BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

ANNUAL REPORT 2018

FORTEC
ELEKTRONIK AG

Annual Report 2018

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Preface

Dear Colleagues, Shareholders and Staff,

On 1 July 2017, we officially commenced our work as your new Board of Directors team. Now we have the pleasure of showing you the fruits of our labour by presenting the excellent results for financial year 2017/2018. We are proud to say that the company has achieved a positive balance: our sustainable and steady growth from the past years continued into the financial year that just ended. This profitable growth path is reflected in the excellent key financial figures, as well as in our attractive dividend yields. It shows that we are focusing on the right issues and that the FORTEC group has a highly effective business model in place.

Our company proves to be very well positioned. Our strength in innovation has even made it possible to achieve further growth with our existing customers. At the same time, we worked long and hard to pave the way for an acquisition in the UK, which was successfully implemented just after the end of the financial year. Through this acquisition, we have secured our presence in the UK region for years to come.

In the upcoming year, we will strive to achieve the targets we have set for ourselves and we will also work hard to satisfy the expectations of our valued shareholders.

Thank you for your confidence in us.

Sandra Maile
Spokeswoman of the Board

Bernhard Staller
COO Display Technology & Embedded

Sandra Maile
CEO Spokeswoman of the Board

Jörg Traum
COO Power Supplies

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Content of the Group Management Report

Business plan

FORTEC, as a group, has gradually transformed itself from a trading company to a systems supplier for device manufacturers of industrial high-tech products and, today, the company is a well-established part of the international value chain. Serving as a link between numerous production sites for internationally active suppliers, especially customers in the Far East, Europe and the US, FORTEC occupies an attractive growth niche. Based on its own software and hardware developments, as well as through the expansion of its own production services, the company is constantly developing itself within this niche and transforming itself into a supplier of customised product solutions for industrial applications. Our target customers are companies with an established and sustainable market position, especially in the high-growth areas of industrial automation, information technologies, security technologies, medical technologies and automotive. Attractive niche markets such as Railway & Transport are also a focus area. The foundation for the success achieved by FORTEC is the large number of customer relationships developed over the course of many years. Our sales activities aim at establishing strategic partnerships with our top customers who are the market leaders in their respective markets as well as those who generate small and medium-sized sales volumes. On account of ever-increasing complexity, orders are more frequently becoming long-term projects and, as a supplier, FORTEC is becoming a permanent and strategic partner for its customers. For over 30 years, we have always achieved above-average earnings with our business model, one that has been tried and tested through numerous cycles. With increasing activity in the area of designing complete (sub) systems based on our own technologies, FORTEC is gaining greater independence and boosting its competitiveness in the global environment. The company has two very attractive segments for high-quality electronics. In the areas of Industrial Power Supplies and Display Technology, FORTEC is among the market leaders in the German-speaking countries. Moreover, FORTEC enjoys an important market position on the Anglo-American markets through its subsidiaries as well. In the product area of Power Supplies, FORTEC covers the entire product palette for grid components and DC/DC transformers - from standard products produced in the Far East, to series devices modified in Germany and customised developments for niche segments provided by our subsidiary AUTRONIC. In contrast to FORTEC, our successful subsidiary Emtron solely focuses on the distribution business in the segment of Power Supplies. FORTEC plans to make a targeted effort to expand sales in England and the US through its local subsidiaries. By linking the product areas of Display Technology and Embedded Computer Technology into Display Technology Systems, FORTEC also offers complex solutions for an innovative market. Our competence areas range from supplying system-assessed standard kits, to associated hardware and software services provided when selling standard devices, e.g., for professional display systems used in industries or digital signage as well as complete monitors, through to customised developments and product solutions provided by our subsidiaries Distec and ROTEC. The particularly successful FORTEC subsidiary Distec gives the group access to TFT controller solutions developed in house, as well as to the latest generation of optical bonding technology. In Germany, we operate numerous regional offices that provide local customer service and we also have a sales office in Austria. Our 100% subsidiary ALTRAC represents FORTEC in Switzerland. Additionally, we are present in the Benelux countries through our share in the Dutch trading company Advantec Electronics, in England through the foreign subsidiaries Display Technology, in the US the well-positioned Apollo Display Technologies and in the Czech Republic through Alltronic, a subsidiary of AUTRONIC.

Research and development

Our competence rests on project and customer-related developments together with an effective approach to marketing and sales. Along with classic product developments (e.g., video converters and network IoT products), FORTEC also actively pursues the further development of production technologies through annual investments of around 1.5 million EUR, especially through our subsidiary Distec. One particular highlight here is vacuum technology, which represents the newest generation of optical-bonding technology. Our strategy seeks to generate a stable margin through our existing, improved and expanding product portfolio by constantly increasing our own value creation, which, at the same time, must generate lucrative returns for our own invested capital, after deducting the costs.

Despite uncertainties related to political developments in the US, the impending Brexit and the global tendencies towards protectionism, FORTEC has been able to take advantage of stable global economic conditions.

In view of our *business performance* for financial year 2017/2018, we increased our turnover from 78.5 million EUR to 79.6 million EUR thanks to a large number of new products and projects. To our great satisfaction, this financial year has even slightly exceeded our prognoses. The segment of Display Technology added 50.9 million EUR (previous year: 49.5 million EUR) and the segment of Power Supplies added 28.7 million EUR (previous year:) 29.1 million EUR) to the group's turnover. Our other operating income amounting to 1.2 million EUR remained stable. Through the transition from a product to a solutions supplier with greater added value, the gross profit margin from turnover rose from 31.3% in the previous year to 31.7% in financial year 2017/2018, in consideration of works in progress. The cost-of-sales decreased from 68.7% in 2016/2017 to 68.3% in 2017/2018, which has been another positive result. The nearly unchanged personnel costs led to an improvement in the personnel cost ratio from 15.9% to 15.6%. Due to investments, the deprecation of fixed assets increased by 65 TEUR to 598 TEUR (previous year: 533 TEUR). The remaining operational expenses minimally increased from 7.2 million EUR to 7.4 million EUR compared to the previous year and accounted for 9.3% in relation with overall performance (previous year: 9.2%).

Due to the aforementioned factors, the EBIT, as an essential *financial performance indicator*, climbed from 5.5 million EUR in the previous year to 6.0 million EUR, slightly above the prognosis. The EBIT margin of sales once again improved from 7.0% to 7.6%. At 4.3 million EUR, the group's consolidated net income for financial year 2017/2018 remained nearly constant compared to the previous year. One extraordinary effect in the results of the previous year was a distribution of profits from our shares in the Czech Republic. The return on sales after taxes remained at 5.4%, the same as in the previous year. The share of sales among the two segments is similar to that of the previous year: Display Technology now accounts for 63.9% (previous year: 63.0%) of the overall turnover. Due to improved gross profit, the share for the segment of Display Technology increased by 4,344 TEUR to 72.2% (previous year: 4.247 TEUR and 77.2%) of the group's consolidated operating result. The segment of Power Supplies achieved a consolidated operating result of 1.673 TEUR (previous year: 1.251 TEUR), resulting in an increase from 33.7% to 28.2% of the group's consolidated operating result. While the return on sales for Display Technology remained nearly the same (shifting from 8.6% to 8.5%), the return on sales for the segment Power Supplies increased from 4.3% to 5.8%. Due to the reissue of 295,493 stocks in the scope of a capital increase, the result per share decreased from 1.44 EUR in the previous year to 1.33 EUR. A dividend payout of 0.60 EUR per share is recommended, as in the previous year.

On the asset side, with a balance sheet total of 44.8 million EUR (previous year: 40.4 million EUR), *non-current assets* total 8.6 million EUR (previous year: 8.0 million EUR). Of this, the 5.1 million EUR (previous year: 5.2 million EUR) of goodwill from the acquired subsidiaries represents the largest position. Immaterial assets, fixed assets, financial assets and non-current receivables increased, especially owing to the acquisition of a plot of land, to the current amount of 3.3 million EUR (previous year 2.5 million EUR). In comparison with the segment of Display Technology, the assets in the segment of Power Supplies increased through these investments. For the *current assets*, the warehouse is the largest single position with a value of 20.0 million EUR (previous year: 17.5 million EUR) and 44.7% of the balance sheet total (previous year: 43.4%), followed by the accounts receivable trade with 8.9 million EUR (previous year: 7.1 million EUR) - which had essentially already been offset by the time the balance sheet was completed - and cash holdings of 5.4 million EUR (previous year: 5.7 million EUR), which largely falls to the subsidiary Distec.

The *financial situation* of the company continues to be excellent, especially in comparison to companies pursuing similar business models, with a high and above-average equity ratio of 67.2% (previous year: 69.4 %). Totalling 30.1 million EUR (previous year: 28.0 million EUR), the company has sufficient shareholders' equity and is also capable of making sensible acquisitions from today's point of view. For the first time on 1 January 2016, the company took out

Group Management Report: 2. Economic report

a long-term loan of over 5 million EUR for the acquisition of the second portion of Data Display GmbH. As of the balance sheet date, the outstanding balance was 3.96 million EUR. The cash flow from the operations in financial year 2017/2018 decreased, primarily due to an increase in inventories compared to the previous year from 5.0 million EUR to 3.5 million EUR. The cash flow from the investments totalling -1.4 million EUR (previous year: -0.5 million EUR) includes the acquisition of the plot of land and further investments into facilities and machines. The negative cash flow of -2.4 million EUR (previous year: -3.3 million EUR) from financing activities was, as in the previous year, the result of repayments of bank debt and a dividend payout. The negative cash flow from the area of investments and financing and the reduced, positive cash flow from operations led to a reduction of 244 TEUR in financial resources.

Non-financial performance indicators, such as our staff as well as long-term supplier and customer relationships, are key success factors for the company. We have many long-term employees whom we support by providing individual responsibility and boosting motivation. The long-lasting and close cooperation that we engage in with our selected suppliers has allowed us to enjoy decades of stable business. This likewise benefits many of our long-standing customers, whom we can also thank for the company's success. FORTEC is committed to the environment and to *sustainability* in its business operations. Numerous aspects of environmental management have already been integrated into the management handbook.

Group Management Report: 3. Forecast report

The following statements about future business operations and our key assumptions about economic developments on the market and within the industry are based on estimates that we currently believe to be realistic in view of the following information. As a result of various known and unknown risks, uncertainties and other factors, the developments that we predict may not actually occur in terms of their tendencies or in terms of the degree to which they were forecasted. Global economic activity remains robust. The current climate of trade tensions has, however, had a negative impact on growth prognoses for the global economy. European economic growth is likely to recover once again, with economic data for Germany pointing to stable economic activity. This cautious optimism has been reflected in our planning for financial year 2018/2019. Nevertheless, the repercussions of current US policies based on rising trade protectionism and threats of punitive tariffs remain highly unpredictable. The punitive tariffs that have already taken effect are being passed on to customers. We will continue pursuing our strategy of offering local technology services. We will be able to respond to decisions reached from the Brexit negotiations by adjusting our logistics concepts. The UK is an important sales market for us in the scope of our internationalisation. Despite these uncertainties, we assume the prospects to be positive and expect to see organic sales growth in the mid-single-digit range for our group development in the current financial year.

As an effect of the measures implemented in the previous year, we expect to achieve a slight improvement in our EBIT for the current year. In order to expand our position on the market and achieve additional positive results, we plan to hire more sales personnel. This prospect applies to the area of Power Supplies as well as the area of Display Technology. We are also participating in the digitalisation trend in this financial year. Together with our suppliers and our own development departments, we are working on effective and cost-efficient standard and customised solutions for Industry 4.0 and IoT (Internet of Things) applications.

The risks outlined below, subdivided into risk categories, could have an impact on our company as a whole (overall risk), our financial situation (financial risks) and our income (risks to profitability). Additional systemic risks include the human resources risk and technical risk. The risks outlined below are those that we are permanently exposed to. This list of risks is not exhaustive and additional risks may surface that we are currently unaware of or that we do not consider to be significant. From today's perspective, we do not recognise any risks that threaten the continued existence of the company as a whole.

Financial risks, as far as they were evident upon compiling the balance sheet, were accounted for by way of corresponding depreciations and provisions. A quantified estimation can be found in the Consolidated Notes (Note 16). An evaluation of risks is carried out to the best of its knowledge as of the balance sheet date, but may prove insufficient in certain cases.

The essential insurable basic risks are covered by a comprehensive insurance policy. This policy is reviewed on an annual basis but may prove insufficient in certain cases. Potential risks that we must face in order to be present on the market are sales, product and market risks as well as dependence on suppliers; these risks apply to both segments in equal measure. A very large risk that should not be underestimated, albeit a *systemic risk*, relates to our close cooperation with only a few strategic partners in the product area. As success cooperation with suppliers from Asia often rests on long-lasting personal relations between the decision-makers, changes in personnel - be it due to a decision of that staff member to leave the company or due to changes in the company's shareholder structure - can lead to the loss of existing business relationships. For decades, the market for professional electronics has been marked by gradual decreases in the market price for the same level of performance data and through steady market prices for above-average increases in technical performance. Even though we have been able to overcome this risk in the past, there is no guarantee that we will not be subject to future losses due to market price risks.

A major *profitability risk* relates to inventory disposition. Misguided actions can lead to significant losses, despite our multi-tired procurement process. Current delivery capacities, influenced by allocations and long delivery times, demand particular care in procurement. The risk of having unsellable goods in the warehouse may not only be the result of erroneous estimates of future demand but, rather, also depends on differing assessments of quality standards on the part of the customer and the manufacturer. This particularly applies with regard to what the condition of the goods from our Asian suppliers should be along with EU guidelines and regulations governing the materials used in products and the product's application. Product liability due, in part, to changes in purchase rights, is becoming an ever-growing risk for the company compared to previous years. A careful selection of suppliers and monitoring evaluations can minimise this risk. However, in the event of deceptions or criminal activity on the part of our sub-suppliers, we, as the importer, are liable vis-à-vis the customer. One constantly growing risk relates to customer demands that go beyond the hitherto scope of the warranty period and the common standards for supply contracts. In recent years, a sense of entitlement has developed among customers - to the serious detriment of suppliers. The requirements arising from the supply contract may significantly exceed the value of the good. The result of this is an increase in legal disputes and their associated risks. In order to avoid default risks, creditworthiness checks will be carried out and customer receivables will be insured by a commercial credit insurance policy. Our success on the market is once again strongly dependent on the comprehensive expertise and years of experience possessed by our staff members (personnel risk). A large-scale personnel change or even the removal of a single key individual can place our on-going success at risk. The recruitment of new staff members in response to a tangible skills shortage and the rising attractiveness as an employer in a regional environment marked by full employment represents a great challenge and demands new, creative solutions. A change in customer behaviour towards abandoning production in Central Europe in the long term and instead making use of local suppliers challenges our business model as a supplier of technically demanding products. We would experience the same effect if our sub-suppliers changed their behaviour and utilised the

Internet to sell directly to industrial customers and refrain from exclusively selling their products via established sales channels. The expected concentration process on the side of suppliers could also have a negative impact on our business, which, in an extreme case, could lead to a termination of the supply relationship. The same effect would set in if the trade margin fell below our costs, which are mainly influenced by personnel costs common in German-speaking countries, due to the availability of competitive information through the Internet.

A *technical risk* exists across the company's entire IT network. A possible malfunction or a serious disruption in the computer system can cause serious damage for the company. Misuse by external or internal parties, despite security precautions, especially the theft of information or insufficient data protection measures, may also endanger the company in extreme cases.

Foreign currency risks will be avoided as much as possible by carrying out business transactions in a single currency. Nevertheless, changes in the dollar and yen parity, in particular, and fluctuations of the Swiss franc in relation to the euro, dollar and yen can have negative consequences for our company. The company's former growth strategy included both organic growth as well as company acquisitions. When acquiring other companies, any value falling above the "net asset value" is recognised as goodwill on the balance sheet and assessed annually for impairment. If the exceptions set for the acquired companies are not met or if we can no longer count on the previously planned positive cash flow due to uncertainties in the economy, write-offs will be instituted in the consolidated balance sheet compiled by IFRS. The company faces additional risks in relation to the subsidiaries in England and the US. Due to the fixed costs block, comprehensive production capacities are increasing the risk of being unable to flexibly react to market conditions. New opportunities are also constantly emerging alongside these risks. These opportunities have been integrated into the management handbook in the form of new opportunity management, which is updated annually at the Management Review.

The board of directors identifies, analyses and works with the supervisory board in the scope of the company's strategic orientation to further exploit new *market opportunities*. Outside of the German-speaking countries, our subsidiaries take advantage of additional market opportunities. Current trends towards digitalisation are also creating *product opportunities* for FORTEC, as a technology company, such as through our own product and production services in the area of display controllers, touchscreen solutions using the optical bonding approach and high-quality industrial monitors, especially on account of rapid developments in Industry 4.0, relating to the networking of industrial applications. This fourth industrial revolution that envisions a fully rationalised factory will translate into enormous productivity gains, especially in Central Europe. As a supplier for the capital goods industry, we will be able to profit from this for years to come. Concrete opportunities are regularly identified by our sales force, initiated by project marketing and evaluated through frequent exchanges with the management. When needed, the results are included in roadmaps and executed through new projects; these do, however, tie up money and resources and therefore constitute a potential risk factor. In the segment of Power Supplies, we are the leader for know-how in applications, solutions to problems and technical service. In the segment of data visualisation (Display Technology, Embedded Computer Technology), our own engineering services are the growth drivers for complete and tested sub-systems. Even though we cannot guarantee this in the future, we are confident that our expanded mixture of distribution, development, production and solutions puts us in a strong position that will ensure sustainable long-term growth.

Group Management Report: 5. Risk management

Risk management at FORTEC ensures that known or arising risks in our daily business remain transparent and manageable. The aim of risk management is to allow staff members and decision-makers to identify risks and develop the relevant solutions in time, either independently or in cooperation with the decision-makers. Risk management is an integral part of the management system, ensuring that risks are identified and that their impacts are minimised to the greatest degree possible. Risk management is an on-going task. As such, it is necessary to make our staff members and especially our decision-makers aware of the existing risks in the company. To this end, risk management and the legal guidelines developed for this purpose have been integrated within the management handbook. In accordance with the risk analyses performed by the management or, in the case of technical risks, by the quality management officers at the individual FORTECT group companies, the corresponding risk-aversion measures have been developed and officers have been appointed for overseeing their implementation. Risk reporting combined with quarterly reports ensures that the management can regularly create an overall picture of the risk situation, meaning that the management is always immediately informed about significant risks through internal structures.

The system of *internal control and risk management in view of financial reporting processes* is an integral part of all processes at the FORTEC Group and it is based on a comprehensive and systematic approach to identifying, evaluating and controlling risks. The board of directors is responsible for the design of control and risk management. Active monitoring controls carried out by the board of directors help to identify, evaluate and process risks in the individual business areas at the company and among our subsidiaries. These findings, especially related to process organisation, have been incorporated into the current QM handbook. In the scope of control and risk management, monthly assessments by the company and the subsidiaries allow for early recognition of discrepancies in the planning figures for incoming orders, order volumes and inventories, as well as with regard to sales, gross margin and costs, and for action to be taken when necessary. Liquidity planning is carried out on a weekly basis and the recoverability of the receivables, especially the debtors, is regularly checked. The acquired goodwill is reviewed through a so-called impairment test and corrected, if necessary. The measures performed by the internal controlling system for the accuracy and reliability of financial accounting ensure that our business transactions are completely in line with the statutory provisions and the company's articles of incorporation, that these are recorded in a timely manner, that stocktaking is carried out in accordance with the guidelines in place, and that assets and debts in the annual financial statement are correctly estimated, evaluated and accounted for. We ensure that the accounting records also provide reliable and traceable information through divisions of function and control processes.

The external auditor and other auditors, e.g., the tax auditor, customs auditor and social security auditor, are incorporated into the controlling environment by way of process-independent auditing activities. In particular, the audit of the consolidated financial statements by the associated auditor entails an essential process-independent supervisory activity for the group's financial accounting process.

Group Management Report: 6. Risk reporting in relation to the use of financial instruments

The financial instruments that exist in the company include: Current and investment accounts, supplier credits, receivables, and the like. The company has a solvent and creditworthy base of customers that is also covered by a commercial credit insurance policy for deliveries to companies that are below the DAX 30 index and generally for receivables claims above 10,000 EUR. Defaults on debts are not expected on any scale that would pose a risk to the company. Liabilities are paid within the agreed payment period. A long-term bank loan was taken at a low interest rate. At the group level, loans are available in the amount of 8 million EUR, which are, however, currently not being used. The aim of financial and risk management is to guarantee the success of the company and protect it against financial risks of any sort. Possible risks related to price changes, which could lead to potential losses due to detrimental changes to the market price or parameters that influence the price, are minimised through contract negotiations. An overview of cash receipts and disposals is regularly communicated in order to hedge liquidity risks. The company has a system of debtor management in place to to minimise the risk of defaults.

Group Management Report: 7. Overview of the risk and opportunity situation

From the point of view of the management in charge of a technology company, we identify more opportunities than risks for the future development of the company when balancing risks and opportunities. Despite the constant increase in risks to the company, the constantly rising demands for products and the ever-shorter product cycles, we are of the opinion that our market environment is undergoing positive changes, especially due to the digitalisation trends in connection with Industry 4.0 as a subset of the Internet of Things (IoT).

Group Management Report: 8. Additional information in accordance with section 315 (2) and (4) HGB

The *number of shares* as of 30 June 2018 amounted to 2,954,943 with a par value of 1 EUR. The company currently does not have any conditional capital nor a share-buyback scheme. The subscribed capital is entirely comprised of ordinary shares entitled to vote and ascribed to the holder. There are neither voting restrictions nor restrictions on the transfer of shares in place. At the annual shareholders' meeting on 15 February 2018, the board of directors was authorised to increase the company's share capital by up to a value of 1,477,471.00 EUR until 14 February 2023 with approval from the supervisory board through single or multiple issuances of up to 1,477,471 non-par bearer shares against cash contributions and/or assets in kind (Approved Chapter I). The board of directors was also authorised, with approval from the supervisory board, to exclude the prescription rights of the shareholders in the

following cases: (i) for fractional amounts, (ii) in the event of capital increases for assets in kind, (iii) in the event of cash contributions up to an amount not exceeding the existing share capital on the date when this authorisation entered into force or on the date when this authorisation lapsed by more than 10 per cent (whichever value is lower), to the extent that the issuing price of the shares does not significantly exceed the stock market price of the company's already listed shares at the time of the final determination of the issuing price. In accordance with the ad-hoc disclosure from 2 July 2018, the cash capital increase announced in June has been placed. 295,493 bearer shares were reissued, leading to a 10% increase in the share capital to 3,250,436 EUR. The new shares became eligible for dividends as of 1 July 2017. The appointment and dismissal of the board of directors is regulated by sections 84 and 85 of the German Stock Corporation Act (AktG). The company's *remuneration system* for the boards of directors includes both fixed and variable salary components. The royalties are solely dependent on the EBIT achieved and from annual net income. The annual shareholders' meeting on 16 February 2017 decided that the requested information in the annual report in accordance with section 314 (6a), sentence 5-9 of the German Commercial Code (HGB) can be omitted. Additionally, in the event of a change in control following a take-over offer, the supply agreements from the contracted suppliers essential for the company can be terminated.
In particular, this danger exists when the contracted supplier must be concerned with the entry of a competitor. Changes to the articles of incorporation require at least a 75% majority of votes at the annual shareholders' meeting. Additional information in accordance with section 315 (5) HGB is included in the Consolidated Notes.

Group Management Report: 9. Declaration of corporate governance in accordance with section 315 (5) in connection with section 289 a HGB

The activities of the management and controlling bodies at FORTEC Elektronik AG (FORTEC) are determined by a system of responsible corporate governance that is oriented towards sustainable value creation. In this declaration, the board of directors reports on the company's corporate governance in accordance with section 289 a (1) HGB.

At FORTEC, along with legal requirements and internal procedural guidelines, our corporate governance is characterised by a high degree of self-responsibility and the ethical behaviour exhibited by each and every staff member. As a listed German stock corporation, corporate governance at FORTEC is governed, first and foremost, by the German Stock Corporation Act as well as by the limitations set out by the German Corporate Governance Codex, in their current versions. On 26 February 2002, the German federal government passed the German Corporate Governance Codex into law. In its version from 7 February 2017, the codex sets out the essential statutory guidelines for managing and supervising German listed stock corporations and it contains both domestically and internationally recognised standards for good and responsible corporate governance. The aim of these guidelines is to ensure transparency of the regulations valid in Germany and thereby increase the confidence among international and domestic investors, customers, staff members and the general public in the corporate governance of German corporations.

After conducting a mandatory review, the board of directors and the supervisory board of FORTEC were able to submit a statement of compliance in accordance with section 161 AktG, which has been permanently available for the shareholders to view on the company's website since February 2018.

Landsberg, 7 September 2018

Sandra Maile	Bernhard Staller	Jörg Traum
Spokeswoman of the Board	Board of directors	Board of directors

Annual Report 2018

Consolidated balance sheet: 1. Total assets:

in EUR	Notes	Consolidated balance sheet 30/06/2017	Consolidated balance sheet 30/06/2018
A. Non-current assets			
I. Goodwill	6	5,224,921	5,091,585
II. Intangible assets	7	254,094	218,824
III. Tangible assets	7	2,063,248	2,886,850
IV. Financial assets	8	95,780	95,780
V. Accounts receivable trade	9	74,601	74,009
VI. Deferred taxes	18	329,320	276,679
		8,041,964	**8,643,727**

B. Current assets			
I. Inventories	10	17,545,046	20,031,133
II. Accounts receivables trade	11	7,122,347	8,852,140
III. Tax receivables	11	1,484,298	1,482,125
IV. Other assets	11	549,580	354,445
V. Cash on hand and cash equivalents	12	5,655,491	5,411,462
		32,356,762	**36,131,306**
Total assets		**40,398,726**	**44,775,033**

Consolidated balance sheet: 2. Total equity and liabilities

in EUR	Notes	Consolidated balance sheet 30/06/2017	Consolidated balance sheet 30/06/2018
A. Shareholders' equity			
I. Subscribed capital	13	2,954,943	2,954,943
II. Capital reserves	14	8,689,364	8,689,364
III. Exchange differences	14/30	976,883	633,917
IV. Other comprehensive income	14	11,138,580	13,508,079
V. Net income	14	4,259,877	4,316,072
VI. Shareholders' equity		28,019,646	30,102,375
Total shareholders' equity		**28,019,646**	**30,102,375**
B. Long-term liabilities			
I. Long-term bank liabilities	15/17	4,166,664	2,916,660
II. Non-current provisions/liabilities/other provisions	16	203,567	237,300
III. Deferred taxes	18	307,032	255,946
		4,677,263	**3,409,906**
C. Short-term liabilities			
I. Bank liabilities	15/17	416,668	1,041,670
II. Trade payables	17	3,556,986	5,025,164
III. Accruals from other taxes	17	1,592,653	1,693,132
IV. Other provisions	16	215,332	701,584
V. Other liabilities/accruals	17	1,920,178	2,801,202
		7,701,816	**11,262,752**
Total equity and liabilities		**40,398,726**	**44,775,033**

Consolidated statement of comprehensive income

in EUR	Notes	Consolidated income-statement 01/07/16 - 30/06/17	Consolidated income-statement 01/07/17 - 30/06/18
1. Sales revenues	**20**	**78,519,096**	**79,570,736**
2. Increase in finished goods/unfinished goods	21	-261,479	379,974
3. Other operating income	22	1,249,253	1,160,393
4. Cost of materials	23	53,791,323	54,646,307
5. Personnel expenses	24	12,474,745	12,449,702
6. Depreciation	25	532,748	597,884
7. Other operating expenses	26	7,210,174	7,400,586
8. Operating result		**5,497,880**	**6,016,625**
9. Dividends		148,038	29,700
10. Other interest and similar income	27	11,280	8,686
11. Other interest and similar expenses	27	55,686	61,730
12. Results from ordinary activities		5,601,512	5,993,281
13. Taxes on income	28	1,341,635	1,677,210
14. Net income		**4,259,877**	**4,316,072**
Other results			
15. Change of market value of assets available for sale (not affecting income)	14	0	0
16. Currency translations differences (not affecting income)	30	-417,261	-342,966
17. Other results		-417,261	-342,966
18. Total result		**3,842,616**	**3,973,106**
19. Assignment of profit: Owners of the parent company Shares other shareholders		 4,259,877 0	 4,316,072 0
20. Assignment of total result Owners of the parent company Shares of other shareholders		 3,842,616 0	 3,973,106 0
21. Earnings per Share Basic Diluted		 1.44 1.44	 1.33 1.33

Consolidated statement of changes in equity

in EUR	Ascribed capital	Capital reserves	Foreign exchange difference	Other provisions		Total	Non-controlling interests	Total shareholders' equity
				Market valuation reserves	Retained earnings/ Profit carried forward			
Date: 01/07/2016	**2,954,943**	**8,689,364**	**1,394,143**	**0**	**12,911,547**	**25,949,996**	**0**	**25,949,996**
Total result 2016/2017			-417,261		4,259,877	3,842,616		3,842,616
Dividend payments					-1,772,966	-1,772,966		-1,772,966
	0	0	-417,261	0	2,486,911	2,069,650	0	2,069,650
Date: 30/06/2017	**2,954,943**		**976,883**	**0**	**15,398,458**	**28,019,646**	**0**	**28,019,646**
Total result 2017/2018			-342,966		4,316,072	3,855,694		3,855,694
Positions not classified within the statement of comprehensive income					-117,412	-117,412		-117,412
Dividend payments					-1,772,966	-1,772,966		-1,772,966
	0	0	-342,966	0	2,425,694	2,082,728	0	2,082,728
Date: 30/06/2018	**2,954,943**	**8,689,364**	**633,917**	**0**	**17,824,152**	**30,102,375**	**0**	**30,102,375**

Consolidated cashflow statement

in EUR	Notes	2016/2017	2017/2018
I. Operative area			
1. Net income		4,259,877	4,316,072
2. Amortisation on a) tangible assets and intangible assets b) Goodwill		 532,748 0	 597,884 0
3. Correction for other non-cash transactions		-457,433	-260,380
4. Increase (previous year: 0) from the disposal of property, plant and equipment		0	-14,354
5. Increase (previous year: decrease) of inventories		744,276	-2,486,087
6. Increase (previous year: decrease) of accounts receivable trade and other receivables		108,583	-1,532,486
7. Increase (previous year: decrease) of trade payables		457,544	1,468,178
8. Increase (previous year: decrease) of short-term liabilities		-411,069	1,350,344
9. Increase (previous year: decrease) of non-current receivables		-10,949	592
10. Increase (previous year: decrease) of long-term liabilities		-187,248	33,733
Cash flow from operations	**31**	**5,036,329**	**3,473,497**
II. Investment area			
1. Investments in tangible assets and intangible assets		-475,049	-1,408,510
2. Acquisition of subsidiaries minus acquired liquid assets		0	0
3. Investments in financial assets		0	0
4. Profits from disposal of tangible assets		19,068	14,286
Cash flow from investments	**31**	**-455,981**	**-1,394,224**
III. Financial activities			
1. Bank loans including short-term current account liabilities		-1,540,777	-625,002
2. Distribution of profits		-1,772,966	-1,772,966
Cash flow from financial activities		**-3,313,743**	**-2,397,968**
IV. Net decrease (previous year: decrease) of cash and cash equivalents	**31**	**1,266,605**	**-318,695**
Cash/cash equivalents p. 30/06/2017 (previous year: 30/06/2016) Changes in cash and cash equivalents due to currency changes		4,336,016 52,870	5,655,491 74,666
V. Cash/cash equivalents p. 30/06/2018 (previous year: 30/06/2017)		**5,655,491**	**5,411,462**
Composition of cash and cash equivalents			
Cash		23,843	15,863
Bank balances		5,631,648	5,395,599
Cash and cash equivalents at the end of the period	**12**	**5,655,491**	**5,411,462**

Annual Report 2018

Content of Consolidated Notes

Consolidated Notes: 1. General information

FORTEC Elektronik AG, Landsberg, Germany (hereinafter "FORTEC AG"), as the highest-level parent company and pursuant to section 315 of the German Commercial Code (HGB), compiles consolidated financial statements in compliance with the valid provisions as of the reporting date set of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Reporting Committee (IFRIC) endorsed by the European Union since 30 June 2018. This is based upon the obligation regarding the application of international accounting standards, resulting from section 315a (1) HGB in connection with article 4 of (EC) Regulation No. 1606/2002 of the European Parliament and Council from 19 July 2002. All mandatory standards valid as of the balance sheet date have been observed. In addition to disclosure requirements in accordance with IFRS, all information and notes applicable under section 315a (1) HGB, which are additionally required under German Commercial Law for cases in which consolidated financial statements are prepared under IFRS, are also disclosed. The consolidated financial statements are in compliance with the IFRS requirements. In the segment of Power Supplies, the group offers a complete product range for power supplies and DC/DC converters. In the segment of Data Visualisation Systems with the product areas of Display Technology and Embedded Computer Technology, our activities range from standard kits and support services to product solutions developed in house and complete industrial monitors. The register offices of the parent company are located at Lechwiesenstrasse 9, 86899 Landsberg am Lech, Germany. The consolidated financial statements for FORTEC AG were compiled in euros and the figures have been rounded off, meaning that minor and negligible rounding differences may occur. The group's statement of comprehensive income has been prepared in accordance with the nature of expense method. Provided that individual items in the consolidated financial statements as well as the group's statement of comprehensive income are combined for the sake of improving clarity of the presentation, these are listed and explained in the notes. Data Display GmbH has been merged with FORTEC Elektronik AG upon signing of the merger agreement on 19 December 2017, which was recorded in the Commercial Register Munich on 7 February 2018. Data Display was consolidated as a group division in the previous year. A note has been included for comparability of essential items.

New accounting requirements

The IASB and the IFRIC have issued the standards, interpretations and changes outlined below, which are not yet mandatory for financial year 2017/2018. We did not apply these new requirements early.

The following standards and changes to standards were endorsed in this financial year, which had to be applied in that financial year:

Amendment to IAS 12

Recognition of deferred taxes for unrealised losses,
released on 19 January 2016.
Applies for financial years after 1 January 2017.

Amendment to IAS 7

Materiality, released on 29 January 2016
Applies for financial years after 1 January 2017.

The following standards endorsed by the IASB did not have to be applied yet in this financial year:

IFRS 9
"Financial instruments", classification and evaluation as well as balancing of financial liabilities and write-offs, released in November 2016
Applies for financial years after 1 January 2018.

IFRS 15
"Revenue from contracts with customers"
(endorsement: September 2016)
Applies for financial years after 1 January 2018.
Clarifications issued April 2016
(endorsement: October 2017)
Applies for financial years after 1 January 2018.

IFRS 16
"Leasing", issued in January 2016
(endorsement: October 2017)
Applies for financial years after 01 January 2019.

IFRS 17
"Insurance contracts", released in May 2017
(endorsement: pending)
Applies for financial years after 01 January 2021.

IFRIC 22
"Foreign currency transactions and advanced consideration", issued in December 2016
Applies for financial years after 01 January 2018.

IFRIC 23
"Uncertainty over income tax treatments",
issued in June 2017
(endorsement: expected in 2018);
Applies for financial years after 01 January 2019.

Amendment to IFRS 2
Classification and Measurement of Share-based Payment Transactions, issued in February 2018
Applies for financial years after 01 January 2018.

Amendment to IFRS 4
Adjustment of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", issued in September 2016
Applies for financial years after 01 January 2018.

Annual improvements of IFRS (2014-2016)
issued in February 2018
(endorsement: February 2018)
Applies for financial years after 01 January 2018.

Annual improvements of IFRS (2015-2017)
(endorsement: expected in 2018)
Applies for financial years after 01 January 2019.

Amendment to IFRS 9
Prepayment features with negative compensation,
issued in March 2018
Applicable as of 1 January 2019

Amendment to IAS 40
Transfers of investment property, issued in December 2016
(endorsement: March 2018);
Applies for financial years after 01 January 2018.

Amendment to IAS 19
Employee benefits
(endorsement: expected in 2018)
Applies for financial years after 01 January 2019.

Amendment to IAS 28
Investments in associates
Applies for financial years after 01 January 2019.

FORTEC AG is currently analysing the impacts of the new standards for the presentation of its asset, financial and profit situation, as well as the cash flow. We do not expect any notable changes from the application of IFRS 15.

Individually acquired intangible assets (without goodwill) as well as *tangible assets* are recognised as acquisition costs, reduced by the accumulated depreciation, assessed (cost model IAS 16.30) and depreciated over the anticipated period. The operating life for software has been set at 3-5 years, 10-20 years for buildings, 3-6 years for vehicles, 2-4 for tools, 3-5 for office furnishings and 4-10 years for operating and office equipment. Repair costs are counted as expenses. As of the balance sheet date, the attainable amount for the items included in the tangible fixed assets did not fall below their carrying amount. Straight-line depreciation is the only depreciation method that has been used. Additions are depreciated pro rata temporis. The carrying amounts are reviewed for each balance sheet date for any objective indications of a value adjustment. *The non-current financial assets* are shares. Provided that no active market exists for these companies and fair values cannot be determined reliably at reasonable expense, they are reported at the level of their acquisition costs. If indications of lower fair values exist, they will be applied. There is currently no intention of selling these financial assets. The *inventories* are evaluated at acquisition and production costs. In the event of price changes, the mixed price is subsequently adjusted. The average cost method was used in this context. Provided that the net resale value fell below the initial cost, the lesser net resale value of the evaluation was used as a basis. Financing costs have not been capitalised.

Accounts receivables trade, tax receivables and other assets are set at their nominal amount. The necessary valuation allowances have been deducted. Individually definable receivables risk have been considered separately. The assessment of the *cash on hand and cash equivalents* is carried out at the nominal value. *Provisions* are established in consideration of the principles of best-possible assessment in accordance with IAS 37 using the amounts that the company is expected to be obliged to settle. Possible required discounts have been carried out.

Liabilities are measured at their fair value. *Deferred taxes* are established based on the temporary differences between the figures reported in the consolidated balance sheet and the tax balance sheet. An average future income tax charge (corporate tax, solidarity charge and trade tax) between 19% and 28%, dependent on the tax regulations that apply to the country of origin (previous year: 29.0 %).

Transactions in *foreign currencies* are translated into euros at the point in time of the transaction. Monetary assets and debts in foreign currencies existing as of the balance sheet date are translated into euros according to the exchange rate on the balance sheet date. All currency differences are recognised in the income statement. The annual financial statements of the foreign group companies are translated into euros pursuant to IAS 21 and in accordance with the concept of a *functional currency* . The functional currency for the foreign subsidiaries is the respective national currency, as these companies are financially, economically and organisationally independent. Assets and liabilities are therefore translated into the closing rate on the balance sheet date, while expenses and income are translated into the standard exchange rate for the year (modified closing rate method).

Income is considered once the service has been rendered, regardless of the payment date. It is measured at the fair value of the received consideration or of the debt to be reconciled. Interest rate income is recorded proportionally over time. *Borrowing costs* incurred in this financial year are recorded as expenses as the requirements for capitalisation are not met.

The *classification regulations* are maintained in comparison to the previous year. Current assets and liabilities are those which are due within a year's time. The accounts receivable and payable trades as well as inventories are generally considered current. Deferred tax assets and liabilities are generally deemed non-current, in accordance with IAS 1.56. In compliance with IFRS, the presentation of the consolidated financial statements requires discretionary decisions are made and estimates are applied that affect the amount of the carrying value of the reported assets and liabilities, of the income and expenses, and of the contingent liabilities. In certain cases, the actual values may deviate from the arrived at discretionary decisions and estimates. Changes are recognised in the income statement as soon as better knowledge has is available. The estimation uncertainties are essentially related to the recognition and measurement of assets and liabilities that may present a considerable risk in the coming financial years.

The *accounts receivables trade* is reviewed on the basis of a recoverability estimate in view of a possible flat-rate individual value adjustment. The amount of the *provisions for warranties* is ascertained on the basis of an estimate of the expected costs and the likelihood of occurrence, including a review of the past values as well as the current procedures.

Consolidated Notes: 3. Consolidated companies

In these consolidated financial statements, the following subsidiaries are included along with the parent company:

- Blum Stromversorgungen GmbH i.L., Krumbach, Germany
- Emtron electronic GmbH, Nauheim, Germany
- ROTEC technology GmbH, Rastatt, Germany
- AUTRONIC Steuer- und Regeltechnik GmbH, Sachsenheim, Germany
- Distec GmbH Vertrieb von elektronischen Bauelementen, Germering, Germany
- Data Display Solution GmbH & Co. KG, Hörselberg-Hainich, Germany
- Data Display Solution Verwaltung GmbH, Hörselberg-Hainich, Germany
- ALTRAC AG, Würenlos, Switzerland
- Apollo Display Technologies Corp., Ronkonkoma, USA
- Display Technology Ltd. Chatham, UK

FORTEC AG holds a 100% share in each of these companies, has the majority of the vote rights, and exercises control in line with IFRS 10.6. The financial statements of the subsidiaries are contained in the consolidated financial statements as of the date on which control commenced. The individual financial statements of these subsidiaries are made on the balance sheet date of the consolidated financial statements, they undergo an independent audit, and they are issued with unqualified audit opinions.

Consolidated Notes: 3. Consolidated companies

The key figures, in accordance with IFRS, of the companies included in the consolidated financial statements (prior to consolidation) as of 30 June 2018 are presented in the following table:

in TEUR	FORTEC AG	Blum SV GmbH [1]	Emtron GmbH	ROTEC GmbH	AUTRONIC GmbH	ALTRAC AG
Revenue Previous year	19,613 19,563	0 69	17,398 16,619	2,980 2,862	4,017 4,133	3,751 4,180
Operating result (EBIT) Previous year	3,771 506	0 46	1,117 1,138	445 108	-66 26	72 -153
Income from financing and investing Previous year	5,608 1,911	5 5	32 37	-3 -5	-7 141	11 13
Taxes Previous year	1,079 169	0 14	344 351	130 25	1 8	13 -17
Annual result (in accordance with IFRS) Previous year	8,202 2,246	6 37	805 823	313 79	-74 159	70 -121

in TEUR	Data Display GmbH [2] (group company)	Distec GmbH [3]	Data Display Solution GmbH	Data Display Solution Verwaltung GmbH	Apollo Corp.	Display Technology Ltd.
Revenue Previous year	n.a. 33,149	26,759 25,083	254 269	5 5	9,720 11,282	3,070 2,831
Operating result (EBIT) Previous year	n.a. 3,827	2,786 2,674	87 134	5 6	689 1,104	289 193
Income from financing and investing Previous year	n.a. 2	-2,786 -2,674	-10 -11	0 1	0 0	0 0
Taxes Previous year	n.a. 793	0 0	6 6	1 1	67 110	55 39
Annual result (in accordance with IFRS) Previous year	n.a. 3,036	0 0	70 117	4 5	622 993	234 154

All of the major subsidiaries have therewith been consolidated.

[1] *Blum SV GmbH has been in liquidation since 28/11/2017.*

[2] *Data Display GmbH was consolidated as a group company in the previous year. As of 1 July 2017, Data Display GmbH and its shares were merged with FORTEC AG.*

[3] *As of 30 June 2018, a profit transfer agreement has existed between Distec GmbH and FORTEC AG.*

The investments of all group companies included in the consolidated financial statements are shown in the following table:

Registered office:	Blum SV GmbH Krumbach, Germany	Emtron electronic GmbH Nauheim, Ger-many	ROTEC GmbH Rastatt, Germany	AUTRONIC GmbH Sachsenheim, Germany	ALTRAC AG Würenlos, Switzerland
Nominal value of the					
Participation (EUR) Previous year	250,000 250,000	250,000 250,000	250,000 250,000	250,000 250,000	160,000 160,000
Shareholders' equity (EUR) Previous year	525,620 520,108	7,330,276 8,525,352	400,042 537,032	989,189 1,063,624	2,790,077 2,877,506
Share of capital/voting rights Previous year	100 % 100 %	100 % 100 %	100 % 100 %	100 % 100 %	100 % 100 %
Entity subject to					
Turnover tax	yes	yes	yes	yes	no
Trade tax	no	no	no	no	no
Corporate tax	no	no	no	no	no
Acquisition	17/12/1992	17/12/1998	02/07/2003	01/01/2004	30/08/2000

Registered office:	Data Display GmbH (group company) Germering, Germany	Distec GmbH Germering, Germany	Data Display Solution GmbH & Co. KG Hörselberg-Hainich, Germany	Data Display Solution Verwaltung GmbH Hörselberg-Hainich, Germany	Apollo Corp. Ronkonkoma, USA	Display Technology Ltd. Chatham, UK
Nominal value of the						
Participation (EUR)	n.a.	1,000,000	290,000	25,000	2,300	81,000
Previous year	6,000,000 (group company)					
Shareholders' equity (EUR)	n.a.	1,077,035	-965,943	62,975	3,816,865	1,296,960
Previous year	17,671,635 (group company)					
Share of capital/voting rights	100 %	100 %	100 %	100 %	100 %	100 %
Previous year	100 % (group company)					
Taxable						
Entity	n.a.	yes	no	no	no	no
Trade tax	n.a.	yes	no	no	no	no
Corporate tax	n.a.	yes	no	no	no	no
Acquisition	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015	30/06/2015

Consolidated Notes: 3. Consolidated companies

On the balance sheet date, FORTEC AG also holds 36.6% (previous year: 36.6%) of the share capital of Advantec Electronics B.V., Oudenbosch (NL). This company does not constitute a subsidiary in the sense of IAS 27.13 as there is no control relationship in place. Advantec Electronics B.V. is not an associated company in accordance with IAS 28.2 in connection with 28.6 as the IAS 28.7 indicator catalogue is not relevant. For stakes in companies in which FORTEC holds 20% to 50% of the voting rights, an affiliated company is assumed to exist, unless significant influence is clearly disproved. We assume the latter to be the case for the company in question as there is absolutely no representation on the board of directors, we do not participate in the company's key decisions, there are no relevant business transactions between this company and ours, there are no exchanges of expert personnel, and no significant technical information is provided. This company has therefore not been consolidated. AUTRONIC Steuer- und Regeltechnik GmbH holds 100% of the Czech company ALLTRONIC elektronické stavební skupiny a komponenty s.r.o., Dýsina. Apollo Display Technologies Corp. holds 100% of Apollo Ronkonkoma Inc. Due to their minor significance for the group, the two companies Alltronic and Apollo Ronkonkoma have not been consolidated.

Consolidated Notes: 4. Consolidation principles

In accordance with the statutory requirements, the financial statements of the individual companies to be included in the consolidated financial statements have been uniformly established in line with the accounting and valuation policies valid for FORTEC AG and adjusted to these principles for the consolidation. Similar items have been aggregated. Group-internal receivables and payables have been eliminated. When consolidating the results of operations, inter-company sales and group-internal earnings are offset against the related expenses. The group reports business combinations in accordance with the purchase method as soon as the group has assumed control. The considerations transferred upon acquisition as well as acquired identifiable net assets are measured at fair value. Any gains on a bargain purchase are directly recorded in the consolidated cash flow statement. Transaction costs are immediately recorded as expenses. The considerations transferred do not contain any amounts associated with the performance of previously existing relationships.

Consolidated Notes: 5. Capital consolidation

Capital consolidation is carried out on the basis of the purchase method in accordance with IFRS 3 by off-setting the fair values of the shares with the equity share of the group company included in the consolidated financial statements at the point in time of the acquisition. With the acquisition of Blum Stromversorgungen GmbH, the difference was posted entirely to goodwill as the fair values of the acquired assets and liabilities were in accordance with their carrying amounts. For Emtron electronic GmbH, the difference is accounted for by the hidden reserves included under fixed assets, chargeable corporate taxes and goodwill. For ALTRAC AG, hidden reserves were to be disclosed in the fixed assets as well as goodwill in the scope of the acquisition. For the acquisition of the group company Data Display, the difference is accounted for by the goodwill and the hidden reserves in the goods and order backlog. The differences arising from the capital consolidation, provided that they are not accounted for by the hidden reserves, are disclosed as goodwill (Note 6) in the fixed assets. The goodwill is recorded as an asset and reviewed for impairment on an annual basis (impairment test). Impairments are immediately recorded in the income statement.

Notes on the individual balance sheet items

In compliance with IAS 1, the consolidated balance sheet is organised according to current and non-current assets and liabilities. Current assets and liabilities are those which are due within a year's time. In compliance with IAS 1.56, deferred taxes are disclosed as non-current assets and liabilities.

Consolidated Notes: 6. Goodwill

As in the previous year, the ***goodwill*** is allocated to the cash-generating units, identified in the form of the two segments "Data Visualisation Systems" and "Power Supplies" for financial year 2017/2018 (Note 29). The carrying value of the goodwill for *Power Supplies* has changed from 2,665 TEUR to 2,532 TEUR due to currency changes. The difference in the currency exchange of 133 TEUR is recorded directly in the equity without affecting earnings. In the annual result, this segment achieved a net income of 1,217 TEUR (previous year: 999 TEUR). The carrying value of goodwill for *Data Visualisation Systems* remains unchanged compared to the previous year at 2,559 TEUR. For this segment, a net profit of 3,099 TEUR (previous year: 3,261 TEUR) was achieved. Instead of a planned depreciation of the goodwill resulting from the capital consolidation, a potentially lower resulting value solely based on an impairment test in accordance with IAS 36 in connection with IFRS 3 will be determined. An annual impairment test is carried out when needed, yet no later than the end of the fourth quarter of the financial year, on the basis of the cash-generating units of Power Suppliers and Data Visualisation Systems. The impairment test for the goodwill was carried out on 30 June 2018.
In accordance with IAS 36.10 (a), the carrying value was contrasted with the recoverable amount in the form of the utilisation value of the cash-generating unit. For the cash-generating unit *Power Supplies* as well as for the segment of Data Visualisation Systems, the utilisation value was reviewed using the discounted cash flow approach. The forecast was determined on the basis of the planning for the next five years created by the company management. For the period after the fifth year, a terminal value was determined under extrapolation of the last planning year. The plans are based on experiences and operating results from the past as well as on the best-possible estimates of the future developments of individual influencing factors. Based on our estimates, the currency influences on the revenue will once again be balanced in the upcoming years. A sustainable growth rate has not been considered. In the scope of perpetual annuity, the gross margin will fall by 2 percentage points and the operating costs will increase by 2%. An interest rate of 8% before taxes and discounting is applied and also used to determine the utilisation value. The management is of the opinion that, based on reasonable assumptions, no changes that could occur will lead the carrying value of the respective cash-generating units to exceed their recoverable amount. The impairment at the end of the financial year does not have to be carried out yet.

Consolidated Notes: 6. Goodwill

The goodwill developed as follows:

in EUR	Group 2016/2017	Group 2017/2018
Goodwill as of 01/07.	**5,239,899**	**5,224,921**
Additions	0	0
Disposals	0	0
Depreciation	0	0
Currency differences	-14,977	-133,336
Goodwill as of 30/06.	**5,224,921**	**5,091,585**

Consolidated Notes: 7. Intangible assets and tangible assets

The development of the assets as historical acquisition costs and the depreciations for the financial year are derived from the group's gross fixed-asset movement schedule. Intangible assets (there are no capitalisable, internally generated assets) and tangible assets are reduced at acquisition cost to account for regular depreciation.

The useful life is:

- → Software 3–5 years
- → Vehicles 3–6 years
- → Tools 2–4 years
- → Office furnishings 3–5 years
- → Operating and office equipment 4–10 years
- → Buildings 10–20 years

Only the straight-line depreciation method is applied. Low-value assets are depreciated on a straight-line basis over 5 years for the sake of simplification. The depreciations for intangible assets as well as tangible assets are disclosed under Item 6 "Depreciations" in the group's statement of comprehensive income. Depreciation methods, useful life measurements and residual values are audited on the balance sheet date and adjusted if needed. All gains and losses from the disposal of assets is recorded in the statement of comprehensive income. An additional column has been disclosed in the group's gross fixed-asset movement schedule for currency conversion differences. This includes a record of the differences in assets belonging to ALTRAC AG as well as the foreign subsidiaries Apollo Display Technologies Corp./USA and Display Technology Ltd./UK, which arise due to the translation of the income generated by these economically independent foreign subunits at differing exchange rates as of the balance sheet date.

Consolidated Notes: 8. Financial assets

The financial assets as of 30 June 2018 comprise the following:

in EUR	Group 30/06/2017	Group 30/06/2018
Participations	95,780	95,780
Sum of financial assets	**95,780**	**95,780**

The ***participations*** encompass a 36.6% share (previous year: 36.6%) of Advantec Electronics B.V., Oudenbosch (NL), with a nominal value of 46 TEUR as well as an unchanged 100% share (via AUTRONIC) in Alltronic spol s.r.o. with 49 TEUR (previous year: 49 TEUR). The fair value on the balance sheet date corresponds to the historical acquisition costs. The presentation of the shares in Alltronic is made as a financial asset in the group in accordance with IAS 39 as the company is of minor significance in accordance with IAS 1.15 and 1.30. This applies to the qualitative factors (e.g., particular risk) as well as the significance for the assets, financial position and income. The financial assets are classified as "financial assets available-for-sale" in accordance with IAS 39. Changes in value in comparison to the presentation from the previous year are recognised directly as equity in the market valuation reserve in accordance with IAS 39.55b. The market valuation reserve did not have to be paid as of the balance sheet date.

Consolidated Notes: Consolidated statement of financial assets

in Euro	Purchase costs				
	Balance on 01.07.2017	Additions 2017/2018	Retirements 2017/2018	Exchange Difference	Balance on 30.06.2018
Intangible assets					
Business/company value	10,765,774	0	0	-367,293	10,398,481
Software	935,244	108,890	202,269	-9,314	832,551
Summe Immaterielle VW/ Total intangible assets	**11,701,018**	**108,890**	**202,269**	**-376,607**	**11,231,032**
Tangible assets					
Property	296,722	546,863	0	-329	843,256
Plant, buildings	811,768	391,867	0	-2,073	1,201,561
Outdoor facilities	55,470	0	0	0	55,470
Vehicles	433,392	40,890	35,955	-8,551	429,776
Small tools	122,465	16,558	0	0	139,023
Plant, machinery	813,696	79,936	0	46,675	940,308
Office furnishings	885,851	102,438	0	-30,507	957,782
Office and plant equipment	808,722	80,002	25,137	-54,567	809,021
Low-value items	182,847	42,937	0	211	225,995
Total tangible assets	**4,410,932**	**1,301,491**	**61,091**	**-49,141**	**5,602,191**
Financial assets	141,955	0	0	0	141,955
Total assets	**16,253,905**	**1,410,381**	**263,360**	**-425,748**	**16,975,177**
for information: PY developments	01/07/2016	2016/2017	2016/2017	2016/2017	30/06/2017
Intangible assets	11,589,122	165,473	9,132	-44,445	11,701,018
Tangible assets	4,275,236	309,576	137,449	-35,433	4,410,932
Financial assets	141,955	0	0	0	141,955
Total assets	16,006,313	475,049	1,147,581	-79,877	16,253,905

Consolidated Notes: Consolidated statement of financial assets

Depreciation					Net book value	
Balance on 01.07.2017	Additions 2017/2018	Retirements 2017/2018	Exchange Difference	Balance on 30.06.2018	Balance on 01.07.2017	Balance on 30.06.2018
5,540,852	0	0	-233,957	5,306,896	5,224,921	5,091,585
681,150	132,131	203,030	3,476	613,727	254,094	218,824
6,222,003	**132,131**	**203,030**	**-230,481**	**5,920,623**	**5,479,015**	**5,310,409**
0	0	0	0	0	296,722	843,256
341,185	50,331	0	-259	391,257	470,582	810,304
25,191	4,275	0	0	29,466	30,279	26,004
335,384	44,630	35,955	-7,343	336,716	98,008	93,059
94,548	32,581	0	0	127,129	27,917	11,893
322,943	101,856	0	101	424,899	490,753	515,408
723,605	80,848	0	-28,018	776,436	162,246	181,347
428,368	103,226	22,572	-4,037	504,984	380,355	304,037
76,461	48,006	0	-13	124,454	106,386	101,541
2,347,684	**465,753**	**58,527**	**-39,569**	**2,715,342**	**2,063,248**	**2,886,850**
46,175	0	0	0	46,175	95,780	95,780
8,615,864	**597,884**	**261,557**	**-270,050**	**8,682,139**	**7,638,044**	**8,293,039**
01/07/2016	2016/2017	2016/2017	2016/2017	30/07/2017	01/07/2016	30/06/2017
6,154,895	104,780	8,186	-29,486	6,222,003	5,434,227	5,479,015
2,009,005	427,969	76,808	-12,480	2,347,684	2,266,232	2,063,248
46,175	0	0	0	46,175	95,780	95,780
8,210,075	532,748	84,994	-41,966	8,615,864	7,796,238	7,638,044

Consolidated Notes: 9. Non-current accounts receivable trade

This relates to the security deposit paid for the FORTEC offices in Landsberg, Germany, and Vienna, Austria, (9 TEUR) for the Apollo offices in the US (23 TEUR) and for Display Solution in Hörselberg-Hainich, Germany, (43 TEUR).

Consolidated Notes: 10. Inventories

The inventory assets as of 30 June 2018 are comprised of the following:

in EUR	Group 30/06/2017	Group 30/06/2018
Goods/raw materials, supplies and consumables	14,185,035	16,678,382
Finished/unfinished products	2,690,014	3,069,988
Payments rendered	669,997	282,762
Sum Inventory assets	**17,545,046**	**20,031,133**

Goods/raw materials, supplies and consumables are shown with the acquisition cost in consideration of the incidental acquisition costs. The weighted average prices are assumed. If necessary, an adjustment to the lower fair value, corresponding to the net realisable value, was carried out. All recognisable risks have been taken into account through appropriate reductions. The finished/unfinished products are set at their cost of production. This is done in consideration of the directly attributable costs (such as production wages and material expenses) as well as fixed and variable general production costs (production and general material expenses). Costs in the sense of IAS 2.16 are not included.

Consolidated Notes: 11. Accounts receivables, tax receivables and other assets

The accounts receivables trade and other assets as of 30 June 2018 are classified as follows:

in EUR	Group 30/06/2017	Group 30/06/2018
Accounts receivables trade	7,122,347	8,852,140
Tax receivables	1,484,298	1,482,125
Other assets	549,580	354,445
Total receivables	**9,156,225**	**10,688,711**

Consolidated Notes: 11. Accounts receivables, tax receivables and other assets

For the accounts receivables trade, all recognisable risks have been taken into account through valuation allowances. The valuation allowances for the accounts receivables trade in accordance with IFRS 7.16 developed as follows:

in EUR	Group 2016/2017	Group 2017/2018
Valuation allowances as of 01/07.	22,060	76,896
Additions	76,896	183,868
Consumption/Reversals	22,060	76,896
Valuation allowances as of 30/06.	**76,896**	**183,868**

The accounts receivables trade and other assets presented here have a remaining term of less than one year.
The other assets of the group consist of accrued income in the amount of 223 TEUR (previous year: 253 TEUR).
The accounts receivable trade and loan receivables entail financial instruments in accordance with IAS 39 and are classified in the category "Loans and receivables".
The valuation is carried out at amortised costs.

Consolidated Notes: 12. Cash on hand and cash equivalents

The cash on hand and cash equivalents as of 30 June 2018 comprise of the following:

in EUR	Group 30/06/2017	Group 30/06/2018
Cash on hand/ Franking machine	23,843	15,863
Banks deposits and post office giro	5,631,648	5,395,599
Cash on hand	**5,655,491**	**5,411,462**

Credit at financial institutions denominated in US dollars, Swiss francs and British pounds are evaluated in the consolidated financial statements using the average exchange rate on the balance sheet date. There was no bank credit denominated in other foreign currencies present. The change to the cash corresponds with the statements in Note 32. The disclosed value of the liquid assets correspond to the market value. The company has unrestricted access to all cash.

Consolidated Notes: 13. Subscribed capital

The shareholders' equity of FORTEC Elektronik AG as on the balance sheet date totalled 2,954,943 EUR. The company's shares are divided into in 2,954,943 no-par-value shares (securities identification number 577410/ISIN DE 0005774103) with a par value of 1.00 EUR. At the annual shareholders' meeting on 15 February 2018, the board of directors was authorised to increase the company's share capital by up to a value of 1,477,471.00 EUR until 14 February 2023 with approval from the supervisory board through single or multiple issuances of up to 1,477,471

Consolidated Notes: 13. Subscribed capital

non-par bearer shares against cash contributions and/or assets in kind (Approved Chapter I). The board of directors was also authorised, with approval from the supervisory board, to exclude the prescription rights of the shareholders in the following cases: (i) for fractional amounts, (ii) in the event of capital increases for assets in kind, (iii) in the event of cash contributions up to an amount not exceeding the existing share capital on the date when this authorisation entered into force or on the date when this authorisation lapsed by more than 10 per cent (whichever value is lower), to the extent that the issuing price of the shares does not significantly exceed the stock market price of the company's already listed shares at the time of the final determination of the issuing price.

Consolidated Notes: 14. Shareholders' equity

The shareholders' equity that can be ascribed to the owners of the parent company developed as follows in the reporting year:

in EUR	Shareholders' equity	Capital reserves	Currency conversion differences	Retained earnings/ Carryforwards	Total
Date: 01/07/2016	2,954,943	8,689,364	1,394,143	12,911,547	25,949,996
Total result			-417,261	4,259,877	3,842,616
Dividend payments				-1,772,966	-1,772,966
Date: 01/07/2017	2,954,943	8,689,364	976,883	15,398,458	28,019,646
Currency translations			-342,966		-342,966
Positions not classified within the statement of comprehensive income				-117,412	-117,412
Dividend payments				-1,772,966	-1,772,966
Net income				4,316,072	4,316,072
Date: 30/06/2018	**2,954,943**	**8,689,364**	**633,917**	**17,824,152**	**30,102,375**

Since 1 July 1998, capital reserves have developed from 256 TEUR, plus agio in 1999 of 5,233 TEUR, minus transformations of the capital reserves and increases from the use of conditional capital to 8,689 TEUR. There have been no changes in this financial year. In the market assessment reserve, changes to the fair value from financial assets held for sale are recorded under equity. The market valuation reserve did not have to be paid as of the balance sheet date. A deduction of -117 TEUR (in consideration of deferred taxes in the amount of 42 TEUR in accordance with IAS 12.81a) has to be made from the profit carryforward, which originates from the costs of the capital increase and which cannot be transferred to the consolidated statement of comprehensive income. The company has always pursued a strict policy of developing the company on the basis of a high level of shareholders' equity financing and therefore strives to achieve equity quotas of >= 50% after dividend payments. The company did not include hybrid forms of shareholders' equity within the definition of shareholders' equity, as it had in the previous years. In accordance with the ad-hoc disclosure from 2 July 2018, the cash capital increase announced in June has been

placed. 295,493 bearer shares were reissued with a cash inflow of 6.08 million EUR before transaction costs; these were not yet collected in full as of the balance sheet date. Shareholders' equity has therefore increased by 10% to 3,250,436 EUR. The new shares were eligible for dividends as of 1 July 2017. We would like to draw attention to the consolidated statement of changes in equity, which must be disclosed in accordance with IAS 1.10c and which is an integral part of these consolidated financial statements.

Consolidated Notes: 15. Financial instruments – Initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

IAS 39 defines the following classifications for financial assets:

- financial assets that are measured in the income statement at the fair value,
- loans and receivables,
- financial investments up until their final due date,
- financial assets that are available for sale

The group determines the classification of its financial assets upon their initial recognition. Financial assets are measured at fair value for the initial recognition. In the case of financial investments that are not measured at their fair price on the income statement and classified, transactions are also considered that are directly attributable to the acquisition of the assets. The group's financial assets encompass cash and other contributions, the accounts receivable trade, other receivables, and both listed and non-listed financial instruments.

Subsequent measurement

The group subsequently measures the financial assets dependent on the basis of their classification:

Financial assets measured at fair value through profit or loss: The group has not classified any financial assets at fair value through profit and loss.

Loans and receivables: Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not listed on an active market. Following their initial recognition, such financial assets are measured at fair value less impairment through a subsequent measurement. The losses arising from an impairment are reported in the income statement under Financing Costs.

Financial assets available for sale: The financial assets available for sale contain equity instruments that are neither held for trading purposes nor valued at their fair value through profit or loss. Following an initial measurement, the financial assets available for sale are measured in the following periods at fair value. Unrealised profit or loss are included in the market valuation reserve as "Other comprehensive income".

Impairment of financial assets: At each balance sheet date, the group assesses whether objective indications exist of an impairment of a financial asset or a group of financial assets. If such objective indications of an impairment exist, the amount of the impairment loss results from the difference between the carrying amount of the asset and the present value of estimated future cash flows.

Consolidated Notes: 15. Financial instruments – Initial recognition and subsequent measurement

Financial liabilities

Initial recognition and measurement

IAS prescribes the following classifications for financial liabilities:

- financial liabilities that are measured at fair value through profit and loss.
- other financial liabilities that are measured at amortised cost.

The group sets the classification of its financial liabilities upon initial recognition. All financial liabilities are measured at fair value upon initial recognition. The financial liabilities of the group encompass liabilities from trade payables and other liabilities.

Subsequent measurement

The group undertakes the subsequent measurement of the financial liabilities based on its classification:

Financial liabilities measured at fair value through profit and loss: The group has not classified any financial liabilities measured at fair value through profit and loss.

Loans and liabilities: Loans and liabilities are non-derivative financial instruments with fixed of determinable payments that are not listed on an active market. After its initial recognition, such financial liabilities are measured at amortised costs less any value increases in the scope of a subsequent measurement.

In accordance with IFRS 7.6, the financial instruments relate to the following individual values derived from the balance sheet:

in EUR	Amortised costs 30/06/2018	Fair value attributions 30/06/2018	Total 30/06/2018
Financial assets Previous year:	95,780 95,780	0 0	95,780 95,780
Non-current accounts receivable trade Previous year:	74,009 74,601	0 0	74,009 74,601
Accounts receivable trade Previous year:	8,852,140 7,122,347	0 0	8,852,140 7,122,347
Other assets Previous year:	131,723 297,019	0 0	131,723 297,019
Cash and cash equivalents Previous year:	5,411,162 5,655,491	0 0	5,411,162 5,655,491
Total Previous year:	**14,564,814** 13,245,238	**0** 0	**14,564,814** 13,245,238

Of the 354 TEUR disclosed in the group balance sheet under "Other assets" (previous year: 550 TEUR), accruals and deferred income in the amount of 223 TEUR (previous year: 253 TEUR) are not qualified as financial instruments.

Here, the fair value is set against the carrying amount in accordance with IFRS 7.8:

in EUR	Measurement category: IAS 39	Carrying amount	Fair value 30/06/2018	Total 30/06/2018
Financial assets Previous year:	available for sale AfS	95,780 95,780	95,780 95,780	95,780 95,780
Non-current accounts receivable trade Previous year:	loan & receivables LaR	74,009 74,601	74,009 74,601	74,009 74,601
Accounts receivable trade Previous year:	loan & receivables LaR	8,852,140 7,122,347	8,852,140 7,122,347	8,852,140 7,122,347
Other assets Previous year:	loan & receivables LaR	131,723 297,019	131,723 297,019	131,723 297,019
Cash and cash equivalents Previous year:	loan & receivables LaR	5,411,162 5,655,491	5,411,162 5,655,491	5,411,162 5,655,491
Total Previous year:		**14,564,814** 13,245,238	**14,564,814** 13,245,238	**14,564,814** 13,245,238

All items are measured with the amortised costs. The liabilities comprise the following:

in EUR	Amortised costs 30/06/2018	Fair Value Attribution 30/06/2018	Total 30/06/2018
Liabilities to banks Previous year:	3,958,330 4,583,332	0 0	3,958,330 4,583,332
Trade payables Previous year:	5,025,164 3,556,986	0 0	5,025,164 3,556,986
Other liabilities Previous year:	1,582,768 1,215,225	0 0	1,582,768 1,215,225
Total Previous year:	**10,566,262** 9,355,543	**0** 0	**10,566,262** 9,355,543

Of the 2,801 TEUR disclosed in the group balance sheet under “Other assets” (previous year: 1,920 TEUR), provisions from obligations to employees in the amount of 1,218 TEUR (previous year: 705 TEUR) are not qualified as financial instruments. All items are measured at amortised costs.

Consolidated Notes: 15. Financial instruments – Initial recognition and subsequent measurement

The comparison of the carrying amount and fair value has not led to any changes:

in EUR	Measurement category: IAS 39	Carrying amount 30/06/2018	Fair Value 30/06/2018	Total 30/06/2018
Liabilities to banks Previous year:	FLAC *	3,958,330 4,583,332	3,958,330 4,583,332	3,958,330 4,583,332
Trade payables Previous year:	FLAC *	5,025,164 3,556,986	5,025,164 3,556,986	5,025,164 3,556,986
Other liabilities Previous year:	FLAC *	1,582,768 1,215,225	1,582,768 1,215,225	1,582,768 1,215,225
Total Previous year:		**10,566,262** 9,355,543	**10,566,262** 9,355,543	**10,566,262** 9,355,543

** financial liabilities at amortised costs*

The obligations due have been settled at reporting date in the scope of the granted periods for payment (IFRS 7.39). The effects on the consolidated statement of comprehensive income in accordance with IFRS 7.20 comprise the following:

in EUR	Attributions 2017/2018	Value adjustment 2017/2018	Depreciation 2017/2018
Financial assets Previous year:	0 0	0 0	0 0
Non-current accounts receivable trade Previous year:	0 0	0 0	0 0
Accounts receivable trade Previous year:	0 0	183,868 76,896	0 0
Other 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	**183,868** 76,896	**0** 0

A default risk exists for the individual items in the following amount:

in EUR	Default risk	Total 30/06/2018	Default risk 30/06/2018
Financial assets Previous year:	100 % 100 %	95,780 95,780	95,780 95,780
Non-current accounts receivable trade Previous year:	100 % 100 %	74,009 74,601	74,009 74,601
Accounts receivable trade Previous year:	100 % 100 %	8,852,140 7,122,347	8,852,140 7,122,347
Other assets Previous year:	100 % 100 %	131,723 297,019	131,723 297,019
Cash and cash equivalents Previous year:	100 % 100 %	5,411,162 5,655,491	5,411,162 5,655,491
Total Previous year:		**14,564,814** 13,245,238	**14,564,814** 13,245,238

The accounts receivable trade is broadly covered by a trade credit insurance policy. The maximum default risk at the reporting date does exist at the fair value of the receivables. Even though the risk of default for cash and cash equivalents is highly unlikely due to cooperation with reliable partners for cash and capital investments, the maximum default risk at the reporting date must be disclosed in accordance with IFRS 7.36a. In accordance with IFRS 7.39a, a liquidity risk at the full amount exists for the trade payables at the reporting date. As of the balance sheet date, the liabilities have already been repaid and the liquidity risk no longer exists. Although the default as well as the liquidity risk may impact business operations, they do not constitute a threat to the group's existence.

Consolidated Notes: 16. Provisions

The provisions in the group as of 30 June 2018 comprise the following:

Provisions in EUR	Date 01/07/2017	Consumption 2017/2018	Reversal 2017/2018	Additions 2017/2018	Date 30/06/2018
other provisions					
- non-current - current portion for warranties	203,567 215,333 266,429	2,918 15,442 5,607	42,391 12,247 41	79,042 513,941 585,783	237,300 701,584 846,564
	418,899	**18,360**	**54,638**	**592,983**	**938,884**

Consolidated Notes: 16. Provisions

Other provisions are measured at their probable values in accordance with IAS 37 and in consideration of all recognisable obligations. The required discounts are carried out using a 7-year average in consideration of the discount rates set by the German Central Bank pursuant to section 253 (2) HGB. The non-current provisions include the reserved amounts (years 2-10) for the legal obligations to keep business documents as well as for obligations arising from warranties. The remaining provisions are current (duration of less than 1 year). Refunds are not expected.

The current provisions primarily relate to provisions for warranties, which are very likely to be paid out in accordance with their amount, as well as the point in time. Estimates based on past experience were used for the recognition and the measurement of provisions for warranties.

For Distec GmbH, individual warranty reserves in the amount of 424 TEUR have been measured for the risk of warranty claims.

Consolidated Notes: 17. Liabilities

The liabilities as of 30 June 2017 comprise the following:

in EUR	Group 30/06/2017	Group 30/06/2018
Liabilities to banks	4,583,332	3,958,330
Trade payables	3,556,986	5,025,164
Tax liabilities	1,592,653	1,693,132
Other liabilities	1,920,178	2,801,202
Total liabilities	**11,653,149**	**13,477,829**

The measurement of liabilities was carried out at amortised costs. Tax liabilities relate to taxes from the current year in the amount of 1,359 TEUR (previous year: 1,324 TEUR), including profit tax of 947 TEUR (previous year: 920 TEUR), value added tax of 117 TEUR (previous year: 261 TEUR) and income tax of 295 TEUR (previous year: 142 TEUR). 334 TEUR (previous year: 268 TEUR) relate to payments for profit tax for the previous year and are consistent with the submitted tax declaration. Other liabilities include so-called accruals in the amount of 1,775 TEUR (previous year: 1,179 TEUR), which satisfy “provisions” pursuant to HGB but which are to be disclosed as liabilities in accordance with IFRS. These include fundamental obligations for personnel in the amount of 1,199 TEUR (previous year: 705 TEUR) as well as acquisition costs in the amount of 226 TEUR (previous year: 251 TEUR). Liabilities with a remaining term of more than five years in the amount of 0 TEUR (previous year: 417 TEUR) are also included. The liabilities with a remaining term of between 1 and 5 years amount to 2,917 TEUR (previous year: 3,750 TEUR). The remaining terms of more than 1 year exclusively relate to liabilities to banks. All other liabilities have a remaining term of less than 1 year.

Consolidated Notes: 18. Deferred taxes

Deferred taxes are recognised in compliance with IAS 12 using the "temporary differences concept" for temporary accounting and measurement differences between the tax balance sheet and the consolidated balance sheet in accordance with IFRS. For determining the deferred taxes, the applied tax rates are those that are expected to apply in accordance with the valid statutory regulations on the balance sheet date. The average income tax charge (corporate tax, solidarity surcharge and trade tax) has been projected at 28% (previous year: 29%) for the estimate of deferred taxes.

An income tax charge of 16% (previous year: 16%) has been used as a basis for calculating the deferred taxes for profits generated by ALTRAC AG (Switzerland).

An income tax charge of 19% (previous year: 19 %) has been used as a basis for calculating the deferred taxes for profits generated by ALTRAC AG (Switzerland). An income tax charge of 22% (previous year: 36 %) has been used as a basis for calculating the deferred taxes for profits generated by ALTRAC AG (Switzerland).

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

in EUR	30/06/2017		30/06/2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Assets (including low-value assets)	35	65	25	45
Financial assets	42	0	0	0
Inventories	216	142	144	162
Receivables	16	23	11	11
Other assets	20	0	87	0
Provisions	0	75	10	7
Liabilities	0	32	0	32
	329	**307**	**277**	**256**

Used income tax loss carryforwards in the amount of 76 TEUR and trade tax loss carryforwards in the amount of 415 TEUR existed as of 30 June 2018.

Consolidated Notes: 19. Other financial liabilities

As of the balance sheet date, liabilities arising from rental and lease contracts with the following period distributions existed:

Of the total obligations, a portion of 1,240 TEUR (previous year: 1,359 TEUR) falls to Data Display Solution GmbH

up to 1 year:	TEUR	1,071	(previous year: 1,244 TEUR)
1 to 5 years	TEUR	2,184	(previous year: 2,386 TEUR)
greater than 5 years	TEUR	511	(previous year: 644 TEUR)
Total	**TEUR**	**3,766**	**(previous year: 4,274 TEUR)**

Consolidated Notes: 19. Other financial liabilities

& Co. KG, 904 TEUR (previous year: 1,329 TEUR) falls to Distec GmbH, 483 TEUR (previous year: 124 TEUR) falls to FORTEC AG, 478 TEUR (previous year: 646 TEUR) falls to Apollo Corp., 434 TEUR (previous year: 528 TEUR) falls to AUTRONIC GmbH, and 182 TEUR (previous year: 80 TEUR) falls to ALTRAC AG. In the previous year, the obligations of Data Display Solution, Distec and Apollo, were disclosed together within the group division Data Display GmbH in the amount of 3,341 TEUR. The leasing relationships encompasses car leasing and operating leasing. The impacts of future negotiations in accordance with IFRS 16 cannot yet be conclusively assessed. Future payment obligations from non-terminable leasing relationships with a term of up to one year amount to 99 TEUR (previous year: 24 TEUR) and those with a term of 1 to 5 years amount to 121 TEUR (previous year: 95 TEUR).

Notes on the statement of comprehensive income

All information here relates to on-going operations. There were no discontinued operations in the current financial year or in the previous year.

Consolidated Notes: 20. Sales revenue

Revenue is recorded less sales deductions and price allowances such as cash and other discounts, bonuses, rebates and returns credited. In compliance with IAS 18, the consolidated statement comprises deliveries and services rendered, provided that the price is fixed or determinable and the associated receivable is likely to be issued. The group revenue amounts to 79,571 TEUR (previous year: 78,519 TEUR). This is broken down among the following geographic areas:

Group revenue (in TEUR)	Data Visualisation	Power Supplies	Total
Domestic Previous year domestic	31,324 28,491	22,406 22,935	53,730 51,426
Foreign Previous year foreign	19,538 20,976	6,303 6,117	25,841 27,093
Total Previous year total	**50,862** 49,467	**28,709** 29,052	**79,571** 78,519

Internal group revenue have been eliminated in the scope of the consolidation.

Consolidated Notes: 21. Changes in stock of unfinished/finished goods

This includes the increase in the inventory of unfinished/finished products of Distec GmbH in the amount of +405 TEUR (previous year: -153 TEUR), of FORTEC AG in the amount of +243 TEUR (previous year: 0 TEUR), of ROTEC technology GmbH in the amount of -161 TEUR (previous year: -295 TEUR), of AUTRONIC Steuer- und Regeltechnik GmbH in the amount of -82 TEUR (previous year: +232 TEUR) and of Display Technology Ltd in the amount of -25 TEUR (previous year: -45 TEUR). In the previous year, the inventory changes of Distec and Display Technology were disclosed together under those of the group division Data Display GmbH and amounted to -198 TEUR.

Consolidated Notes: 22. Other operating income

Other operational revenue includes the following:

in EUR	Group 2016/2017	Group 2017/2018
Income from asset disposals	3,360	14,286
Reduction of specific value allowances	7,255	22,825
Dissolution of provisions	114,063	19,497
Benefits in kind	96,377	107,293
Income from exchange rate differences	813,231	831,007
Other ordinary income	214,967	165,486
Other operating income	**1,249,253**	**1,160,393**

Other ordinary income also includes, in particular, compensation for damages in the amount of 22 TEUR (previous year: 70 TEUR).

Consolidated Notes: 23. Cost of materials

The cost of materials in this financial year amounted to 54,646 TEUR (previous year: 53,791 TEUR). Material expenses in the amount of 7,680 TEUR (previous year: 7,559 TEUR, including the consolidation of the group division), which arose within the group, were eliminated. Impairments on inventories, which are recorded as expenses in this period, amounted to 214 TEUR (previous year: 402 TEUR).

Consolidated Notes: 24. Personnel expenses

Personnel expenses comprise the following:

in EUR	Group 2016/2017	Group 2017/2018
Wages and salaries	10,551,956	10,622,869
Social contributions and expenditures for retirement benefits	1,922,789	1,826,833
Personnel expenses	**12,474,745**	**12,449,702**

Consolidated Notes: 25. Depreciation

Impairment losses for this financial year include:

in EUR	Group 2016/2017	Group 2017/2018
Intangible assets	104,780	132,131
Tangible assets and low-value assets	427,968	465,753
Depreciation	**532,748**	**597,884**

Consolidated Notes: 26. Other operating expenses

Other ordinary operational expenses include the following:

in EUR	Group 2016/2017	Group 2017/2018
Occupancy costs	1,478,746	1,415,635
Insurance policies, contributions	301,212	304,385
Repairs, maintenance	129,428	59,754
Vehicle costs	172,853	231,435
Advertising and travel expenses	1,103,685	790,308
Costs of delivery	510,698	1,128,693
Various operating costs	2,559,954	2,460,879
Losses from the disposal of assets	63,221	693
Losses from UV and value adjustments	82,312	183,597
Other expenses in the scope of ordinary business activities	808,065	825,208
Other operating expenses	**7,210,174**	**7,400,586**

The costs of goods deliveries includes additions to the warranty provisions in the amount of 586 TEUR (previous year: 31 TEUR). The item “Other expenses in the scope of ordinary business activities” includes expenses arising from currency exchange rate differences in the amount of 825 TEUR (previous year: 808 TEUR). The expenses from currency exchange rate differences relate to expenses for payments rendered in the respective financial year. Expenses for product development and technology enhancements in this financial year amounted to 1.5 TEUR (previous year: 1.5 TEUR).

Consolidated Notes: 27. Interest income

Interest income comprises interest earnings in the amount of 9 TEUR (previous year: 11 TEUR) as well as interest expenses in the amount of 62 TEUR (previous year: 56 TEUR).

Consolidated Notes: 28. Taxes on income

The consolidated financial statements disclose corporate tax, the solidarity surcharge and trade tax as well as income tax in Switzerland, Great Britain and the USA at the valid interest rate on the balance sheet date. The income tax charge for the group is 27.98% (previous year: 23.96%) and comprises the corporate tax and the trade tax charge. The breakdown of income taxes by origin is as follows (in TEUR):

in TEUR	Group 2016/2017	Group 2017/2018
Paid or outstanding taxes - Germany - Abroad (CH, GB, USA)	 1,236 178	 1,583 91
	1,414	1,674
Deferred taxes - arising from time differences/ consolidation - from loss carried forward	 -72 0	 -84 87
	-72	3
Income taxes	**1,342**	**1,677**

The actual tax expenses of 1,677 TEUR (previous year: 1,342 TEUR) for the FORTEC group is 61 TEUR (previous year: 282 TEUR) below the theoretical tax expense calculated based on the application of an expected, weighted average tax rate for the consolidated earnings before tax.

Consolidated Notes: 28. Taxes on income

The reconciliation of the theoretically expected tax expense to the actually disclosed tax expense in the consolidated statement of comprehensive income is presented in the following (in TEUR):

in TEUR	Group 2016/2017	Group 2017/2018
Earnings before income tax	5,602	5,993
Nominal income tax including trade tax	29.0 %	29.0 %
Expected income tax charge at a uniform tax rate	1,624	1,738
Increase/Reduction of income tax charge through:		
- low tax rates abroad	-18	-96
- use of unrecognised losses carried forward	-216	-73
- non-deductible business expenses	13	97
- tax-exempt income (dividends)	-41	-8
- tax payments for previous year	0	113
- capitalisation of losses carried forward	0	-67
- trade tax additions and deductions	5	9
- inter-company profile elimination	-29	-38
- other discrepancies	4	2
Reported income tax charge	1,342	1,677
Effective income tax rate	**23.95 %**	**27.98 %**

The income tax rate of 28.0% represents the theoretical rate for exclusively German subsidiaries.

Consolidated Notes: 29. Segment reporting

The group is active in the areas of Data Visualisation and Power Supplies. Both segments are largely independent within the group and conduct their operations separately. The customer and cost structures result in the following breakdown in accordance with IFRS 8. Revenue for the Power Supplies segment includes income from production services in the amount of 1,600 TEUR (previous year: 1,100 TEUR). The bases for measurement and accounting of the segments are consistent with the those of the company and of the group. The financial result comprises financial income of 9 TEUR (previous year: 11 TEUR) and financial expenses of 62 TEUR (previous year: 56 TEUR). The profit and loss statement shows the investment income.

Consolidated Notes: 29. Segment reporting

in TEUR	Data Visualisation	Power Supplies	Total
Revenue Previous year	50,862 49,467	28,709 29,052	79,571 78,519
Depreciation Previous year *	358 301	240 232	598 533
Operating result Previous year	4,344 4,247	1,673 1,251	6,017 5,498
Financial result/investment income Previous year	-40 -34	17 138	-23 104
Income taxes Previous year *	1,205 925	472 417	1,677 1,342
Annual result Previous year	3,099 3,261	1,217 999	4,316 4,260
Assets Previous year	26,907 28,826	17,868 11,573	44,775 40,399
Domestic portion Previous year	20,598 23,506	13,669 7,702	34,267 31,208
Foreign portion Previous year	6,309 5,320	4,199 3,871	10,508 9,191
Debts Previous year *	9,497 9,131	5,176 3,248	14,673 12,379
Investment Previous year	335 350	1,076 125	1,411 475

** share of costs by gross profit*

Consolidated Notes: 30. Currency exchange rates

Currency translations differences of -343 TEUR (previous year: -417 TEUR) were taken directly to equity. They developed as follows (in EUR):

	in EUR
Date: 01/07/2016	1,394,143
Additions 2016/2017	-417,261
Date: 01/07/2017	976,883
Additions 2017/2018	-342,966
Date: 30/06/2017	**633,917**

This addition essentially results from the continued development of the currency translation, from the recognition of the goodwill of ALTRAC AG at the exchange rate on the reporting day, as well as from the translations of the shareholders' equity for the foreign subsidiaries Apollo Corp. (US), ALTRAC AG (CH) and Display Technology Ltd. (UK). In the statement of comprehensive income, 6 TEUR (previous year: 5 TEUR) from the currency translation were recognised in profit and loss (income less expenses).

Consolidated Notes: 31. Notes on cash flow statement

The cash flow statement differentiates between the cash flow from operations (indirect method), from investments and from financing activities (each direct methods). The liquid fund comprises cash on hand and bank balances. The composition of cash on hand and bank balances is presented under Note 12). The cash is not subject to any restrictions.
The cash flow from operations in the amount of 3,474 TEUR (previous year: 5,036 TEUR) includes interest income in the amount of 3 TEUR (previous year: 11 TEUR) and interest expenditure in the amount of 45 TEUR (previous year: 56 EUR). The cash flow from operations includes income tax payments in the amount of 1,843 TEUR (previous year: 1,282 TEUR) are also included. The group was granted a credit line in the amount of 8,000 TEUR, which is currently not being used (IAS 7.50b).

Consolidated Notes: 32. Supervisory board

Members of the supervisory board on the balance sheet date:

Winfried Tillmann
Chairman (Schwerte, financial auditor)

Michael Höfer
Deputy chairman (Steingaden, portfolio manager)

Volker Gräbner
(Hamburg, employee representative)

The total remuneration for members of the supervisory board in the reporting year amounts to 45,000.00 EUR.

The chairman of the board is also represented on the following committees:
VBH Deutschland GmbH, Korntal-Münchingen
Montanhydraulik GmbH, Holzwickede

The deputy chairman of the board is also a member of the following steering committees:
Value-Holdings AG, Augsburg

Consolidated Notes: 33. Transactions with related parties

Business transactions with other associated parties also arise from the services and rental expenses of Distec in the amount of 402 TEUR (previous year: 353). There are no liabilities as of the end of the financial year. Business transactions with associated parties amount to 711 TEUR (previous year: 718 TEUR).

Consolidated Notes: 34. Remuneration of individuals in key management positions

Personnel costs for the managing directors of the domestic and foreign subsidiaries and second-tier subsidiaries and the board of directors of FORTEC AG as well as the Swiss members of the administrative board of ALTRAC AG amounted to:

in TEUR	2016/2017	2017/2018
Current employee benefits due	1,472	1,268
Benefits after termination of the employment relationship	0	0
Other non-current benefits due	0	0
Termination benefits	0	0
Share-based remunerations	0	0
	1,472	**1,268**

The total remunerations of the board of directors of FORTEC AG amount to 628 TEUR (previous year: 382 TEUR), including performance-related compensation in the amount of 220 TEUR (previous year: 170 TEUR). An individualised presentation of the remuneration for the members of the board is not required; the annual shareholders' meeting on 16 February 2017 decided that disclosure may be dispensed with for a period of 5 years as of the adoption of the resolution pursuant to section 314 (1), number 6 a), sentence 5-9 HGB (section 314 (2), sentence 2 in connection with section 286 (5) HGB).

Consolidated Notes: 35. Auditor fees

The following fees are recorded as an expense in financial year 2017/2018 for the services rendered by the auditor of the consolidated financial statements, Metropol Audit Wirtschaftsprüfungsgesellschaft mbH, Mannheim, Germany.

in TEUR	2016/2017	2017/2018
Audits of financial statements	57	62
Tax advisory services	0	0
Other assurance services	0	0
	57	**62**

The fees for the financial statement audits comprise the fees for the audit of the consolidated financial statements as well as the audit of the financial statements of FORTEC Elektronik AG.

Consolidated Notes: 36. Other information

In this financial year, the group employed an average of 203 (previous year: 206) *employees* , of which 4 were temporary staff (previous year: 4). In this financial year, the board of directors of FORTEC AG included:

Sandra Maile
Chair of the board of directors, Ludwigsburg
as of 1 July 2017

Jörg Traum
Board of directors, Trebur

Bernhard Staller
Board of directors, Emmering
as of 1 July 2017

Between the balance sheet date of 30 June 2018 and the day on which the financial statements were approved for publication, no events occurred indicating a necessity to make adjustments to the assets or the liabilities. In accordance with the ad-hoc disclosure from 2 July 2018, the cash capital increase announced in June has been placed. 295,493 bearer shares were reissued with a cash inflow of 6.08 million EUR before transaction costs; these were not yet collected in full as of the balance sheet date. Shareholders' equity has therefore increased by 10% to 3,250,436 EUR. The new shares became eligible for dividends as of 1 July 2017. As per section 161 of the German Stock Corporations Act, the board of directors and the supervisory board submitted the required declaration of compliance with the Corporate Governance Codex and made it permanently accessible to the shareholders (via the Internet at www.fortecag.de) as of February 2018, signed by the board of directors and the supervisory board (sections 285 (16) and 314 (1), no. 8 HGB). The board of directors has recommended a dividend distribution in the amount of 1,950,261 EUR (previous year: 1,772,965 EUR). A total of 3,250,436 bearer shares are eligible to a dividend payment with a respective value of 0.60 EUR (previous year: 0.60 EUR) per share. The earning per share amounts to 1.33 EUR (previous year: 1.44 EUR). In financial year 2017/2018, there were no notifications (reportable security purchases) made in accordance with section 15a of the German Securities Trading Act (WpHG) In this financial year, the company issued an ad-hoc announcement on 27 June 2018: "FORTEC pre-acquisition in the segment of Data Visualisation – financing via capital increase".

Consolidated Notes: 37. Approval for publication

The consolidated financial statements were created on 23 August 2018 and approved for publication by the board of directors.

Landsberg, Germany, 05/09/2018
FORTEC Elektronik AG

Sandra Maile	Bernhard Staller	Jörg Traum
Spokeswoman of the Board	Board of directors	Board of directors

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Statement of the legal representative

To the best of our knowledge, and in accordance with the applicable reporting principles for accounting standards, we assure that the consolidated financial statements give a true and fair view of the assets, financial position and income of the group and that the group management report includes a true and fair review of the development and performance of the business and the position of the group with a description of the principal opportunities and risks associated with the expected development of the group.

Landsberg, Germany, 05/09/2017
FORTEC Elektronik AG

Sandra Maile	Bernhard Staller	Jörg Traum
Spokeswoman of the Board	Board of directors	Board of directors

Independent auditor's report

Audit opinion

We have audited the consolidated financial statements of FORTEC Elektronic AG, Landsberg, Germany, and its subsidiaries (group companies), consisting of the consolidated balance sheet as of 30 June 2018, the consolidated income statements, the consolidated statement of changes in equity and the consolidated cash flow statement, for the financial year from 1 July 2017 to 30 June 2018 as well as the notes, including a summary of the relevant accounting policies. In addition, we have audited the group management report of FORTEC Elektronik AG for the financial year from 1 July 2017 to 30 June 2018. In accordance with the German statutory regulations, we did not audit the contents of the components of the group management report named in the notes. We have arrived at the following findings based on our audit assessment:

- the attached consolidated financial statements are in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and the additional German statutory regulations pursuant to section 315e (1) HGB and convey a true and fair view of the group's assets and liabilities as of 30 June 2018 as well as its income situation for the financial year from 1 July 2017 to 30 June 2018 and
- the attached group management report conveys a true and fair view of the situation of the group. In all material respects, this group management report is consistent with the consolidated financial statements, is in line with the German statutory regulations, and suitably presents the opportunities and risks of future development. Our audit report of the group management report does not extend to the contents of the components of the group management report specified in the notes.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit arrived at no objections to the correctness of the consolidated financial statements nor of the group management report.

Basis for the audit opinion

We carried out our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and the EU Audit Regulation (no. 537/2014) in consideration of the German standards for the audit of financial statements defined by the Institute of Public Auditors in Germany (IDW) as well as in consideration of the International Standards on Auditing (ISA). More details about our responsibilities in accordance with these guidelines and principles, as well as the additional standards are provided in the section "Responsibility of the financial auditor for the audit of consolidated financial statements" of our audit report. We are independent of the group company in accordance with the relevant European and German commercial and professional regulations and we have satisfied all other rules regarding professional duties in Germany with these requirements. Additionally, we declare that, pursuant to article 10 (2) letter F) of the EU Audit Regulation, we have not provided any non-audit services in accordance with article 5 (1) of the EU Audit Regulation. We are of the opinion that the audit evidence we acquired was sufficient and appropriate to serve as a basis for our audit opinion of the consolidated financial statements and of the group management report.

Key audit matters

Key audit matters are such matters that, according to our best judgement, we deemed to be significant in our audit of the consolidated financial statements for the financial year from 1 July 2017 to 30 June 2018. These matters have been taken into consideration in connection with our audit of the consolidated financial statements as a whole as well as in drafting our audit opinion of these; we will not provide a separate audit opinion about these matters.

In the following, we report about the key audit matters from our perspective:

- → Impairment of goodwill based on its relative weight within the groups balance sheets.
- → Completeness and evaluation/impairment of inventories due to the significance of this balance sheet item, as well as changes to the procedures through the use of new software. We audited the inventories in qualitative terms by participating in inventory-taking and in terms of value by viewing the relevant documentation.
- → Recognition and valuation of the warranty obligations.

We structured our depiction of these key audit matters as follows:

- → Situation and depiction of risks for the consolidated financial statements
- → Auditing procedure and findings
- → Conclusions and additional information

Impairment of goodwill

Under balance sheet items "Goodwill/acquired goodwill" in the consolidated financial statements of FORTEC Elektronik AG, goodwill in the amount of 5.1 million EUR with 11.4% of the consolidated balance sheet sum (previous year: 5.2 million and 12.9% of the balance sheet sum) has been reported. The business activities of the company are established in the two segments of Power Supplies and Data Visualisation Systems and goodwill is assigned to the two business units of Power Supplies with 2.5 million EUR (previous year: 2.6 million EUR) and Data Visualisation Systems with 2.6 million EUR (previous year: 2.6 million EUR). The goodwill is subject to an impairment test when necessary, but at least once per financial year. In the scope of this impairment test, the carrying amount of the cash-generating unit is compared with the respective recoverable amount. The basis for this evaluation is the present value of all future cash flows, based on the planning figures of the subsidiaries, underlying the financial plans approved by the legal representative. Discounting is carried out using the weighted average capital costs. The results of this evaluation depends to a great degree on the estimates for future cash inflows of the respective strategic business units made by the legal representative as well as the applied discount rate The possible margin of discretion is subject to considerable uncertainty and bears the risk of an incorrect evaluation.

Especially in consideration of the materiality of the balance sheet items, this matter proved particularly significant in the scope of our audit. During our audit, we evaluated whether the underlying cash inflows and the applied discount rates generally provided an appropriate basis for the impairment test. Among other items, the underlying planning figures and the financial statements convinced us of the suitability of the future cash inflows used during the audit. With the knowledge that even relatively minor changes to the applied discount rate can have significant effects on the value of the recoverable amount determined in this manner, we looked into the applied discount rate and the input parameters and also retraced calculation scheme. In addition, due to the material significance of the goodwill, we also executed sensitivity analyses for the strategic business units (carrying amount compared to the recoverable amount) and determined that the respective goodwill amounts are sufficiently covered by the discounted future cash inflows. No arguments have been identified that contradict the valuation parameters and estimates applied by the legal representatives and no grounds for objection have arisen based on the measurement of the goodwill. The company has provided details about the approach taken for the impairment test under Note 6 of the notes.

Verification of the completeness and valuation/impairment of inventories

In the consolidated financial statements of FORTEC, a stock value of 20.0 million EUR (44.7% of the consolidated balance sheet sum) (previous year: 17.5 million EUR; 43.4% of the consolidated balance sheet sum) has been reported. This item that is significant for the value is subject to volatile inventory management, despite consistency in valuation, and, as such, the risk of an erroneous valuation. With knowledge of the business model, we audited the processes submitted by the business units and the group as well as controls for verification and impairment of the inventories.

The concrete auditing procedures of the component auditors included:

- Audit of the presence and completeness of the inventories under assessment of the internal controlling system in view of the appropriateness (structural audit) and effectiveness (function test) of the applied inventory processes as well as a visual inspection/monitoring of stock-taking at the warehouse on the balance sheet date
- Audit of the correct determination of the acquisition and production costs (scope and inclusion of acquisition costs)
- Audit of the impairment of the inventories, including, in particular, an audit of damage and of complete or partial obsolescence; comparison of the acquisition and production costs with the individual net realisable values
- Audit of the stage of completion of the half-finished and the finished products

Additionally, consultation and discussions with the component auditors throughout the group ensured consistent auditing activities in order to adequately satisfy the necessary impairment found in this audit field. We are convinced that the established systems and processes as well as the established controls are suitable. The approaches indicated by the legal representatives are justified and documented, such that we identify no grounds for objection to the recording and valuation of inventories. Please refer to the information provided in the notes for more on the applied valuation methods (Note 10).

Recognition and measurement of the warranty obligations

The accounting of warranty obligations was an especially important audit matter, particularly the increase of provisions due to the obligation arising out of individual warranties, as well as the general warranty provisions for the warranty period prescribed by law and the warranty promises beyond this. The audit of the warranty cases is subject to uncertainties due to the possibility of leeway for discretion, which could have significant impacts on the group's asset, financial and income situation. To determine the potentially significant individual warranties or the asserted claims and the appropriateness of the estimates made by the legal representatives for the expected cash outflows, we conducted comprehensive talks with the legal representatives and those familiar with the matters. We analysed the changes compared to the previous year and, based on this, compared the estimates from the previous year with the developments in the current period and we also spoke with the legal representatives and the component auditors. Our audit activities did not lead us to any objections in view of the recognition and the valuation of the warranty obligations (Note 16). Please refer to the information about the valuation methods found in the notes.

Other information

The legal representatives as well as the supervisory bodies are responsible for further information. The further information encompasses the financial statements, the supervisory board report, the board of directors report, the declaration on the Corporate Governance Codex, the declaration on corporate governance and the affirmation by the legal representatives. Our audit opinions on the consolidated financial statements and the group management report do not encompass the miscellaneous information. Accordingly, we do not submit an audit opinion nor any other form of audit conclusion. Our responsibility in the scope of our audit of the consolidated financial statements entails reading the miscellaneous information and recognising whether this information contains any significant inconsistencies in relation to the consolidated financial statements and to the group management report or in relation to our findings from the audit or if they appear erroneously depicted in any other significant way.

Responsibility of the legal representatives and the supervisory bodies for the consolidated financial statements and the group management report

The legal representatives are responsible for compiling the consolidated financial statements, in compliance with IFRS, as they are to be applied in the EU, and the additional German statutory requirements pursuant to section 315e (1) HGB. They are also responsible for ensuring that the consolidated financial statements convey a true and fair view of the group's assets, financial position and income under consideration of these requirements. Additionally, the legal representatives are responsible for the internal controls, which they have deemed to be necessary, in order to allow for the preparation of the consolidated financial statements that is free of material, intentional or unintentional, misstatements. When preparing the consolidated financial statements, the legal representatives are responsible for evaluating the group's ability to continue its business operations. Furthermore, they are responsible for disclosing any circumstances in connection with the continuation of the business operations, if relevant, as well as accounting for the continuation of the business activities on the basis of the accounting policies, unless an intention exists to liquidate the group or to discontinue business operations or if no other realistic alternatives exist. Moreover, the legal representatives are responsible for preparing the group management report, which is to convey a true and fair view of the group's position and is also consistent with the consolidated financial statements, complies with the statutory requirements, and presents the opportunities and risks of future developments. In addition, the legal representatives are responsible for the relevant precautions and measures (systems), which they have deemed necessary for enabling them to prepare a group management report in accordance with the valid German statutory requirements and in order to provide appropriate and adequate evidence for the statements contained in the group management report. The supervisory board is responsible for monitoring the group's financial accounting processes for preparing the consolidated financial statements and the group management report.

Responsibility of the financial statement auditor for the audit of the consolidated financial statements and the group management report

Our aim is to obtain reasonable assurance as to whether the consolidated financial statements, as a whole, are free of material – intentional or unintentional – misstatements, whether the group management report generally conveys a true and fair view of the group's position and is consistent with the consolidated financial statements in all material respects as well as with the findings from the audit, whether it corresponds with the German statutory requirements, and whether it correctly presents the opportunities and risks of future developments as well as to issue an audit report that contains our audit opinion about the consolidated financial statements and the group management report. Though reasonable assurance entails a high level of assurance, it is not a guarantee that an audit of the financial statements will always uncover material misstatements in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the German standards for the audit of financial statements as defined by the Institute of Public

Independent auditor's report

Auditors in Germany as well as in supplemental compliance with the ISA. Misstatements can be the result of fraud or error and they are considered to be material if it may reasonably be expected that they could influence, individually or in general, the economic decisions of users taken on the basis of the financial statements. While conducting the audit, we exercise reasonable discretion and maintain a critical stance.

Additionally:

- we identify and assess the risks of material – intentional or unintentional – misstatements in the consolidated financial statements and in the group management report, plan and execute auditing activities as a reaction to these risks, and obtain audit evidence that is adequate and appropriate for serving as a basis for our audit opinion. The risk that material misstatements are not uncovered is greater for cases of fraud than cases of error, as fraud may entail fraudulent collaboration, forgeries, intended omissions, misleading statements or the suspension of internal controls.
- we obtain an understanding of the relevant internal controlling system that is relevant for the audit of the consolidated financial statements as well as of the precautions and measures relevant for the audit of the group management report in order to plan our audit activities that are appropriate for the given circumstances, albeit it not with the intention of providing a audit opinion about the effectiveness of the group's internal controlling system.
- we evaluate the appropriateness of the accounting methods applied by the legal representatives as well as the viability of the estimated values presented by the legal representatives and the associated information.
- we draw conclusions about the appropriateness of the accounting principles for continuing the business activities applied by the legal representatives and, on the basis of the audit evidence acquired, whether any material uncertainty exists in connection with the events or the circumstances that are could cast reasonable doubt on the group's ability to continue its business operations. In the event that we arrive at the conclusion that a material uncertainty exists, we are obligated to draw attention to the associated information in the consolidated financial statements in the audit report or, if this information is unreasonable, to modify our audit opinion. We draw our conclusions based on the audit evidence obtained up until the data of our audit report. Future occurrences or circumstances may, however, lead the group to no longer be able to continue its business operations.
- we also audit the overall presentation, the structure and the content of the consolidated financial statements, including the information, to determine whether the consolidated financial statements depict the underlying business transactions and events in such a way that the consolidated financial statements, in compliance with the IFRS, as they are to be applied in the EU, and the supplementary German statutory requirements to be applied pursuant to section 315e (1) HGB convey a true and fair view of the group's assets, financial position and income.
- we obtain sufficient and appropriate audit evidence for the accounting information of the company or the business activities within the group, allowing us to submit an audit opinion of the consolidated financial statements and the group management report. We are responsible for the instruction, monitoring and execution of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions
- we audit the consistency of the group management report in relation to the consolidated financial statements, its compliance with the applicable laws, and the view it conveys about the group's position.
- we conduct audit activities for the future-oriented information presented by the legal representatives in the group management report. On the basis of sufficient, appropriate audit evidence, we retrace, in particular, the underlying relevant assumptions in the future-oriented information provided by the legal representatives and audit the proper derivation of the future-oriented information from these assumptions. We do not provide an independent audit opinion about the future-oriented information not about the underlying assumptions. There is a significant, unavoidable risk that future events may significantly deviate from the future-oriented information.

Among other topics, we discuss the planned scope and scheduling of the audit with the individuals responsible for monitoring as well as the key audit findings, including any shortcomings in the internal control system that we identified during our audit of the financial statements. We provide the individuals responsible for monitoring with a declaration stating that we have fulfilled all relevant independence requirements and discuss with them all relationships and other circumstances which we can reasonably assume have had an effect on our independence along with the associated measures to avoid this influence. Based on the circumstances that we discussed with the supervisory body, we identify the ones that were most relevant in the audit of the consolidated financial statements for the current reporting period and, as such, the particularly important auditing circumstances. We describe these circumstances in the report for the audit of the consolidated financial statements, unless there are laws or other regulations in place that prohibit public disclosure of the circumstances.

Miscellaneous statutory requirements

Other information in accordance with article 10 of the EU Audit Regulation

We were selected as the auditors of the consolidated financial statements by the annual shareholders' meeting on 15 February 2018 and contracted by the supervisory board on 9 March 2018. We have been contracted, without interruption, as the group auditors for FORTEC Elektronik AG since financial 2012/2013. We declare that the audit notes contained in this audit report are consistent with the additional report sent to the supervisory board in accordance with Article 11 of the EU Audit Regulation.

Responsible auditor

The auditor responsible for the audit is Gertrud Deffner, Mannheim.

Gertrud Deffner
Financial auditor

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