BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

ANNUAL REPORT 2021

FORTEC
ELEKTRONIK AG

Annual Report 2021

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Preface

Dear Ladies and Gentlemen, Shareholders and Employees,

As a result of the outstanding efforts of the entire team at FORTEC, the challenging financial year came to a successful end on 30 June 2021 with a turnover of EUR 77.4 million and an EBIT of EUR 5.3 million. Once again, the FORTEC Group's 2020/2021 financial year was affected throughout by the impacts of the COVID-19 pandemic. Despite the tough framework conditions resulting from global supply bottlenecks, which arose for important primary products around the world, thanks to sound crisis management and supply chain management we achieved a sales result that was only 11.7% below the previous year's figure and respectable profit with an EBIT margin of 6.9%.

Operating within the challenging international environment, the FORTEC Group was able to impressively compensate for fluctuations in individual markets as a result of its regional distribution and a balanced mix of sectors and customers. This success, which came to the benefit of our customers and shareholders, was only possible due to the commitment of our dedicated employees, whose health is of the utmost priority in these times. We would therefore like to extend our thanks to all of our employees for their outstanding and passionate commitment in these unusual times. We would also like to thank all our business partners and in particular our customers, for providing the daily motivation for our entrepreneurial actions. FORTEC continues to operate in a challenging market environment due to the ongoing corona virus pandemic and the global shortage of components resulting from supply chain issues. Despite this tough backdrop, the Board of Directors anticipates a healthy 2021/2022 financial year due to the current high level of orders. With the recent foundation of aushang.online GmbH, FORTEC is expanding its product range to include software through a start-up company. This constitutes a further step by the Group towards greater added value and an expansion of its business model through annual licensing income from this software. FORTEC remains underpinned by sufficient equity capital and is therefore able to make expedient acquisitions in the short term if necessary. A Group turnover of EUR 100 million continues to be the clear target.

I would like to thank you also on behalf of my colleague on the Board of Directors for continuing to support us and stand alongside us. With your help, we can continue to develop the Group successfully in the long term. We are doing everything we can to make sure that FORTEC remains an attractive and future-oriented company, that deserves your trust.

Many thanks to you all and please stay healthy!

Sandra Maile
Chairwoman of the Board

Sandra Maile
(Chief Executive Officer)

Bernhard Staller
(Chief Operating Officer)

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Contents of the group management report

Group management report: 1. Fundamentals of the Group

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

For over 35 years now, FORTEC has consistently generated excellent returns with its business model, which has been tested in multiple cycles. With increased activity in the design of complete (sub)systems based on in-house technologies, the Group is gaining in autonomy and becoming increasingly competitive in a global environment. The Group has several regional offices in Germany that provide local customer support. FORTEC is represented by a sales office in Austria and by its wholly owned sales subsidiary ALTRAC in Switzerland. Further to this, FORTEC is represented in the Benelux states with a shareholding in the Dutch trading company Advantec Electronics and through the foreign subsidiaries Display Technology in Great Britain, Apollo Display Technologies in the USA, and Alltronic - a subsidiary of AUTRONIC - in the Czech Republic. The Group occupies two attractive sectors of the high-quality electronics market. FORTEC is one of the market leaders in German-speaking countries in the fields of data visualisation (display and embedded computer technology) and industrial power supplies. Furthermore, FORTEC has established good positioning on the Anglo-American market with its subsidiaries.

By linking the product areas of Display Technology and Embedded Computer Technology to form a data visualisation system, FORTEC also offers complex solutions for an innovative market. The Group's fields of competence range from the delivery of system-tested standard kits, to support services in the area of hardware and software for the sale of standard devices (for example, for professional display systems for industry or digital signage as well as complete monitors), right up to customer-specific developments and product solutions. The FORTEC Group's portfolio also includes TFT controller and drive solutions developed in-house, as well as the latest generation of optical bonding technology. In the product area of power supplies, FORTEC covers the complete product range of power supplies and DC/DC converters, from standard products from the Far East, through series devices modified in Germany, right to customer-specific developments for niche markets realised by the subsidiary company AUTRONIC. In this successful segment, FORTEC continues to concentrate on the pure distribution business. Stock availability of the right products forms the basis for success here. The foundations for further growth were set in place with the construction of the new building in Riedstadt. Distribution in Great Britain and the USA is undergoing consistent expansion via the foreign subsidiaries there.

All companies of the FORTEC Group have one claim in common: "Using our expertise and speed, we create long-term value for our customers in all industries. That is how we establish long-term partnerships of equals with our customers. Our customers interact with qualified employees for whom flexibility, reliability and transparency are a given. By living the traditional values of a medium-sized business, we also continually improve our international competitiveness. We are "big enough to compete, small enough to care". This is the combination that creates a firm basis for long-term growth and gives our owners an attractive stake in our business success."

Group management report: 2. Control system

As a group listed on the stock exchange, FORTEC has well-established control systems that enable it to maintain a constant overview of important group activities. The Management Board receives monthly reports on the control and monitoring of the companies. The Supervisory Board receives quarterly financial reports and monthly information on certain key figures. Furthermore, the board members maintain regular contact with the companies at local level.

In order to fully utilise synergies, reporting is partially carried out on an inter-company basis according to segments. Such aspects as incoming orders, the contribution margin (CM I = gross margin), turnover and EBIT serve as relevant key performance indicators. The Group considers turnover and EBIT to be the most important financial performance indicators.

Group management report: 3. Research and development

Through its transformation from a trading company to a system supplier in the data visualisation segment, the Group realises much broader added value today. The development of new applications and processes adapted to customer needs and market requirements is accordingly becoming increasingly important for FORTEC. The Group therefore has a development department of 25 employees (previous year: 29 employees) and invests both in traditional product development (e.g. video converters and network IoT products) and in the further development of production technologies with an annual expenditure of around EUR 2.3 million (previous year: EUR 2 million). In 2020/2021, the focus was on the development of a new generation of intelligent industrial monitors (panel PCs) and a display control solution with state-of-the-art microprocessor architecture.

Group management report: 4. Economic report

Macroeconomic and sector-specific framework conditions

The *global economic framework conditions* remain characterised by tensions of a geopolitical nature and have also been dominated to varying degrees since the beginning of 2020 by the COVID-19 pandemic, which has prevailed to a greater or lesser extent around the world. Despite this backdrop, the current outlook for the global economy is positive according to the economic forecast of the IFO. In *Europe*, hopes for an economic recovery in the second half of 2021 rose as the COVID-19 vaccination campaign gained in momentum and some European countries began to open up again with the easing of restrictions. In *Germany*, the economy stagnated in the final quarter of 2020 with the introduction of a new lockdown. Gross domestic product increased only slightly by 0.3%, following on from a strong increase of 8.5% in the third quarter. Economic output fell by 4.9 % as a whole in 2020 as a result of the pandemic. German foreign trade was robust.

After a further decline in GDP in the first quarter of 2021 (-2.1% compared to the previous quarter), progressive easing of the pandemic restrictions at the end of the second quarter of 2021 brought about significant economic recovery and GDP growth of 1.5% compared to the previous quarter. The recovery in the subsidiaries was dampened by supply bottlenecks, in particular in the semiconductor industry, and by higher raw material prices. However, the positive underlying momentum of the overall economy was not impaired.

Group management report: 4. Economic report

The Association for Supply Chain Management, Procurement and Logistics sees the German economy on the upswing at the end of the second quarter of 2021, despite material shortages and supply bottlenecks. According to the ZVEI press release in July, incoming orders in May 2021 increased by 49.1% compared to the previous year. In the previous year the ZVEI measured the decline at 28 % compared to May 2019. Uncertainty regarding the development of US and Chinese policy persists, although the presently unclear danger of emerging new virus mutations and their influence on infection events, together with the extremely strained supply chain, represent the greatest unknowns in relation to the further course of economic development.

Group management report: 5. Business development

FORTEC's business performance in the 2020/2021 financial year was also affected by the impact of the COVID-19 pandemic, which had a significant negative effect on the Group due to the lack of availability of preliminary products. Thanks to effective crisis management and supply chain management, the recorded EBIT result positively fulfilled the forecast expectations. Sales declined by almost 12%.

Due to the significant increase in demand for products with simultaneous delivery bottlenecks for preliminary products on the part of suppliers, the order backlog in the Group rose to around EUR 64.5 million at the end of the 2020/2021 financial year, and was therefore 33.9% higher than in the previous year.

Group management report: 6. Profit situation

Group turnover, a key financial performance indicator, stood at EUR 77.4 million (previous year: EUR 87.7 million). The pandemic-related decline in sales in the financial year was therefore 11.7% compared to the previous year, which is within the optimistic range of the forecast. This was due in particular to a recovery in the second half of the year, in which significant easing took effect. The average EUR to USD exchange rate, which rose by almost 8% in a year-on-year comparison, had a dampening effect on the US business. Other operating income fell from EUR 3.5 million to EUR 2.1 million. The previous year's period included income from the disposal of assets, earn-out and deconsolidation. The 2020/2021 financial year included a positive special effect in particular from the release of an individual guarantee provision based on a court settlement. Currency gains fell by approximately TEUR 144. The cost of materials fell from EUR 60.7 million to EUR 52.6 million in line with the lower turnover due to the strained supply chain. At 13%, the decline was greater than the decline in turnover due to positive price effects from a high proportion of purchases in USD, so that the gross margin (contribution margin I), taking into account the change in inventories of finished goods and work in progress in the 2020/2021 business year, rose from 31.0% in the previous year to 31.3 % despite the higher transport and freight costs. The cost of sales ratio fell from 69.2% in 2019/2020 to 68.0% in the 2020/2021 financial year.

The number of employees declined due to site closures in Landsberg am Lech and Rastatt in the previous year. Furthermore, the Management Board was reduced from three to two members. The Group was reimbursed TEUR 275 in short-time work payments, which were offset against personnel costs. Personnel costs therefore fell from EUR 14.5 million to EUR 13.4 million. Despite this, the personnel cost ratio increased from 16.5% to 17.3% due to the decline in turnover. Depreciation fell from EUR 1.9 million to EUR 1.7 million due to lower investments than in the previous year and reduced depreciation on rental properties. Other operating expenses dropped from EUR 7.9 million in the previous year to EUR 5.5 million due to cost-cutting measures and synergy effects, as well as a decline in warranty expenses (one-off effect from the previous year) and amounted to 7.2% relative to turnover (previous year: 9.0%). In terms of cost reduction measures, positive effects arose due to reduced advertising and travel costs (including trade fairs) of TEUR -674, lower vehicle costs (TEUR -124) and reduced ancillary room costs (TEUR -100). With regards to one-off effects, losses on receivables declined by TEUR 422 and warranty provisions by TEUR 715. Currency losses fell by TEUR 9 compared to the previous year. On balance (currency gains less currency losses), the statement of comprehensive income includes a currency loss of TEUR 178 (previous year: TEUR 44).

As a result of the factors previously mentioned, the EBIT result as a key *financial performance indicator* of EUR 5.3 million stands below the previous year's value of EUR 6.5 million, and thus, within the optimistic range of the forecast. The EBIT margin, based on sales revenues, declined from 7.4% in the previous year to 6.9%. Taxes on income and earnings fell by TEUR 182 in line with the decline in the consolidated result. The consolidated net income for the 2020/2021 financial year was EUR 3.9 million (previous year: EUR 4.8 million). The return on sales after taxes fell from 5.4% in the previous year to 5.0%. Earnings per share accordingly decreased from EUR 1.47 to EUR 1.19.

At the upcoming Annual General Meeting, the Management Board will propose dividend distribution of EUR 0.60 per share (previous year: EUR 0.60 per share). This corresponds to a return of 3.4% based on the share price (EUR 17.80) as at 30 June 2021.

Development of the segments

The data visualisation segment made a contribution to Group turnover of EUR 47.4 million (previous year: EUR 55.7 million), whilst the power supplies segment contributed EUR 30.0 million (previous year: EUR 32.0 million). The ratio of the two segments is similar to that of the previous year, with the data visualisation segment contributing 61.2% (previous year: 63.5%) of total turnover. The disproportionate decline in sales revenue in the data visualisation division is due to longer-term delivery projects, which could not be resumed as quickly as the delivery of merchandise in the power supplies segment. Furthermore, the data visualisation segment is more heavily affected by the decline of the USD.

Whilst the return on sales (EBIT) in relation to the total output of the data visualisation segment increased from 9.0% to 9.2%, the return on sales in the power supply segment fell from 4.5% to 3.2%. The data visualisation segment accounted for 82.1% of the consolidated operating result at TEUR 4,369 (previous year: 77.6% at TEUR 5,032). The power supply segment contributed 38.8% (previous year: 36.6%) to total sales and attained an operating result of TEUR 954 (previous year: TEUR 1,451), which corresponds to a share of 17.9% (previous year: 22.4%) of the Group operating result.

Group management report: 7. Asset situation

On the assets side, with a balance sheet total of EUR 64.0 million (previous year: EUR 64.6 million), *non-current assets* amount to EUR 18.3 million (previous year: EUR 18.9 million). Of this figure, at EUR 6.7 million (previous year: EUR 6.7 million) the goodwill from the acquired subsidiaries is the largest item. Due to accounting in accordance with IFRS 16, rights of use amounting to EUR 5.9 million (previous year: EUR 6.3 million) are reported.

Under *current assets*, the largest item, with a value of EUR 19.7 million (previous year: EUR 24.7 million), is the stock value standing at 30.8% (previous year: 38.2%) of the balance sheet total. Of this amount, EUR 11.3 million (previous year: EUR 13.9 million) is attributable to the data visualisation segment, whilst the power supply segment accounts for EUR 8.4 million (previous year: EUR 10.7 million).

Group management report: 7. Asset situation

The item *receivables from deliveries and services* fell from EUR 9.3 million in the previous year to EUR 8.7 million. At the time of finalising the balance sheet, these have largely been settled. The decrease in receivables and inventories was due to the decline in turnover and the strained supply chain, which is currently delaying the replacement of inventories. Cash and cash equivalents, the second largest item on the assets side, rose from EUR 8.9 million in the previous year to EUR 14.7 million. The Group's equity ratio is 69.6% (previous year: 66.3%). At EUR 44.5 million (previous year: EUR 42.8 million), the Group has sufficient equity. The equity capital increased by the consolidated net profit of EUR 3.9 million and was reduced by the dividend payment of EUR 2 million.

On the liabilities side, *non-current bank liabilities* fell from EUR 3.5 million to EUR 2.4 million due to scheduled repayments. *Current reserves* fell from TEUR 1,020 to TEUR 242 due to the release of a warranty provision (see profit situation). Furthermore, liabilities due to deliveries and services fell from EUR 5.5 million to EUR 4.9 million. The reasons for this are the delays in delivery of stock orders.

Group management report: 8. Financial and liquidity position

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

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

In TEUR	30/06/2021	30/06/2020
Total debts	19,473	21,792
Less cash and cash equivalents	(14,696)	(8,865)
Net debt	4,777	12,927
Equity capital	44,540	42,796
Capital controlling indicator	9.32	3.31

The cash flow from operations in the 2020/2021 financial year increased from EUR 3.6 million to EUR 10.2 million despite the lower consolidated net income. This was due to a significant decrease in inventories (EUR -4.9 million) as well as the reduction in receivables from deliveries and services and the lower tax payments due to tax refund in the past financial year. The cash flow from investments witnessed negative development compared to the previous year, decreasing from TEUR 619 to TEUR -251. The negative cash flow from financing activities stood at EUR 4.2 million after the scheduled repayment of loans and leasing liabilities, as well as the dividend distribution (previous year: EUR 4.7 million). In total, the Group recorded cash and cash equivalents of EUR 14.7 million (previous year: EUR 8.9 million).

Investments

Investments in the past financial year amounted to TEUR 54 (previous year: TEUR 62) in intangible assets, TEUR 197 (previous year: TEUR 832) in tangible assets and TEUR 286 (previous year: TEUR 910) in rights of use, whereby investments were largely realised in operating and office equipment. In terms of rights of use, the increases mainly resulted from index-linked rent adjustments and new rental spaces.

Non-financial reporting

Non-financial performance indicators such as employee matters, long-term customer and supplier relationships, environmental issues and ISO certifications are also very important for the Group, although these are assigned a subordinate role in the management of the Group. With respect to employee matters, the average length of a FORTEC employee’s time in service is over eight years. FORTEC owes its stable business over decades to a long-lasting, close cooperation with selected suppliers. Many long-standing customers benefit from this, and the Group in turn owes its business success to these customers.

The company is committed to ecological *sustainability* in its operational activities. Environmental management is partly integrated into the management manual.

Group management report: 9. Forecast report

The following statements regarding the future course of business and the assumptions of the economic development of the market and the industry are based on our assessments, which we currently consider to be realistic according to the information available to us. Various known and unknown risks, uncertainties and other factors may mean that the forecast developments do not actually come into being, either in terms of their tendency or their extent. According to the IFO economic forecast, the slowdown in the incidence of infection and progress in vaccination against COVID-19 should result in a gradual relaxation of the economic constraints in Germany. GDP is expected to rise by 3.3% in 2021 in comparison to the previous year, and by 4.3% in 2022. We incorporate this expectation into our planning for the 2021/2022 financial year with cautious optimism. However, it is necessary to consider that new virus mutations are emerging around the world, and that the willingness to vaccinate, especially in Germany, will not reach the necessary level for a so-called herd immunity in the short term. As such, this forecast continues to carry the uncertainties already mentioned. Overall, we therefore expect growth in Group turnover of up to 12% and in Group EBIT of up to 10% in the company-specific development in the current financial year. Reliable forecasts regarding the further effects of the pandemic and the critical supply situation on the business development of the FORTEC Group cannot be made at the present time with a longer-term perspective. It may therefore be necessary to adjust the forecast during the course of the year. This outlook relates to both the data visualisation and the power supplies divisions.

Our vision continues to drive us forward: The FORTEC Group sees its long-term growth potential in the linking

Group management report: 9. Forecast report

of power supplies, display technology and embedded computer technology to form a complete subsystem. FORTEC is increasing its holistic approach with the "Grow Together 2025 Strategy". The aim is to continue to position the company as a competent solution provider on the national market, and to push ahead with internationalisation. Factors such as the expansion of the solutions business, increased innovations and additional services, as well as the expansion of the project business serve to further strengthen the earnings power for profitable growth. FORTEC will also continue to participate in the digitalisation trend: Working in collaboration with cooperation partners and its own development departments, FORTEC will develop powerful and cost-effective standard and customer-specific solutions for Industry 4.0 and IoT (Internet of Things) applications. In doing so, intelligent hardware solutions will also be equipped with the company's own software solutions.

Group management report: 10. Risk and opportunity report

10.1. Risk management

Fundamentals of risk management

Risk management is an ongoing task of identifying risks as possible negative developments and their effects on the Group at an early stage, evaluating them and implementing measures to deal with the risks accordingly. It is therefore necessary to create an awareness of the risks existing in the company among all employees and in particular among decision-makers. For this reason, corresponding processes and procedural instructions are integrated into the QMH process landscape and are permanently available to all employees; they are defined annually and their effectiveness is reviewed in internal audits. Employees are additionally sensitised in this regard through training. Risk management is an integral part of the management system and facilitates the identification of risks and the limiting of their effects insofar as possible.

Risk identification

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

Risk assessment

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

Risk management measures

Risk control can take place on the basis of the risk assessment. Appropriate risk measures have been implemented in accordance with the risk assessment carried out by the management, and the individuals responsible for their implementation have been appointed. One of the aims of the risk management system is to ensure that risks are recognised by employees and decision-makers before they result in damage to the company and that those responsible reduce the risks in good time - either independently or in cooperation with the decision-makers - to a level that is acceptable to FORTEC.

Risk reporting

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

Internal control and risk management with regard to the accounting process is an integral part of all processes of the FORTEC Group and is based on a systematic approach of risk identification, assessment and management that encompasses the entire Group. An internal control system supports the attainment of business policy objectives by ensuring the functionality and efficiency of business processes, compliance with laws and regulations, and the protection of business assets. The Management Board is responsible for the design of the control and risk management. Active monitoring controls by the board support the identification, assessment and handling of risks in the individual business areas of the AG and within the subsidiaries. The Group has implemented a comprehensive QM management system for process organisation, which includes work instructions for the preparation of financial statements and other accounting-related activities that help to prevent errors. As part of the control and risk management from the participations, monthly evaluations of the segments facilitate the prompt identification of any deviations in the planned figures for incoming orders, the order inventory, stock on hand, as well as turnover, gross margin and costs, and the implementation of countermeasures if necessary. The maturity of receivables, in particular debtors, is reviewed regularly.

The measures aimed at the correctness and reliability of accounting ensure that business transactions are recorded fully and promptly in accordance with the legal and statutory regulations, that inventories are carried out correctly, and that both assets and liabilities are accurately recognised, valued and reported in the annual financial statements. The processes serve to ensure that the accounting records provide reliable and comprehensible information. External consultants with appropriate expertise in accounting processes, such as auditors, accountants, as well as software providers, are included in the internal risk management.

10.2. Risk report

The risks listed below - subdivided into risk categories - can affect the company as a whole (overall risk), the two segments, the financial situation (financial risks) and the results (earnings-oriented risks). Further system-related risks are the personnel risk and technical risk. The Group is permanently exposed to the risks listed below. *The principle insurable natural hazards* are covered by a comprehensive insurance policy. This is reviewed annually, but may not be sufficient in individual cases. For both segments, potential risks that FORTEC must take in order to exist and survive in the market are the product risk, the risk of price changes and default risk, as well as the market risk and the dependence on upstream suppliers.

Market price risks

For decades, the market for professional electronics has been characterised by a constant decline in market prices with consistent performance data, or by an above-average increase in technical performance with constant market prices. *Price change risks* - which consist of a potential loss due to adverse changes in the market price or price-influencing parameters - are minimised through contract negotiations. Although FORTEC has always succeeded in managing this risk in the past, it is not possible to guarantee that market price risks will not result in future losses.

Procurement risks

a) Inventory risks: A significant earnings-oriented risk lies in the material planning of inventories. Incorrect scheduling can lead to considerable losses despite a multi-stage procurement process. However, the risk of having unsaleable goods in stock is not only based on an incorrect estimation of future demand, but also depends on a different perception of quality standards between customers and producers, in particular with respect to the quality of the goods (especially from the Asian region), and on EU directives and regulations regarding the constituents and use of the goods. Product liability is an ongoing risk for FORTEC, for example due to changes in purchasing rights (e.g. within the framework of

Brexit). The risk is minimised through the careful selection of suppliers and the monitoring of assessments. However, in the event of deception and criminal acts on the part of upstream suppliers, Group companies are each liable to the customer as importers.

b) Changes in suppliers: Close cooperation with only a few strategic partners in the product area poses a major *risk that is inherent in the system* that must not be underestimated. Success with Asian suppliers in particular is often based on a long-standing personal relationship between the decision-makers, in particular in the power supply segment. As such, a change in personnel - be it due to the departure of the decision-maker(s) from the company or a change in the company's shareholder structure - can lead to the loss of existing business relationships. The company counteracts this risk by establishing secondary suppliers in certain areas.

c) Availability of goods and procurement prices: The rapid recovery of the global economy and increasing demand is currently being affected by a shortage of goods for certain electronics items, in particular in the electronics sector. In addition to price effects (rising purchase prices), this is causing delivery delays and even the non-delivery of products, especially in the electronics sector. This in turn can have negative consequences with regards to FORTEC's delivery capability, meaning that a loss of sales could arise in the worst case scenario. The Group attempts to counteract this risk through a forward-looking procurement policy and back-up inventories.

Risk reporting in relation to the use of financial instruments

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

To hedge the *liquidity risk*, a liquidity plan is prepared on a weekly basis and the value of receivables, especially debtors, is reviewed regularly. To further secure liquidity, the Group has sufficient bank balances that exceed current liabilities from deliveries and services. Furthermore, the Group has two long-term bank loans with favourable conditions from the management's perspective. Credit lines amounting to EUR 8 million have also been granted at group level, but these are not in use at the moment. The goal of financial and risk management is to secure the company's success against any form of financial risk.

Legal and warranty risks

A constantly increasing risk lies in customer requirements, which extend beyond the previous warranty period and the usual standard of a supply contract. In recent years, customers have gradually developed a sense of entitlement that places a clear burden on the supplier. Claims arising from the supply contract can be considerably higher than the value of the goods and legal disputes with corresponding risks are increasingly resulting from this.

Default risks

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

Personnel risks

Success in the market remains heavily dependent on the comprehensive knowledge, long-term experience and - at the present time in particular - very much on the health of the employees. The requisite hygiene and control measures to protect against COVID-19 infection have been introduced at every site. Any large-scale change in personnel or individual key members of staff could jeopardise the success achieved so far. A particular challenge lies in the recruitment of new employees against the background of a clearly apparent shortage of skilled workers and increasing the company's attractiveness as an employer in a regional environment of full employment. This requires new and creative solutions such as a modern working environment and individual working models, as well as support from external recruitment consultants who search for the best possible candidates. Furthermore, FORTEC endeavours to secure and keep the expertise within the company through early succession planning for employees who are set to leave the company.

Corporate strategy risks and competitive risks

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

IT risks/cyber risks

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

Currency risks

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

Summary risk assessment

The overall risk position of the Group is operationally unchanged compared to the previous year. At the present time it is not possible to definitively assess whether and what effects the COVID-19 pandemic could still have. At the present time, no risks are identifiable that could endanger the continued existence of the Group as a whole. In addition to the risks, the following opportunities, in the form of opportunity management, have been integrated into the management manual. This manual is updated annually as part of the management review, in order to continuously develop the Group.

10.3. Opportunity report

The FORTEC Group sees a number of opportunities to successfully develop the company in the coming years. The company philosophy "Big enough to compete, small enough to care" continues to create new opportunities compared to the previous year. New market opportunities are identified by the Management Board through targeted market observation, analysed and further developed together with the Supervisory Board within the framework of the strategic orientation. Outside the German-speaking region, we are seizing further market opportunities through subsidiaries in Great Britain and the USA.

Product opportunities also arise for FORTEC as a technology company through its own products and production services in the area of display controls, touch solutions with the optical bonding process and high-quality industrial monitors due to the current trend towards digitalisation; above all through the rapidly developing Industry 4.0, i.e. the networking of industrial applications. This fourth industrial revolution with the scenario of a thoroughly rationalised factory will bring a productivity gain, from the management's perspective in particular in Central Europe. FORTEC, as a supplier to the capital goods industry, could benefit from this for years. Definitive opportunities are identified by the external sales team, for example, or initiated by product marketing and evaluated in regular exchange with the company management. If applicable, the results are included in roadmaps and realised in new projects, which tie up money and resources and therefore represent a potential risk in their own right. In the power supplies segment, FORTEC possesses expertise in application, problem solving and technical service. In the data visualisation segment (display and embedded computer technology), the technology expertise for complete and functionally tested subsystems is a growth driver. Further opportunities arise due to the consolidation of operational activities within the subsidiaries, which results in synergies and forms a basis for a successful future in accordance with the "Grow Together 2025 Strategy". Although this cannot be guaranteed for the future, FORTEC is confident that the expanded mix of Distribution, Development, Production & Solutions in both segments offers good opportunities for long-term, sustainable growth. The solid financial situation enables the Group to respond with flexibility and speed to strategic options as they arise in the light of market and industry developments.

Overall assessment of the risk and opportunity situation

From the perspective of the management of a technology company, the opportunities for the future development of FORTEC outweigh the risks. Although the entrepreneurial risks are constantly increasing, the demands on products are permanently higher and the product life cycles are becoming ever shorter, FORTEC remains of the opinion that the market environment for both segments can undergo positive change overall, in particular due to the digitalisation trend in connection with Industry 4.0 as a subset of the Internet of Things (IoT). Nonetheless, the COVID-19 pandemic could continue to have a negative impact on the Group's delivery capability and sales market. The Management Board is monitoring and analysing the developments very closely.

Group management report:
11. Further information pursuant to § 315a HGB

The *number of shares* on 30 June 2021 stands at 3,250,436 with a nominal value of EUR 1. There is currently neither conditional capital nor a share buyback programme. The subscribed capital consists exclusively of ordinary bearer shares with voting rights. There are no restrictions on voting rights, nor are there any restrictions on the transfer of shares.

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

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

The authorised capital per 15 February 2018 (Authorised Capital 2018/I) amounts to EUR 1,187,978 after partial utilisation as at the balance sheet date. Appointment and dismissal of the Management Board take place in accordance with the statutory provisions (§§ 84, 85 of the Stock Corporation Act [AktG]). Compensation agreements in the event of a change of control or a takeover bid have not been concluded with the Management Board. However, in the event of a change of control as a result of a takeover bid, the supplier contracts essential to the company may be terminated by the contractual suppliers. This danger exists in particular if the contractual supplier has reason to fear the entry of a competitor.

FORTEC's *remuneration system* for the members of the Management Board includes fixed and variable salary components. The bonuses depend solely on the consolidated EBIT achieved or the consolidated net profit for the year. The AGM of 16 February 2017 resolved that the disclosures required under § 314 no. 6a clause 5-9 of the German Commercial Code [HGB] may be omitted from the notes to the consolidated financial statements and the consolidated management report. Amendments to the articles of association require a majority of 75% of the votes cast at the AGM. Further disclosures pursuant to § 315a section 1 no. 3 HGB are provided in the notes to the consolidated financial statements.

Following due examination, the Management Board and Supervisory Board of FORTEC were able to issue the Declaration of Conformity pursuant to § 161 AktG, which has been made permanently available to shareholders by the Management Board and Supervisory Board on FORTEC's website (https://www.fortecag.de/investor-relations/corporate-governance) per 1 October 2020. Responsible corporate governance with a focus on long-term value creation has been a distinguishing feature of the work of the FORTEC Elektronik AG executive and oversight boards. The Management Board reports on corporate governance in this declaration in accordance with § 289 f section 1 no. 2 HGB. For FORTEC, corporate governance is characterised not only by legal requirements and internal procedural instructions but also by a high degree of self-responsibility and ethical conduct on the part of all employees.

Working methods and composition of management bodies and committees in accordance with § 289f section 2 no. 3 HGB

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

The Management Board is a management body bound to the interests of the company. It conducts business in accordance with the law, the articles of association and the rules of procedure issued by the Supervisory Board. Within the framework of its responsibilities, the Management Board is responsible for the preparation of the quarterly, annual and consolidated financial statements and for the appointment of key positions in the company. Furthermore, the Management Board is responsible for ensuring compliance with legal provisions, official requirements and internal company guidelines. It facilitates and promotes their observance by the Group companies. Significant decisions of the Management Board require the approval of the Supervisory Board. The Management Board informs the Supervisory Board regularly and comprehensively about all aspects of business development that are important for FORTEC, significant business transactions and the current earnings situation, including the risk situation and risk management. The Management Board coordinates the strategic orientation of the company with the Supervisory Board and discusses the status of strategy implementation with it at regular intervals. The Management Board consisted of two persons during the financial year.

The Supervisory Board comprises three members, two of whom are elected as shareholder representatives by the AGM and one of whom is an employee representative delegated in accordance with the One-Third Participation Act. The Supervisory Board monitors and advises the Management Board on the management of the business. The Supervisory Board regularly discusses business development, planning, strategy and its implementation. It reviews quarterly reports, adopts the annual financial statements and approves the consolidated financial statements. The regular term of office of the current Supervisory Board members ends at the AGM in 2025, which decides on the 2023/2024 financial year. The Supervisory Board did not form any committees in the 2020/2021 financial year. In the 2020/2021 financial year, it conducted four ordinary meetings in person and three meetings in the form of a telephone or video conference. During these meetings, it discussed such matters as the 2019/2020 annual financial statements of the FORTEC Group, the annual financial statements of FORTEC AG, the dividend policy of FORTEC AG, the strategic orientation, crisis management of the corona virus and planning for 2021/2022. The auditor attended the balance sheet meeting and reported on the audit of the annual financial statements of FORTEC AG and the consolidated financial statements 2019/2020. The Supervisory Board was informed by the Management Board about matters including the strategic development of the company and planned digitalisation projects. It also dealt with the risk management system and in particular with the internal control and risk management system with regard to the accounting process. The members of the Supervisory Board are required to disclose conflicts of interest to the Supervisory Board. There were no conflicts of interest of Supervisory Board members in the 2020/2021 financial year. No consultancy or other service agreements existed between members of the Supervisory Board and FORTEC in the past financial year. In accordance with § 111 section 5

AktG, the Supervisory Board has achieved a ratio of women of 33%. The stipulated ratio of women of 30% on the Board of Directors has already been attained. Pursuant to § 76 section 4 AktG, the ratio of 25% set for the second management level has also been achieved. The corporate governance of FORTEC as a listed German public limited company is primarily determined by the German Stock Corporation Act and, with restrictions, by the requirements of the German Corporate Governance Code in its current version. The Code as amended on 16 December 2019 was published in the Federal Gazette on 20 March 2020. It represents essential legal regulations for the management and supervision of German listed groups and contains internationally and nationally recognised standards of good and responsible corporate governance. The objective of the adopted guidelines is to make the rules applicable in Germany transparent, in order to strengthen the confidence of international and national investors, customers, employees and the public in the management of German companies.

Final declaration on the report regarding relationships with affiliated companies (dependency report), § 312 section 3 clause 3 AktG:

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

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

Germering, 23 September 2021

Sandra Maile
Chairwoman of the Board

Bernhard Staller
Member of the Board

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Consolidated balance sheet: 1. Assets

In TEUR	Annex	Consolidated balance sheet 30/06/2021	Consolidated balance sheet 30/06/2020
A. Non-current assets			
I. Acquired goodwill	5	6,715	6,700
II. Intangible assets	6	198	243
III. Tangible fixed assets	6	4,909	5,271
IV. Rights of use	7	5,916	6,269
V. Financial assets	8	162	171
VI. Deferred tax assets	19	379	215
		18,278	**18,870**
B. Current assets			
I. Inventories	10	19,743	24,663
II. Receivables from deliveries and services	11	8,700	9,261
III. Tax refund entitlements	11	2,238	2,457
IV. Other financial assets	11	131	236
V. Other assets	11	227	236
VI. Cash and cash equivalents	12	14,696	8,865
		45,735	**45,719**
Total assets		**64,013**	**64,589**

Consolidated balance sheet: 2. Liabilities

In TEUR	Annex	Consolidated balance sheet 30/06/2021	Consolidated balance sheet 30/06/2020
A. Equity capital			
I. Subscribed capital	13	3,250	3,250
II. Capital reserve	14	14,481	14,481
III. Conversion differences	14/32	814	1,002
IV. Other reserves	14	22,113	19,287
V. Consolidated annual surplus	14	3,881	4,777
Total equity capital		**44,540**	**42,796**
B. Non-current liabilities			
I. Non-current bank liabilities	15/18	2,361	3,528
II. Non-current leasing liabilities	18	5,088	5,354
III. Other non-current financial liabilities	18	20	23
IV. Other non-current liabilities	18	49	0
V. Non-current reserves	17	293	318
VI. Deferred tax liabilities	19	373	333
		8,184	**9,555**
C. Current liabilities			
I. Liabilities to credit institutes	15/18	1,167	1,167
II. Liabilities from deliveries and services	18	4,905	5,510
III. Current leasing liabilities	18	934	972
IV. Tax liabilities	18	1,392	1,342
V. Other current financial liabilities	18	1,349	1,168
VI. Other current liabilities	18	1,300	1,058
VII. Reserves	17	242	1,020
		11,289	**12,237**
Total liabilities		**64,013**	**64,589**

Consolidated statement of comprehensive income

In TEUR	Annex	Group P&L 2020/2021	Group P&L 2019/2020
1. Sales revenues	**21**	**77,426**	**87,730**
2. Increased inventory of unfinished goods	22	-884	289
3. Other operating income	23	2,063	3,481
4. Cost of materials	24	52,622	60,746
5. Personnel costs	25	13,387	14,473
6. Depreciation	26	1,731	1,942
7. Other operating costs	27	5,541	7,855
8. Operating result (EBIT)		**5,323**	**6,483**
9. Income from investments	8	33	27
10. Other interest and similar income	29	69	3
11. Other interest and similar costs	29	185	196
12. Result before taxes		**5,240**	**6,318**
13. Taxes on income and earnings	30	1,359	1,541
14. Consolidated annual surplus		**3,881**	**4,777**
15. Other earnings	32	-188	155
16. Total result		**3,694**	**4,932**
17. Earnings per share (in euros)		1.19	1.47
18. Number of shares		3,250,436	3,250,436

Consolidated statement of changes in equity

In TEUR	Subscribed capital	Capital reserve	Currency conversion difference	Other reserves		Total
				Market valuation reserve	Retained earnings/profit carried forward	
As at 01/07/2019	**3,250**	**14,481**	**846**	**0**	**21,562**	**40,139**
Consolidated annual surplus 01/07/2019–30/06/2020					4,777	4,777
Change in other earnings			155			155
Dividend payments					-2,275	-2,275
Changes in financial year 2019/2020	0	0	155	0	2,501	2,656
As at 30/06/2020	3,250	14,481	1,002	0	24,063	42,796
As at 01/07/2020	**3,250**	**14,481**	**1,002**	**0**	**24,063**	**42,796**
Consolidated annual surplus 01/07/2020–30/06/2021					3,881	3,881
Change in other earnings			-188			-188
Dividend payments					-1,950	-1,950
Changes in financial year 2020/2021	0	0	-188	0	1,931	1,744
As at 30/06/2021	**3,250**	**14,481**	**814**	**0**	**25,994**	**44,540**

Consolidated cash flow statement

In TEUR	Annex	2020/2021	2019/2020
I. Operating activities			
1. Consolidated annual surplus		3,881	4,777
2. (+) Income tax expenditure / (-) income tax refund		1,359	1,541
3. (+) Depreciation / impairment of value of tangible and intangible assets		1,731	1,942
4. (+) Other non-cash expenses / (-) Other cash income		394	112
5. (+) Loss / (-) gain on sale of tangible assets		2	-717
6. (+) Decrease / (-) increase in inventories		4,408	-592
7. (+) Decrease / (-) increase in receivables from deliveries and services and other receivables		593	-1,172
8. (-) Decrease / (+) increase in liabilities from deliveries and services		-655	-106
9. (-) Decrease / (+) increase in current liabilities		-356	262
10. (+) Decrease / (-) increase in non-current receivables		9	0
11. (-) Decrease / (+) increase in non-current liabilities		22	-533
12. (+) Interest expenses / (-) interest income		116	193
13. (-) Interest paid (includes interest portion of lease liabilities)		-116	-188
14. (+) Income tax refunded / (-) income tax paid		-1,213	-1,936
Cash flow from operating activities		**10,175**	**3,582**
II. Investment activities	**33**		
1. Payments for investments in tangible and intangible assets		-251	-894
2. Payments from the acquisition of consolidated companies less acquired cash and cash equivalents		0	-144
3. Proceeds from sale of tangible and intangible assets		0	1,657
4. Interest received		0	1
Cash flow from investing activities		**-251**	**619**
III. Financing activities	**33**		
1. Payments for the redemption of (financial) loans		-1,167	-1,383
2. Payments for leasing liabilities [1)]		-1,034	-1,087
3. Profit distribution		-1,950	-2,275
Cash flow from financing activities		**-4,151**	**-4,745**
IV. (+) Net increase / (-) net decrease in cash and cash equivalents	**33**	**5,774**	**-543**
1. Cash and cash equivalents per 30/06/2021 (previous year 30/06/2020)		8,865	9,407
2. Effect of exchange rate changes on cash and cash equivalents		57	2
V. Cash and cash equivalents per 30/06/2021 (previous year 30/06/2020)		**14,696**	**8,865**
Composition of cash and cash equivalents			
1. Cash		8	12
2. Bank balances		14,688	8,853
Cash and cash equivalents at the end of the period	**12**	**14,696**	**8,865**

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

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Contents of the notes to the consolidated financial statements

Notes to the consolidated financial statements:

1. General disclosures

FORTEC Elektronik AG, Germering, Germany (hereinafter "FORTEC"), as the highest-level parent company, prepares consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, effective as on the balance sheet date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union as of 30 June 2021. The basis for this is the obligation resulting per § 315e section 1 HGB in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 concerning the application of international accounting standards. All standards whose application was mandatory as of the balance sheet date have been taken into account. Furthermore, all disclosures and explanations required by § 315e section 1 HGB, which are additionally required by German commercial law for consolidated financial statements to be prepared in accordance with IFRS, are published over and above the disclosure requirements under IFRS. The company's consolidated financial statements consist of the financial statements of the company and its subsidiaries (together referred to as the Group). In the power supplies segment, the Group offers the complete product range of power supplies and DC/DC converters. In the data visualisation segment with the product areas Display Technology and Embedded Computer Technology, the activities range from standard kits to complementary services and self-developed product solutions to complete industrial monitors. The business address of the parent company is Augsburger Str. 2b, 82110 Germering. The company is registered at the Munich district court under registration number HRB 247748.

The consolidated financial statements of FORTEC have been rounded in euros, the functional currency; minor, insignificant rounding differences may therefore occur. Unless otherwise stated, all values are rounded up or down to the nearest thousand euros (TEUR). The consolidated statement of comprehensive income has been prepared using the nature of expense method. Where individual items on the consolidated balance sheet and the consolidated statement of comprehensive income have been combined for the sake of clarity, they are broken down and explained in the notes.

New accounting standards

New and amended standards and interpretations IAS 8.28:

For the first time, the Group has adopted certain standards and amendments effective for annual periods beginning on or after 1 January 2020. The Group has not prematurely adopted any standards, interpretations or amendments that have been published but are not yet effective.

Amendments to IFRS 3: Definition of business operations

The amendment to "IFRS 3 Business Combinations" clarifies that an integrated group of activities and assets must include at least one input and one process that, taken together, contribute significantly to the production of goods or services in order to qualify as a business operation. Furthermore, it also clarifies that a business operation can exist even if the combination does not include all resource inputs and processes necessary to generate output. These amendments have had no effects on the consolidated financial statements, but could have an impact in future periods if the Group conducts business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of reference interest rates

The amendments to IFRS 9 and IAS 39, financial instruments: Recognition and valuation provide various relief provisions that apply to all hedging relationships directly affected by the reform of reference interest rates. Such hedging relationships can be identified by the fact that the reform leads to uncertainties regarding the timing and/or amount of the reference interest rate-based cash flows from the hedged item or hedging instrument. These amendments have had no effects on the consolidated financial statements, because the Group has not entered into any hedging relationships to hedge interest rate risks.

Amendments to IAS 1 and IAS 8: Definition of materiality

The amendments include a new definition of "material information", according to which information is material "if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments specify that materiality depends on the nature or extent of the information, either in isolation or in combination with other information, against the background of the financial statements as a whole. A misstatement is material if, under normal circumstances, it could reasonably be expected to influence the decisions made by the primary users of the financial statements. These amendments have had no effects on the consolidated financial statements and are not expected to have any impact on the Group in the future.

Amendments to IFRS 16: Rent concessions related to COVID-19

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - Amendment to IFRS 16 Leases . The amendments provide lessees with relief in applying the requirements in IFRS 16 to account for changes to lease contracts (lease modifications) resulting from rent concessions due to the corona pandemic. As a practical expedient, a lessee may elect to defer the assessment of whether a lessor's pandemic-related lease concession constitutes a lease modification. A lessee that elects to do so accounts for any qualifying modification to the lease payments resulting from the pandemic-related lease concession in the same manner as it would account for the modification under IFRS 16 if it were not a lease modification. The amendments are effective for financial years beginning on or after 1 June 2020. These requirements have had no impact on the Group.

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

Amendments to IAS 1

Presentation of the financial instruments: Classification of the liabilities as current and non-current (published on 23 January 2020)
To be applied on 1 January 2023

Amendments to IFRS 3, IAS 16 IAS 37

Annual improvements 2018-2020 (approved on 14 May 2020)
To be applied on 1 January 2022

Amendments to IFRS 9

Fees with the 10 % cash value test before write-off of financial debts

Amendments to IFRS 1

Initial application by a subsidiary company,
To be applied after 1 January 2022
to be applied from 1 January 2022

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

2. Accounting and significant valuation principles

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

Tangible and acquired intangible assets are valued at acquisition cost less accumulated depreciation and amortised over their expected useful lives. The useful life was set at 3-5 years for software, 10-25 years for buildings, 3-6 years for vehicles, 3-4 years for tools, 3-5 years for office equipment and 4-10 years for fixtures and fittings. Repair costs were charged as expenses. As of the balance sheet date, the recoverable amount of tangible assets had not fallen below its book value. Only straight-line depreciation is used as the depreciation method. Additions are depreciated pro rata temporis. The book values are reviewed on each balance sheet date for any objective indications of impairment.

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

2.2. Stocks

Stocks are valued at the lower of acquisition or production cost and net realisable value. In the event of price changes, the mixed prices are changed accordingly. The average method is therefore applied. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to realise the sale, except when goods are produced to order. Financing costs are not capitalised.

2.3. Cash

Cash and cash equivalents are valued at their nominal value.

2.4. Embedded derivatives

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

2.5. Discontinued operations

Non-current assets or disposal groups comprising assets and liabilities are classified as ***held for sale*** or held for distribution if it is highly probable that they will be realised principally through sale or distribution rather than through continued use. Tangible and intangible assets are no longer depreciated and any equity-accounted investee is no longer accounted for using the equity method once they are classified as held for sale or held for distribution.

2.6. Reserves

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

Warranty provisions

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

2.7. Taxes

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

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

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

Deferred tax assets and liabilities are offset only when FORTEC has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority either against the same taxable entity or against different taxable entities that intend, in each future period in which they are expected to settle or recover significant amounts of deferred tax liabilities or assets, either to settle the current tax liabilities and assets on a net basis or to settle the liabilities simultaneously with the realisation of the assets. An expected future average income tax burden (corporation tax, solidarity surcharge and profit tax) of between 19% and 29% depending on the tax regulations of the country of origin was used as a basis (previous year: between 19% and 29.3%).

Value added tax

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

2.8. Currency conversion

Currency conversion in the Group

The functional currency of the foreign subsidiaries is the local currency in each case, as the companies conduct their business independently in financial, economic and organisational terms. Assets and liabilities are therefore converted at the closing rate on the balance sheet date, and costs and income at the average rate for the year (modified closing rate method). Goodwill arising in conjunction with the acquisition of a foreign operation and adjustments to the carrying amounts acquired are treated as assets and liabilities of the foreign operation and are also converted at the closing rate.

Foreign currency transactions and balances

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

2.9. Classification rules

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

Classification as current and non-current

Assets and liabilities are considered current if they fall due within one year. Receivables and liabilities from deliveries and services, as well as inventories are generally classified as current. Deferred tax assets or liabilities are generally presented as non-current in accordance with IAS 1.56.

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

2.10. Revenues from contracts with customers

FORTEC is active in the business fields of data visualisation and power supplies, and primarily provides related product deliveries and services, whereby the products are partly adapted to the customer's requirements. Sales are recognised when control of the goods is transferred to the customer, irrespective of the payment date. Sales revenue is recognised in the amount of the consideration that FORTEC expects to receive in exchange for the goods. Interest in-come is recognised on a time-proportionate basis. FORTEC considers itself to be the principal in all transactions. This is because FORTEC bears the inventory risk and price risk before the goods are transferred to the customer.

Warranty obligations

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

Receivables from deliveries and services

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

Contract liabilities (other liability)

A contract liability is recognised when the customer makes payment or payment falls due before the Group transfers the related goods or services to the customer. Contract liabilities are recognised as revenues when the Group fulfils its contractual obligations. *Borrowing costs* incurred during the financial year are recognised as an expense because the criteria for capitalisation are not met.

2.11. Government grants

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

2.12. Development costs

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

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

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

2.13. Assumptions and estimation uncertainties

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

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

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

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

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

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

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

2.15. Impairment of non-financial assets

At the end of the financial year, FORTEC analyses whether there is any indication of impairment of non-financial assets. If any such indication exists, or when annual impairment testing for an asset is required, FORTEC formulates an estimate of the asset's recoverable amount. The recoverable amount of an asset is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use. If the book value of an asset or a cash-generating unit exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount. To determine the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To the extent possible, recent market transactions are used to determine the fair value less costs to sell.

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

2.16. Financial assets and financial debts

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

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

Financial assets

Initial recognition and evaluation

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

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

The Group determined the classification of its financial assets at initial recognition. Financial assets are valued at fair value on initial recognition. In the case of investments that are not classified at fair value through profit or loss, transactions that are directly attributable to the acquisition of the assets are also taken into account. The Group's financial assets include cash and short-term deposits, receivables from deliveries and services and other receivables, as well as equity investments.

Subsequent evaluation

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

Financial assets at FVtPL (Fair Value through Profit and Loss): The Group has not classified any financial assets in this category.

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

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

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

Equity investments

The Group has classified its assets held as equity investments (participations), which the Group intends to hold on a long-term basis for strategic reasons, under this item. In accordance with IFRS 9, the Group has designated these investments as FVOCI on the date of initial application. Following initial evaluation, equity investments are carried at fair value in subsequent periods. Dividends are recognised as income in the profit or loss unless the dividend is apparently a recovery of part of the cost of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The Group does not have any assets that are valued at fair value through profit or loss or that are valued at fair value through other comprehensive income with reclassification of the profits and losses on derecognition.

Impairment of financial assets

On each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the amount of the impairment loss is valued as the difference between the asset's carrying amount and the present cash value of estimated future cash flows.

Financial liabilities

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

IFRS 9 provides the following classifications for financial liabilities:

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

The Group determined the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognised at fair value. The Group's financial liabilities include bank loans, liabilities from deliveries and services, lease liabilities and other financial liabilities.

Subsequent evaluation

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

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

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

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

2.17. Leases

At the start of a contract, the Group assesses whether a contract creates or contains a lease. This is the case if the contract gives the right to control the use of an identified asset for a certain period of time in return for a fee. From 1 July 2019, leases are recognised as a right-of-use asset and the corresponding lease liability at the time the leased asset is available for use by the Group.

The Group as a lessee

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

Rights of use

The Group recognises rights of use on the date of provision, i.e. the date on which the underlying leased property or item is available for use. Rights-of-use assets are valued at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any revaluation of the lease liability. The cost of right-of-use assets includes the recognised lease liability, initial direct costs incurred and lease payments made on or before the date of provision, less any lease incentives received.

Leases for premises are generally agreed for fixed periods of 5-10 years and for vehicles for fixed periods of 36-48 months. Rights of use are amortised on a straight-line basis over the shorter of the useful life and the term of the underlying lease contract. If exercising a purchase option is reasonably certain from the Group's perspective, the asset is depreciated over the useful life of the underlying asset. If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost includes the exercise of a purchase option, depreciation is determined based on the expected useful life of the leased asset. Furthermore, right-of-use assets are reviewed for impairment.

Leasing liabilities

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

Variable lease payments that are not linked to an index or (interest) rate are applied in the period in which the event or condition giving rise to the payment occurs. The Group determines the lease term based on the basic term of the lease that cannot be cancelled, and including the periods resulting from an option to renew the lease if it is reasonably certain that this option will be exercised, or the periods resulting from an option to terminate the lease if it is reasonably certain that this option will not be exercised. Significant judgement on the part of management is required when assessing whether exercising these renewal and termination options is reasonably certain (see section 2).

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

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

2.18. Business combinations

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

In the case of Emtron electronic GmbH, the difference was attributable to hidden reserves in fixed assets, creditable corporation tax and goodwill. With ALTRAC AG, hidden reserves in fixed assets and goodwill had to be reported within the framework of the acquisition. In the case of the acquisition of the Data Display sub-group, the difference was attributable to goodwill and to hidden reserves in stocks and orders on hand. With the acquisition of Display Solutions Ltd, the difference was attributable to goodwill and hidden reserves in orders on hand. The differences resulting from the capital consolidation - insofar as they do not relate to hidden reserves - are shown as goodwill (section 5) in the fixed assets. Goodwill is recognised as an asset and subjected to an annual impairment test. Any impairment is immediately recognised in profit or loss. Any contingent consideration obligation is measured at fair value on the acquisition date. If the contingent consideration is classified as equity capital, it is not revalued and a settlement is accounted for in the equity capital. Otherwise, other contingent consideration is valued at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Notes to the consolidated financial statements:

3. Scope of consolidation

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

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

1) These companies utilise the exemption per § 264 section 3 HGB.

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

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

Notes to the consolidated financial statements:

3. Scope of consolidation

FORTEC AG also holds 36.6% (previous year: 36.6%) of the share capital in Advantec Electronics B.V., Oudenbosch (NL), on the balance sheet date. The company is not a subsidiary according to IFRS 10.7, because there is no control relationship.

Advantec Electronics B.V. is not an associated company according to IAS 28.2 in conjunction with IAS 28, because the catalogue of indicators of IAS 28.6 is not relevant. In the case of shares in companies resulting in between 20% and 50% of the voting rights, it is generally assumed that these are associated companies unless the presumption of significant influence is refuted. The latter is the case with the company concerned because it does not belong to any bodies, FORTEC does not participate in its important decision-making processes, there are no significant business transactions, there is no exchange of management personnel and no significant technical information is provided. Therefore, no consolidation of the company takes place. Advantec Electronics B.V. reported equity of TEUR 298 on the balance sheet date 31/12/2020 (previous year: TEUR 252). The annual result for the 2020 financial year was TEUR 119 (previous year: TEUR 71).

AUTRONIC Steuer- und Regeltechnik GmbH holds 100% of the shares in the Czech company ALLTRONIC elektronické stavební skupiny a komponenty s.r.o., Dýsina. Apollo Display Technologies Corp. holds 100% of the shares in Apollo Ronkonkoma Inc. These two companies - ALLTRONIC and Apollo Ronkonkoma - are not consolidated due to their minor importance for the Group in accordance with IAS 1.15 and 1.30. This applies to both qualitative factors (such as special risk) and the significance for the net assets, financial position and results of operations.

On the balance sheet date of 30 June 2021, ALLTRONIC elektronické stavební skupiny a komponenty s.r.o. had equity of TEUR 348 (previous year: TEUR 393). The annual result for the financial year was TEUR -62 (previous year: TEUR 100).

Notes to the consolidated financial statements:

4. Consolidation principles

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

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

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

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

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

Profit or loss and any component of other comprehensive income are attributed to ordinary equity holders of the parent company because there are no minority interests in the Group at the present time. If necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All inter-company assets and liabilities, equity, income and expenses, and cash flows arising from transactions that take place between Group companies are eliminated in full on consolidation. If the ownership interest in a subsidiary changes without loss of control, the transaction is accounted for as an equity transaction.

If the Group loses control of the subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other equity components are derecognised. Any resulting gain or loss is taken into consideration in the income statement. Any retained interest is recognised at fair value. If the contingent consideration is classified as equity capital, it is not revalued and a settlement is accounted for in the equity capital. Otherwise, other contingent consideration is valued at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Notes to the individual balance sheet items

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

Notes to the consolidated financial statements:

5. Acquired goodwill

As in the previous year, the *goodwill* is to be allocated to the cash-generating units (CGU) identified in the form of the two segments "data visualisation" and "power supplies" for the 2020/2021 financial year (section 31). The book value of the goodwill for *power supplies* changes from TEUR 3,216 to TEUR 3,172. The negative exchange rate difference of TEUR -44 is transferred to equity capital without affecting profit or loss. The segment achieved an annual result of TEUR 701 in the financial year (previous year: TEUR 1,070). The book value of the goodwill for *data visualisation* rises from TEUR 3,484 to TEUR 3,543. The negative exchange rate difference of TEUR 59 is transferred to equity capital without affecting profit or loss. In the financial year, this segment achieved an annual result of TEUR 3,181 (previous year: TEUR 3,707).

Instead of scheduled depreciation of the goodwill resulting from the capital consolidation, a possible lower value is determined exclusively on the basis of an impairment test in accordance with IAS 36 in conjunction with IFRS 3. The annual impairment test is carried out as required, although no later than at the end of the fourth quarter of the financial year, on the basis of the cash-generating units power supplies and data visualisation. The impairment test for goodwill was carried out per 30 June 2021. In accordance with IAS 36.10 (a), the book value was compared to the recoverable amount in the form of the value in use of the CGU.

Notes to the consolidated financial statements:

5. Acquired goodwill

For the cash-generating units *power supplies* and *data visualisation*, the values in use were determined using cash flow methods. The cash flow forecasts are based on financial plans prepared by the company's management for a period of five years, which are extrapolated for the following years. The plans are based on past experience and business results as well as the best possible estimate of the future development of individual influencing factors. In our estimation, the currency influences on turnover will be offset in the following years. The recoverable amount is essentially determined by the final value (perpetual annuity), which reacts sensitively to changes in the growth rate assumption and to the discount factor: A growth rate of 1.5% (previous year: 2-3%) is taken into account. The gross margin is kept within the perpetual annuity and the business cost is increased between 1% and 6% (previous year: 1-1.5%). An interest rate for the data visualisation segment of 8.8% before tax (previous year: 5%) and for the power supply segment of 8.1% before tax (previous year: 5%) was used for discounting and therefore also for determining the value in use. Sensitivity analyses (increase of interest rate by 5% and decrease of cash flows by 5%) did not result in any need for impairment.

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

The goodwill has developed as follows:

In TEUR	2020/2021	2019/2020
Goodwill on 01.07.	**6,700**	**6,623**
Additions	0	0
Deductions	0	0
Depreciation	0	0
Exchange differences	15	77
Goodwill on 30.06.	**6,715**	**6,700**

Notes to the consolidated financial statements:

6. Intangible and tangible assets

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

The useful life is as follows:

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

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

Notes to the consolidated financial statements: 7. Leases

FORTEC has entered into lease agreements for various items of operating and business equipment, motor vehicles and buildings that are used for operational purposes. Lease agreements for motor vehicles generally have terms of between 36 and 48 months. The leases agreements for premises usually have fixed terms between 5 and 10 years. Furthermore, some of the premises leases contain renewal options or ties to a price index for lease adjustments. The Group's obligations under its lease agreements are secured by the lessor's title to the leased assets. FORTEC has also entered into lease agreements for office equipment of minor value. In the case of these lease agreements, FORTEC applies the practical expedients applicable to short-term leases and lease agreements based on an asset of low value. The Group does not act as lessor.

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

Notes to the consolidated financial statements: 7. Leases

a) Amounts recognised on the balance sheet

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

Rights of use in TEUR	30/06/2021	01/07/2020
Buildings	5,649	5,990
Motor vehicles	177	168
Other	89	112
Total	**5,916**	**6,269**

Additions to the rights of use during the 2021 financial year amounted to TEUR 729.

Lease liabilities in TEUR	30/06/2021	01/07/2020
Buildings	5,753	6,038
Motor vehicles	178	176
Other	91	112
Total	**6,021**	**6,326**

Deferred tax assets on leases increased by TEUR 30 due to the impact of changes in recognised taxes.

b) Amounts recognised on the consolidated statement of comprehensive income

The profit and loss account shows the following amounts in connection with leases:

Depreciations on rights of use in TEUR	2020/2021	2019/2020
Buildings	914	1,007
Motor vehicles	134	117
Other	24	23
Total	**1,072**	**1,147**

In TEUR	2020/2021	2019/2020
Interest expenses (included in the finance costs)	124	127
Expenses related to short-term leases (recognised in cost of goods sold and administrative expenses)	0	0
Expenses related to leases of low-value assets not included in the short-term leases above (included in administrative expenses)	4	95
Expenses related to variable lease payments not included in lease liabilities (included in administrative expenses)	0	0
Total	**128**	**222**

Total lease payments in 2020/2021 amounted to TEUR 1,157 (previous year: TEUR 1,216). The maturity analysis of lease liabilities is presented in section 18.

Notes to the consolidated financial statements:

8. Financial assets

The financial assets break down as follows as at 30 June 2021:

In TEUR	30/06/2021	30/06/2020
Participations	96	96
Security deposits	66	75
Total non-current financial assets	**162**	**171**
Other current financial assets	131	236
Total financial assets	**293**	**407**

The *participations* include the 36.6% share (previous year: 36.6%) in Advantec Electronics B.V., Oudenbosch (NL), in the nominal amount of TEUR 46, as well as the unchanged 100% share (through AUTRONIC) in Alltronic spol s.r.o. in the amount of TEUR 49 (previous year: TEUR 49). The fair value on the balance sheet date essentially corresponds to the book values. The shares in Alltronic are reported in the Group as a financial asset in accordance with IFRS 9. The financial assets are classified as "FVOCI - equity investments" per IFRS 9. Changes in value compared to the previous year's disclosure are recognised directly in OCI in accordance with IFRS 9.4. Dividends are recognised through profit or loss in the statement of comprehensive income. There was no change in the value of the investment to be allocated per the balance sheet date. Income from investments was received in the amount of TEUR 33 (previous year: TEUR 27).

Notes to the consolidated financial statements:

Fixed assets ledger

In TEUR	Historical acquisition costs						
	As at 01/07/2020	Additions Initial application IFRS 16 01/07/2020	Additions 2021	Additions Revaluation 2021	Deductions 2021	Exchange diff. Repostings 2021	As at 30/06/2021
Intangible fixed assets							
Goodwill	12,355	-	-	-	-	116	12,238
Business partner relations	110	-	-	-	-	7	117
Software incl. quantity	913	-	54	-	53	3	910
Total intangible fixed assets	**13,377**	**-**	**54**	**-**	**53**	**113**	**13,265**
Tangible assets							
Properties	548	-	-	-	-	-	548
Buildings incl. adv. payments made	3,448	-	-	-	-	-	3,448
Other structures	42	-	-	-	-	-	42
External facilities	170	-	5	-	-	-	176
Vehicles	199	-	-	-	-	4	203
Tools	186	-	15	-	-	-	201
Technical plant/machinery	887	-	11	-	3	7	888
Office equipment/IT	1,179	-	33	-	493	15	704
Operating and business equipment	1,254	-	89	-	22	7	1,312
Low-value assets	146	-	43	-	43	0	146
Total tangible assets	**8,058**	**-**	**197**	**-**	**562**	**25**	**7,668**
Rights of use	7,279	-	286	444	111	21	7,877
Financial assets	142	-	-	-	-	-	142
Total fixed assets	**28,856**	**-**	**536**	**444**	**726**	**158**	**28,951**
for reporting only: Dev. previous year's values	01/07/2019	01/07/2019	2019/2020	2019/2020	2019/2020	2019/2020	30/06/2020
Intangible assets	13,155	-	62	-	99	258	13,377
Tangible assets	8,798	-	832	-	1,609	36	8,058
Rights of use	-	6,620	910	-	264	13	7,279
Financial assets	142	-	-	-	-	-	142
Total fixed assets	22,095	6,620	1,804	-	1,972	307	28,856

Notes to the consolidated financial statements:

Fixed assets ledger

Depreciation					Book values	
As at 01/07/2020	Additions 2021	Deductions 2021	Exchange diff. Repostings 2021	As at 30/06/2020	As at 01/07/2020	As at 30/06/2021
5,654	-	-	131	5,523	6,700	6,715
24	14	-	2	40	86	76
755	90	53	3	789	158	121
6,433	**104**	**53**	**132**	**6,352**	**6,944**	**6,913**
-	-	-	-	-	548	548
138	138	-	-	276	3,310	3,172
2	2	-	-	4	40	38
18	18	-	-	36	153	140
147	32	-	2	181	52	22
174	14	-	-	188	12	14
568	82	3	5	642	319	246
981	66	492	13	542	198	162
639	144	22	7	754	615	558
120	60	43	0	137	25	8
2,786	**555**	**560**	**23**	**2,759**	**5,271**	**4,909**
1,010	1,072	111	9	1,962	6,269	5,916
46	-	-	-	46	96	96
10,276	**1,731**	**724**	**164**	**11,119**	**18,580**	**17,833**
01/07/2019	2019/2020	2019/2020	2019/2020	30/06/2020	01/07/2019	30/06/2020
6,226	119	96	184	6,433	6,929	6,944
3,133	676	1,055	32	2,786	5,665	5,271
-	1,147	135	2	1,010	-	6,269
46	-	-	-	46	96	96
9,405	1,942	1,286	214	10,276	12,690	18,580

Notes to the consolidated financial statements:

9. Non-current receivables

These concern rental deposits paid for the FORTEC offices in Vienna (TEUR 1), the APOLLO office in the USA (TEUR 22) and Data Display Solution in Hörselberg-Hainich (TEUR 43).

Notes to the consolidated financial statements:

10. Inventories

The inventories break down as follows as at 30 June 2021:

In TEUR	30/06/2021	30/06/2020
Goods/raw materials, auxiliary and operating substances	16,761	20,927
Finished/unfinished goods	2,558	3,442
Advance payments made	424	293
Total inventories	**19,743**	**24,663**

Goods/raw materials, auxiliary and operating substances are recognised at acquisition cost, taking into account ancillary acquisition costs. Weighted average prices are used as a basis for this. Insofar as necessary, a write-down to the lower fair value - which corresponds to the net realisable value - has taken place. All recognisable risks have been taken into account by means of appropriate deductions. Finished/unfinished goods are recognised at production cost, whereby directly attributable costs (such as production wages and material costs) as well as fixed and variable production overheads (production and material overheads) are taken into account. Costs in accordance with IAS 2.16 are not included. For information on impairment, refer to section 24 "Cost of materials".

Notes to the consolidated financial statements:

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

Receivables from deliveries and services, tax refund claims, other financial assets and other assets broke down as follows as at 30 June 2021:

In TEUR	30/06/2021	30/06/2020
Receivables from deliveries/services	8,700	9,261
Tax refund entitlements	2,238	2,457
Other financial assets	131	236
Other assets	227	236
Total receivables	**11,296**	**12,191**

The receivables from deliveries and services and other assets reported here have a remaining term of less than one year. Details regarding the default risk and value adjustments can be found in section 16. The other financial assets in the amount of TEUR 131 (previous year: TEUR 236) mainly relate to rent deposits and creditors with debit balances. Other assets in the Group primarily consist of prepaid expenses in the amount of TEUR 227 (previous year: TEUR 236).

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

Notes to the consolidated financial statements:

12. Cash and cash equivalents

The cash and cash equivalents break down as follows as at 30 June 2021:

In TEUR	30/06/2021	30/06/2020
Cash in hand/franking machine	8	11
Bank balances and postal giro	14,688	8,854
Cash	**14,696**	**8,865**

Bank balances denominated in US dollars, Swiss francs and British pounds were valued in the consolidated financial statements at the mean exchange rate on the balance sheet date. No bank balances were held in other foreign currencies. The change in cash and cash equivalents corresponds to the explanations given in section 33. The reported value of cash and cash equivalents corresponds to the market value. All cash and cash equivalents can be disposed of without restriction. According to IFRS 9, these assets are classified in the category "Amortised procurement costs". There were no valuation differences between IAS 39 and IFRS 9.

Notes to the consolidated financial statements:

13. Subscribed capital

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

The AGM of 15 February 2018 authorised the Management Board, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 1,477,471 by issuing up to 1,477,471 no-par value bearer shares on one or more occasions against cash and/or non-cash contributions by 14 February 2023 (Authorised Capital I). The Management Board was also authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in the following cases: (i) for fractional amounts; (ii) for capital increases against contributions in kind; (iii) in the case of cash contributions up to an amount not exceeding 10 percent of the share capital existing at the time this authorisation becomes effective or - if this value is lower - at the time this authorisation is exercised, provided that the issue price of the shares is not significantly lower than the stock exchange price of the already listed shares of the company at the time the issue price is finally determined. 295,493 bearer shares were newly issued. Following an increase in the share capital of 10% to EUR 3,250,436 (entered in the commercial register on 11 July 2018) authorised capital of EUR 1,181,978 remains as at 30 June 2020.

Notes to the consolidated financial statements:

14. Equity capital

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

In TEUR	Subscribed capital	Capital reserve	Conversion adjustments	Other reserves/ consolidated annual surplus	Total
As at 01/07/2019	3,250	14,481	846	21,562	40,140
Total earnings				4,777	4,777
Other earnings			155		155
Dividend payments				-2,275	-2,275
As at 01/07/2020	3,250	14,481	1,002	24,063	42,796
Other earnings			-188		-188
Dividend payments				-1,950	-1,950
Total earnings				3,881	3,881
As at 30/06/2021	**3,250**	**14,481**	**814**	**25,994**	**44,540**

The capital reserve developed from 1 July 1998 in the amount of TEUR 256 plus a premium in 1999 of TEUR 5,233 less conversions of the capital reserve and increases due to exercising conditional capital to TEUR 8,689. During the 2018/2019 financial year, the capital reserve increased by TEUR 5,792 to TEUR 14,481 due to the issue of new shares (share premium). The *conversion differences (OCI)* include all foreign currency differences due to the conversion of financial statements of foreign subsidiaries as well as conversion differences from capital consolidation. *Other reserves* show accumulated profits. The company has consistently pursued the strict principle of building up its business on the basis of a high level of equity financing and aims for balance sheet equity ratios of >= 50% after dividend distributions. As in previous years, hybrid forms of equity are not included in the definition of equity.

Notes to the consolidated financial statements:

15. Financial instruments - fair value

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

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

	Book value			Fair value		
30/06/2020 In TEUR	**Amortised aquisition cost**	**FVOCI equity instruments**	**Total**	**Level 1**	**Level 2**	**Level 3**
Participations Previous year		96 96	96 96			96 96
Non-current receivables Previous year	66 75		66 75	66 75		
Receivables from deliveries and services Previous year	8,700 9,261		8,700 9,261	8,700 9,261		
Other financial assets Previous year	131 236		131 236	131 236		
Cash and cash equivalents Previous year	14,696 8,865		14,696 8,865	14,696 8,865		
Total Previous year	**23,593** 18,437	**96** 96	**23,688** 18,533	**23,593** 18,437		**96** 96

Notes to the consolidated financial statements:

15. Financial instruments - fair value

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

In TEUR	Valuation category IFRS 9	Book value 30/06/2021	Fair value 30/06/2021	As at 30/06/2021
Equity investments Previous year	FVOCI - equity investments	96 96	96 96	96 96
Non-current receivables Previous year	Amortised cost	66 75	66 75	66 75
Receivables from deliveries and services Previous year	Amortised cost	8,700 9,261	8,700 9,261	8,700 9,261
Other financial assets Previous year	Amortised cost	131 236	131 236	131 236
Cash and cash equivalents Previous year	Amortised cost	14,696 8,865	14,696 8,865	14,696 8,865
Total Previous year		**23,688** 18,533	**23,688** 18,533	**23,688** 18,533

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

	Book value		Fair value		
30/06/2021 In TEUR	Amortised cost	Total	Level 1	Level 2	Level 3
Liabilities to credit institutes Previous year	3,528 4,694	3,528 4,694		3,528 4,694	
Liabilities from deliveries and services Previous year	4,905 5,510	4,905 5,510	4,905 5,510		
Other financial liabilities Previous year	1,368 1,191	1,368 1,191	1,368 1,191		
Total Previous year	**9,801** 11,395	**9,801** 11,395	**9,801** 11,395	**3,528** 4,694	

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

The following methods and assumptions are used to determine the fair values: The fair values of FORTEC's interest-bearing loans are determined using the discounted cash flow method. This is based on a discount rate that reflects FORTEC's borrowing rate at the end of the reporting period. The own non-performance risk was classified as low on 30 June 2021.

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

In TEUR	Valuation category IFRS 9	Book value 30/06/2021	Fair value 30/06/2021	Total 30/06/2021
Liabilities to credit institutes Previous year	At amortised cost	3,528 4,694	3,528 4,694	3,528 4,694
Liabilities from deliveries and services Previous year	At amortised cost	4,905 5,510	4,905 5,510	4,905 5,510
Other financial liabilities Previous year	At amortised cost	1,368 1,191	1,368 1,191	1,368 1,191
Total Previous year		**9,801** 11,395	**9,801** 11,395	**9,801** 11,395

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

In TEUR	Attribution 2020/2021	Value adjustments 2020/2021	Depreciation 2020/2021
Financial assets Previous year	0 0	0 0	0 0
Non-current receivables Previous year	0 0	0 0	0 0
Receivables from deliveries and services Previous year	0 0	35 32	0 0
Other financial assets Previous year	0 0	0 0	0 0
Cash and cash equivalents Previous year	0 0	0 0	0 0
Total Previous year	**0** 0	**35** 32	**0** 0

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

Default risk

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

The "expected credit losses" (ECL) model replaced the "incurred loss" model of IAS 39 in the last financial year for receivables arising due deliveries and services. The impairment model is to be applied, for example, to financial assets valued at the amortised procurement costs. With the application of IFRS 9, credit losses are recognised earlier than under IAS 39. For receivables from deliveries and services, the Group determines the expected credit losses on the basis of the historical default rates of the last three years. For this purpose, a weighted average loss rate is determined depending on the respective past due date. For the 2020/2021 financial year, the default rates as at 30 June 2021 are as follows:

	Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	> 90 days overdue
FORTEC Elektronik AG	0.00000	0.00000	0.00000	0.00000	0.00000
DISTEC GmbH	0.00002	0.00007	0.00018	0.00045	0.00107
EMTRON electronic GmbH	0.00003	0.00013	0.00033	0.00084	0.00200
AUTRONIC GmbH	0.00002	0.00010	0.00024	0.00061	0.00146
ROTEC technology GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution GmbH & Co.KG	0.00000	0.00000	0.00000	0.00000	0.00000
Data Display Solution Verw. GmbH	0.00000	0.00000	0.00000	0.00000	0.00000
Apollo Corp.	0.00000	0.00001	0.00002	0.00006	0.00015
Display Technology Ltd	0.00000	0.00000	0.00000	0.00000	0.00000
ALTRAC AG	0.00000	0.00000	0.00000	0.00000	0.00000

Gross book values of receivables from deliveries and services as at 30 June 2021

In TEUR	Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	0	0	0	0	0	0	EUR
DISTEC GmbH	3,959	232	0	0	9	4,200	EUR
EMTRON electronic GmbH	1,456	58	15	0	23	1,552	EUR
AUTRONIC GmbH	434	0	0	0	0	434	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.	8	444	156	6	77	691	USD (in EUR)
Display Technology Ltd	1,008	108	0	0	0	1,223	GBP (in EUR)
ALTRAC AG	487	1	5	0	14	507	CHF (in EUR)
						8,607	

Impairments per 30 June 2021

In TEUR	Not overdue	1 to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	> 90 days overdue	Total	Currency
FORTEC Elektronik AG	0	0	0	0	0	0	EUR
DISTEC GmbH	71	17	0	0	10	97	EUR
EMTRON electronic GmbH	49	8	5	0	46	107	EUR
AUTRONIC GmbH	11	0	0	0	0	11	EUR
ROTEC technology GmbH	0	0	0	0	0	0	EUR
Data Display Solution GmbH & Co.KG	0	0	0	0	0	0	EUR
Data Display Solution Verw. GmbH	0	0	0	0	0	0	EUR
Apollo Corp.	0	4	4	0	11	20	USD (in EUR)
Display Technology Ltd	0	0	0	0	0	0	GBP (in EUR)
ALTRAC AG	0	0	0	0	0	0	CHF (in EUR)
						235	

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

As at 30 June 2021, further impairments exist of TEUR 111 (previous year: TEUR 87) for receivables from deliveries and services, which did not affect the calculated default rate.

In TEUR	2020/2021	2019/2020
Value adjustments on 01.07.	87	86
Additions	36	32
Consumption/release	12	31
Value adjustments on 30.06.	**111**	**87**

The receivables from deliveries and services and other assets reported here have a remaining term of less than one year. Receivables from deliveries and services and loan receivables represent financial instruments according to IFRS 9 and are classified in the category "Amortised procurement costs", because they are held in a business model to collect cash flows. They are measured at amortised procurement cost.

Cash and deposits with banks

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

Liquidity risk

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

Risk concentration

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

In accordance with IFRS 7.39 a, liquidity risk exists in full for liabilities due to deliveries and services as on the balance sheet date. At the time the balance sheet was prepared, the liabilities from deliveries and services had already been repaid and the liquidity risk no longer existed. Both the default risk and the liquidity risk can be a burden on the operating business; however, they cannot become a threat to the existence of the company.

The contractual residual terms of the financial liabilities on the balance sheet date are set out in TEUR in the following. The information is based on the contractual, undiscounted payments.

30/06/2021 In TEUR	up to 12 months	1 to 5 years	> 5 years	Total
Bank loans Previous year	1,167 1,167	1,750 2,583	611 944	3,528 4,694
Liabilities from deliveries and services Previous year	4,905 5,510	0 0	0 0	4,905 5,510
Leasing liabilities Previous year	1,044 1,118	3,193 3,102	2,305 2,937	6,541 7,157
Other financial liabilities Previous year	1,349 1,168	20 23	0 0	1,368 1,191
Total Previous year	**8,464** 8,963	**4,962** 5,708	**2,916** 3,881	**16,343** 18,552

Foreign currency risk

The Group is exposed to foreign currency risks insofar as the quotations of currencies in which sales and purchase transactions as well as receivables and credit transactions are carried out do not match the functional currency of the Group companies.

A significant proportion of the Group's business is conducted in US dollars because use of the US dollar is common in the electronics sector. Further to this, business is also conducted in GBP, CHF and JPY. The existing exchange rate risks in business transactions when transactions are conducted in a currency other than the functional currency of the national company can usually be covered by sale or purchase transactions performed in the same currency.

Sensitivity analysis to changes in exchange rates

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

	Profit or loss		Equity capital after tax	
30/06/2021 Effects in EUR	**Strengthening of the foreign currency against the EUR**	**Weakening of the foreign currency against the EUR**	**Strengthening of the foreign currency against the EUR**	**Weakening of the foreign currency against the EUR**
USD (10 % movement) GBP (10 % movement) CHF (10 % movement)	87 38 (2)	(69) (32) 2	62 36 (2)	(89) (33) 1

Notes to the consolidated financial statements: 17. Reserves

The Group reserves break down as follows as at 30 June 2021:

Reserves in TEUR	As at 01/07/2020	Consumption 2020/2021	Release 2020/2021	Additions 2020/2021	Currency conversion 2020/2021	As at 30/06/2021
Other reserves						
- non-current - current of which warranties	318 1,020 1,228	0 1 1	60 832 881	35 56 85	0 -1 -1	293 242 429
	1,338	**1**	**892**	**85**	**-1**	**535**

Other reserves were realised in accordance with IAS 37, taking into account all recognisable obligations at their probable settlement value. Required discounts were discounted using a pre-tax interest rate that reflects current market expectations. Non-current reserves include the amounts set aside (years 2-10) for the legal obligation to keep business records and for obligations arising from warranties. The remaining reserves are current reserves (term < 1 year). Reimbursement claims are not specified. Current reserves mainly concern reserves for warranties that are highly likely to be paid out, both in terms of amount and timing. Estimates from past experience were applied for the recognition and valuation of provisions for warranties. During the current year, it was possible to release individual warranty reserves in the amount of TEUR 738 on the basis of a court settlement; these were created during the previous year as a precaution for a pending warranty case with Deutsche Bahn. The additions to non-current reserves include an interest portion of TEUR 1 (previous year: TEUR 3).

Notes to the consolidated financial statements: 18. Liabilities

The liabilities break down as follows as at 30 June 2021:

In TEUR	30/06/2021	30/06/2020
Liabilities to credit institutes	3,528	4,694
Liabilities from deliveries and services	4,905	5,510
Leasing liabilities	6,022	6,326
Tax liabilities	1,392	1,342
Other financial liabilities	1,368	1,191
Other liabilities	1,349	1,058
Total liabilities	**18,565**	**20,121**

The liabilities are valued at amortised cost. As at 30 June 2021 the Group held two bank loans with a value of TEUR 3,528 (previous year: TEUR 4,694).

In TEUR	Currency	Nominal interest rate (%)	Maturity year	Nominal value 30/06/2021	Book value 30/06/2021	Nominal value 30/06/2020	Book value 30/06/2020
Secured bank loans	EUR	1.29 %	2028	2,278	2,278	2,611	2,278
Unsecured bank loans	EUR	1.00 %	2022	1,250	1,250	2,083	1,250
Interest-bearing financial bank liabilities				**3,528**	**3,528**	**4,694**	**3,528**

The tax liabilities relate to taxes for the current year in the amount of TEUR 1,207 (previous year: TEUR 799), of which income tax TEUR 692 (previous year: TEUR 496), VAT TEUR 366 (previous year: TEUR 153), wage tax TEUR 141 (previous year: TEUR 150) and property tax TEUR 9 (previous year: TEUR 0). TEUR 185 (previous year: 542 TEUR) relate to income tax back payments for previous years and correspond to the tax returns submitted. Other liabilities include advance payments received in the amount of TEUR 594 (previous year: TEUR 437), accrued liabilities for obligations in kind in the amount of TEUR 667 (previous year: TEUR 621) as well as obligations to employees such as holiday days not taken in the amount of TEUR 566 (previous year: TEUR 392). Furthermore, the other liabilities of TEUR 89 (previous year: TEUR 0) include contractual liabilities for extended warranties. Of this amount, TEUR 49 is non-current and TEUR 40 is current.

The other financial liabilities include accrued liabilities for payments to be made in the amount of TEUR 1,192 (previous year: TEUR 1,029). Of this amount, liabilities owing to employees account for EUR 983 million (previous year: TEUR 850).

Undiscounted payments for liabilities:

30/06/2021 In TEUR	up to 12 months	1 to 5 years	> 5 years	Total
Bank loans Previous year	1,167 1,167	1,750 2,583	611 944	3,528 4,694
Liabilities from deliveries and services Previous year	4,905 5,510	- -	- -	4,905 5,510
Leasing liabilities Previous year	934 972	2,892 2,674	2,195 2,680	6,022 6,326
Other financial liabilities Previous year	1,349 1,168	20 23	- -	1,369 1,191
Other liabilities Previous year	1,300 1,058	49 -	- -	1,349 1,058
Total Previous year	**9,655** 9,875	**4,711** 5,280	**2,806** 3,625	**15,823** 17,722

Notes to the consolidated financial statements: 18. Liabilities

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

Notes to the consolidated financial statements: 19. Deferred taxes

Deferred taxes are accrued, according to the "temporary differences concept" of IAS 12, on temporary accounting and valuation differences between the valuations in the tax balance sheet and the corresponding valuations in the balance sheet according to IFRS. Deferred taxes have been calculated using the tax rates expected to apply at the time of realisation, based on the legal regulations valid on the balance sheet date. For the purpose of forming deferred taxes, the average income tax burden (corporation tax, solidarity surcharge and tax on profit) was estimated at 29% (previous year: 28%). The calculation of deferred taxes for profits of ALTRAC AG (Switzerland) was based on an income tax burden of 16% (previous year: 16%). The calculation of deferred taxes for profits of Display Technology Ltd (UK) was based on an income tax burden of 19% (previous year: 19%). The calculation of deferred taxes for profits of Apollo Corp. (US) was based on an income tax burden of 27.6% (previous year: 22%).

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

In TEUR	30/06/2021		30/06/2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	78	0	49
From rights of use	30	0	16	0
Tangible assets (incl. low-value assets)	1	125	3	13
Financial assets	0	0	0	0
Inventories	138	77	125	125
Receivables	21	22	5	23
Other assets	0	0	0	48
Losses carried forwards	144	0	57	0
Reserves	19	70	9	74
Liabilities	26	0	0	0
	379	**373**	**215**	**333**

As at 30 June 2021, profit tax loss carry-forwards not yet utilised exist of TEUR 442 (previous year: TEUR 360). Furthermore, loss carry-forwards of foreign subsidiaries exist of TEUR 62 (previous year: TEUR 0).

For tax-deductible goodwill (outside basis differences), for which no deferred tax asset is recognised on the IFRS balance sheet, TEUR 1,167 is deductible until 2023.

Notes to the consolidated financial statements: 20. Other financial liabilities

On the balance sheet date, liabilities existed from operating lease agreements that were not recognised as lease liabilities in accordance with IFRS 16.

In TEUR	30/06/2021	30/06/2020
up to 1 year	38	46
1 to 5 years	85	70
more than 5 years	0	1
Total	**123**	**117**

Notes to the statement of comprehensive income

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

Notes to the consolidated financial statements: 21. Sales revenues

The Group classifies its sales revenues according to the two segments: data visualisation and power supplies. While the power supplies segment offers the entire product range for power supplies and DC/DC converters, the data visualisation sales comprise the product areas of Display Technology and Embedded Computer Technology.

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

The consolidated turnover amounts to TEUR 77,426 (previous year: TEUR 87,730). The breakdown by geographical segments gives the following:

Group revenues (in TEUR)	Data visualisation	Power supplies	Total
Domestic Previous year domestic	26,140 28,402	18,928 21,024	45,068 49,425
Foreign Previous year foreign	21,250 27,328	11,108 10,976	32,358 38,305
Total Previous year total	**47,390** 55,730	**30,036** 32,000	**77,426** 87,730

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

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

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

Notes to the consolidated financial statements:
23. Other operating income

Other operating income breaks down as follows:

In TEUR	2020/2021	2019/2020
Income from the disposal of assets	0	875
Earn out (Components Bureau Ltd/Display Solution Ltd)	-	579
Reduction IVA/ECL	1	31
Release of reserves	862	282
Benefits in kind	131	135
Income from exchange differences	771	915
Result from purchase price reduction	-	374
Other ordinary income	297	290
Other operating income	**2,063**	**3,481**

The income includes income from the release of individual warranty reserves of TEUR 738 (previous year: TEUR 139), and compensation in the amount of TEUR 46 (previous year: TEUR 48).

Notes to the consolidated financial statements:

24. Cost of materials

The cost of materials includes outlay for the purchase of materials/goods and services for contract manufacturing. The cost of materials amounts to TEUR 52,622 (previous year: TEUR 60,746). Impairment of inventories, which are recognised as an expense in the period, amounts to TEUR 467 (previous year: TEUR 399).

Notes to the consolidated financial statements:

25. Personnel expenses

Personnel expenses break down as follows:

In TEUR	2020/2021	2019/2020
Wages and salaries	11,445	12,332
Social security payments and pension costs	1,943	2,141
Personnel costs	**13,387**	**14,473**

Personnel expenses include government grants of TEUR 275, which were paid to the Group as reimbursement for short-time working benefits.

Notes to the consolidated financial statements: 26. Depreciation

Depreciation for the financial year breaks down as follows:

In TEUR	2020/2021	2019/2020
Intangible assets	105	120
Tangible assets and low-value assets	555	675
Rights of use	1,072	1,147
Depreciation	**1,731**	**1,942**

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

Other operating expenses break down as follows:

In TEUR	2020/2021	2019/2020
Premises costs	462	613
Insurance cover, premiums	310	395
Maintenance, repairs	60	60
Vehicle costs	109	233
Advertising and travel costs	345	1,018
Costs of delivery of goods	640	1,350
Various operating costs	2,622	2,644
Losses from the disposal of assets	2	35
Losses from current assets and value adjustments	41	546
Other expenses in the course of ordinary business activities (Currency losses)	949	958
Other operating costs	**5,541**	**7,855**

The costs of delivery of goods include additions to warranty provisions in the amount of TEUR 89 (previous year: TEUR 789). Other expenses incurred during the course of ordinary business activities include expenses from exchange rate differences amounting to TEUR 949 (previous year: TEUR 958). The expenses arising due to conversion differences relate to the expenses of TEUR 894 realised in the respective financial year upon payment.

Notes to the consolidated financial statements:

28. Research and development costs

Research and development costs are included in the income statement at TEUR 2,311 in the financial year (previous year: TEUR 1,962). The expenses are primarily included in the personnel costs and other operating expenses.

Notes to the consolidated financial statements:

29. Interest result

The interest result consists of the balance of interest income in the amount of TEUR 69 (previous year: TEUR 3), and interest expenses in the amount of TEUR 185 (previous year: TEUR 196). The interest amount includes TEUR 124 in interest per IFRS 16.

Notes to the consolidated financial statements:

30. Taxes on income and earnings

Corporation tax, solidarity surcharge and trade income tax as well as income taxes for Switzerland, Great Britain and the USA are reported in the consolidated financial statements at the tax rates applicable on the balance sheet date. The Group income tax burden amounts to 23.4% (previous year: 24.4%) and includes corporation tax and trade tax charges. The income taxes are broken down according to origin as set out in the following (in TEUR):

In TEUR	2020/2021	2019/2020
Taxes paid or owing - Germany - Abroad (CH, GB, USA)	 1,276 212	 1,215 152
	1,488	1,366
Deferred taxes - From timing differences/consolidation - From losses carried forwards	 -217 88	 137 38
	-129	175
Income tax	**1,359**	**1,541**

The actual tax expense in the FORTEC Group of TEUR 1,359 (previous year: TEUR 1,541) is TEUR 161 (previous year: TEUR 227) below the theoretical tax expense resulting from the application of a weighted expected average tax rate to the pre-tax consolidated result.

Notes to the consolidated financial statements:

30. Taxes on income and earnings

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

In TEUR	2020/2021	2019/2020
Result before income taxes	5,240	6,318
Nominal income tax rate incl. trade tax	29.0 %	28.0 %
Forecast income tax expense with uni. tax burden	1,520	1,769
Increase/decrease in income tax burden due to:		
- Low tax burden abroad	-85	-132
- Use of unrecognised losses carried forwards	-4	-153
- Non-deductible operating expenses	11	95
- Tax-exempt income (dividends)	46	24
- Tax effects from tax base	-190	-51
- Tax payments for previous years	59	16
- Non-recognition of deferred tax assets on tax losses carried forwards	30	3
- Trade tax additions/deductions	10	0
- Elimination of intercompany profits	-11	0
- Other deviations	-28	-30
Reported income tax burden	1,359	1,541
Effective income tax rate	**25.93%**	**24.41%**

Notes to the consolidated financial statements:

31. Segment reporting

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

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

In the power supplies segment, FORTEC covers the complete product range of power supplies and DC/DC converters, from standard products from the Far East, through series devices modified in Germany, right to customer-specific developments for niche markets. The operating results of the segments are each monitored by the Management Board, the responsible company body, to facilitate making decisions about the allocation of resources and to determine the profitability of the units.

The development of the segments is assessed on the basis of the result and evaluated in accordance with the result in the consolidated financial statements.

In TEUR	Data visualisation	Power supplies	Total
Sales Previous year	47,390 55,730	30,036 32,000	77,426 87,730
Depreciation Previous year	1,120 1,243	611 699	1,731 1,942
Operating result Previous year	4,369 5,032	954 1,451	5,323 6,483
Financial result/result from investments Previous year	-90 -143	7 -23	-83 -166
Income taxes Previous year	1,099 1,166	260 375	1,359 1,541
Annual result Previous year	3,181 3,707	701 1,070	3,881 4,777
Assets Previous year	37,711 38,031	26,302 5,196	64,013 43,227
Non-current assets Previous year	9,505 9,949	8,232 8,536	17,737 18,484
of which domestic Previous year	7,785 8,139	5,000 5,196	12,785 13,335
of which foreign Previous year	1,720 1,810	3,232 3,339	4,952 5,149
Additions from non-current assets Previous year	-443 5,624	-304 181	-747 5,805
Inventories Previous year	11,337 13,917	8,406 10,746	19,743 24,663
Debts Previous year	12,309 14,587	7,164 7,206	19,473 21,792
Investments Previous year	440 411	96 484	536 894

The breakdown of domestic and foreign revenue for the segments can be found in section 21. The valuation bases and accounting principles for the segments correspond to the valuation bases and accounting principles of the company and the group. The result recorded by the data visualisation segment includes TEUR 813 from the release of reserves, of which TEUR 770 is income from the release of warranty reserves. The result of the power supplies segment includes TEUR 50 from the release of reserves for warranty reserves that were formed in the previous year and were not required. The financial result consists of financial income in the amount of TEUR 102 (previous year: TEUR 30), and financial expenses in the amount of TEUR 185 (previous year: TEUR 196).

Notes to the consolidated financial statements:

32. Currency conversion

The total equity capital included TEUR 188 (previous year: TEUR 155) of currency conversion differences from the conversion of foreign currency transactions. These have developed (in TEUR) as follows:

In TEUR	
As at 01/07/2019	846
Addition 2019/2020	155
As at 30/06/2020	1.002
Addition 2020/2021	-188
As at 30/06/2021	**814**

The addition primarily results from the continued development of the currency conversion from the recognition of the goodwill of ALTRAC AG at the closing rate as well as from the conversion of the equity of the foreign subsidiaries Apollo Corp. (US), ALTRAC AG (CH) and Display Technology Ltd (UK). In the statement of comprehensive income, TEUR -188 (previous year: TEUR -43) from currency conversions is recognised in profit or loss (income less expenses).

Notes to the consolidated financial statements:

33. Notes to the cash flow statement

The cash flow statement distinguishes between cash flow from operating activities (indirect method), from investments and from financing (direct method in each case). Cash and cash equivalents (liquid funds) include cash on hand and bank balances. The composition of cash on hand and bank balances is shown in section 12. The cash and cash equivalents are not subject to any restraints on disposal. The cash flow from operating activities of TEUR 10,175 (previous year: TEUR 3,582) includes interest expenses of TEUR 185 (previous year: TEUR 188) and interest income of TEUR 69 (previous year: TEUR 1). The cash flow from operating activities includes payments for income taxes in the amount of TEUR 1,213 (previous year: TEUR 1,936). For the first time, the cash flow from financing activities includes repayments from rental and leasing contracts in the financial year amounting to TEUR 1,034 (previous year: TEUR 1,087). Interest payments amounting to TEUR 124 (previous year: TEUR 127) are included in the operative items. The Group has been granted credit lines in the amount of TEUR 8,000. Credit lines in the amount of TEUR 7,634 can be used in the short term (IAS 7.50b).

The changes in liabilities from financing activities are as follows:

In TEUR	01/07/2020	Financing cash flow	Exchange rate changes	Changes to fair value	New lease agree-ments	Other changes	30/06/2021
Current interest-bearing loans	1,167	(1,167)	-	-	-	1,167	1,167
Previous year	1,383	(1,383)	-	-	-	1,167	1,167
Current leasing liabilities	972	(1,019)	(9)	-	138	852	934
Previous year	-	(1,090)	(2)	-	1,107	958	972
Non-current interest-bearing loans	3,528	-	-	-	-	(1,167)	2,361
Previous year	4,694	-	-	-	-	(1,167)	3,528
Non-current leasing liabilities	5,354	-	(2)	-	591	(856)	5,088
Previous year	-	-	(15)	-	6,326	(956)	5,354
Total liabilities from financing activities	**11,021**	**(2,186)**	**(11)**	**-**	**729**	**(3)**	**9,550**
Previous year	**6,077**	**(2,473)**	**(17)**	**-**	**7,432**	**1**	**11,021**

Notes to the consolidated financial statements:

34. Capital management

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

Notes to the consolidated financial statements:

34. Capital management

In TEUR	30/06/2021	30/06/2020
Total debts Less cash and cash equivalents	19,473 (14,696)	21,792 (8,865)
Net debt	4,777	12,927
Equity capital	44,540	42,796
Capital controlling indicator	**9.32**	**3.31**

Due to the application of IFRS 16 *Lease accounting*, the ratio of net debt to adjusted equity increased from 3.31 to 9.32.

Notes to the consolidated financial statements:

35. Supervisory Board

Members of the supervisory board in the financial year were:

Christoph Schubert
Chairman
Dortmund, Accountant/Auditor

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

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

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

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

The total remuneration of Supervisory Board members amounted to TEUR 67.5 in the reporting year (previous year: TEUR 56).

Notes to the consolidated financial statements:

36. Transactions with related companies and persons

TRM Beteiligungsgesellschaft mbH holds 31.42% of the shares in FORTEC Elektronik AG. Based on quorum presence majorities in the past, TRM Beteiligungsgesellschaft mbH could possibly control FORTEC Elektronik AG and would then be classified as a controlling party. However, FORTEC Elektronik AG has no knowledge of any actual control to date.

Transactions with other related parties are as follows:

	Values of business transactions		Balances outstanding as at 30.06.	
In TEUR	**2020/2021**	**2019/2020**	**2021**	**2020**
Sale of goods and services to - Non-consolidated subsidiaries - Participations/associated companies	 141 489	 103 524	 3 0	 10 0
Purchase of goods from - Non-consolidated subsidiaries	 818	 1,124	 -64	 -78
Premises rental and leasing expenses of non-consolidated subsidiaries - Other related parties	8 524	8 443	0 0	1 0
Procured services (consulting services, labour) to other related parties	50	80	3	0
Income from investments - Participations/associated companies	 27	 33	 0	 0
Dividends to - Associated companies (TRM Beteiligungsgesellschaft mbH)	 0	 0	 0	 0

Conditions of transactions with related companies and persons

Sales to and purchases from related parties take place in accordance with the customary market conditions. The sale of goods and services is realised with an appropriate profit mark-up. The outstanding balances at the end of the financial year are unsecured, non-interest bearing and are settled by cash payment or transfer. The premises leasing contracts are concluded per the standard market conditions with terms of 5 to 10 years. On the reporting date of 30 June 2021, the rental lease liabilities amount to TEUR 4,013 (previous year: TEUR 4,228).

Notes to the consolidated financial statements:

37. Remuneration of key management personnel

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

In TEUR	2020/2021	2019/2020
Short-term employee benefits	1,411	1,434
Post-employment benefits	0	0
Other benefits due	111	53
Termination benefits	0	0
Share-based remuneration	0	0
	1,523	**1,487**

The total remuneration of the Management Board of FORTEC AG amounts to TEUR 665 (previous year: TEUR 788), which includes performance-related remuneration in the amount of TEUR 208 (previous year: TEUR 230). An individualised representation of the remuneration of the Management Board is not required because the AGM of 16 February 2017 resolved that the disclosure pursuant to § 314 section 1 no. 6a) clauses 5-8 HGB may be omitted for a period of 5 years from the date of the resolution (§ 314 section 2 clause 2 in conjunction with § 286 section 5 HGB).

Notes to the consolidated financial statements:

38. Auditor's fees

The following fees were recognised as expenses in the 2020/2021 financial year for the services rendered by the auditors of the consolidated financial statements, Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Munich:

In TEUR	2020/2021	2019/2020
Audits of financial statements	144	60
Accountancy services	0	0
Other auditing services	4	9
	148	**69**

The fees for audits include the fees for the audit of the con-solidated financial statements and the audit of the financial statements of FORTEC Elektronik AG.

Notes to the consolidated financial statements:
39. Other disclosures

The Group employed an average of 212 *employees* (previous year: 220) during the financial year, of which 4 are temporary staff (previous year: 5). FORTEC AG had the following board members during the financial year:

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

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

Mr Jörg Traum resigned from the Management Board as entered in the commercial register on 14 July 2020.

Between the balance sheet date of 30 June 2021 and the date on which the financial statements are released for publication, *no events* occurred that would indicate the need to adjust the assets and liabilities. The Management Board and the Supervisory Board have issued the *declaration* on the application of the *Corporate Governance Code* required by § 161 AktG and made this permanently available to the shareholders via the Internet (https://www.fortecag.de/investor-relations/organe/corporate-governance/) as per 1 October 2020 (§§ 285 No. 16 and 314 (1) No. 8 HGB). The Management Board proposes a total *dividend* of EUR 1,950,262 (previous year: EUR 1,950,262). A total of 3,250,436 no-par value shares with a nominal value of EUR 0.60 each (previous year: EUR 0.60) are entitled to a dividend payment. The earnings per share amount to EUR 1.19 (previous year: EUR 1.47). During the current financial year, the following notification was submitted by the company pursuant to §§ 33/34 in conjunction with 40 section 1 WpHG (formerly §§ §§ 21 in conjunction with 26 section 1 WpHG):

→ *24 August 2020, DGAP-Ad-hoc:*
FORTEC Elektronik Aktiengesellschaft: Once again successful in the 2019/2020 financial year
→ *8 February 2021, DGAP-Ad-hoc:*
FORTEC Elektronik Aktiengesellschaft: In the first half of 2020/2021 business development affected by the pandemic and adjustment of forecast

KR FONDS - investment company with variable capital (SICAV), Luxembourg announced that the share of voting rights in FORTEC Elektronik AG was reduced on 15 April 2021, and on that the figure on that date amounted to 2.17% (this corresponds to 70,376 voting rights).

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

The consolidated financial statements were prepared and authorised for issue by the Management Board on 23 September 2021.

Germering, 23 September 2021
FORTEC Elektronik AG

Sandra Maile	Bernhard Staller
Chairwoman of the Board	Member of the Board

Annual Report 2021

Responsibility statement

We state that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Germering, 23 September 2021
FORTEC Elektronik AG

Sandra Maile
Chairwoman of the Board

Bernhard Staller
Member of the Board

Independent Auditor's Report

Auditor's opinions

We have audited the consolidated financial statements of FORTEC Elektronik AG, Germering, and its subsidiaries (the Group), which consist of the consolidated balance sheet as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity capital and the consolidated cash flow statement for the financial year from 1 July 2020 to 30 June 2021, and the notes to the consolidated financial statements, including a summary of significant accounting methods. We have also audited the group management report of FORTEC Elektronik AG, Germering, for the financial year from 1 July 2020 to 30 June 2021. In accordance with German legal requirements, we have not audited the contents of the responsibility statement of the legal representatives contained in the section "Responsibility statement" of the group management report, or the section "Declaration on corporate governance" in the group management report. Based on the findings of our audit, it is our opinion that:

- the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU and the additional requirements of German law pursuant to § 315e section 1 HGB and give a true and fair view of the financial position of the Group as at 30 June 2021 and of its financial performance for the financial year from 1 July 2020 to 30 June 2021 in accordance with these requirements;
- the accompanying group management report as a whole provides a suitable view of the Group's position. This group management report is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the aforementioned components of the Group management report that were not audited in substance.

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

Basis for the audit opinions

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

Audit matters of particular significance

Audit matters of particular significance are those matters that, in our professional judgement, were of most significance to our audit of the consolidated financial statements for the financial year from 1 July 2020 to 30 June 2021. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion accordingly; we do not provide a separate opinion on these matters.

Impairment of goodwill

Reasons for designation as an audit matter of particular significance

Goodwill totalling TEUR 6,715 (10.5% of total assets or 15.1% of equity) is recognised in the consolidated financial statements of the company. Goodwill is subjected to an impairment test by the company once a year - or on an ad hoc basis - in order to determine a possible need for depreciation. The impairment test is conducted at the level of the groups of cash-generating units to which the respective goodwill is allocated. Within the framework of the impairment test, the book value of the respective goodwill is compared with the corresponding recoverable amount. The recoverable amount is generally determined on the basis of the value of use. The basis for the valuation is regularly the present value of future cash flows of the respective group of cash-generating units. The cash values are determined using discounted cash flow models, whereby the starting point is the Group's approved medium-term plan; this is updated with assumptions about long-term growth rates. Expectations regarding future market development and assumptions about the development of macroeconomic factors are also taken into account. Discounting is carried out using the weighted average cost of capital of the respective group of cash-generating units. The impairment test identified no requirement for impairment.

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

Our audit procedures

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

Reference to related disclosures

The Company's disclosures regarding impairment testing and goodwill are included in section 2, subsection 2.13

"Assumptions and estimates" and section 5 "Acquired goodwill" of the notes to the consolidated financial statements.

Valuation of stocks

Reasons for designation as an audit matter of particular significance

The consolidated financial statements of the company contain an amount of TEUR 19,743, reported under the balance sheet item "Inventories", which consists primarily of merchandise and finished goods. This item represents 30.8% of the balance sheet total. To ensure the ability to deliver, FORTEC procures and stores significant quantities of various hardware components, some of which are subject to a sales risk due to general technical developments. Finished goods and merchandise are valued at acquisition and production cost using the cost formula method or at net realisable value if this is lower than the acquisition and production cost. In order to ensure an accurate valuation, FORTEC reviews the value of the inventories on a regular basis. The basis for the value adjustments are estimation routines regarding the usability of the stocks due to declining marketability, too high a range and too low a realisable sales price. The Management reviews the plausibility of the devaluations determined in this way and subjects them to a further devaluation analysis and adjusts them manually if necessary. The determination of the applied devaluation rates is based on assumptions from past experience and is therefore subject to the discretion of the company's legal representatives.

Our audit procedures

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

Reference to related disclosures

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

Other information

The Supervisory Board is responsible for the supervisory board report pursuant to § 171 section 2 AktG. The legal representatives and the supervisory board are responsible for the declaration pursuant to § 161 AktG concerning the German Corporate Governance Code, which is part of the corporate governance declaration. Furthermore, the legal representatives are responsible for the other information. The other information includes the "Declaration of conformity with the corporate governance code" published on the website listed in the group management report as well as the "Declaration on corporate governance" listed as a separate section in the group management report. Furthermore, the other information also includes further components provided for the annual report, in particular:

- the assurance pursuant to § 264 section 2 clause 3 HGB regarding the annual financial statements, pursuant to § 297 section 2 clause 4 HGB regarding the consolidated financial statements and the assurance pursuant to § 289 section 1 clause 5 HGB or § 315 section 1 clause 5 HGB regarding the group management report,
- the declaration on corporate governance pursuant to § 289f HGB in conjunction with § 315d HGB,
- the "Report of the Management Board",
- the "Report of the Supervisory Board",
- the "Overview of key figures and share price development",

- the further parts of the annual report, with the exception of the audited consolidated financial statements and the contents of the audited components of the group management report and our auditor's report.

Our auditor's opinions on the consolidated financial statements and the group management report do not extend to the other information and, as such, we do not express an opinion or any other form of conclusion in relation to this information. With regards to our audit of the consolidated financial statements, our responsibility is to read the above-mentioned other information and, in doing so, consider whether the other information is

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

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

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

The legal representatives are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e section 1 HGB and for such internal control as the legal representatives determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, the legal representatives are responsible for such internal control as the legal representatives determine is necessary to enable the preparation of consolidated financial statements.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Further to the above, the legal representatives are also responsible for disclosing matters related to going concern, insofar as these are relevant. The legal representatives are additionally responsible for accounting on a going concern basis, unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so. Furthermore, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Additionally, the legal representatives are responsible for implementing the provisions and measures (systems) that it has determined are necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and for providing sufficient appropriate evidence for the statements made in the group management report.

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

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

It is our objective to obtain reasonable assurance regarding whether the consolidated financial statements as a whole are free from material misstatement - be this due to fraud or error - and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and furthermore to issue an auditor's report that includes our auditor's opinion on the consolidated financial statements and the group management report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and EU-AuditReg and the generally accepted German standards for the audit of financial statements promulgated by the institute of German auditors (IDW) will always detect a material misstatement. Misstatements can arise due to fraud or error and are considered material if they could reasonably be expected, either individually or as a whole, to influence the economic decisions of users taken on the basis of these consolidated financial statements and group management report.

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

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

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

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

Other statutory and other legal requirements

Note regarding the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for disclosure purposes in accordance with § 317 section 3b HGB

Auditor's opinion

Pursuant to § 317 section 3b HGB, we have performed a reasonable assurance review of whether the reproductions of the consolidated financial statements and the group management report contained in European Single Electronic Format in the attached file FORTEC_AG_KA+LB_ESEF_30-06-2021.zip hash value: 8e890b86a7f7e8e7b5a22013acbf4662d44f6514b22b8b8561a3d594eeb14bab) and prepared for disclosure purposes (hereinafter also referred to as the "ESEF documents") comply in all material respects with the electronic reporting format ("ESEF format") requirements of § 328 section 1 HGB. In accordance with German legal requirements, this audit only covers the transfer of the information from the consolidated financial statements and the management report into ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply, in all material respects, with the requirements of § 328 section 1 HGB regarding the electronic reporting format. We do not express any auditor's opinion regarding the information contained in these reproductions or on the other information contained in the aforementioned file beyond this opinion and our opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 July 2020 to 30 June 2021 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report".

Basis for the auditor's opinion

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

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

The legal representatives are responsible for preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with § 328 section 1 clause 4, no. 1 HGB and for issuance of the consolidated financial statements in accordance with § 328, section 1 clause 4, no. 2 HGB. Furthermore, the legal representatives are responsible for such internal controls as they deem necessary to enable preparation of the ESEF documents free from material non-compliance, be it due to fraud or error, with the electronic reporting format requirements per § 328 section 1 HGB.

The legal representatives are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette. The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

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

Furthermore, we

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

Other information according to Article 10 EU-AuditReg

We were elected as auditors of the consolidated financial statements by the AGM on 11 February 2021. We were appointed by the Supervisory Board on 30 April 2021. We have served as auditors of the consolidated financial statements of FORTEC Elektronik AG, Germering, since the 2021 financial year. We herewith declare that the audit opinions contained in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU-AuditReg (audit report).

Auditor responsible

The auditor responsible for the audit is Felix Haendel.

Munich, 28 September 2021

Rödl & Partner GmbH
Auditors
Accountants

Hager	Haendel
Auditor	Auditor

Legal Notice

Published by

FORTEC Elektronik AG
Augsburger Str. 2b | 82110 Germering
Telephone: +49 (0)89 894450-0 | Fax +49 (0)89 894450-123
Email aktie@fortecag.de | www.fortecag.de

Concept and design

Medienpalast Allgäu GmbH & Co. KG
Memminger Straße 50 | 87439 Kempten
www.medienpalast.net

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