

**BIG ENOUGH
TO COMPETE –
SMALL ENOUGH
TO CARE.**
FINANCIAL REPORT 2022

Financial Report 2022

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Foreword

Dear Ladies and Gentlemen, Shareholders and Employees,

In a challenging market environment, FORTEC Elektronik AG has finished the uncertain financial year 2021/2022 with a record result. Thanks to the outstanding commitment of the entire FORTEC team, we were able to increase the Group turnover by 15 % to EUR 89.0 million and the Group EBIT by 58.8 % to EUR 8.5 million. The results achieved are significantly higher than the forecast range from the Group management report from the previous year (up to 12 % growth in turnover and up to 10 % Group EBIT growth) and are in the optimistic range of our latest forecasts. The positive turnover development and, in particular, the record EBIT result show that the measures already implemented as part of our “Grow Together 2025” strategy are paying off.

The external influences were not easy in any way. The last financial year continued the trend of pandemic-related delivery bottlenecks for preliminary products and interruptions to the supply chain, which were exacerbated by the outbreak of war in Ukraine. Despite the geopolitical and global economic risks, the increasing inflation rates and the ever increasing cost of energy, we have been able to increase our EBIT margin from 6.9 % in the previous year to 9.5 % in the reporting year. The consolidated net income was EUR 6.3 million after EUR 3.9 million the previous year. Earnings per share increased by 61 % to EUR 1.92 (previous year: EUR 1.19). We would like to extend our thanks to all of our employees for their outstanding commitment in these times, which has enabled us to overcome these challenges brilliantly.

Thanks to the outstanding result, the Management Board will propose an increase to the dividend distribution of EUR 0.70 per share at the upcoming Annual General Meeting (previous year: EUR 0.60 per share). We are therefore continuing our dividend policy that is aligned with continuity from previous year and are proud to once again enable you, our esteemed shareholders, to be part of our company's continued success. The dividend distribution corresponds to a return of 2.9 % based on the rate (EUR 23.80) on 30 June 2022.

The data visualisation segment made a contribution to Group turnover of EUR 56.3 million (previous year: EUR 47.4 million), whilst the power supply segment accounts for EUR 32.7 million (previous year: EUR 30.0 million). We are confident that the expanded mixture of distribution, development and Production & Solutions will achieve long-term, sustainable growth in both segments. As a system supplier of industrial, high-tech products, we are in the best position and are increasingly establishing ourselves as a strategic partner of our customers. We are consistently sticking to our vision of providing added value to our customers through the linking of power supplies, display technology and embedded computer technology. The total orders on hand in the Group at the end of the 2021/2022 financial year was EUR 93.5 million and was therefore 45 % higher than the previous year.

For over 38 years now, FORTEC has consistently generated excellent returns with its business model, which has been tested in multiple cycles. Thanks to our conservative financing policy, we have a very robust balance sheet structure with an equity ratio of 70.4 % (previous year: 69.6 %). We have also been able to overcome the operational challenges in the supply chains in the previous financial year successfully and to adjust the prices of our products to the new market conditions to the greatest extent possible. With increased activity in the design of complete (sub)systems based on in-house technologies, we are gaining in autonomy and becoming increasingly competitive in a global environment.

Following the outstanding business and results development in the 2021/2022 financial year, we expect that the growth in the 2022/2023 financial year will be moderate due to the various financial uncertainties and increasing costs. We are expecting an increase to Group revenue of between EUR 91 million and EUR 97 million and a Group EBIT of between EUR 8 million and EUR 9 million compared to the previous year.

Dear shareholders, the FORTEC Elektronik AG Management Board thanks you for the trust you show in us. Thanks to your support, we are able to develop the future of our company sustainably and successfully, and increase the business potentials consistently.

Sandra Maile

Chair of the Management Board



Sandra Maile

(Chair of the Management Board)



Bernhard Staller

(Management Board)

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Group management report: 1. Fundamentals of the Group

In recent years, FORTEC as a group has gradually transformed itself from a trading company into a system supplier of industrial high-tech products, and is now part of the international added value chain. Acting as a link between various production plants of internationally active suppliers, in particular from the Far East, as well as European and American customers, FORTEC occupies an attractive growth niche and is constantly expanding its position as a supplier of customer-specific product solutions for industrial use, for example through its own software and hardware developments, as well as the expansion of its own production services. Target customers are companies with long-term positioning, primarily in the high-growth areas of industrial automation, information technology, security technology, medical technology and the field of automotive engineering. Attractive niche markets such as railway and transportation are also focal areas. FORTEC's success is founded on a large number of long-standing customer relationships. The aim of our sales activities is to build strategic partnerships with top customers who are leaders in their own market sectors, as well as with customers with smaller and medium-sized order volumes. Due to ever-greater complexity, orders are increasingly commonly long-term projects and the companies of the FORTEC Group - as suppliers - are becoming long-term, strategic partners to their customers.

For over 38 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. With aushang.online GmbH, the company has expanded its offering of cloud-based content management solutions. 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 sustainably in its own development competence and maintains a development department with 26 (previous year: 25) 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 1.8 million (previous year: EUR 2.3 million). In 2021/2022, the focus was on the development of "obsolescence management" for components and redesigning current platforms to maintain delivery capability. Many of the standard components used have been discontinued by their manufacturers or could no longer be procured in the long term. We also focussed on developing the new "Plus-line" flagship monitor range.

Group management report: 4. Financial report

Macroeconomic and sector-specific framework conditions

The *global economic framework* conditions remain characterised by the effects of the COVID-19 pandemic. Furthermore, the increasing inflation rates, the war in Ukraine and the continuing delivery bottlenecks are blocking economic recovery in virtually all regions and economic sectors. The global gross domestic product in 2021 was around 6.1 % higher than the value in the previous year ¹⁾, although the IFO institute is expecting growth of 2.9 % this year ²⁾. In the second half of the financial year, the consumer mood in *Europe* deteriorated significantly due to the war in

Ukraine. The status reports and the business expectations of the industrial companies have also deteriorated. In total, the gross domestic product in the euro zone increased by 3.8 % ³⁾ in 2021 compared to the previous year and should increase by a further 3.3 % ⁴⁾ in 2022.

The *German economy* has survived the two COVID waves last winter well. After a slight decline by 0.3 % in the final quarter of 2021, the economic output rose again in the first quarter of 2022 and was recently only just below its pre-crisis value at the end of 2019. However, since the war in

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. Financial report

Ukraine has broken out, exports, availability of preliminary products and orders received in the industry have reduced significantly. Production had to be reduced partially and energy supply costs have risen significantly ⁵⁾. The seasonally adjusted S&P Global / BME Germany Manufacturing PMI reduced from 54.8 points in May to 52.0 points in June 2022 and therefore reached its lowest level for almost two years ⁶⁾. Furthermore, consumer prices have increased significantly. The loss of purchasing power for private households, which is associated with this has been reflected in the decline in goods consumption.

According to the German association ZVEI, the orders received in the German electrical and digital industry from January to May 2022 have increased by 15.6 % compared to the previous year. The business climate in the German electrical and digital industry improved again in June after three declines in a row, the status report and the forecast have improved ⁷⁾.

Group management report: 5. Business development

FORTEC's business performance in the 2021/2022 financial year was characterised by the challenges of the COVID-19 pandemic, which had a significant negative effect on the Group due to the lack of availability of preliminary products. In this environment, the Group was able to increase the Group turnover by 15 % to EUR 89.0 million and the Group EBIT by 58.8 % to EUR 8.5 million. The results were higher than the forecast range from the Group management report from the previous year (up to 12 % growth in turnover and up to 10 % Group EBIT growth) and are in the optimistic range of the last forecast values. The reason for this was the high demand and good price penetration so that the

gross margin was even able to be increased with increasing volume. The rise of the US dollar compared to the euro, as well as one-time effects such as initial consolidation of the Czech sub-subsidiary ALLTRONIC, and reduced warehouse value corrections also affected this.

Due to the high demand for products with simultaneous delivery bottlenecks for preliminary products on the part of suppliers, the order backlog in the Group rose to EUR 93.5 million at the end of the 2021/2022 financial year, and was therefore 45 % higher than in the previous year.

Group management report: 6. Profit situation

Group turnover, a key financial performance indicator, stood at EUR 89.0 million (previous year: EUR 77.4 million). The growth in turnover in the financial year was therefore 15 % compared to the previous year, which is within the optimistic range of the forecast. The reason for beating the forecast was a positive mixture of effects. The increase in US

business was greater than planned with an increase of 46 % compared to the previous year. Furthermore, new products and projects were well received by the market at the increasing general price level enabled price increases on the procurement side to be passed on to customers. Finally, the strong US dollar increase during the year had a positive

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>

effect on the turnover in the US dollar zone. Other operating income increased slightly from EUR 2.1 million to EUR 2.5 million. The 2021/2022 financial year included a positive special effect from the initial consolidation of the Czech sub-subsidiary ALLTRONIC and compensation payments of EUR 237 thousand. Currency gains increased by EUR 519 thousand. The cost of materials increased by a slightly disproportionately low 13.8 % of the turnover from EUR 52.6 million to EUR 59.9 million. The gross margin (contribution margin I), taking into account the change in inventories of finished goods and work in progress in the 2021/2022 financial year, rose from 31.3 % in the previous year to 32.7 % despite the higher transport and freight costs, as well as procurement costs. The cost of sales ratio fell from 68.0 % in the 2020/2021 financial year to 67.3 % in the 2021/2022 financial year. A significant cause of this development is a reduction in marketability discounts on stock by EUR 367 thousand, as the increased demand enabled warehouse items that had already been depreciated to be used.

Personnel expenses rose from EUR 13.4 million to EUR 14.9 million. The increase resulted from general salary adjustments and more expensive new appointments due to the tense situation on the labour market, as well as increase in variable remuneration and the elimination of short-time work payment reimbursements of around EUR 0.3 million. Despite this, the personnel cost ratio decreased from 17.3 % to 16.8 % due to the increase in turnover. Depreciation fell from EUR 1.7 million to EUR 1.6 million due to lower investments than in the previous year and reduced planned depreciation on rental properties. Other operating expenses increased from EUR 5.5 million in the previous year to EUR 6.6 million and amounted to 7.4 % relative to turnover (previous year: 7.2 %). The reasons for this were higher personnel procurement costs (+ EUR 245 thousand), a further increase in advertising and travel activities (+ EUR 206 thousand) and higher consultant costs, particularly in relation to a planned but not completed M&A transaction (+ EUR 92 thousand). On balance (currency gains less currency losses), the profit and loss account includes a currency gain of EUR 432 thousand. The previous year resulted in a currency loss of EUR 178 thousand.

As a result of the factors previously mentioned, the EBIT result as a key *financial performance indicator* of EUR 8.5 million is above the previous year's value of EUR 5.3 million and therefore within the optimistic range of the forecast. The EBIT margin, based on sales revenues, rose from 6.9 % in the previous year to 9.5 %. Taxes on income and earnings increased by a slightly disproportionately low EUR 687 to the consolidated net income. The decline in the tax quota from 25.9 % to 24.7 % is due to tax rebates from previous years, as well as a release of a deferred tax liabilities in the United Kingdom. The consolidated net income for the 2021/2022 financial year was EUR 6.3 million (previous year: EUR 3.9 million). The return on sales after taxes rose from 5.0 % in the previous year to 7.0 %. Earnings per share therefore rose from EUR 1.19 to EUR 1.92, and therefore by +61 %.

At the upcoming Annual General Meeting, the Management Board and the Supervisory Board will propose dividend distribution of EUR 0.70 per share (previous year: EUR 0.60 per share). This corresponds to a return of 2.9 % based on the share price (EUR 23.80) as at 30 June 2022.

Development of the segments

The external revenues of the data visualisation segment made a contribution to Group turnover of EUR 56.3 million (previous year: EUR 47.4 million) and the power supply segment EUR 32.7 million (previous year: EUR 30.0 million). The large increase in the data visualisation segment can be attributed to the increase to the US business. The ratio of the two segments is similar to that of the previous year: the datavisualisation segment now contributes 63.2 % (previous year: 61.2 %) to the total turnover.

The return on sales (EBIT return) in relation to the total output of the data visualisation segment increased from 10.7 % to 12.0 %, the return on sales in the power supply segment increased from 2.7 % to 4.2 %. To better compare the segment figures, the numbers from the previous year were adjusted to the current, changed representations.

Group management report: 7. Net asset position

On the assets side, with a balance sheet total of EUR 70.8 million (previous year: EUR 64.0 million), **non-current assets** amount to EUR 17.8 million (previous year: EUR 18.3 million). Of this figure, at EUR 7.0 million (previous year: EUR 6.7 million) the goodwill from the acquired subsidiaries is the largest item. Due to accounting in accordance with IFRS 16, rights of use amounting to EUR 5.4 million (previous year: EUR 5.9 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 0.26 million is mainly due to the ongoing depreciation of the building.

Under **current assets**, the largest item, with a value of EUR 26.1 million (previous year: EUR 19.7 million), is the stocks standing at 36.8 % (previous year: 30.8 %) of the balance sheet total. Of this amount, EUR 16.3 million (previous year: EUR 11.3 million) is attributable to the data visualisation segment, whilst the power supply segment accounts for EUR 9.9 million (previous year: EUR 8.4 million). The increase in stocks can be ascribed to the procurement prices that increased in the last quarter, increased inventory as part of the increased business volume and an even more tense delivery situation. The item **receivables from deliveries and services** increased from EUR 8.7 million in the previous

year to EUR 10.7 million. The increase is disproportionately large compared to the increase in revenues, as the average collection period has increased by around 3 days. At the time of finalising the balance sheet, these were largely settled. Cash and cash equivalents, the second largest item on the assets side, decreased from EUR 14.7 million in the previous year to EUR 12.9 million, mainly due to the stock increase. The Group's equity ratio is 70.4 % (previous year: 69.6 %). At EUR 49.9 million (previous year: EUR 44.5 million), the Group has sufficient equity. The equity capital increased by the consolidated net profit of EUR 6.3 million and was reduced by the dividend payment of EUR 2 million.

On the liabilities side, **non-current bank liabilities** fell from EUR 2.4 million to EUR 1.6 million due to reclassifications in the area to the current liabilities to credit institutes. The current liabilities to credit institutes reduced from EUR 1.2 million to EUR 0.8 million due to scheduled repayments made. Current reserves increased from EUR 242 thousand to EUR 371 thousand due to a warranty provision. Furthermore, liabilities due to deliveries and services increased from EUR 4.9 million to EUR 6.5 million. The reasons for this are increased goods deliveries in order to handle the increased order backlog.

Group management report: 8. Financial and liquidity position

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

The Group's objective is to sustain a strong capital base in order to maintain investor, market and creditor confidence.

The objective of capital management is to ensure that business operations are based on a high level of equity financing. To maintain or adjust the capital structure, the Group may make adjustments to dividend payments and share buybacks, and issue new shares. The Group monitors capital using a ratio of net financial debt to the sum of the equity capital and net financial debt (capital controlling indicator). Net financial debt includes all debts according to the balance sheet less cash and cash equivalents. The equity capital comprises the equity capital shown in the balance sheet.

In TEUR	30/06/2022	30/06/2021
Total debts	20,979	19,473
Less cash and cash equivalents	(12,884)	(14,696)
Net debt	8,095	4,777
Equity capital	49,857	44,540
Capital controlling indicator	6.16	9.32

The cash flow from operations in the 2021/2022 financial year decreased from EUR 10.2 million to EUR 2.1 million despite the lower consolidated net income. This was due to a negative cash flow from building up inventories of EUR 5.4 million, as well as the increase in receivables from deliveries and services of EUR 2.3 million as a result of the increased sales volume and a slightly increase to the average collection period from 40 to 43 days. The cash flow from investments witnessed slightly positive development compared to the previous year, increasing from EUR -251 thousand to EUR -216 thousand. 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 4.2 million). In total, the Group recorded cash and cash equivalents of EUR 12.9 million (previous year: EUR 14.7 million).

Investments

Investments in the past financial year amounted to EUR 95 thousand (previous year: EUR 54 thousand) in intangible assets, EUR 142 thousand (previous year: EUR 197 thousand) in tangible assets and EUR 233 thousand (previous year: EUR 286 thousand) in rights of use, whereby investments were largely realised in operating and office equipment. In terms of rights of use, the increases mainly resulted from the low remaining term of the rental contracts. Furthermore,

an addition of around EUR 80 thousand from the initial consolidation of ALLTRONIC was recorded.

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

The company is committed to *ecological sustainability* in its operational activities. FORTEC is therefore planning to compile its first ever sustainability report in the 2022/2023 financial year. 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 our assessments, which we currently consider to be realistic according to the information available to us. Various known and unknown risks, uncertainties and other factors may mean that the forecast developments do not actually come into being, either in terms of their tendency or their extent. According to the IFO economic forecast, the German economy should recover in the second half of 2022 with rates of 1.2 % in the third quarter and 1.4 % in the fourth quarter. However, this forecast is subject to uncertainty. Adverse factors include the continuing war in Ukraine, possible bottlenecks in energy supplies and high inflation rates. Despite significant vaccination programmes, the COVID-19 pandemic also continues to be a factor for uncertainty. The IFO institute forecasts that the supply bottlenecks should gradually decline and the raw material prices should decrease. The order backlog should therefore decrease in the second half of the year, which should revitalise production in the production industry ¹⁾. According to the IFO economic forecast, the gross domestic product in Germany is expected to increase by 1.6% and reduce by -0.3% in the coming year ²⁾.

The current geopolitical and global economic uncertainties and the continued uncertain progress of the rate of new COVID infections currently make creating valid prognoses extremely difficult. The war in Ukraine does not have many direct effects on FORTEC but indirect influences from the energy markets and the sanctions can be felt and a possible amplification of the conflict between China and Taiwan brings increased business risks for the FORTEC Group. Furthermore, contrary to the forecasts of the IFO institute, winter 2022/2023 is expected to bring an economic downturn according to other institutions and experts, which may also have a negative effect on the products of the FORTEC Group.

Following the outstanding business and results development in the 2021/2022 financial year, increasing costs in the

personnel area, in preliminary products, raw materials and electronic components, as well as unchanged high freight and logistics costs can currently be observed, which will affect profitability in the 2022/2023 financial year. Overall, the Management Board is expecting a significant increase in personnel costs compared to the previous year due to salary adjustments and new appointments. Furthermore, the general increase in global energy and raw material prices, as well as significantly higher inflation rates will make corresponding adjustments to the fixed costs in the Group necessary.

Under the aforementioned premises and the challenges outlined, the Group expects a Group turnover in the range of EUR 91 million to EUR 97 million in the 2022/2023 financial year (2021/2022 financial year: EUR 89.0 million) and a Group EBIT of between EUR 8 million and EUR 9 million (2021/2022 financial year: EUR 8.5 million).

This outlook relates to both the data visualisation and the power supplies divisions. Despite all of the global uncertainties and risks, the Management Board considers the FORTEC Group to continue to be well positioned with a long-term significant growth potential. FORTEC will also continue to participate in the global digitalisation trend. Working in collaboration with cooperation partners and its own development departments, FORTEC will develop powerful and cost-effective standard and customer-specific solutions for Industry 4.0 and IoT (Internet of Things) applications. In doing so, intelligent hardware solutions will be equipped increasingly with the company's own software solutions.

General risk notice

A forecast is provided with uncertainties that could have a significant influence on the forecast turnover and results development. Due to the current geopolitical situation, the corresponding effects cannot be estimated at the current time.

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-wuergt-privaten-konsum-ab-deutsche>

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

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

Risk assessment

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

Risk management measures

Risk control can take place on the basis of the risk assessment. Appropriate risk measures have been implemented in accordance with the risk assessment carried out by the management, and the individuals responsible for their implementation have been appointed. One of the aims of the risk management system is to ensure that risks are recognised by employees and decision-

makers before they result in damage to the company and that those responsible reduce the risks in good time - either independently or in cooperation with the decision-makers - to a level that is acceptable to FORTEC.

Risk reporting

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

Internal control and risk management with regard to the accounting process is an integral part of all processes of the FORTEC Group and is based on a systematic approach of risk identification, assessment and management that encompasses the entire Group. An internal control system supports the attainment of business policy objectives by ensuring the functionality and efficiency of business processes, compliance with laws and regulations, and the protection of business assets. The Management Board is responsible for the design of the control and risk management. Active monitoring controls by the 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 facilitate the prompt identification of any deviations in the planned figures for incoming orders, the order inventory, stock on hand, as well as turnover, gross margin and costs, and the implementation of countermeasures if necessary. The maturity of receivables, in particular debtors, is reviewed regularly.

The measures aimed at the correctness and reliability of accounting ensure that business transactions are recorded fully and promptly in accordance with the legal

Group management report: 10. Risk and opportunity report

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

For decades, 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. The general increase in global energy and raw material prices, as well as significantly higher inflation rates currently increase the 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.

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 supply segment. As such, a change in personnel - be it due to the departure of the decision-maker(s) from the company or a change in the company's shareholder structure - can lead to the loss of existing business relationships. The conflict between China and Taiwan is currently posing a significant risk on the supplier side. The company counteracts this risk by establishing alternative secondary suppliers in certain areas and increasing inventory.

c) Availability of goods and procurement prices: The recovery of the global economy and increasing demand is currently being affected by a shortage of goods for certain electronics items, in particular in the electronics sector. In addition to price effects (rising purchase prices), this

is causing delivery delays and even the non-delivery of products, especially in the electronics sector. This in turn can have negative consequences with regards to FORTEC's delivery capability, meaning that a loss of sales could arise in the worst case scenario. The Group attempts to counteract this risk through a forward-looking procurement policy and back-up inventories.

Risk reporting in relation to the use of financial instruments

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

To hedge the *liquidity risk*, a liquidity plan is prepared on a weekly basis and the value of receivables, especially debtors, is reviewed regularly. To further secure liquidity, the Group has sufficient bank balances that exceed current liabilities from deliveries and services. Furthermore, the Group has two long-term bank loans with favourable conditions from the management'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.

Legal and warranty risks

A constantly increasing risk lies in customer requirements, which extend beyond the previous warranty period and the usual standard of a supply contract. In recent years,

customers have gradually developed a sense of entitlement that places a clear burden on the supplier. Claims arising from the supply contract can be considerably higher than the value of the goods and legal disputes with corresponding risks are increasingly resulting from this.

Default risks

Default risk is the risk of financial loss if a customer or a contracting party to a financial instrument fails to meet their contractual obligations. A default risk generally arises from the Group's receivables due to deliveries and services, as well as debt securities held as financial investments. As a general rule, the Group checks the creditworthiness of the customer relationship with a trade credit insurer for all new customers and otherwise on an annual basis. Uninsured relationships are individually assessed and entered into through bank guarantees, other hedges or advance payment. Accounts receivable are constantly monitored and known risks are reflected in value adjustments. Further to this, no significant default risks exist from current business activities. The "expected credit losses" (ECL) model is used for receivables arising due deliveries and services.

Personnel risks

Success in the market remains heavily dependent on the comprehensive knowledge, long-term experience and, at the present time in particular, very much on the health of the employees. The requisite hygiene and control measures to protect against COVID-19 infection exist at every site. Any large-scale change in personnel or individual key members of staff could jeopardise the success achieved so far. Hiring new employees against the background of a highly discernible shortage of skilled workers and enhancing attractiveness as an employer in a regional environment of full employment has presented a particular challenge. However, collaborating with external personnel service providers and internal active sourcing, as well as a modern working environment and individual working models reduces the risk. Furthermore, FORTEC endeavours to

Group management report: 10. Risk and opportunity report

secure and keep the expertise within the company through early succession planning for employees who are set to leave the company.

Corporate strategy risks and competitive risks

If our industrial customers were to change their strategy and to cease production in Central Europe on a long-term basis (and in doing so rely on local suppliers), this would call our business model as a supplier of technically sophisticated products into question. A similar effect would arise in the event of a future change in the behaviour of our upstream suppliers, resulting in these suppliers realising sales directly to industrial customers via the internet and no longer selling their products exclusively through the established distribution channels. An expected concentration process on the supplier side could also have a negative effect on us. In extreme cases, this could result in the termination of the supply relationship. The same effect could occur if the trading margin to be achieved is below our costs due to the competitive information available to all customers via the Internet, which is mainly influenced by personnel expenses. Extensive production capacities, in particular in the data visualisation segment, increase the risk of not being able to react flexibly to market conditions due to the fixed cost block.

IT risks/cyber risks

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

Currency risks

Foreign currency risks are avoided insofar as possible by conducting business in a single currency. Nevertheless,

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

Summarised risk assessment

The overall risk position of the Group is operationally unchanged compared to the previous year. At the present time, it is not possible to definitively assess whether and what effects the COVID-19 pandemic, the war in Ukraine or the conflict between China and 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". Although this cannot be guaranteed for the future, FORTEC is confident that the expanded mix of Distribution, Development, Production &

Solutions in both segments offers good opportunities for long-term, sustainable growth. The solid financial situation enables the Group to respond with flexibility and speed to strategic options as they arise in the light of market and industry developments.

Overall assessment of the risk and opportunity situation

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

Nonetheless, the 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 2022 stood at 3,250,436 with a nominal value of EUR 1. There is currently neither conditional capital nor a share buyback programme. The subscribed capital consists exclusively of ordinary bearer shares with voting rights. There are no restrictions on voting rights, nor are there any restrictions on the transfer of shares.

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

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

The Management Board was also authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- (i) for fractional amounts;
- (ii) for capital increases against contributions in kind;
- (iii) in the case of cash contributions up to an amount not exceeding 10 percent of the share capital existing at the time this authorisation becomes effective or - if this value is lower - at the time this authorisation is exercised, provided that the issue price of the shares is not significantly lower than the stock exchange price of the already listed shares of FORTEC at the time the issue price is finally determined.

The authorised capital per 15 February 2018 (Authorised Capital 2018/I) amounts to EUR 1,187,978 after partial utilisation as at the balance sheet date. Appointment and dismissal of the Management Board take place in accordance with the statutory provisions (sections 84, 85 of the Stock Corporation Act). Compensation agreements in the event of a change of control or a takeover bid have

not been concluded with the Management Board. However, in the event of a change of control as a result of a takeover bid, the supplier contracts essential to the company may be terminated by the contractual suppliers. This danger exists in particular if the contractual supplier has reason to fear the entry of a competitor.

FORTEC's *remuneration system* for the members of the Management Board includes fixed and variable salary components. The bonuses depend solely on the consolidated EBIT achieved or the consolidated net profit for the year. The AGM of 16 February 2017 resolved that the disclosures required under section 314 no. 6a clause 5-9 of the German Commercial Code may be omitted from the notes to the consolidated financial statements and the consolidated management report. 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.

Group management report: 12. Declaration on Corporate Governance in accordance with section 315d in conjunction with section 289f of the German Commercial Code

Following due examination, the Management Board and Supervisory Board of FORTEC were able to issue the Declaration of Conformity in accordance with section 161 of the Stock Corporation Act, which has been made permanently available to shareholders by the Management Board and Supervisory Board on FORTEC's website (<https://www.fortecag.de/investor-relations/corporate-governance>) per 1 October 2021. Responsible corporate governance with a focus on long-term value creation has been a distinguishing feature of the work of the FORTEC Elektronik AG executive and oversight boards. The Management Board reports on corporate governance in this declaration in accordance with section 289 f, paragraph 1 no. 2 of the German Commercial

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

The corporate governance of FORTEC as a listed German public limited company is primarily determined by the German Stock Corporation Act and, with restrictions, by the requirements of the German Corporate Governance Code in its current version. The Code as amended on 16 December 2019 was published in the Federal Gazette on 20 March 2020. It represents essential legal regulations for the management and supervision of German listed groups

and contains internationally and nationally recognised standards of good and responsible corporate governance. The objective of the adopted guidelines is to make the rules applicable in Germany transparent, in order to strengthen the confidence of international and national investors, customers, employees and the public in the management of German companies.

Working methods and composition of management bodies and committees in accordance with section 289f, paragraph 2 no. 3 of the German Commercial Code

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

The remuneration report for the last financial year (2021/2022) and the auditor's remark in accordance with section 162 of the German Stock Corporation Act are available online at www.fortecag.de/investor-relations/corporate-governance. The applicable remuneration system in accordance with section 87a, paragraph 1 and S2, clause 1, and the last remuneration resolution in accordance with section 113, paragraph 3 of the German Stock Corporation Act are available online at www.fortecag.de/investor-relations/corporate-governance.

The Management Board is a management body bound to the interests of the company. It conducts business in accordance with the law, the articles of association and the rules of procedure issued by the Supervisory Board. Within the framework of its responsibilities, the Management Board is responsible for the preparation of the quarterly, annual and consolidated financial statements and for the appointment of key positions in the company. Furthermore, the Management Board is responsible for ensuring compliance with legal provisions, official requirements and internal company guidelines. It facilitates and promotes their observance by the Group companies. Significant decisions of the Management Board require the approval of the Supervisory Board. The Management Board informs the Supervisory Board regularly and comprehensively about all aspects of business development that are important for FORTEC, significant

business transactions and the current earnings situation, including the risk situation and risk management. The Management Board coordinates the strategic orientation of the company with the Supervisory Board and discusses the status of strategy implementation with it at regular intervals. The Management Board consists of two people.

The Supervisory Board comprises three members, two of whom are elected as shareholder representatives by the AGM and one of whom is an employee representative delegated in accordance with the One-Third Participation Act. The Supervisory Board monitors and advises the Management Board on the management of the business. The Supervisory Board regularly discusses business development, planning, strategy and its implementation. It reviews quarterly reports, adopts the annual financial statements and approves the consolidated financial statements. The regular term of office of the current Supervisory Board members ends at the AGM in 2025, which decides on the 2023/2024 financial year. In the 2021/2022 financial year, the Supervisory Board conducted two ordinary meetings in person and six meetings in the form of a telephone or video conference. During these meetings, it discussed such matters as the 2020/2021 annual financial statements of the FORTEC Group, the annual financial statements of FORTEC AG, the dividend policy of FORTEC AG, the strategic orientation, crisis management of the corona virus and planning for 2022/2023. The auditor attended the balance sheet meeting and reported on the audit of the annual financial statements of FORTEC AG and the consolidated financial statements 2020/2021. The Supervisory Board was informed by the Management Board about matters including the status of IT projects. M&A activities and the planned personnel development. It also dealt with the risk management system and in particular with the internal control and risk management system with regard to the accounting process. Succession planning for the members of the Management Board is an important task for the Supervisory Board. The aim is to reduce risks and to ensure that the right competencies are available in the board in the medium and long term. With the assistance of an experienced recruitment consultant, a systematic process was started in good time to find a candidate with the required knowledge and capabilities to be the successor to Mr Bernhard Staller. After the initial pre-selection process

Group management report: 12. Declaration on Corporate Governance in accordance with section 315d in conjunction with section 289f of the German Commercial Code

(long and short list) by the Supervisory Board, personal interviews were conducted, also including the Chair of the Management Board. At the end of the selection process, a complex evaluation process took place in the form of an individual assessment centre. The Supervisory Board was able to take an informed decision on the successor on the basis of the results.

The members of the Supervisory Board are required to disclose conflicts of interest to the Supervisory Board. There were no conflicts of interest of Supervisory Board

members in the 2021/2022 financial year. No consultancy or other service agreements existed between members of the Supervisory Board and FORTEC in the past financial year. In accordance with section 111, paragraph 5 of the Stock Corporation Act, the Supervisory Board has achieved a ratio of women of 33%. The stipulated ratio of women of 30% on the Board of Directors has already been attained. In accordance with section 76, paragraph 4 of the Stock Corporation Act, the ratio of 25% set for the second management level has also been achieved.

Final declaration on the report regarding relationships with affiliated companies (dependency report), section 312, paragraph 3 clause 3 of the German Stock Corporation Act:

The company has decided to draw up a dependency report once again. This is because the main shareholder with a minority shareholding usually represented a majority at the Annual General Meeting in recent years, due to presence at the Annual General Meeting. This may give rise to a dependency relationship on the part of our company per section 17, paragraph 1 of the Stock Corporation Act. That said, the Management Board issues the following concluding statement:

FORTEC did not have any reportable transactions in relation to the controlling company or one of its affiliated companies in the financial year.

Germering, 22 September 2022

Sandra Maile

Chair of the Management Board

Bernhard Staller

Management Board

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Consolidated balance sheet: 1. Assets

In TEUR	Annex	Consolidated balance sheet 30/06/2022	Consolidated balance sheet 30/06/2021
A. Non-current assets			
I. Acquired goodwill	6	6,963	6,715
II. Intangible assets	7	213	198
III. Tangible fixed assets	7	4,650	4,909
IV. Rights of use	8	5,380	5,916
V. Financial assets balanced according to the equity method	9	71	0
VI. Financial assets	10	70	162
VII. Deferred tax assets	19	468	379
		17,814	18,278
B. Current assets			
I. Inventories	12	26,075	19,743
II. Receivables from deliveries and services	13	10,683	8,700
III. Tax refund entitlements	13	2,496	2,238
IV. Other financial assets	13	571	131
V. Other assets	13	313	227
VI. Cash and cash equivalents	14	12,884	14,696
		53,021	45,735
Total assets		70,836	64,013

Consolidated balance sheet: 2. Liabilities

In TEUR	Annex	Consolidated balance sheet 30/06/2022	Consolidated balance sheet 30/06/2021
A. Equity capital			
I. Subscribed capital	16	3,250	3,250
II. Capital reserve	16	14,481	14,481
III. Conversion adjustments	16/34	1,819	814
IV. Other reserves	16	24,044	22,113
V. Consolidated annual surplus	16	6,253	3,881
Equity of the owners of the parent company		49,847	44,540
Non-controlling interests		10	0
Total equity capital		49,857	44,540
B. Non-current liabilities			
I. Non-current bank liabilities	17/20	1,611	2,361
II. Non-current leasing liabilities	20	4,508	5,088
III. Other non-current financial liabilities	20	48	20
IV. Other non-current liabilities	20	448	49
V. Non-current reserves	19	354	293
VI. Deferred tax liabilities	21	374	373
		7,343	8,184
C. Current liabilities			
I. Liabilities to credit institutes	17/20	750	1,167
II. Liabilities from deliveries and services	20	6,540	4,905
III. Current leasing liabilities	20	1,011	934
IV. Tax liabilities	20	1,811	1,392
V. Other current financial liabilities	20	1,678	1,349
VI. Other current liabilities	20	1,475	1,300
VII. Reserves	19	371	242
		13,636	11,289
Total liabilities		70,836	64,013

Consolidated statement of comprehensive income

In TEUR	Annex	Group P&L 2021/2022	Group P&L 2020/2021
1. Sales revenues	23	89,034	77,426
2. Increased inventory of unfinished goods	24	-4	-884
3. Other operating income	25	2,481	2,063
4. Cost of materials	26	59,909	52,622
5. Personnel costs	27	14,920	13,387
6. Depreciation	28	1,607	1,731
7. Other operating costs	29	6,624	5,541
8. Operating result (EBIT)		8,451	5,323
9. Income from investments	10	0	33
10. Income from associated companies according to the equity method	9	41	0
11. Other interest and similar income	31	2	69
12. Other interest and similar costs	31	197	185
13. Result before taxes		8,297	5,240
14. Taxes on income and earnings	32	2,046	1,359
15. Consolidated annual surplus		6,251	3,881
16. Other earnings	34	1,005	-188
17. Total earnings		7,256	3,694
Attributable to:			
19. Shareholders of the parent company		7,258	3,250
20. Non-controlling shareholders		-2	0
21. Earnings per share (in euros)		1.92	1.19
22. Number of shares		3,250,436	3,250,436

Consolidated statement of changes in equity

In TEUR	Subscribed capital	Capital reserve	Currency conversion difference	Other reserves	Total	Non-controlling interests	Total equity capital
As at 01/07/2020	3,250	14,481	1,002	24,063	42,796	0	42,796
Consolidated annual surplus 01/07/2020–30/06/2021				3,881	3,881		3,881
Change in other earnings			-188		-188		-188
Dividend payments				-1,950	-1,950		-1,950
Changes in financial year 2020/2021	0	0	-188	1,931	1,744	0	1,744
As at 30/06/2021	3,250	14,481	814	25,994	44,540	0	44,540
As at 01/07/2021	3,250	14,481	814	25,994	44,540	0	44,540
Consolidated annual surplus 01/07/2021–30/06/2022				6,253	6,253	-2	6,251
Addition to scope of consolidation					0	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

Consolidated cash flow statement

In TEUR	Annex	2021/2022	2020/2021
I. Operating activities			
1. Consolidated annual surplus		6,251	3,881
2. (+) Income tax expenditure / (-) income tax refund		2,046	1,359
3. (+) Depreciation / impairment of value of tangible and intangible assets		1,607	1,731
4. (+) Other non-cash expenses / (-) Other cash income		-715	394
5. (+) Loss / (-) gain on sale of tangible assets		8	2
6. (+) Decrease / (-) increase in inventories		-5,420	4,408
7. (+) Decrease / (-) increase in receivables from deliveries and services and other receivables		-2,292	593
8. (-) Decrease / (+) increase in liabilities from deliveries and services		1,530	-655
9. (-) Decrease / (+) increase in current liabilities		317	-356
10. (+) Decrease / (-) increase in non-current receivables		115	9
11. (-) Decrease / (+) increase in non-current liabilities		294	22
12. (+) Interest expenses / (-) interest income		195	116
13. (-) Interest paid (includes interest portion of lease liabilities)		-195	-116
14. (+) Income tax refunded / (-) income tax paid		-1,636	-1,213
Cash flow from operating activities		2,106	10,175
II. Investment activities	35		
1. Payments for investments in tangible and intangible assets		-237	-251
2. Proceeds from sale of tangible and intangible assets		10	0
3. Payments for addition to scope of consolidation		11	0
Cash flow from investing activities		-216	-251
III. Financing activities	35		
1. Payments for the redemption of (financial) loans		-1,167	-1,167
2. Payments for leasing liabilities ¹⁾		-1,021	-1,034
3. Profit distribution		-1,950	-1,950
Cash flow from financing activities		-4,138	-4,151
IV. Changes to cash and cash equivalents affecting payment	35	-2,249	5,774
1. Cash and cash equivalents at the start of the period		14,696	8,865
2. Changes to the cash and cash equivalents due to the scope of consolidation		213	0
3. Effect of exchange rate changes on cash and cash equivalents		224	57
V. Cash and cash equivalents per 30/06/2022 (previous year 30/06/2021)		12,884	14,695
Composition of cash and cash equivalents			
1. Cash		5	8
2. Bank balances		12,879	14,688
Cash and cash equivalents at the end of the period	14	12,884	14,696

1) 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.

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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 2022. 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 Augsburg 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 euro. 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.

New accounting standards

New and amended standards and interpretations IAS 8.28:

For the first time, the Group has adopted certain standards and amendments effective for annual periods beginning on or after 1 January 2021. The Group has not prematurely adopted any standards, interpretations or amendments that have been published but are not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of reference interest rates (phase 2)

On 27 August 2020, the ISAB published the financial amendments to IFRS 9, IAS 39, IFRS 37, IFRS 4 and IFRS 16 from the IBOR reform (phase 2). The amendments are effective for financial years beginning on or after 1 January 2021. The EU endorsement was received on 13 January 2021.

The changes in phase 2 offer relief with regard to changing financial instruments and lease contracts or hedging relationships, which is triggered by replacing a reference interest rate in a contract with a new, alternative reference interest rate. In the event of a change to the base as a result of the reform of reference interest rates for determining the contractual cash flows of a financial asset or a financial liability, which is valued with the amortised costs, the Group will adjust the effective interest rate of the financial asset or the financial liability.

These changes have had no impact on the consolidated financial statement. The Group intends to take advantage of the practical expedients from their effective date.

Amendments to IFRS 16:

Rent concessions related to COVID-19

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - Amendment to IFRS 16 Leases . The amendments provide lessees with relief in applying the requirements in IFRS 16 to account for changes to lease contracts (lease modifications) resulting from rent concessions due to the corona pandemic. As a practical expedient, a lessee may elect to defer the assessment of whether a lessor's pandemic-related lease concession constitutes a lease modification. A lessee that elects to do so accounts for any qualifying modification to the lease

payments resulting from the pandemic-related lease concession in the same manner as it would account for the modification under IFRS 16 if it were not a lease modification. The amendments are effective for financial years beginning on or after 1 June 2020.

The relief was originally limited to rent concessions resulting in a reduction in lease payments, which were due on or before 30 June 2021. However, the IASB extended this deadline to 30 June 2022. These requirements have had no impact on the Group. The Group was not granted any lease concessions related to COVID-19.

Future regulations

Tangible assets: Revenue from intended use – amendments to IAS 16

The amendment to IAS 16 prohibits a company drawing revenue from the procurement of manufacturing costs of a tangible asset, which result from selling objects that were manufactured during the time in which the asset was being brought to its location and into a condition where it was ready for operation (such as revenue from selling samples produced on a test system). The amendment also defines what "Costs for test runs" means. These include the costs for determining whether the asset is technically and physically able to perform its intended use. Achieving a certain financial capability (e.g. an operating profit margin that is being strived for by management) is irrelevant for the appraisal on the other hand. The amendment requires that companies declare revenue and costs relating to produced objects that do not originate from the company's normal business activities separately and specify in which item in the statement of comprehensive income these are included.

To be applied on or after 1 January 2022

Reference to the IFRS conceptual framework – Amendments to IFRS 3

Minor changes were made to IFRS 3 in order to update the references to the revised IFRS conceptual framework

and to extend IFRS 3 to add the regulation that an acquirer must apply the regulations of IAS 37 or IFRIC 21 instead of the conceptual framework when identifying transferred obligations that are in the area of application of IAS 37 or IFRIC 21. Without this new obligation, a company would have acquired liabilities in the event of a business combination, which are not permitted to be accounted according to IAS 37 or IFRIC 21 and therefore would have had to be derecognised immediately following the acquisition. Furthermore, an explicit acquisition prohibition for acquired contingent assets is added to IFRS 3.

To be applied on or after 1 January 2022

Onerous contracts: Costs of contractual fulfilment – amendments to IAS 37

The amendment to IAS 37 clarifies that all costs that are directly attributable to the contract are part of the fulfilment costs. These include the incremental costs incurred with fulfilling the contract (such as direct wage and material costs) and attribution of other costs that are directly attributable to contractual fulfilment. Furthermore, a clarification regarding the extent to which any primary depreciation applies to the assets used for contractual fulfilment (previously: related to the contract).

Notes to the consolidated financial statements: 1. General disclosures

Annual IFRS improvements (2018-2020 cycle)

The following improvements to the standards were published in May:

IFRS 9 – clarification as to which fees are to be included in the 10 % test for derecognition of financial liabilities.

IFRS 16 – amendment to illustrative example 13 for IFRS 16, which contained statements regarding lessor payments to the lessee for reimbursement of leasehold improvements, which often caused misunderstandings

IFRS 1 – the regulation according to which subsidiaries become first-time adopters of IFRS after their parent company have the option to evaluate assets and debts with the book values that were applied for these in the consolidated financial statement of the parent company up to now (excluding consolidation adjustments and adjustments due to the effects of the business combination) (exception: investment companies) is extended to include the cumulative currency conversion difference of the subsidiary. The amendment also applies to associated companies and joint ventures that make use of the corresponding IFRS 1-I regulation.

IAS 41 – removal of the non-consideration of cash flows for taxes in conjunction with the evaluation of biological assets to the fair value according to IAS 41. This aligns the requirements of IAS 41 to the regulations of IFRS 13 and brought it in line with an amendment to IAS 41 from 2008, according to which a pre-tax rate does not have to be used for discounting when determining the fair value.

To be applied on or after 1 January 2022

Classification of liabilities as short-term or long-term – amendment to IAS

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. In July 2020, the IASB published a postponement of one year to the obligatory application date of the modification, to 1 January 2023.

To be applied on or after 1 January 2023

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.

To be applied on or after 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.

To be applied on or after 1 January 2023

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.

To be applied on or after 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. Changes to accounting for reasons of materiality

The Group decided to consolidate ALLTRONIC elektronické stavební skupiny a komponenty spol.s.r.o., Dýšina fully from 1 July 2021. The company had not been consolidated fully since 2009 for materiality reasons and is now fully consolidated. The full consolidation resulted in an addition of EUR 80 thousand of non-current assets, as well as a bank balance of EUR 203 thousand and initial consolidation income of EUR 298 thousand.

Notes to the consolidated financial statements: 3. Accounting and significant valuation principles

3.1. 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.

3.2. 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.

3.3. Cash

Cash and cash equivalents are valued at their nominal value.

3.4. 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.

3.5. 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".

3.6. 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.

3.7. 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 19 % and 29 %).

Value added tax

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

Notes to the consolidated financial statements:

3. Accounting and significant valuation principles

3.8. 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 euro 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 euro 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.

3.9. 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.

3.10. 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.

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 19 "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.

3.11. 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.

3.12. 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).

Notes to the consolidated financial statements:

3. Accounting and significant valuation principles

3.13. 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.

3.14. 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.

3.15. 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 extend over five years. After the fifth year, a long-term growth rate is determined and applied to forecast future cash flows.

Notes to the consolidated financial statements: 3. Accounting and significant valuation principles

3.16. 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.

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

3.17. 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.

Notes to the consolidated financial statements:

3. Accounting and significant valuation principles

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 any accumulated depreciation and any 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.

3.18. 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 6) 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: 4. 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.

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 %

Notes to the consolidated financial statements: 4. Scope of consolidation

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. ALLTRONIC was not consolidated in previous years due to its minor importance for the Group in accordance with IAS 1.15 and 1.30. ALLTRONIC is included in the consolidated financial statement for the first time as of 1 July 2022. Income from the initial consolidation has been recorded at EUR 298 thousand in other operating income.

aushang.online GmbH is a subsidiary of DISTEC GmbH Vertrieb von elektronischen Bauelementen. It holds 55 % of aushang.online GmbH. The company was founded on 1 October 2021 and is therefore included in the consolidated financial statement for the first time.

Advantec Electronics B.V. was appraised as an associated company according to IAS in 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 304 thousand on the balance sheet date 31 December 2021 (previous year: EUR 298 thousand). The annual result for the 2021 financial year was EUR 95 thousand (previous year: EUR 119 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.

Notes to the consolidated financial statements: 5. Consolidation principles

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.

Notes to the consolidated financial statements: 6. Acquired goodwill

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 2021/2022 financial year (section 33). The segment reporting was adjusted to the revised summary of the operations. The EBIT figure for the previous year also corresponds to the new structure to aid comparison. The book value of the goodwill for *power supplies* changes from EUR 3,172 thousand to EUR 3,420 thousand. The segment achieved an EBIT of EUR 1,450 thousand in the financial year (previous year: EUR 843 thousand). The book value of the goodwill for *data visualisation* remains virtually unchanged at EUR 3,543 thousand. In the financial year, this segment achieved an EBIT of EUR 7,251 thousand (previous year: EUR 5,462 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 30 June 2022. 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.

For the cash-generating units *power supplies* and *data visualisation*, the values in use were determined using cash flow methods. The cash flow forecasts are based on

financial plans prepared by the company's management for a period of five years, which are extrapolated for the following years. 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. The recoverable amount is essentially determined by the final value (perpetual annuity), which reacts sensitively to changes in the growth rate assumption and to the discount factor: A growth rate of 2–10 % (previous year: 1.5 %) 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 5 % (previous year: 1–6 %). An interest rate for the data visualisation segment of 11.51 % before tax (previous year: 8.8 %) and for the power supply segment of 10.41 % before tax (previous year: 8.1 %) was used for discounting and therefore also for determining the value in use. Sensitivity analyses (increase of interest rate by 5 % and decrease of cash flows by 5 % in perpetual annuity) did not result in any need for impairment.

The management believes that no possible change could reasonably cause the book value of the respective cash-generating unit to exceed its recoverable amount. There was no need for impairment at the end of the financial year.

Notes to the consolidated financial statements: 6. Acquired goodwill

The goodwill has developed as follows:

In TEUR	2021/2022	2020/2021
Goodwill on 01.07.	6,715	6,700
Additions	0	0
Deductions	0	0
Depreciation	0	0
Exchange differences	248	15
Goodwill on 30.06.	6,963	6,715

Notes to the consolidated financial statements: 7. 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: 8. 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:

a) Amounts recognised on the balance sheet

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

Rights of use in TEUR	30/06/2022	01/07/2021
Buildings	5,098	5,649
Motor vehicles	167	177
Other	115	89
Total	5,380	5,916

Additions to the rights of use during the 2021/2022 financial year amounted to EUR 233 thousand. The deductions in the buildings area were EUR 233 thousand due to relocating to other premises.

Lease liabilities in TEUR	30/06/2022	01/07/2021
Buildings	5,246	5,753
Motor vehicles	156	178
Other	116	91
Total	5,518	6,021

Deferred tax assets on leases increased by EUR 10 thousand due to the impact of changes in recognised taxes.

Notes to the consolidated financial statements: 8. Leases

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 TEUR	2021/2022	2019/2020
Buildings	899	914
Motor vehicles	125	134
Other	28	24
Total	1,052	1,072

In TEUR	2021/2022	2020/2021
Interest expenses (included in the finance costs)	116	124
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)	10	4
Expenses related to variable lease payments not included in lease liabilities (included in administrative expenses)	0	0
Total	126	128

Total lease payments in 2021/2022 amounted to EUR 1,141 thousand (previous year: EUR 1,157 thousand). The maturity analysis of lease liabilities is presented in section 20.

Notes to the consolidated financial statements: 9. Financial assets balanced according to the equity method

The following table contains summarised financial information regarding the Group participation in Advantec Electronics B.V. The table also shows a reconciliation of the summarised financial information on the book value of the Group's share in Advantec. The information for the financial

year shown in the table includes the period from 1 January 2021 to 31 December 2021 for the latest available financial statement for Advantec Electronic B.V.. The Advantec Electronic B.V. financial year corresponds to the calendar year.

In TEUR	31/12/2021	31/12/2020
Current assets	325	333
Non-current assets	7	8
Current liabilities	-28	-42
Non-current liabilities	0	0
Net assets 100 %	304	298
Group shares in the net assets: 36.6 % (previous year: 36.6 %)	111	109
Distribution	-41	-33
Book value of the shares in the associated company *	71	-
Sales revenues	1,050	1,108
Result from the operation to be continued	95	119
Group share of the result 36.6 % (previous year: 36.6 % *)	35	44

* 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: 10. Financial assets

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

In TEUR	30/06/2022	30/06/2021
Participations	0	96
Security deposits	70	66
Total non-current financial assets	70	162
Other current financial assets	571	131
Total financial assets	640	293

The *shares* in the previous year comprised 36.6 % of Advantec Electronics B.V., Oudenbosch (NL). These were reported under Point V. "Financial assets balanced according to the equity method" on the balance sheet on 30 June 2022.

Notes to the consolidated financial statements: Consolidated statement of changes in gross assets

In TEUR	Historical acquisition costs						As at 30/06/2022
	As at 01/07/2021	Additions 2021/2022	Additions Revaluation 2021/2022	Additions to the scope of consolidation 2021/2022	Deductions 2021/2022	Exchange Difference Repostings 2021/2022	
Intangible fixed assets							
Goodwill	12,238	-	-	-	-	682	12,920
Business partner relations	117	-	-	-	-	-	117
Software incl. quantity	910	95	-	19	-60	5	969
Total intangible fixed assets	13,265	95	-	19	-60	687	14,005
Tangible assets							
Plots	548	-	-	-	-	-	548
Buildings incl. adv. payments made	3,448	-	-	-	-	-	3,448
Other structures	42	-	-	-	-	-	42
External facilities	176	-	-	-	-	-	176
Vehicles	203	14	-	220	-19	1	185
Tools	201	4	-	-	-30	-	185
Technical plant/machinery	888	28	-	-	-25	18	1,105
Office equipment/IT	704	-	-	-	-110	11	633
Operating and business equipment	1,312	77	-	138	-124	31	1,434
Low-value assets	146	20	-	-	-10	-	155
Total 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
for reporting only: Dev. previous year's values	01/07/2020	2020/2021	2020/2021	2020/2021	2020/2021	2020/2021	30/06/2021
Intangible assets	13,377	54	-	53	-53	-113	13,265
Tangible assets	8,058	197	-	562	-562	-25	7,668
Rights of use	7,279	286	444	111	-111	-21	7,877
Total fixed assets	28,714	536	444	726	-726	-158	28,810

Notes to the consolidated financial statements: Consolidated statement of changes in gross assets

Depreciation						Book values	
As at 01/07/2021	Additions 2021/2022	Additions to the scope of consolidation 2021/2022	Deductions 2021/2022	Exchange Differences Repostings 2021/2022	As at 30/06/2022	As at 01/07/2022	As at 30/06/2022
5,523	-	-	-	435	5,958	6,715	6,963
40	15	-	-	-	55	76	62
789	66	17	60	5	817	121	151
6,352	81	17	60	439	6,829	6,913	7,176
-	-	-	-	-	-	548	548
276	138	-	-	-	414	3,172	3,034
4	2	-	-	-	6	38	36
36	18	-	-	-	54	140	122
181	16	-	17	1	180	22	6
188	13	-	30	-	171	14	14
642	83	148	12	16	877	246	228
542	41	-	97	8	493	162	139
754	134	130	134	25	910	558	524
137	28	-	10	0	155	8	-
2,759	473	278	299	50	3,261	4,909	4,650
1,962	1,052	-	241	71	2,844	5,916	5,380
11,072	1,607	295	600	560	12,934	17,737	17,207
01/07/2020	2020/2021	2020/2021	2020/2021	2020/2021	30/06/2021	01/07/2020	30/06/2021
6,433	104	-	53	-132	6,352	6,944	6,913
2,786	555	-	560	-23	2,759	5,271	4,909
1,010	1,072	-	111	-9	1,962	6,269	5,916
10,230	1,731	-	724	-164	11,072	18,484	17,737

Notes to the consolidated financial statements:

11. Non-current receivables

These concern rental deposits paid for the FORTEC offices in Vienna (EUR 1 thousand), the APOLLO office in the USA (EUR 26 thousand) and Data Display Solution in Hürselberg-Hainich (EUR 43 thousand).

Notes to the consolidated financial statements: 12. Inventories

The stocks break down as follows as at 30 June 2022:

In TEUR	30/06/2022	30/06/2021
Goods/raw materials, auxiliary and operating substances	22,798	16,761
Finished/unfinished goods	2,281	2,558
Advance payments made	996	424
Total stocks	26,075	19,743

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 26 "Cost of materials".

Notes to the consolidated financial statements:

13. Receivables from deliveries and services, tax refund entitlements, other current financial and other current assets

Receivables from deliveries and services, tax refund claims, other financial assets and other assets broke down as follows as at 30 June 2022:

In TEUR	30/06/2022	30/06/2021
Receivables from deliveries and services	10,683	8,700
Tax refund entitlements	2,496	2,238
Other financial assets	571	131
Other assets	313	227
Total receivables	14,062	11,296

Notes to the consolidated financial statements:

13. Receivables from deliveries and services, tax refund entitlements, other current financial and other current assets

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 18. The other financial assets in the amount of EUR 571 thousand (previous year: EUR 131 thousand) relate to EUR 241 thousand in bank assets, and mainly to rent deposits and creditors with debit balances. Other assets in the Group primarily consist of prepaid

expenses in the amount of EUR 313 thousand (previous year: EUR 227 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: 14. Cash and cash equivalents

The cash and cash equivalents break down as follows as at 30 June 2022:

In TEUR	30/06/2022	30/06/2021
Cash in hand/paid stamp	5	8
Bank and giro account balances	12,879	14,688
Cash	12,884	14,696

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 35. 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". There were no valuation differences between IAS 39 and IFRS 9.

Notes to the consolidated financial statements:

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

rights in the following cases: (i) for fractional amounts; (ii) for capital increases against contributions in kind; (iii) in the case of cash contributions up to an amount not exceeding 10 percent of the share capital existing at the time this authorisation becomes effective or - if this value is lower - at the time this authorisation is exercised, provided that the issue price of the shares is not significantly lower than the stock exchange price of the already listed shares of the company at the time the issue price is finally determined. 295,493 bearer shares were newly issued. Following an increase in the share capital of 10% to EUR 3,250,436 (entered in the commercial register on 11 July 2018) authorised capital of EUR 1,181,978 remains as at 30 June 2020.

Notes to the consolidated financial statements: 16. Equity capital

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

In TEUR	The interests attributable to the owners of the parent company				that are non-controlling	Total
	Subscribed capital	Capital reserve	Currency conversion differences	Other reserves/ consolidated annual surplus		
As at 01/07/2020	3,250	14,481	1,002	24,063	-	42,796
Total earnings				3,881		3,881
Other earnings			-188			-188
Dividend payments				-1,950		-1,950
As at 01/07/2021	3,250	14,481	814	25,994	-	44,539
Other earnings			1,005			1,005
Addition to scope of consolidation					11	11
Dividend payments				-1,950		-1,950
Total earnings				6,253	-2	6,251
As at 30/06/2022	3,250	14,481	1,819	30,297	10	49,857

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. The *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 $\geq 50\%$ after dividend distributions. As in previous years, hybrid forms of equity are not included in the definition of equity.

In the 2022 financial year, aushang.online GmbH was founded with EUR 25 thousand share capital. FORTEC Elektronik AG controls 55 % of this indirectly. The remaining 45 % are recorded under the non-controlling interests.

Notes to the consolidated financial statements: 17. 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:

30/06/2022 In TEUR	Book value			Fair value		
	Amortised costs	FVOCI equity instruments	Total	Level 1	Level 2	Level 3
Participations according to IFRS 9 Previous year		0 96	0 96			0 96
Non-current receivables Previous year	70 66		70 66	70 66		
Receivables from deliveries and services Previous year	10,683 8,700		10,683 8,700	10,683 8,700		
Other financial assets Previous year	571 131		571 131	571 131		
Cash and cash equivalents Previous year	12,884 14,696		12,884 14,696	12,884 14,696		
Total Previous year	24,207 23,593	0 96	24,207 23,688	24,207 23,593		0 96

Notes to the consolidated financial statements:

17. Financial instruments - fair value

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

In TEUR	Valuation category IFRS 9	Book value 30/06/2022	Fair value 30/06/2022	As at 30/06/2022
Equity investments Previous year	FVOCI - equity investments	0 96	0 96	0 96
Non-current receivables Previous year	Amortised costs	70 66	70 66	70 66
Receivables from deliveries and services Previous year	Amortised costs	10,683 8,700	10,683 8,700	10,683 8,700
Other financial assets Previous year	Amortised costs	571 131	571 131	571 131
Cash and cash equivalents Previous year	Amortised costs	12,884 14,696	12,884 14,696	12,884 14,696
Total Previous year		24,207 23,688	24,207 23,688	24,207 23,688

All items are valued with the amortised costs. The financial liabilities break down as follows:

30/06/2022 In TEUR	Book value		Fair value		
	Amortised costs	Total	Level 1	Level 2	Level 3
Liabilities to credit institutes Previous year	2,361 3,528	2,361 3,528		2,361 3,528	
Liabilities from deliveries and services Previous year	6,540 4,905	6,540 4,905	6,540 4,905		
Other financial liabilities Previous year	1,726 1,368	1,726 1,368	1,726 1,368		
Total Previous year	10,627 9,801	10,627 9,801	8,266 6,274	2,631 3,528	

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 2022.

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

In TEUR	Valuation category IFRS 9	Book value 30/06/2022	Fair value 30/06/2022	Total 30/06/2022
Liabilities to credit institutes Previous year	At amortised cost	2,361 3,528	2,361 3,528	2,361 3,528
Liabilities from deliveries and services Previous year	At amortised cost	6,540 4,905	6,540 4,905	6,540 4,905
Other financial liabilities Previous year	At amortised cost	1,726 1,368	1,726 1,368	1,726 1,368
Total Previous year		10,627 9,801	10,627 9,801	10,627 9,801

The liabilities due were settled at the time of balance sheet preparation, within the payment period granted (IFRS 7.39).

The effects on the consolidated statement of comprehensive income in accordance with IFRS 7.20 are as follows:

In TEUR	Attribution 2021/2022	Value adjustments 2021/2022	Depreciation 2021/2022
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	38 35	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	38 35	0 0

Notes to the consolidated financial statements: 18. 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. 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) on the basis of the historical default rates of the last three years. For this purpose, a weighted average loss rate is determined depending on the respective past due date. For the 2021/2022 financial year, the default rates as at 30 June 2022 are as follows:

	Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	> 90 days overdue
FORTEC Elektronik AG	0.00000	0.00000	0.00000	0.00000	0.00000
DISTEC GmbH	0.00002	0.00007	0.00018	0.00045	0.00107
EMTRON electronic GmbH	0.00003	0.00014	0.00034	0.00085	0.00200
AUTRONIC GmbH	0.00003	0.00012	0.00031	0.00078	0.00146
ROTEC technology GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution GmbH & Co.KG	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution Verw. GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Apollo Corp.	0.00000	0.00001	0.00002	0.00006	0.00015
Display Technology Ltd	0.00000	0.00000	0.00000	0.00000	0.00000
ALTRAC AG	0.00000	0.00000	0.00000	0.00000	0.00000
Alltronic s.r.o.	0.00000	0.00000	0.00000	0.00000	0.00000

Gross book values of receivables from deliveries and services as at 30 June 2022

In TEUR	Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	0	0	0	0	0	0	EUR
DISTEC GmbH	3,802	625	65	7	80	4,579	EUR
EMTRON electronic GmbH	1,465	183	28	21	29	1,726	EUR
AUTRONIC GmbH	579	29	4	0	7	619	EUR
ROTEC technology GmbH	0	0	0	0	0	0	EUR
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR
Apollo Corp.	153	1,021	585	109	97	1,966	USD (in EUR)
Display Technology Ltd	1,364	33	0	0	1	1,398	GBP (in EUR)
ALTRAC AG	487	46	4	0	0	537	CHF (in EUR)
Alltronic s.r.o.	0	0	0	0	0	0	CZK (in EUR)
						10,825	

Impairments per 30 June 2022

In TEUR	Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	0	0	0	0	0	0	EUR
DISTEC GmbH	68	45	12	3	86	213	EUR
EMTRON electronic GmbH	50	25	10	18	59	161	EUR
AUTRONIC GmbH	18	4	1	0	13	36	EUR
ROTEC technology GmbH	0	0	0	0	0	0	EUR
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR
Apollo Corp.	0	10	14	7	14	45	USD (in EUR)
Display Technology Ltd	0	0	0	0	0	0	GBP (in EUR)
ALTRAC AG	0	0	0	0	0	0	CHF (in EUR)
Alltronic s.r.o.	0	0	0	0	0	0	CZK (in EUR)
						455	

Notes to the consolidated financial statements: 18. Objectives and methods of risk management of financial instruments

The Group decided not to make this adjustment due to the low materiality.

As at 30 June 2022, further impairments exist of EUR 145 thousand (previous year: EUR 111 thousand) for receivables from deliveries and services, which did not affect the calculated default rate.

In TEUR	2021/2022	2020/2021
Value adjustments on 01.07.	111	87
Additions	79	36
Consumption/release	-44	12
Value adjustments on 30.06.	145	111

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. The information is based on the contractual, undiscounted payments.

30/06/2022 In TEUR	up to 12 months	1 to 5 years	> 5 years	Total
Bank loans	750	1,333	278	2,361
Previous year	1,167	1,750	611	3,528
Liabilities from deliveries and services	6,540	0	0	6,540
Previous year	4,905	0	0	4,905
Leasing liabilities	1,126	3,071	1,834	6,031
Previous year	1,044	3,193	2,305	6,541
Other financial liabilities	1,678	48	0	1,726
Previous year	1,349	20	0	1,368
Total	10,093	4,452	2,112	16,657
Previous year	8,464	4,962	2,916	16,343

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.

30/06/2022 Effects in EUR	Profit or loss		Equity capital after tax	
	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)	103	(81)	115	(72)
GBP (10 % movement)	93	(78)	10	(147)
CHF (10 % movement)	25	(20)	11	(32)
CZK (10 % movement)	(0)	0	0	1

Notes to the consolidated financial statements: 19. Reserves

The Group reserves break down as follows as at 30 June 2022:

Reserves in TEUR	Warranty reserves	Other reserves	Total
01/07/2021	429	106	535
Additions	395	27	422
Utilisation	-214	-3	-221
Release	-22	-3	-25
Currency conversion	15	0	15
30/06/2022	601	124	725
- of which current	366	5	371
- of which non-current	235	119	354

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 106 thousand was implemented for an open warranty case in the current year. The additions to non-current reserves include an interest portion of EUR 1 thousand (previous year: EUR 1 thousand).

Notes to the consolidated financial statements: 20. Liabilities

The liabilities break down as follows as at 30 June 2022:

In TEUR	30/06/2022	30/06/2021
Liabilities to credit institutes	2,631	3,528
Liabilities from deliveries and services	6,540	4,905
Leasing liabilities	5,519	6,022
Tax liabilities	1,811	1,392
Other financial liabilities	1,726	1,368
Other liabilities	1,923	1,349
Total liabilities	19,879	18,565

The liabilities are valued at amortised cost. As at 30 June 2022 the Group held two bank loans with a value of EUR 2,361 thousand (previous year: EUR 3,528 thousand).

In TEUR	Currency	Nominal interest rate (%)	Maturity year	30/06/2022		30/06/2021	
				Par value	Book value	Par value	Book value
Secured bank loans	EUR	1.29 %	2028	1,944	1,944	2,278	2,278
Unsecured bank loans	EUR	1.00 %	2022	417	417	1,250	1,250
Interest-bearing financial bank liabilities				2,361	2,361	3,528	3,528

The tax liabilities relate to taxes for the current year in the amount of EUR 1,627 thousand (previous year: EUR 1,207 thousand), of which income tax EUR 1,219 thousand (previous year: EUR 692 thousand), of which VAT EUR 247 thousand (previous year: EUR 366 thousand), wage tax EUR 155 thousand (previous year: EUR 141 thousand) and property tax EUR 15 thousand (previous year: EUR 9 thousand). EUR 185 thousand (previous year: EUR 185 thousand) relate to income tax back payments for previous years and correspond to the tax returns submitted. Other liabilities include advance payments received in the amount of EUR 1,065 thousand (previous year: EUR 594 thousand), accrued liabilities for obligations in kind in the amount of EUR 624 thousand (previous year: EUR 667 thousand) as well as obligations

to employees such as holiday days not taken in the amount of EUR 526 thousand (previous year: EUR 566 thousand). Furthermore, the other liabilities of EUR 234 thousand (previous year: EUR 89 thousand) include contractual liabilities for extended warranties. Thereof, EUR 119 thousand (previous year: EUR 49 thousand) are non-current and EUR 115 thousand (previous year: EUR 40 thousand) are current.

The other financial liabilities include accrued liabilities for payments to be made in the amount of EUR 1,726 thousand (previous year: EUR 1,368 thousand). This includes obligations to employees of EUR 1,309 thousand (previous year: EUR 983 thousand). Of this amount, liabilities owing to personnel account for EUR 48 thousand (previous year: EUR 0 thousand).

Undiscounted payments for liabilities:

30/06/2022 In TEUR	up to 12 months	1 to 5 years	> 5 years	Total
Bank loans	750	1,333	278	2,631
Previous year	1,167	1,750	611	3,528
Liabilities from deliveries and services	6,540	-	-	6,540
Previous year	4,905	-	-	4,905
Leasing liabilities	1,011	2,743	1,765	5,519
Previous year	934	2,892	2,195	6,022
Other financial liabilities	1,678	48	-	1,726
Previous year	1,349	20	-	1,369
Other liabilities	1,457	448	-	1,923
Previous year	1,300	49	-	1,349
Total	11,454	4,572	2,043	18,068
Previous year	9,655	4,711	2,806	17,172

Notes to the consolidated financial statements: 20. Liabilities

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.

Notes to the consolidated financial statements: 21. 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 29 % (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 19 % (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 TEUR	30/06/2022		30/06/2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	1	0	78
From rights of use	42	2	30	0
Tangible assets (incl. low-value assets)	1	117	1	125
Financial assets	0	0	0	0
Inventories	180	129	138	77
Receivables	27	34	21	22
Other assets	0	0	0	0
Losses carried forwards	97	0	144	0
Reserves	51	91	19	70
Liabilities	68	0	26	0
	468	374	379	373

As at 30 June 2022, profit tax loss carry-forwards not yet utilised exist of EUR 469 thousand (previous year: EUR 442 thousand). Furthermore, loss carry-forwards of foreign subsidiaries exist of EUR 0 thousand (previous year: EUR

62 thousand). For tax-deductible goodwill (outside basis differences), for which no deferred tax asset is recognised on the IFRS balance sheet, EUR 664 thousand is deductible until 2023.

Notes to the consolidated financial statements: 22. 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 TEUR	30/06/2022	30/06/2021
up to 1 year	95	38
1 to 5 years	179	85
more than 5 years	0	0
Total	274	123

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: 23. 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.

Revenues are recognised less sales deductions and price reductions such as rebates, discounts, bonuses and returned goods.

Notes to the consolidated financial statements: 23. Sales revenues

The consolidated turnover amounts to EUR 89,034 thousand (previous year: EUR 77,426 thousand). The breakdown by geographical segments gives the following:

Group revenues (in TEUR)	Data visualisation	Power supplies	Unassigned operations	Total
Domestic	25,614	21,216	6	46,836
Previous year domestic	26,140	18,928	0	45,068
Foreign	30,648	11,514	0	42,198
Previous year foreign	21,250	11,108	0	32,358
Total	55,298	32,730	6	89,034
Previous year total	47,390	30,036	0	77,426
Of which, revenue from balances that were contained in the contractual liabilities at the start of the period	40	0	0	40
Previous year total	0	0	0	0

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: 24. 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: 25. Other operating income

Other operating income breaks down as follows:

In TEUR	2021/2022	2020/2021
Income from the disposal of assets	7	0
Reduction IVA/ECL	33	1
Release of reserves	45	862
Benefits in kind	113	131
Income from exchange differences	1,289	771
Revenue from financial asset attribution	24	0
Revenue from initial consolidation	298	0
Other ordinary income	671	297
Other operating income	2,481	2,063

The other ordinary income includes income from compensation of EUR 237 thousand (previous year EUR 46 thousand) and EUR 100 thousand income due to non-payable commissions that were posted as a liability the previous year.

Notes to the consolidated financial statements: 26. 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 59,909 thousand (previous year: EUR 52,622 thousand). Impairment of inventories, which are recognised as an expense in the period, amounts to EUR 28 thousand (previous year: EUR 467 thousand).

Notes to the consolidated financial statements: 27. Personnel expenses

Personnel expenses break down as follows:

In TEUR	2021/2022	2020/2021
Wages and salaries	12,695	11,445
Social security payments and pension costs	2,225	1,943
Personnel expenses	14,920	13,387

Personnel expenses include government grants of EUR 0 thousand (previous year: EUR 275 thousand), which were paid to the Group as reimbursement for short-time working benefits.

Notes to the consolidated financial statements: 28. Depreciation

Depreciation for the financial year breaks down as follows:

In TEUR	2020/2021	2020/2021
Intangible assets	81	105
Tangible assets and low-value assets	473	555
Rights of use	1,052	1,072
Depreciation	1,607	1,731

Notes to the consolidated financial statements: 29. Other operating costs

Other operating expenses break down as follows:

In TEUR	2021/2022	2020/2021
Premises costs	538	462
Insurance cover, premiums	432	310
Maintenance, repairs	82	60
Vehicle costs	134	109
Advertising and travel costs	551	345
Distribution of goods costs	869	640
Various operating costs	3,085	2,622
Losses from the disposal of assets	15	2
Losses from current assets and value adjustments	60	41
Other expenses in the course of ordinary business activities (currency losses)	858	949
Other operating costs	6,624	5,541

The costs of delivery of goods include additions to warranty provisions in the amount of EUR 170 thousand (previous year: EUR 89 thousand). Other expenses incurred during the course of ordinary business activities include expenses from exchange rate differences amounting to EUR 858 thousand (previous year: EUR 949 thousand). The expenses arising due to currency conversion differences relate to the expenses of EUR 858 thousand (previous year: EUR 894 thousand) realised in the respective financial year upon payment.

Notes to the consolidated financial statements: 30. Research and development costs

Research and development costs are included in the income statement at EUR 1,790 thousand in the financial year (previous year: EUR 2,311 thousand). The expenses are primarily included in the personnel expenses and other operating expenses.

Notes to the consolidated financial statements: 31. Interest result

The interest result consists of the balance of interest income in the amount of EUR 2 thousand (previous year: EUR 69 thousand), and interest expenses in the amount of EUR 197 thousand (previous year: EUR 185 thousand). The interest includes EUR 116 thousand (previous year: EUR 124 thousand) in interest from IFRS 16.

Notes to the consolidated financial statements: 32. 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 23.4 % (previous year: 23.4 %) 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 TEUR	2020/2021	2020/2021
Taxes paid or owing		
- Germany	1,768	1,276
- Abroad (CH, GB, USA, CZ)	351	212
	2,120	1,488
Deferred taxes		
- From timing differences / consolidation	-162	-217
- From losses carried forwards	88	88
	-74	-129
Income tax	2,046	1,359

The actual tax expense in the FORTEC Group of EUR 2,046 thousand (previous year: EUR 1,359 thousand) is EUR 360 thousand (previous year: EUR 161 thousand) below the theoretical tax expense resulting from the application of a weighted expected average tax rate to the pre-tax consolidated 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 TEUR	2021/2022	2020/2021
Result before income taxes	8,297	5,240
Nominal income tax rate incl. trade tax	29.0 %	29.0 %
Forecast income tax expense with uni. tax burden	2,406	1,520
Increase/decrease in income tax burden due to:		
- Low tax burden abroad	-202	-85
- Use of unrecognised losses carried forwards	0	-4
- Non-deductible operating expenses	26	11
- Tax-exempt income (dividends)	42	46
- Tax effects from tax base	-196	-190
- Tax payments for previous years	24	59
- Non-recognition of deferred tax assets on tax losses carried forwards	40	30
- Profit tax additions/deductions	0	10
- Elimination of intercompany profits	0	-11
- Tax-free initial consolidation profit	-87	0
- Other deviations	-8	-28
Reported income tax burden	2,046	1,359
Effective income tax rate	24.66 %	25.93 %

Notes to the consolidated financial statements: 33. 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.

Notes to the consolidated financial statements: 33. Segment reporting

2021/2022 In TEUR	Data visualisation	Power supplies	Remaining	Total	Reconciliation	Total
External revenues	56,298	32,730	6	89,034	-	89,034
Revenues between the segments	3,875	1,833	2,117	7,826	-7,826	-
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
EBIT	7,251	1,450	-521	8,180	271	8,451
External orders received	74,678	45,189	-	119,867	-	119,867
Internal orders received	4,588	176	-	4,764	-4,764	-
Total orders received	79,267	45,365	-	124,631	-4,764	119,867
External order backlog	64,258	29,276	-	93,534	-	93,534
Internal order backlog	2,109	186	-	2,295	-2,295	-
Total order backlog	66,367	29,463	-	95,830	-2,295	93,534
Inventories	16,307	9,904	-	26,211	-136	26,075

2020/2021 In TEUR	Data visualisation	Power supplies	Remaining	Total	Reconciliation	Total
External revenues	47,388	30,035	3	77,426	-	77,426
Revenues between the segments	3,472	767	2,031	6,270	-6,270	-
Total revenues	50,859	30,802	2,034	83,696	-6,270	77,426
Gross profit or loss	17,095	7,289	1,805	26,189	-2,294	23,895
Cost of sales	33,240	23,346	229	56,815	-4,193	52,622
Personnel expenses	8,000	3,910	1,477	13,388	-	13,387
EBIT	5,462	843	-522	5,783	-459	5,323
External orders received	57,970	35,866	-	93,835	-	93,835
Internal orders received	3,287	102	-	3,389	-3,389	-
Total orders received	61,257	35,968	-	97,225	-3,389	93,835
External order backlog	45,775	18,887	-	64,662	-	64,662
Internal order backlog	870	40	-	911	-911	-
Total order backlog	46,645	18,928	-	65,572	-911	64,662
Inventories	11,337	8,406	-	19,743	-	19,743

The breakdown of domestic and foreign revenue for the segments can be found in section 23. 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 26 thousand (previous year: EUR 813

thousand, of which EUR 770 thousand from warranty reserves) from releasing reserves. The power supplies segment result includes EUR 0 thousand (previous year: EUR 50 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 TEUR	2021/2022	2020/2021
Total of segment results EBIT	8,701	6,305
Group management and consolidation intermediate results	-250	-982
EBIT	8,451	5,323
Revenue from participations	41	33
Interest result	-195	-116
Result before taxes	8,297	5,240

Notes to the consolidated financial statements: 34. Currency conversion

The total equity capital included EUR 1,005 thousand (previous year: EUR 188 thousand) of currency conversion differences from the conversion of foreign currency transactions. These have developed (in thousand EUR) as follows:

In TEUR	
As at 01/07/2020	1,002
Addition 2020/2021	-188
As at 30/06/2021	814
Addition 2021/2022	1,005
As at 30/06/2022	1,819

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 1,055 thousand (previous year: EUR -188 thousand) from currency conversions is recognised in profit or loss (income less expenses).

Notes to the consolidated financial statements: 35. Notes to the cash flow statement

The 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 TEUR 2,106 (previous year: TEUR 10,175) includes interest expenses of TEUR 197 (previous year: TEUR 185) and interest income of TEUR 2 (previous year: TEUR 69). The cash flow from operating activities includes payments for income taxes in the amount of EUR 1,636 thousand (previous year: EUR 1,213 thousand). For the first time, the

cash flow from financing activities includes repayments from rental and leasing contracts in the financial year amounting to EUR 1,021 thousand (previous year: EUR 1,034 thousand). Interest payments amounting to EUR 116 thousand (previous year: EUR 124 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 7,656 thousand can be used in the short term (IAS 7.50b).

The cash flow for financing activities includes EUR 11 thousand as a payment for the initial contribution to aushang.online GmbH. The changes to the cash and cash equivalents considered EUR 213 thousand from the addition of the initial consolidation of Alltronic s.r.o.

The changes in liabilities from financing activities are as follows:

In TEUR	01/07/2021	Financing cash flow	Exchange rate changes	Changes to fair value	New lease agreements	Other changes	30/06/2022
Current interest-bearing loans	1,167	(1,167)	-	-	-	750	750
Previous year	1,167	(1,167)	-	-	-	1,167	1,167
Current leasing liabilities	934	(1,025)	27	-	149	926	1,011
Previous year	972	(1,019)	(9)	-	138	852	972
Non-current interest-bearing loans	2,361	-	-	-	-	(750)	1,611
Previous year	3,528	-	-	-	-	(1,167)	3,528
Non-current leasing liabilities	5,088	5	35	-	303	(922)	4,508
Previous year	5,354	-	(2)	-	591	(856)	5,354
Total liabilities from financing activities	9,550	(2,187)	61	-	453	4	7,880
Previous year	11,021	(2,186)	(11)	-	729	(3)	11,021

Notes to the consolidated financial statements: 36. 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 net financial debt to the sum of the equity capital and net financial debt (capital controlling indicator). Net financial debt includes all debts according to the balance sheet less cash and cash equivalents. The equity capital comprises the equity capital shown in the balance sheet.

In TEUR	30/06/2022	30/06/2021
Total debts	20,979	19,473
Less cash and cash equivalents	(12,884)	(14,696)
Net debt	8,095	4,777
Equity capital	49,857	44,540
Capital controlling indicator	6.16	9.32

Due to the application of IFRS 16 *Lease accounting*, the ratio of net debt to adjusted equity decreased from 9.32 to 6.16.

Notes to the consolidated financial statements: 37. 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

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 67.5 thousand in the reporting year (previous year: EUR 67.5 thousand).

Notes to the consolidated financial statements:

38. Transactions with related companies and people

TRM Beteiligungsgesellschaft mbH holds 31.41 % 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 TEUR	Values of business transactions		Balances outstanding as at 30.06.	
	2021/2022	2020/2021	2022	2021
Sale of goods and services to - Non-consolidated subsidiaries - Participations/associated companies	- 446	141 489	- 0	3 0
Purchase of goods from - Non-consolidated subsidiaries	-	818	-	(64)
Premises rental and leasing expenses of non-consolidated subsidiaries - Other related parties	- 632	8 524	- 0	0 0
Procured services (consulting services, labour) to other related parties	56	50	3	3
Income from investments - Participations/associated companies	41	33	0	0
Dividends to - Associated companies (TRM Beteiligungsgesellschaft mbH)	0	0	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 to 10 years. On the reporting date of 30 June 2022, the rental lease liabilities amount to EUR 1,825 thousand (previous year: EUR 2,235 thousand).

Notes to the consolidated financial statements:

39. Remuneration of key management personnel

The following personnel expenses were incurred for the managing directors of the domestic and foreign subsidiaries and sub-subsidiaries and the Management Board of FORTEC AG, as well as the Swiss members of the Administrative Board of ALTRAC AG:

In TEUR	2021/2022	2020/2021
Short-term employee benefits	1,814	1,411
Post-employment benefits	0	0
Other benefits due	125	111
Termination benefits	0	0
Share-based remuneration	0	0
	1,939	1,523

The total remuneration of the Management Board of FORTEC AG amounts to EUR 741 thousand (previous year: EUR 665 thousand), which includes performance-related remuneration in the amount of EUR 288 thousand (previous year: EUR 208 thousand).

Notes to the consolidated financial statements: 40. Auditor's fees

The following fees were recognised as expenses in the 2021/2022 financial year for the services rendered by the auditors of the consolidated financial statements, Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Munich:

In TEUR	2021/2022	2020/2021
Audits of financial statements	110	102
Accountancy services	0	0
Other auditing services	1	1
	112	103

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.

Notes to the consolidated financial statements: 41. Other disclosures

In the financial year, the Group employed an average of 230 (previous year: 212) **employees**, of which 2 are temporary staff (previous year: 4). The 230 includes 32 employees of Alltronic (CZ) that were not included in the previous year. On average, there were 3 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 2022 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 and made this permanently available to the shareholders online (<https://www.fortecag.de/investor-relations/organe/corporate-governance/>) (sections 285 No. 16 and 314 (1) No. 8 of the German Commercial Code). The Management Board proposes a total **dividend** of EUR 2,275,305.20 (previous year: EUR 1,950,262). A total of 3,250,436 no-par value shares with a nominal value of EUR 0.70 each (previous year: EUR 0.60) are entitled to a dividend payment. EUR 70,600 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 8,318,047.96 is to be carried forward as the profit carried forward to the new accounts. The earnings per share amount to EUR 1.92 (previous year: EUR 1.19). During the current financial year, the following notification was submitted by the company in accordance with sections 33/34 in conjunction with 40, paragraph 1 of the Securities Trading Act (formerly sections 21 in conjunction with 26, paragraph 1 of the Securities Trading Act):

→ **24 August 2021, DGAP-Ad-hoc:**

FORTEC Elektronik AG continues to be successful and profitable in the 2020/2021 financial year

→ **23 September 2021, DGAP-Ad-hoc:**

FORTEC Elektronik AG: Adjustment of the forecast for the 2021/2022 financial year

→ **14 February 2022, DGAP-Ad-hoc:**

FORTEC Elektronik AG: Positive business development in the 1st half of the year and increased forecast for the 2021/2022 financial year

→ **29 June 2022, DGAP-Ad-hoc:**

FORTEC Elektronik AG: 2021/2022 financial year more profitable than anticipated

Schüchl GmbH announced that the share of voting rights in FORTEC Elektronik AG was increased on 9 February 2022, and that the figure on that date amounted to 3.08 % (this corresponds to 100,248 voting rights). Schüchl GmbH announced that the share of voting rights in FORTEC Elektronik AG was increased on 23 February 2022, and that the figure on that date amounted to 5.20 % (this corresponds to 168,945 voting rights).

Notes to the consolidated financial statements: 42. Release for publication

The consolidated financial statements were prepared and authorised for issue by the Management Board on 22 September 2022.

Germering, 22 September 2022
FORTEC Elektronik AG

Sandra Maile

Chair of the Management Board

Bernhard Staller

Management Board

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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, 22 September 2022
FORTEC Elektronik AG

Sandra Maile
Chair of the Management Board

Bernhard Staller
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 consist of the consolidated balance sheet as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity capital and the consolidated cash flow statement for the financial year from 1 July 2021 to 30 June 2022, and the 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 2021 to 30 June 2022. In accordance with German legal requirements, we have not audited the contents of the responsibility statement of the legal representatives contained in the section "Responsibility statement" of the group management report, or the section "Declaration on corporate governance" in the group management report. 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 2022 and of its financial performance for the financial year from 1 July 2021 to 30 June 2022 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 as required by European law and the German commercial and professional regulations, and we have satisfied our other German professional obligations in accordance with these 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 2021 to 30 June 2022. 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 6,963 thousand (9.8 % of total assets or 13.9 % 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. The impairment test identified no requirement for impairment.

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.

Independent Auditor's Report

Reference to related disclosures

The Company's disclosures regarding impairment testing and goodwill are included in section 3, subsection 3.13 "Assumptions and estimates" and section 6 "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 26,075 thousand, reported under the balance sheet item "Inventories", which consists primarily of merchandise and finished goods. This item represents 36.8 % 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 3.13 "Assumptions and estimation uncertainties" and in subsection 3.2 "Stocks" under section 3 "Accounting and significant valuation principles" and in section 12 "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 includes:

- 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,
- 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 legal representatives and the Supervisory Board are responsible for the declaration in accordance with section 161 of the Corporate Governance Code concerning the German Corporate Governance Code, which is part of the Group corporate governance declaration contained in section 12 of the group management report. Furthermore, the legal representatives and the Supervisory Board are responsible for the "Declaration on Corporate Governance". The Supervisory Board is responsible for the "Report of the Supervisory Board". 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. Furthermore, the legal representatives are responsible for such internal control as the legal representatives determine is necessary to enable the preparation of consolidated financial statements.

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

It is our objective to obtain reasonable assurance regarding whether the consolidated financial statements as a whole are free from material misstatement - be this due to fraud or error - and whether the group management report as a

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whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and furthermore to issue an auditor's report that includes our auditor's opinion on the consolidated financial statements and the 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 can arise due to fraud or error and are considered material if they could reasonably be expected, either individually or as a whole, to influence the economic decisions of users taken on the basis of these consolidated financial statements and group management report.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the group management report - 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 provide a basis for our auditor's opinions. The risk of not detecting a material misstatement is higher in the case of non-compliance than in the case of misstatement, as non-compliance may involve fraud, 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 overall presentation, structure and content of the consolidated financial statements, 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 directing, supervising and performing the audit of the consolidated financial statements. 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. Based on sufficient appropriate audit evidence, in particular we verify the significant assumptions underlying the forward-looking statements made by the legal representatives and evaluate the appropriateness of the information derived 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.

Together with those responsible for governance, we discuss such matters as the planned scope and timing of the audit, as well as significant audit findings, including any deficiencies in internal control that we identify within the framework of our audit. We provide those responsible for governance with a statement that we have complied containing the relevant independence requirements and we discuss with them all relationships and other matters that may reasonably be deemed to have bearing on our independence, as well as the safeguards that we have put in place accordingly.

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 3b 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 review of whether the reproductions of the consolidated financial statements and the group management report contained in European Single Electronic Format in the attached file FORTEC_AG_KA+LB_ESEF_30-06-2022.zip SHA-256 hash value: 576c90e1d457d0fbebe3ff720aea678626edfd0167984b72bdd7f4fd5afedcbb) and prepared for disclosure purposes (hereinafter also referred to as the "ESEF documents") comply in all material respects with the electronic reporting format ("ESEF format") requirements of section 328, paragraph 1 of the German Commercial Code. 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 (FORTEC_AG_KA + LB_ESEF_30-06-2022.zip SHA-256 hash value: 576c90e1d457d0fbebe3ff720aea678626edfd0167984b72bdd7f4fd5afedcbb) 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 2021 to 30 June 2022 contained

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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 (10.2021)). 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 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 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 per 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 containing the ESEF documents (FORTEC_AG_KA + LB_ESEF_30-06-2022.zip SHA-256 hash value: 576c90e1d457d0fbebe3ff720aea678626edfd0167984b72bdd7f4fd5afedcbb) 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 EU-AuditReg Article 10

We were elected as auditors of the consolidated financial statements by the AGM on 24 February 2022. We were appointed by the Supervisory Board on 24 June 2022. We have served as auditors of the consolidated financial statements of FORTEC Elektronik AG, Germering, since the 2020/2021 financial year. We hereby declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board in accordance with EU-AuditReg Article 11 (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 published in the Federal Gazette, 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, 28 September 2022

Rödl & Partner GmbH

Auditors
Accountants

Hager
Auditor

Haendel
Auditor

Legal Notice

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