during the financial year.

The Supervisory Board comprises three members, two of whom are elected as shareholder representatives by the AGM and one of whom is an employee representative delegated in accordance with the One-Third Participation Act. The Supervisory Board monitors and advises the Management Board on the management of the business. The Supervisory Board regularly discusses business development, planning, strategy and its implementation. It reviews quarterly reports, adopts the annual financial statements and approves the consolidated financial statements. The regular term of office of the current Supervisory Board members ends at the AGM in 2025, which decides on the 2023/2024 financial year.

The Supervisory Board did not form any committees in the 2021/2022 financial year.

In accordance with § 111 section 5 AktG, the Supervisory Board has achieved a ratio of women of 33 %. The stipulated ratio of women of 30 % on the Board of Directors has already been attained. Pursuant to § 76 section 4 AktG, the ratio of 25% set for the second management level has also been achieved.

The corporate governance of FORTEC as a listed German public limited company 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 as amended on 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 groups and contains internationally and nationally recognised standards of good and responsible corporate governance. The objective 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, March 2022

Sandra Maile CEO	Bernhard Staller COO

Consolidated Balance Sheet per 31.12.2021 according to IAS/IFRS

	ASSETS in TEUR	31.12.2021	30.06.2021		LIABILITIES in TEUR	31.12.2021	30.06.2021
A.	**Non-current assets**	**17,993**	**18,278**	**A.**	**Equity capital**	**48,319**	**44,540**
I.	Acquired goodwill	6,899	6,715	I.	Subscribed capital	3,250	3,250
II.	Intangible assets	189	198	II.	Capital reserve	14,481	14,481
III.	Tangible fixed assets	4,813	4,909	III.	Conversion adjustments	1,410	814
IV.	Rights of use	5,582	5,916	IV.	Other reserves	25,994	22,113
V.	Financial assets	114	162	V.	Net income for the period	3,173	3,881
VI.	Deferred tax assets	397	379	VI.	Non-controlling interests	10	0
B.	**Current assets**	**48,175**	**45,735**	**B.**	**Non-current liabilities**	**7,273**	**8,184**
I.	Inventories	22,112	19,743	I.	Long-term bank liabilities	1,778	2,361
II.	Receivables from deliveries and services	7,537	8,700	II.	Non-current lease liabilities	4,733	5,088
III.	Tax refund entitlements	1,842	2,238	III.	Other non-current financial liabilities	11	20
IV.	Other financial assets	108	131	IV.	Other non-current liabilities	62	49
V.	Other assets	289	227	V.	Long-term provisions	300	293
VI.	Cash and cash equivalents	16,286	14,696	VI.	Deferred taxes	388	373
				C.	**Current liabilities**	**10,576**	**11,289**
				I.	Liabilities to banks	1,167	1,167
				II.	Trade payables	4,127	4,905
				III.	Current lease liabilities	970	934
				IV.	Tax liabilities	904	1,392
				V.	Other current financial liabilities	996	1,349
				VI.	Other current liabilities	2,171	1,300
				VII.	Provisions	242	242
	Total assets	**66,169**	**64,013**		**Total Equity and Liabilities**	**66,169**	**64,013**

Consolidated Statement of Comprehensive Income 1st HY per 31.12.2021

uncertified, according to IAS/IFRS

in TEUR	Consolidated income statement 01.07.21-31.12.21	Consolidated income statement 01.07.20-31.12.20
Sales revenues	**42,077**	**37,514**
Change in inventories of unfinished/finished products	- 11	- 147
Other operating income	1,093	673
Cost of materials	28,127	25,660
Personnel expenses	7,182	6,630
Depreciation	806	881
Other operating expenses	2,968	2,929
Operating result (EBIT)	**4,075**	**1,940**
Dividends	0	0
Other interest and similar income	0	57
Other interest and similar expenses	98	94
Result before taxes	**3,978**	**1,903**
Taxes on income	806	517
Net income for the period	**3,172**	**1,386**
Other results*	596	-346
Total result	**3,768**	**1,040**
Earnings per share (in Euro)	0.98	0.43
Shares in total	3,250,436	3,250,436

Of the total result, the following are attributable to:		
Shareholder of the parent company	3,769	1,040
Non-controlling shareholders	- 1	0

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

Consolidated Statement of Comprehensive Income Q2 per 31.12.2021

uncertified, according to IAS/IFRS

in TEUR	Consolidated income statement 01.10.21-31.12.21	Consolidated income statement 01.10.20-31.12.20
Sales revenues	**20,889**	**17,269**
Change in inventories of unfinished/finished products	- 258	- 601
Other operating income	695	259
Cost of materials	13,569	11,279
Personnel expenses	3,972	3,306
Depreciation	396	446
Other operating expenses	1,557	1,362
Operating result (EBIT)	**1,833**	**535**
Dividends	0	0
Other interest and similar income	0	0
Other interest and similar expenses	49	47
Result before taxes	**1,785**	**488**
Taxes on income	319	124
Net income for the period	**1,465**	**365**
Other results*	444	- 100
Total result	**1,909**	**264**
Earnings per share (in Euro)	0.45	0.11
Shares in total	3,250,436	3,250,436

Of the total result, the following are attributable to:		
Shareholder of the parent company	1,910	264
Non-controlling shareholders	- 1	0

* Other results exclusively include success-neutral currency exchange differences

Consolidated Statement of Changes in Equity per 31.12.2021

in TEUR	Subscribed Capital	Capital Reserve	Exchange Rate Differences	Other Reserves		Total	Non-controlling interests	Total equity
				Market Evaluation Reserve	Profit Reserve/ Carried Forward			
Balance 01.07.2020	**3,250**	**14,481**	**1,002**	**0**	**24,063**	**42,796**	**0**	**42,796**
Result for the period 01.07.-31.12.2020					1,386	1,386		1,386
Change in other result			- 346			- 346		- 346
Dividend payments						0		0
Changes 1st HY 2020/2021	0	0	- 346	0	0	1,040	0	1,040
Balance 31.12.2020	3,250	14,481	655	0	25,449	43,836	0	43,836
Balance 01.07.2021	**3,250**	**14,481**	**814**	**0**	**25,994**	**44,540**	**0**	**44,540**
Result for the period 01.07.-31.12.2021					3,173	3,173	-1	3,172
Addition to the scope of consolidation						0	11	11
Change in other result			596			596	0	596
Dividend payments					0	0	0	0
Changes 1st HY 2021/2022	0	0	596	0	3,173	3,769	10	3,780
Balance 31.12.2021	3,250	14,481	1,410	0	29,168	48,309	10	48,319

Consolidated Cash-flow Statement per 31.12.2021

in TEUR		Appendix	FY 2021/2022 01.07.21-31.12.21	FY 2020/2021 01.07.20-31.12.20
I.	**Operating activities**			
1.	Net-profit		3,172	1,386
2.	(+) Income tax expense / (-) Income tax refund		806	376
3.	(+) Depreciation and amortisation / impairment of property, plant and equipment and intangible assets		806	881
4.	(+) Other non-cash expenses / (-) Other non-cash income		-587	4
5.	(+) Loss / (-) Gain on sale of property, plant and equipment		0	0
6.	(+) Decrease / (-) increase in inventories		-1,936	2,067
7.	(+) Decrease / (-) increase in trade receivables and other receivables		1,341	3,922
8.	(-) Decrease / (+) increase in trade payables		-817	-2,497
9.	(-) Decrease / (+) increase in current liabilities		270	-882
10.	(+) Decrease / (-) increase in long-term receivables		-7	2
11.	(-) Decrease / (+) increase in long-term liabilities		17	-18
12.	(+) Interest expenses / (-) Interest income		97	37
13.	(-) Interest paid 1)		-97	-94
14.	(+) Income taxes refunded / (-) Income taxes paid		-692	-220
	Cash-flow from operating activities		2,372	4,965
II.	**Investing activities**			
1.	Investments in tangible and intangible assets		-98	-187
2.	Proceeds from sale of tangible and intangible fixed assets		7	0
3.	Payments from the acquisition of consolidated companies less acquired cash and cash equivalents		11	0
4.	Interest received		0	0
	Cash-flow from investing activities		-80	-187

Consolidated Cash-flow Statement per 31.12.2021

in TEUR		Appendix	FY 2021/2022 01.07.21-31.12.21	FY 2020/2021 01.07.20-31.12.20
III.	**Financing activities**			
1.	Payout for repayment of (financial) loans		-583	-583
2.	Interest received from financing activities		0	57
3.	Payout for lease liabilities [2)]		-506	-572
	Cash-flow from financing activities		1,090	1,098
IV.	**Net change in cash and cash equivalents**		**1,202**	**3,680**
	Cash/cash-equivalents p 31.12.2021 (VJ: 31.12.2020)		14,696	8,865
	Changes in cash and cash equivalents due to changes in exchange-rate		179	24
	Changes in cash and cash equivalents due to changes in the scope of consolidation		210	0
V.	**Cash/cash equivalents p. 31.12.2021 (VJ 31.12.2020)**		**16,286**	**12,569**
	Composition of the financial resources fund			
	Cash		8	11
	Bank deposits		16,278	12,558
	Cash and cash equivalents at end of period		16,286	12,569

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

The condensed half-yearly report does not contain all information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements and the group management report as at 30 June 2021.

The interim consolidated financial statements have neither been audited nor reviewed by an auditor.

The report has been drawn up in euros. For reasons of calculation, rounding differences may occur in the tables and in references.

Segment report

The Group's reportable segments are data visualisation and power supplies. Other segments include intra-group services.

In TEUR	Data-visualisation	Power Supplies	Other Segments	Total	Reconciliation Consolidated	Consolidated
External turnover	26,172	15,902	3	42,077	0	42,077
Internal turnover	2,002	884	1,067	3,953	3,953	0
Segment turnover	28,174	16,786	1,070	46,030	3,953	42,077
Gross margin (total operating revenue ./. cost of goods sold)	9,701	4,376	1,070	15,148	1,209	13,939
Gross margin in %	34.4	26.1	100.0	32.9		33.1
EBIT	3,345	663	190	3,819	257	4,075
EBIT in %	11.9	3.9	-17.7	8.3		9.7

Other information

The number of employees was 238 (PY: 210).

Assurance of Legal Representatives

We state that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group 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 principal opportunities and risks associated with the expected development of the Company.

Germering, 24 March 2022

FORTEC Elektronik AG

Sandra Maile CEO	Bernhard Staller COO

Disclaimer

This report contains certain forward-looking statements based on currently discernible and available information, assumptions and forecasts made by the Management of FORTEC Elektronik AG. They serve solely to provide information and are characterised by terms such as "believe", "expect", "predict", "intend", "forecast", "plan", "estimate" or "endeavour". These statements are therefore only valid at the time of their publication. Various known and unknown risks, uncertainties and other factors could lead to material differences between the forecasts given here and the actual results, financial situation, development or performance of the Company. FORTEC Elektronik AG assumes no obligation to update such forward-looking statements or to align them with future events or developments. Accordingly, no liability or guarantee for the topicality, correctness or completeness of this data and information is assumed either explicitly or implicitly.

FORTEC

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