BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

FINANCIAL REPORT 2023

FORTEC
GROUP

Financial Report 2023

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Foreword

Ladies and Gentlemen, Dear Shareholders, Dear Employees,

FORTEC Elektronik AG was once again able to close the 2022/2023 financial year with a record result despite ongoing global uncertainties. Thanks to the exceptional commitment and dedication of our entire FORTEC Group team, we were able to achieve strong results and further strengthen our position in the market. Group turnover increased purely organically by around 19% to EUR 105.9 million and Group EBIT by more than 26% to EUR 10.7 million. We thus exceeded the revenue forecast of EUR 91.0 million to EUR 97.0 million in the last Group Management Report and met the forecast adjusted in May 2023 in the optimistic range. This positive development in the two most important financial indicators for FORTEC, revenue and EBIT, show that the decisions made and measures implemented in our "Grow-Together 2025" strategy are having a sustainable profitable effect and are favouring further growth.

The external conditions were by no means easy. The past business year continued to be marked by pandemic-related supply bottlenecks for primary products and disruptions in the supply chain, which were further exacerbated by the outbreak of war in Ukraine. Despite the geopolitical and global economic risks, rising inflation rates and the increasing cost of energy supply, we succeeded in increasing our EBIT margin from 9.5% in the previous year to 10.1% in the reporting year. The consolidated net profit for the year thus improved to EUR 7.6 million after EUR 6.3 million in the previous year. Earnings per share increased by 21 % to EUR 2.32 (previous year: EUR 1.92). We would like to thank all our employees for their extraordinary commitment in these times, which made it possible to master the above-mentioned challenges with flying colours.

Thanks to the excellent result, the Executive Board will propose an increase in the dividend distribution to EUR 0.85 per share (previous year: EUR 0.70 per share) at the upcoming Annual General Meeting. We are thus continuing our continuity-oriented dividend policy of the past years and are proud that you, dear shareholders, can once again participate in the growing success of our company. Based on the share price (EUR 28.30) as of 30 June 2023, the dividend distribution corresponds to a yield of 3.0%.

The Data Visualisation segment contributed EUR 68.0 million (previous year: EUR 56.3 million) to Group sales, the Power Supplies segment EUR 37.9 million (previous year: EUR 32.7 million). We are confident of achieving long-term, sustainable growth in both segments with the expanded mix of Distribution, Development and Production & Solutions. As a system supplier of industrial high-tech products, we are ideally positioned and are increasingly establishing ourselves as a strategic partner for our customers. We are consistently pursuing our vision of creating added value for our customers by intelligently linking power supplies, display technology and embedded computers. Orders on hand in the Group totalled EUR 83.0 million at the end of the 2022/2023 financial year, down 11.2 % on the previous year.

For more than 39 years, FORTEC has always generated excellent returns with the business model tested in several cycles. Thanks to our conservative financing policy, we have a very robust balance sheet structure with an equity ratio of 72.1 % (PY: 70.4 %). In addition, we managed to successfully overcome the operational challenges in the supply chains in the past financial year and to adapt the prices of our products to the new market conditions as far as possible. With increased activity in the design of complete (sub)systems based on our own technologies, we are making ourselves more independent and competitive in a global environment.

After the excellent business and earnings development in the 2022/2023 business year, the growth in the 2023/2024 business year is expected to be moderate due to the many economic uncertainties and rising costs. We expect an increase in Group turnover in the range of EUR 106.0 million to EUR 116.0 million and in Group EBIT between EUR 9.5 million and EUR 11.0 million compared to the previous year.

The Management Board as well as the entire team of the FORTEC Group would like to take this opportunity to express its sincere appreciation and deep gratitude to Mr Bernhard Staller. In the course of his retirement this year for reasons of age as a former member of the Management Board of FORTEC Elektronik AG and long-standing Managing Director of Distec GmbH, we would like to pay tribute not only to his contributions to the past financial year 2022/2023, but rather to his tireless entrepreneurial commitment to the FORTEC Group.

Mr. Staller, as co-founder of Distec GmbH, has steered the fortunes of the company over a period of three decades with outstanding commitment and comprehensive expertise and contributed to the steady growth within the Group. We wish Mr Staller all the best, happiness and health for the coming years and look back together with pleasure on the achievements made.

Dear shareholders, the Management Board of FORTEC Elektronik AG would like to thank you for the trust you have placed in us. Thanks to your support, it is possible for us to successfully develop the future of our company in a sustainable manner and to consistently leverage business potential.

Sandra Maile
Chair of the Management Board

Sandra Maile
(Chair of the Management Board)

Ulrich Ermel
(Management Board)

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Contents of the group management report

Group management report: 1. Fundamentals of the Group

Over the past 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 39 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, FORTEC continues to concentrate on the pure distribution business. Stock availability of the right products forms the basis for success here. The Group can fall back on its own high storage capacities in the power supply sector. Distribution in Great Britain and the USA is undergoing consistent expansion via the foreign subsidiaries there.

Group management 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. The Supervisory Board in turn receives quarterly financial reports and monthly information on certain key figures. Furthermore, the board members maintain regular contact with the companies at local level.

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.

Group management report: 3. Research and development

The FORTEC Group is mainly active as a system provider in the data visualisation segment to provide its customers with added value and differentiate them from the competition thanks to innovative applications and procedures. The Group is therefore investing continuously and sustainable in its own development competence and maintains a development department with 24 (previous year: 26) employees 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 2.4 million (previous year: EUR 1.8 million). In 2022/2023, the focus was once again on the development of "obsolescence management" for components and redesigning current platforms to maintain delivery capability. A further focus was on completing the development of a new flagship monitor series and planning the migration of large screens from Full HD to 4K/UHD resolution.

Group management report: 4. Economic report

Macroeconomic and sector-specific framework conditions

The *global economic environment* continued to be shaped by the war in Ukraine, the recovery from the COVID-19 pandemic, the prolonged adherence to the zero-covid policy in China, a persistently tense situation of global supply and logistics chains, and general geopolitical and economic uncertainty. Of particular importance for the industrial economy were the soaring energy prices, especially for natural gas, which continued well into 2023. Overall, the world's gross domestic product (GDP) will expand by 2.1 % in 2023, according to the ifo Institute, following on from an increase of 2.8 % last year.[1]

The *euro zone* economy recorded a slight decline in GDP in the winter half-year of 2022 due to energy price-driven inflation. According to assumptions by the ifo Institute, GDP in the euro zone will increase by just 0.6 % in 2023 compared to the previous year and will only accelerate again to 1.3 % in the following year.[2]

The *German economy* suffered a severe setback during the winter months. As a result of high inflation, demand weakened noticeably. Following consecutive negative developments in the fourth quarter of 2022 and the first quarter of 2023, GDP is starting to recover. The ifo Institute expects GDP to decline by 0.4 % in 2023. The seasonally adjusted S&P Global/BME Germany Manufacturing PMI reduced from 49.3 points in July 2022 to 38.8 points in July 2023 and therefore reached its lowest level for almost three years.[4]

1) https://de.statista.com/themen/1181/weltwirtschaft/#dossierKeyfigures

2) https://www.ifo.de/fakten/2022-06-15/ifo-konjunkturprognose-sommer-2022-inflation-lieferengpaesse-und-krieg-bremsen

3) https://www.bundesfinanzministerium.de/Monatsberichte/2021/04/Inhalte/Kapitel-6-Statistiken/6-4-05-reales-bruttoinlandsprodukt.html

4) https://www.ifo.de/fakten/2022-06-15/ifo-konjunkturprognose-sommer-2022-inflation-lieferengpaesse-und-krieg-bremsen

Group management report: 4. Economic report

According to the association of German electrical and electronic manufacturers (ZVEI), new orders in the German electrical and digital industry fell by 1.9 % year-on-year from January to May 2023.[5] The ifo Institute forecasts a gradual end to supply bottlenecks and an expansion of production due to the high order backlogs accumulated over the course of the pandemic.

Group management report: 5. Business development

FORTEC's business performance in the 2022/2023 financial year was characterised by tight material availability and supply bottlenecks in a dynamic economic environment as well as high inflation, which led to price increases in all areas.

Despite this challenging environment, the Group was able to achieve another record year, increasing Group turnover by 19 % to EUR 105.9 million and Group EBIT by 26 % to EUR 10.7 million. The results were above the forecast range from the previous year's group management report (previous year: Group revenue between EUR 91.0 million and EUR 97.0 million, and a Group EBIT between EUR 8.0 million and EUR 9.0 million), and in the optimistic range of the values most recently forecast in May 2023 with a revenue target of EUR 97.0 million to EUR 110.0 million and a Group EBIT of EUR 10.0 million to EUR 11.0 million. The reasons behind the positive development were high demand from customers, optimisation of ordering processes and warehousing, as well as good price implementation, which meant that the gross margin could even be slightly increased with rising volumes.

In summary, we succeeded in achieving the forecast for the past business year with pinpoint accuracy. In this respect, the 2022/2023 business year can be described as positive.

Due to the high demand for products with simultaneous decreasing delivery bottlenecks for preliminary products on the part of suppliers, the order backlog in the Group fell to EUR 83.0 million at the end of the 2022/2023 financial year, and was therefore 11 % down on the previous year.

Group management report: 6. Profit situation

Group turnover, a key financial performance indicator, stood at EUR 105.9 million (previous year: EUR 89.0 million) and therefore within the optimistic range of the forecast raised in May 2023. As such, turnover growth in the business year was 19 % compared to the previous year.

The increase mainly results from the dynamic data visualisation segment with high-margin solutions (including industrial monitors) and turnover achieved in the power supplies segment with products for demanding applications. Furthermore, new products and projects were well received by the market, and the general price level and shortage of materials allowed price increases on the procurement side to be passed on to customers.

Other operating income remained unchanged at EUR 2.5 million. Currency gains increased by EUR 673 thousand, while the remaining other income compensated for the increase in currency gains due to lower insurance reimbursements and the no longer existing special effect from the initial consolidation of ALLTRONIC in the previous year.

5) https://www.ifo.de/fakten/2022-06-15/ifo-konjunkturprognose-sommer-2022-inflation-lieferengpaesse-und-krieg-bremsen
6) https://www.bme.de/news/emi-nachfrageeinbruch-drueckt-im-juni-deutsche-industrieproduktion-nach-unten
7) https://www.zvei.org/konjunktur-maerkte/aktuelles?showPage=3210936&cHash=bde07e21d2702997eb65364db99a4723

The cost of materials increased in line with turnover by EUR 11.3 million, from EUR 59.9 million to EUR 71.2 million. Taking into account the change in inventories of finished goods and work in progress in the 2022/2023 financial year, the gross margin (contribution margin I) rose slightly to 33.3 % despite the higher transport and freight costs, as well as the increased procurement costs. The cost of sales ratio fell slightly from 67.3 % in 2021/2022 to 66.9 % in the 2022/2023 financial year.

Personnel expenses rose from EUR 14.9 million to EUR 16.4 million. The most significant part of the increase (+ EUR 1.3 million) results from general salary adjustments, more expensive new appointments due to the tense situation on the labour market and a slight increase of 7 employees on average for the year. In addition, the rise is based on an increase in variable remuneration and special payments including inflation compensation premiums. Despite this, the personnel cost ratio decreased from 16.8 % to 15.5 % due to the increase in turnover.

Depreciation and amortisation rose overall from EUR 1.6 million to EUR 2.2 million, in particular due to goodwill amortisation of EUR 560 thousand. The goodwill amortisation arose in the power supplies segment and is essentially a consequence of the increased interest rate level as well as lower sales growth.

Other operating expenses increased from EUR 6.6 million in the previous year to EUR 8.5 million and amounted to 8.0 % relative to turnover (previous year: 7.4 %). This was due to increased advertising costs in the context of the FORTEC One project (+ EUR 218 thousand) and external work amounting to EUR 318 thousand, which was necessary to bridge the period until new staff positions were filled, as well as an increase in currency losses of EUR 857 thousand by EUR 1.1 million to EUR 1.9 million.

On balance (currency gains less currency losses), the profit and loss account includes a currency gain of EUR 34 thousand. The previous year resulted in currency gains of EUR 432 thousand.

Group turnover, a key financial performance indicator, stood at EUR 105.9 million (previous year: EUR 89.0 million) and therefore within the optimistic range of the forecast raised in May 2023. Furthermore, the forecast from the previous year (EUR 91 million to EUR 97 million) was significantly surpassed. As such, turnover growth in the business year was 19 % compared to the previous year. As a result of the factors previously mentioned, the EBIT result as a key financial performance indicator of EUR 10.7 million stands above the values forecast in the previous year of EUR 8 to 9 million. This is mainly due to the higher gross profit, which more than compensated for the higher than planned increase in other operating expenses due to unplanned currency losses and goodwill amortisation. The EBIT margin, based on sales revenues, rose from 9.5 % in the previous year to 10.1 % in the 2022/2023 financial year.

Furthermore, the Group met the forecast raised in May 2023 (Group EBIT of EUR 10.0 million to EUR 11.0 million).

Taxes on income increased disproportionately to the consolidated net profit for the year by EUR 1.0 million. The increase in the tax rate from 24.7 % to 28.6 % is due to the non-tax-effective amortisation of goodwill in the amount of EUR 560 thousand.

The consolidated net income for the 2022/2023 financial year was EUR 7.6 million (previous year: EUR 6.3 million). The return on sales after taxes remained almost unchanged at 7.1 % (previous year: 7.0 %).

Earnings per share therefore rose by around 20 % from EUR 1.92 to EUR 2.32.

At the upcoming Annual General Meeting, the Management Board and the Supervisory Board will propose dividend distribution of EUR 0.85 per share (previous year: EUR 0.70 per share). This corresponds to a return of 3.0 % based on the share price (EUR 28.30) as at 30 June 2023.

Development of the segments

The external revenues of the data visualisation segment made a contribution to Group turnover of EUR 68.0 million (previous year: EUR 56.3 million) and the power supplies segment EUR 37.9 million (previous year: EUR 32.7 million). The stronger increase in the data visualisation segment is due to the rise of more complex solutions such as industrial monitors. The ratio of the two segments is similar to that of the previous year: the data visualisation segment now contributes 64.2 % (previous year: 63.2 %) to the total turnover.

The return on sales (EBIT return) in relation to the total output of the data visualisation segment increased from 12.0 % to 12.6 %,

Group management report: 6. Profit situation

the return on sales in the power supplies segment increased from 4.2 % to 8.4 %. The significant rise is based on an increase in the design-in business, especially in the demanding defence sector.

Group management report: 7. Asset situation

On the assets side, with a balance sheet total of EUR 76.3 million (previous year: EUR 70.8 million), *non-current assets* amount to EUR 16.7 million (previous year: EUR 17.8 million).

Of this figure, at EUR 6.5 million (previous year: EUR 7.0 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 4.8 million (previous year: EUR 5.4 million) are reported. The decline is due to the planned depreciation of the rights of use which were accompanied by hardly any capital additions.

The tangible assets mainly comprise one plot and a building from the power supply segment. The decline of EUR 114 thousand is mainly due to the ongoing depreciation of the building.

Under *current assets*, the largest item, with a value of EUR 32.6 million (previous year: EUR 26.1 million), is the stocks standing at 42.7 % (previous year: 36.8 %) of the balance sheet total. Of this amount, EUR 17.8 million (previous year: EUR 16.3 million) is attributable to the data visualisation segment, whilst the power supplies segment accounts for EUR 15.1 million (previous year: EUR 9.9 million).
The increase in inventories is based on a gradually improvement in the ability to deliver intermediate products, higher procurement prices and increased stockholding in the wake of the increased business volume.

The item receivables from deliveries and services increased from EUR 10.7 million in the previous year to EUR 11.4 million. This rise results from an extension of the average collection period by approx. 2 days. At the time of finalising the balance sheet, these were largely settled. In addition, the increase is a consequence of the increased turnover.

Cash and cash equivalents, the second largest item on the assets side, rose slightly from EUR 12.9 million in the previous year to EUR 13.2 million as at 30 June 2023.

The Group's equity ratio is 72.0 % (previous year: 70.4 %). At EUR 55.0 million (previous year: EUR 49.9 million), the Group has sufficient equity. The equity capital increased by the consolidated net profit of EUR 7.6 million and was reduced by the dividend payment of EUR 2.3 million.

On the liabilities side, *non-current bank liabilities* fell from EUR 1.6 million to EUR 1.3 million due to reclassifications in the area to the current liabilities to credit institutes. The current liabilities to credit institutes reduced from EUR 750 thousand to EUR 333 thousand due to scheduled repayments made. Other current liabilities increased from EUR 1.5 million to EUR 2.2 million due to higher advance payments received.

Liabilities arising from goods and services remained unchanged at EUR 6.5 million.

The increase in tax liabilities from EUR 1.8 million to EUR 2.7 million is mainly due to the significant rise in consolidated net income.

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 thousand EUR	30/06/2023	30/06/2022
Total debts Less cash and cash equivalents	21,299 (13,246)	20,979 (12,884)
Net debt	8,053	8,095
Equity capital	55,005	49,857
Capital controlling indicator	6.83	6.16

The cash flow from operations in the 2022/2023 business year increased from EUR 2.1 million in the previous year to EUR 5.0 million despite the build-up of inventories. The rise is mainly due to the higher consolidated net income as well as the non-cash goodwill amortisation and tax payments not yet made on the consolidated net income, which significantly overcompensated for the increase in inventories.

The cash flow from investing activities amounted to EUR -495 thousand (previous year: EUR -216 thousand). The negative development is mainly the result of increased investments.

The negative cash flow from financing activities stood at EUR 4.1 million after the scheduled repayment of loans and leasing liabilities, as well as the dividend distribution (previous year: EUR 4.1 million).
In total, the Group recorded cash and cash equivalents of EUR 13.2 million (previous year: EUR 12.9 million).

Investments

In the past financial year, investments in intangible assets amounted to EUR 175 thousand (previous year: EUR 95 thousand), EUR 341 thousand in tangible assets (previous year: EUR 142 thousand), and rights of use in the amount of EUR 185 thousand (previous year: EUR 233 thousand), whereby investments were largely realised in operating and office equipment. In terms of rights of use, the decreases mainly resulted from the low remaining term of the rental contracts.

Non-financial reporting

Non-financial performance indicators such as employee matters, long-term customer and supplier relationships, environmental issues and ISO certifications are also very important for the Group, although these are assigned a subordinate role in the management of the Group. With respect to employee matters, the average length of a FORTEC employee's time in service is over 8 years.

Group management report: 8. Financial and liquidity position

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

The company is committed to ecological sustainability in its operational activities. For this reason, FORTEC is steadily expanding its sustainability report, which was prepared voluntarily for the first time in 2021/2022. The Group is certified in accordance with ISO 9001 and environmental management is already partially integrated into the management manual. The Management Board's variable remuneration also included qualitative goals that are published in the company's remuneration report.

Group management 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 the assessments of the Management Board, which are currently considered realistic according to the information available. 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 figures of the Federal Statistical Office, the ifo Institute assumes that the economic situation in Germany is steadily recovering. This is supported, for example, by the projected decline in the headline inflation rate to an estimated 2.1 % in 2024, provided there is no gas shortage over the coming winter.[6]

According to the IFO economic forecast, the gross domestic product in Germany is expected to decrease by 0.4 % this year and increase by 1.5 % in the coming year.[7]

The ifo forecast predicts an increase in gross value added of 3.1 % in the economic sector of the manufacturing industry in 2024.[8]

The current geopolitical and global economic uncertainties currently make it difficult to produce a valid forecast. Although the war in Ukraine has had almost no direct impact on FORTEC, indirect influences arise due to uncertainty in the economy and also from the sanctions. The power struggle between the USA and China, the Taiwan issue and the battle for access to raw materials could have an impact on the business activities of the FORTEC Group.

Following on from the renewed positive business and earnings development in the 2022/2023 financial year, an increase in service and personnel costs can currently be observed in the economy, which the Management Board believes may also have an impact on profitability in the 2023/2024 financial year. Overall, the Management Board is expecting a significant increase in personnel costs compared to the previous year due to salary adjustments and newly created posts. In addition, the Group anticipates the rise of other operating expenses that are independent of turnover, such as in the energy sector, due to the continued elevation of inflation rates. It is therefore also questionable whether any cost increases can also be passed on in the same way through price increases and whether investment behaviour on the customer side will remain valid against the background of the economic framework conditions.

Under the aforementioned premises and the challenges outlined, the Group expects a Group turnover in the range of EUR 106.0 million to EUR 116.0 million in the 2023/2024 financial year (2022/2023 financial year: EUR 106.0 million) and a Group EBIT of between EUR 9.5 million and EUR 11.0 million (2022/2023 financial year: EUR 10.7 million).
This outlook relates to both the data visualisation and the power supplies divisions.

1) https://www.ifo.de/fakten/2022-06-15/ifo-konjunkturprognose-sommer-2022-inflation-lieferengpaesse-und-krieg-bremsen
2) https://www.ifo.de/fakten/2022-09-12/ifo-konjunkturprognose-herbst-2022-inflation-würgt-privaten-konsum-ab-deutsche

General risk notice

A forecast is subject to uncertainties that may have an impact on the development of results, which cannot be fully assessed at the current time.

Group management 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 QMH 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.

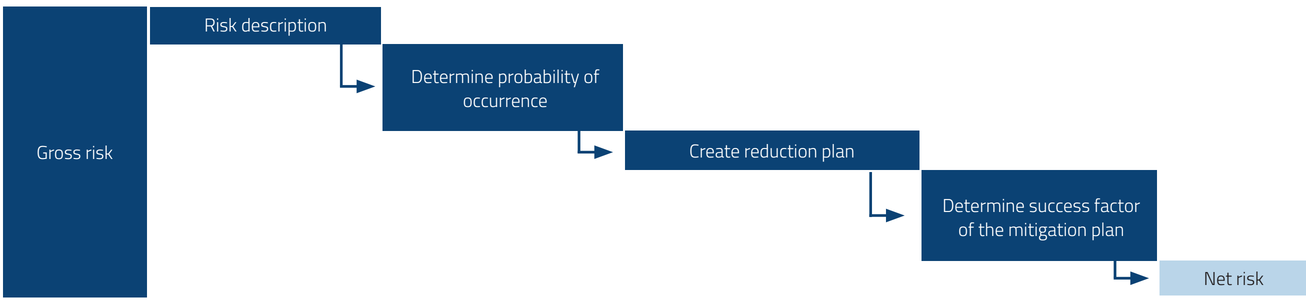
Risk management is an integral part of the management system and facilitates the identification of risks and the limiting of their effects insofar as possible.

Risk identification

At regular intervals, 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. The risk assessment is made up of the individual evaluations of the probability of occurrence and the potential gross amount of damage, which are reduced to a corresponding net risk through appropriate countermeasures.



The criterion of probability of occurrence is divided into the categories "highly unlikely" (probability 10 %), "unlikely" (probability 25 %), "possible" (probability 50 %), "probable" (probability 75 %) and "highly probable" (probability 100 %),

The potential gross loss amount is classified up to EUR 0.1 million ("minimal"), EUR 0.5 million ("minor"), EUR 1.0 million ("moderate"), EUR 5.0 million ("severe") and EUR 10.0 million ("threatening").

The final risk is divided into the categories "high risk" (net risk greater than EUR 1.0 million), "moderate risk" (net risk between EUR 0.5 million and EUR 1.0 million) and "low risk" (net risk less than EUR 0.5 million).

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 Board, 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 board support the identification, assessment and handling of risks in the individual business areas of the AG 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 make it possible to identify deviations in the target figures for incoming orders, the order backlog, inventories, turnover, gross margin and costs at an early stage and to take 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 not be sufficient 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. The general increase in global energy and raw material prices, as well as significantly higher inflation rates currently increase the market risk.

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.

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. Nevertheless, this risk is currently classified as moderate.

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. within the framework of 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 supplies 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 tensions between China and Taiwan currently pose a particular risk on the supplier side. The company counteracts the risks by establishing alternative secondary suppliers in certain areas and adjusting the inventory.

c) Availability of goods and procurement prices: The recovery of the market for power supplies and display technology is heavily dominated by the Far East. In times of high demand and product availability shortages due to limited capacities, this can lead to price effects (rising purchase prices), delivery delays and even to 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. Shortages due to bottlenecks in the chip industry are still possible in the 2023/2024 financial year. The Group attempts to counteract this risk through a forward-looking procurement policy and back-up inventories.
The procurement risk is assessed as high due to the cited risks.

Risk reporting in relation to the use of financial instruments

The Group 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 one long-term bank loan with favourable conditions from the management's perspective. Credit lines amounting to EUR 7.6 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.
The risk is currently classified as low.

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.
FORTEC has been able to deal with this risk so far and therefore assumes a low risk.

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; therefore the risk is currently classified as low.

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. 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. The risk is reduced through cooperation with external personnel service providers, active sourcing with the inclusion of social media, recruitment of employees abroad, relocation offers as well as a new, modern working environment and individual working models. 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. FORTEC also provides targeted support for young people through the continuous training of young employees.
Nevertheless, the risk is classified as moderate.

Corporate strategy risks and competitive risks

If the industrial customers of FORTEC 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 the business model of FORTEC 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 the upstream suppliers of FORTEC, 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 the company. 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 the costs incurred by FORTEC 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.
The risk is currently classified as high.

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, the ongoing training of employees and designating an external information security officer.
Nevertheless, the risk is currently classified as high.

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.
Based on ongoing monitoring, the risk is classified as moderate.

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 war in Ukraine, the ongoing differences between the USA and China, and the issues relating to Taiwan 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. Opportunity 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 new 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 also 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'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 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". The "FORTEC One" project with the common brand identity is an important milestone in merging together to become a global partner for unlimited technology solutions.

Group management report: 10. Risk and opportunity report

With a new development site being established in Cairo, Egypt, FORTEC is increasing its own development capacities to generate growth with new products and to inspire customers with the new possibilities.

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 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 worldwide crises 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.

Group management report: 11. Further information in accordance with section 315a of the German Commercial Code

The *number of shares* on 30 June 2023 stands at 3,250,436 with a nominal value of 1 EUR. 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 2023 authorised the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 1,625,218 by issuing up to 1,625,218 no-par value bearer shares on one or more occasions against cash and/or non-cash contributions by 14 February 2028 (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 2023 (Authorised Capital 2023/I) amounts to EUR 1,625,218 as at the balance sheet date.

Appointment and dismissal of the Management Board take place in accordance with the statutory provisions paragraphs 84, 85 of the Stock Corporation Act [AktG]. Compensation agreements in the event of a change of control or a takeover bid have 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.

Amendments to the articles of association require a majority of 75 % of the votes cast at the AGM.

Further disclosures in accordance with section 315a, paragraph 1 no. 3 of the German Commercial Code are provided in the notes to the consolidated financial statements.

Declaration on Corporate Governance in accordance with section 315d of the German Commercial Code

According to section 315d HBG [Commercial Code], the company must submit a corporate governance statement for the Group. This declaration is made permanently accessible to the public on the Company's website at:

https://www.fortecag.de/investor-relations/corporate-governance/

Germering, 26 September 2023

Sandra Maile
Chair of the Management Board

Ulrich Ermel
Management Board

Financial Report 2023

Consolidated balance sheet: 1. Assets

In thousand EUR	Annex	Consolidated balance sheet 30/06/2023	Consolidated balance sheet 30/06/2022
A. Non-current assets			
I. Acquired goodwill	5	6,448	6,963
II. Intangible assets	6	312	213
III. Tangible fixed assets	6	4,536	4,650
IV. Rights of use	7	4,845	5,380
V. Financial assets balanced according to the equity method	8	77	71
VI. Financial assets	9	75	70
VII. Deferred tax assets	19	415	468
		16,709	**17,814**

B. Current assets			
I. Inventories	10	32,556	26,075
II. Receivables from deliveries and services	11	11,408	10,683
III. Tax refund entitlements	11	1,829	2,496
IV. Other financial assets	11	145	571
V. Other assets	11	411	313
VI. Cash and cash equivalents	12	13,246	12,884
		59,595	**53,021**
Total assets		**76,304**	**70,836**

Consolidated balance sheet: 2. Liabilities

In thousand EUR	Annex	Consolidated balance sheet 30/06/2023	Consolidated balance sheet 30/06/2022
A. Equity capital			
I. Subscribed capital	14	3,250	3,250
II. Capital reserve	14	14,481	14,481
III. Conversion adjustments	14/32	1,691	1,819
IV. Other reserves	14	28,022	24,044
V. Consolidated annual surplus	14	7,555	6,253
Equity of the owners of the parent company		**54,999**	**49,847**
Non-controlling interests		6	10
Total equity capital		**55,005**	**49,857**
B. Non-current liabilities			
I. Non-current bank liabilities	15/18	1,278	1,611
II. Non-current leasing liabilities	18	3,957	4,508
III. Other non-current financial liabilities	18	96	48
IV. Other non-current liabilities	18	239	448
V. Non-current reserves	17	398	354
VI. Deferred tax liabilities	19	543	374
		6,510	**7,343**
C. Current liabilities			
I. Liabilities to credit institutes	15/18	333	750
II. Liabilities from deliveries and services	18	6,508	6,540
III. Current leasing liabilities	18	1,052	1,011
IV. Tax liabilities	18	2,740	1,811
V. Other current financial liabilities	18	1,534	1,678
VI. Other current liabilities	18	2,169	1,475
VII. Reserves	17	452	371
		14,789	**13,636**
Total liabilities		**76,304**	**70,836**

Consolidated statement of comprehensive income

In thousand EUR	Annex	Group P&L 2022/2023	Group P&L 2021/2022
1. Sales revenues	**21**	**105,854**	**89,034**
2. Increased inventory of unfinished goods	22	652	-4
3. Other operating income	23	2,515	2,481
4. Cost of materials	24	-71,239	-59,909
5. Personnel costs	25	-16,412	-14,920
6. Depreciation	26	-2,184	-1,607
7. Other operating costs	27	-8,507	-6,624
8. Operating result (EBIT)		**10,680**	**8,451**
9. Income from associated companies according to the equity method	8	33	41
12. Other interest and similar income	29	6	2
13. Other interest and similar costs	29	-144	-197
14. Result before taxes		**10,575**	**8,297**
15. Taxes on income and earnings	30	-3,023	-2,046
16. Consolidated annual surplus		**7,551**	**6,251**
17. Other earnings	32	-127	1,005
18. Total earnings		**7,424**	**7,256**
Attributable to:			
19. Shareholders of the parent company		7,427	7,258
20. Non-controlling shareholders		-3	-2
21. Earnings per share (in euros)		2.32	1.92
22. Number of shares (in units)		3,250,436	3,250,436

Consolidated statement of changes in equity

In thousand EUR	Subscribed capital	Capital reserve	Currency conversion difference	Other reserves	Total	Non-controlling interests	Total equity capital
As at 01/07/2021	**3,250**	**14,481**	**814**	**25,994**	**44,540**	**0**	**44,540**
Consolidated annual surplus in financial year 2021/2022				6,253	6,253	-1	6,251
Addition to scope of consol-idation						11	11
Change in other earnings			1,005		1,005		1,005
Dividend payments				-1,950	-1,950		-1,950
Changes in financial year 2021/2022	0	0	1,005	4,303	5,307	10	5,317
As at 30/06/2022	3,250	14,481	1,819	30,297	49,847	10	49,857
As at 01/07/2022	**3,250**	**14,481**	**1,819**	**30,297**	**49,847**	**10**	**49,857**
Consolidated annual surplus in financial year 2022/2023				7,555	7,555	-3	7,551
Change in other earnings			-127		-127		-127
Dividend payments				-2,275	-2,275		-2,275
Changes in financial year 2022/2023	0	0	-127	5,279	5,152	-3	5,148
As at 30/06/2023	**3,250**	**14,481**	**1,691**	**35,576**	**54,999**	**6**	**55,005**

Consolidated cash flow statement

In thousand EUR	Annex	2022/2023	2021/2022
I. Operating activities			
1. Consolidated annual surplus		7,551	6,251
2. (+) Income tax expenditure / (-) income tax refund		3,023	2,046
3. (+) Depreciation / impairment of value of tangible and intangible assets		2,184	1,607
4. (+) Other non-cash expenses / (-) Other cash income		-37	-715
5. (+) Loss / (-) gain on sale of tangible assets		-16	8
6. (+) Decrease / (-) increase in inventories		-6,825	-5,420
7. (+) Decrease / (-) increase in receivables from deliveries and services and other receivables		-146	-2,292
8. (-) Decrease / (+) increase in liabilities from deliveries and services		-22	1,530
9. (-) Decrease / (+) increase in current liabilities		649	317
10. (+) Decrease / (-) increase in non-current receivables		40	115
11. (-) Decrease / (+) increase in non-current liabilities		51	294
12. (+) Interest expenses / (-) interest income		139	195
13. (-) Interest paid (includes interest portion of lease liabilities)		-139	-195
14. (+) Income tax refunded / (-) income tax paid		-1,448	-1,636
Cash flow from operating activities		**5,005**	**2,106**
II. Investment activities	**33**		
1. Payments for investments in tangible and intangible assets		-516	-237
2. Proceeds from sale of tangible and intangible assets		22	10
3. Payments for addition to scope of consolidation		0	11
Cash flow from investing activities		**-495**	**-216**
III. Financing activities	**35**		
1. Payments for the redemption of (financial) loans		-750	-1,167
2. Payments for leasing liabilities [1)]		-1,074	-1,021
3. Profit distribution		-2,275	-1,950
Cash flow from financing activities		**-4,099**	**-4,138**
IV. Changes to cash and cash equivalents affecting payment	**35**	**411**	**-2,249**
1. Cash and cash equivalents at the start of the period		12,884	14,696
2. Changes to the cash and cash equivalents due to the scope of consolidation		0	213
3. Effect of exchange rate changes on cash and cash equivalents		-49	224
V. Cash and cash equivalents per 30/06/2022 (previous year 30/06/2021)		**13,246**	**12,884**
Composition of cash and cash equivalents			
1. Cash		6	5
2. Bank balances		13,240	12,879
Cash and cash equivalents at the end of the period	**12**	**13,246**	**12,884**

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

Financial Report 2023

Notes to the consolidated financial statements

Notes to the consolidated financial statements: 1. General disclosures

FORTEC Elektronik Aktiengesellschaft, Germering, Germany (hereinafter "FORTEC"), as the highest-level parent company in accordance with section 315e of the German Commercial Code, prepares consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, effective as on the balance sheet date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union as of 30 June 2023.

The basis for this is the obligation resulting from section 315e, paragraph 1 of the German Commercial Code in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 concerning the application of international accounting standards.

All standards whose application was mandatory as of the balance sheet date have been taken into account.

Furthermore, all disclosures and explanations required by section 315e, paragraph 1 of the German Commercial Code, which are additionally required by German commercial law for consolidated financial statements to be prepared in accordance with IFRS, are published over and above the disclosure requirements under IFRS.

The company's consolidated financial statements consist of the financial statements of the company and its subsidiaries (together referred to as the Group).

In the power supplies segment, the Group offers the complete product range of power supplies and DC/DC converters. In the data visualisation segment with the product areas Display Technology and Embedded Computer Technology, the activities range from standard kits to complementary services and self-developed product solutions to complete industrial monitors.

The business address of the parent company is Augsburger Str. 2b, 82110 Germering. The company is registered at the Munich district court under registration number HRB 247748.

The consolidated financial statements of FORTEC have been rounded in euros, the functional currency; minor, insignificant rounding differences may therefore occur. Unless otherwise stated, all values are rounded up or down to the nearest thousand euros (EUR thousand).

The consolidated statement of comprehensive income has been prepared using the nature of expense method. Where individual items on the consolidated balance sheet and the consolidated statement of comprehensive income have been combined for the sake of clarity, they are broken down and explained in the notes.

The Group has prepared its financial statements on the assumption that it will be able to continue as a going concern.

New accounting standards

New and amended standards and interpretations IAS 8.28:

The Group has applied the following new and amended standards and interpretations, which are effective from 1 January 2022, for the first time in the past financial year:

Amendments to IFRS 3: Reference to the framework concept

The amendments have updated IFRS 3 such that the references now refer to the current 2018 financial reporting framework. The amendments also include a requirement for a buyer to apply IAS 37 to obligations that are within the scope of IAS 37, in order to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy that is within the scope of IFRIC 21, the buyer applies IFRIC 21 to determine whether the corresponding event that gives rise to the obligation to pay the levy has occurred by the acquisition date.

Finally, the amendments add explicit clarification that a buyer may not recognise contingent receivables acquired in a business combination.

The amendments did not have any significant impact on the consolidated financial statements, as there were no company acquisitions in the past financial year.

Amendments to IAS 16: Revenues before attainment of operational state

The amendments to IAS 16 now explicitly prohibit the deduction of possible net income from the acquisition cost of an item of property, plant and equipment. If goods are produced while an item of property, plant and equipment is being brought to the location or condition necessary for it to be capable of operating in the manner intended by management, an entity shall recognise the proceeds from the disposal of such goods and the cost of production in profit or loss in accordance with the relevant standards. The regulations in IAS 2 are to be applied for the valuation of production costs.

Costs for test runs to verify that the asset is functioning properly continue to be an example of directly attributable costs. The amendments now clarify that test runs are used to assess whether the technical or physical capability of the asset is such that it can be used for the production or supply of goods or services, rental to third parties or for administrative purposes.

Furthermore, additional disclosures are now required in the notes on the income and costs recognised in profit or loss from the disposal of goods produced in the context of test runs that are not incurred in the ordinary course of the company's business. The respective amounts shall be stated and, in addition, the items in which they are included. An exception to this requirement only applies if they are shown separately in the statement of comprehensive income.

The changes had no impact on the consolidated financial statements as the Group does not have any property, plant and equipment where goods are produced during test runs.

Amendments to IAS 37: Onerous contracts - costs for the performance of a contract

As at 1 January 2022, the Group has applied onerous contracts - costs of fulfilling a contract (amendments to IAS 37) for the first time. This resulted in a change in the accounting policy for assessing whether an onerous contract exists. In assessing whether a contract is onerous, the Group previously only considered the additional costs of fulfilling a contract. The amended accounting policy now provides that both incremental costs incurred in fulfilling the contract and other costs directly attributable to fulfilling the contract are taken into account in assessing whether a contract is onerous.

The amendments to IAS 37 apply prospectively to contracts existing at the date of initial application of the amendments. The Group has analysed all contracts in place as at 1 July 2022 and determined that no contract would be classified as onerous using the change in accounting policy. Accordingly, the amendments to IAS 37 have no effect on the opening balance sheet values of equity as at 1 July 2022.

Amendment to IFRS 9: Fees with the 10 % cash value test before derecognition of financial liabilities

The amendment clarifies the charges an entity must consider when assessing whether the terms of a new or modified financial liability are materially different from those of the original financial liability. Only those fees paid or received between the borrower and the lender shall be included, including those paid or received by either the borrower or the lender on behalf of the other. For IAS 39 Financial Instruments: For approach and assessment, there is no comparable amendment proposal.

Under the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged at or after the beginning of the financial year in which it first applies the amendment (date of initial application). This change had no impact on the consolidated financial statements as there were no modifications to the Group's financial instruments during the reporting period

Further amendments to "IFRS 1: Initial application by a subsidiary company" and "IAS 41: Taxation on valuations at fair value" had no impact on the Group as the Group is not a first-time adopter of IFRS and does not hold any assets that fall within the scope of IAS.

Published standards whose application is not yet mandatory

New and amended standards and interpretations that had been published by the date of the consolidated financial statements but were not yet mandatory are presented below. FORTEC intends to apply these new and amended standards and interpretations from their effective date.

Title	Essential provisions	Mandatory date of application
Classification of liabilities as short-term or long-term — amendment to IAS net profit	The narrow amendment to IAS 1 clarifies that the classification of liabilities as short-term or long-term is based on the rights that apply at the end of the reporting period. The classification is independent of both management expectations and any events after the balance sheet date (e.g. receiving a waiver declaration or a breach of contract after the balance sheet date). The amendment also defines what is meant by "fulfilment" (settlement) of a liability in IAS 1. If companies have considered the intentions of management when determining the classification of liabilities, this may have effects. This also applies to some liabilities that can be converted into equity capital. The amendment must be applied retrospectively in accordance with IAS 8.	1 January 2024
Definition of accounting-related estimates — amendments to IAS 8	The amendments to IAS 8 clarify how to differentiate between the amendments to accounting methods and accounting-related estimates. The differentiation is important, as amendments to estimates are to be applied prospectively to future business transactions and events while amendments to accounting methods are to be applied retrospectively to previous business transactions and events, as well as to the current period.	1 January 2023
Disclosures of accounting methods — amendments to IAS 1 and IFRS Practice Statement 2	IAS 1 clarified that companies must disclose all material accounting methods. The standard previously spoke of significant accounting methods. The amendments define what is meant by "material accounting methods" and how to identify them. They also clarify that insignificant information regarding accounting methods does not have to be disclosed. However, if they are specified, material information regarding accounting methods is not permitted to be obscured. In addition to the amendment to IAS 1, IFRS Practice Statement 2 was also amended to provide the company with guidelines for practical application of the concept of materiality of the disclosures of the accounting methods.	1 January 2023

Title	Essential provisions	Mandatory date of application
Deferred taxes from transactions for which initial recognition results in taxable and deductible temporary differences of an equal amount	IAS 12 was amended so that companies are obliged to record deferred taxes for transactions from which the initial valuation results in taxable and deductible temporary differences of an equal amount. The amendments will typically have effects in relation to lease agreements with the lessee and deconstruction obligations, and will cause additional deferred tax assets and liabilities to be recorded. The changes must be applied to transactions that occurred on or after the start of the earliest comparison period shown in the financial statement. In addition, deferred tax assets (if of value) and the deferred tax liabilities at the start of the earliest period shown for all deductible and taxable temporary differences in relation to ▪ Rights of use and leasing liabilities, and ▪ Decommissioning, restoration and other obligations, and the corresponding amounts that were recorded as part of the procurement or manufacturing costs for the corresponding asset must be recorded. The cumulative effect of the initial application of the regulation must be recorded in the retained earnings (or another part of the equity if appropriate). IAS 12 did not previously contain any explicit regulations regarding recording the tax effects in relation to lease agreements (for the lessee) and different procedures were considered permissible in practice. It is therefore possible that some companies have already been using an accounting method that complies with the new regulations up to now and that there will be no effect on them. The Group already recognises deferred taxes on rights of use and lease liabilities.	1 January 2023
Amendment to IAS 21 - Currency conversion in the absence of exchangeability ("Lack of Exchangeability (Amendments to IAS 21)").	To date, IAS 21 has contained practically no regulations on this topic. As such, numerous accounting methods have developed in practice, which the amendments are intended to reduce. The amendments add detailed rules to IAS 21 to determine whether two currencies can be exchanged and how exchange rates are to be determined in the absence of exchangeability. In addition, disclosure requirements are introduced to enable users of financial statements to assess the actual or expected impact of the lack of exchangeability on the entity's financial position, financial performance and cash flows.	1 January 2025
Amendments to IAS 12 within the scope of Pillar II	As FORTEC AG has a turnover of less than EUR 750 million, FORTEC AG is not affected by the amendments.	1 January 2023
Amendments to IFRS 16 for sale and leaseback transactions	In September 2022, the IASB finalised narrow amendments to the requirements for sale and leaseback transactions in IFRS 16 governing leases. These explain how an entity accounts for a sale and leaseback transaction after the date of the transaction. The amendments specify that in measuring the lease liability after the sale and leaseback transaction, the seller/lessee determines the "lease payments" and "modified lease payments" in a way that does not result in the seller/lessee of the gain or loss relating to the retained right of use. This could have a particular impact on sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or interest rate. The Group does not foresee any impact due to the standard.	1 January 2024

Title	Essential provisions	Mandatory date of application
IFRS 17 Insurance contracts	The IASB published IFRS 17 Insurance contracts, a comprehensive new accounting standard that contains principles for recognition, measurement, presentation and disclosure requirements in relation to insurance contracts. With its entry into force, IFRS 17 replaces IFRS 4 Insurance contracts, which was published in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance, non-life insurance, direct insurance and reinsurance) and to certain guarantees and financial instruments with discretionary participation features, regardless of the type of issuing entity. Individual exemptions apply with regard to the scope of application. The overall objective of IFRS 17 is to create a more useful and consistent accounting model for insurers. In contrast to the regulations of IFRS 4, which largely preserve the status quo with regards to previous local accounting rules, IFRS 17 represents a comprehensive model for insurance contracts that maps all relevant aspects of accounting. The core of IFRS 17 is the general model, supplemented by ▪ a specific variant for contracts with direct profit participation (variable fee approach) and ▪ a simplified model (premium allocation approach), usually for short-term contracts. IFRS 17 is applicable for the first time to financial years beginning on or after 1 January 2023. Comparative information must be provided. Early application is permitted if the entity already applies IFRS 9 and IFRS 15 or applies them for the first time at the same time as IFRS 17. IFRS 17 does not apply to the Group.	1 January 2023

FORTEC is continuously analysing the amendments and does not currently anticipate any impact on the Group.

Notes to the consolidated financial statements:

2. Accounting and significant valuation principles

2.1 Individually acquired intangible assets (without goodwill) and tangible assets

Tangible and acquired intangible assets are valued at acquisition cost less accumulated depreciation and amortised over their expected useful lives.

The useful life was set at 3-5 years for software, 10-25 years for buildings, 3-6 years for vehicles, 3-4 years for tools, 3-5 years for office equipment and 4-10 years for fixtures and fittings. Repair costs were charged as expenses.

As of the balance sheet date, the recoverable amount of tangible assets had not fallen below its book value.

Only straight-line depreciation is used as the depreciation method. Additions are depreciated pro rata temporis.

The book values are reviewed on each balance sheet date for any objective indications of impairment.

Tangible assets are derecognised either upon disposal or when no further economic benefit is expected from the continued use or sale of the recognised asset. Gains or losses arising from derecognition of the asset are valued as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the income statement in the period the asset is derecognised.

The asset additions from initial consolidation were reported with their gross values under asset additions or addition value adjustments from initial consolidation for reasons of simplicity.

2.2 Stocks

Stocks are valued at the lower of acquisition or production cost and net realisable value. In the event of price changes, the mixed prices are changed accordingly. The average method is therefore applied.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to realise the sale, except when goods are produced to order. Financing costs are not capitalised.

2.3 Cash

Cash and cash equivalents are valued at their nominal value.

2.4 Embedded derivatives

FORTEC concludes both sales and purchase contracts with customers and suppliers in currencies that differ from the functional currencies of both parties. The agreed currencies are US dollars. Foreign currency derivatives exist. However, these do not have to be separated if the currency used is the currency that is normally used for these transactions. An analysis of the transactions concerned revealed that there are no transactions subject to separation.

2.5 Discontinued operations

Non-current assets or disposal groups comprising assets and liabilities are classified as *held for sale* or held for distribution if it is highly probable that they will be realised principally through sale or distribution rather than through continued use.

Tangible and intangible assets are no longer depreciated and any equity-accounted investee is no longer accounted for using the equity method once they are classified as held for sale or held for distribution. FORTEC does not currently have any "discontinued operations".

2.6 Reserves

Reserves are realised in accordance with the principle of the best possible estimate pursuant to IAS 37 at the amounts that the company is expected to call upon. Any necessary discounting has been carried out.

Warranty provisions

FORTEC provides warranties as required by law to remedy defects that existed at the time of sale. Provisions for these warranties are implemented at the time of sale of the underlying products to the customer. Initial recognition is based on past experience. The estimate of costs related to warranties is reviewed annually.

2.7 Taxes

Current tax assets and liabilities are valued at the amount expected to be recovered or paid. The calculation of the amount is based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates income subject to taxation.

Current taxes relating to items recognised directly in equity capital are not recognised on the income statement but in the equity capital. The Management Board regularly assesses individual tax matters to determine whether there is room for interpretation in light of applicable tax regulations. Tax provisions are applied if a need is identified.

Deferred taxes (tax assets or liabilities) are recognised for all taxable temporary differences except for differences arising on the initial recognition of goodwill that does not affect taxable profit and temporary differences associated with investments in subsidiaries, associated companies or interests in joint arrangements where FORTEC can control the timing of the reversal of the temporary differences and the temporary differences will not reverse in the foreseeable future.

Deferred tax assets on losses carried forwards are recognised to the extent that it is probable that sufficient taxable profit will be available in the future.

Deferred tax assets and liabilities are offset only when FORTEC has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority either against the same taxable entity or against different taxable entities that intend, in each future period in which they are expected to settle or recover significant amounts of deferred tax liabilities or assets, either to settle the current tax liabilities and assets on a net basis or to settle the liabilities simultaneously with the realisation of the assets.

An expected future average income tax burden (corporation tax, solidarity surcharge and profit tax) of between 17 % and 30.2 % depending on the tax regulations of the country of origin was used as a basis (previous year: between 17 % and 30.2 %).

Value added tax

Assets (e.g. inventories) are recognised net of VAT. Receivables and liabilities from deliveries and services are an exception.

2.8 Currency conversion

Currency conversion in the Group

The functional currency of the foreign subsidiaries is the local currency in each case, as the companies conduct their business independently in financial, economic and organisational terms.

Assets and liabilities are therefore converted at the closing rate on the balance sheet date, and costs and income at the average rate for the year (modified closing rate method). Goodwill arising in conjunction with the acquisition of a foreign operation and adjustments to the carrying amounts acquired are treated as assets and liabilities of the foreign operation and are also converted at the closing rate.

Foreign currency transactions and balances

Transactions in foreign currencies are converted into euros at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currencies existing at the balance sheet date are converted into euros at the exchange rate applicable on the balance sheet date. Exchange differences are recognised in profit or loss. Non-monetary items that are valued at historical cost in a foreign currency are converted using the exchange rate applicable on the date of the transaction; those that are recognised at fair value in a foreign currency are converted using the exchange rate on the date when the fair value was determined. The accounting system applied to the profit or loss on conversion of non-monetary items valued at fair value is based on the recognition of the profit or loss on the change in fair value of the item.

2.9 Classification rules

The IAS classification rules have been carried over from the previous year, with the exception of the presentation of other financial assets and liabilities, which are now presented separately in accordance with IAS 1.54.

Classification as current and non-current

Assets and liabilities are considered current if they fall due within one year. Receivables and liabilities from deliveries and services, as well as inventories are generally classified as current.

Deferred tax assets or liabilities are generally presented as non-current in accordance with IAS 1.56.

The preparation of the consolidated financial statements in compliance with IFRS requires that discretionary decisions are made and estimates used which have an effect on the amount of the book value of the assets and liabilities shown in the balance sheet, the income and expenses and the contingent liabilities. In individual cases, the actual values may differ from the discretionary decisions and estimates made. Changes are recognised in profit or loss as soon as better information is available.

2.10 Revenues from contracts with customers

FORTEC is active in the business fields of data visualisation and power supplies, and primarily provides related product deliveries and services, whereby the products are partly adapted to the customer's requirements.

Sales are recognised when control of the goods is transferred to the customer, irrespective of the payment date. Sales revenue is recognised in the amount of the consideration that FORTEC expects to receive in exchange for the goods. Interest income is recognised on a time-proportionate basis.

FORTEC considers itself to be the principal in all transactions. This is because FORTEC bears the inventory risk and price risk before the goods are transferred to the customer.

Variable consideration

If a contractual consideration contains a variable component, the Group determines the amount of consideration to which it is entitled in exchange for the transfer of the goods to the customer. The Group grants some customers rebates in the form of bonus credits as soon as the value purchased during the period exceeds a certain sales level. In such contractual constellations, the Group estimates the probability of receiving the variable consideration at the beginning of the contractual relationship and only includes the variable consideration in the transaction price if it is highly probable that it will receive the full consideration. In addition, quantity discounts are granted in the form of price scales, which are, however, only applied to the respective individual order. Sales deductions from discounts, bonuses and rebates are deducted from sales revenue.

Warranty obligations

FORTEC typically provides warranties as required by law to remedy defects that existed at the time of sale. These so-called "assurance-type" warranties are recorded as warranty provisions. Details regarding the accounting method for warranty provisions can be found in section 17 "Reserves". Furthermore, FORTEC offers separate options to extend the statutory warranty as "Service Type" warranties. These warranties are recognised on a pro rata basis over the warranty period and are initially recognised as a contract liability.

Receivables from deliveries and services

FORTEC recognises receivables from deliveries and services when these have an unconditional right to settlement by the customer. The accounting methods for financial assets are explained in subsection 2.16 "Financial instruments - initial recognition and subsequent evaluation".

Contract liabilities (other liability)

A contract liability is recognised when the customer makes payment or payment falls due before the Group transfers the related goods or services to the customer. Contract liabilities are recognised as revenues when the Group fulfils its contractual obligations.

Borrowing costs incurred during the financial year are recognised as an expense because the criteria for capitalisation are not met.

2.11 Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and the entity will comply with the conditions attached to them. Expense-related grants are recognised as income over the period in which the related costs for which they are intended to compensate are incurred.

2.12 Development costs

Development costs of an individual project are only capitalised as an intangible asset if the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for internal use or sale
- the intention to complete the intangible asset and the ability and intention to use or sell it
- the manner in which the asset will generate future economic benefits
- the availability of resources for the purpose of completing the asset
- the ability to reliably value the costs attributable to the intangible asset during its development.

The criteria listed are currently not satisfied in relation to FORTEC's developments. As such, development costs are currently all recognised as costs in the period in which they are incurred (personnel expenses and other operating costs).

2.13 Assumptions and estimation uncertainties

The estimation uncertainties primarily relate to the recognition and valuation of assets and liabilities that may involve a significant risk in the coming financial years. These are included in the following items.

- Valuation of the allowance based on expected credit losses for receivables from deliveries and services, and contract assets: Key assumptions in determining the weighted average loss rate.
- Inventories are valued at the lower of acquisition or production cost and net realisable value. To ensure that inventories are valued at the lower of cost and net realisable value, FORTEC determines net realisable values using discounts based on experience and consumption of inventory items. In addition to the standardised approach, FORTEC AG carries out a case-by-case assessment for inventories. Depreciation is typically realised for lack of marketability due to low consumption and sales volumes in the past.
- Recognition of deferred tax assets: Availability of future taxable profits against which deductible temporary differences and tax loss carry forwards can be utilised, as well as applicable tax rates.
- Impairment test of intangible assets and goodwill: key assumptions underlying the determination of the recoverable amount (value in use). A discounted cash flow method is used to calculate the value in use. The cash flows are derived from the financial plan for the next five years. The recoverable amount depends on the discount rate used in the discounted cash flow method, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant for goodwill.
- Recognition and valuation of provisions and contingent assets and liabilities: significant assumptions regarding the probability and extent of the inflow or outflow of benefits. The value of provisions for warranty obligations is determined based on an estimate of the expected costs and the probability of occurrence. In doing so, historical values as well as ongoing processes are reviewed.

- Acquisition of subsidiaries: Determination of the fair value of the consideration transferred (including contingent consideration) and preliminary determination of the fair values of the identifiable assets acquired and liabilities assumed.
- Determination of the term of leases with renewal and termination options where FORTEC is the lessee. FORTEC has entered into several lease agreements that contain renewal and termination options. FORTEC makes judgements when assessing whether there is reasonable certainty that the option to renew or terminate the lease will or will not be exercised. Factors that provide an economic incentive for FORTEC to exercise the renewal or termination option are considered. After the date of provision, the Group re-determines the lease term if a significant event or change in circumstances occurs that is within its control and affects whether or not it will exercise the option to renew or terminate the lease (e.g. making a material leasehold improvement or material adjustment to the underlying asset).
- Estimation of the incremental borrowing rate: FORTEC cannot readily determine the interest rate underlying the lease. Therefore, FORTEC uses the estimated incremental borrowing rate to value lease liabilities. The incremental borrowing rate is the interest rate that FORTEC would potentially have to pay if FORTEC borrowed the funds for a comparable term with comparable security, rather than leasing.

2.14 Determining fair values for financial and non-financial assets and liabilities.

When determining the fair value of an asset or liability, the Group uses observable market data insofar as is possible. Based on the inputs used in the valuation techniques, fair values are categorised into different levels in the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: Valuation inputs other than quoted prices included within Level 1, but observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Valuation parameters for assets or liabilities that are not based on observable market data

If the inputs used to measure the fair value of an asset or liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety within the level of the fair value hierarchy that corresponds to the lowest level input that is significant to the valuation as a whole. The Group recognises reclassifications between levels of the fair value hierarchy at the end of the reporting period in which the change occurs.

2.15 Impairment of non-financial assets

At the end of the financial year, FORTEC analyses whether there is any indication of impairment of non-financial assets. If any such indication exists, or when annual impairment testing for an asset is required, FORTEC formulates an estimate of the asset's recoverable amount. The recoverable amount of an asset is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use.

If the book value of an asset or a cash-generating unit exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount. To determine the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To the extent possible, recent market transactions are used to determine the fair value less costs to sell.

If no active markets exist, an appropriate valuation model (e.g. discounted cash flow method for goodwill impairment testing) is applied. The Group bases its impairment assessment on the most recent budget and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which individual assets are allocated. Such budget and forecast calculations usually cover one year in the detailed planning and three more years in a forecast calculation. From the fifth year, a long-term growth rate is determined and applied to forecast future cash flows.

Impairment losses of continuing operations are recognised in profit or loss in the cost categories consistent with the function of the impaired asset in the entity. This does not apply to previously revalued assets, provided the increases in value from the revaluation were recognised in other comprehensive income. In these cases, the impairment is also recognised in other comprehensive income up to the amount from a previous revaluation.

The Group assesses the extent to which climate-related risks could significantly influence or affect business operations (e.g. the introduction of regulations to reduce emissions may result in higher production costs). These risks are included as material assumptions if they have a material impact on the measurement of the recoverable amount. The assumptions were taken into account when determining the values in use using cash flow forecasts.

2.16 Financial assets and financial debts.

The following assessments have been made based on the facts and circumstances that existed on the date of initial application:

- determination of the business model under which a financial asset is held.
- determination of certain equity investments held as financial assets, which are not held for trading purposes as FVOCI (Fair Value through Other Comprehensive Income).

Financial assets

Initial recognition and evaluation

IFRS 9 provides the following three categories for classification of financial assets:

- at amortised cost
- at fair value through other comprehensive income (FVOCI) (recognised directly in equity) with reclassification of accumulated gains and losses (debt instruments)
- at fair value through other comprehensive income (FVOCI) (recognised directly in equity) without reclassification of accumulated gains and losses (equity instruments)
- at fair value through profit or loss with changes in value recognised in profit or loss (FVtPL) (recognised in profit or loss)

The Group determined the classification of its financial assets at initial recognition.

Financial assets are valued at fair value on initial recognition. In the case of investments that are not classified at fair value through profit or loss, transactions that are directly attributable to the acquisition of the assets are also taken into account.

The Group's financial assets include cash and short-term deposits, receivables from deliveries and services and other receivables, as well as equity investments.

Subsequent evaluation

The Group makes the subsequent evaluation of financial assets dependent on their classification:

Financial assets at FVtPL (Fair Value through Profit and Loss)

The Group has not classified any financial assets in this category.

Financial assets at amortised cost

Receivables from deliveries and services and other financial assets with the exception of equity instruments are classified at amortised cost. Profits and losses are recognised in the profit or loss when the asset is derecognised, modified or its value is impaired.

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Following initial recognition, such financial assets are subsequently valued at fair value. Impairment losses are recognised in the statement of comprehensive income under financial expenses.

Financial assets at FVOCI (Fair Value through Other Comprehensive Income)

Equity investments

The Group has classified its assets held as equity investments (participations), which the Group intends to hold on a long-term basis for strategic reasons, under this item. In accordance with IFRS 9, the Group has designated these investments as FVOCI on the date of initial application.

Following initial evaluation, equity investments are carried at fair value in subsequent periods. Dividends are recognised as income in the profit or loss unless the dividend is apparently a recovery of part of the cost of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss.
The Group does not have any assets that are valued at fair value through profit or loss or that are valued at fair value through other comprehensive income with reclassification of the profits and losses on derecognition.

Impairment of financial assets

On each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence of impairment, the amount of the impairment loss is valued as the difference between the asset's carrying amount and the present cash value of estimated future cash flows.

Financial liabilities

IFRS 9 applies to financial assets valued at amortised cost, contract assets and debt instruments valued at FVOCI, but not to equity investments held as financial assets.

IFRS 9 provides the following classifications for financial liabilities:

→ Financial liabilities valued at fair value through profit or loss
→ Financial liabilities valued at amortised cost (loans)

The Group determined the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognised at fair value.
The Group's financial liabilities include bank loans, liabilities from deliveries and services, lease liabilities and other financial liabilities.

Subsequent evaluation

The Group makes the subsequent evaluation of financial liabilities dependent on their classification.

Financial liabilities valued at fair value through profit or loss

The Group has not classified any financial liabilities as at fair value through profit or loss.

Loans and liabilities

Loans and liabilities are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Following initial recognition, such financial liabilities are subsequently measured at amortised cost less any increase in value.

Debiting

A financial liability is derecognised when the underlying obligation is satisfied, cancelled or expires.

2.17 Leases

At the start of a contract, the Group assesses whether a contract creates or contains a lease. This is the case if the contract gives the right to control the use of an identified asset for a certain period of time in return for a fee.

From 1 July 2019, leases are recognised as a right-of-use asset and the corresponding lease liability at the time the leased asset is available for use by the Group.

The Group as a lessee

The Group recognises and values all leases (other than short-term leases and leases where the underlying asset is of low value) in accordance with a single model. The Group recognises liabilities to make lease payments and right-of-use payments for the right to use the underlying asset.

Rights of use

The Group recognises rights of use on the date of provision, i.e. the date on which the underlying leased property or item is available for use. Rights-of-use assets are valued at cost less all accumulated depreciation and all accumulated impairment losses, adjusted for any revaluation of the lease liability. The cost of right-of-use assets includes the recognised lease liability, initial direct costs incurred and lease payments made on or before the date of provision, less any lease incentives received. Leases for premises are generally agreed for fixed periods of 5-10 years and for vehicles for fixed periods of 36-48 months.

Rights of use are amortised on a straight-line basis over the shorter of the useful life and the term of the underlying lease contract. If exercising a purchase option is reasonably certain from the Group's perspective, the asset is depreciated over the useful life of the underlying asset.

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost includes the exercise of a purchase option, depreciation is determined based on the expected useful life of the leased asset. Furthermore, right-of-use assets are reviewed for impairment.

Leasing liabilities

On the date of provision, the Group recognises the lease liability at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including de facto fixed payments) less any lease incentives to be received, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees. Furthermore, lease payments also include the exercise price of a purchase option if there is reasonable assurance that the Group will exercise this, and penalties for termination of the lease if the term reflects that the Group will exercise the termination option.

Variable lease payments that are not linked to an index or (interest) rate are applied in the period in which the event or condition giving rise to the payment occurs. The Group determines the lease term based on the basic term of the lease that cannot be cancelled, and including the periods resulting from an option to renew the lease if it is reasonably certain that this option will be exercised, or the periods resulting from an option to terminate the lease if it is reasonably certain that this option will not be exercised. Significant judgement on the part of management is required when assessing whether exercising these renewal and termination options is reasonably certain (see section 3).

Short-term leases and leases with an underlying asset of low value

FORTEC applies the short-term lease exemptions in the case of leases with a term of less than twelve months from the date of provision and without an option to purchase. Furthermore, such an exemption is also applied to leases that are of low value such as printers or other office equipment. Lease payments for short-term leases or leases of low value are recognised as an expense on a straight-line basis over the lease term.

2.18 Business combinations

The Group accounts for business combinations using the purchase method in accordance with IFRS 3 as soon as the Group obtains control. The acquisition costs are determined from the consideration transferred in the acquisition, which is measured at fair value on the acquisition date, and the fair value of the non-controlling interest if less than 100 % of a company is acquired. Costs incurred in a business combination are recognised as an expense and reported under other operating expense.

The identifiable net assets acquired are generally measured at fair value. A gain on an acquisition at a price below fair value is recognised immediately in the consolidated statement of comprehensive income. Transaction costs are recognised immediately as an expense.

In the case of Emtron electronic GmbH, the difference was attributable to hidden reserves in fixed assets, creditable corporation tax and goodwill. With ALTRAC AG, hidden reserves in fixed assets and goodwill had to be reported within the framework of the acquisition.

In the case of the acquisition of the Data Display sub-group, the difference was attributable to goodwill and to hidden reserves in stocks and orders on hand. With the acquisition of Display Solutions Ltd, the difference was attributable to goodwill and hidden reserves in orders on hand.

The differences resulting from the capital consolidation - insofar as they do not relate to hidden reserves - are shown as goodwill (section 5) in the fixed assets. Goodwill is recognised as an asset and subjected to an annual impairment test. Any impairment is immediately recognised in profit or loss. Any contingent consideration obligation is measured at fair value on the acquisition date.

If the contingent consideration is classified as equity capital, it is not revalued and a settlement is accounted for in the equity capital. Otherwise, other contingent consideration is valued at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Notes to the consolidated financial statements:

3. Scope of consolidation

In addition to the parent company, the following subsidiaries are also included in these consolidated financial statements:

Name, registered office of the company	Direct shareholding /voting rights	Previous year
EMTRON electronic GmbH [1)] Riedstadt-Wolfskehlen, Germany	100 %	100 %
ROTEC technology GmbH i.L. [1)] Muggensturm, Germany	100 %	100 %
AUTRONIC Steuer- und Regeltechnik GmbH [1)] Sachsenheim, Germany	100 %	100 %
DISTEC GmbH Vertrieb von elektronischen Bauelementen [1)] Germering, Germany	100 %	100 %
Data Display Solution GmbH & Co. KG Hörselberg-Hainich, Germany	100 %	100 %
Data Display Solution Verwaltung GmbH [1)] Hörselberg-Hainich, Germany	100 %	100 %
ALTRAC AG Würenlos, Switzerland	100 %	100 %
Apollo Display Technologies Corp. Ronkonkoma, USA	100 %	100 %
Display Technology Ltd Huntingdon, UK	100 %	100 %

1) These companies utilise the exemption of section 264, paragraph 3 of the German Commercial Code.

Notes to the consolidated financial statements:

3. Scope of consolidation

Name, registered office of the company	Indirect shareholding /voting rights	Previous year
Alltronic elektronické stavební skupiny a komponenty, spol. s.r.o. Dýšina, Czech Republic	100 %	100 %
aushang.online GmbH Germering, Germany	55 %	0 %

FORTEC AG holds 100 % of the shares in each of these companies, directly holds the majority of the voting rights and therefore exercises control in accordance with IFRS 10.6.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences. The individual financial statements of the material subsidiaries that are significant for the Group have been prepared on the reporting date of the consolidated financial statements and have been audited by independent auditors who have issued unqualified auditor's reports.

ALLTRONIC elektronické stavební skupiny a komponenty s.r.o., Dýsina is 100 % held by AUTRONIC Steuer- und Regeltechnik GmbH.

aushang.online GmbH is a subsidiary of DISTEC GmbH Vertrieb von elektronischen Bauelementen. It holds 55 % of aushang.online GmbH.

Advantec Electronics B.V. has been appraised as an associated company according to IAS since the 2021/2022 financial year, as FORTEC AG is able to exert its influence at shareholder meetings due to its shareholding.

Advantec Electronics B.V. reported equity of EUR 300 thousand on the balance sheet date 31 December 2022 (previous year: EUR 304 thousand). The annual result for the 2022 financial year was EUR 108 thousand (previous year: EUR 95 thousand).

Apollo Display Technologies Corp. holds 100 % of Apollo Ronkonkoma Inc. Apollo Ronkonkoma Inc. is not consolidated due to its minor importance for the Group in accordance with IAS 1.15 and 1.30. This applies to both qualitative factors (such as special risk) and the significance for the net assets, financial position and results of operations.

In accordance with the statutory regulations, the financial statements of the individual companies are prepared uniformly for inclusion in the consolidated financial statements in accordance with the accounting and valuation methods applicable to FORTEC AG, or adjusted to these principles for consolidation. Similar items have been combined.

Control exists when the Group has exposure, or rights, to variable returns as a result of its involvement with the investee and has the ability to use its power over the investee to influence those returns.
In particular, FORTEC controls an investee when it possesses all of the following characteristics:

- power of disposition over the investee (i.e. FORTEC has the ability, based on rights existing at that time, to direct those activities of the investee that have a significant effect on its returns)
- exposure to, or rights to, variable returns arising due to its involvement with the investee
- the ability to use its power over the investee to influence the investee's returns

FORTEC generally assumes that a majority of the voting rights results in control. To support this assumption, and when FORTEC does not have a majority of the voting rights or equivalent rights in an investee, FORTEC considers all relevant facts and circumstances in assessing whether FORTEC has power over that investee.

The consolidation of a subsidiary begins on the date on which the Group obtains control of the subsidiary, and ends when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the reporting period are recognised in the consolidated financial statements from the date the Group obtains control of the subsidiary until the date that control ceases.

Profit or loss and any component of other comprehensive income are attributed to ordinary equity holders of the parent company because there are no minority interests in the Group at the present time. If necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intercompany assets and liabilities, equity, income and expenses, and cash flows arising from transactions that take place between Group companies are eliminated in full on consolidation. If the ownership interest in a subsidiary changes without loss of control, the transaction is accounted for as an equity transaction.
If the Group loses control of the subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other equity components are derecognised. Any resulting gain or loss is taken into consideration in the income statement. Any retained interest is recognised at fair value.

If the contingent consideration is classified as equity capital, it is not revalued and a settlement is accounted for in the equity capital. Otherwise, other contingent consideration is valued at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Notes to the individual balance sheet items

In accordance with IAS 1, the consolidated balance sheet is classified into current and non-current assets and liabilities. Assets and liabilities that fall due within one year are considered current. In accordance with IAS 1.56, deferred taxes are reported as non-current assets and liabilities.

As in the previous year, the goodwill is to be allocated to the cash-generating units (CGU) identified in the form of the two segments "data visualisation" and "power supplies" for the 2022/2023 financial year (section 31). The book value of the goodwill for *power supplies* changes from EUR 3,420 thousand to EUR 2,905 thousand.
The book value of the goodwill for *data visualisation* remains virtually unchanged at EUR 3,543 thousand.

Instead of scheduled depreciation of the goodwill resulting from the capital consolidation, a possible lower value is determined exclusively on the basis of an impairment test in accordance with IAS 36 in conjunction with IFRS 3.

The annual impairment test is carried out as required, although no later than at the end of the fourth quarter of the financial year, on the basis of the cash-generating units power supplies and data visualisation.

The impairment test for goodwill was carried out per 31 May 2023. In accordance with IAS 36.10 (a), the book value was compared to the recoverable amount in the form of the value in use of the CGU.

The plans are based on past experience and business results as well as the best possible estimate of the future development of individual influencing factors. In our estimation, the currency influences on turnover will be offset in the following years.

Cash-generating unit Power Supplies

The recoverable amount of the cash-generating unit Power Supplies is determined on the basis of a value-in-use calculation using cash flow projections based on financial budgets prepared by the management covering a four-year period. The pre-tax discount rate used for the cash flow projections is 14.33 % (previous year: 10.41 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.5 % (previous year: 1.5 %). This growth rate corresponds to the expected long-term average growth rate in the power supplies sector. The review showed that the fair value less costs to sell was lower than the value in use. As a result of this analysis, the management recognised an impairment loss of EUR 560 thousand in the financial year compared to the value recognised as at 30 June 2022. This is reported under depreciation and amortisation. The main reason for the impairments was the increased discount rate and lower revenue growth in subsequent years.

Cash-generating unit Data Visualisation

The recoverable amount of the cash-generating unit Data Visualisation is likewise determined on the basis of a value-in-use calculation using cash flow projections based on financial budgets prepared by the management covering a four-year period. The projected cash flows have been updated based on current business expectations. The pre-tax discount rate used for the projections is 14.83 % (previous year: 11.51 %). Cash flows after the four-year period are extrapolated using a growth rate of 1.5 % (previous year: 1.5 %). The analyses showed that the value in use is higher than the current carrying amount of the cash-generating unit.

The recoverable amount is essentially determined by the final value (perpetual annuity), which reacts sensitively to changes in the growth rate assumption as well as the discount factor. Within the framework of sensitivity analyses (increase of interest rate by 5 % and decrease of cash flows by 5 % in perpetual annuity), there was no requirement for impairment.

Basic assumptions for the calculation of the value in use and sensitivity analysis to assumptions made:

For the following assumptions applied in the calculation of the value in use of the two CGUs Data Visualisation and Power Supplies, the largest estimation uncertainties exist in the following areas:

- → Gross profit margins
- → Discount rates

Gross profit margins

Gross profit margins are determined using the average values achieved in the previous financial years before the start of the budget period. In the Data Visualisation division, the value is around 37 %. For the cash-generating unit Power Supplies, the value stands at approx. 29 %. A growth rate of 2 % to 7 % (previous year: 2-8 %) was included for the sales revenues in the planning period. The gross margin is kept constant within the perpetual annuity and the business cost is increased by 2 % to 6 % (previous year: 2-5 %).

Discount rates

The discount rates represent current market assessments of the risks specific to each cash-generating unit, taking into account the interest effect and the risks specific to the assets for which the estimated future cash flows have not been adjusted. The calculation of the discount rate takes into account the specific circumstances of the Group and its business segments and is based on its weighted average cost of capital (WACC). The weighted average cost of capital takes into account both debt and equity. The cost of equity is derived from the expected return on equity of the Group's equity investors. The cost of debt is based on the interest-bearing debt for which the Group has to service the debt. The segment-specific risk is included by applying individual beta factors. The beta factors are determined annually on the basis of publicly available market data. To determine a pre-tax discount rate, the discount rate is adjusted for the corresponding amount and timing of future tax cash flows.

The goodwill has developed as follows:

In thousand EUR	2022/2023	2021/2022
Goodwill on 1 July	**6,963**	**6,715**
Additions	0	0
Deductions	0	0
Depreciation	-560	0
Exchange differences	45	248
Goodwill on 30 June	**6,448**	**6,963**

Notes to the consolidated financial statements:

6. Intangible and tangible assets

The development of fixed assets at historical cost and depreciation for the financial year is shown in the consolidated statement of changes in fixed assets. Intangible assets (there are no internally generated assets that can be capitalised) and tangible assets are recognised at acquisition cost less scheduled depreciation.

The useful life is as follows:

→ Software	3 to 5 years
→ Vehicles	3 to 6 years
→ Tools	2 to 4 years
→ Office equipment	3 to 5 years
→ Operating and business equipment	4 to 10 years
→ Buildings	10 to 25 years

Only the straight-line depreciation method is applied. Low-value assets are depreciated in the year of acquisition for reasons of simplification. The amortisation of intangible assets and depreciation of tangible assets are reported in the consolidated statement of comprehensive income under item 6 Depreciation. Depreciation methods, useful lives and residual values are reviewed on each reporting date and adjusted if necessary. Any gain or loss on the disposal of assets is recognised in the statement of comprehensive income. The consolidated statement of changes in gross fixed assets includes an additional column for currency conversion differences, which represent exchange rate fluctuations for fixed assets that are not held in euros.

Notes to the consolidated financial statements: 7. Leases

FORTEC has entered into lease agreements for various items of operating and business equipment, motor vehicles and buildings that are used for operational purposes. Lease agreements for motor vehicles generally have terms of between 36 and 48 months. The leases agreements for premises usually have fixed terms between 5 and 10 years. Furthermore, some of the premises leases contain renewal options or ties to a price index for lease adjustments. The Group's obligations under its lease agreements are secured by the lessor's title to the leased assets. FORTEC has also entered into lease agreements for office equipment of minor value and company bikes.

In the case of these lease agreements, FORTEC applies the practical expedients applicable to short-term leases and lease agreements based on an asset of low value. The Group does not act as lessor.

The following tables show the book values of the right-of-use assets and lease liabilities recognised on the balance sheet, as well as the changes and amounts recognised on the P&L account during the reporting period:

Notes to the consolidated financial statements: 7. Leases

a) Amounts recognised on the balance sheet

The following items are recognised on the balance sheet in connection with leases:

Rights of use in thousand EUR	30/06/2023	30/06/2022
Buildings	4,539	5,098
Motor vehicles	223	167
Other	84	115
Total	**4,845**	**5,380**

Additions to the rights of use during the 2022/2023 financial year amounted to EUR 185 thousand. The disposals amounted to EUR 165 thousand.

Lease liabilities in thousand EUR	30/06/2023	30/06/2022
Buildings	4,714	5,246
Motor vehicles	210	156
Other	85	116
Total	**5,009**	**5,518**

The deferred tax assets on leases at the end of the financial year amount to EUR 48 thousand (previous year: EUR 40 thousand)

b) Amounts recognised on the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts in connection with leases:

Depreciations on rights of use in thousand EUR	2022/2023	2021/2022
Buildings	938	899
Motor vehicles	130	125
Other	31	28
Total	**1,100**	**1,052**

In thousand EUR	2022/2023	2021/2022
Interest expenses (included in the finance costs)	108	116
Expenses related to short-term leases (recognised in cost of goods sold and administrative expenses)	0	0
Expenses related to leases of low-value assets not included in the short-term leases above (included in administrative expenses)	42	10
Expenses related to variable lease payments not included in lease liabilities (included in administrative expenses)	0	0
Total	**150**	**126**

Total lease payments in 2022/2023 amounted to EUR 1,182 thousand (previous year: EUR 1,141 thousand). The maturity analysis of lease liabilities is presented in section 20.

Notes to the consolidated financial statements:

8. Financial assets balanced according to the equity method

The following table contains summarised financial information on the Group's investment in Advantec Electronics B.V.

The table also shows a reconciliation of the summarised financial information to the carrying amount of the Group's interest in Advantec. The information for the financial year shown in the table includes the period from 1 January 2022 to 31 December 2022 for the latest available financial statements of Advantec Electronic B.V. The financial year corresponds to the calendar year for Advantec Electronic B.V.

Notes to the consolidated financial statements:

8. Financial assets balanced according to the equity method

In thousand EUR	31/12/2022	31/12/2021
Current assets	312	325
Non-current assets	5	7
Current liabilities	-17	-28
Non-current liabilities	0	0
Net assets 100 %	**300**	**304**
Group shares in the net assets: 36.6 % (previous year: 36.6 %)	110	111
Distribution	-33	-41
Book value of the shares in the associated company *	**77**	**71**
Sales revenues	1,134	1,050
Result from the operation to be continued	108	95
Group share of the result 36.6 % (previous year: 36.6 % *)	**39**	**35**

** The participation was not appraised according to at equity in the previous year. The participation was reported in the non-current financial assets. The revenue was reported as income from investments in the profit and loss account.*

Notes to the consolidated financial statements: 9. Financial assets

The financial assets break down as follows as at 30 June 2022:

In thousand EUR	30/06/2023	30/06/2022
Security deposits	75	70
Total non-current financial assets	**75**	**70**
Other current financial assets	145	571
Total financial assets	**220**	**640**

The non-current financial assets concern rental deposits paid for the FORTEC office in Vienna (EUR 1 thousand), the Apollo offices in the USA (EUR 24 thousand) and the Data Display Solution in Hörselberg-Hainich (EUR 49 thousand).

Current financial assets include creditors with debit balances (EUR 14 thousand), down payments and advances (EUR 28 thousand), social security receivables (EUR 43 thousand) and other receivables (EUR 60 thousand). The Advantec Electronic B.V. financial year corresponds to the calendar year.

Notes to the consolidated financial statements:

Consolidated statement of changes in gross assets

In thousand EUR	Historical acquisition costs							
	As at 01/07/2022	Additions 2022/2023	Additions Revaluation 2022/2023	Additions to the scope of consolidation 2022/2023	Deductions 2022/2023	Repostings 2022/2023	Exchange rate differences Transfers 2022/2023	As at 30/06/2023
Intangible fixed assets								
Goodwill	12,920	-	-	-	-	-	129	13,049
Relationships Business partners	117	-	-	-	-	-	-	117
Software incl. quantity	969	175	-	-	-202	4	-1	945
Total intangible fixed assets	**14,005**	**175**	**-**	**-**	**-202**	**4**	**128**	**14,111**
Tangible assets								
Plots	548	-	-	-	-	-	-	548
Buildings incl. adv. payments made	3,448	-	-	-	-	-	-	3,448
Other structures	42	-	-	-	-	-	-	42
External facilities	176	-	-	-	-	-	-	176
Vehicles	185	-	-	-	-60	-	-	125
Tools	185	10	-	-	-	-	-	195
Technical plant/ machinery	1,105	71	-	-	3	60	4	1,243
Office equipment/IT	633	24	-	-	-3	-	-1	653
Operating and business equipment	1,434	211	-	-	-24	-64	-2	1,554
Low-value assets	155	25	-	-	-28	-	-	153
Total tangible assets	**7,911**	**341**	**-**	**-**	**-113**		**1**	**8,136**
Rights of use	8,224	185	389	-	-165	-	-38	8,594
Total fixed assets	**30,141**	**701**	**389**	**-**	**-480**		**91**	**30,841**
for reporting only: Dev. previous year's values	01/07/2021	2021/2022	2021/2022	2021/2022	2021/2022	2020/2021	2021/2022	30/06/2022
Intangible assets	13,265	95	-	19	-60	-	687	14,005
Tangible assets	7,668	142	-	358	-317	-	60	7,911
Rights of use	7,877	233	201	14	-233	-	131	8,224
Total fixed assets	28,810	470	201	391	-609	-	878	30,141

Notes to the consolidated financial statements:

Consolidated statement of changes in gross assets

Depreciation						Book values	
As at 01/07/2022	Additions 2022/2023	Additions to the scope of consolidation 2022/2023	Deductions 2022/2023	Exchange rate differences Transfers 2022/2023	As at 30/06/2023	As at 01/07/2022	As at 30/06/2023
5,958	560	-	-	84	6,602	6,963	6,448
55	14	-	-	-	69	62	47
817	59	-	-197	-	680	151	265
6,829	**634**	**-**	**197**	**85**	**7,351**	**7,176**	**6,760**
-	-	-	-	-	-	548	548
414	138	-	-	-	552	3,034	2,896
6	2	-	-	-	8	36	34
54	18	-	-	-	72	122	104
180	6	-	-60	-	125	6	-
171	13	-	-	-	185	14	11
877	93	-	3	4	977	228	266
493	30	-	-3	-1	519	139	133
910	124	-	-24	-1	1,009	524	545
155	26	-	-28	-	153	-	-
3,261	**450**	**-**	**-113**	**2**	**3,600**	**4,650**	**4,536**
2,844	1,100	-	-165	-30	3,749	5,380	4,845
12,934	**2,184**	**-**	**-474**	**56**	**14,699**	**17,207**	**16,142**
01/07/2021	2021/2022	2021/2022	2021/2022	2021/2022	30/06/2022	01/07/2021	30/06/2022
6,352	81	17	-60	439	6,829	6,913	7,176
2,759	473	278	-299	50	3,260.79	4,909	4,650
1,962	1,052	-	-241	71	2,843.82	5,916	5,380
11,072	1,607	295	-600	560	12,934	17,737	17,207

Notes to the consolidated financial statements: 10. Inventories

The stocks broke down as follows as at 30 June 2023:

In thousand EUR	30/06/2023	30/06/2022
Goods/raw materials, auxiliary and operating substances	29,188	22,798
Finished/unfinished goods	2,929	2,281
Advance payments made	440	996
Total stocks	**32,556**	**26,075**

Goods/raw materials, auxiliary and operating substances are recognised at acquisition cost, taking into account ancillary acquisition costs. Weighted average prices are used as a basis for this. Insofar as necessary, depreciation to the lower fair value - which corresponds to the net realisable value - has taken place. All recognisable risks have been taken into account by means of appropriate deductions.

Finished/unfinished goods are recognised at production cost, whereby directly attributable costs (such as production wages and material costs) as well as fixed and variable production overheads (production and material overheads) are taken into account. Costs in accordance with IAS 2.16 are not included. For information on impairment, refer to section 24 "Cost of materials".

Notes to the consolidated financial statements: 11. Receivables from deliveries and services, tax refund entitlements, other current financial and other current assets

Receivables from deliveries and services, tax refund claims and other assets broke down as follows as at 30 June 2023:

In thousand EUR	30/06/2023	30/06/2022
Receivables from deliveries and services	11,408	10,683
Tax refund entitlements	1,829	2,496
Other assets	411	313
Total receivables	**13,648**	**13,497**

The receivables from deliveries and services and other assets reported here have a remaining term of less than one year. Details regarding the default risk and value adjustments can be found in section 16. Other assets in the Group primarily consist of prepaid expenses in the amount of EUR 411 thousand (previous year: EUR 313 thousand).

Receivables from deliveries and services and loan receivables represent financial instruments according to IFRS 9 and are classified in the category "Amortised costs", because they are held in a business model to collect cash flows. They are measured at amortised cost.

Notes to the consolidated financial statements:

12. Cash and cash equivalents

The cash and cash equivalents broke down as follows as at 30 June 2023:

In thousand EUR	30/06/2023	30/06/2022
Cash in hand/paid stamp	6	5
Bank and giro account balances	13,240	12,879
Cash	**13,246**	**12,884**

Bank balances denominated in US dollars, Swiss francs, British pounds and Czech koruna were valued in the consolidated financial statements at the mean exchange rate on the balance sheet date. No bank balances were held in other foreign currencies. The change in cash and cash equivalents corresponds to the explanations given in section 33. The reported value of cash and cash equivalents corresponds to the market value. All cash and cash equivalents can be disposed of without restriction.

According to IFRS 9, these assets are classified in the category "Amortised costs".

Notes to the consolidated financial statements:

13. Subscribed capital

The share capital of FORTEC Elektronik AG on the balance sheet date was EUR 3,250,436 (previous year: EUR 3,250,436). The company's shares are divided into 3,250,436 no-par value shares (security identification number 577410/ISIN DE 0005774103) with a notional value of EUR 1.00.

The Authorised Capital 2018 is nullified with the new Authorised Capital 2023.

The AGM of 15 February 2023 authorised the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 1,625,218.00 by issuing up to 1,625,218 no-par value bearer shares on one or more occasions against cash and/or non-cash contributions by 14 February 2028 (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 the company at the time the issue price is finally determined.

The authorised capital per 15 February 2023 (Authorised Capital 2023/I) amounts to EUR 1,625,218.00 as at the balance sheet date.

The equity in the Group attributable to the owners of the parent company developed in the reporting year as follows:

In thousand EUR	The interests attributable to the owners of the parent company				Non-controlling interests	Total
	Subscribed capital	Capital reserve	Currency conversion differences	Other reserves/ consolidated annual surplus		
As at 01/07/2021	3,250	14,481	814	25,994	-	44,540
Addition to scope of consolidation					11	11
Consolidated annual surplus				6,253	-2	6,251
Other earnings			1,005		-	1,005
Dividend payments				-1,950	-	-1,950
As at 01/07/2022	3,250	14,481	1,819	30,297	10	49,857
Other earnings			-127		-	-127
Dividend payments				-2,275	-	-2,275
Consolidated annual surplus				7,555	-3	7,551
As at 30/06/2023	**3,250**	**14,481**	**1,692**	**35,577**	**6**	**55,005**

The capital reserve developed from 1 July 1998 in the amount of EUR 256 thousand plus a premium in 1999 of EUR 5,233 thousand less conversions of the capital reserve and increases due to exercising conditional capital to EUR 8,689 thousand. During the 2018/2019 financial year, the capital reserve increased by EUR 5,792 thousand to EUR 14,481 thousand due to the issue of new shares (share premium).

The *conversion differences (OCI)* include all foreign currency differences due to the conversion of financial statements of foreign subsidiaries as well as conversion differences from capital consolidation.

Other reserves show accumulated profits.

The company has consistently pursued the strict principle of building up its business on the basis of a high level of equity financing and aims for balance sheet equity ratios of >= 50 % after dividend distributions. As in previous years, hybrid forms of equity are not included in the definition of equity.

Notes to the consolidated financial statements:

15. Financial instruments - fair value

The following table shows the book values and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the book value is a reasonable approximation of fair value.

The financial instruments relate in detail to the following financial assets in accordance with IFRS 7.6 ff:

30/06/2023 In thousand EUR	Book value			Fair value		
	Not measured at fair value	Measured at fair value	Total	Level 1	Level 2	Level 3
Non-current financial assets Previous year	75 70		75 70		- -	- -
Receivables from deliveries and services Previous year	11,408 10,683		11,408 10,683		- -	- -
Current financial assets Previous year	145 571		145 571		- -	- -
Cash and cash equivalents Previous year	13,246 12,884		13,246 12,884		- -	- -
Total Previous year	**24,873** 24,207		**24,873** 24,207		- -	**-** -

Notes to the consolidated financial statements:

15. Financial instruments - fair value

The book value is compared with the fair value in accordance with IFRS 7.8:

In thousand EUR	Valuation category IFRS 9	Book value 30/06/2023	Fair value 30/06/2023
Non-current receivables Previous year	Amortised costs	75 70	75 70
Receivables from deliveries and services Previous year	Amortised costs	11,408 10,683	11,408 10,683
Other financial assets Previous year	Amortised costs	145 571	145 571
Cash and cash equivalents Previous year	Amortised costs	13,246 12,884	13,246 12,884
Total Previous year		**24,873** 24,207	**24,873** 24,207

There were no reclassifications in the financial year.

The financial liabilities break down as follows:

30/06/2023 In thousand EUR	Book value			Fair value		
	Not measured at fair value	Measured at fair value	Total	Level 1	Level 2	Level 3
Liabilities to credit institutes Previous year	1,611 2,361	- -	1,611 2,361		1,510 2,361	- -
Receivables from deliveries and services Previous year	6,508 6,540	- -	6,508 6,540		- -	- -
Other financial liabilities Previous year	1,630 1,726	- -	1,630 1,726		- -	- -
Total Previous year	**9,749** 10,627	**-** -	**9,749** 10,627		**1,510** 1,510	**-** -

FORTEC has determined that the fair values of cash and short-term deposits, receivables from deliveries and services, liabilities from deliveries and services, bank overdrafts and other current financial liabilities are close to their book values primarily due to the short maturities of these instruments. Furthermore, the lease liabilities are measured in accordance with IFRS 16.

The following methods and assumptions are used to determine the fair values:
The fair values of FORTEC's interest-bearing loans are determined using the discounted cash flow method. This is based on a discount rate that reflects FORTEC's borrowing rate at the end of the reporting period. The own non-performance risk was classified as low on 30 June 2023.

The comparison of book value and fair value does not lead to any changes:

In thousand EUR	Valuation category IFRS 9	Book value 30/06/2023	Fair value 30/06/2023
Liabilities to credit institutes Previous year	At amortised cost	1,611 2,361	1,510 2,361
Liabilities from deliveries and services Previous year	At amortised cost	6,508 6,540	6,508 6,540
Other financial liabilities Previous year	At amortised cost	1,630 1,726	1,630 1,726
Total Previous year		**9,749** 10,627	**9,648** 10,627

The liabilities due were settled at the time of balance sheet preparation, within the payment period granted (IFRS 7.39). (IFRS 7.39).
The effects on the consolidated statement of comprehensive income in accordance with IFRS 7.20 are as follows:

In thousand EUR	Attribution 2022/2023	Value adjustments 2022/2023	Depreciation 2022/2023
Financial assets Previous year	0 0	0 0	0 0
Non-current receivables Previous year	0 0	0 0	0 0
Receivables from deliveries and services Previous year	0 0	60 38	0 0
Other financial assets Previous year	0 0	0 0	0 0
Cash and cash equivalents Previous year	0 0	0 0	0 0
Total Previous year	**0** 0	**60** 38	**0** 0

Notes to the consolidated financial statements: 16. Objectives and methods of risk management of financial instruments

The Group's most important financial liabilities include liabilities from deliveries and services, loans, lease liabilities and other liabilities. The main purpose of these financial liabilities is to finance FORTEC's short-term operations. The Group's most significant financial assets are receivables from deliveries and services, cash and short-term deposits resulting directly from operating activities. FORTEC has invested to a very limited extent in equity instruments. During the course of its operating activities, FORTEC is exposed to various financial risks, including market risk, default risk and liquidity risk. The management of these risks is the responsibility of the Management Board. The Group manages the risks through a credit check, fixed-interest loans and forward-looking liquidity planning. The Group deliberately avoids the use of derivative financial instruments.

Default risk

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. As at 30 June 2023, 92 % were secured by letters of credit and other forms of credit protection. 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.

For receivables from deliveries and services, the Group determines the expected credit losses (ECL) based on the age distribution of the outstanding receivables. It is assumed that receivables that are overdue by more than 90 days and for which no specific bad debt allowance has yet been created for a specific reason will default. The expected credit losses as at 30 June 2023 amount to EUR 8 thousand (previous year: EUR 71 thousand).

	Receivables from deliveries and services					
	Overdue in days					
Figures In thousand EUR	Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	> 90 days overdue	Total
Expected credit default rate	0.01 %	0.025 %	0.05 %	1.10 %	8.00 %	
Total gross book value previous year	8,921	1,889	532	87	67	11,496
Expected credit loss	**1**	0	**0**	**1**	**5**	**8**

In thousand EUR	2022/2023	2021/2022
Value adjustments on 1 July	145	111
Additions	18	79
Consumption/release	-78	-44
Value adjustments on 30.06.	**89**	**145**

As at 30 June 2023, further impairments exist of EUR 89 thousand (previous year: EUR 145 thousand) for receivables from deliveries and services, which did not affect the calculated default rate.

The receivables from deliveries and services and other assets reported here have a remaining term of less than one year.

Receivables from deliveries and services and loan receivables represent financial instruments according to IFRS 9 and are classified in the category "Amortised costs", because they are held in a business model to collect cash flows. They are measured at amortised cost.

Cash and deposits with banks

The risk of default on balances with banks and financial institutions is managed in accordance with the Group's guidelines. Cluster risks are taken into account by spreading the investments over several banks.

Liquidity risk

The liquidity risk is the risk that the Group may not be able to meet its financial obligations as contractually required by delivering cash or other financial assets. The purpose of managing the Group's liquidity is to ensure, insofar as possible, that sufficient cash is always available to meet payment obligations as they fall due, under both normal and strained conditions, without incurring unacceptable losses or damaging the Group's reputation.

Risk concentration

A mix of overdraft facilities, bank loans and finance leases is used to provide the Group with sufficient liquidity. The basis for the decision regarding the financing strategy is Group-wide cash management and corresponding planning of the financial requirements.

In accordance with IFRS 7.39 a, liquidity risk exists in full for liabilities due to deliveries and services as on the balance sheet date. At the time the balance sheet was prepared, the liabilities from deliveries and services had already been repaid and the liquidity risk no longer existed.

Both the default risk and the liquidity risk can be a burden on the operating business; however, they cannot become a threat to the existence of the company.

The contractual residual terms of the financial liabilities on the balance sheet date are set out in thousand EUR in the following, whereby the figures are based on the contractual, undiscounted payments.

30/06/2023 In thousand EUR	Up to 12 months	1 to 5 years	> 5 years	Total
Bank loans Previous year	352 750	1,310 1,333	- 278	1,662 2,361
Liabilities from deliveries and services Previous year	6,508 6,540	0 0	0 0	6,508 6,540
Leasing liabilities Previous year	1,148 1,126	2,824 3,071	1,398 1,834	5,370 6,031
Other financial liabilities Previous year	1,534 1,678	96 48	0 0	1,630 1,726
Total Previous year	**9,542** 10,093	**4,230** 4,452	**2,398** 2,112	**15,171** 16,657

Liabilities with a remaining term of more than 5 years relate exclusively to liabilities from lease agreements. Liabilities with a term of between 1 and 5 years relate to liabilities to banks, liabilities from lease agreements, contractual liabilities, as well as liabilities from a finance purchase. All other liabilities have a remaining term of less than 1 year.

Foreign currency risk

The Group is exposed to foreign currency risks insofar as the quotations of currencies in which sales and purchase transactions as well as receivables and credit transactions are carried out do not match the functional currency of the Group companies.
A significant proportion of the Group's business is conducted in US dollars because use of the US dollar is common in the electronics sector. Further to this, business is also conducted in GBP, CHF, CZK and JPY. The existing exchange rate risks in business transactions when transactions are conducted in a currency other than the functional currency of the national company can usually be covered by sale or purchase transactions performed in the same currency.

Sensitivity analysis to changes in exchange rates

The following illustrations show the sensitivity to a possible change in the exchange rate of the US dollar, the British pound, the Swiss franc and the Czech koruna. All other variables remain constant. The impact on the Group's profit or loss before tax is due to changes in the fair value of monetary assets and liabilities.

	Profit or loss		Equity capital after tax	
30/06/2023 Effects in EUR	**Strengthening of the foreign currency against the EUR**	**Weakening of the foreign currency against the EUR**	**Strengthening of the foreign currency against the EUR**	**Weakening of the foreign currency against the EUR**
USD (10 % movement)	144	(114)	128	(128)
GBP (10 % movement)	115	(95)	159	(58)
CHF (10 % movement)	37	(30)	36	(31)
CZK (10 % movement)	0	(0)	(1)	(1)

Notes to the consolidated financial statements: 17. Reserves

The Group reserves broke down as follows as at 30 June 2023:

Reserves in thousand EUR	Warranty reserves	Other reserves	Total
01/07/2022	**601**	**124**	**725**
Additions	464	10	474
Utilisation	-292	0	-292
Release	-54	-3	-57
Currency conversion	-1	0	-1
30/06/2023	**720**	**130**	**850**
- of which current	447	5	452
- of which non-current	273	125	398

Other reserves were realised in accordance with IAS 37, taking into account all recognisable obligations at their probable settlement value. Required discounts were discounted using a pre-tax interest rate that reflects current market expectations. Non-current reserves include the amounts set aside (years 2-10) for the legal obligation to keep business records and for obligations arising from warranties.
The remaining reserves are current reserves (term: <1 year). Reimbursement claims are not specified.

Current reserves mainly concern reserves for warranties that are highly likely to be paid out, both in terms of amount and timing. Estimates from past experience were applied for the recognition and valuation of provisions for warranties.
An individual warranty reserve of EUR 143 thousand was implemented for three open warranty cases in the current year.
The additions to non-current reserves include an interest portion of EUR 3 thousand (previous year: EUR 1 thousand).

Notes to the consolidated financial statements: 18. Liabilities

The liabilities broke down as follows as at 30 June 2023:

In thousand EUR	30/06/2023	30/06/2022
Liabilities to credit institutes	1,611	2,631
Liabilities from deliveries and services	6,508	6,540
Leasing liabilities	5,009	5,519
Tax liabilities	2,740	1,811
Other financial liabilities	1,630	1,726
Other liabilities	2,408	1,923
Total liabilities	**19,907**	**19,879**

Notes to the consolidated financial statements: 18. Liabilities

The liabilities are valued at amortised cost. The bank loans were valued at EUR 1,611 thousand as at 30 June (previous year: EUR 2,361 thousand). The Group repaid a bank loan due on 30 December 2022 as scheduled.

In thousand EUR	Currency	Nominal interest rate (%)	Maturity year	30/06/2023		30/06/2022	
				Nominal value	Book value	Nominal value	Book value
Secured bank loans	EUR	1.29 %	2028	1,611	1,611	1,944	1,944
Unsecured bank loans	EUR	1.00 %	2022	0	0	417	417
Interest-bearing financial bank liabilities				**1,611**	**1,611**	**2,361**	**2,361**

The tax liabilities relate to taxes for the current year in the amount of EUR 1,954 thousand (previous year: EUR 1,627 thousand), of which income tax EUR 1,533 thousand (previous year: EUR 1,219 thousand), of which VAT EUR 262 thousand (previous year: EUR 247 thousand), wage tax EUR 153 thousand (previous year: EUR 155 thousand) and property tax EUR 6 thousand (previous year: EUR 15 thousand). EUR 772 thousand (previous year: EUR 185 thousand) relate to income tax back payments for previous years and correspond to the tax returns submitted. EUR 15 thousand relate to back payments of property tax for previous years (previous year: EUR 6 thousand).

Other liabilities include advance payments received in the amount of EUR 1,596 thousand (previous year: EUR 1,065 thousand), accrued liabilities for obligations in kind in the amount of EUR 642 thousand (previous year: EUR 624 thousand) as well as obligations to employees such as holiday days not taken in the amount of EUR 530 thousand (previous year: EUR 526 thousand). Furthermore, the other liabilities of EUR 170 thousand (previous year: EUR 234 thousand) include contractual liabilities for extended warranties. Thereof, EUR 71 thousand (previous year: EUR 119 thousand) are non-current and EUR 99 thousand (previous year: EUR 115 thousand) are current.

The other financial liabilities include accrued liabilities for payments to be made in the amount of EUR 1,630 thousand (previous year: EUR 1,726 thousand). This includes obligations to employees of EUR 1,218 thousand (previous year: EUR 1,309 thousand). Of this amount, non-current liabilities owing to personnel account for EUR 96 thousand (previous year: EUR 48 thousand).

Notes to the consolidated financial statements: 19. Deferred taxes

Deferred taxes are accrued, according to the "temporary differences concept" of IAS 12, on temporary accounting and valuation differences between the valuations in the tax balance sheet and the corresponding valuations in the balance sheet according to IFRS. Deferred taxes have been calculated using the tax rates expected to apply at the time of realisation, based on the legal regulations valid on the balance sheet date.

For the purpose of forming deferred taxes, the average income tax burden (corporation tax, solidarity surcharge and tax on profit) was estimated at 30 % (previous year: 29 %). The calculation of deferred taxes for profits of ALTRAC AG (Switzerland) was based on an income tax burden of 17 % (previous year: 16 %). The calculation of deferred taxes for profits of Display Technology Ltd (UK) was based on an income tax burden of 20.5 % (previous year: 19 %). The calculation of deferred taxes for profits of Apollo Corp. (US) was based on an income tax burden of 27.5 % (previous year: 27.6 %).

Deferred taxes due to valuation differences arose for the following balance sheet items:

In thousand EUR	30/06/2023		30/06/2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	0	0	1
From rights of use	49	1	42	2
Tangible assets (incl. low-value assets)	17	112	1	117
Financial assets	71	0	0	0
Inventories	168	311	180	129
Receivables	5	31	27	34
Losses carried forwards	0	0	97	0
Reserves	55	86	51	91
Liabilities	50	0	26	0
	415	**543**	**468**	**374**

As at 30 June 2023, profit tax loss carry-forwards not yet utilised exist of EUR 2,471 thousand (previous year: EUR 469 thousand). For tax-deductible goodwill (outside basis differences), for which no deferred tax asset is recognised on the IFRS balance sheet, EUR 476 thousand is deductible until 2027.

Notes to the consolidated financial statements:

20. Other financial liabilities

On the balance sheet date, liabilities existed from operating lease agreements that were not recognised as lease liabilities in accordance with IFRS 16 due to the simplification option for low-value leases.

In thousand EUR	30/06/2023	30/06/2022
Up to 1 year	102	95
1 to 5 years	115	179
More than 5 years	0	0
Total	**216**	**274**

Notes to the statement of comprehensive income

All information relates to continuing operations. There are no discontinued operations in the current financial year or in the previous year.

Notes to the consolidated financial statements: 21. Sales revenues

The Group classifies its sales revenues according to the two segments: data visualisation and power supplies. While the power supplies segment offers the entire product range for power supplies and DC/DC converters, the data visualisation sales comprise the product areas of Display Technology and Embedded Computer Technology. No turnover greater than 10 % is realised with any customer. Revenues are recognised less sales deductions and price reductions such as rebates, discounts, bonuses and returned goods.

The consolidated turnover amounts to EUR 105,854 thousand (previous year: EUR 89,034 thousand). The breakdown by geographical segments gives the following:

Group revenues (in thousand EUR)	Data visualisation	Power supplies	Unassigned operations	Total
Domestic Previous year domestic	31,421 25,614	24,679 21,216	0 6	56,099 46,836
Foreign Previous year foreign	36,577 30,648	13,177 11,514	0 0	49,754 42,198
Total Previous year total	**72,409** 56,298	**40,285** 32,730	2,008 6	**114,703** 89,034
of which, revenue from balances that were contained in the contractual liabilities at the start of the period	113	0	0	113
Previous year total	40	0	0	40

The sales revenues relate in part to contract manufacturing, in which goods are manufactured according to the customer's specifications and delivered to the customer. Further to this, the Group acts purely as a dealer of equipment.

Notes to the consolidated financial statements: 22. Change in inventories of unfinished/finished goods

This is the change in inventories of unfinished/finished goods from the data visualisation and power supply segments. The decline is due to the increased consumption and sales of finished goods, as well as the strained situation on the procurement market.

Notes to the consolidated financial statements:

23. Other operating income

Other operating income breaks down as follows:

In thousand EUR	2022/2023	2021/2022
Income from the disposal of assets	22	7
Reduction IVA/ECL	33	33
Release of reserves	54	45
Benefits in kind	103	113
Income from exchange differences	1,962	1,289
Revenue from financial asset attribution	6	24
Revenue from initial consolidation	0	298
Other ordinary income	336	671
Other operating income	**2,515**	**2,481**

The other ordinary income includes income from compensation of EUR 51 thousand (previous year EUR 237 thousand) and EUR 50 thousand in investment grants from public authorities.

Notes to the consolidated financial statements:

24. Cost of materials

The cost of materials includes outlay for the purchase of materials/goods and services for contract manufacturing. The cost of materials amounts to EUR 71,239 thousand (previous year: EUR 59,909 thousand).

Impairment of inventories, which are recognised as an expense in the period, amounts to EUR 492 thousand (previous year: EUR 28 thousand).

Notes to the consolidated financial statements:
25. Personnel costs

Personnel expenses break down as follows:

In thousand EUR	2022/2023	2021/2022
Wages and salaries	13,962	12,695
Social security payments and pension costs	2,450	2,225
Personnel expenses	**16,412**	**14,920**

Notes to the consolidated financial statements: 26. Depreciation

Depreciation for the financial year breaks down as follows:

In thousand EUR	2022/2023	2021/2022
Intangible assets	74	81
Tangible assets and low-value assets	449	473
Goodwill CGU Power Supplies	560	0
Rights of use	1,100	1,052
Depreciation	**2,184**	**1,607**

Notes to the consolidated financial statements:
27. Other operating costs

Other operating expenses break down as follows:

In thousand EUR	2022/2023	2021/2022
Premises costs	578	538
Insurance cover, premiums	487	432
Maintenance, repairs	104	82
Vehicle costs	161	134
Advertising and travel costs	769	551
Costs of delivery of goods	867	869
Various operating costs	3,597	3,085
Losses from the disposal of assets	6	15
Losses from current assets and value adjustments	11	60
Other expenses in the course of ordinary business activities (currency losses)	1,928	858
Other operating costs	**8,507**	**6,624**

The costs of delivery of goods include additions to warranty provisions in the amount of EUR 217 thousand (previous year: EUR 170 thousand).

The expenses arising due to currency conversion differences relate to the expenses of EUR 1,902 thousand (previous year: EUR 858 thousand) realised in the respective financial year upon payment.

Notes to the consolidated financial statements:
28. Research and development costs

Research and development costs are included in the Group income statement at EUR 2,370 thousand in the financial year (previous year: EUR 1,790 thousand). The expenses are primarily included in the personnel expenses and other operating expenses.

Notes to the consolidated financial statements: 29. Interest result

The interest result consists of the balance of interest income in the amount of EUR 6 thousand (previous year: EUR 2 thousand), and interest expenses in the amount of EUR 144 thousand (previous year: EUR 197 thousand). The interest includes EUR 108 thousand (previous year: EUR 116 thousand) in interest from IFRS 16.

Notes to the consolidated financial statements:

30. Taxes on income and earnings

Corporation tax, solidarity surcharge and trade tax as well as income taxes for Switzerland, Great Britain and the USA are reported in the consolidated financial statements at the tax rates applicable on the balance sheet date. The Group income tax burden amounts to 28.6 % (previous year: 24.7 %) and includes corporation tax and trade tax charges.
The income taxes are broken down according to origin as set out in the following (in thousand EUR):

In thousand EUR	2022/2023	2021/2022
Taxes paid or owing - Germany - Abroad (CH, GB, USA, CZ)	 2,429 386	 1,768 351
	2,815	2,120
Deferred taxes - From timing differences/ consolidation - From losses carried forwards	 241 -32	 -162 88
	209	-74
Income tax	**3,023**	**2,046**

The actual tax expense in the FORTEC Group of EUR 3,023 thousand (previous year: EUR 2,046 thousand) is EUR 174 thousand (previous year: EUR 360 thousand) below the theoretical tax expense resulting from applying an expected Group tax rate of 30.24 % to the pre-tax Group result.

Reconciliation of the theoretically expected tax expense to the actual tax expense reported in the consolidated statement of comprehensive income is shown below (in thousand EUR):

In thousand EUR	2022/2023	2021/2022
Result before income taxes	10,575	8,297
Nominal income tax rate incl. trade tax	30.24 %	29.0 %
Forecast income tax expense with uni. tax burden	3,198	2,406
Increase/decrease in income tax burden due to: - Low tax burden abroad - Use of unrecognised losses carried forwards - Non-deductible operating expenses - Group-internal income (dividends) - Tax effects from goodwill amortisation for tax purposes - Tax payments for previous years - Losses in the current year, for which no deferred tax assets were acquired - Tax-free initial consolidation profit - Goodwill amortisation in the Group - Other deviations	 -347 226 -7 82 -217 -53 0 0 169 0	 -202 0 26 42 -196 24 40 -87 0 -8
Reported income tax burden	3,023	2,046
Effective income tax rate	**28.59 %**	**24.66 %**

Notes to the consolidated financial statements: 31. Segment reporting

The Group is active in the areas of data visualisation and power supplies and has defined these areas as business segments for the purpose of internal management, as they are largely autonomous and managed separately within the Group. The customer and cost structures lead to the following breakdown in accordance with IFRS 8:

The "Data visualisation" business segment combines two of the product areas "Display Technology" and "Embedded Computer Technology" into one data visualisation system. With this, FORTEC offers complex solutions for an innovative market. The 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, e.g. for professional display systems for industry or digital signage as well as complete monitors. Furthermore, the FORTEC portfolio also includes customer-specific product solutions with access to TFT controller and drive solutions developed in-house, as well as the latest generation of optical bonding technology.

In the power supplies segment, 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. The operating results of the segments are each monitored by the Management Board, the responsible company body, to facilitate making decisions about the allocation of resources and to determine the profitability of the units.

The development of the segments is assessed on the basis of the result and evaluated in accordance with the result in the consolidated financial statements. The segment reporting was adjusted to the revised summary of the operations, designed to control the company. The previous year is shown in comparable figures.

2022/2023 In thousand EUR	Data visualisation	Power supplies	Remaining	Total	Reconciliation	Total
External revenues Revenues between the segments	67,998 4,411	37,856 2,430	0 2,008	105,854 8,849	- -8,849	105,854 -
Total revenues	72,409	40,285	2,008	114,703	-8,849	105,854
Gross profit or loss	24,566	11,586	1,725	37,877	-2,610	35,267
Cost of sales	47,990	29,198	283	77,470	-6,231	71,239
Personnel expenses	9,585	5,236	1,590	16,412	-	16,412
Depreciation	1,034	518	71	1,624	560	2,184
EBIT	9,128	3,370	-1,168	11,330	-650	10,680
External orders received Internal orders received	56,328 3,352	40,627 483	- -	96,955 3,834	- -3,834	96,955 -
Total orders received	59,680	41,109	-	100,789	-3,834	96,955
External order backlog Internal order backlog	52,260 1,160	30,787 220	- -	83,047 1,380	- -1,380	83,047 -
Total order backlog	53,420	31,007	-	84,427	-1,380	83,074
Inventories	17,750	15,064	-	32,814	-258	32,556

2021/2022 In thousand EUR	Data visualisation	Power supplies	Remaining	Total	Reconciliation	Total
External revenues Revenues between the segments	56,298 3,875	32,730 1,833	6 2,117	89,034 7,826	- -7,826	89,034 -
Total revenues	60,173	34,653	2,124	96,860	-7,826	89,034
Gross profit or loss	20,517	8,959	1,918	31,394	-2,272	29,121
Cost of sales	40,127	25,129	206	65,425	-5,553	59,909
Personnel expenses	8,587	4,823	1,511	14,920	-	14,920
Depreciation	957	550	100	1,607		1,607
EBIT	7,251	1,450	-521	8,180	271	8,451
External orders received Internal orders received	74,678 4,588	45,189 176	- -	119,867 4,764	- -4,764	119,867 -
Total orders received	79,267	45,365	-	124,631	-4,764	119,867
External order backlog Internal order backlog	64,258 2,109	29,276 186	- -	93,534 2,295	- -2,295	93,534 -
Total order backlog	66,367	29,463	-	95,830	-2,295	93,534
Inventories	16,307	9,904	-	26,211	-136	26,075

The valuation bases and accounting principles for the segments correspond to the valuation bases and accounting principles of the company and the group. The data visualisation segment result includes EUR 1 thousand (previous year: 26 EUR thousand) from the reversal of provisions.

The power supplies segment result includes EUR 47 thousand (previous year: EUR 0 thousand) and the data visualisation segment result includes EUR 3 thousand (previous year: EUR 0 thousand) from the release of reserves that were formed in the previous year and were not required.

The Group's profit or loss before tax is derived as follows:

In thousand EUR	2022/2023	2021/2022
Total of segment results EBIT	12,498	8,701
Group management and consolidation intermediate results	-1,818	-250
EBIT	10,680	8,451
Revenue from participations	33	41
Interest result	-139	-195
Result before taxes	**10,575**	**8,297**

Information on geographical areas

Sales revenues

The breakdown of domestic and foreign revenue for the segments can be found in section 21.

Non-current assets

Non-current assets and investments break down as follows:

In thousand EUR	Domestic	Foreign
Goodwill Data Visualisation	2,559	983
Previous year	2,559	983
Goodwill Power Supplies	236	2,669
Previous year	236	3,184
Goodwill	**2,796**	**3,652**
Previous year	2,796	4,167
Intangible assets	241	72
Previous year	151	62
Tangible fixed assets	4,331	206
Previous year	4,462	189
Rights of use	4,671	475
Previous year	4,666	714
Total	**11,738**	**4,404**
Previous year	12,075	5,131
Investments	**524**	**4,404**
Previous year	214	161

Notes to the consolidated financial statements: 32. Currency conversion

The total equity capital included EUR 1,677 thousand (previous year: EUR 1,005 thousand) of currency conversion differences from the conversion of foreign currency transactions. These have developed (in thousand EUR) as follows:

In thousand EUR	
As at 01/07/2021	814
Addition 2021/2022	1,005
As at 30/06/2022	1,819
Addition 2022/2023	-127
As at 30/06/2023	**1,691**

The addition primarily results from the continued development of the currency conversion from the recognition of the goodwill of ALTRAC AG at the closing rate as well as from the conversion of the equity of the foreign subsidiaries APOLLO Corp. (US), ALTRAC AG (CH), Display Technology Ltd (UK) and Alltronic spol. s r.o. (CZ).

In the statement of comprehensive income, EUR -127 thousand (previous year: EUR 1,005 thousand) from currency conversions is recognised in profit or loss (income less expenses).

Notes to the consolidated financial statements:

33. Notes to the cash flow statement

The Group cash flow statement distinguishes between cash flow from operating activities (indirect method), from investments and from financing (direct method in each case).

Cash and cash equivalents (liquid funds) include cash on hand and bank balances. The composition of cash on hand and bank balances is shown in section 14. The cash and cash equivalents are not subject to any restraints on disposal.

The cash flow from operating activities of EUR 5,005 thousand (previous year: EUR 2,106 thousand) includes interest expenses of EUR 144 thousand (previous year: EUR 197 thousand) and interest income of EUR 3 thousand (previous year: EUR 2 thousand)

The cash flow from operating activities includes payments for income taxes in the amount of EUR 1,448 thousand (previous year: EUR 1,636 thousand).

The cash flow from financing activities includes repayments from rental and leasing contracts in the financial year amounting to EUR 1,074 thousand (previous year: EUR 1,021 thousand). Interest payments for rental and leasing relationships in the amount of EUR 108 thousand (previous year: EUR 116 thousand) are included in the operative items. The Group has been granted credit lines of EUR 8,000 thousand. Credit lines in the amount of EUR 7,634 thousand can be used in the short term (IAS 7.50b).

Notes to the consolidated financial statements:

33. Notes to the cash flow statement

The changes in liabilities from financing activities are as follows:

In thousand EUR	01/07/2022	Cash-effective	Exchange rate changes	Changes to fair value	New lease agreements	Other changes	30/06/2023
Current interest-bearing loans,	750	(750)	-	-	-	333	333
previous year	1,167	(1,167)	-	-	-	1,167	1,167
Current leasing liabilities	1,011	(1,074)	(7)	-	157	966	1,052
Previous year	934	(1,019)	(9)	-	138	852	934
Non-current interest-bearing loans	1,611	-	-	-	-	(333)	1,278
Previous year	2,631	-	-	-	-	(1,167)	2,631
Non-current leasing liabilities	4,508	0	(1)	-	417	(967)	3,957
Previous year	5,088	-	(2)	-	591	(856)	5,088
Total liabilities from financing activities,	**7,880**	**(1,824)**	**(9)**	**-**	**574**	**0**	**6,621**
previous year	**9,550**	**(2,186)**	**(11)**	**-**	**729**	**(3)**	**9,550**

Notes to the consolidated financial statements:

34. Capital management

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 equity to net financial debt (capital controlling indicator). The capital tax ratio should be above four. 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 thousand EUR	30/06/2023	30/06/2022
Total debts	21,299	20,979
Less cash and cash equivalents	(13,246)	(12,884)
Net debt	8,053	8,095
Equity capital	55,005	49,857
Capital controlling indicator	**6.83**	**6.16**

Notes to the consolidated financial statements: 35. Supervisory Board

Members of the supervisory board in the financial year were:

Christoph Schubert
Chairman
Dortmund, accountant | auditor

Dr Andreas Bastin
Deputy chairman
Hamm, Dr. Ing. Mechanical Engineering

Christina Sicheneder
Employee representative
Grafrath, Dipl. Kffr. (MBA in wholesale and foreign trade)

Mr Christoph Schubert is also a member of the following control boards:
Müller – Die lila Logistik AG, Besigheim
Kath. St. Paulus GmbH, Dortmund
Cardiac Research Gesellschaft für medizin-biotechnologische Forschung mbH, Dortmund

Deputy chairman Dr Andreas Bastin is also a member of the following control board:
Montanhydraulik GmbH, Holzwickede

The total remuneration of Supervisory Board members amounted to EUR 90 thousand in the reporting year (previous year: EUR 67.5 thousand).

Notes to the consolidated financial statements:

36. Transactions with related companies and people

TRM Beteiligungsgesellschaft mbH holds 30.23 % of the shares in FORTEC Elektronik AG. Based on quorum presence majorities in the past, TRM Beteiligungsgesellschaft mbH could possibly control FORTEC Elektronik AG and would then be classified as a controlling party. However, FORTEC Elektronik AG has no knowledge of any actual control to date.

Transactions with other related parties are as follows:

In thousand EUR	Values of business transactions		Balances outstanding as at 30.06.	
	2022/2023	2021/2022	2023	2022
Sale of goods and services to - Participations/associated companies	608	446	0	0
Purchase of goods from - Non-consolidated subsidiaries	-	-	-	-
Room rental and leasing expenses of - Other related parties	663	632	0	0
Procured services (consulting services, labour) to other related parties	0	56	0	0
Income from investments - Participations/associated companies	33	41	0	0
Dividends to - Associated companies (TRM Beteiligungsgesellschaft mbH)	688	590	0	0

Conditions of transactions with related companies and persons

Sales to and purchases from related parties take place in accordance with the customary market conditions. The sale of goods and services is realised with an appropriate profit mark-up.

There are no outstanding balances at the end of the financial year.
The premises leasing contracts are concluded per the standard market conditions with terms of 5-10 years. On the reporting date of 30 June 2023, the rental lease liabilities amount to EUR 1,399 thousand (previous year: EUR 1,825 thousand).

Notes to the consolidated financial statements:
37. Remuneration of key management personnel

The Group establishes the Management Board members as key management personnel. In the previous year, the managing directors of the domestic and foreign subsidiaries or second-tier subsidiaries were also identified as key personnel. The previous year's figures were adjusted to the new definition. In the current year, personnel costs according to the new definition were as follows:

In thousand EUR	2022/2023	2021/2022
Short-term employee benefits	797	693
Post-employment benefits	0	0
Other benefits due	48	48
Termination benefits	0	0
Share-based remuneration	0	0
	845	**741**

The total remuneration of the Management Board of FORTEC AG amounts to EUR 845 thousand (previous year: EUR 741 thousand), which includes performance-related remuneration in the amount of EUR 288 thousand (previous year: EUR 288 thousand). The total remuneration also includes ancillary services, which are assessed according to the monetary benefit for tax purposes.

Notes to the consolidated financial statements: 38. Auditor's fees

The total fees of the auditor for the services rendered by the auditors of the consolidated financial statements, Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Munich, are shown in the table below:

In thousand EUR	2022/2023	2021/2022
Audits of financial statements	136	110
Accountancy services	0	0
Other auditing services	1	1
	137	**112**

The fees for audits include the fees for the audit of the consolidated financial statements, including the domestic subsidiaries, and the audit of the financial statements of FORTEC Elektronik AG.

In the financial year, the Group employed an average of 237 (previous year: 230) employees, of which 2 are temporary staff (previous year: 2). On average, there were 2 trainees in various locations over the course of the year.

FORTEC AG had the following board members during the financial year:

Sandra Maile, Dipl. Kffr.
Board of Directors, Ludwigsburg
(CEO and Chairwoman)

Bernhard Staller, Dipl. Ing. (FH)
Board of Directors, Emmering
(COO)

Between the balance sheet date of 30 June 2023 and the date on which the financial statements are released for publication, no events occurred that would indicate the need to adjust the assets and liabilities.

The Management Board and the Supervisory Board have issued the declaration on the application of the Corporate Governance Code required by section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the Internet at:
(https://www.fortecag.de/investor-relations/corporate-governance/https://www.fortecag.de/investor-relations/organe/corporate-governance/) (sections 285 no. 16 and 314 (1) no. 8 HGB).

The Management Board proposes a total dividend of EUR 2,762,870.60 (previous year: EUR 2,275,305.20). A total of 3,250,436 no-par value shares with a nominal value of EUR 0.85 each (previous year: EUR 0.70) are entitled to a dividend payment. EUR 77,000 of deferred tax assets are subject to the payout block in accordance with section 268, paragraph 8 of the German Commercial Code. The excess amount of EUR 7,483,922.71 is to be carried forward as the profit carried forward to the new accounts. The earnings per share amount to EUR 2.32 (previous year: EUR 1.92). The following ad hoc announcement was published prior to the preparation of the consolidated financial statements.

8 May 2023
DGAP-Adhoc: FORTEC Elektronik AG: Increase to revenue forecast for the 2022/2023 financial year.

Up to the preparation of the consolidated financial statements, the following notifications of the company were communicated, pursuant to
sections 33/34 in connection with 40 para. 1 WpHG:
Joachim Wiegand and Nikolaus Wiegand announced that the share of voting rights in FORTEC Elektronik AG was increased on 11 September 2023 by means of a purchase agreement and pool agreement and amounted to 25.07 % (corresponding to 815,000 voting rights) on that day. In a purchase agreement, JotWe GmbH agreed to acquire 488,000 shares and FloJulCosMar GmbH agreed to acquire 327,000 shares from TRM Beteiligungsgesellschaft mbH. JotWe GmbH and FloJulCosMAr GmbH have agreed on the subsequent acquisition with shares from the purchase agreement as well as the exercise of voting rights from the shares to be acquired and have thus coordinated their activity by means of a corresponding agreement.

TRM Beteiligungsgesellschaft mbH announced that the share of voting rights in FORTEC Elektronik AG was reduced on 15 September 2023, and that the figure on that date amounted to 5.16 % (this corresponds to 167,701 voting rights).

JotWe GmbH announced that the share of voting rights in FORTEC Elektronik AG was increased on 15 September 2023, and that the figure on that date amounted to 25.07 %.
FloJulCosMar GmbH announced that the share of voting rights in FORTEC Elektronik AG was increased on 15 September 2023, and that the figure on that date amounted to 25.07 %.
JotWe GmbH (share: 488,000 shares) and FloJulCosMar Gmbh (share: 327,000 shares) have agreed on the exercise of the voting rights from the shares held by them and have thus coordinated their activity by means of a corresponding agreement.

Notes to the consolidated financial statements:

40. Events following the balance sheet date

Following the balance sheet date, a new anchor shareholder from the Wiegand family of entrepreneurs joined the company.

Notes to the consolidated financial statements:

41. Release for publication

The consolidated statements were prepared and authorised for issue by the Management Board on 26 September 2023.

Germering, 26 September 2023
FORTEC Elektronik AG

Sandra Maile
Chair of the Management Board

Ulrich Ermel
Management Board

Financial Report 2023

Responsibility statement

We state that, 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 Group, and the 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, 26 September 2023
FORTEC Elektronik AG

Sandra Maile
Chair of the Management Board

Ulrich Ermel
Management Board

Independent Auditor's Report

Auditor's opinions

We have audited the consolidated financial statements of FORTEC Elektronik AG, Germering, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 July 2022 to 30 June 2023, and notes to the consolidated financial statements, including a summary of significant accounting methods. We have also audited the group management report of FORTEC Elektronik AG, Germering, for the financial year from 1 July 2022 to 30 June 2023.
Based on the findings of our audit, it is our opinion that:

→ the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the additional requirements of German law in accordance with section 315e, paragraph 1 of the German Commercial Code and give a true and fair view of the financial position of the Group as at 30 June 2023 and of its financial performance for the financial year from 1 July 2022 to 30 June 2023 in accordance with these requirements;

→ the accompanying group management report as a whole provides a suitable view of the Group's position. This group management report is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development.

In accordance with section 322, paragraph 3 clause 1 of the German Commercial Code, we hereby declare that our audit has not led to any reservations concerning the correctness of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with section 317 of the German Commercial Code and the EU Statutory Audit Regulation (No. 537/2014; hereinafter "EU-AuditReg") and with consideration to the generally accepted German standards for the audit of financial statements promulgated by the IDW (institute of German auditors). Our responsibility according to these regulations and principles is further described in the section "Auditor's responsibility for the audit of the consolidated financial statements and the group management report" contained in our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities pursuant to those requirements. Furthermore, pursuant to Article 10 section 2 lit. (f) EU-AuditReg, we declare that we have not performed any prohibited non-audit services pursuant to Article 5 section 1 EU-AuditReg. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

Audit matters of particular significance in the audit of the consolidated financial statements

Audit matters of particular significance are those matters that, in our professional judgement, were of most significance to our audit of the consolidated financial statements for the financial year from 1 July 2022 to 30 June 2023. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion accordingly; we do not provide a separate opinion on these matters.

Impairment of goodwill

Reasons for designation as an audit matter of particular significance

Goodwill totalling EUR 6,448 thousand (8.45 % of total assets or 11.7 % of equity) is recognised in the consolidated financial statements of the company. Goodwill is subjected to an impairment test by the company once a year - or on an ad hoc basis - in order to determine a possible need for depreciation. The impairment test is conducted at the level of the groups of cash-generating units to which the respective goodwill is allocated. Within the framework of the impairment test, the book value of the respective goodwill is compared with the corresponding recoverable amount. The recoverable amount is generally determined on the basis of the value of use. The basis for the valuation is regularly the present value of future cash flows of the respective group of cash-generating units. The cash values are determined using discounted cash flow models, whereby the starting point is the Group's approved medium-term plan; this is updated with assumptions about long-term growth rates. Expectations regarding future market development and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using the weighted average cost of capital of the respective group of cash-generating units. As a result of the impairment test, a need for impairment in the amount of EUR 560 thousand was determined.

The result of this valuation is highly dependent on the assessment of the legal representatives concerning the future cash inflows of the respective group of cash-generating units, the discount rate used and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the valuation, this matter was of particular significance in the context of our audit.

Our audit procedures

Within the framework of our audit, we verified such aspects as the methodical process for conducting the impairment test. After comparing the future cash inflows used in the calculation with the Group's approved mid-term planning, we assessed the appropriateness of the calculation - in particular by reconciling it with general and industry-specific market expectations. Furthermore, we also assessed the appropriate consideration of the costs of Group functions. Knowing that even relatively small changes in the discount rate used can have a significant impact on the company value determined in this way, we intensely scrutinised the parameters used in determining the discount rate and gained an understanding of the calculation scheme. We have reproduced the sensitivity analyses prepared by the company, in order to take into account the existing forecast uncertainties.

Reference to related disclosures

The Company's disclosures regarding impairment testing and goodwill are included in section 2, subsection 2.13 "Assumptions and estimates" and section 5 "Acquired goodwill" of the notes to the consolidated financial statements.

Valuation of stocks

Reasons for designation as an audit matter of particular significance

The consolidated financial statements of the company contain an amount of EUR 32,556 thousand, reported under the balance sheet item "Inventories", which consists primarily of merchandise and finished goods. This item represents 42.7 % of the balance sheet total. To ensure the ability to deliver, FORTEC procures and stores significant quantities of various hardware components, some of which are subject to a sales risk due to general technical developments. Finished goods and merchandise are valued at acquisition and production cost using the cost formula method or at net realisable value if this is lower than the acquisition and production cost. In order to ensure an accurate valuation, FORTEC reviews the value of the inventories on a regular basis. The basis for the value adjustments are estimation routines regarding the usability of the stocks due to declining marketability, too high a range and too low a realisable sales price. The Management reviews the plausibility of the devaluations determined in this way and subjects them to a further devaluation analysis and adjusts them manually if necessary. The determination of the applied devaluation rates is based on assumptions from past experience and is therefore subject to the discretion of the company's legal representatives.

Our audit procedures

Taking into account the knowledge that there is an increased risk of misstatement in the financial statements due to the estimates and assumptions to be made, we reviewed the valuation procedures established by FORTEC and satisfied ourselves of their consistent application of the parameters for impairment testing. We also satisfied ourselves that manual valuation adjustments were reasonable based on the information available on the reporting date. Furthermore, we recalculated the devaluation amounts determined by the company on a sample basis and compared the deposited valuation prices with the most recently achieved sales prices for selected items, and also performed further plausibility assessments on the basis of analytical audit procedures (margin analysis).
We obtained confirmation from the sub-division auditors that the valuation of the inventories for the foreign subsidiaries was correct.

Reference to related disclosures

Further information regarding the valuation of stocks can be found in subsection 2.13 "Assumptions and estimation uncertainties" and in subsection 2.2 "Stocks" under section 2 "Accounting and significant valuation principles" and in section 10 "Inventories" in the notes to the balance sheet in the notes to the consolidated financial statements of the company.

Other information

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises:

- the assurances in accordance with sections 297, paragraph 2, clause 4 of the German Commercial Code and 315, paragraph 1, clause 5 of the German Commercial Code regarding the annual financial statements and the group management report,
- the declaration on corporate governance in accordance with section 289f of the German Commercial Code in conjunction with section 315d of the German Commercial Code (reference in the group management report),
- the remaining parts of the annual report,
- the "Report of the Management Board", the "Report of the Supervisory Board", and the "Overview of key figures and share price development", as well as the "Sustainability report" that are scheduled to be provided to us after the date of this auditor's report.

but not the annual financial statements, not the group management report and not our corresponding auditor's report. The Supervisory Board is responsible for the "Report of the Supervisory Board". The legal representatives and the supervisory board are responsible for the declaration pursuant to paragraph 161 AktG concerning the German Corporate Governance Code. Furthermore, the legal representatives are responsible for the other information.

Our auditor's opinions on the consolidated financial statements and the group management report do not extend to the other information and, as such, we do not express an opinion or any other form of conclusion in relation to this information.

With regards to our audit of the consolidated financial statements, our responsibility is to read the above-mentioned other information and, in doing so, consider whether the other information is

- materially inconsistent with the consolidated financial statements, the content of the audited group management report or our knowledge obtained in the audit
- apparently otherwise materially misstated.

If, as a result of the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report this. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law in accordance with section 315e, paragraph 1 of the German Commercial Code and for such internal control as the legal representatives determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In addition, the management is responsible for such internal control as they deem necessary in order to permit the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraudulent actions (i.e. manipulation of the accounting system or misstatement of assets) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Further to the above, the legal representatives are also responsible for disclosing matters related to going concern, insofar as these are relevant. The legal representatives are additionally responsible for accounting on a going concern basis, unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Additionally, the legal representatives are responsible for implementing the provisions and measures (systems) that it has determined are necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and for providing sufficient appropriate evidence for the statements made in the group management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the group management report

Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether due to fraudulent actions or error, and whether the management report as a whole provides an appropriate view of the Group's position and is consistent in all material respects with the consolidated annual financial statements and the knowledge obtained in the audit, complies with German legal provisions and appropriately presents the opportunities and risks of future developments, as well as to issue an auditor's report that includes our audit opinions on the consolidated annual financial statement and Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 of the German Commercial Code, EU-AuditReg and the generally accepted German standards for the audit of financial statements promulgated by the institute of German auditors (IDW) will always detect a material misstatement. Misstatements may arise from fraudulent actions or errors and are considered material if they could individually or mutually be reasonably expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements and this Group management report.

Independent Auditor's Report

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material misstatements in the consolidated annual financial statements and the Group management report, whether due to fraudulent actions or errors, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of failing to detect material misstatements resulting from fraud is higher than the risk of failing to detect material misstatements resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading representations or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and actions relevant to the audit of the group management report, in order to plan audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- evaluate the appropriateness of accounting policies employed and the reasonableness of the accounting estimates and related disclosures made by the legal representatives.
- draw conclusions on the appropriateness of the going concern basis of accounting employed by the legal representatives and, based on the audit evidence obtained, also on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, in our auditor's report we are required to draw attention to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective auditor's opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date on which our auditor's report is formulated. Despite this, future events or conditions may nonetheless cause the Group to cease to continue as a going concern.
- evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events such that the consolidated financial statements provide a true and fair view of the assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law in accordance with section 315e, paragraph 1 of the German Commercial Code.
- obtain sufficient appropriate audit evidence regarding the accounting information of the companies or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the Group audit. We bear sole responsibility for our auditor's opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its compliance with laws and regulations, and the understanding of the Group's position as conveyed by the group management report.
- perform audit procedures on the forward-looking statements in the group management report as presented by the legal representatives. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the management as a basis for its forward-looking statements, and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not express an independent auditor's opinion regarding the forward-looking statements or the underlying assumptions. A significant unavoidable risk exists whereby future events may materially differ from the forward-looking statements.

We engage in discussions with the persons responsible for governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide the persons responsible for governance with a statement confirming that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the actions taken or safeguards implemented to address independence threats.

On the basis of the matters discussed with those responsible for governance, we determine those matters that were of particular significance to the consolidated financial statements of the current period and that are therefore the audit matters of particular significance. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the respective matter.

Other statutory and other legal requirements

Note regarding the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for disclosure purposes in accordance with section 317, paragraph 3a of the German Commercial Code

Auditor's opinion

In accordance with section 317, paragraph 3a of the German Commercial Code, we have performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the file provided (FORTEC_AG_KA+LB_ESEF_30-06-2023.zip SHA-256-Hashwert:8c3c39d039ff567bdcfa6 10e08005815fbfae5394936166f2806c50460dc3dd0) with the audited ESEF documents and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328 paragraph 1 of the German Commercial Code regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the transfer of the information from the consolidated financial statements and the management report into ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply, in all material respects, with the requirements of section 328, paragraph 1 of the German Commercial Code regarding the electronic reporting format. We do not express any auditor's opinion regarding the information contained in these reproductions or on the other information contained in the aforementioned file beyond this opinion and our opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 July 2022 to 30 June 2023 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report".

Basis for the auditor's opinion

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the aforementioned attached file in accordance with section 317, paragraph 3a of the German Commercial Code and the draft IDW auditing standard: Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with section 317, paragraph 3a of the German Commercial Code (IDW PS 410 (06.2022)). Our associated responsibility is further described in the section "Auditor's responsibility for the audit of the ESEF documents". Our auditing practice has complied with the quality assurance system requirements of the IDW quality assurance standard: Requirements for quality assurance in the auditing practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with section 328, paragraph 1 clause 4, no. 1 of the German Commercial Code and for issuance of the consolidated financial statements in accordance with section 328, paragraph 1 clause 4, no. 2 of the German Commercial Code.

Furthermore, the legal representatives of the company are responsible for such internal controls as they deem necessary to enable preparation of the ESEF documents free from material non-compliance, be it due to fraud or error, with the electronic reporting format requirements in accordance with section 328, paragraph 1 of the German Commercial Code.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free from material non-compliance, be it due to fraud or error, with the requirements of section 328, paragraph 1 of the German Commercial Code. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material non-compliance with the requirements of section 328, paragraph 1 of the German Commercial Code - be it due to fraud or error - plan and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our auditor's opinion. .
- obtain an understanding of internal control relevant to the audit of the ESEF documents, in order to plan audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an auditor's opinion on the effectiveness of those controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the file provided containing the ESEF documents complies with the technical specification for that file as set out in Delegated Regulation (EU) 2019/815 as applicable on the reporting date.
- assess whether the ESEF documents provide a consistent XHTML representation of the audited consolidated financial statements and the audited group management report.
- assess whether the inline XBRL (iXBRL) issuance of the ESEF documentation provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction of the version applicable on the reporting date in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815.

Other information according to Article 10 EU-AuditReg

We were elected as auditors of the consolidated financial statements by the AGM on 15 February 2023. We were appointed by the Supervisory Board on 25 May 2023. We have served as auditors of the consolidated financial statements of FORTEC Elektronik AG, Germering, since the 2020/2021 financial year.

We herewith declare that the audit opinions contained in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU-AuditReg (audit report).

Other matter – Use of the auditor’s report

Our auditor’s report is always to be read in conjunction with the audited consolidated financial statements and the audited group management report, as well as the audited ESEF documents. The consolidated financial statements and the group management report provided in ESEF format, including the versions to be entered in the company register, are only electronic reproductions of the audited consolidated financial statements and the audited group management report. In particular, the ESEF remark and our audit opinion contained therein may only be used in conjunction with the audited ESEF documents provided in electronic form.

Auditor responsible

The auditor responsible for the audit is Felix Haendel.

Munich, 26 September 2023

Rödl & Partner GmbH
Auditors
Accountants

Hager	Haendel
Auditor	Auditor

Legal Notice

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