

**BIG ENOUGH
TO COMPETE –
SMALL ENOUGH
TO CARE.**
ANNUAL REPORT 2019

Annual Report 2019

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Preface

Dear Colleagues, Shareholders and Personnel,

We are happy to present you the results of another eventful and successful financial year of the FORTEC Group.

2018/2019 was a very good financial year for the FORTEC Group. Despite the challenging and volatile market conditions, we have reached our financial goals for the financial year. We have achieved new highs in sales and earnings. That is the highest profitability so far in the history of the Group.

All this is only possible thanks to our committed personnel, who generate added value for the Group and its stakeholders every day for the benefit of our customers and shareholders. So, we would like to thank our personnel for the successful work in the previous financial year.

We thank you – our Shareholders, Customers and Business Partners – for your interest and loyalty towards the FORTEC Group. We will continue to pursue our ambitious goals even in the coming financial year, despite the challenging economic conditions. I also thank you on behalf of the Board of Directors for your confidence and support!

Sandra Maile

Spokeswoman of the Board



Bernhard Staller

(COO Display Technology & Embedded)



Sandra Maile

(CEO Spokeswoman of the Board)



Jörg Traum

(COO Power Supplies)

Annual Report 2019

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Group Management Report: 1. Group's principles

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. By developing its own software and hardware and expanding its 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 35 years now, 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 also enjoys an important market position on the Anglo-American markets, thanks to its subsidiaries. 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 serial devices modified in Germany, and customised de-

velopments for niche segments provided by our subsidiary Autronic. In contrast to FORTEC, our successful subsidiary Emtron focuses solely on the distribution business in the segment of Power Supplies. Stock availability of the right products is the foundation of success. The basis for further growth was laid with the new building in Riedstadt. Via its foreign subsidiaries, located in the respective countries, FORTEC plans to make a targeted effort to expand sales in England and the US. 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 Group 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, with our share in the Dutch trading company, Advantec Electronics, in England, with the foreign subsidiaries Display Technology, in the US the well-positioned Apollo Display Technologies and in the Czech Republic with Alltronic, a subsidiary of Autronic.

Our competence rests on project and customer-related developments together with an effective approach to marketing and sales. 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.

Group Management Report: 2. Economic report

The economic **conditions** are increasingly characterised by geopolitical tension. Also the **current economic situation** in the Eurozone on the whole is arguably still undergoing a fundamentally positive economic trend. In Germany, the upwards trend, which has been consistent since 2017, could not be maintained. Since the beginning of 2019, the dynamics have slowed down. The difficult assessment of the economic situation remains. It can be attributed, in particular, to an uncertainty related to the development of US and Chinese politics, the still upcoming Brexit, as well as uncertain developments in individual EU states.

Income position

In view of our **business performance** for the financial year 2018/2019, we increased our turnover from 79.6 million EUR to 88.3 million EUR, thanks to a large number of new products and projects at FORTEC. Thus, the financial year could be concluded with the turnover predicted in the mid single-digit per cent range. The organic growth was approximately 4%, the new UK companies contributed with a turnover of approximately 5.8 million EUR. This way, an overall turnover rise of 11% could be achieved. The segment of Display Technology added 55.4 million EUR (previous year: 50.9 million EUR) and the segment of Power Supplies added 32.9 million EUR (previous year: 28.7 million EUR) to the Group's turnover. The ordinary operating income has increased from 1.2 million EUR to 1.5 million EUR, especially from the reversal of accruals for individual guarantees in the segment of Display Technology. Thanks to the further development, from a product to a solutions supplier with greater added value, the gross profit margin rose from 31.7% in the previous year to 31.8% in financial year 2018/2019, taking account of unfinished goods. The cost-of-sales slightly decreased from 68.3% in 2017/2018 to 68.2% in 2018/2019.

General wage adjustments and the announced strategic expansion of sales as the basis for further growth led to an increase in personnel costs from 12.4 million EUR to 14.1 million EUR. Thus, the personnel cost ratio increased from 15.6% to 15.9%. Due to investments, the depreciation of fixed assets increased by TEUR 84 to TEUR 682 (previous year: TEUR 598). The ordinary operational expenses have remained constant at 7.4 million EUR and amounted to 8.3% in relation to the sales revenue (previous year: 9.3%).

Due to the aforementioned factors, the EBIT, as an essential **financial performance indicator**, climbed from 6.0 million EUR in the previous year to 7.4 million EUR, only marginally below the forecast. Based on the sales revenue, the EBIT margin improved once again from 7.6% to 8.4%. The consolidated net income in the financial year 2018/2019 increased due to an improved tax ratio to 5.7 million EUR (previous year: 4.3 million EUR). Thus, the profit-turnover ratio after taxes increased from 5.4% to 6.4%. The relation among the two segments is similar to that of the previous year: Display Technology now contributes to the total turnover with 62.7% (previous year: 63.9%). Due to improved gross profit, the share for the segment of Display Technology again increased by TEUR 6,129 to 82.3% (previous year: TEUR 4,344 with 72.2%) of the consolidated operating result. The Power Supplies segment contributes to the total turnover with 37.3% (previous year: 36.1%) and achieves an operating result of TEUR 1,321 (previous year: TEUR 1,673), which is equivalent to a share of 17.7% (previous year: 27.8%) of the consolidated operating result. While the profit-turnover ratio (EBIT) in the Display Technology segment increased considerably from 8.5% to 11.1%, the profit-turnover ratio in the Power Supplies segment sank from 5.8% to 4.0%, due to sales-related investments in human resources. Thus, the earnings per share increased from 1.33 EUR to 1.75 EUR. Hence, a dividend payment of 0.70 EUR per share (previous year: 0.60 EUR per share) is suggested at the forthcoming General Meeting.

Asset Position

On the asset side, with a balance sheet total of 57.4 million EUR (previous year: 44.8 million EUR), **non-current assets** total 13.1 million EUR (previous year: 8.6 million EUR). Of this, 6.6 million EUR (previous year: 5.1 million EUR) of goodwill from the acquired subsidiaries represents the largest position.

Intangible assets, tangible assets, financial assets and accounts receivable trade increased especially due to the new building in Riedstadt, which is assigned to the Power segment and the first-time consolidation of the companies acquired in 2018 now at 6.1 million EUR (previous year: 3.3 million EUR).

Group Management Report: 2. Economic report

For the **current assets**, with a value of 24.1 million EUR (previous year: 20.0 million EUR) the inventory assets, with 41.9% (previous year: 44.7%) of the balance sheet total, represents the largest individual position. Of this, the Display Technology segment accounted for 12.9 million EUR (previous year: 11.6 million EUR), and the Power Supplies segment for 11.2 million EUR (previous year: 8.4 million EUR). The second largest position of accounts receivables trade, with 8.0 million EUR, could be reduced by 0.9 million EUR as compared to the previous year. At the end of the balance sheet preparation these have essentially been settled. The cash position has increased to 9.4 million EUR (previous year: 5.4 million EUR).

Financial and liquidity position

The **financial situation** of the company remains excellent, especially in comparison to companies pursuing similar business models, with a high and above-average equity ratio of 69.9% (previous year: 67.2%). With 40.1 million EUR (previous year: 30.1 million EUR), the company has sufficient shareholders' equity and, from today's point of view, is also capable of making appropriate acquisitions. For the first time, on 1 January 2016, the company took out 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 3.13 million EUR. A construction loan of 2.94 million EUR was taken for financing the new building of the Emtron subsidiary. On 30 June 2019, there were liabilities of the amount 2.94 million EUR. The cash flow from the operative area in the financial year 2018/2019 increased from 3.5 million EUR to 4.0 million EUR. The cash flow from the investments totalling -5.7 million EUR (previ-

ous year: -1.4 million EUR) is generated from the new building in Riedstadt and further investments into facilities and machines. The positive cash flow from financial activities, totalling 5.8 million EUR, (previous year: -2.4 million EUR) is especially generated from the capital increases in July 2018. Overall, the Group recorded cash and cash equivalents increases by 4.0 million EUR.

Non-financial performance indicators, such as our personnel 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.

Research and development

Along with classic product developments (e.g. video converters and network IoT products), we also actively pursue the further development of production technologies through annual investments of around 2.2 million EUR, especially through our subsidiary Distec. Here, one particular highlight is vacuum technology, which represents the newest generation of optical-bonding technology.

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, in view of the following information, we currently believe to be realistic. 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. The global economic situation is increasingly influenced by geopolitical uncertainties. The current climate of trade tensions has had a negative impact on growth prognoses for the global economy. According to IFO economic forecast, the

European economic situation is losing momentum. Various economic forecasts predict a lateral movement for Germany, which we can favourably but cautiously include in our planning for the financial year 2019/2020. We can respond to possible negative effects of the Brexit negotiations in UK by adapting the logistics concept. On the whole, in the current financial year, we can only expect a slight operative organic growth in turnover in the company-specific development. As an effect of the measures implemented in the previous year, we are cautiously optimistic in expecting to achieve a slight improvement in our operative EBIT for the current financial year. Special effects, for example of the real estate sale, are not considered here. This prospect applies to the area of Power Supplies as well as the area of Display Technology.

Our vision continues to motivate us: The FORTEC Group recognises long-term growth potential through connecting Power Supplies, Display Technology and Embedded Computer Technology into a complete sub-system. The aim is to position the company as a complete solutions supplier in the national market and to advance internationalisation. We will continue to participate in the trends towards digitalisation. 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.

Group Management Report: 4. Risk and opportunities report

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.

Financial risks, as far as they were evident upon compiling the balance sheet, were accounted for by way of corresponding depreciation and provisions. A quantified estimation can be found in the Consolidated Notes (Note 17). 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 coop-

eration with only a few strategic partners in the product area. As successful cooperation with suppliers from Asia often rests on long-lasting personal relations between the decision-makers, especially in the Power Supplies segment, changes in personnel - be it due to a decision of that personnel 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 long delivery times demand particular diligence 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

Group Management Report: 4. Risk and opportunities report

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 is becoming an ever-growing risk for the company compared to previous years inter alia due to changes in purchase rights. 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, an entitlement mentality 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 personnel 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 personnel members in response to a noticeable skills shortage and the increase of attractiveness as an employer in a regional environment marked by full employment represents a great challenge and calls for new, creative solutions.

A change in customer behaviour towards no longer producing in Central Europe in the long term and 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 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. The risk is minimised thanks to the initiated implementation of an internal MPLS network and the resulting reduction of external interfaces.

Foreign currency risks will be avoided as much as possible by carrying out business transactions in a single currency. Nevertheless, changes particularly in the dollar and yen parity as well as fluctuations of the Swiss franc and the British pound 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 expectations 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 mainly in the Display Technology segment.

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. The overall risk position of the Group remains unchanged as compared to the previous year. From today's perspective, we do not recognise any

risks that threaten the continued existence of the company as a whole.

In addition to risks, the following opportunities have been integrated in the form of new opportunity management into the management handbook, which is updated annually at the Management Review, in order to further develop the Group continuously. 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, touch screen 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 applica-

tions. 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 technology know-how is the growth driver 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 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 at FORTEC ensures that known or arising risks in our daily business remain transparent and manageable. The aim of risk management is to allow personnel members and decision-makers to identify risks and develop the relevant solutions in good time, either independently or in cooperation with the decision-makers. Therefore, the relevant processes and procedural guidelines are integrated in the QMH process landscape and available for everyone. Risk management is an ongoing task. As such, it is necessary to make our personnel members and especially our decision-makers aware of the existing risks in the company. For this, risk management and the index of legal provisions developed for this are integrated in the management handbook, defined annually and its effectiveness is verified during in-

ternal audits. In accordance with the risk analyses (risk and opportunity matrix) performed by management or, in the case of technical risks, by the quality management officers at the individual FORTEC 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 management can regularly create an overall picture of the risk situation, meaning that 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 FORTEC Group, and it is based on a comprehensive and systematic approach to identifying, evaluating and controlling risks. The board of directors is responsible

Group Management Report: 5. Risk management

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 once a year 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 busi-

ness 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 separation of function and control processes.

The annual 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 statement 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 resulting in receivables 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 goal of financial and risk management is ensuring corporate success against financial risks of all kinds.

Possible **price change risks**, which exist in a potential loss due to adverse changes in the market price or price-influencing parameters, are minimised through contractual 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 minimise the default risks. Existing **currency risks** are monitored. If required, the relevant instruments for minimising risks are evaluated and used.

Group Management Report: 7. Overview of Risk and Opportunities 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 de-

mands for products and the ever-shorter product cycles, we are of the opinion that our market environment can undergo positive changes for both segments, 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 § 315 (2) and (4) German Commercial Code (HGB)

The parent company moved its headquarters from Landsberg to Germering on 26 March 2019. The [number of shares](#) as of 30 June 2019 amounted to 3,250,436 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 TEUR 1,477,471 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 tangible assets, (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% (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. The authorised capital dated 15 February 2018 (authorised capital 2018/I) is 1,187,978 EUR after partial utilisation on balance sheet date. The appointment and dismissal of the board of directors is regulated by § 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 § 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 § 315a (1) page 2 of German Commercial Code (HGB) is included in the Consolidated Notes.

[Closing statement of the report on relationships with affiliated companies \(dependency report\), § 312 \(3\) sentence 3 of German Stock Corporations Act:](#)

The company has decided to first create a dependency report because the main shareholder with a minority shareholding on the basis of presence at the shareholder's meetings in the previous years mostly represented a majority at the shareholder's meetings. This can justify a dependent relationship of our company pursuant to § 17 (1) of the German Stock Corporations Act (AktG). On this basis, the Board of directors makes the following closing statement: There are no reportable dealings at FORTEC Elektronik Aktiengesellschaft in relation to the controlling company or its affiliated companies in this financial year.

Group Management Report: 9. Declaration of corporate governance in accordance with § 315 (d) in connection with § 289f German Commercial Code (HGB)

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 § 161 German Stock Corporations Act (AktG), which has been permanently available for the shareholders to view on the company's website (www.fortecag.de) since September 2018. 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 § 289f (1) no. 2 German Commercial Code (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 personnel member.

Way of working and composition of management bodies and committees pursuant to § 289f (2) no. 3 of the German Commercial Code (HGB)

Management and corporate structure: Based on its legal structure, FORTEC Elektronik AG has a responsibility structure divided between the supervisory board and the board of directors. The annual shareholders' meeting acts as a third governing body. All the three bodies are committed to the interests of the shareholders and the company. The board of directors is a management body that serves the interests of the company. It conducts business activities in accordance with the law, the Articles of Association and the rules of procedure laid down by the supervisory board. As part of its responsibility, the board of directors is in charge of drawing up quarterly, annual and consolidated financial statements as well as appointing key positions in the company. Moreover, the board of directors must ensure compliance with legal regulations, official requirements and internal guidelines. The board of directors ensures that every Group entity complies with the requirements. Important decisions of the board of directors require the consent of the supervisory board. The board of directors informs the supervisory board regularly and comprehensively about all the aspects of business development and significant business events that are

important for FORTEC Group as well as the current earnings situation, including the risk situation and risk management. The board of directors coordinates the strategic orientation of the company with the supervisory board and discusses the status of strategy implementation regularly.

The board of directors comprises three persons. The supervisory board comprises three members, out of which two are selected as the shareholder representative by the annual shareholders' meeting and one is delegated as an employee representative in accordance with the One Third Participation Act. The supervisory board monitors and advises the board of directors in conducting business activities. The supervisory board regularly discusses business development, planning, strategy and its implementation. It examines the quarterly reports, adopts the annual financial statement and approves the consolidated financial statement. The regular term of office of the current supervisory board members will end at the annual shareholders' meeting in 2020, which resolves the financial year 2018/2019. The supervisory board did not form committees in the financial year 2018/2019. In the previous financial year 2018/2019, it met at four ordinary physical meetings and two meetings in the form of a teleconference. It discussed the annual financial statement 2017/2018 of the FORTEC Group, the dividend policy, the strategic orientation of the company, implementation of capital increase, plans for 2018/2019 and the acquisition of UK companies, among other things. The supervisory board obtained information from the board of directors, inter alia, about the status of IT projects, the new building project and the planned personnel development. It also dealt with the risk management system and, especially, internal control and risk management system with regard to the financial reporting process. The annual auditor participated in the accounts meeting and reported on the audit of the annual financial statement 2017/2018. The members of the supervisory board are required to disclose conflicts of interest to the supervisory board. In the financial year 2018/2019 there were no conflicts of interests of the supervisory board members. No consultancy and other service agreements were concluded between the supervisory board members and the company in the previous financial year. Pursuant

to § 111 (5) of German Stock Corporations Act (AktG), the supervisory board wants to achieve a women's quota of 30% at the latest by 2020. Women's quota of 25% in the board of directors is already achieved. Pursuant to § 76 (4) of the German Stock Corporations Act (AktG), the quota of 25% determined for the second management level is also achieved.

As a listed German stock corporation, corporate governance at FORTEC is governed, first and foremost, by the German Stock Corporation Act (AktG) 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, personnel members and the general public in the corporate governance of German corporations. A new version of the code that was passed by the governmental commission German Corporate Governance Code on 9 May 2019 is not yet submitted for publication at the Federal Ministry of Justice and Consumer Protection.

Germering, 6 September 2019

Sandra Maile

Spokeswoman of the Board

Bernhard Staller

Board of directors

Jörg Traum

Board of directors

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Consolidated balance sheet: 1. Total assets

	in EUR	Notes	Consolidated Balance Sheet 30.06.2018	Consolidated Balance Sheet 30.06.2019
A. Non-current assets				
I. Goodwill		6	5,091,585	6,623,491
II. Intangible assets		7	218,824	305,454
III. Tangible assets		7	2,886,850	5,665,336
IV. Financial assets		8	95,780	95,780
V. Accounts receivable trade		9/16	74,009	74,567
VI. Deferred taxes		19	276,679	300,409
			8,643,727	13,065,037
B. Current assets				
I. Inventories		10	20,031,133	24,070,674
II. Accounts receivable trade		11	8,852,140	8,017,727
III. Tax receivables		11	1,482,125	2,020,444
IV. Other assets		11	354,445	584,896
V. Cash on hand and cash equivalents		12	5,411,462	9,406,542
VI. Assets held for sale		13	0	253,900
			36,131,306	44,354,183
Total assets			44,775,033	57,419,220

Consolidated balance sheet: 2. Total equity and liabilities

	in EUR	Notes	Consolidated Balance Sheet 30.06.2018	Consolidated Balance Sheet 30.06.2019
A. Shareholders' equity				
I. Subscribed capital		14	2,954,943	3,250,436
II. Capital reserves		14/15	8,689,364	14,481,026
III. Exchange Rate Differences		15/31	633,917	846,489
IV. Other comprehensive income		15	13,508,079	15,873,889
V. Net income		15	4,316,072	5,687,986
Total shareholders' equity			30,102,375	40,139,827
B. Long-term liabilities				
I. Long-term bank liabilities		16/18	2,916,660	4,694,432
II. Non-current provisions/liabilities		17	237,300	881,681
III. Deferred taxes		19	255,946	242,778
			3,409,906	5,818,891
C. Short-term liabilities				
I. Bank liabilities		16/18	1,041,670	1,382,818
II. Trade payables		18	5,025,164	5,616,002
III. Accruals from other taxes		18	1,693,132	1,137,077
IV. Other comprehensive income		17	701,584	555,595
V. Other liabilities/accruals		18	2,801,202	2,769,009
			11,262,752	11,460,501
Total equity and liabilities			44,775,033	57,419,219

Consolidated Statement of Comprehensive Income

	in EUR	Notes	Consolidated income statement 01.07.17–30.06.18	Consolidated income statement 01.07.18–30.06.19
1. Sales revenues		21	79,570,736	88,310,255
2. Increase in unfinished goods		22	379,974	-83,782
3. Other operating income		23	1,160,393	1,524,677
4. Cost of materials		24	54,646,307	60,182,949
5. Personnel expenses		25	12,449,702	14,075,713
6. Depreciation		26	597,884	681,641
7. Other operating expenses		27	7,400,586	7,361,523
8. Operating result			6,016,625	7,449,323
9. Incomes from investments			29,700	34,980
10. Other interest and similar incomes		28	8,686	9,570
11. Other interest and similar expenses		28	61,730	69,564
12. Result from ordinary activities			5,993,281	7,424,310
13. Taxes on income		29	1,677,210	1,736,324
14. Net income			4,316,072	5,687,986
Other results				
15. Change of market value of assets available for sale (not affecting income)		15	0	0
16. Other results		31	-342,966	212,572
17. Total result			3,973,106	5,900,559
18. Earnings per share				
basic			1.33	1.75
diluted			1.33	1.75

Consolidated Statement of Changes in Equity

in EUR	Ascribed capital	Capital reserves	Foreign exchange difference	Other comprehensive income		Total shareholders' equity
				Market valuation reserves	Retained earnings/ Profit carried forward	
Status 01.07.2017	2,954,943	8,689,364	976,883	0	15,398,458	28,019,645
Period result 01.07.2017–30.06.2018					4,316,072	4,316,072
Change in other result			-342,966		-117,412	-460,377
Dividend- payments					-1,772,966	-1,772,966
Changes 2017/2018	0	0	-342,966	0	2,425,694	2,082,728
Status 30.06.2018	2,954,943	8,689,364	633,916	0	17,824,152	30,102,374
Period result 01.07.2018–30.06.2019					5,687,986	5,687,986
Issue of new shares	295,493	5,791,663				6,087,156
Change other result			212,572			212,572
Dividend payments					-1,950,262	-1,950,262
Changes 2018/2019	295,493	5,791,663	212,572	0	3,737,725	10,037,454
Status 30.06.2019	3,250,436	14,481,026	846,489	0	21,561,877	40,139,828

Consolidated Cash Flow Statement

	in EUR	Notes	2017/2018	2018/2019
I. Operative area				
1. Net income			4,316,072	5,687,986
2. Income tax expense			1,677,210	1,760,362
3. Depreciation on a) tangible assets and intangible assets b) Goodwill			597,884 0	681,641 0
4. Correction for other non-cash transactions			-102,598	99,835
5. Loss (previous year profit) from the sale of property			-14,354	5,295
6. Increase (previous year: decrease) of inventories			-2,486,087	-3,505,190
7. Decrease (previous year: increase) of accounts receivable trade and other receivables			-1,532,486	2,678,428
8. Increase (previous year: decrease) of trade payables			1,468,178	286,605
9. Decrease (previous year: increase) of short-term liabilities			1,350,344	-1,351,995
10. Increase (previous year: decrease) of non-current receivables			592	-557
11. Increase (previous year: increase) of long-term liabilities			33,733	72,124
12. Interest expenses and interest incomes			53,044	59,993
13. Interests paid			-44,730	-67,481
14. Income tax paid			-1,843,305	-2,449,541
Cash flow from operations		32	3,473,497	3,957,506
II. Investment area				
1. Investments in tangible assets and intangible assets			-1,408,510	-3,550,787
2. Payments-out from the acquisition of consolidated companies minus the acquired liquid assets			0	-2,155,912
3. Payments-in from the sale of tangible fixed assets			14,286	1,000
4. Interests received			0	6,228
Cash flow from investments		32	-1,394,224	-5,699,472
III. Financial activities				
1. Payments-in from obtaining (financial) credits			0	2,944,444
2. Payments-out for repayment of (financial) credits			-625,002	-1,290,448
3. Payments-in from the issuance of shares			0	6,087,156
4. Distribution of profits			-1,772,966	-1,950,262
Cash flow from financial activities			-2,397,968	5,790,890
IV. Net increase (previous year: decrease) of cash and cash equivalents		32	-318,694	4,048,925
Cash/cash equivalents as per 30.06.2018 (previous year: 30.06.2017)			5,655,491	5,411,462
Changes in cash and cash equivalents due to currency changes			74,666	-53,845
V. Cash/cash equivalents p. 30.06.2019 (previous year: 30.06.2018)			5,411,463	9,406,542
Composition of cash and cash equivalents				
Cash			15,863	16,390
Bank balances			5,395,599	9,390,152
Cash and cash equivalents at the end of the period		12	5,411,463	9,406,542

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Consolidated Notes: 1. General information

FORTEC Elektronik AG, Germering, Germany (hereinafter "FORTEC AG"), as the highest-level parent company and pursuant to § 315e of the German Commercial Code (HGB), compiles a consolidated financial statement in compliance with the valid provisions as of the balance sheet date 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 2019. This is based upon the obligation regarding the application of international accounting standards, resulting from § 315e (1) German Commercial Code (HGB) in connection with article 4 of (EC) Regulation No. 1606/2002 of the European Parliament and Council of 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 § 315e (1) German Commercial Code (HGB), which are additionally required under German Commercial Law for cases in which a consolidated financial statement is prepared under IFRS, are also disclosed. The consolidated financial statement is 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 main business address of the parent company is Augsburg Str. 2b, 82110 Germering. The company headquarters were relocated from Landsberg am Lech to Germering on 26 March 2019. The company is registered under HRB (Commercial Registry) no. 247748 at the District Court of Munich. The consolidated financial statement for FORTEC AG was compiled in euros and the figures have been rounded, meaning that minor and negligible rounding differences may occur. The Group's statement of comprehensive income has been prepared using the method of total costs. These are listed and explained in the notes, provided that individual items in the consolidated financial statement as well as the Group's statement of comprehensive income are combined for the sake of improving clarity of the presentation.

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 2018/2019. 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:

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

"Income 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.

Amendment to IFRS 2:

Classification and Measurement of Share-based Payment Transactions, published in February 2018

Applies for financial years after 1 January 2018

Amendment to IFRS 4:

Adjustment of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", published in September 2016

Applies for financial years after 1 January 2018.

IFRIC 22

"Foreign currency transactions and projection"
passed in December 2018

Applies for financial years after 1 January 2018.

Amendment to IAS 40:

Transfer of properties held as financial investment; passed
in December 2016
(Endorsement March 2018)

Applies for financial years after 1 January 2018

Annual improvement of IFRS (2014-2016)

published in February 2018
(Endorsement February 2018)

Applies for financial years after 1 January 2018.

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

IFRS 16

"Leasing", passed in January 2016
(Endorsement: October 2017)

Applies for financial years after 1 January 2019.

Amendment to IFRS 9:

Prepayment features with negative compensation, pub-
lished in March 2018

Applicable as of 1 January 2019

IFRS 17

"Insurance Contracts", published in May 2017
(Endorsement: open)

Applies for financial years after 1 January 2021

Amendment to IAS 19:

Benefits to employees

Applies for financial years after 1 January 2019

IFRIC 23

"Income tax uncertainty", published in June 2017, (endorse-
ment expected in 2018)

Applies for financial years after 1 January 2019.

Amendment to IAS 28:

Investments in associates

Applies for financial years after 1 January 2019

Annual improvement of IFRS (2015-2017)

Applies for financial years after 1 January 2019

Amendment of references to the framework concept
in IFRS standards;

Applies for financial years after 1 January 2022

Consolidated Notes: 2. Accounting and valuation principles

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. Repairs costs are counted as ex-

penses. 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 an impairment. Tangible assets are derecog-
nised either upon disposal or when no economic benefit is

Consolidated Notes: 2. Accounting and valuation principles

expected any more from further use or disposal of the recognised asset. The profit or loss resulting from the removal of the asset is ascertained as the difference between the net capital gain and the carrying amount of the asset and recognised in the income statement in the period in which the property is derecognised.

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 is used in this context. Provided that the net resale value falls below the initial cost, the lesser net resale value of the evaluation is used as a basis. Financing costs have not been capitalised. **Accounts receivables, tax receivables and other assets** are set at their nominal amount. The necessary valuation allowances have been deducted. Individually definable debtor risks have been considered separately. The assessment of the **cash on hand and cash equivalents** is carried out at the nominal value. Non-current assets or disposal groups that include assets and liabilities are classified as **held for sale** if they are most likely to be realised primarily through disposal or distribution rather than through continued use. Generally, these assets or disposal groups are recognised at the lower value of their carrying amount and fair value less the costs to dispose. Any impairment loss of a disposal group is initially allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is assigned to inventories, financial assets, deferred tax assets, employee benefits assets, properties held as financial investment that are still measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or distributed and subsequent profits and losses on revaluation are recognised in profit or loss. Intangible assets and tangible assets are no longer subject to scheduled amortisation and every equity-accounted investment is no longer accounted for using the equity method, as soon as it is classified as held for sale or distributed.

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) of between 19% and 28% is estimated, dependent on the tax regulations that apply to the country of origin (previous year: 29%). 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 converted 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. Income from contracts with customers: The Group applied IFRS 15 for the first time on 1 July 2018. This had no accounting effects.

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 statement requires discretionary de-

cisions are made, and estimates are applied that affect the amount of the carrying amount of the reported assets and liabilities, of the income and expenses, and of the contingent liabilities. In individual 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.

Assumptions and uncertainties in making estimates

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. These are included in the following positions.

- Valuation adjustment based on expected credit losses on trade receivables and contract assets: Key assumptions in determining the weighted average loss rate.
- Recognition of deferred tax assets: Availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be used.
- Impairment test of intangible assets and goodwill: significant assumptions underlying the determination of the recoverable amount.
- Recognition and measurement of provisions and contingent assets and liabilities: material assumptions about the likelihood and extent of net inflow or outflow. 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.
- Acquisition of subsidiaries: Determination of the fair value of the consideration transferred (including contingent consideration) and preliminary determination of the fair value of the identifiable assets acquired and liabilities assumed.

Determination of fair value for financial and non-financial assets and liabilities

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

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

If the input factors used to determine the fair value of an asset or liability can be classified in different levels of the fair value hierarchy, the fair value measurement is allocated in its entirety to the level of the fair value hierarchy that corresponds to the lowest input factor that is significant for the valuation on the whole. The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

IFRS 9 Financial instruments

- The collective consequential amendments to IFRS 9 (Financial Instruments) were applied to the 2017/2018 financial year. They are given in note 16 of this annexe.
- There are no accounting effects from the first-time application of IFRS 9 as of 1 July 2018. For more explanations, see note 16.

Consolidated Notes: 3. Consolidated companies

In this consolidated financial statement, the following subsidiaries are included along with the parent company:

Name, headquarters of company	Share/voting ownership
Blum Stromversorgungen GmbH i.L., Krumbach, Germany	100%
Emtron electronic GmbH, Riedstadt-Wolfskehlen	100%
ROTEC technology GmbH, Rastatt, Germany	100%
AUTRONIC Steuer- und Regeltechnik GmbH, Sachsenheim, Germany	100%
Distec GmbH Vertrieb von elektronischen Bauelementen, Germering, Germany	100%
Data Display Solution GmbH & Co. KG, Hörselberg-Hainich	100%
Data Display Solution Verwaltung GmbH, Hörselberg-Hainich	100%
ALTRAC AG, Würenlos, Switzerland	100%
Apollo Display Technologies Corp., Ronkonkoma, USA	100%
Display Technology Ltd., Chatham, UK	100%

FORTEC AG holds a 100% share in each of these companies, has the majority of the voting rights, and exercises control in line with IFRS 10.6.

The following 100% subsidiaries of Display Technology Ltd. are also included in the consolidation.

- Display Solutions Ltd., Huntingdon, UK
(first consolidation on 28 September 2018)
- Components Bureau Ltd. Huntingdon, UK
(first consolidation on 28 September 2018)

The financial statements of the subsidiaries are contained in the consolidated financial statement as of the date on which control commenced. The individual financial statements of the subsidiaries that are important to the Group are made on the balance sheet date of the consolidated financial statement, they underwent an independent audit, and they were issued with unqualified audit opinions.

The key figures, in accordance with IFRS, of the companies included in the consolidated financial statement (prior to consolidation) as of 30 June 2019 are presented in the following table:

	in TEUR	Annual result (in accordance with IFRS)	Previous year
FORTEC AG		1,381	8,202
Blum SV GmbH ¹		2	6
Emtron GmbH		912	805
ROTEC GmbH		581	313
AUTRONIC GmbH		184	-74
ALTRAC AG		-33	70
Distec GmbH ²		2,379	0
Data Display Solution GmbH & Co.KG		50	70
Data Display Solution Verwaltung GmbH		4	4
Apollo Corp.		902	622
Display Technology Ltd.		269	234
Display Solutions Ltd. ^{3, 4, 5}		925	n.a.
Components Bureau Ltd. ^{3, 4, 5}		303	n.a.

¹ Blum SV GmbH has been in liquidation since 28 November 2017. Balance sheet date is 27 November.

² As of 30 June 2018, a profit transfer agreement existed between Distec GmbH and FORTEC AG.

³ Balance sheet date is 31 December. For consolidation purposes, the figures were used as of June 30.

⁴ Period 28 September to 31 December 2018. Transfer of all assets and debt capital to Display Technology on 31 December 2018. From 1 January 2019 onwards, the operative business will be continued in Display Technology Ltd. The result includes restructuring costs and depreciation of approximately TGBP 310.

⁵ The liquidation process of the company has started on 30 June 2019.

All of the major subsidiaries have therewith been consolidated.

Consolidated Notes: 3. Consolidated companies

The equity and capital shares of all Group companies included in the consolidated financial statement is shown in the following table:

	Blum SV GmbH	Emtron electronic GmbH	ROTEC GmbH	AUTRONIC GmbH	ALTRAC AG	Distec GmbH
Registered office:	Krumbach, Germany	Riedstatt-Wolfskehlen	Rastatt, Germany	Sachsenheim, Germany	Würenlos, Switzerland	Germering, Germany
Shareholders' equity (EUR)	252,173	8,242,035	981,115	1,173,144	2,872,931	3,455,977
Previous year	525,620	7,330,276	400,042	989,189	2,790,077	1,077,035
Share of capital/ voting rights	100%	100%	100%	100%	100%	100%
Previous year	100%	100%	100%	100%	100%	100%
Acquisition	17.12.1992	17.12.1998	02.07.2003	01.01.2004	30.08.2000	30.06.2015

	Data Display Solution GmbH & Co. KG	Data Display Solution Verwaltung GmbH	Apollo Corp.	Display Technology Ltd.	Display Solutions Ltd.	Components Bureau Ltd.
Registered office:	Hörselberg-Hainich	Hörselberg-Hainich	Ronkonkoma, USA	Huntingdon (UK)	Huntingdon (UK)	Huntingdon (UK)
Shareholders' equity (EUR)	-915,468	67,415	3,847,587	1,575,047	1,962,220	888,909
Previous year	-965,943	62,975	3,816,865	1,296,960	n.a.	n.a.
Share of capital/ voting rights	100%	100%	100%	100%	100%	100%
Previous year	100%	100%	100%	100%	n.a.	n.a.
Acquisition	30.06.2015	30.06.2015	30.06.2015	30.06.2015	28.09.2018	28.09.2018

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 IFRS 10.7 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 IAS 28 as the IAS 28.6 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. Advantec Electronics B.V. has a shareholders' capital of TEUR 276 (previous year: TEUR 243) on the balance sheet date 31 December 2018. The annual result for the financial year 2018 was TEUR 114 (previous year: TEUR 63).

AUTRONIC Steuer- und Regeltechnik GmbH holds 100% of the Czech company ALLTRONIC elektronické stavební skupiny a komponenty s.r.o., Dýšina. Apollo Display Technologies Corp. holds 100% of Apollo Ronkonkoma Inc. The two companies Alltronic and Apollo Ronkonkoma have not been consolidated due to their minor significance for the Group, according to 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. ALLTRONIC elektronické stavební skupiny a komponenty s.r.o. has a shareholders' capital of TEUR 311 (previous year: TEUR 247) on the balance sheet date 30 June 2019. The annual result of the last financial year was TEUR 57 (previous year: TEUR -65).

Acquisition of subsidiaries

On 28 September 2018 (time of acquisition) the Group acquired 100% of shares and voting rights of the following companies:

- Display Solutions Ltd., Huntingdon, UK
- Components Bureau Ltd. Huntingdon, UK

Assets and liabilities of the two companies were transferred to Display Technology Ltd. already based in the UK on 31 December 2018. This summarises the operating business of the three companies. The Group expects cost reductions due to economies of scale and better market access due to the larger unit. In three months (after the time of acquisition), in which the operative business is to be consolidated, the acquisition of Display Solutions Ltd. contributed a turn-

over of TEUR 1,009. The corresponding profit in this period was TEUR 924 owing to the earnings resulting from the purchase of tangible and intangible assets on 31 December 2018. The acquisition of Components Bureau Ltd. contributed to a turnover of TEUR 889 in the three months in which the operative business is to be consolidated. The corresponding profit in this period was TEUR 303 owing to the earnings resulting from the purchase of tangible and intangible assets on 31 December 2018. The turnovers for the period from 1 January 2019 to 30 June 2019, which were generated by Display Technology Ltd., cannot be quantified due to existing overlaps. If the acquisition had taken place on 1 July 2018, the consolidated turnovers would have been TEUR 90,291 and the consolidated result TEUR 5,982 for the year.

When ascertaining these amounts (year-round Group affiliation) the management has assumed that the temporary adjustments of fair value, which were made at the time of acquisition, would also be valid if the acquisition was carried out on 1 July 2018.

Considerations transferred

The fair values of every main group of considerations that are valid at the time of acquisition are summarised below.

in TEUR	Display Solutions Ltd.	Components Bureau Ltd.
Cash on hand	1,597	700
Debt yet to be paid	209	291
Contingent consideration	343	229
Total consideration transferred	2,150	1,220

Consolidated Notes: 3. Consolidated companies

Identifiable acquired assets and assumed liabilities

The recognised amounts of acquired assets and assumed liabilities at the time of acquisition are summarised below.

	in TEUR	Display Solutions Ltd.	Components Bureau Ltd.
Tangible assets		58	47
Intangible assets		13	127
Inventories		194	374
Order backlog		228	28
Accounts receivables trade and other assets		769	861
Cash on hand and cash equivalents		104	37
Financial liabilities		-34	-431
Deferred taxes			8
Trade payables and other liabilities		-85	-327
Total identifiable net assets		1,235	723

The goodwill resulting from the acquisition was recognised at the time of acquisition on 28 September 2018 as follows:

	in TEUR	Display Solutions Ltd.	Components Bureau Ltd.
Consideration transferred		2,150	1,220
Fair value of the identified net assets		-1,202	-723
Currency valuation		-6	-3
Goodwill		941	495

The evaluation techniques used to determine the fair value of the material assets acquired were are follows:

→ **Intangible assets**

The residual value method considers the cash value of the expected net cash flows, which establish customer relationships.

→ **Tangible assets**

Market comparison method and cost method: The evaluation model considers the market prices for similar properties, if they are available.

→ **Inventories**

Market comparison method: The fair value is ascertained during the ordinary course of business on the basis of the estimated purchase price, minus the estimated completion and disposal costs as well as a reasonable profit margin, which is based on the efforts required for completion and sale of inventories.

Accounts receivable trade include payable gross amounts of the contractual receivables totalling TEUR 1,610.

Contingent consideration

The Group is obliged to pay an additional consideration to the selling shareholder in 1.5 years. A payment is due when the average result of the years 2018–2020 before taxes and interest exceeds a certain amount. Here, the results of the three UK companies Display Technology Ltd., Display Solutions Ltd. and Components Bureau Ltd. is considered jointly. The fair value at the time of acquisition and on the balance sheet date of the contingent consideration is TEUR 343 for Display Solutions Ltd. and TEUR 229 for Components Bureau Ltd. In the case of the Group, associated costs of TEUR 111 for consultancy fees and stamp duty are accrued with the business combination. The incidental acquisition costs are recognised as legal and consultancy costs and other taxes. If new information is discovered about facts and circumstances within one year of the time of acquisition, which existed at the time of acquisition and which would have led to corrections of the above amounts or to additional provisions, the accounting of the company acquisition is adjusted. Since the first accounting at half-year, which was still temporary, the following items changed: Purchase price, purchase price allocation; and thus, goodwill was changed by TEUR 18.

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 statement are 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 are eliminated when preparing the consolidated financial statement. When consolidating the results of operations, inter-company sales and Group-internal earnings are offset against the related expenses.

Consolidated Notes: 5. Mergers

The Group reports business combinations in accordance with the purchase method as per IFRS 3 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.

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 was 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 sub-group of Data Display, the difference is accounted for by the goodwill and the hidden reserves in the goods and order backlog. For the acquisition of Display Solutions Ltd., the difference was

accounted for by the goodwill and the hidden reserves in the order backlog. For the acquisition of Components Bureau Ltd., the difference was accounted for by the goodwill and the hidden reserves in the order backlog as well as customer and supplier relationships. 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).

Every impairment is immediately recorded in the income statement. Every contingent consideration obligation is valued with the fair value at the time of acquisition. If the contingent consideration is classified as shareholders' capital, it is not revalued and a settlement is taken to equity. Otherwise, other contingent considerations are valued with the fair value on every balance sheet date and subsequent changes to the fair value of the contingent considerations are recognised in profit or loss.

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 2018/2019 (Note 30). The carrying amount of the goodwill for Power Supplies has changed from TEUR 2,532 to TEUR 3,123. It includes a goodwill for Components Bureau Ltd. of the amount TEUR 495. The difference in the currency exchange of TEUR 93 is recorded directly in the equity without affecting earnings. In this financial year, this segment achieved an annual result TEUR 810 (previous year: TEUR 1,217). The carrying amount of goodwill for Data Visualisation Systems of the amount TEUR 2,559 increased to TEUR 3,501. It includes a goodwill for Display Solutions Ltd. of the amount TEUR 941. The difference in the currency exchange of TEUR 6 is recorded directly in the equity without affecting earnings. For this segment, a net profit of TEUR 4,878 (previous year: TEUR 3,099) 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 2019. In accordance with IAS 36.10 (a), the carrying amount 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 growth rate between 0% and 3% (previous year: 0%) is 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 5% before tax (previous year: 8% before tax) is used for discounting and thus for determining the use value.

The management is of the opinion that, based on reasonable assumptions, no changes that could occur will lead the carrying amount 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 2017/2018	Group 2018/2019
Goodwill as of 01/07.	5,224,921	5,091,585
Additions	0	1,444,980
Disposals	0	0
Depreciation	0	0
Currency differences	-133,336	86,925
Goodwill as of 30/06.	5,091,585	6,623,491

Consolidated Notes: 7. Intangible assets and tangible assets

The development of the assets as historical acquisition costs and the depreciation 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 written down in the year of acquisition for simplification purposes. The depreciation for intangible assets as well as tangible assets are disclosed under Item 6 "Depreciation" 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. The additions from first consolidation of Display Solutions Ltd. and Components Bureau Ltd. were shown in a separate column. Due to the relocation of the operative business and headquarters of Display Technology Ltd. to the location of the acquired companies Huntingdon, the property and building at Chatham was put up for sale. The reclassification into current assets "asset held for sale" is shown in a separate column.

Consolidated Notes: 8. Financial assets

The financial assets as of 30 June 2019 comprise the following:

in EUR	Group 30.06.2018	Group 30.06.2019
Shares	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 TEUR 46 as well as an unchanged 100% share (via AUTRONIC) in Alltronic spol s.r.o. with TEUR 49 (previous year: TEUR 49). The fair value on the balance sheet date corresponds to the carrying amounts. The shares of Alltronic are recognised as financial asset in the Group in accordance with IFRS 9. The financial assets

are classified as "FVOCI equity investments" in accordance with IFRS 9. Value changes compared to the previous year's presentation are recognised in other comprehensive income not affecting net income as per IFRS 9.4.1.4 and 5.7.5. Dividends are recognised as income in profit or loss. On the balance sheet date, no change in the value of the investment was to be made. An income from investments of TEUR 35 was received.

Consolidated Notes: Consolidated statement of financial assets

in EUR	Historic acquisition costs / purchase costs						
	Status on 01.07.2018	Additions First consolidation 2019	Additions 2019	Disposals 2019	Reclassification into assets held for sale 2019	ER Diff. Exchange Rebook- ing	Status on 30.06.2019
Intangible assets							
Business/company value	10,398,481	1,444,979	0	0	0	255,247	12,098,708
Relationships of business partners	0	112,702					112,701
Software	832,551	26,314	83,425	105	0	1,392	943,577
Total intangible assets	11,231,032	1,583,995	83,425	105	0	256,639	13,154,986
Tangible assets							
Properties	843,256	0	200	0	42,514	-504	800,438
Building including payments rendered	1,201,561	0	3,098,671	0	268,134	-3,177	4,028,921
Outdoor facilities	55,470	0	0	0	0	0	55,470
Vehicles	429,776	70,750	0	17,826	0	6,152	488,852
Tools	139,023	0	24,798	0	0	-2,338	161,483
Technical facilities/machines	940,308	0	6,516	0	0	12,691	959,514
Office furnishings/IT	957,782	0	66,306	3,839	0	20,687	1,040,936
Operating and office equipment	809,021	28,524	225,167	13,477	0	-6,202	1,043,033
Low-value fixed assets	225,995	0	45,706	51,966	0	-61	219,673
Total tangible assets	5,602,191	99,274	3,467,362	87,108	310,648	27,249	8,798,319
Financial assets	141,955	0	0	0	0	0	141,955
Total fixed assets	16,975,176	1,683,270	3,550,787	87,213	310,648	283,887	20,722,638
for information: Development of previous year values	01.07.2017	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018	30.06.2018
Intangible assets	11,701,018	0	108,890	202,269	0	-376,607	11,231,032
Tangible assets	4,410,932	0	1,301,491	61,091	0	-49,141	5,602,191
Financial assets	141,955	0	0	0	0	0	141,955
Total fixed assets	16,253,905	0	1,410,381	263,360	0	-425,748	16,975,177

Consolidated Notes: Consolidated statement of financial assets

Depreciation						Carrying amount / Net book value	
Status on 01.07.2018	Additions 2019	Disposals 2019	Reclassifica- tion into assets held for sale 2019	ER Diff. Exchange Rebooking	Status on 30.06.2019	Status on 01.07.2018	Status on 30.06.2019
5,306,896	0	0	0	168,322	5,475,217	5,091,585	6,623,491
0	10,457				10,457	0	102,245
613,727	126,143	105	0	603	740,367	218,824	203,209
5,920,623	136,599	105	0	168,924	6,226,042	5,310,409	6,928,945
0	0	0	0	0	0	843,256	800,438
391,257	38,880	0	57,420	-28	372,689	810,304	3,656,232
29,466	4,275	0	0	-2	33,739	26,004	21,730
336,716	61,951	18,686	0	-1,793	378,187	93,059	110,665
127,129	31,723	0	0	-21,253	137,599	11,893	23,884
424,899	102,024	0	0	4,768	531,692	515,408	427,822
776,436	75,778	3,248	0	38,854	887,820	181,347	153,116
504,984	144,017	8,696	0	-8,030	632,275	304,037	410,758
124,454	86,395	50,206	0	-1,661	158,982	101,541	60,691
2,715,342	545,042	80,836	57,420	10,855	3,132,983	2,886,850	5,665,336
46,175	0	0	0	0	46,175	95,780	95,780
8,682,139	681,641	80,941	57,420	179,779	9,405,199	8,293,039	12,690,061
01.07.2017	2017/2018	2017/2018	2017/2018	2017/2018	30.06.2018	01.07.2017	30.06.2018
6,222,003	132,131	203,030	0	-230,481	5,920,623	5,479,015	5,310,409
2,347,684	465,753	58,527	0	-39,569	2,715,342	2,063,248	2,886,848
46,175	0	0	0	0	46,175	95,780	95,780
8,615,864	597,884	261,557	0	-270,050	8,682,139	7,638,044	8,293,039

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, (TEUR 9) for the Apollo offices in the US (TEUR 23) and for Display Solution in Hörselberg-Hainich, Germany, (TEUR 43).

Consolidated Notes: 10. Inventories

The inventory assets as of 30 June 2019 are comprised of the following:

in EUR	Group 30.06.2018	Group 30.06.2019
Goods/raw materials, supplies and consumables	16,678,382	20,741,977
Finished/unfinished products	3,069,988	3,153,770
Payments rendered	282,762	174,927
Sum Inventory assets	20,031,133	24,070,674

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. For details on impairment, see note 24 Cost of material.

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

The accounts receivables and other assets as of 30 June 2019 are classified as follows:

in EUR	Group 30.06.2018	Group 30.06.2019
Accounts receivables	8,852,140	8,017,727
Tax receivables	1,482,125	2,020,444
Other assets	354,445	584,896
Total receivables	10,688,711	10,623,066

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

For accounts receivables, the model of “losses incurred” of IAS 39 was replaced by a model of “expected credit losses” (“ECL”). The new impairment model must be applied to financial assets among other things, which are measured at amortised costs. In accordance with IFRS 9, credit losses are previously recognised as following IAS 39. For accounts receivable, the Group determines the expected credit losses based on the historical default rates of the past three years.

For this purpose, a weighted average loss rate is determined as a function of the respective overdue period. For assets within the scope of the impairment model of IFRS 9, the impairment is unlikely to increase and become more volatile. The Group has determined that the additional impairment losses resulting from the application of the impairment requirements of IFRS 9 as of 1 July 2018 are as follows:

Default rates in percent as of 30 June 2018

	Not overdue	1-30 days overdue	31-60 days overdue	61-90 days overdue	> 90 days overdue
FORTEC Elektronik AG	0.00001	0.00004	0.00009	0.00023	0.00054
Distec GmbH	0.00005	0.00020	0.00049	0.00123	0.00294
Emtron electronic GmbH	0.00001	0.00006	0.00014	0.00035	0.00084
AUTRONIC GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Rotec technology GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Blum Stromversorgung GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution GmbH & Co.KG	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution Verw. GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Apollo Corp.	0.00000	0.00000	0.00000	0.00000	0.00000
Display Technology Ltd.	0.00004	0.00017	0.00042	0.00105	0.00252
ALTRAC AG	0.00000	0.00000	0.00000	0.00000	0.00000

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

Gross book values of accounts receivable trade as of 30 June 2018

	Not overdue	1-30 days overdue	31-60 days overdue	61-90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	2,205	378	13	52	52	2,700	EUR
Distec GmbH	1,663	261	50	0	61	2,035	EUR
Emtron electronic GmbH	1,236	100	0	0	5	1,341	EUR
AUTRONIC GmbH	249	0	0	0	0	249	EUR
Rotec technology GmbH	159	1	197	0	0	357	EUR
Blum Stromversorgung GmbH	0	0	0	0	0	0	EUR
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR
Apollo Corp.	762	367	108	61	0	1,298	USD (in EUR)
Display Technology Ltd.	386	8	15	11	1	421	GBP (in EUR)
ALTRAC AG	500	105	3	3	23	634	CHF (in EUR)
						9,035	

Impairments as of 30 June 2018

	Not overdue	1-30 days overdue	31-60 days overdue	61-90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	20	14	1	12	28	74	EUR
Distec GmbH	81	51	25	0	179	336	EUR
Emtron electronic GmbH	17	6	0	0	4	27	EUR
AUTRONIC GmbH	0	0	0	0	0	0	EUR
Rotec technology GmbH	0	0	0	0	0	0	EUR
Blum Stromversorgung GmbH	0	0	0	0	0	0	EUR
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR
Apollo Corp.	0	0	0	0	0	0	USD (in EUR)
Display Technology Ltd.	16	1	6	12	3	38	GBP (in EUR)
ALTRAC AG	0	0	0	0	0	0	CHF (in EUR)
						476	

For the financial year 2018/2019, the following calculation results: Default rates in percent as of 30 June 2019

	Not overdue	1-30 days overdue	31-60 days overdue	61-90 days overdue	> 90 days overdue
FORTEC Elektronik AG	0.00001	0.00004	0.00009	0.00023	0.00054
Distec GmbH	0.00005	0.00020	0.00049	0.00123	0.00294
Emtron electronic GmbH	0.00001	0.00006	0.00014	0.00035	0.00084
AUTRONIC GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Rotec technology GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Blum Stromversorgung GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution GmbH & Co.KG	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution Verw. GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Apollo Corp.	0.00000	0.00000	0.00000	0.00000	0.00000
Display Technology Ltd.	0.00004	0.00017	0.00042	0.00105	0.00252
ALTRAC AG	0.00000	0.00000	0.00000	0.00000	0.00000

Gross book values of accounts receivable trade as of 30 June 2019

in TEUR	Not overdue	1-30 days overdue	31-60 days overdue	61-90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	1,293	173	0	0	0	1,466	EUR
Distec GmbH	1,629	278	8	6	5	1,926	EUR
Emtron electronic GmbH	996	204	1	0	0	1,201	EUR
AUTRONIC GmbH	378	0	0	0	0	378	EUR
Rotec technology GmbH	47	25	0	0	28	100	EUR
Blum Stromversorgung GmbH	0	0	0	0	0	0	EUR
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR
Apollo Corp.	1,092	82	104	41	0	1,320	USD (in EUR)
Display Technology Ltd.	1,075	107	13	1	0	1,197	GBP (in EUR)
ALTRAC AG	428	64	12	9	5	517	CHF (in EUR)
						8,104	

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

Impairments as of 30 June 2019

	Not overdue	1-30 days overdue	31-60 days overdue	61-90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	12	6	0	0	0	18	EUR:
Distec GmbH	80	54	4	7	15	160	EUR:
Emtron electronic GmbH	14	11	0	0	0	26	EUR:
AUTRONIC GmbH	0	0	0	0	0	0	EUR:
Rotec technology GmbH	0	0	0	0	0	0	EUR:
Blum Stromversorgung GmbH	0	0	0	0	0	0	EUR:
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR:
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR:
Apollo Corp.	0	0	0	0	0	0	USD (in EUR)
Display Technology Ltd.	45	18	6	1	0	70	GBP (in EUR)
ALTRAC AG	0	0	0	0	0	0	CHF (in EUR)
						274	

The Group has decided not to make this adjustment due to materiality. Status on 30 June 2018, there were further impairments of TEUR 184 for accounts receivables that had no impact on the default rate calculated.

in EUR	Group 2017/2018	Group 2018/2019
Valuation allowances as of 01/07.	76,896	183,868
Additions	183,868	31,423
Consumption/Reversals	76,896	129,223
Valuation allowances as of 30/06.	183,868	86,068

The accounts receivables 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 TEUR 253 (previous year: TEUR 223). Account receivables

and loan receivables are financial instruments in accordance with IFRS 9 and are classified in the category "amortised cost" as they are held in a business model for the collection of cash flows. 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 2019 comprise of the following:

in EUR	Group 30.06.2018	Group 30.06.2019
Cash on hand/ Franking machine	15,863	13,049
Banks deposits and post office giro	5,395,599	9,393,493
Cash on hand	5,411,462	9,406,542

Credit at financial institutions denominated in US dollars, Swiss francs and British pounds are evaluated in the consolidated financial statement 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 sub-section

32 reported statements. The disclosed value of the liquid assets correspond to the market value. The company has unrestricted access to all cash. In accordance with IFRS 9, these assets are classified in the category "amortised costs". There were no valuation differences between IAS 39 and IFRS 9.

Consolidated Notes: 13. Assets held for sale

In December 2018, relocation of the headquarters and operative business of Display Technology Ltd. to Huntingdon was decided. The property and buildings were put up for sale. The valuation is carried out in accordance with IFRS 5 at the lower of the carrying amount and the fair value less

costs to sell. As a result, no impairments were recognised on reclassification. On 30 June 2019, this non-current asset at the carrying amount of TEUR 253 (previous year: TEUR 0) is shown in a separate item in the consolidated balance sheet. The asset is part of the Display Technology segment.

Consolidated Notes: 14. Subscribed capital

The shareholders' equity of FORTEC Elektronik AG as on the balance sheet date totalled 3,250,436 EUR (previous year 2,954,943 EUR). The shares of the company are divided into 3,250,436 (previous year: 2,954,943) non-par value shares (security identification number 577410/ISIN DE 0005774103) with a notional 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 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

Consolidated Notes: 14. Subscribed capital

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. 295,493 bearer shares were reissued.

After raising the original capital by 10% to 3,250,436 EUR, registered in the commercial register on 11 July 2018, authorised capital of 1,181,978 EUR still remains.

Consolidated Notes: 15. 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 translation reserves	Other reserves/ period result	Total
Status 01.07.2017	2,954,943	8,689,364	976,883	15,398,458	28,019,646
Total result				4,316,072	4,316,072
Change "Other result"			-342,966	-117,412	-460,377
Dividend payments				-1,772,966	-1,772,966
Status 01.07.2018	2,954,943	8,689,364	633,917	17,824,152	30,102,374
Issue of new shares	295,493	5,791,663			6,087,156
Other result			212,572		212,572
Dividend payments				-1,950,262	-1,950,262
Total result				5,687,986	5,687,986
Status 30.06.2018	3,250,436	14,481,026	846,489	21,561,877	40,139,828

Since 1 July 1998, capital reserves have developed from TEUR 256 , plus agio in 1999 of TEUR 5,233, minus transformations of the capital reserves and increases from the use of conditional capital to TEUR 8,689. In the financial year 2018/2019, the capital reserve increased by TEUR 5,792 to TEUR 14,481 due to the issue of new shares (premium). The foreign currency translation reserve (OCI) includes all foreign exchange differences, due to the currency conversion of financial statements of foreign subsidiaries as well as currency conversion differences from capital consolidation. The revenue reserve shows the accumulated profits. 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 $\geq 50\%$ 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. Shareholders' equity has therefore increased by 10% to 3,250,436 EUR. We would like to draw attention to the consolidated statement of changes in equity, which must be disclosed in accordance with IAS 1.10 c and which is an integral part of this consolidated financial statement.

Consolidated Notes: 16. Financial instruments – initial recognition and subsequent measurement

IFRS 9 lays down the requirement for the recognition and measurement of financial assets and financial liabilities. The standard was first applied to annual financial statements of business years starting from 1 January 2018. The changes in accounting methods resulting from the application of IFRS 9 have been applied retroactively, except in the following cases: The Group has made use of the exemption not to adjust comparative information for previous periods with respect to changes in classification and measurement (including impairment). Differences between the carrying amounts of financial assets and financial liabilities due to the application of IFRS 9 are generally recognised in revenue reserves and other reserves as of 30 June 2018. The valuation showed that, although minor differences amounting to TEUR 0.5 had to be recognised, the Group waived this adjustment for materiality. The following assessments were made on the basis of the facts and circumstances existing at the time of first application:

- Determination of the business model in which a financial asset is held
- Determination of certain equity investments held as financial assets, which are not held for trading purposes, as FVOCI.

Financial assets

Initial recognition and measurement

IFRS 9 replaces the current categories of IAS 39 and provides the following three categories for classification for financial assets:

- at amortised costs
- valued at amortised cost at fair value, with value changes in other result (FVOCI) (without effect on profit or loss),
- at amortised cost at fair value with value changes in the income statement (FVTPL) (affecting net income)

IFRS 9 eliminates the following categories of IAS 39: held-to-maturity, loans and receivables and 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

value 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 and other receivables as well as equity investments.

Subsequent measurement

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

Financial assets at FVTPL: The Group has not classified any financial assets at fair value through profit and loss.

Financial assets at amortised costs: Accounts receivable and other receivables, which were classified as loans and receivables in accordance with IAS 39, are now classified at amortised costs. 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 through a subsequent measurement. The losses arising from an impairment are reported in the statement of comprehensive income under Financing Costs.

Equity investments: The assets held as equity investments represent investments that the Group intends to hold for strategic reasons over the long term. In accordance with IFRS 9, the Group designated these investments as FVOCI at the time of first-time application. Unlike IAS 39, the cumulative reserve from changes in fair value related to these investments is never reclassified in the profit and loss statement. After the initial valuation, equity investments are revalued at fair value in subsequent periods. Dividends are recognised as income in profit or loss unless the dividend is obviously covering part of the cost of the investment. Other net gains or losses are recognised in other result and are never reclassified in the profit and loss statement.

Impairment of financial assets: At each balance sheet date, the Group assesses whether objective indications exist for 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: 16. Financial instruments – initial recognition and subsequent measurement

Financial liabilities

IFRS 9 replaces the model “losses incurred” of IAS 39 by a model of “expected credit losses” (“ECL”). The new impairment model applies to financial assets measured at amortised cost on contractual assets and debt instruments valued at FVOCI but not on equity investments held as financial assets. In accordance with IFRS 9, credit losses are previously recognised as following IAS 39. However, the Group has determined that the additional impairment losses from the application of the impairment provisions of IFRS 9 are not recognised as of 30 June 2018 for materiality reasons.

Initial recognition and measurement

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities. IFRS 9 prescribes the following classifications for financial liabilities: Financial liabilities at fair value through profit or loss and other financial liabilities 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. 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 bank loans, 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 or 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.

Effects of transfer from IAS 39 to IFRS 9

in EUR	Original Measurement category as per IAS 39	New Measurement category as per IFRS 9	Carrying amount as per IAS 39 as on 30.06.2018	New carrying amount as per IFRS 9 as on 01.07.2018
Equity investments	available for disposal	FVOCI – equity investment	95,780	95,780
Non-current accounts receivable trade	Loans and receivables	amortised Costs	74,009	74,009
Accounts receivable trade	Loans and receivables	amortised Costs	8,852,140	8,852,140
Other current financial assets	Loans and receivables	amortised Costs	131,723	131,723
Cash and cash equivalents		amortised Costs	5,411,462	5,411,462
Sum of financial assets			14,395,325	14,395,325
Overdrafts and bank loans	Other financial obligations	Other financial obligations	3,958,330	3,958,330
Trade payables	Other financial obligations	Other financial obligations	5,025,164	5,025,164
Other financial Liabilities	Other financial obligations	Other financial obligations	1,582,768	1,582,768
Sum of financial liabilities			10,566,262	10,566,262

Consolidated Notes: 16. Financial instruments – initial recognition and subsequent measurement

Financial instruments – fair value and risk management

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

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

in EUR	Carrying amount			Fair value
	Amortised costs	FVOCI equity instruments	30.06.2019	
Shares previous year		95,780 95,780	95,780 95,780	Level 3
Non-current accounts receivable trade previous year	74,567 74,009		74,567 74,009	Level 1
Accounts receivable trade previous year	8,017,727 8,852,140		8,017,727 8,852,140	Level 1
Other assets previous year	330,156 131,723		330,156 131,723	Level 1
Cash and cash equivalents previous year	9,406,542 5,411,162		9,406,542 5,411,162	Level 1
Total previous year	17,924,771 14,564,814		17,924,771 14,564,814	

Of the TEUR 585 (previous year: TEUR 354) disclosed in the consolidated balance sheet under "Other assets", prepaid expenses of TEUR 255 (previous year: TEUR 223) are not classified as financial instruments.

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

in EUR	Measurement category IFRS 9	Carrying amount	Fair Value 30.06.2019	Total 30.06.2019
Equity investments previous year	FVOCI – equity investments available for sale	95,780 95,780	95,780 95,780	95,780 95,780
Non-current accounts receivable trade previous year	amortised costs Loans and receivables	74,567 74,009	74,567 74,009	74,567 74,009
Accounts receivable trade previous year	amortised costs Loans and receivables	8,017,727 8,852,140	8,017,727 8,852,140	8,017,727 8,852,140
Other assets previous year	amortised costs Loans and receivables	330,156 131,723	330,156 131,723	330,156 131,723
Cash and cash equivalents previous year	amortised costs Loans and receivables	9,406,542 5,411,162	9,406,542 5,411,162	9,406,542 5,411,162
Total previous year		17,924,771 14,564,814	17,924,771 14,564,814	17,924,771 14,564,814

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

in EUR	Amortised costs 30.06.2019	Fair Value Attribution 30.06.2019	Total 30.06.2019
Liabilities to Banks previous year	6,077,250 3,958,330	0 0	6,077,250 3,958,330
Trade payables previous year	5,616,002 5,025,164	0 0	5,616,002 5,025,164
Other liabilities previous year	1,562,241 1,582,768	0 0	1,562,241 1,582,768
Total previous year	13,255,493 10,566,262	0 0	13,255,493 10,566,262

Of the TEUR 2,769 disclosed in the Group balance sheet under "Other assets" (previous year: TEUR 2,801), provisions from obligations to employees in the amount of TEUR 1,207 (previous year: TEUR 1,218) are not qualified as financial instruments. All items are measured at amortised costs.

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

in EUR	Measurement category IFRS 9	Carrying amount 30.06.2019	Fair Value 30.06.2019	Total 30.06.2019
Liabilities to Banks previous year	At amortised Costs	6,077,250 3,958,330	6,077,250 3,958,330	6,077,250 3,958,330
Trade payables previous year	At amortised Costs	5,616,002 5,025,164	5,616,002 5,025,164	5,616,002 5,025,164
Other liabilities previous year	At amortised Costs	1,562,241 1,582,768	1,562,241 1,582,768	1,562,241 1,582,768
Total previous year		13,255,493 10,566,262	13,255,493 10,566,262	13,255,493 10,566,262

Consolidated Notes: 16. Financial instruments – initial recognition and subsequent measurement

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 2018/2019	Valuation allowance 2018/2019	Depreciation 2018/2019
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	31,423 183,868	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	31,423 183,868	0 0

Default risk

As a matter of principle, the Group reviews the creditworthiness of the customer relationship with new customers as well as on an annual basis via a trade credit insurer. Uninsured relationships are assessed individually and established through bank guarantees, other hedges or advance payment. Receivables are monitored on an ongoing basis and known risks are recognised through value adjustments. In addition, there are no significant default risks from on-going operating activities.

Liquidity risk

A mix of current account credit lines, bank loans and finance leases should provide the Group with sufficient liquidity. The basis for the decision on the financing strategy is a Group-

wide cash management and corresponding planning for the financial requirements. In accordance with IFRS 7.39 a, a liquidity risk at the full amount exists for the trade payables on the balance sheet date. As of the balance sheet date, the trade payables 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.

Foreign currency risk

A significant part of the Group's business is settled in US dollars. Furthermore, transactions are made in GBP and JPY. Exchange rate risks exist in business transactions when transactions are conducted in a currency other than the functional currency of the national company.

Consolidated Notes: 17. Provisions

The provisions in the Group as of 30 June 2019 comprise the following:

Provisions in EUR	Status 01.07.2018	Consumption 2018/2019	Reversal 2018/2019	Additions 2018/2019	Status 30.06.2019
other provisions					
- non-current	237,300	836	0	72,960	309,424
- current	701,584	41,785	331,207	227,003	555,595
portion for warranties	846,564	10,929	331,000	84,363	588,999
	938,884	42,621	331,207	299,963	865,019

Other provisions are measured at their probable values in accordance with IAS 37 and in consideration of all recognisable obligations. The necessary discounts are made at a pre-tax interest rate that reflects current market expectations. 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 <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 a risk arising from the fulfilment of customs obligations, individual warranty provisions amounting to TEUR 100 were set up at FORTEC AG. Additions to long-term provisions include an interest component of TEUR 3.

Consolidated Notes: 18. Liabilities

The liabilities as of 30 June 2019 comprise the following:

in EUR	Group 30.06.2018	Group 30.06.2019
Liabilities to banks	3,958,330	6,077,250
Trade payables	5,025,164	5,616,002
Tax liabilities	1,693,132	1,137,077
Other liabilities	2,801,202	2,769,009
Total liabilities	13,477,829	15,599,338

Consolidated Notes: 18. Liabilities

The measurement of liabilities was carried out at amortised costs. Tax liabilities relate to taxes from the current year in the amount of TEUR 627 (previous year: TEUR 1,359), of which income tax TEUR 432 (previous year: TEUR 943), value added tax TEUR 16 (previous year: TEUR 117) and wage tax TEUR 178 (previous year: TEUR 295). TEUR 511 (previous year: TEUR 334) 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 TEUR 1,612 (previous year: TEUR 1,775), which satisfy "provisions" pursuant to German Commercial

Code (HGB) but which are to be disclosed as liabilities in accordance with IFRS. These include fundamental obligations for personnel in the amount of TEUR 1,207 (previous year: TEUR 1,218) as well as acquisition costs in the amount of TEUR 172 (previous year: TEUR 226). Liabilities with a remaining term of more than five years in the amount of TEUR 0 (previous year: TEUR 0). The liabilities with a remaining term of between 1 and 5 years amount to TEUR 4,694 (previous year: TEUR 2,917). 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: 19. 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

29% (previous year: 29%). The calculation of deferred taxes for profits of ALTRAC AG (Switzerland) was based on an income tax charge of 16% (previous year: 16%). The calculation of deferred taxes for profits of Display Technology Ltd (UK) was based on an income tax charge of 19% (previous year: 19%). The calculation of deferred taxes for profits of Apollo Corp. (US) was based on an income tax charge of 22% (previous year: 22%).

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

in EUR	30.06.2018		30.06.2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	0	0	17
Assets (including low-value assets)	25	45	44	36
Financial assets	0	0	54	0
Inventories	144	162	120	99
Receivables	11	11	8	16
Other assets	87	0	60	0
Provisions	10	7	15	68
Liabilities	0	32	0	7
	277	256	300	243

As of 30 June 2019, unused trade tax loss carryforwards amounting to TEUR 379 existed.

Consolidated Notes: 20. Other financial liabilities

The determination of whether an arrangement contains a lease is made in accordance with IFRIC 4, on the basis of the economic content of the agreement at the time of the conclusion of the agreement. An assessment is made as to whether the performance of the contractual agreement depends on the use of certain assets and whether the agreement grants a right to use the asset.

As of the balance sheet date, there are obligations under operating leases with the following distribution of terms:

up to 1 year:	TEUR	1,354	(Previous year: TEUR 1,071)
1 to 5 years	TEUR	3,465	(Previous year: TEUR 2,184)
greater than 5 years	TEUR	767	(Previous year: TEUR 511)
Total	TEUR	5,586	(Previous year: TEUR 3,766)

Of the total obligations, a share of TEUR 2,792 (previous year: TEUR 904) is allocated to Distec GmbH, TEUR 1,117 (previous year: TEUR 1,240) Data Display Solution GmbH & Co. KG and TEUR 423 (previous year: TEUR 483) to FORTEC AG, TEUR 326 (previous year: TEUR 478) to Apollo Corp, TEUR 340 (previous year: TEUR 434) to AUTRONIC GmbH and TEUR 118 (previous year: TEUR 182) to ALTRAC AG and TEUR 333 (previous year: TEUR 0) to Components Bureau Ltd.

The leasing relationships encompass car leasing and operating leasing. The future payment obligations from non-cancellable leases amount to TEUR 121 (previous year: TEUR 99) with a term of up to one year and TEUR 222 (previous year: TEUR 121) with a term of between 1 and 5 years. Payment obligations with a term of more than 5 years amount to TEUR 767 (previous year: TEUR 511)

Consolidated Notes: 20. Other financial liabilities

IFRS 16 Leases

The Group is required to apply IFRS 16 Leases for financial years beginning on or after 1 January 2019. The Group has assessed the estimated impact of the first-time application of IFRS 16 on the consolidated financial statement, as shown below. The actual effects of applying this standard may differ, as the new accounting policies may be subject to change until the first consolidated financial statement is published after the date of initial application, and the Group has not yet completed tests. IFRS 16 introduces a single accounting model that requires leases to be recognised in the lessee's balance sheet. A lessee recognises a right of use that represents his right to use the underlying asset and a liability arising from the lease that constitutes his obligation for lease payments. There are simplification rules for short-term leases (with a term of up to 12 months) and for leases of low value (acquisition value < 5,000 EUR). IFRS 16 replaces the existing rules on leases, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives, and SIC-27 Assessing the substance of transactions in the legal form of a lease.

The Group will apply IFRS 16 for the first time as of 1 July 2019 using the modified retrospective method. The cumulative effect from the application of IFRS 16 is therefore recognised as an adjustment to the opening balance of revenue reserves as on 1 July 2019. Comparative information is not adjusted. The Group intends to use the simplification rule to maintain the definition of a lease during the changeover. This means that the Group will apply IFRS 16 to all contracts that were concluded before 1 July 2019 and that have been identified as leases under IAS 17 and IFRIC 4. For leases whose residual terms ends within 12 months from the date of initial application and to leases for low value assets, the exemption provided for in this standard is applied.

Based on the information currently available, the Group estimates that it will recognise new assets and liabilities of approximately 7.1 million EUR as of 1 July 2019 for its operating leases. The nature of the expenses will change as the Group now recognises write-offs for right-of-use assets as well as interest expenses from leasing liabilities.

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: 21. Sales revenue

There were no accounting effects from the first-time application of IFRS 15 to income from contracts with customers of the Group. According to IFRS 15, income is recognised when a customer gains control over goods or services. Determining whether the power of disposition is related to time or period requires discretionary decisions. The Group classifies its revenues according to the two segments Power Supplies and Display Technology. While the Power Supplies Segment offers the full range of power supplies and DC/DC converters, Display Visualisation revenues include Display Technology and Embedded Computer Technology. Revenue is recorded less sales deductions and price allowances such as cash and other discounts, bonuses, rebates and returns credited. In principle, the consolidated financial statement is prepared in accordance with IFRS 15.

The Group revenue amounts to TEUR 88,310 (previous year: TEUR 79,571). This is broken down among the following geographic areas:

Group revenue (in TEUR)	Data visualisation	Power Supplies	Total
Domestic	35,005	24,170	59,175
previous year	31,324	22,406	53,730
domestic			
Foreign	20,386	8,749	29,135
previous year	19,538	6,303	25,841
foreign			
Total	55,391	32,920	88,310
previous year total	50,862	28,709	79,571

Consolidated Notes: 22. Change in inventory for finished/unfinished goods

The change in inventory of unfinished / finished products of Distec GmbH is TEUR 217 (previous year: TEUR 405), FORTEC AG TEUR -45 (previous year: TEUR 243), ROTEC technology GmbH TEUR -160 (previous year: TEUR -161),

AUTRONIC Steuer- und Regeltechnik GmbH TEUR -85 (previous year: TEUR -82), Display Technology Ltd TEUR 29 (previous year: TEUR -25) and Apollo Technologies Corp. TEUR -25 (previous year: TEUR 0).

Consolidated Notes: 23. Other operating income

Other operational revenue includes the following:

in EUR	Group 2017/2018	Group 2018/2019
Income from asset disposals	14,286	1,000
Reduction of specific value allowances	22,825	80,588
Dissolution of provisions	19,497	355,809
Benefits in kind	107,293	136,005
Income from exchange rate differences	831,007	803,006
Other ordinary income	165,486	148,268
Other operating income	1,160,393	1,524,677

Other ordinary income includes, in particular, income from the reversal of individual warranty provisions of TEUR 331 as well as damages in the amount of TEUR 18 (previous year: TEUR 22).

Consolidated Notes: 24. Cost of material

The expenses for the purchase of materials/goods in this financial year amounted to TEUR 60,183 (previous year: TEUR 54,646). Cost of material in the amount of TEUR 7,481 (previous year: TEUR 7,680), which arose within the Group, were eliminated. Impairments on inventories, which are recorded as expenses in this period, amounted to TEUR 700 (previous year: TEUR 214).

Consolidated Notes: 25. Personnel expenses

Personnel expenses comprise the following:

in EUR	Group 2017/2018	Group 2018/2019
Wages and salaries	10,622,869	12,088,998
Social contributions and expenditures for retirement benefits	1,826,833	1,986,715
Personnel expenses	12,449,702	14,075,713

Consolidated Notes: 26. Depreciation

Depreciation for this financial year include:

in EUR	Group 2017/2018	Group 2018/2019
Intangible assets	132,131	136,744
Tangible assets and low-value assets	465,753	544,898
Depreciation	597,884	681,641

Consolidated Notes: 27. Other operating expenses

Other ordinary operational expenses include the following:

in EUR	Group 2017/2018	Group 2018/2019
Occupancy costs	1,415,635	1,447,853
Insurance policies, contributions	304,385	401,762
Repairs, maintenance	59,754	66,696
Vehicle costs	231,435	363,503
Advertising and travel expenses	790,308	1,095,714
Costs of delivery	1,128,693	721,454
Various operating costs	2,460,879	2,300,837
Losses from the disposal of assets	693	5,295
Losses from UV and value adjustments	183,597	194,502
Other expenses in the scope of ordinary business activities	825,208	763,908
Other operating expenses	7,400,586	7,361,523

The costs of goods deliveries includes additions to the warranty provisions in the amount of TEUR 122 (previous year: TEUR 586). The item "Other expenses in the scope of ordinary business activities" includes expenses arising from currency exchange rate differences in the amount of TEUR 730 (previous year: TEUR 825). The expenses from currency exchange rate differences relate to expenses for payment rendered in the respective financial year. Expenses for product development and technology enhancements in this financial year amounted to 2.2 million EUR (previous year: 1.5 million EUR).

Consolidated Notes: 28. Interest income

The interest result consists of interest income of TEUR 10 (previous year: TEUR 9) and interest expenses of TEUR 70 (previous year: TEUR 62).

Consolidated Notes: 29. Taxes on income

The consolidated financial statement discloses 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 in the Group is 23.38% (previous year: 27.98%) 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 2017/2018	Group 2018/2019
Paid or outstanding taxes		
- Germany	1,583	1,522
- Foreign (CH, GB, USA)	91	253
	1,674	1,775
Deferred taxes		
- arising from time differences/ consolidation	-84	-39
- from loss carried forward	87	0
	3	-39
Income taxes	1,677	1,736

In the FORTEC Group, the actual tax expenses of TEUR 1,736 (previous year: TEUR 1,677) are below the theoretical tax expense by TEUR 418 (previous year: TEUR 61), which is calculated based on the application of an expected, weighted average tax rate for the consolidated earnings before tax.

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 2017/2018	Group 2018/2019
Earnings before income tax	5,993	7,424
Nominal income tax including trade tax	29.0%	29.0%
Expected income tax charge at a uniform tax rate	1,738	2,153
Increase/Reduction of income tax charge through:		
- low tax rates abroad	-96	-121
- use of unrecognised losses carried forward	-73	-136
- non-deductible business expenses	97	26
- tax-exempt income (dividends)	-8	-10
- tax payments for previous years	113	-52
- tax refunds for previous years	0	-123
- capitalisation of losses carried forward	-67	0
- trade tax additions and deductions	9	1
- inter-company profile elimination	-38	-21
- other discrepancies	2	19
Income tax charge reported	1,677	1,736
Effective income tax	27.98%	28.38%

Consolidated Notes: 30. Segment reporting

The Group is active in the areas of Data Visualisation systems 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:

	in TEUR	Data Visualisation	Power Supplies	Total
Revenue		55,391	32,920	88,310
Previous year		50,862	28,709	79,571
Depreciation		387	294	682
Previous year		358	240	598
Operating result		6,129	1,321	7,449
Previous year		4,344	1,673	6,017
Financial result/investment income		-8	-17	-25
Previous year		-40	17	-23
Income taxes		1,243	494	1,736
Previous year		1,205	472	1,677
Annual result		4,878	810	5,688
Previous year		3,099	1,217	4,316
Assets		31,534	25,885	57,419
Previous year		26,907	17,868	44,775
Domestic portion		22,056	19,896	41,952
Previous year		20,598	13,669	34,267
Foreign portion		9,478	5,989	15,467
Previous year		6,309	4,199	10,508
Portion of inventories		12,871	11,200	24,071
Previous year		11,643	8,388	20,031
Debts		9,621	7,658	17,279
Previous year		9,497	5,176	14,673
Investment		372	3,417	3,789
Previous year		335	1,076	1,411

Revenue for the Power Supplies segment includes income from production services in the amount of TEUR 875 (previous year: TEUR 1,600). The bases for measurement and accounting of the segments are consistent with the those of the company and of the Group. The result of the Data Visualisation segment includes TEUR 349 from the reversal of provisions for individual warranties

formed in the previous year. The financial result consists of financial income of TEUR 45 (previous year: TEUR 9) and financial expenses of TEUR 70 (previous year: TEUR 62). The investment result is shown in the consolidated statement of comprehensive income.

Consolidated Notes: 31. Currency exchange rates

A total of TEUR 213 (previous year: TEUR -343) currency translation differences were allocated to equity. They developed as follows (in EUR):

	in EUR
Status 01.07.2017	976,883
Additions 2017/2018	-342,966
Status 01.07.2018	633,917
Additions 2018/2019	212,572
Status 30.06.2019	846,489

The addition essentially results from the further development of currency translation from the recognition of the goodwill of ALTRAC AG at the closing rate as well as from the translation of the equity of the foreign subsidiaries Apollo Corp. (US), ALTRAC AG (CH) and Display Technology Ltd. (UK). In the statement of comprehensive income, TEUR -64 (previous year: TEUR 6) from the currency translation were recognised in profit and loss (income less expenses).

Consolidated Notes: 32. 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 TEUR 3,958 (previous year: TEUR 3,474) include interest expenditure in the amount of TEUR 67 (previous year: TEUR 45). The cash flow from the investment area includes interest income of TEUR 6 (previous year: TEUR 3). In the previous year, interest income was still reported under the item increase/decrease in other receivables. The cash flow from operations includes income tax payments in the amount of TEUR 2,450

(previous year: TEUR 1,843) are also included. The acquisition of the new subsidiaries was financed with liquid funds. Until 30 June 2019, TEUR 2,297 out of the purchase price have been paid. The difference to the TEUR 2,156 reported in the cash flow statement are the acquired cash and cash equivalents. Further explanations have been given in Note 3 on the acquisition of subsidiaries (IFRS 3) and thus also on their influence on the presentation of the cash flow statement (the amounts of assets and liabilities broken down into major groups have been obtained through control). The Group has been granted credit lines amounting to TEUR 8,000. Short-term credit lines of TEUR 7,650 can be used. (IAS 7.50b).

Consolidated Notes: 33. Capital management

The aim of the Group is to keep a strong capital base in order to maintain the trust of investors, markets and creditors.

The aim of the capital control is to ensure business activity on the basis of high equity financing. To ensure or adjust the capital structure, the Group may make adjustments to dividend payments and share buybacks and issue new shares.

The Group monitors capital using a ratio of net financial debt to total equity and net financial debt (capital management ratio). Net financial debt includes all liabilities in the balance sheet less cash and cash equivalents. Equity comprises the equity recognised in the balance sheet.

in TEUR	Group 2017/2018	Group 2018/2019
Total liabilities Minus cash and cash equivalents	14,672,658 (5,411,462)	17,279,392 -9,406,542
Net liabilities	9,261,196	7,872,850
Shareholders' equity	30,102,375	40,139,827
Capital management ratio (Net liabilities in relation to equity)	3.25	5.10

Consolidated Notes: 34. Supervisory board

During the financial year, the members of the supervisory board are:

Winfried Tillmann

Chairman (Schwerte, 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 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 represented on the following supervisory committees:

Value-Holdings AG, Augsburg

Consolidated Notes: 35. Transactions with related parties

Transactions with other related parties are as follows:

in TEUR	Values of business transactions	
	2017/2018	2018/2019
Sale of goods and services	22	0
Purchase of goods	711	1,090
Rent expenses	402	353
Salaries of related persons of the management	0	42

Consolidated Notes: 36. 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	2017/2018	2018/2019
Current employee benefits due	1,268	1,380
Benefits after termination of the employment relationship	0	0
Other non-current benefits due	0	0
Termination benefits	0	0
Share-based payments	0	0
	1,268	1,380

The total remuneration of the board of directors of FORTEC AG amounts to TEUR 867 (previous year: TEUR 628), which includes performance-related remuneration of TEUR 250 (previous year: TEUR 220). An individualised presentation of the remuneration of the board of directors is not required as the annual shareholders' meeting dated 16 February 2017 decided that disclosure in accordance with §314 (1) no. 6a) sentence 5 - 8 of the German Commercial Code (HGB) can be waived for a period of 5 years from the date of the resolution (§ 314 (2) sentence 2 in conjunction with § 286 (5) of the German Commercial Code (HGB).

Consolidated Notes: 37. Auditor fees

The following fees are recorded as an expense in financial year 2018/2019 for the services rendered by the auditor of the consolidated financial statement, Metropol Audit Wirtschaftsprüfungsgesellschaft mbH, Mannheim, Germany.

in TEUR	2017/2018	2018/2019
Audits of financial statements	62	62
Tax advisory services	0	0
Other assurance services	0	0
	62	62

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

Consolidated Notes: 38. Other information

The Group employed an average of 219 (previous year: 203) **employees**, of which 4 are temporary employees (previous year: 4) in this financial year. In this financial year, the board of directors of FORTEC AG included:

Sandra Maile

Spokeswoman of the Board, Ludwigsburg

Jörg Traum

Board of directors, Trebur

Bernhard Staller

Board of directors, Emmering

Between the balance sheet date of 30 June 2019 and the day on which the financial statement was 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 of 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 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 § 161 of the German Stock Corporations Act (AktG), 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 September 2018, signed by the board of directors and the supervisory board (§ 285 (16), respectively §314 (1), no. 8 German Stock Corporations Act (AktG). The board of directors has recommended a dividend distribution in the amount of 2,625,305.20 EUR (previous year: 1,950,261 EUR). A total of 3,250,436 bearer shares are eligible to a dividend payment with a respective value of 0.70 EUR (previous year: 0.60 EUR) per share. The earning per share amounts to 1.75 EUR (previous year: 1.33 EUR). In financial year 2018/2019, a notification was made in accordance with Article 26 of the German Securities Trading Act (WpHG)

In this financial year, the company issued the following ad-hoc announcements:

→ 2 July 2018:

"FORTEC Elektronik AG places cash capital increase"

→ 28 September 2018:

"Acquisition in the Data Visualisation segment: FORTEC takes over Display Solutions Ltd & Components Bureau Ltd"

→ 26 June 2019:

Change in the supervisory board: Mr Winfried Tillmann, Chairman of the supervisory board, has resigned from office per 31 August 2019

Consolidated Notes: 39. Approval for publication

The consolidated financial statement was created on 6 September 2019 and approved for publication by the board of directors.

Germering, 6 September 2019
FORTEC Elektronik AG

Sandra Maile
Spokeswoman of the Board

Bernhard Staller
Board of directors

Jörg Traum
Board of directors

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Statement of the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for accounting standards, we assure that the consolidated financial statement gives 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.

Germering, 6 September 2019
FORTEC Elektronik AG

Sandra Maile
Spokeswoman of the Board

Bernhard Staller
Board of directors

Jörg Traum
Board of directors

Independent auditor's report

Audit opinion

We have audited the consolidated financial statement of FORTEC Elektronik AG, Germering, Germany, and its subsidiaries (Group companies), consisting of the consolidated balance sheet as of 30 June 2019, the consolidated income statements, the consolidated statement of changes in equity and the consolidated cash flow statement, for the financial year from 1 July 2018 to 30 June 2019 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 2018 to 30 June 2019. 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 statement is in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and the additional Germany statutory regulations pursuant to § 315e (1) German Commercial

Code (HGB) and convey a true and fair view of the Group's assets and liabilities as of 30 June 2019 as well as its income situation for the financial year from 1 July 2018 to 30 June 2019 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 statement, is in line with the Germany 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 § 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit arrived at no objections to the correctness of the consolidated financial statement and no objection to the group management report.

Basis for audit opinion

We carried out our audit of the consolidated financial statement and of the group management report in accord-

ance with § 317 German Commercial Code (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 the consolidated financial statement" 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. In addition, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services under Article 5 (1) EU APrVO. 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 statement 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 statement for the financial year from 1 July 2018 to 30 June 2019. These matters have been taken into consideration in connection with our audit of the consolidated financial statement 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 Group's balance sheets.
- Completeness and evaluation/impairment of inventories due to the significance of this balance sheet item as well as changes to the inventory-related procedures. We audited the inventories in qualitative terms by participating in inventory-taking and in terms of value by viewing the relevant documentation.

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

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

Impairment of goodwill

Under balance sheet item "Goodwill/acquired goodwill" in the consolidated financial statement of FORTEC Elektronik AG, goodwill in the amount of 6.6 million EUR with 11.5% of the consolidated balance sheet sum (previous year: 5.1 million EUR and 11.4% of the balance sheet total) 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 3.1 million EUR (previous year: 2.5 million EUR) and Data Visualisation Systems with 3.5 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 representatives. 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 representatives 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 statement 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

Independent auditor's report

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 the 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.

Verification of the completeness and valuation/impairment of inventories

In the consolidated financial statement of FORTEC, a stock value of 24.1 million EUR (41.9% of the consolidated balance sheet sum) (previous year: 20.0 million EUR and 44.7% 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).

Miscellaneous information

The legal representatives as well as the supervisory bodies are responsible for the miscellaneous information. The miscellaneous information encompasses the financial statement, 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 statement 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 statement entails reading the miscellaneous information and recognising whether this information contains any significant inconsistencies in relation to the consolidated financial statement 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 statement and the group management report

The legal representatives are responsible for compiling the consolidated financial statement, in compliance with IFRS, as they are to be applied in the EU, and the additional German statutory requirements pursuant to § 315e (1) German Commercial Code (HGB). They are also responsible for ensuring that the consolidated financial statement conveys 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 statement that is free of material, intentional or unintentional, misstatements. When preparing the consolidated financial statement, 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 statement, 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 statement and the group management report.

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

Our aim is to obtain reasonable assurance as to whether the consolidated financial statement, as a whole, is 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 statement 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 statement 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 statement will always uncover material misstatements in accordance with § 317 German Commercial Code (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 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 statement and the group management report. 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 statement 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 statement 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.

Independent auditor's report

- 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 statement or in the group management 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 statement, including the information, to determine whether the consolidated financial statement depicts the underlying business transactions and events in such a way that the consolidated financial statement, 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 § 315e (1) German Commercial Code (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 statement and the group management report. We are responsible for the instruction, monitoring and execution of the audit of the consolidated financial statement. We bear sole responsibility for our audit opinions
- we audit the consistency of the group management report in relation to the consolidated financial statement, 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 statement. 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 statement 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 statement, 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 statement by the annual shareholders' meeting on 14 February 2019 and contracted by the supervisory board on 26 March 2019. We have been contracted, without interruption, as the Group auditors for FORTEC Elektronik AG since financial year 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 K. Deffner, Lahr.

Lahr, 16 September 2019

Metropol Audit GmbH

Auditing company

Gertrud K. Deffner

Financial auditor

Annex to audit report: Parts of the group management report that are not materially audited

We have not materially audited the following part of the group management report:

- declaration of corporate governance included in the group management report in accordance with § 315 in conjunction with § 289f of the German Commercial Code (HGB)

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FORTEC Elektronik AG

Augsburger Str. 2b | 82110 Germering

Tel.: 089 894363-0 | Fax 089-894363131

E-mail aktie@fortecag.de | www.fortecag.de

Concept and design

Medienpalast Allgäu GmbH & Co. KG

Heisinger Strasse 12 | 87437 Kempten, Germany

www.medienpalast.net

FORTEC

FORTEC Elektronik AG
Augsburger Str. 2b
D-82110 Germering
www.fortecag.de