BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

ANNUAL REPORT 2020

FORTEC ELEKTRONIK AG

Annual Report 2020

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Preface

Ladies and gentlemen, dear shareholders, dear employees,

We are pleased to present the results of another eventful financial year of the FORTEC Group.

2019/2020 was a financial year in which the business development of the FORTEC Group was also tangibly affected by the COVID-19 pandemic. Despite these difficult conditions, we nearly matched the sales of the successful previous year and achieved a respectable result with an EBIT of over 7%.

Our committed employees, whose well-being and health we take particularly serious in these times, have made this success possible in the interest of our customers and shareholders. We would therefore like to express our special thanks to all employees for their motivation and commitment in these challenging times. We would also like to thank all our business partners and especially our customers: They are the daily motivation for our business activities.

We thank you – our shareholders, customers and business partners – for your interest and loyalty towards the FORTEC Group. We will stick to our long-term decisions despite the challenging economic environment.

I also thank you on behalf of the board of directors for your confidence and support! We will do everything in our power to ensure that FORTEC remains an attractive, future-oriented company that deserves your trust.

Sandra Maile
CEO

Sandra Maile
(Chief Executive Officer)

Bernhard Staller
(Chief Operating Officer)

Annual Report 2020

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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 of industrial high-tech products and, today, the company is a well-established part of the international value chain. As a link between various production facilities of internationally active suppliers, especially from the Far East and European as well as American customers, FORTEC occupies an interesting growth niche and is continuously expanding its position as a supplier of customer-specific product solutions for industrial use, for instance through its own software and hardware developments and the expansion of its own production services. 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 basis of FORTEC's success is the large number of customer relationships developed over the course of many years. Our sales activities aim at establishing strategic partnerships with our top customers who are the market leaders in their respective markets as well as those who generate small and medium-sized sales volumes. On account of ever-increasing complexity, orders are more frequently becoming long-term projects and, as a supplier, FORTEC is becoming a permanent and strategic partner for its customers.

For over 35 years, we have always achieved excellent 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 Data Visualisation, FORTEC is among the market leaders in the German-speaking countries. Moreover, FORTEC has positioned itself well in the Anglo-American market through its subsidiaries. In the product area of Power Supplies, FORTEC covers the entire range of grid components and DC/DC transformers – from standard products produced in the Far East, to serial devices modified in Germany, and customised developments for niche segments provided by our subsidiary AUTRONIC. Our successful subsidiary EMTRON focuses solely on the distribution business in the segment of Power Supplies. Stock availability of the right products is the basis for 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 Data Visualisation 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 subsidiary DISTEC gives the Group access to TFT controller solutions developed in house, as well as to the latest generation of optical bonding technology. The operations of ROTEC technology GmbH will cease on 30 June 2020 and the Rastatt site will be closed. As of 1 April 2020, a restructuring within the Group was carried out, in which the parent company transferred the entire display & embedded portfolio to the subsidiary DISTEC and the portfolio of power supplies to EMTRON. FORTEC Elektronik AG as the parent company is now the holding company responsible for the management of the affiliated companies, the strategy of the Group and essential parts of the administration. In Germany, the Group operates numerous regional offices that provide local customer service. FORTEC is represented with a sales office in Austria and with the wholly-owned sales subsidiary ALTRAC in Switzerland. Additionally, FORTEC is represented in the Benelux countries with a share in the Dutch trading company, Advantec Electronics, in England with the foreign subsidiary Display Technology, in the US with the foreign subsidiary Apollo Display Technologies and in the Czech Republic with Alltronic, a subsidiary of AUTRONIC.

All companies of the FORTEC Group are united by one goal: "With our expertise and our speed we create a sustainable benefit for our customers from all industrials sectors. In this way, long-term partnership-based customer relationships are created at eye level. Our customers encounter qualified employees for whom flexibility, reliability and transparency are a matter of course. We live the traditional values of medium-sized companies and also continuously improve our international competitiveness. We are “Big enough to compete, small enough to care”. It is precisely this mix that creates a healthy basis for sustainable growth and attractive participation for our owners in the company's success”.

Group Management Report: 2. Economic report

Global economic *conditions* are increasingly marked by tensions of a geopolitical nature and have been dominated by the outbreak of the COVID-19 pandemic almost worldwide since the beginning of 2020. The *current economic situation* in the euro zone is also strongly influenced by the pandemic. In Germany, gross domestic product (GDP) in the 1st quarter of 2020 fell by 2.2% compared to the 4th quarter of 2019. According to the Federal Statistics Office, the 2nd quarter of 2020 was again 9.7% weaker than the 1st quarter of 2020. This was the sharpest decline since the start of quarterly GDP calculations for Germany in 1970. It was even stronger than during the financial market and economic crisis in 2009 (-4.7% in the 1st quarter of 2009). Investments have therefore decreased significantly. Uncertainty concerning the development of US and Chinese policies and the ongoing BREXIT negotiations remains, but is being overshadowed by the effects of the pandemic.

Income position

In the *course* of the 2019/2020 financial year, the current COVID-19 pandemic had a noticeable impact on business. Measures introduced at an early stage as part of the COVID-19 crisis management and the consistent continuation of the Group's transformation, which began in 2017, have resulted in a single-digit percentage decline in revenue, almost reaching the previous year's figure, and an EBIT result within the optimistic range of forecast expectations. Group revenue was EUR 87.7 million (PY: EUR 88.3 million). This means that the decline in revenue in the financial year was only just under 1.0% compared to the previous year. The previous year's result included the acquired UK subsidiaries for only 9 months, so that the organic decline was around 3.0%. The segment of Data Visualisation added EUR 55.7 million (PY: EUR 55.4 million) and the segment of Power Supplies added EUR 32.0 million (PY: EUR 32.9 million) to Group revenue. The share of sales among the two segments is similar to that of the previous year: Data Visualisation now accounts for 63.5% (PY: 62.7%) to total sales. Other operating income rose from EUR 1.5 million to EUR 3.5 million, in particular due to income from the disposal of assets, earn-out and deconsolidation. The gross margin including unfinished products decreased from 31.8% in the previous year to 31.0% in financial year 2019/2020. The cost of sales ratio thus increased from 68.2% in 2018/2019 to 69.0% in 2019/2020. One reason for this were increased transport costs in the context of the COVID-19 pandemic.

General salary adjustments, severance payments in connection with the closures of the Landsberg and Rastatt sites and the expansion of the sales and marketing organisation led to an increase in personnel expenses from EUR 14.1 million to EUR 14.5 million. Thus, the personnel cost ratio increased from 15.9% to 16.4%. Depreciation and amortisation increased by EUR 1.3 million to EUR 1.9 million, mainly due to the first-time application of the amortisation of rights of use in accordance with IFRS 16 (PY: KEUR 682). Despite IFRS 16 adjustments, other operating expenses rose from EUR 7.4 million in the previous year to EUR 7.9 million and amounted to 9.0% of revenue (PY: 8.3%). The increase is mainly due to warranty provisions in connection with the ROTEC closure and a loss of receivables.

Due to the aforementioned factors, the EBIT, as an essential *financial performance indicator*, decreased from EUR 7.4 million in the previous year to EUR 6.5 million, thus in the optimistic range of the forecast. The EBIT margin, based on revenues, fell from 8.4% in the previous year to 7.4%. At KEUR 5,032, the Data Visualisation segment accounted for 77.6% of the consolidated operating result (PY: KEUR 6,129 with 82.3%). The Power Supply segment contributed 36.5%

(PY: 37.3%) to total revenue and achieved an operating result of KEUR 1,451 (PY: KEUR 1,321), which corresponds to a share of 22.4% (PY: 17.7%) of the consolidated operating result. The consolidated net income for financial year 2019/2020 was EUR 4.8 million (PY: EUR 5.7 million). The profit-turnover ratio after tax fell from 6.4% to 5.4%. While the profit-turnover ratio (EBIT) in relation to the total output of the Data Visualisation segment fell from 11.1% to 9.0%, the profit-turnover ratio in the Power Supply segment rose from 4.0% to 4.5%. Thus, the earnings per share decreased from EUR 1.75 to EUR 1.47. Hence, a dividend payment of EUR 0.60 per share (PY: 0.70 per share) is to be proposed to the shareholders at the forthcoming annual shareholders' meeting This corresponds to a return of 3.5% based on the share price (EUR 17) as of 30 June 2020.

Asset Position

On the asset side, with a balance sheet total of EUR 64.6 million (PY: EUR 57.4 million), *non-current assets* total EUR 18.9 million (PY: EUR 13.1 million). Of this, EUR 6.7 million (PY: EUR 6.6 million) of goodwill from the acquired subsidiaries represents the largest position. As a result of the first-time recognition in accordance with IFRS 16, rights of use are reported in the amount of EUR 6.3 million.

With respect to *current assets*, at a value of EUR 24.7 million (PY: EUR 24.1 million), inventories accounted for 38.2% (PY: 41.9%) of balance sheet total as the largest single item. Of this, the Data Visualisation segment accounted for EUR 13.9 million (PY: EUR 12.9 million), and the Power Supplies segment for EUR 10.7 million (PY: EUR 11.2 million). The second largest *item of trade receivables* (EUR 9.3 million) increased by EUR 1.2 million over the previous year. At the end of the balance sheet preparation these have essentially been settled. The cash position has increased to EUR 8.9 million (PY: EUR 9.4 million).

Financial and liquidity position

The *financial situation* of the company continues to be excellent, especially in comparison to companies pursuing similar business models, with a high and above-average equity ratio of 66.3% (PY: 69.9%). At EUR 42.8 million (PY: EUR 40.1 million), 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 EUR 5 million for the acquisition of the second portion of Data Display GmbH. As of the balance sheet date, the outstanding balance was EUR 2.1 million (PY: EUR 3.1 million). To finance the construction of the new subsidiary EMTRON, a construction loan was taken out, which was still valued at EUR 2.61 million at year-end. Cash flow from the operative area in 2019/2020 financial year decreased from EUR 4.0 million to EUR 3.6 million. Cash flow from investments was positively affected by the sale of the two properties and Corona-related investment restraint at KEUR 619 (PY: EUR -5.8 million). The negative cash flow from financing activities after repayment and dividend distribution was EUR 4.7 million. In total, the Group recorded cash and cash equivalents amounting to EUR 8.9 million (PY: EUR 9.4 million).

Non-financial performance indicators such as employee concerns, long-term customer and supplier relationships, environmental concerns and ISO certifications are of great importance to the company, but play a subordinate role in its management. With regard to employee concerns, FORTEC has an average length of service of more than 8 years. The long-lasting and close cooperation with selected suppliers has allowed FORTEC 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

FORTEC invests both in classic product development (e.g. video converters and network IoT products) and in the further development of production technologies at an annual expenditure of around EUR 2 million (PY: EUR 2.2 million), particularly in the subsidiary DISTEC. Here, one particular highlight is vacuum technology, which represents the newest generation of the optical-bonding procedure.

Group Management Report: 3. Forecast report

The following statements about future business operations and the assumptions about economic developments on the market and within the industry are based on estimates that we currently believe to be realistic according to the information available to us. 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 was massively affected by the COVID-19 pandemic. The current uncertainty has had a negative impact on growth prognoses for the global economy. According to the IFO economic forecast, the German economy will continue to recover in the coming year. We are incorporating this with cautious optimism in our planning for financial year 2020/2021.

Overall, we continue to anticipate a possible decline of up to 15% in Group revenue and up to 10% in Group EBIT in the current financial year. Reliable forecasts about the further effects of the Corona virus on the business development of the FORTEC Group cannot be made at present with a longer-term perspective. An adjustment of the forecast in the course of the year could therefore be necessary. This prospect applies to the area of Power Supplies as well as the area of Data Visualisation.

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 are not interested in growth at any price, but in profitable growth. Factors such as the expansion of the solutions business, increased innovation and additional services as well as the expansion of the project business will serve to further strengthen earnings power. At the same time, the company's proximity to its customers and its broad positioning cushion the risks of economic fluctuations and ensure sustained profitability.

FORTEC will continue to participate in the digitalisation trend. Together with external partners and its own development departments, the company is 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), the two segments, our financial situation (financial risks) and our income (risks to profitability). Additional systemic risks include the human resources risk and technical risk. The following risks 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 estimate can be found in the Consolidated Notes (Note 18). An evaluation of risks is carried out to the best of our knowledge and beliefs 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 insurance cover is reviewed on an annual basis but may prove insufficient in certain cases.

Potential risks that we must face in order to be present on the market are sales, product and market risks as well as dependence on suppliers; these risks apply to both segments in equal measure. A very large risk that should not be underestimated, albeit a *systemic risk*, relates to our close cooperation with only a few strategic partners in the product area. As 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-stage 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 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 trade credit insurance policy.

Our success in the market continues to depend very much on the comprehensive knowledge and many years of experience and currently to a large extent on the health of our employees (*personnel risk*). The necessary hygiene and control measures to protect against COVID-19 infection have been introduced at each site. A large-scale personnel change or even the removal of a single key individual can place our ongoing success at risk. The recruitment of new personnel members in view of 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 such as a state-of-the-art work environment and individual working models.

A change of the strategy of our industrial customers 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 have been 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 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 Data Visualisation segment. This list of risks is not exhaustive and additional risks may occur 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. Whether and which influences the effects of the COVID-19 pandemic can still have cannot be conclusively assessed today. 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 anually as part of the Management Review, in order to further develop the Group continuously. The FORTEC Group sees a number of opportunities to successfully develop the company in the years to come. The company philosophy "big enough to compete, small enough to care" continues to provide new opportunities compared to the previous year. By means of targeted market observation, 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 seize additional market opportunities in England and the US.

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, i.e. the networking of industrial applications. This fourth industrial revolution that envisions a fully-rationalised factory will translate into enormous productivity gains, especially in Central Europe. As a supplier for the capital goods industry, we will be able to profit from this for years to come. Concrete opportunities are regularly identified by our sales force, initiated by project marketing and evaluated through frequent exchanges with the management. When needed, the results are included in roadmaps and executed through new projects; these do, however, tie up money and resources and therefore constitute a potential risk factor. In the segment of Power Supplies, we are the leader for know-how in applications, solutions to problems and technical service. In the segment of data visualisation (Display Technology, Embedded Computer Technology), our technology know-how is the growth driver for complete and tested sub-systems. Further opportunities arise from the bundling of operating activities in the subsidiaries, which will enable synergies to be exploited.

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. The solid financial situation enables us to react flexibly and quickly to strategic options as they arise in the relevant market and to industry developments.

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. We define risks as internal and external events that have a negative impact on the achievement of our goals and forecasts. 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 identify risks as early as possible, to assess them appropriately and to limit or avoid them by taking appropriate measures. In particular, this means that employees and decision-makers are able to develop relevant solutions in due time before damage occurs, either on their own responsibility or in cooperation with the decision-makers. Therefore, the relevant processes and procedural guidelines are integrated in the QMH process landscape and available Group-wide for everyone via ad-hoc reports. Risk management is an ongoing task. We therefore create an awareness of the risks existing in the company among all employees and especially among decision-makers. 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 internal 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. We assess the relevant risks according to the probability of their occurrence and the degree of their impact on business activities, assets, liquidity, earnings and cash flow. 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. An internal control system supports the achievement of business policy objectives by ensuring the functionality and efficiency of business processes, compliance with laws and adherence to regulations (compliance) as well as the protection of business assets. The board of directors is responsible for the design of control and risk management. Active monitoring controls carried out by the board of directors help to identify, evaluate and handle risks in the individual business areas at the company and among the 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 at least once a year through a so-called impairment test and corrected, if necessary. The measures performed by the internal controlling system for the correctness and reliability of financial accounting ensure that our business transactions are recorded completely and promtly in line with legal and statutory provisions, that stocktaking is carried out in accordance with the guidelines in place, and that assets and liabilities in the annual financial statements are correctly estimated, evaluated and accounted for. It is ensured, 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 statements by the associated auditor entails an essential process-independent supervisory measure for the Group's consolidated 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: Giro 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 trade credit insurance policy for deliveries to companies that are below the DAX 30 index as a rule from a receivable amount of EUR 10,000. Receivables defaults 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, credit lines are available in the amount of EUR 8 million, 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 in- and outflows 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. Overall view of the risk and opportunities situation

From the point of view of the management of a technology company, we identify more opportunities than risks for the future development of the company when balancing risks and opportunities. Even though the business risks are constantly increasing, the demands on products are permanently rising and the product life cycles are getting shorter, 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).

The COVID-19 pandemic could have a negative impact on the Group's delivery capabilities and on its sales market. Developments are being monitored and analysed very closely by a crisis management team set up for this purpose and by the board of directors. With the exception of the occurrence of the COVID-19 pandemic, the risk and opportunity profile has not changed significantly compared to the previous year.

Group Management Report: 8. Additional information in accordance with section 315a of the German Commercial Code (HGB)

The *number of shares* as of 30 June 2020 amounted to 3,250,436 with a par value of EUR 1. The company currently does not have any conditional capital nor a share-buyback program. 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 EUR 1,477,471 until 14 February 2023 with approval from the supervisory board through single or multiple issuances of up to 1,477,471 no-par shares against cash and / or contributions in kind (Approved Chapter I). The board of directors was also

Group Management Report: 8. Additional information in accordance with section 315a of the German Commercial Code (HGB)

authorised, with approval from the supervisory board, to exclude the prescription rights of the shareholders in the following cases: (i) for peak amounts, (ii) in the event of capital increases against contributions in kind, (iii) in the event of cash contributions up to an amount not exceeding 10 per cent of the existing share capital on the date when this authorisation entered into force or on the date of exercising the authorization (whichever value is lower), if the issuing price of the shares is not significantly lower than 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 EUR 1,187,978 after partial utilisation on balance sheet date. The appointment and dismissal of the board of directors is in accordance with legal requirements (sections 84, 85 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 respectively from annual net income. The annual shareholders' meeting on 16 February 2017 decided that the requested information in the annual report in accordance with section 314 (6a), sentence 5–9 of the German Commercial Code (HGB) can be omitted. Additionally, in the event of a change in control following a take-over offer, the supply agreements from the contracted suppliers essential for the company can be terminated. In particular, this danger exists when the contracted supplier must be concerned with the entry of a competitor. Amendments to the articles of incorporation require at least a 75% majority of votes at the annual shareholders' meeting. Additional information in accordance with section 315a (1) sentence 2 of German Commercial Code (HGB) is included in the Consolidated Notes.

Closing statement of the report on relationships with affiliated companies (dependency report), section 312 (3) sentence 3 of German Stock Corporations Act:

The company has decided to again create a dependency report because the main shareholder with a minority shareholding on the basis of presence at the annual shareholders' meeting in the previous years mostly represented a majority at the shareholder's meetings This can justify a dependent relationship of our company pursuant to section 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 transactions at FORTEC in relation to the dominating company or its affiliated companies in this financial year.

Group Management Report: 9. Declaration of corporate governance in accordance with section 315d in conjunction with section 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 section 161 German Stock Corporations Act (AktG), which has permanently been made available for the shareholders on the company's website (https://www.fortecag.de/investor-relations/organe/corporate-governance) by the board of directors and the supervisory board since October 2019. The activities of the management and controlling bodies at FORTEC Elektronik AG (FORTEC) are determined by a responsible corporate governance focused on long-term value creation. In this declaration, the board of directors reports on the company's corporate governance in accordance with section 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 personal responsibility and ethical conduct of each employee.

Way of working and composition of management bodies and committees pursuant to section 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. Essential 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 consist of three persons until the end of the financial year. Jörg Traum, member of the board of directors since 2012, did not extend his board mandate. Accordingly, the board of directors will consist of two persons as of 1 July 2020, with entry in the Commercial Register on 14 July 2020. 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 statements and approves the consolidated financial statements. The regular term of office of the current supervisory board members will end at the annual shareholders' meeting in 2025, which resolves the financial year 2023/2024. The supervisory board did not form committees in the financial year 2019/2020. In the financial year 2019/2020, it met at four ordinary physical meetings and two meetings in form of telephone and video conferences. Among other things, the supervisory board discussed the 2018/2019 annual financial statements of the FORTEC Group, the dividend policy, the strategic orientation of the company, the relocation of FORTEC to Germering, the closure of ROTEC at the Rastatt site and the planning for 2019/2020. The supervisory board obtained information from the board of directors, inter alia, about the status of IT projects, a loss of claim in the UK 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 of the group. The annual auditor participated in the accounts meeting and reported on the audit of the annual financial statements 2018/2019. The members of the supervisory board are required to disclose conflicts of interest to the supervisory board. Conflicts of interest of supervisory board members were disclosed in financial year 2019/2020. Pursuant to section 111 (5) of German Stock Corporations Act (AktG), the supervisory board has achieved a women's quota of 33%. Women's quota of 30% in the board of directors is already achieved. Pursuant to section 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 determined, first and foremost, by the German Stock Corporation Act (AktG) and with restrictions by the German Corporate Governance Codex, in its current versions. The Code in its version dated 16 December 2019 was published in the Federal Gazette on 20 March 2020. The Code 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.

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

The aim of these guidelines is to ensure transparency of the regulations valid in Germany and thus increase the confidence among international and domestic investors, customers, employees and the general public in the corporate governance of German corporations.

Germering, 15 September 2020

Sandra Maile	Bernhard Staller
Chief Executive Officer	Chief Operating Officer

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Consolidated Balance Sheet: 1. Total assets

In EUR	Notes	Consolidated Balance Sheet 30.06.2019	Consolidated Balance Sheet 30.06.2020
A. Non-current assets			
I. Goodwill	6	6,623,491	6,700,451
II. Intangible assets	7	305,454	243,321
III. Tangible assets	7	5,665,336	5,271,276
IV. Rights of use	8	0	6,269,211
V. Financial assets	9	95,780	95,780
VI. Non-current receivables	10	74,567	74,947
VII. Deferred taxes	20	300,409	215,095
		13,065,037	**18,870,081**
B. Current assets			
I. Inventories	11	24,070,674	24,662,999
II. Trade receivables	12	8,017,727	9,261,198
III. Tax receivables	12	2,020,444	2,456,881
IV. Other assets	12	584,896	472,607
V. Cash and cash equivalents	13	9,406,542	8,864,986
VI. Assets held for sale	14	253,900	0
		44,354,183	**45,718,670**
Total assets		**57,419,220**	**64,588,752**

Consolidated Balance Sheet: 2. Total equity and liabilities

In EUR	Notes	Consolidated Balance Sheet 30.06.2019	Consolidated Balance Sheet 30.06.2020
A. Shareholders' equity			
I. Subscribed capital	15	3,250,436	3,250,436
II. Capital reserves	16	14,481,026	14,481,026
III. Exchange Rate Differences	16/32	846,489	1,001,611
IV. Other reserves	16	15,873,889	19,286,571
V. Net income	16	5,687,986	4,776,628
Total shareholders' equity		**40,139,827**	**42,796,272**
B. Long-term liabilities			
I. Long-term bank liabilities	17/19	4,694,432	3,527,760
II. Non-current provisions / liabilities	18	881,681	348,536
III. Non-current leasing liabilities	8	0	5,354,178
IV. Deferred taxes	19/20	242,778	332,966
		5,818,891	**9,563,440**
C. Short-term liabilities			
I. Bank liabilities	17/19	1,382,818	1,166,672
II. Trade payables	17/19	5,616,002	5,510,164
III. Current leasing liabilities	8	0	972,314
IV. Tax liabilities	19/20	1,137,077	1,341,752
V. Other provisions	18	555,595	1,020,296
VI. Other liabilities	19	2,769,009	2,217,842
		11,460,501	**12,229,040**
Total equity and liabilities		**57,419,219**	**64,588,752**

Consolidated Statement of Comprehensive Income

In EUR	Notes	Consolidated income statement 01.07.18–30.06.19	Consolidated income statement 01.07.19–30.06.20
1. Sales revenues	**22**	**88,310,255**	**87,729,944**
2. Increase in unfinished goods	23	-83,782	288,607
3. Other operating income	24	1,524,677	3,481,405
4. Cost of materials	25	60,182,949	60,745,992
5. Personnel expenses	26	14,075,713	14,473,065
6. Depreciation	27	681,641	1,942,478
7. Other operating expenses	28	7,361,523	7,854,995
8. Operating result		**7,449,323**	**6,483,426**
9. Income from investments	9	34,980	26,796
10. Other interest and similar income	29	9,570	3,392
11. Other interest and similar expenses	29	69,564	196,098
12. Earnings before taxes		**7,424,310**	**6,317,516**
13. Taxes on income	30	1,736,324	1,540,888
14. Net income		**5,687,986**	**4,776,628**
15. Other results	32	212,572	155,122
16. Total result		**5,900,559**	**4,931,750**
17. Earnings per share basic diluted		 1.75 1.75	 1.47 1.47
18. Number of shares		3,250,436	3,250,436

Consolidated Statement of Changes in Equity

In EUR	Subscribed capital	Capital reserves	Foreign exchange difference	Revenue reserve / carried forward	Total
Balance 01.07.2018	**2,954,943**	**8,689,364**	**633,917**	**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	3,737,725	10,037,453
Balance 01.07.2019	**3,250,436**	**14,481,026**	**846,489**	**21,561,877**	**40,139,828**
Period result 01.07.2019–30.06.2020				4,776,628	4,776,628
Change other result			155,122		155,122
Dividend payments				-2,275,305	-2,275,305
Changes 2019/2020	0	0	155,122	2,501,323	2,656,444
Balance 30.06.2020	**3,250,436**	**14,481,026**	**1,001,611**	**24,063,200**	**42,796,272**

Consolidated Cash Flow Statement

In EUR	Notes	2018/2019	2019/2020
I. Operative area			
1. Net income		5,687,986	4,776,628
2. Income tax expense		1,760,362	1,540,888
3. Depreciation / impairment on tangible assets and intangible assets		681,641	1,942,478
4. Correction for other non-cash transactions		99,835	112,332
5. Profit (PY: loss) from the sale of tangible assets		5,295	-716,507
6. Increase (PY: increase) of inventories		-3,505,190	-592,325
7. Increase (PY: decrease) of trade receivables and other receivables		2,678,428	-1,172,439
8. Decrease (PY: increase) of trade payables		286,605	-105,838
9. Increase (PY: decrease) of short-term liabilities		-1,351,995	262,280
10. Increase (PY: increase) of non-current receivables		-557	-380
11. Decrease (PY: increase) of non-current liabilities		72,124	-533,145
12. Interest expenses and interest income		59,993	192,706
13. Interests paid (includes the interest portion of the lease liabilities)		-67,481	-188,286
14. Income tax paid		-2,449,541	-1,936,067
Cash flow from operations		**3,957,506**	**3,582,325**
II. Investment area	**33**		
1. Investments in tangible assets and intangible assets		-3,550,787	-894,321
2. Payments made for the acquisition of consolidated companies minus the acquired liquid assets		-2,155,912	-144,070
3. Payments recieved from the sale of tangible assets		1,000	1,656,504
4. Interest received		6,228	576
Cash flow from investments		**-5,699,472**	**618,688**
III. Financing area	**33**		
1. Payments received from (financial) credits		2,944,444	0
2. Payments for repayment of (financial) credits		-1,290,448	-1,382,818
3. Payments received from the issue of shares		6,087,156	0
4. Payments for leasing liabilities [1)]		0	-1,086,512
5. Distribution of profit		-1,950,262	-2,275,305
Cash flow from financing		**5,790,890**	**-4,744,636**
IV. Net decrease (PY: increase) of cash and cash equivalents	**33**	**4,048,925**	**-543,622**
Cash / cash equivalents as per 30.06.2020 (PY: 30.06.2019)		5,411,462	9,406,542
Changes in cash and cash equivalents due to currency changes		-53,845	2,067
V. Cash / cash equivalents p. 30.06.2020 (PY: 30.06.2019)		**9,406,541**	**8,864,986**
Composition of cash and cash equivalents			
Cash		16,390	12,457
Bank balances		9,390,152	8,852,529
Cash and cash equivalents at the end of the period	**13**	**9,406,542**	**8,864,986**

1) The Group has classified payments for the repayment portion of the lease liability as financing activities, has classified payments for the interest portion as operating activities in accordance with the presentation of interest paid, and has classified payments under short-term leases and payments for leases for low value assets as operating activities. In accordance with IFRS 16 C 5, the Group has not restated the comparative information.

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Consolidated Notes: 1. General information

FORTEC Elektronik AG, Germering, Germany (hereinafter "FORTEC AG"), as the top-level parent company and pursuant to section 315e of the German Commercial Code (HGB), compiles consolidated financial statements 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), as they are to be applied in the European Union since 30 June 2020. This is based upon the obligation regarding the application of international accounting standards, resulting from section 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 section 315e (1) German Commercial Code (HGB), which are additionally required under German Commercial Law for cases in which consolidated financial statements are prepared under IFRS, are also disclosed. The company's consolidated financial statements comprise the financial statements of the company and its subsidiaries (together referred to as the "Group"). In the Power Supplies segment, the Group offers a complete product range for power supplies and DC/DC converters. In the segment of Data Visualisation with the product range of Display Technology and Embedded Computer Technology, our activities cover standard kits and support services to product solutions developed in house and complete industrial monitors. The business address of the parent company is Augsburger Str. 2b, 82110 Germering. The company is registered under HRB (Commercial Registry) no. 247748 at the District Court of Munich.

The consolidated financial statements for FORTEC AG were compiled in euro, the functional currency, 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. Provided that individual items in the consolidated financial statements as well as the group's statement of comprehensive income are combined for the sake of improving clarity of the presentation, these are listed and explained in the notes.

New accounting standards

The IASB and the IFRIC have issued the standards, interpretations and changes outlined below, which are not yet mandatory for financial year 2019/2020. These standards were not applied earlier than required.

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

IFRS 16
"Leasing", passed in January 2016
(Endorsement: October 2017)
Applies for financial years after 1 January 2019

IFRIC 23
"Uncertainty over income tax treatments", issued in June 2017 (Endorsement: expected in 2018)
Applies for financial years after 1 January 2019

Annual improvement of IFRS (2015–2017)
Applies for financial years after 1 January 2019

Amendment to IFRS 9
Prepayment function with negative compensation (issued in March 2018)
Applicable as of 1 January 2019

Amendment to IAS 19
Employee benefits
Applies for financial years after 1 January 2019

Amendment to IAS 28
Shares in associated companies
Applies for financial years after 1 January 2019

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

IFRS 17
"Insurance contracts", released in May 2017
(endorsement: pending)
Applies for financial years after 1 January 2023

Amendment to IAS 1
Presentation of the financial instruments: Classification of liabilities as current and non-current
(issued on 23 January 2020)
Applicable from 1 January 2022

Amendments to IFRS 3, IAS 16 IAS 37,
annual improvements 2018–2020
(adopted on 14 May 2020)
Applicable from 1 January 2022

Amendment to IAS 16
Leasing: COVID-19 dependent rent concessions
(issued on 28 May 2020)
Applicable from 1 June 2020

Amendment to IFRS 3
Business combinations
(adopted on 22 October 2018)
Applicable from 1 January 2020

Amendments to IFRS 3, IAS 16 IAS 37,
annual improvements 2018–2020
(adopted on 26 September 2019)
Applicable from 1 January 2020

Amendments to IAS 1 and IAS 8:
Definition on material
(adopted on 31 October 2018)
Applicable from 1 January 2020

Amendment of references to the framework concept in IFRS standards
(adopted on 29 March 2018)
Applicable from 1 January 2020

Consolidated Notes: 2. Accounting and significant valuation principles

Individually acquired intangible assets (without goodwill) as well as *tangible assets* are recognised at acquisition costs, reduced by the accumulated depreciation (cost model IAS 16.30) and depreciated over the expected period of use. The period of use 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 expenses. As of the balance sheet date, the attainable amount for the items included in the tangible fixed assets did not fall below their book value. Straight-line depreciation is the only depreciation method that has been used. Additions are depreciated on a pro rata temporis basis. The book values are reviewed at each balance sheet date for any objective indications of an impairment. Tangible assets are derecognised either upon disposal or when no economic benefit is expected any more from further use or sale of the recognised asset. The profit or loss from the deregistration of the asset is ascertained as the difference between the net capital gain and the book value of the asset and recognised in the income statement in the period in which the property is derecognised.

Consolidated Notes: 2. Accounting and significant valuation principles

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 individual 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. If the net sales value falls below the initial cost, the lesser net sales value will be used as a basis of the evaluation. Financing costs have not been capitalised. *Trade 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 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. Intangible assets and tangible assets are no longer subject to scheduled amortisation and every affiliated company accounted for using the equity method, is no longer equity-accounted if it is classified as held for sale or held for distribution.

Provisions are established in consideration of the principles of best-possible assessment in accordance with IAS 37 using the amounts that the company is presumably obliged to settle. Possibly required discounting has 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 29% is estimated, dependent on the tax regulations of the country of origin (PY: between 19% and 29%). Transactions in *foreign currencies* are translated into euro at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies existing as of the balance sheet date are translated into euro 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 subsidiaries are converted into euro 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 at the closing rate on the balance sheet date, while expenses and income are translated at 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 consideration received or to be claimed. Interest income is recognized on a time proportion basis. Revenue from contracts with customers: The Group applied IFRS 15 for the first time as of 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. Trade receivables, trade payables as well as inventories are generally reported as current. Deferred tax assets and liabilities are generally deemed non-current, in accordance with IAS 1.56. In compliance with IFRS, the presentation of the consolidated financial statements requires that discretionary decisions are made, and estimates are applied that affect the amount of the book value 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 discretionary decisions and estimates. Changes are recognised in the income statement as soon as better information is available.

Assumptions and estimation uncertainties

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 taxes: Availability of future taxable results 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 benefit inflow or outflow. The amount of the provisions for warranty obligations 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, 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 in total. 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 16 Leases

IFRS 16 was initially applicable for the financial years beginning on or after 1 January 2019 and replaces 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).

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases using a single model similar to the accounting for finance leases under IAS 17.

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
EMTRON electronic GmbH, Riedstadt-Wolfskehlen, Germany	100%
ROTEC technology GmbH (in liquidation), 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, Germany	100%
Data Display Solution Verwaltung GmbH, Hörselberg-Hainich, Germany	100%
ALTRAC AG, Würenlos, Switzerland	100%
Apollo Display Technologies Corp., Ronkonkoma, USA	100%
Display Technology Ltd., Huntingdon, 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 financial statements of the subsidiaries are contained in the consolidated financial statements as of the date on which control commenced. The individual financial statements of 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 2020 are presented in the following table:

In KEUR	**Annual result (in accordance with IFRS)**	**Previous year**
FORTEC Elektronik AG	2,062	1,381
BLUM SV GmbH (in liquidation) [1)]	-	2
EMTRON GmbH	676	912
ROTEC GmbH (in liquidation)	61	581
AUTRONIC GmbH	38	184
ALTRAC AG	95	-33
DISTEC GmbH	2,155	2,379
Data Display Solution GmbH & Co.KG	27	50
Data Display Solution Verwaltung GmbH	4	4
Apollo Display Technologies Corp.	802	902
Display Technology Ltd.	651	269
Display Solutions Ltd. [2)]	-	925
Components Bureau Ltd. [2)]	-	303

[1)] *BLUM SV GmbH (in liquidation) was deconsolidated as of 30 June 2020.*
[2)] *The subsidiaries of Display Technology Ltd. were deconsolidated as of 30 June 2020.*

All of the major subsidiaries have therewith been consolidated.

Consolidated Notes: 3. Consolidated companies

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

Registered office:	BLUM SV GmbH (in liquidation) [1] Krumbach	EMTRON electronic GmbH Riedstatt-Wolfskehlen	ROTEC GmbH (in liquidation) [2] Rastatt	AUTRONIC GmbH Sachsenheim	ALTRAC AG Würenlos (Switzerland)	DISTEC GmbH Germering
Shareholders' equity (euro) PY	- 252,173	8,917,973 8,242,035	292,329 981,115	1,211,294 1,173,144	3,091,345 2,872,931	5,110,974 3,455,977
Share of capital / voting rights PY	100% 100%	100% 100%	100% 100%	100% 100%	100% 100%	100% 100%
Acquisition	01.12.1992	17.12.1998	02.07.2003	01.01.2004	30.08.2000	30.06.2015

Registered office:	Data Display Solution GmbH & Co. KG Hörselberg-Hainich	Data Display Solution Verwaltung GmbH Hörselberg-Hainich	Apollo Corp. Ronkonkoma (USA)	Display Technology Ltd. Huntingdon (UK)	Display Solutions Ltd. [1] Huntingdon (UK)	Components Bureau Ltd. [1] Huntingdon (UK)
Shareholders' equity (euro) PY	-888,154 -915,468	71,876 67,415	3,808,879 3,847,587	2,146,070 1,575,047	- 1,962,220	- 888,909
Share of capital / voting rights PY	100% 100%	100% 100%	100% 100%	100% 100%	100% 100%	100% 100%
Acquisition	30.06.2015	30.06.2015	30.06.2015	30.06.2015	28.09.2018	28.09.2018

[1] *The companies were deconsolidated as of 30 June 2020.*
[2] *The company has been in liquidation since 1 July 2020.*

On the balance sheet date, FORTEC AG also holds 36.6% (PY: 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 management personnel, and no significant technical information is provided. This company has therefore not been consolidated. Advantec Electronics B.V. shows shareholders' equity of KEUR 252 on the balance sheet date 31 December 2019 (PY: KEUR 276). The annual result for the financial year 2019 was KEUR 71 (PY: KEUR 114).

AUTRONIC Steuer- und Regeltechnik GmbH holds 100% of the Czech company ALLTRONIC elektronické stavební skupiny a komponenty s.r.o., Dýsina.

Apollo Display Technologies Corp. holds 100% of Apollo Ronkonkoma Inc. Due to their minor significance for the group, the two companies Alltronic and Apollo Ronkonkoma have not been consolidated pursuant 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 KEUR 393 on the balance sheet date 30 June 2020 (PY: KEUR 311). The annual result of the last financial year was KEUR 100 (PY: KEUR 57).

Consolidated Notes: 4. Consolidation principles

In accordance with the statutory requirements, the financial statements of the individual companies to be included in the consolidated financial statements 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 pursuant to 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.

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. The differences arising from the capital consolidation, provided that they are not accounted for by the hidden reserves, are disclosed as goodwill (Note 6) in the fixed assets. The goodwill is recorded as an asset and reviewed for impairment on an annual basis (impairment test).

Impairments are immediately recorded in the income statement. 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.

Consolidated Notes: 5. Mergers

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 2019/2020 (Note 31). The book value of the goodwill for ***Power Supplies*** has changed from KEUR 3,123 to KEUR 3,216. The difference in the currency exchange of KEUR 93 is recorded directly in the equity without affecting earnings. In this financial year, this segment achieved an annual result KEUR 1,070 (PY: KEUR 810). The book value of goodwill for ***Data Visualisation Systems*** of the amount KEUR 3,501 increased to KEUR 3,484. The difference in the currency exchange of KEUR -16 is recorded directly in the equity without affecting earnings. For this segment, an annual result of KEUR 3,707 (PY: KEUR 4,878) 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 2020. In accordance with IAS 36.10 (a), the book value was contrasted with the recoverable amount in the form of the utilisation value of the cash-generating unit.

For the cash-generating unit ***Power Supplies*** as well as for the segment of ***Data Visualisation*** Systems, the utilisation value was reviewed using the discounted cash flow approach. The cash flow projections are based on financial plans prepared by the management of the Company for a period of five years, which are extrapolated for the following years. 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. The recoverable amount is mainly determined by the end value (perpetual annuity), which is sensitive to changes in the assumption of the growth rate and the discount factor: A growth rate between 2% and 3% (PY: 0%) is taken into account. The gross margin is kept within the perpetual annuity and the business costs are increased between 1% and 1.5%. An interest rate of 5% before tax (PY: 5% before taxes) is used for discounting and thus for determining the value in use.

The management is of the opinion that, based on reasonable assumptions, no changes that could occur will lead the book value of the respective cash-generating units to exceed their recoverable amount. The impairment at the end of the financial year does not have to be carried out yet.

The goodwill developed as follows:

In EUR	2018/2019	2019/2020
Goodwill as of 01.07.	**5,091,585**	**6,623,491**
Additions	1,444,980	0
Disposals	0	0
Depreciation	0	0
Currency differences	86,925	76,960
Goodwill as of 30.06.	**6,623,491**	**6,700,451**

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.

Consolidated Notes: 8. Leases

The Group has applied IFRS 16 using the modified retrospective method with initial application on 1 July 2019. The comparative information for the previous year, which continues to be reported in accordance with IAS 17 and IFRIC 4, has not been adjusted. Differences resulting from the first-time application of IFRS 16 were recognised directly in revenue reserves. The Group has applied the new standard to those contracts that were previously classified as leases under IAS 17 and IFRIC 4. The standard has therefore not been applied to contracts that were not previously considered leases within the meaning of IAS 17 and IFRIC 4. The Group assesses at the inception of the lease whether an agreement constitutes or contains a lease. This is the case when the contract gives the right to control the use of an identified asset for a specified period of time in return for a fee. As of 1 July 2019, leases are recognized as rights of use and the corresponding lease liability at the time when the leased asset is available for use by the Group.

Group as lessee

The Group records and measures all leases (with the exception of short-term leases and leases where the underlying asset is of minor value) using a single model. It records liabilities for lease payments and rights of use for the right to use the underlying asset.

Rights of use

The Group records rights of use as of the date of provision, i.e. at the time when the underlying leased asset is ready for use. Rights of use are measured at cost less any accumulated depreciation and any accumulated impairment losses and are adjusted for any revaluation of the lease liabilities. The cost of rights of use comprises the recognised lease obligations, the initial direct costs incurred and the lease payments made at or before the date of provision, less any lease incentives received. Rental agreements for premises are usually concluded for fixed periods of 5–10 years; for vehicles for fixed periods of 36–48 months. Rights of use are amortised on a straight-line basis over the shorter of the useful life and the term of the underlying lease agreement. If the exercise of a purchase option is sufficiently certain from the Group's perspective, the asset is depreciated over the useful life of the underlying asset. If ownership of the leased asset is transferred to the Group at the end of the lease term, or if the costs include the exercise of a purchase option, depreciation is calculated on the basis of the anticipated useful life of the leased asset. Rights of use are also tested for impairment.

Leasing liabilities

On the commitment date, the Group recognises the lease liabilities at the present value of the lease payments to be made over the term of the lease. Lease payments comprise fixed payments (including de facto fixed payments) less any lease incentives to be received, variable lease payments linked to an index or (interest) rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option if it is sufficiently certain that the Group will actually exercise the option and penalties for termination of the lease, if the term takes into account that the Group will exercise the termination option. Variable lease payments not linked to an index or (interest) rate are expensed in the period in which the event or condition giving rise to the payment occurs. The Group determines the term of the lease on the basis of the non-cancellable basic term of the lease, including the periods resulting from any option to extend the lease, if it is sufficiently certain that this option will be exercised, and the periods resulting from an option to terminate the lease, if it is sufficiently certain that this option will not be exercised. The assessment of whether the exercise of these renewal and termination options is sufficiently certain requires significant discretionary decisions on the part of management (see Note 2).

Material discretionary decisions, estimates and assumptions

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the inception date of the lease because the interest rate underlying the lease cannot be readily determined. The marginal borrowing rate is the interest rate that the Group would have to pay if it were, with comparable certainty, to borrow the funds it would need in a comparable economic environment for an asset with a value comparable to the right of use. After the commitment date, the amount of lease liabilities is increased to reflect the higher interest expense and decreased to reflect the lease payments made. In addition, the book value of lease liabilities is reassessed if there are changes to the lease, changes to the term of the lease, changes to lease payments (for example, changes to future lease payments resulting from a change in the index or interest rate used to determine those payments) or a change in the assessment of a call option for the underlying asset.

Short-term leases and leases involving an asset of minor value

The Group applies the short-term lease exception for its short-term leases of property and motor vehicles (i.e. leases with a maximum term of 12 months from the date of commitment and which do not contain an option to purchase). It also applies the exemption for leases of office equipment classified as low-value to leases of office equipment where the underlying asset is of minor value. The Group does not act as lessor.

Amounts recognised in the balance sheet

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

Rights of use in KEUR	01.07.2019	30.06.2020
Buildings	6,442	5,990
Motor vehicles	157	168
Miscellaneous	21	112
Total	**6,620**	**6,269**

Additions to the rights of use during financial year 2020 amounted to KEUR 910.

Leasing liabilities in KEUR	01.07.2019	30.06.2020
Buildings	6,442	6,038
Motor vehicles	157	176
Miscellaneous	21	112
Total	**6,620**	**6,326**

Deferred tax assets increased by KEUR 16 due to the effects of the changes in recorded taxes.

Consolidated Notes: 8. Leases

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

Depreciation of rights of use in KEUR	2018/2019	2019/2020
Buildings	0	1,007
Motor vehicles	0	117
Miscellaneous	0	23
Total	**0**	**1,147**

In KEUR	2018/2019	2019/2020
Interest expenses (included in finance costs)	0	127
Expenses relating to short-term leases (included in cost of goods sold and administrative expenses)	0	0
Expenses relating to leases of low-value assets not included in the above short-term leases (included in administrative expenses)	0	95
Expenses in connection with variable leasing payments not included in leasing liabilities (included in administrative expenses)	0	0
Total	**0**	**222**

The total payments for leasing in 2019/2020 amounted to KEUR 1,216.

Consolidated Notes: 9. Financial assets

The financial assets as of 30 June 2020 comprise the following:

In EUR	30.06.2019	30.06.2020
Shares	95,780	95,780
Sum of financial assets	**95,780**	**95,780**

The *participations* encompass a 36.6% share (PY: 36.6%) of Advantec Electronics B.V., Oudenbosch (NL), with a nominal value of KEUR 46 as well as an unchanged 100% share (via AUTRONIC) in Alltronic spol s.r.o. with KEUR 49 (PY: KEUR 49). The fair value on the balance sheet date corresponds to the book values. 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. Dividends are recognised with an effect on profit and loss in the statement of comprehensive income. On the balance sheet date, no change in the value of the investment was to be made. An income from investments of KEUR 27 (PY: KEUR 35) was received.

Consolidated Notes: Consolidated gross asset schedule

In EUR	Historic acquisition costs							
	Status on 01.07.2019	Additions initial application IFRS 16 01.07.2019	Additions initial cons. 2020	Additions 2020	Disposals 2020	Reclassifi-cation into assets held for sale 2020	Currency differ-ences. Exchange transfers	Balance 30.06.2020
Intangible assets								
Business / company value	12,098,708	0	0	0	0	0	255,849	12,354,557
Relationships business partners	112,701	0	0				-3,104	109,597
Software incl. number	943,577	0	0	62,342	98,913	0	5,597	912,603
Total intangible assets	**13,154,986**	**0**	**0**	**62,342**	**98,913**	**0**	**258,342**	**13,376,757**
Tangible assets								
Properties	800,438	0	0	500	253,375	0	0	547,563
Building incl. prepayments made	4,028,921	0	0	100,464	538,383	0	-101,011	3,489,990
Outdoor facilities	55,470	0	0	69,462	55,470	0	101,011	170,474
Vehicles	488,852	0	0	31,465	326,899	0	5,245	198,664
Tools	161,483	0	0	7,029	0	0	17,577	186,088
Technical facilities / machines	959,514	0	0	41,491	117,450	0	3,362	886,917
Office furnishings / IT	1,040,936	0	0	134,761	11,145	0	14,182	1,178,733
Operating and office equipment	1,043,033	0	0	361,816	147,335	0	-3,997	1,253,518
Low-value fixed assets	219,673	0	0	84,991	158,786	0	-59	145,818
Total tangible assets	**8,798,319**	**0**	**0**	**831,979**	**1,608,842**	**0**	**36,309**	**8,057,765**
Rights of use	0	6,620,312	0	910,149	263,949	0	12,761	7,279,273
Financial assets	141,955	0	0	0	0	0	0	141,955
Total fixed assets	**22,095,258**	**6,620,312**	**0**	**1,804,470**	**1,971,704**	**0**	**307,412**	**28,855,748**
for information: Development of previous year's figures	01.07.2018	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	30.06.2019
Intangible assets	11,231,032		1,583,995	83,425	105	0	256,639	13,154,986
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	22,095,260

Consolidated Notes: Consolidated gross asset schedule

Depreciation						Book value	
Balance 01.07.2019	Additions 2020	Disposals 2020	Reclassification into assets held for sale 2020	Currency differences. Exchange transfers	Balance 30.06.2020	Balance 01.07.2019	Balance 30.06.2020
5,475,217	0	0	0	178,889	5,654,106	6,623,491	6,700,451
10,457	14,233			-715	23,974	102,245	85,623
740,367	105,073	95,948	0	5,412	754,904	203,209	157,698
6,226,042	**119,306**	**95,948**	**0**	**183,585**	**6,432,985**	**6,928,945**	**6,943,772**
0	0	0	0	0	0	800,438	547,563
372,689	142,777	375,448	0	0	140,018	3,656,232	3,349,972
33,739	18,013	34,095	0	0	17,657	21,730	152,817
378,187	51,349	288,004	0	5,201	146,732	110,665	51,932
137,599	20,031	0	0	16,479	174,110	23,884	11,979
531,692	93,272	59,701	0	2,351	567,614	427,822	319,303
887,820	89,324	11,195	0	14,996	980,944	153,118	197,789
632,275	146,655	133,083	0	-6,882	638,966	410,758	614,552
158,982	115,024	153,564	0	5	120,447	60,691	25,371
3,132,983	**676,446**	**1,055,090**	**0**	**32,150**	**2,786,489**	**5,665,336**	**5,271,276**
0	1,146,726	134,569	0	-2,094	1,010,063	0	6,269,211
46,175	0	0	0	0	46,175	95,780	95,780
9,405,199	**1,942,478**	**1,285,607**	**0**	**213,641**	**10,275,711**	**12,690,061**	**18,580,039**
01.07.2018	2018/2019	2018/2019	2018/2019	2018/2019	30.06.2019	01.07.2018	30.06.2019
5,920,623	136,599	105	0	168,924	6,226,042	5,310,409	6,928,944
2,715,342	545,042	80,836	57,420	10,855	3,132,982	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

Consolidated Notes: 10. Non-current receivables

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

Consolidated Notes: 11. Inventories

The inventory assets as of 30 June 2020 are comprised of the following:

In EUR	30.06.2019	30.06.2020
Goods / raw materials, supplies and consumables	20,741,977	20,927,165
Finished / unfinished products	3,153,770	3,442,378
Prepayments made	174,927	293,457
Sum Inventory assets	**24,070,674**	**24,662,999**

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 resale 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 25 cost of material.

Consolidated Notes: 12. Trade receivables, tax receivables and other assets

The trade receivables and other assets as of 30 June 2020 are classified as follows:

In EUR	30.06.2019	30.06.2020
Trade receivables	8,017,727	9,261,198
Tax receivables	2,020,444	2,456,881
Other assets	584,896	472,607
Total receivables	**10,623,066**	**12,190,685**

For accounts receivables, the model of “losses incurred” of IAS 39 was replaced by a model of “expected credit losses” (“ECL”). The 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 the 2019/2020 financial year, the default rates as of 30 June 2020 are as follows:

	Not overdue	1–30 days overdue	31–60 days overdue	61–90 days overdue	> 90 days overdue
FORTEC Elektronik AG	0.00000	0.00000	0.00000	0.0000	0.00000
DISTEC GmbH	0.00001	0.00004	0.00009	0.00023	0.00054
EMTRON electronic GmbH	0.00004	0.00016	0.00040	0.00100	0.00240
AUTRONIC GmbH	0.00001	0.00002	0.00006	0.00015	0.00036
ROTEC technology GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution GmbH & Co.KG	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution Verw. GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Apollo Corp.	0.00000	0.00001	0.00002	0.00005	0.00012
Display Technology Ltd.	0.00002	0.00008	0.00021	0.00053	0.00126
ALTRAC AG	0.00000	0.00000	0.00000	0.00000	0.00000

Consolidated Notes: 12. Trade receivables, tax receivables and other assets

Gross book values of trade receivable as of 30 June 2020

In KEUR	Not overdue	1–30 days overdue	31–60 days overdue	61–90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	1	2	1	0	0	3	EUR
DISTEC GmbH	2,754	258	141	77	0	3,230	EUR
EMTRON electronic GmbH	1,404	98	5	0	0	1,507	EUR
AUTRONIC GmbH	212	39	0	0	0	251	EUR
ROTEC technology GmbH	267	567	0	0	0	834	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.	1,124	170	128	0	69	1,491	USD (in EUR)
Display Technology Ltd.	1,069	-11	5	3	0	1,067	GBP (in EUR)
ALTRAC AG	968	23	-38	0	1	955	CHF (in EUR)
						9,337	

Impairments as of 30 June 2020

In KEUR	Not overdue	1–30 days overdue	31–60 days overdue	61–90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	0	0	0	0	0	0	EUR
DISTEC GmbH	25	9	13	17	0	64	EUR
EMTRON electronic GmbH	56	16	2	0	0	74	EUR
AUTRONIC GmbH	1	1	0	0	0	2	EUR
ROTEC technology GmbH	0	0	0	0	0	0	EUR
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR
Apollo Corp.	2	1	3	0	8	14	USD (in EUR)
Display Technology Ltd.	23	-1	1	2	0	24	GBP (in EUR)
ALTRAC AG	0	0	0	0	0	0	CHF (in EUR)
						179	

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

As of 30 June 2020, there are further impairments amounting to KEUR 87 (PY: KEUR 86) relating to trade recievables that had no impact on the default rate calculated.

In EUR	2018/2019	2019/2020
Valuation allowances as of 01.07.	183,868	86,068
Additions	31,423	32,231
Consumption / Reversals	129,223	31,423
Valuation allowances as of 30.06.	**86,068**	**87,377**

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 KEUR 236 (PY: KEUR 255). 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: 13. Cash and cash equivalents

The cash on hand and cash equivalents as of 30 June 2020 are comprise of the following:

In EUR	30.06.2019	30.06.2020
Cash / Franking machine	13,049	11.166
Banks deposits and post office giro	9,393,493	8.853.819
Cash	**9,406,542**	**8.864.986**

Credit at financial institutions denominated in US dollars, Swiss francs and British pounds are evaluated in the consolidated financial statements using the average exchange rate on the balance sheet date. There was no bank credit denominated in other foreign currencies present. The change to the cash corresponds with the statements in sub-section 33 reported statements. The disclosed value of the liquid assets correspond to the market value. The company has unrestricted access to all cash. Pursuant to IFRS 9, these assets are classified in the category "amortised costs". There were no valuation differences between IAS 39 and IFRS 9.

Consolidated Notes: 14. Assets held for sale

In EUR	2018/2019	2019/2020
Tangible assets	253,900	0
Assets held for sale	**253,900**	**0**

In December 2018, relocation of the headquarters and operative business of Display Technology Ltd. to Huntingdon was decided. The company-owned land and building was put up for sale in the previous year and sold in the financial year.

Consolidated Notes: 15. Subscribed capital

The shareholders' equity of FORTEC Elektronik AG as on the balance sheet date totalled EUR 3,250,436 (PY: EUR 3,250,436). The company's shares are divided into in 3,250,436 no-par shares (securities identification number 577410/ISIN DE 0005774103) with a par value of EUR 1.00.

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 EUR 1,477,471 until 14 February 2023 with approval from the supervisory board through single or multiple issuances of up to 1,477,471 no-par 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 peak amounts, (ii) in the event of capital increases against contribution in kind, (iii) in the event of cash contributions up to an amount not exceeding 10 per cent of the existing share capital on the date when this authorisation entered into force or on the date of exercising the authorisation (whichever value is lower), if the issuing price of the shares is not significantly lower than 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 EUR 3,250,436, registered in the commercial register on 11 July 2018, authorised capital of EUR 1,181,978 still remains until 30 June 2020.

Consolidated Notes: 16. 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	Subscribed capital	Capital reserves	Currency reserves	Other reserves / period result	Total
Balance 01.07.2018	2,954,943	8,689,364	633,917	17,824,152	30,102,375
Issue of new shares	295,493	5,791,663			6,087,156
Total result				5,687,986	5,687,986
Other result			212,572		212,572
Dividend payments				-1,950,262	-1,950,262
Balance 01.07.2019	3,250,436	14,481,026	846,489	21,561,877	40,139,828
Other result			155,122		155,122
Dividend payments				-2,275,305	-2,275,305
Total result				4,776,628	4,776,628
Balance 30.06.2020	**3,250,436**	**14,481,026**	**1,001,610**	**24,063,200**	**42,796,272**

Since 1 July 1998, capital reserves have developed from KEUR 256, plus a premium in 1999 of KEUR 5,233, minus transformations of the capital reserves and increases from the use of conditional capital to KEUR 8,689. In the financial year 2018/2019, the capital reserve increased by KEUR 5,792 to KEUR 14,481 due to the issue of new shares (premium). The *foreign currency translation differences (OCI)* include all foreign exchange differences, due to the currency conversion of financial statements of foreign subsidiaries as well as currency conversion differences from capital consolidation. *Other reserves* show 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 >= 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.

Consolidated Notes: 17. 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 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

IAS 9 defines the following three classifications 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)

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. 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 of an impairment of a financial asset or a group of financial assets. If such objective indications of an impairment exist, the amount of the impairment loss results from the difference between the book value of the asset and the present value of estimated future cash flows.

Financial liabilities

IFRS 9 applies to financial assets measured at amortised cost on contractual assets and liability instruments valued at FVOCI but not on equity investments held as financial assets. 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 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 of determinable payments that are not listed on an active market. After its initial recognition, such financial liabilities are measured at amortised costs less any value increases in the scope of a subsequent measurement.

Financial instruments – fair value and risk management

The following table shows the book values and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include information on the fair value of financial assets and financial liabilities that are not measured at fair value if the book value 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	Book value			Fair value
	Amortised costs	FVOCI equity instruments	30.06.2020	
Shares PY		95,780 95,780	95,780 95,780	Level 3
Non-current receivables PY	74,947 74,567		74,947 74,567	Level 1
Trade receivables PY	9,261,198 8,017,727		9,261,198 8,017,727	Level 1
Other assets PY	236,115 330,156		236,115 330,156	Level 1
Cash and cash equivalents PY	8,864,986 9,406,542		8,864,986 9,406,542	Level 1
Total PY	**18,533,025** 17,924,772		**18,533,025** 17,924,772	

Of the KEUR 473 disclosed in the group balance sheet under "Other assets" (PY: KEUR 585), accruals and deferred income in the amount of KEUR 236 (PY: KEUR 255) are not qualified as financial instruments.

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

In EUR	Measurement category IFRS 9	Book value 30.06.2020	Fair Value 30.06.2020	Balance 30.06.2020
Equity investments PY	FVOCI – equity investments	95,780 95,780	95,780 95,780	95,780 95,780
Non-current receivables PY	amortised costs	74,947 74,567	74,947 74,567	74,947 74,567
Trade receivables PY	amortised costs	9,261,198 8,017,727	9,261,198 8,017,727	9,261,198 8,017,727
Other assets PY	amortised costs	236,115 330,156	236,115 330,156	236,115 330,156
Cash and cash equivalents PY	amortised costs	8,864,986 9,406,542	8,864,986 9,406,542	8,864,986 9,406,542
Total PY		**18,533,025** 17,924,772	**18,533,025** 17,924,772	**18,533,025** 17,924,772

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

In EUR	Amortised acquisition costs 30.06.2020	Fair Value Attribution 30.06.2020	Total 30.06.2020
Bank liabilities PY	4,694,432 6,077,250	0 0	4,694,432 6,077,250
Trade payables PY	5,510,164 5,616,002	0 0	5,510,164 5,616,002
Leasing liabilities PY	6,326,492 0	0 0	6,326,492 0
Other liabilities PY	971,919 1,562,241	0 0	971,919 1,562,241
Total PY	**17,503,007** 13,255,493	**0** 0	**17,503,007** 13,255,493

Of the KEUR 2,218 disclosed in the Group balance sheet under “Other assets” (PY: KEUR 2,769), provisions from obligations to employees in the amount of KEUR 1,246 (PY: KEUR 1,207) are not qualified as financial instruments. All items are measured at amortised acquisition costs.

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

In EUR	Measurement category IFRS 9	Book value 30.06.2019	Fair Value 30.06.2020	Total 30.06.2020
Bank liabilities PY	At amortised acquisition costs	4,694,432 6,077,250	4,694,432 6,077,250	4,694,432 6,077,250
Trade payables PY	At amortised acquisition costs	5,510,164 5,616,002	5,510,164 5,616,002	5,510,164 5,616,002
Leasing liabilities PY	At amortised acquisition costs	6,326,492 0	6,326,492 0	6,326,492 0
Other liabilities PY	At amortised acquisition costs	971,919 1,562,241	971,919 1,562,241	971,919 1,562,241
Total PY		**17,503,007** 13,255,493	**17,503,007** 13,255,493	**17,503,007** 13,255,493

Consolidated Notes: 17. 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 2019/2020	Valuation allowance 2019/2020	Depreciation 2019/2020
Financial assets PY	0 0	0 0	0 0
Non-current trade receivables PY	0 0	0 0	0 0
Trade receivables PY	0 0	32,231 31,423	0 0
Other assets PY	0 0	0 0	0 0
Cash and cash equivalents PY	0 0	0 0	0 0
Total PY	**0** 0	**32,231** 31,423	**0** 0

Default risk

Default risk is the risk of financial loss if a customer or contracting party to a financial instrument fails to meet its contractual obligations. Default risk generally arises from trade receivables and the Group's liability securities held as financial assets. 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

Liquidity risk is the risk that the Group may not be able to meet its financial liabilities by delivering cash or other financial assets as contractually agreed. The management of liquidity in the Group is intended to ensure that – as feasible – sufficient liquid funds are always available to meet payment obligations when they fall due, under both normal and stressed conditions, without incurring unbearable losses or damaging the reputation of the Group. 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

The Group is exposed to foreign currency risks to the extent that the quotations of currencies in which sales and purchase transactions as well as receivables and credit transactions are conducted do not match the functional currency of the Group companies. A significant part of the Group's business is settled in US dollars. Furthermore, transactions are made in GBP, CH and JPY. The existing exchange rate risks in business transactions, when transactions are conducted in a currency other than the functional currency of the national company, can generally be covered by sales or purchase transactions in the same currency.

Consolidated Notes: 18. Provisions

The provisions in the Group as of 30 June 2020 comprise the following:

Provisions in EUR	As of 01.07.2019	Consumption 2019/2020	Reversal 2019/2020	Additions 2019/2020	Balance 30.06.2020
Other provisions					
- non-current - current portion for warranties	309,424 555,595 588,999	500 108,822 24,359	51,050 200,217 138,510	60,027 773,740 801.621	317,901 1,020,296 1,227,751
	865,019	**109,322**	**251,267**	**833,767**	**1,338,197**

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). Claims for reimbursement are not listed. 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 KEUR 0 (PY: KEUR 100) were set up at FORTEC AG. Additions to non-current provisions include an interest component of KEUR 3 (PY: KEUR 3).

Consolidated Notes: 19. Liabilities

The liabilities as of 30 June 2020 comprise the following:

In EUR	30.06.2019	30.06.2020
Liabilities to banks	6,077,250	4,694,432
Trade payables	5,616,002	5,510,164
Leasing liabilities	0	6,326,492
Tax liabilities	1,137,077	1,341,752
Other liabilities	2,769,009	2,248,477
Total liabilities	**15,599,338**	**20,121,317**

Consolidated Notes: 19. Liabilities

The measurement of liabilities was carried out at amortised costs. Tax liabilities relate to taxes from the current year in the amount of KEUR 799 (PY: KEUR 627), including profit tax of KEUR 496 (PY: KEUR 432), value added tax of KEUR 153 (PY: KEUR 16) and income tax of KEUR 150 (PY: KEUR 178). KEUR 542 (PY: KEUR 511) 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 KEUR 1,567 (PY: KEUR 1,612), 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 KEUR 1,246 (PY: KEUR 1,207) as well as acquisition costs in the amount of KEUR 208 (PY: KEUR 195). The liabilities with a remaining term of > 5 years amount to KEUR 2,671 (PY: KEUR 0). The residual terms of > 5 year exclusively relate to leasing liabilities. The liabilities of between 1 and 5 years amount to KEUR 6,241 (PY: KEUR 4,694). Of these residual terms of > 1 year, KEUR 3,528 relate to liabilities to banks, KEUR 2,683 (PY: KEUR 0) to liabilities from leasing relationships and KEUR 31 to liabilities from a financing purchase. All other liabilities have a remaining term of less than 1 year.

Consolidated Notes: 20. Deferred taxes

Deferred taxes are recognised in compliance with IAS 12 using the "temporary differences concept" for temporary accounting and measurement differences between the tax balance sheet and the consolidated balance sheet in accordance with IFRS. For determining the deferred taxes, the applied tax rates are those that are expected to apply in accordance with the valid statutory regulations on the balance sheet date. The average income tax charge (corporate tax, solidarity surcharge and trade tax) has been projected at 28% (PY: 29%) for the estimate of deferred taxes. An income tax charge of 16% (PY: 16%) has been used as a basis for calculating the deferred taxes for profits generated by ALTRAC AG (Switzerland). An income tax charge of 19% (PY: 19%) has been used as a basis for calculating the deferred taxes for profits generated by Display Technology Ltd. (UK). An income tax charge of 22% (PY: 22%) has been used as a basis for calculating the deferred taxes for profits generated by Apollo Corp. (US).

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

In EUR	30.06.2019		30.06.2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	17	0	49
From rights of use	0	0	16	0
Tangible assets (including low-value assets)	44	36	3	13
Financial assets	54	0	0	0
Inventories	120	99	125	125
Receivables	8	16	5	23
Other assets	60	0	57	48
Provisions	15	68	9	74
Liabilities	0	7	0	0
	300	**243**	**215**	**333**

As of 30 June 2020, unused trade tax loss carryforwards amounting to KEUR 360 existed (PY: KEUR 379). For unused tax losses for which no deferred tax asset is stated in the balance sheet, KEUR 1,582 can be deducted until 2023.

Consolidated Notes: 21. Other financial liabilities

On the balance sheet date, there were obligations from operating leasesthat were not recognised as lease obligations pursuant to IFRS 16.

In KEUR	30.06.2019	30.06.2020
up to 1 year	1.354	46
1 to 5 years	3.465	70
more than 5 years	767	1
Total	**5.586**	**117**

The leases reported under financial obligations in the previous year have been included in the balance sheet as of July 1, 2019, as described under 8). The effects on the income statement are shown under depreciation and amortisation in Note 27 and interest expenses in Note 29.

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: 22. Sales revenue

There were no accounting effects from the 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. Revenues are recorded less sales deductions and price allowances such as cash and other discounts, bonuses, rebates and returns credited. In principle, the consolidated financial statements are prepared in accordance with IFRS 15.

The Group revenue amounts to KEUR 87,730 (PY: KEUR 88,310). This is broken down among the following geographic areas:

Group revenue (in KEUR)	Data visualisation	Power Supplies	Total
Domestic	28,402	21,024	49,425
PY	35,005	24,170	59,175
International	27,328	10,976	38,305
PY	20,386	8,749	29,135
Total	**55,730**	**32,000**	**87,730**
PY	55,391	32,920	88,310

Consolidated Notes: 23. Change in inventory of finished / unfinished goods

This includes the increase in the inventory of unfinished / finished products of DISTEC GmbH in the amount of KEUR 451 (PY: KEUR 217), of FORTEC AG in the amount of KEUR -198 (PY: KEUR -45), of ROTEC technology GmbH in the amount of KEUR -54 (PY: KEUR -160), AUTRONIC Steuer- und Regeltechnik GmbH in the amount of KEUR 97 (PY: KEUR -85) and of Display Technology Ltd in the amount of KEUR 26 (PY: KEUR 29) and of Display Technology Ltd in the amount of KEUR 4 (PY: KEUR -250), and KEUR -37 (PY: KEUR 135) from the elimination of intercompany profits.

Consolidated Notes: 24. Other operating income

Other operational revenue includes the following:

In EUR	2018/2019	2019/2020
Income from asset disposals	1,000	875,054
Earn out (CBL / DSL)	0	578,790
Reduction of specific value allowances	80,588	31,363
Dissolution of provisions	355,809	281,921
Benefits in kind	136,005	134,518
Income from exchange rate differences	803,006	915,375
Results from purchase price reduction	0	374,200
Other ordinary income	148,268	290,184
Other operating income	**1,524,677**	**3,481,405**

Other operating income includes, e.g.: Income from the sale of the real estate of EMTRON electronic GmbH of KEUR 592 and Display Technology Ltd. of KEUR 255. "Earn out" includes income from the reversal of the purchase price payment (contingent consideration) for Display Solutions Ltd. amounting to KEUR 347 and for Components Bureau Ltd. amounting to KEUR 232 which was discontinued in the previous year. It cannot be assumed that the average result before taxes and interest for the calendar years 2018–2020 can still be achieved. In addition, income amounting to KEUR 374 had to be booked due to a subsequent reduction in the purchase price for DSL. In addition, there is income from the release of individual guarantee provisions amounting to KEUR 139 (PY: KEUR 331) as well as interest expenses in the amount of KEUR 48 (PY: KEUR 18).

Consolidated Notes: 25. Cost of material

The expenses for the purchase of materials / goods in this financial year amounted to KEUR 60,746 (PY: KEUR 60,183). Cost of material in the amount of KEUR 10,660 (PY: KEUR 7,481), which arose within the Group, were eliminated. Impairments on inventories, which are recorded as expenses in this period, amounted to KEUR 399 (PY: KEUR 700).

Consolidated Notes: 26. Personnel expenses

Personnel expenses comprise the following:

In EUR	2018/2019	2019/2020
Wages and salaries	12,088,998	12,332,364
Social contributions and expenditures for retirement benefits	1,986,715	2,140,702
Personnel expenses	**14,075,713**	**14,473,065**

Consolidated Notes: 27. Depreciation

Depreciation for this financial year include:

In EUR	2018/2019	2019/2020
Intangible assets	136,744	120,410
Tangible assets and low-value assets	544,898	675,342
Rights of use	0	1,146,726
Depreciation	**681,641**	**1,942,478**

Consolidated Notes: 28. Other operating expenses

Other ordinary operational expenses include the following:

In EUR	2018/2019	2019/2020
Occupancy costs	1,447,853	612,803
Insurance policies, contributions	401,762	395,285
Repairs, maintenance	66,696	60,345
Vehicle costs	363,503	233,324
Advertising and travel expenses	1,095,714	1,018,496
Costs of delivery	721,454	1,350,299
Various operating costs	2,300,837	2,644,471
Losses from the disposal of assets	5,295	35,129
Losses from UV and value adjustments	194,502	546,351
Other expenses in the scope of ordinary business activities	763,908	958,490
Other operating expenses	**7,361,523**	**7,854,995**

The costs of goods deliveries includes additions to the warranty provisions in the amount of KEUR 789 (PY: KEUR 122). The item "Other expenses in the scope of ordinary business activities" includes expenses arising from currency exchange rate differences in the amount of KEUR 958 (PY: KEUR 730). At KEUR 862, the expenses from currency exchange rate differences relate to expenses for payment rendered in the respective financial year. Pursuant to IAS 38.126, expenses for product development and technology enhancements in this financial year amounted to EUR 2.0 million (PY: EUR 2.2 million).

Consolidated Notes: 29. Interest income

Interest income comprises interest earnings in the amount of KEUR 3 (PY: KEUR 10) as well as interest expenses in the amount of KEUR 196 (PY: KEUR 70). The interest includes KEUR 127 in interest from IFRS 16. The Group applied IFRS 16 for the first time as of 1 July 2019 using the modified retrospective method.

Consolidated Notes: 30. Taxes on income and profit

The consolidated financial statements disclose corporate tax, the solidarity surcharge and trade tax as well as income tax in Switzerland, Great Britain and the USA at the valid interest rate on the balance sheet date. The income tax charge for the Group is 24.4% (PY: 23.4%) and comprises the corporate tax and the trade tax charge. The breakdown of income taxes by origin is as follows (in KEUR):

In KEUR	2018/2019	2019/2020
Paid or outstanding taxes - Germany - Abroad (CH, GB, USA)	 1,522 253	 1,215 152
	1,775	1,366
Deferred taxes - arising from time differences / consolidation - from loss carried forward	 -69 30	 137 38
	-39	175
Income taxes	**1,736**	**1,541**

In the FORTEC Group, the actual tax expenses of KEUR 1,541 (PY: KEUR 1,736) for the FORTEC Group is KEUR 227 (PY: KEUR 418) below the theoretical tax expense 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 KEUR):

In KEUR	2018/2019	2019/2020
Earnings before income tax	7,474	6,318
Nominal income tax including trade tax	29.0%	28,0 %
Expected income tax charge at a uniform tax rate	2,153	1,769
Increase / Reduction of income tax charge through: - low tax rates abroad - use of unrecognised losses carried forward - non-deductible business expenses - tax-exempt income (dividends) - tax effects from tax base - tax payments for previous years - capitalisation of losses carried forward - trade tax additions and deductions - interim profit elimination - other discrepancies	 -121 -136 26 -10 0 -175 0 1 -21 19	 -132 -153 95 24 -51 16 3 0 0 -30
Income tax charge reported	1,736	1,541
Effective income tax	**23.38%**	**24.41%**

Consolidated Notes: 31. Segment reporting

The group is active in the areas of Data Visualisation and Power Supplies. Both segments are largely independent within the group and are managed separately. The customer and cost structures result in the following breakdown in accordance with IFRS 8:

In KEUR	Data Visualisation	Power Supplies	Total
Revenue PY	55,730 55,391	32,000 32,920	87,730 88,310
Depreciation PY	1,243 387	699 294	1,942 682
Operating result PY	5,032 6,129	1,451 1,321	6,483 7,449
Financial result / investment income PY	-143 -8	-23 -17	-166 -25
Income taxes PY	1,166 1,243	375 494	1,541 1,736
Annual result PY	3,707 4,878	1,070 810	4,777 5,688
Assets PY	38,031 31,534	26,557 25,885	64,588 57,419
Domestic portion PY	29,034 22,056	19,249 19,896	48,284 41,952
Foreign portion PY	8,997 9,478	7,308 5,989	16,305 15,467
Additions to non-current assets PY	5,624 647	181 3,775	5,805 4,421
Inventories PY	13,917 12,871	10,746 11,200	24,663 24,071
Liabilities PY	14,587 9,621	7,206 7,658	21,792 17,279
Investments PY	411 372	484 3,417	894 3,789

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 Visualization segment includes KEUR 347 from the reversal of the conditional payment (earn-out) for Display Solutions Ltd., KEUR 311 for the sale of the building at the Chatham site, KEUR 134 from the deconsolidation of Display Solutions Ltd. and KEUR 229 from the reversal of provisions for individual guarantees formed in the previous year. The result of the Power Supply segment includes KEUR 616 income from the disposal of assets in connection with the sale of the building at the Nauheim site, KEUR 232 income from the reversal of the conditional payment (earn-out) for Components Bureau Ltd., KEUR 95 income from the deconsolidation of Components Bureu Ltd. and KEUR 54 income from the reversal of provisions for individual guarantees formed in the previous year. The financial result comprises financial income of KEUR 30 (PY: KEUR 45) as well as interest expenses in the amount of KEUR 196 (PY: KEUR 70).

Consolidated Notes: 32. Currency exchange rates

Currency translations differences of KEUR 155 (PY: KEUR 213) were taken directly to equity. They developed as follows (in euro):

In EUR	
As of 01.07.2018	633,917
Additions 2018/2019	212,572
As of 30.06.2019	846,489
Additions 2019/2020	155,122
As of 30.06.2020	**1,001,610**

This addition essentially results from the continued development of the currency translation, from the recognition of the goodwill of ALTRAC AG at the exchange rate on the reporting day, as well as from the translations of the shareholders' equity for the foreign subsidiary Apollo Corp. (US), ALTRAC AG (CH) and Display Technology Ltd. (UK). In the statement of comprehensive income, KEUR -57 (PY: KEUR -64) from the currency translation were recognised in profit and loss (income less expenses).

Consolidated Notes: 33. 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 13). The cash is not subject to any restrictions. The cash flow from operations in the amount of KEUR 3,582 (PY: KEUR 3,958) and interest expenditure in the amount of KEUR 188 (PY: KEUR 67). The cash flow from the investment area includes interest income of KEUR 1 (PY: KEUR 6). 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 KEUR 1,936 (PY: KEUR 2,450). The acquisition of the new subsidiaries in the first half of financial year 2018/2019 was financed with liquidity. Until 30 June 2019, KEUR 2,297 out of the purchase price have been paid. A further purchase price payment of KEUR 144 was due and paid as of 31 December 2019. Cash flow from financing activities includes for the first time the repayments from the rental and leasing agreements in the financial year amounting to KEUR 1,086. Interest payments amounting to KEUR 127 are listed under operating activities. The Group has been granted credit lines amounting to KEUR 8,000. Short-term credit lines of KEUR 7,656 can be used (IAS 7.50b).

Consolidated Notes: 34. 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 liabilities to total equity and net financial liabilities (capital management ratio). Net financial liabilities includes all liabilities in the balance sheet less cash and cash equivalents. Equity comprises the equity recognised in the balance sheet.

In EUR	2018/2019	2019/2020
Total liabilities Minus cash and cash equivalents	17,279,392 -9,406,542	21,792,480 -8,864,986
Net liabilities	7,872,850	12,927,494
Shareholders' equity	40,139,827	42,796,272
Capital management ratio	5.10	3.31

Due to the application of IFRS 16 (Leases), the ratio of net liabilities to adjusted equity fell from 5.10 to 3.31. This is due to the recognition of rights of use and lease liabilities as of 1 July 2019 and their further development (Note 8). The comparative information was not changed.

Consolidated Notes: 35. Supervisory board

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

Winfried Tillmann
Chairman (Schwerte, Auditor)
until 31 August 2019

Christoph Schubert
Chairman (Dortmund, Certified Public Accountant)
as of 1 September 2019

Michael Höfer
Vice Chairman (Steingaden, Portfolio Manager)
until 6 February 2020

Dr. Andreas Bastin
Vice Chairman (Hamm, Dr. Ing. Mechanical Engineering)
as of 6 February 2020

Volker Gräbner
(Hamburg, Employee Representative)
until 6 February 2020

Christina Sicheneder
(Grafrath, Employee Representative)
as of 6 February 2020

The total remuneration for members of the supervisory board in the reporting year amounted to EUR 56 (PY: KEUR 45).

Mr Winfried Tillmann was also a member of the following supervisory bodies:
VBH Deutschland GmbH, Korntal – Münchingen
Montanhydraulik GmbH, Holzwickede

Mr Michael Höfer was also a member on the following supervisory body:
Value-Holdings AG, Augsburg

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

Dr Andreas Bastin is also a member of the following supervisory body:
Montanhydraulik GmbH, Holzwickede

Consolidated Notes: 36. Transactions with related parties

Transactions with other related parties are as follows:

In KEUR	Values of business transactions		Balances outstanding as of 30.06.	
	2018/2019	2019/2020	2019	2020
Sale of goods and services - Subsidiaries - Parent company	0 0	101 2	0 0	8 2
Purchase of goods - Subsidiaries - Parent company	953 137	1,006 118	-78 -12	-78 0
Rent expenses - Subsidiaries	421	451	0	1
Salaries to related persons of the management / supervisory board - Subsidiaries - Parent company	68 0	55 25	0 0	0 0

Consolidated Notes: 37. 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 KEUR	2018/2019	2019/2020
Current employee benefits due	1,380	1,487
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
	1,380	**1,487**

The total remunerations of the board of directors of FORTEC AG amount to KEUR 788 (PY: KEUR 867), including performance-related compensation in the amount of KEUR 250 (PY: KEUR 250). An individualised presentation of the remuneration of the board of directors is not required; the annual shareholders' meeting on 16 February 2017 decided that disclosure may be dispensed with for a period of 5 years as of the adoption of the resolution pursuant to section 314 (1), number 6 a), sentence 5–8 German Commercial Code (HGB), (section 314 (2), sentence 2 in connection with section 286 (5) German Commercial Code (HGB).

Consolidated Notes: 38. Fees of annual auditor

The following fees are recorded as an expense in financial year 2019/2020 for the services rendered by the annual auditor of the consolidated financial statement, Metropol Audit Wirtschaftsprüfungsgesellschaft mbH, Mannheim, Germany.

In KEUR	2018/2019	2019/2020
Audits of financial statements	62	60
Tax advisory services	0	0
Other assurance services	0	0
	62	**60**

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

Consolidated Notes: 39. Other information

In this financial year, the group employed an average of 220 (PY: 219) *employees*, of which 5 were temporary staff (PY: 4). In this financial year, the board of directors of FORTEC AG included:

Sandra Maile
Spokeswoman of the Board, Ludwigsburg
(CEO)

Bernhard Staller
Board of directors, Emmering
(COO Display Technology & Embedded)

Jörg Traum
Board of directors, Trebur
(COO Power Supplies)

Mr. Jörg Traum resigned as a member of the board of directors upon entry in the Commercial Register on 14 July 2020.

Between the balance sheet date of 30 June 2020 and the day on which the financial statements were approved for publication, *no events* occurred indicating a necessity to make adjustments to the assets or the liabilities. As per section 161 of the German Stock Corporations Act, the board of directors and the supervisory board submitted the required *declaration of compliance* with the *Corporate Governance Code* and made it permanently accessible to the shareholders via the Internet (https://www.fortecag.de/investor-relations/organe/corporate-governance/) as of October 2019, signed by the board of directors and the supervisory board (sections 285 (16) and 314 (1), no. 8 German Commercial Code (HGB). The board of directors has recommended a *dividend* distribution in the amount of EUR 1,950,262 (PY: EUR 2,275,305.20). A total of 3,250,436 bearer shares are eligible to a dividend payment with a respective value of EUR 0.60 (PY: EUR 0.70) per share. The earning per share amounts to EUR 1.47 (PY: EUR 1.75). In financial year 2019/2020, no notification was made in accordance with section 26 of the German Securities Trading Act (WpHG)

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

→ *8 November 2019, 14:27 DGAP-Ad-hoc:*
FORTEC Elektronik Aktiengesellschaft: "First quarter of financial year 2019/2020 relatively weaker than previous year and precautionary adjustment of forecast"

→ *11 December 2019, 13:20 DGAP-Ad-hoc:*
FORTEC Elektronik Aktiengesellschaft: "Bundling of the operative business and conclusion of two operating lease agreements"

→ *20 May 2020 12:36, DGAP-Ad-hoc:*
FORTEC Elektronik Aktiengesellschaft: "Financial year 2019/2020 weaker than previous year and adjustment of forecast"

Consolidated Notes: 40. Approval for publication

The consolidated financial statements were created on 15 September 2020 and approved for publication by the board of directors.

Germering, 15 September 2020
FORTEC Elektronik AG

Sandra Maile
Chief Executive Officer

Bernhard Staller
Chief Operating Officer

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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 statements give a true and fair view of the assets, financial position and income of the Group and that the group management report includes a true and fair review of the development and performance of the business and the position of the Group with a description of the principal opportunities and risks associated with the expected development of the Group.

Germering, 15 September 2020
FORTEC Elektronik AG

Sandra Maile
Chief Executive Officer

Bernhard Staller
Chief Operating Officer

Independent auditor's report

Audit opinion

We have audited the consolidated financial statements of FORTEC Elektronic AG, Germering, Germany, and its subsidiaries (Group companies), consisting of the consolidated balance sheet as of 30 June 2020, the consolidated income statements, the consolidated statement of changes in equity and the consolidated cash flow statement, for the financial year from 1 July 2019 to 30 June 2020 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 2019 to 30 June 2020. In accordance with the German statutory regulations, we did not audit the contents of the components of the group management report named in the notes. We have arrived at the following findings based on our audit assessment:

- the attached consolidated financial statements are in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union (EU), and the additional Germany statutory regulations pursuant to section 315e (1) German Commercial Code (HGB) and convey a true and fair view of the Group's assets and liabilities as of 30 June 2020 as well as its income situation for the financial year from 1 July 2019 to 30 June 2020 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 section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit arrived at no objections to the correctness of the consolidated financial statements and no objection to the group management report.

Basis for audit opinion

We carried out our audit of the consolidated financial statements and of the group management report in accordance with section 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 annual 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 statements and of the group management report.

Key audit matters

Key audit matters are such matters that, according to our best judgement, we deemed to be significant in our audit of the consolidated financial statements for the financial year from 1 July 2019 to 30 June 2020. These matters have been taken into consideration in connection with our audit of the consolidated financial statements as a whole as well as in drafting our audit opinion of these; we will not provide a separate audit opinion about these matters.

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

→ Impairment of goodwill based on its relative weight within the 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 through participation of the segment auditors 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 statements of FORTEC Elektronik AG, goodwill in the amount of EUR 6.7 million with 10.4% of the consolidated balance sheet total (PY: EUR 6.6 million and 11.5% 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 EUR 3.1 million (PY: EUR 3.1 million) and Data Visualisation Systems with EUR 3.5 million (PY: EUR 3.5 million). 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 book value 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 statements convinced us of the suitability of the future cash inflows used during the audit. With the knowledge that even relatively minor changes to the applied discount rate can have significant effects on the value of the

Independent auditor’s report

recoverable amount determined in this manner, we looked into the applied discount rate and the input parameters and also retraced calculation scheme. In addition, due to the material significance of the goodwill, we also executed sensitivity analyses for the strategic business units (book value compared to the recoverable amount) and determined that the respective goodwill amounts are sufficiently covered by the discounted future cash inflows. No arguments have been identified that contradict the valuation parameters and estimates applied by the legal representatives and no grounds for objection have arisen based on the measurement of the goodwill. The company has provided details about the approach taken for the impairment test under Note 6 of the notes.

Verification of the completeness and valuation / impairment of inventories

Theconsolidated balance sheet of FORTEC shows inventories amounting to EUR 24.7 million, 38.2% of the consolidated balance sheet total (PY: EUR 24.1 million and 41.9% of the consolidated balance sheet total) 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 (functional 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 resale value
- 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 11).

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 statements and the group management report do not encompass the miscellaneous information. Accordingly, we do not submit an audit opinion nor any other form of audit conclusion. Our responsibility in the scope of our audit of the consolidated financial statements entails reading the miscellaneous information and recognising whether this information contains any significant inconsistencies in relation to the consolidated financial statements and to the group management report or in relation to our findings from the audit or if they appear erroneously depicted in any other significant way.

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

The legal representatives are responsible for compiling the consolidated financial statements, in compliance with IFRS, as they are to be applied in the EU, and the additional German statutory requirements pursuant to section 315e (1) German Commercial Code (HGB). They are also responsible for ensuring that the consolidated financial statements convey a true and fair view of the Group's assets, financial position and income under consideration of these requirements. Additionally, the legal representatives are responsible for the internal controls, which they have deemed to be necessary, in order to allow for preparing the consolidated financial statements 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 statements and the group management report.

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

Our aim is to obtain reasonable assurance as to whether the consolidated financial 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 statements in all material respects as well as with the findings from the audit, whether it corresponds with the German statutory requirements, and whether it correctly presents the opportunities and risks of future developments as well as to issue an audit report that contains our audit opinion about the consolidated financial statements and the group management report. Though reasonable assurance entails a high level of assurance, it is not a guarantee that an audit of the financial statements will always uncover material misstatements in accordance with section 317 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 statements 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 statements and in the group management report, plan and execute auditing activities as a reaction to these risks, and obtain audit evidence that is adequate and appropriate for serving as a basis for our audit opinion. The risk that material misstatements are not uncovered is greater for cases of fraud than cases of error, as fraud may entail fraudulent collaboration, forgeries, intended omissions, misleading statements or the suspension of internal controls.
- we obtain an understanding of the relevant internal controlling system that is relevant for the audit of the consolidated financial statements as well as of the precautions and measures relevant for the audit of the group management report in order to plan our audit activities that are appropriate for the given circumstances, albeit it not with the intention of providing a audit opinion about the effectiveness of the Group's internal controlling system.
- we evaluate the appropriateness of the accounting methods applied by the legal representatives as well as the viability of the estimated values presented by the legal representatives and the associated information.

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 statements 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 statements depict the underlying business transactions and events in such a way that the consolidated financial statements, in compliance with the IFRS, as they are to be applied in the EU, and the supplementary German statutory requirements to be applied pursuant to section 315e (1) 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 statements 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 statements for the current reporting period and, as such, the particularly important auditing circumstances. We describe these circumstances in the report for the audit of the consolidated financial 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 group's annual auditors of the consolidated financial statements by the annual shareholders' meeting on 6 February 2020 and contracted by the supervisory board on 26 May 2020. We have been contracted, without interruption, as the group's annual 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 2020

Metropol Audit GmbH
Auditing company

Gertrud K. Deffner
Auditing company

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 section 315 in conjunction with section 289f of the German Commercial Code (HGB)

Imprint

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