

# **Fiscal Report of 1<sup>st</sup> Half Year 2016/2017**

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Half Year July 01 – December 31, 2016**

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**FORTEC Elektronik AG**

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# **Management Report 2016/2017**

## **Group's Basic Principals**

FORTEC known as international trading company is nowadays systems' supplier for manufacturers of industrial high-tech-products; thus part of the international added-value commercial chain. Being present at various production sites namely in the Far East as well as for European clientele, FORTEC possesses an interesting market segment – thus continuously developing its own engineering services as a supplier for customer-specific product solutions.

Its target potentials are high-tech companies of long-term and predictable positioning, especially in the growing market segments of industrial automation, informative technologies, security, medicine and automotive.

For 30 years, FORTEC has been more than successful for years in sales and results with its proved business model without having any losses.

The group covers two very attractive segments of high-quality electronics. In fact, FORTEC is market leader within the German-speaking countries specialised in its segments industrial power-supplies and data-visualisation.

In the field of power supplies, FORTEC domains completely open-frame boards and DC/DC convertors produced in standard in the Far East or modifies these units in Germany ranging to tailor-made and user-specific developments.

When connecting the product segments of display technology and embedded computer technology to create an Embedded Solution System, FORTEC possesses for a long time a very attractive rare domain. Marketing starts with delivery of system-proved and tested standard kits, accompanied by customers' service in hard- and software with the sale of standard units and ends in specific customer development and its installation.

The reason of FORTEC's success is a large number of customer business relations over years. Its distribution strategy is to find partnerships with top-clientele preferable market leaders in special segment. FORTEC's competence is efficient support in application, clientele tailor-made products – and last not least complete development for customers of the large-scale industry as well as for those with smaller and/or medium order volume.

Target clientele are mainly manufacturers in the field of industry automation, medicine technology as well as providers in the field of railway and security instruments. With this portfolio, FORTEC thus covers the fields of health, information, security and mobility as well as build-up of industrial manufacture, which at present involves the big trends of worldwide dynamic increase of demand.

Our big competence is to provide technology know-how in combination with sales at site. Years of business relations to thousands of customers are the basis of our success. In Germany, our various regional offices provide local customer service. In addition, there are sales offices and subsidiaries in Austria, Switzerland and The

Netherlands. Within the group, a 100% support in development and production is given by our subsidiaries Rotec (Rastatt) and Autronic (Sachsenheim). Also ALTRAC in Switzerland is a 100% subsidiary; not to forget the 36.6% participation at a company in The Netherlands.

The successful company of Emtron (Nauheim) – also is a 100% FORTEC's subsidiary – specialized in exclusive products of power supplies; it is represented directly and indirectly as well in the markets in Germany, Austria, Switzerland and The Netherlands.

As per 01.10.2014 we acquired the first 50% of Data Display GmbH and per 01.01.2016 the second 50% – thus also indirectly represented by their subsidiaries in England and the USA.

Due to our present product portfolio, our strategy is to continuously achieve profitable margins by own added-value, which, after cost deduction, still allows a reasonable interest rate of the company capital.

## **Business Report**

During course of business in BY 2016/17 and after the economic recession of previous years, we now face a political based instability and reservation within the investment industry. The long-term economic general regulations reveal a slow and timid yet unsecure recovery from the financial crisis and recession of 2008.

In first half year of BY 2016/17 turnover was 37 million € after 39.4 million €, thus 6 % below last year's figure.

This reduction is due to a decrease in turnover in the field of data visualization from 25.1 million € to 23.4 million € as well as in power supplies from 14.3 million € to 13.6 million €.

In BY 2016/17, the raw margin of 29.8 % is same as in previous year.

The costs of personnel slightly decreased from 6.3 million € to 6.1 million €. However the quota of personnel costs increased from 15.6% to 16.4 %.

Depreciations of assets of 0.3 million € are at same level as previous year-.

Other operative expenses of 3.6 million € are same as previous year.

Important financial performance indicator is the EBIT- margin from operative business. The group's result consists of 1.2 million € in the field of data visualization and 0.8 million € of power supplies.

In relation to the total result of both fields, the net income of 2 million € including income from investments remain constant.

The period profit during first half year 2016/17 increased compared to that of BY 2015/16 by 60.511 € to 1.5 million €.

The rate of yield return after tax was 4%.

The result per share increased from 0.49 € to now 0.50 €

The company's financial situation is considered to be extraordinary and compared to companies of similar business model persuades again by an equity capital quota higher than above-average.

At a balance sum of 39.7 million € the long-term assets are 8.2 million €, including 5.3 million € of goodwill resulting from the acquisition of subsidiaries.

Intangible assets, property and financial assets as well as long-term receivables amount to 2.6 million €

As concerns short-term assets: value of stock amounts to 18.6 million € (prev.year 18.3 million €) i.e. biggest item in balancing sum of 44.9 %; followed by receivables from deliveries and services of 8 million € (prev.year 7.4 million €) as well as cash available of 3.6 million € (prev.year 4.3 million €).

For more than 30 years the company works without any bank liabilities since January 2016 (bank's credit). In order to take-over the second part of Data Display GmbH per 01.01.2016, a long-term credit of 5 million € was agreed.

However the capital structure is dominated by a high company's capital quota of 69.3 %. Possessing 27.5 million €, the company possesses sufficiently own capital and from today's point of view may be able to make further acquisitions without problem due to the low net debt position.

As far as the group concerns, non financial indicators are: the employees, long-term contracts to suppliers and clientele.

There are many longtime employees that we support in their own-responsibility and endeavours for efficiency.

Our stable business over centuries is based on a long-term and close co-operation with selected suppliers. It assures benefit to many of our customers over all these years which again add to our business success.

The company holds on to the ecological significance in its operative business.

### Forecast report

In spite of some positive high-lights the expected considerable economic up-swing in the investment industry within the entire Euro region however is not in sight. Many companies in the market are highly unsecure.

Mainly the reasons are political incidents like the decision of Great Britain to Brexit or the election of the US president, the elections in the Netherlands, France and last but not least Germany. Also, the political warpage in Turkey and a series of terror attacks in Europe will not ease the mind of the investment decision makers.

Due to these aspects and in view to our company's development, we however expect a slightly side-trend of the group's development in current BY, in spite of the good positioning of certain companies within the market, e.g. EMTRON and Data Display. Our goal in BY 2016/17 is to achieve the record results of BY 2015/16.

Positive thinking as concerns long-term perspectives, we will recruit additional sales personnel in BY 2016/17 in order to enlarge our market position; which is of no return-service as concerns costs due to the long-term projects. In the long run, we foresee considerable potential in the economic field 4.0 – the German industry has a very special start position. FORTEC's strength will be in the field of embedded systems.

For more than 30 years and based on our business policy proven during many years cycles, we succeeded to make profit year by year without having one single year of loss. However, there is no guarantee for the future, yet we still are confident that our business model continues to run successfully – and we are positive that continuous long-term growth is possible.

### **Risk Report and Chances.**

The risks mentioned in categories below could influence our entire company (total risk), our financial situation (financial risk) and our profitability (result risk). Further risks are that of personnel and technique; we have to face these risks continuously.

These risks are not definite, however others may occur which at present, we do not know nor do consider as important.

Risks that could endanger the company at present are not reported. The total risk of doom can practically not be determined at this time.

Balance risks as regards finances at balance day e.g. receivables from deliveries and productivity have been considered by appropriate depreciation and accruals. At balance day, the evaluation of these risks was made to our best knowledge, yet could not be sufficient in total.

Elementary risks are covered by considerable insurances and are thoroughly checked each year; in special cases it may not be sufficient.

Potential risks which have to be taken into consideration to exist within the market are the risks of distribution, products and marketing as well as the dependency from other suppliers.

Another enormous risk - yet not to be underestimated - is the system-related risk of the close co-operation with only few strategic partners in our product portfolio. Already a change in personnel could lead to the loss of an existent and successful business co-operation and this mainly in view of suppliers in the Far East with whom there are often relationships for many years and even of private matter.

For centuries, the market of the professional electronic industry is dominated by a continuous decrease of prices at same service respectively by technical service above average at constant prices. Although in the past, we managed to deal with this risk, it

is not guaranteed that there may be losses in the future because of this price-related risk.

A considerable risk is disposition of stock. In spite of a multi-stage purchasing process, wrong planning could result in considerable losses because there is a continuous trend to local suppliers. The risk to have unsellable merchandise on stock, is not only the result of false material planning, but also depends on the different quality standards set by customers and producers. Mainly, the important fact is that of the configuration of the merchandise with origin Far East as well as the political EU requirements as to its contents and its usage.

Compared to a few years ago, the product liability is an increasing risk to the company which is controlled and defined by choice of suppliers and their ratings. However, as concerns different quality standards, frauds and/or criminal actions of suppliers, we - as importer/supplier - are liable towards our customers.

A yet steady growing risk is the customers' requirements as concerns a prolonged time of warranty and the usual terms of suppliers' contract. During these past years, the clientele started to develop a certain aggressiveness for claims which is obviously against and at expenses of the supplier. Claims resulting of a supplier's contract may accelerate considerably the delivered product value; resulting in more legal proceedings including corresponding risk.

Another main topic of the risk management is the often bad credit worthiness of some middle-sized companies. Here, careful examination of its solvency is made, yet observing mainly the requirements of the insurance company.

Our success in the market also strongly depends on intensive and years of experience of our personnel (personnel risk). A big change in staff, yet especially of key-persons would definitely endanger our current success.

A big question would endanger our business model as importer of technical high-quality products i.e. the change in clientele's behaviour to no longer produce in Middle Europe and turn to local suppliers. In the future, the same effect would have the behaviour of our suppliers to sell directly via internet to industrial clientele and not any more within their distribution channels. Another negative aspect could be a concentration process expected from the supplier's side which could involve – in worst case – a contract cancellation towards the supplier. In addition, similar effects could arise if the costs decrease because of the reduction of margins due to competitor's information available to all customers via internet. This basically influences the personnel costs applied in the German speaking area.

Due to the NDP – networking of the entire group, a break-down (technical risk) or a serious interference in the computer system could cause enormous damage to the company. An abuse by externals or internals, especially theft of information, business interruptions or IT – system breakouts or insufficient means for data security could extremely endanger the company.

Foreign currency risks are excluded, if possible, in case of larger project by invoicing directly in the relevant currency. However, there could be negative impulses on our

company in normal business especially due to a further change of the dollar and yen parity as well as fluctuations of the Swiss Franc towards Euro, Dollar and Yen.

The existing growth strategy of the group does not only involve organic increase but also company acquisitions. Here, the figure above the net asset value is balanced as goodwill and checked each year as to its recoverability. If the expectations of the purchased company are not met and/or – as a consequence of economic unstableness – the expected cash-flow result cannot be achieved, then depreciations in the group's balance as per IFRS have to be done. An additional need for future depreciation may not be eliminated.

A considerable change compared to PY is the acquisition of the Data Display Group together with its development, production and subsidiaries in England and USA. Careful development and production involve the higher risk (item: fix costs) not being flexible any more towards market fluctuations. Due to distances and different mentality in the USA, the acquisition of Data Display GmbH with its US subsidiary involves the risk for eventual foreign losses.

Besides risks, there are new chances as well. New market chances outside the German speaking region, were realised by the purchase of Data Display Group and their partners in England and the USA.

For FORTEC as a technology company, there are product chances also by the acquisition of Data Display Group within the field of displays, touch-solutions according to optical bonding as well as high-quality industry monitors.

Furthermore and based on a profound evaluation of product as well as market chances, CEO will take measures as regards product portfolio, marketing and sales as well as concerns financial means (money, funds, etc.) and resources which may involve potential risk.

## **Risk Management**

The risk management system of the FORTEC group assures that the daily business transactions may not be endangered by well-known and/or new risks to be made transparent and thus be controlled and/or even avoided.

The risk management is part of the management system enabling to recognise risks and limit their consequences as much as possible.

The risk management is a continuous task. Therefore, it is necessary to involve all personnel and especially the persons-in-charge to recognize any possible company risks.

Considering the statutes of risk analysis made by CEO of the individual FORTEC companies, appropriate measures were taken and responsible persons-in-charge appointed.

Controlled by quarterly risk reporting, the management (CEO) is informed regularly of the actual state of risk, however being updated of a sudden risk at any time. The

formal implement of the risk management system will be of help; more important however is a continuous sensitising of all personnel for any possible risks and their immediate handling.

Goal of the risk management is that any possible risk is immediately recognized by personnel and/or the persons-in-charge before any company damage may occur and to try to find an appropriate and in-time solution by the responsible personnel as well as persons-in-charge.

### **Internal Control and Risk Management in view of balancing process.**

This control and risk management is an integral part of all processes of the FORTEC group and is based on a global system of risk identification, its evaluation as well as its controlling. The board of directors holds sole responsibility for control and risk management. Active monitoring are to support its identification, evaluation and processing within the specific business sectors of the FORTEC AG and its subsidiaries.

Relevant information especially as to organisation and its process of the current BY may be referred to in the present QA-manual.

Monthly statements of the FORTEC AG and its subsidiaries help to recognize in time any changes as concerns order income, order book, stock as well as turnover and consequently take necessary steps as to the raw margin and costs. The value of receivables, especially those of the debtors is controlled on a regular basis. The value of share holdings is controlled once a year by a so-called impairment test and corrected if necessary.

The measures of the internal control system assure the correctness and reliability of the group's balance, which, in accordance with legal regulations, is covered properly and in time; furthermore, inventory is made correctly and group's assets and depths are listed and evaluated appropriately. It is guaranteed that balancing documents provide reliable and understandable information.

The balancing regulations are in accordance with the International Financial Reporting Standards (IFRS) and are basis for FORTEC's balancing and evaluation standards also applying to its German and foreign subsidiaries.

The group's auditor and others e.g. the tax auditor use process independent controlling. Especially as regards the group's final balancing process, a specific autonomous monitoring is applied at issue of the group's year balance.

### **Risk reporting as concerns application of financial instruments:**

The company's existing financial instruments are: bank giro account, assets' account, suppliers' credits as well as receivables, etc.

The company consists of a solvent and credit-worthiness clientele which is secured by a goods credit insurance starting at EUR 10.000 in case of merchandise deliveries

below DAX 30 index fixed companies. The loss of receivables to an extent that may endanger the company are not expected.

Liabilities are to be paid within payment terms.

Goal of the finance- and risk management is to ensure the company's success against any kind of financial risks.

Possible risks of price changes which may exist in a potential loss due to negative changes of market prices or price-relevant parameters, will be minimised by contractual agreements.

For protection of risks in liquidity, a regular survey of cash-receipt and cash-payments are made. To minimise these risks, the company possesses an appropriate debtors' account management.

#### Overview of the risk and chances situation

As CEO of a technology company, we note a majority in chances for the future development of the company comparing risk against chances. Although company risk continuous raise, requirements as concerns products permanently increase and the products' life-cycle even diminishes, we assume that our market will change in a positive way - especially by industry 4.0 as part of internet (IoT)

#### **Further Information according to § 315 Article 2 and 4 HGB**

The number of shares is 2.954.943 at a nominal value of 1 EUR. At present, there is no limited or proved capital, nor any program for repurchase of stock.

The signed capital is exclusively common stock drawn to bondholders who are entitled to vote. There are neither limitations as concerns the right to vote nor the purchase.

Appointment and dismissal of the board is in accordance with legal regulations (§§ 84, 85 AktG). The compensation scheme of the management board breaks down to a fix and a variable part which depends on achieved EBIT resp. year's profit before tax. On 16.02.2017, the general shareholders board decided, that the required statements in the financial report can be omitted as per § 314 Abs.1 No. 6 Art. 5-8HGB. It is not agreed that there are any refunds to be made in case of change of control and/or any takeover offer. If change of control based on a takeover offer takes place, it is agreed that the suppliers' contracts essential for the company may be cancelled by the principals. Especially, when there is a potential risk that a competitor is to take-over – facts to be discussed with CEO.

In case of a change in control due to a take-over, essential suppliers' contracts may be cancelled. This risk exists when a contractual supplier may fear the interruption of a competitor.

Alterations of articles of the association require a majority of board votes of 75%.

The company undertakes developments in regard to projects as well as orders.

Statement re: company's business management as to § 315 Abs.4 i.V.m. § 289 a HGB

Responsible and long-term orientated added-value of business management are the leading tasks of FORTEC Elektronik AG. Based on this declaration, CEO reports about business management according to § 289 a HGB.

FORTEC's business management is by great means dominated by self-responsibility and ethnic conduct of every single employee and/or person-in-charge taken into consideration the legal requirements and internal procedure information.

The business management of FORTEC as a German AG noted at stock exchange is defined by the AG-law and its restrictions as concerns the "Deutsche Corporate Governance Kodex" at its current edition. On February 26, 2002, the German government published the "Deutsche Corporate Governance Kodex". Its edition published on May 15, 2012 defines essential regulations as concerns the management and control of German stock exchange noted companies and includes international and national standards of good and responsible business management. Goal of these standards is to inform about German regulations in order to strengthen business confidence of international and national investors, customers, employees and the public opinion as concerns business management of German companies.

CEO and board of managers of FORTEC herewith declare to have done this declaration according to § 161 AktG after serious examination; this document may be referred to by a stock/share-holders of the company at its website.

Landsberg/Germany, March 30th, 2017  
FORTEC Elektronik AG

Dieter Fischer  
CEO

Jörg Traum  
Board Member

**CONSOLIDATED BALANCE SHEET** (uncertified), according to IAS/IFRS  
**31.12.2016 (last year's figures 30.06.2016)**

<b>ASSETS</b>	BY 31.12.2016 €	BY 30.06.2016 €	<b>EQUITY &amp; LIABILITIES</b>	BY 31.12.2016 €	BY 30.06.2016 €
<b>A</b>			<b>A. Shareholders' equity</b>		
<b>. Non current assets</b>			I. Subscribed capital	2.954.943	2.954.943
I. Goodwill	5.287.319	5.239.898	II. Capital reserve	8.689.364	8.689.364
II. Intangible assets	258.803	194.327	III. Exchange differences	1.461.535	1.394.143
III. Tangible assets	2.219.034	2.266.232	IV Other compr. income	12.911.546	10.034.074
IV. Financial assets	95.780	95.780	V. Net income	1.492.544	2.877.472
V. Accounts receivables	58.652	63.652		<b>27.509.932</b>	<b>25.949.996</b>
VI. Deferred taxes	275.349	327.302			
	<b>8.194.937</b>	<b>8.187.191</b>	<b>B. Long-term Liabilities</b>		
<b>B</b>			I. Long-term bank liabilities	4.583.332	4.583.332
<b>. Current assets</b>			II. Other liabilities	347.813	390.815
I. Inventories	18.642.328	18.289.323	III. Liabilities deferred taxes	178.834	373.744
Accounts receivables				<b>5.109.979</b>	<b>5.347.891</b>
II. (deliveries/services)	7.994.041	7.433.006	<b>C. Short-term liabilities</b>		
III. Tax receivables	1.209.442	1.281.857	I. Bank liabilities	539.875	1.540.777
IV. Other assets	40.308	549.944	II. Liabilities deliveries/service	3.507.316	3.099.442
V. Cash on hand/ bank balances	3.600.116	4.336.016	III. Accruals taxes	223.379	2.123.806
	<b>31.486.235</b>	<b>31.890.146</b>	IV Other provisions	973.832	243.826
			V Other liabilities	1.816.859	1.771.599
				<b>7.061.261</b>	<b>8.779.451</b>
<b>TOTAL assets</b>	<b>39.681.172</b>	<b>40.077.337</b>	<b>TOTAL equity and liabilities</b>	<b>39.681.172</b>	<b>40.077.337</b>

## Consolidated Income Statement (uncertified), according IAS/IFRS

01.07. - 31.12.2016 (last year's figures 01.07. - 31.12.2015) in EUR

Income Statement	BY 2015/16	BY 2016/17
<b>Sales revenues</b>	<b>39.428.470</b>	<b>37.048.634</b>
Change in stock of unfinished merchandise	109.159	131.883
Other operating income	749.148	634.901
Cost of material	27.694.253	26.001.663
Expenses personnel	6.272.537	6.080.271
Depreciation	764.520	257.514
Other operating expenses	3.600.496	3.582.187
<b>Operating income</b>	<b>1.954.971</b>	<b>1.893.783</b>
Result of participations	--	148.038
Interests and similar income	17.049	./ 26.925
Taxes on income and profit	539.987	522.352
<b>Net income</b>	<b>1.432.033</b>	<b>1.492.544</b>
Other result *	5.713	67.392
<b>Total result</b>	<b>1.437.746</b>	<b>1.559.936</b>
Earning per share/1st half year	0,49	0,50
Shares outstanding (pcs)	2.954.943	2.954.943

\* Other result“ includes only success-neutral differences from foreign currency exchange rates.

**Consolidated Income Statement of  
2<sup>nd</sup> Quarter BY 2016/17** (uncertified), according IAS/IFRS

**01.10. - 31.12.2016 (last year's figures 01.10. - 31.12.2015) in EUR**

<b>Income Statement</b>	<b>Q2 (1.10.-31.12.15)</b>	<b>Q2 (1.10.-31.12.16)</b>
<b>Sales revenues</b>	<b>20.012.185</b>	<b>18.635.638</b>
Change in stock of unfinished merchandise	109.159	131.883
Other operating income	467.506	256.635
Cost of material	14.139.661	13.207.724
Expenses personnel	3.186.292	3.062.791
Depreciation	401.905	127.701
Other operating expenses	1.884.457	1.790.271
<b>Operating income</b>	<b>976.535</b>	<b>835.669</b>
Result of participations	--	148.038
Interest and similar income	10.720	./ 14.508
Taxes on income and profit	265.678	229.557
<b>Net income</b>	<b>721.577</b>	<b>739.642</b>
Other result *	2.484	75.704
<b>Total result</b>	<b>724.061</b>	<b>815.346</b>
Earning per share/2nd quarter	0,24	0,25
Shares outstanding (pcs)	2.954.943	2.954.943

\* "Other result" includes only success-neutral differences from foreign currency exchange rates.

## Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Exchange-rate differences	Other comprehensive income	Total	
	Market evaluation reserve	Profit reserve/ Profit carried forward				
	EUR	EUR	EUR	EUR	EUR	
<b>Balance per 01.07.2015</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>1.866.614</b>	<b>0</b>	<b>11.400.862</b>	<b>24.911.783</b>
Net income					1.432.033	1.432.033
Change "Other result"			5.713			5.713
Dividend payments						
<b>Balance per 31.12.2015</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>1.872.327</b>	<b>0</b>	<b>12.832.895</b>	<b>26.349.529</b>
<b>Balance per 01.07.2016</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>1.394.143</b>	<b>0</b>	<b>12.911.546</b>	<b>25.949.996</b>
Net income					1.492.544	1.492.544
Change "Other result"			67.392			67.392
Dividend payments						0
<b>Balance per 31.12.2016</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>1.461.535</b>	<b>0</b>	<b>14.404.090</b>	<b>27.509.932</b>

# Consolidated Cash-flow Statement (uncertified), according to IAS/IFRS

01.07. -31.12.2016 (last year's figures 01.07. - 31.12.2015)

	<u>BY 2015/16</u>	<u>BY 2016/17</u>
<b>I. Operative Income</b>		
Net income	€ 1.432.033	€ 1.492.544
Depreciation of tangible and intangible assets	€ 764.520	€ 257.514
Change of inventories	€ ./ 1.993.413	€ ./ 353.005
Change of accounts receivables	€ 1.119.508	€ ./ 483.620
Change of liabilities	€ ./ 1.697.646	€ ./ 2.686.107
Change of accruals	€ 282.080	€ 730.006
Change of other accruals	€ ./ 144.104	€ 496.890
Cash-flow from operative business	€ ./ 237.022	€ ./ 545.778
<b>II. Investment Activities</b>		
Investments of financial/tangible and intangible assets	€ ./ 484.917	€ ./ 190.122
Earnings from assets	€ 0	€ 0
Cash-flow from investment activities	€ ./ 484.917	€ ./ 190.122
<b>III. Financial Activities</b>		
Dividend payments	€ 0	€ 0
<b>VI. Cash-flow in total</b>	€ ./ 721.939	€ ./ 735.900
<b>V. Change in liquid funds</b>		
Cash at beginning of period	€ 5.728.148	€ 4.336.016
Cash at end of period	€ 5.006.209	€ 3.600.116

## Annexe.

The current half-year report has to be read in connection with the Annual Group's Report dated 30.06.2016

The „Deutsche Prüfstelle für Rechnungslegung (DPR)“ – German Examination Institute of Accounting checked the group's final report of 30.06.2015 according to IFRS and found out on February 17<sup>th</sup>, 2017 that the group's report of FORTEC Elektronik AG, Landsberg am Lech includes method errors as concerns the first consolidation of Data Display GmbH per June 30<sup>th</sup>, 2015 i.e. according to IFRS 3.4 acquisition method. Therefore, it is necessary to make corrections which will have the following consequences:

*DPR's statement:* In final group's report of 30.06.2015 there was no obligation mentioned as concerns acquisition per 22<sup>nd</sup> September 2014 as well as the purchase option per 30<sup>th</sup> June 2015 of a designated owner of Data Display GmbH. This infringes upon IAS 32.23 i.e. an obligation to purchase own capital instruments which means a financial commitment that has to be included as cash amount of the purchase option's price. At the time of the issue of the group's report, a down payment on the purchase price amounting to 5.4 million € was agreed upon.

*Adopted measure for correction:* In group's report as per 30<sup>th</sup> June 2015, the amount of 5.4 million € was updated as part of other proprietors according to IAS 32.23 "obligation to report". Therefore in the balance per 30.06.2015 a correction of accounting exchange on liability is made and an increase to 7.5 million € i.e. price de facto upon option made.

*DPR's statement:* Against IFRS 3.10 no intangible asset was set up as concerns the positive margin result to be expected from the acquired order bookings

*Adopted measure for correction:* According to IFRS 3.10 i.e. for the positive margin result to be expected from acquired order bookings, an intangible asset amount of € 972.640 had to be stated in the balance of 30.06.2016 as well as corresponding deferred taxes amounting to € 291.792 which were to be deleted completely in the following year. In view of the previous two business years, there are, in fact, no material consequences on result due to the acquired order bookings.

*DPR's statement:* Against IFRS 3.42, the 50% parts of Data Display acquired as per 1<sup>st</sup> October 2014, were not booked at fair value at date of first consolidation but at historic purchase cost.

*Adopted measure for correction:* The historic purchase price as per 01.10.2014 was considerably lower than the stated fair value of 30.06.2015. A correction leads to a non-depreciable goodwill amounting to € 2.559.198 on positive assets of balance while increasing at the same time the company's capital per 30.06.2015.

After corrections to be made in BY 2014/15 and 2016/17, total profit thus increases in total during these BY to € 5.870.823 or € 1.99 per share compared to € 5.432.329 or € 1.84 per share.

The other balancing and evaluation methods of fiscal year 2016/17 according to IAS/IFRS remain unchanged. The information given in this report is only valid at day of publication and cannot be written forth.

The number of full-time employees was 208 (prev. year 202).

The group's business comprises data visualization and power supplies.

<u>Segment report</u>	Data visualisation T€	Power supplies T€	T O T A L T€
Turnover	23.438	13.611	37.049
Company result (EBIT)	1.234	808	2.042
Financial result	./. 27	0	./. 27
Taxes	./. 337	./. 185	./. 522
Net result	870	623	1.493

### **Assurance of Legal Representatives**

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

Germany/ Landsberg, March 30th, 2017

FORTEC Elektronik AG

Dieter Fischer  
CEO

Jörg Traum  
COO Power Supplies