BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

INTERIM REPORT
1. half year
of 2023/2024

FORTEC
GROUP

Interim report for the first half year of 2023/2024

Contents

Interim group management report:

1. Fundamentals of the Group

Over the past years, FORTEC as a group has gradually transformed itself from a trading company into a system supplier of industrial high-tech products and is now part of the international added value chain. Acting as a link between various production plants of internationally active suppliers, in particular from the Far East, as well as European and American customers, FORTEC occupies an attractive growth niche and is constantly expanding its position as a supplier of customer-specific product solutions for industrial use, for example through its own software and hardware developments, as well as the expansion of its own production services.

Target customers are companies with long-term positioning, primarily in the high-growth areas of industrial automation, information technology, security technology, medical technology and the field of automotive engineering. Attractive niche markets such as railway and transportation are also focal areas. FORTEC's success is founded on a large number of long-standing customer relationships. The aim of our sales activities is to build strategic partnerships with top customers who are leaders in their own market sectors, as well as with customers with smaller and medium-sized order volumes. Due to ever-greater complexity, orders are increasingly commonly long-term projects and the companies of the FORTEC Group - as suppliers - are becoming long-term, strategic partners to their customers.

For over 38 years now, FORTEC has consistently generated excellent returns with its business model, which has been tested in multiple cycles. With increased activity in the design of complete (sub)systems based on in-house technologies, the Group is gaining in autonomy and becoming increasingly competitive in a global environment.

The Group has several regional offices in Germany that provide local customer support. FORTEC is represented by a sales office in Austria and by its wholly owned sales subsidiary FORTEC Switzerland (formerly ALTRAC) in Switzerland. Furthermore, FORTEC is represented in the Benelux states with a shareholding in the Dutch trading company Advantec Electronics and through the foreign subsidiaries FORTEC United Kingdom (formerly Display Technology) in the United Kingdom, Apollo Display Technologies in the USA, and FORTEC Czech Republic (formerly 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, EMTRON 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 in 2019 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."

Interim 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 and is in regular contact with them.

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.

Interim group management report: 3. Research and development

The FORTEC Group is mainly active as a system provider in the data visualisation segment to provide its customers with added value and differentiate them from the competition thanks to innovative applications and procedures. The Group is therefore investing continuously and sustainably in its own development competence and maintains a development department with 24 (previous year: 22.75) 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 expenditure of around EUR 1.2 million (previous year: EUR 1.3 million) on 31st December of the year.

Interim group management report: 4. Economic report

Macroeconomic and sector-specific framework conditions

The *global economy* is showing signs of stabilisation but at a low level according to the Federal Ministry for Economic Affairs and Climate Action. The continued challenges relating to growth and inflation indicate that the global economy will continue to be confronted with below-average growth. The delivery bottlenecks caused by COVID-19 have caused weak production growth in the global machining industry. The hoped for economic recovery due to the reopening of China did not last long, which caused a general reduction in economic dynamism.[1] According to statistics, an increase to the global gross domestic product in 2024 is expected to be around 4 % compared to the previous year.[2]

In the *euro zone*, Eurostat reports that the gross domestic product (GDP) in the second half of 2023 is unchanged compared to the previous quarters. In comparison to the last two quarters of the previous year, the GDP has also only changed by 0.1 % in the last quarter.[3]

In *Germany*, the overall economic conditions stagnated in the final quarter of 2023 due to various crises. High inflation rates and weakening demand both domestically and internationally slowed down the recovery from the COVID-low. The increased energy costs due to the war in Ukraine have caused an energy crisis that continues to affect Germany. According to the German Federal Statistical Office, the price-adjusted gross domestic product reduced by 0.4 % in 2023 compared to the previous year.[4]

The industrial purchasing managers index (PMI) in Germany was at 43.3 point in December 2023[5], which indicates a decline in industrial production. This index comprises various indicators such as incoming orders, production, employment, delivery times and stock levels

The association of German electrical and electronic manufacturers (ZVEI) recorded around 1.6 % fewer incoming orders in the German *electrical and digital industry* in the previous year, but this was also expected in the context of a gradual relief following the COVID crisis.[6]

[1] https://www.bmwk.de/Redaktion/DE/Schlaglichter-der-Wirtschaftspolitik/2023/12/11-weltwirtschaft.html

[2] https://de.statista.com/statistik/daten/studie/159798/umfrage/entwicklung-des-bip-bruttoinlandsprodukt-weltweit/

[3] https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjKiruAzqWEAxW5gP0HHbvSDcQQFnoECBYQAQ&url=https%3A%2F%2Fec.europa.eu%2Feurostat%2Fdocuments%2F2995521%2F18404141%2F2-30012024-AP-DE.pdf%2F6a7c7ff2-9350-8661-aea5-618d237639e5&usg=AO

[4] https://www.destatis.de/EN/Press/2024/01/PE24_038_811.html

[5] https://www.investing.com/economic-calendar/german-manufacturing-pmi-136

[6] https://www.zvei.org/fileadmin/user_upload/Presse_und_Medien/Publikationen/Regelmaessige_Publikationen/Daten_Zahlen_und_Fakten/Die_deutsche_Elektroindustrie_Daten_Zahlen_Fakten/Faktenblatt-Februar-2024.pdf

Interim group management report: 5. Business development

Despite a challenging geophysical and economic business environment, FORTEC was able to carry on the momentum from the previous financial year in the first half of the 2023/2024 financial year.

The operating earnings before interest and taxes (EBIT) decreased slightly from EUR 4.6 million in the previous year to around EUR 4.5 million. The order book normalised due to improved delivery capability at around EUR 68.0 million on 31st December 2023 (30th June 2023: EUR 83.0 million).

Interim group management report: 6. Profit situation

In the first half of the current 2023/2024 financial year, FORTEC achieved a group turnover of EUR 47.0 million after EUR 49.4 million in the previous year. The decline of 5 % is due to the traditionally weaker second quarter in addition to the generally challenging economic conditions. Furthermore, the reduced number of working weeks compared to the previous year due to company closures for public holidays resulted in reduced invoicing in this period.

Other operating income reduced significantly to EUR 0.9 million compared to around EUR 1.6 million in the previous year. The change was mainly based on reduced income from exchange differences from EUR 0.8 million to EUR 0.6 million (previous year: EUR 1.4 million).

Based on the reduced turnover, the cost of materials at EUR 31.6 million (previous year: EUR 34.4 million) also reduced proportionally.

The gross margin, taking into account the change in inventories of unfinished/finished goods, increased from 32.5 % to 35.8 % in the first half of the 2023/2024 financial year. The cost of sales ratio decreased slightly to 64.2 % in the first half of 2023/2024 compared to 67.5 % in the previous year.

Personnel expenses rose again by EUR 0.7 million to EUR 8.5 million (previous year: EUR 7.8 million). This increase is mainly the result of general salary adjustments and more expensive subsequent appointments due to the tough situation on the labour market. The personnel cost ratio in relation to turnover therefore increased significantly from 15.7 % to 18.0 %.

The depreciation item increased slightly to EUR 836 thousand (previous year: EUR 797 thousand).

Other operating costs reduced by around EUR 0.5 million to EUR 3.9 million. EUR. This is due to currency losses that were around EUR 0.5 million lower at EUR 0.6 million (previous year: EUR 1.1 million). Costs reduced slightly relative to turnover, from 9.0 % to 8.1 %.

Earnings before interest and taxes (EBIT), an important financial performance indicator only reduced slightly from EUR 4.6 million to EUR 4.5 million. The EBIT margin based on turnover increased despite this to 9.6 % (previous year: 9.4 %).

Taxes on income and earnings increased slightly from EUR 1.2 million in the previous year to EUR 1.3 million in the current financial year.

The consolidated net profit for the first half of the 2023/2024 financial year stood at EUR 3.2 million (previous year: EUR 3.4 million). The return on sales after taxes therefore remained almost unchanged at 6.8 % (previous year: 6.9 %) compared to the previous year.

Earnings per share fell slightly from EUR 1.04 in the previous year to EUR 0.99 in the reporting year.

Interim group management report: 7. Asset situation

On the assets side, with a balance sheet total of EUR 76.7 million (30/06/2023: EUR 76.3 million), *non-current assets* amount to EUR 16.4 million (30/06/2022: EUR 16.7 million).

At EUR 6.5 million, the goodwill from the acquired subsidiaries remains the largest item. Due to accounting in accordance with IFRS 16, rights of use amounting to EUR 4.6 million (30/06/2022: EUR 4.8 million) are reported.

The stocks at EUR 31.3 million (30/06/2022: EUR 32.6 million) are the largest single item in the *current assets*.

The *receivables from deliveries and services* item fell as of the reporting date from EUR 11.4 million on 30 June 2023 to EUR 8.1 million. Cash and cash equivalents increased from EUR 13.2 million on 30 June 2023 to EUR 18.5 million on 31 December 2023.

The Group's equity ratio was 76.1 % (30/06/2023: 72.1 %). At EUR 58.3 million (30/06/2023: EUR 55.0 million), the Group has sufficient equity.

On the liabilities side, *non-current bank liabilities* fell from EUR 1.3 million on 30 June 2023 to EUR 1.1 million due to scheduled repayments.

The *current provisions* remained almost unchanged at EUR 453 thousand (30/06/2023: EUR 452 thousand). Liabilities due to deliveries and services fell to EUR 4.5 million on 31 December 2023 (30 June 2023: EUR 6.5 million).

Interim 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 FORTEC GROUP defines the net financial assets that are relevant for a potential company valuation as the difference between the cash and cash equivalents, and the interest-bearing financial liabilities, of which the FORTEC GROUP only counts the bank liabilities. The net financial assets defined in this way were therefore EUR 17.1 million on 31 December 2023 (30 June 2023: EUR 11.6 million).

The operational cash flow increased in the first half of the 2023/2024 financial year from EUR -1.7 million to EUR 6.2 million. The reasons for this are reductions to stock and receivables.

The cash flow from investments reduced from EUR 229 thousand in the previous year to EUR 124 thousand. The reasons for this are lower investments in the reporting period compared to the previous year.

The negative cash flow from financing activities reduced significantly from EUR 1.1 million to EUR 729 thousand. In total, the Group recorded cash and cash equivalents of EUR 18.5 million (previous year: EUR 9.8 million).

Interim 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.

The majority of sources expect the economic situation to calm down, which makes the outlook moderately positive. The European Central Bank talks of a gradual stabilisation of the economic situation as of 2024 driven by increased real income and a recovery in foreign demand.[7]

However, the slightly positive outlook for economic development is still accompanied with negative influences for FORTEC's business development. The consequences of the current delivery situation combined with the offshoots of the inflation-driven price increases will continue to affect the 2024 calendar year significantly. Assuming that there is no deterioration in the aforementioned factors in the current financial year 2023/2024 and provided that the measures already initiated in the second quarter take effect as planned, the Board of Directors confirms the forecast made in the 2023 financial report and expects consolidated turnover of between EUR 106.0 million and EUR 116.0 million and consolidated EBIT in the range of EUR 9.5 million to EUR 11.0 million.

[7] https://www.ecb.europa.eu/pub/projections/html/ecb.projections202312_eurosystemstaff~9a39ab5088.en.html#toc2

Interim group management report:

10. Risk and opportunity report

10.1 Risk management

Fundamentals of risk management

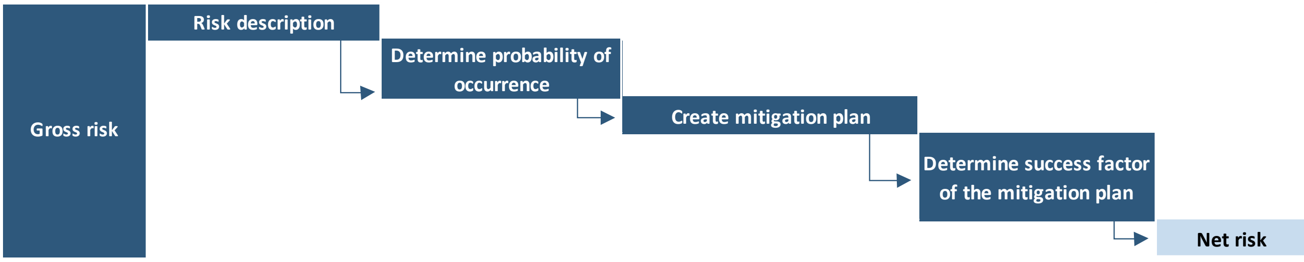
Risk management is an ongoing task of identifying risks as possible negative developments and their effects on the Group at an early stage, evaluating them and implementing measures to deal with the risks accordingly.
It is therefore necessary to create an awareness of the risks existing in the company 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

At regular intervals, 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. The risk assessment is made up of the individual evaluations of the probability of occurrence and the potential gross amount of damage, which are reduced to a corresponding net risk through appropriate countermeasures.



The criterion of probability of occurrence is divided into the categories "highly unlikely" (probability 10 %), "unlikely" (probability 25 %), "possible" (probability 50 %), "probable" (probability 75 %) and "highly probable" (probability 100 %).
The potential gross loss amount is classified up to EUR 0.1 million ("minimal"), EUR 0.5 million ("minor"), EUR 1.0 million ("moderate"), EUR 5.0 million ("severe") and EUR 10.0 million ("threatening").
The final risk is divided into the categories "high risk" (net risk greater than EUR 1.0 million), "moderate risk" (net risk between EUR 0.5 million and EUR 1.0 million) and "low risk" (net risk less than EUR 0.5 million).

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 Board, 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 make it possible to identify deviations in the target figures for incoming orders, the order backlog, inventories, turnover, gross margin and costs at an early stage and to take 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 be insufficient 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

Since the start of 2020, 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. In times of high demand and product availability shortages, the prices for purchased parts increase dynamically.

Price change risks, which consist of a potential loss due to adverse changes in the market price and price-influencing parameters, are minimised through secure contracts and price adjustment clauses.

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. 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 tensions between China and Taiwan currently pose a particular risk on the supplier side. The company counteracts the risks by establishing alternative secondary suppliers in certain areas and adjusting the inventory.

c) Availability of goods and procurement prices

The market for power supplies and display technology is heavily dominated by the Far East. In times of high demand and product availability shortages due to limited capacities, this can lead to price effects (rising purchase prices), delivery delays and even to the non-delivery of products. 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. Shortages due to bottlenecks in the chip industry are still possible in the 2023/2024 financial year. The Group attempts to counteract this risk through a forward-looking procurement policy and back-up inventories.

The procurement risk is assessed as high due to the cited risks.

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 one long-term bank loan with favourable conditions from the management's perspective. Credit lines amounting to EUR 7.6 million have also been granted at group level, but these are not in use at the moment.

The goal of financial and risk management is to secure the company's success against any form of financial risk.

The risk is currently classified as low.

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.

FORTEC has been able to deal with this risk so far and therefore assumes a low risk.

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; therefore the risk is currently classified as low.

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. Any large-scale change in personnel or individual key members of staff could jeopardise the success achieved so far. Hiring new employees against the background of a highly discernible shortage of skilled workers and enhancing attractiveness as an employer in a regional environment of full employment has presented a particular challenge. The risk is reduced through cooperation with external personnel service providers, active sourcing with the inclusion of social media, recruitment of employees abroad, relocation offers as well as a new, modern working environment and individual working models. 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. FORTEC also provides targeted support for young people through the continuous training of young employees.

Nevertheless, the risk is classified as moderate.

Corporate strategy risks and competitive risks

If our industrial customers were to change their strategy and to cease production in Central Europe on a long-term basis (and in doing so rely on local suppliers), this would call our business model as a supplier of technically sophisticated products into question.

A similar effect would arise in the event of a future change in the behaviour of our upstream suppliers, resulting in these suppliers realising sales directly to industrial customers via the internet and no longer selling their products exclusively through the established distribution channels. An expected concentration process on the supplier side could also have a negative effect on us. In extreme cases, this could result in the termination of the supply relationship.

The same effect could occur if the trading margin to be achieved is below our costs due to the competitive information available to all customers via the Internet, which is mainly influenced by personnel expenses. Extensive production capacities, in particular in the data visualisation segment, increase the risk of not being able to react flexibly to market conditions due to the fixed cost block.

The risk is currently classified as high.

IT risks / cyber risks

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

Nevertheless, the risk is currently classified as high.

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.

Based on ongoing monitoring, the risk is classified as moderate.

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 war in Ukraine, the continuing differences between the USA and China, and the issues relating to Taiwan could still have.

At the present time, no risks are identifiable that could endanger the continued existence of the Group as a whole.

In addition to the risks, the following opportunities, in the form of opportunity management, have been integrated into the management manual. This manual is updated annually as part of the management review, in order to continuously develop the Group.

10.3 Opportunities 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 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. a networking of industrial applications. This fourth industrial revolution with the scenario of a thoroughly rationalised factory will bring a productivity gain, from the Management Board'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 and functional solutions is a growth driver.

Further opportunities arise due to the consolidation of operational activities within the subsidiaries, which results in synergies and the planning of a common corporate brand for the better and stronger positioning of FORTEC, also in accordance with the "Grow Together 2025 Strategy". The "FORTEC One" project with the common brand identity is an important milestone in merging together to become a global partner for unlimited technology solutions.

Although this cannot be guaranteed for the future, FORTEC is confident that the expanded mix of Distribution, Development, Production & Solutions in both segments offers good opportunities for long-term, sustainable growth.

The solid financial situation enables the Group to respond with flexibility and speed to strategic options as they arise in the light of market and industry developments.

Overall assessment of the risk and opportunity situation

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

Nonetheless, the worldwide crises could continue to have a negative impact on the Group's delivery capability and sales market. The Management Board is monitoring and analysing the developments very closely.

Interim group management report:

11. Further information pursuant to § 315a HGB

The *number of shares* on 31 December 2023 was 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 2023 authorised the Management Board, with the approval of the Supervisory Board, to increase FORTEC's share capital by up to EUR 1,625,218.00 by issuing up to 1,625,218 no-par value bearer shares on one or more occasions against cash and/or non-cash contributions by 14 February 2028 (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.

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.

The *authorised capital* on 15 February 2023 (Authorised Capital 2023/I) amounts to EUR 1,625,218 on the balance sheet date.

FORTEC's *remuneration system* for the members of the Management Board includes fixed and variable salary components. The company adopted a new remuneration system at the Annual General Meeting on 11 February 2021. The fundamental features of the remuneration system can be found on the website at www.fortecag.de/en/investor-relations/corporate-governance/. In accordance with section 162 of the Stock Corporation Act, FORTEC will report on the remuneration of the Management Board in detail once per year in a separate remuneration report.

Declaration on Corporate Governance in accordance with section 315d of the German Commercial Code

According to section 315d HBG [Commercial Code], the company must submit a corporate governance statement for the Group. This declaration is made permanently accessible to the public on the Company's website at: www.fortecag.de/en/investor-relations/corporate-governance/

Germering, March 2024

Sandra Maile	Ulrich Ermel
Chair of the Management Board	Management Board

Consolidated balance sheet as at 31/12/2023 in accordance with IAS/IFRS

	ASSETS in thousand EUR	31/12/2023	30/06/2023		LIABILITIES AND SHAREHOLDER'S EQUITY in thousand EUR	31/12/2023	30/06/2023
A.	**Non-current assets**	**16,403**	**16,709**	**A.**	**Equity capital**	**58,341**	**55,005**
I.	Acquired goodwill	6,552	6,448	I.	Subscribed capital	3,250	3,250
II.	Intangible assets	285	312	II.	Capital reserve	14,481	14,481
III.	Tangible fixed assets	4,428	4,536	III.	Conversion adjustments	1,811	1,691
IV.	Rights of use	4,574	4,845	IV.	Other reserves	35,576	28,022
V.	Financial assets balanced in accordance with the equity method	77	77	V.	Consolidated net profit for the period	3,218	7,555
VI.	Financial assets	75	75	VI.	Non-controlling interests	4	6
VII.	Deferred taxes	413	415				
B.	**Current assets**	**60,286**	**59,595**	**B.**	**Non-current liabilities**	**6,193**	**6,510**
I.	Inventories	31,280	32,556	I.	Non-current bank liabilities	1,111	1,278
II.	Receivables from deliveries and services	8,131	11,408	II.	Non-current leasing liabilities	3,801	3,957
III.	Tax refund entitlements	1,826	1,829	III.	Other non-current financial liabilities	120	96
IV.	Other financial assets	209	145	IV.	Other non-current liabilities	213	239
V.	Other assets	303	411	V.	Non-current reserves	398	398
VI.	Cash and cash equivalents	18,538	13,246	VI.	Deferred tax liabilities	550	543
				C.	**Current liabilities**	**12,156**	**14,789**
				I.	Liabilities to credit institutes	333	333
				II.	Liabilities from deliveries and services	4,511	6,508
				III.	Current leasing liabilities	938	1,052
				IV.	Tax liabilities	3,204	2,740
				V.	Other current financial liabilities	1,174	1,534
				VI.	Other current liabilities	1,542	2,169
				VII.	Reserves	453	452
	Total assets	**76,690**	**76,304**		**Total liabilities**	**76,690**	**76,304**

Consolidated statement of comprehensive income 1st HY as at 31/12/2023 unaudited, in accordance with IAS/IFRS

In thousand EUR	Consolidated statement of income 01/07/2023 - 31/12/2023	Consolidated statement of income 01/07/2022 - 31/12/2022
Sales revenues	**46,956**	**49,437**
Change in inventory of unfinished/finished goods	1,493	1,063
Other operating income	910	1,586
Cost of materials	-31,635	-34,440
Personnel expenses	-8,450	-7,770
Depreciation	-836	-797
Other operating costs	-3,909	-4,449
Operating result (EBIT)	**4,528**	**4,629**
Other interest and similar income	25	2
Other interest and similar costs	-65	-76
Result before taxes	**4,489**	**4,555**
Taxes on income and earnings	-1,273	-1,166
Consolidated net profit for the period	**3,216**	**3,389**
Other earnings*	120	-209
Total earnings	**3,336**	**3,180**
Earnings per share (in EUR)	0.99	1.04
Number of shares (in units)	3,250,436	3,250,436
Of the total result, the following are attributable to:		
Shareholders of the parent company	3,338	3,180
Non-controlling shareholders	-2	0

*Other comprehensive income exclusively comprises currency translation differences not recognised in profit or loss.

Consolidated statement of comprehensive income Q2 as at 31/12/2023 unaudited, in accordance with IAS/IFRS

In thousand EUR	Consolidated statement of income 01/10/2023 - 31/12/2023	Consolidated statement of income 01/10/2022 - 31/12/2022
Sales revenues	**20,370**	**24,459**
Change in inventory of unfinished/finished goods	691	909
Other operating income	371	794
Cost of materials	-13,681	-17,543
Personnel expenses	-4,318	-3,988
Depreciation	-423	-398
Other operating costs	-2,007	-2,339
Operating result (EBIT)	**1,001**	**1,896**
Other interest and similar income	23	2
Other interest and similar costs	-32	-35
Result before taxes	**993**	**1,862**
Taxes on income and earnings	-180	-410
Consolidated net profit for the period	**812**	**1,452**
Other earnings*	-20	-595
Total earnings	**792**	**857**
Earnings per share (in EUR)	0.25	0.45
Number of shares (in units)	3,250,436	3,250,436
Of the total result, the following are attributable to:		
Shareholders of the parent company	792	858
Non-controlling shareholders	-0.5	-1

*Other comprehensive income exclusively comprises currency translation differences not recognised in profit or loss.

Consolidated statement of changes in equity at 31/12/2023

In thousand EUR	Subscribed capital	Capital reserve	Currency conversion difference	Other reserves		Total	Non-controlling interests	Total equity capital
				Market valuation reserve	Retained earnings / profit carried forward			
As at 01/07/2022	**3,250**	**14,481**	**1,819**		**30,297**	**49,847**	**10**	**49,857**
Consolidated period result 01/07 - 31/12/2022					3,389	3,389	-1	3,389
Change in other earnings			-209			-209		-209
Changes 01/07 - 31/12/2022			-209		3,389	3,180	-1	3,180
As at 31/12/2022	**3,250**	**14,481**	**1,610**		**33,686**	**53,027**	**9**	**53,037**
As at 01/07/2023	**3,250**	**14,481**	**1,691**		**35,576**	**54,999**	**6**	**55,005**
Consolidated period result 01/07 - 31/12/2023					3,218	3,218	-2	3,216
Change in other earnings			120			120		120
Changes 01/07 - 31/12/2023			120		3,218	3,338	-2	3,336
As at 31/12/2023	**3,250**	**14,481**	**1,811**		**38,794**	**58,337**	**4**	**58,341**

Consolidated cash flow statement at 31/12/2023

In thousand EUR		Annex	FY 2023/2024 01/07/23-31/12/23	FY 2022/2023 01/07/22-31/12/22
I.	**Operating activities**			
1.	Consolidated net profit for the period		3,216	3,389
2.	(+) Income tax expenditure / (-) income tax refund		1,273	1,166
3.	(+) Depreciation / impairment of value of tangible and intangible assets		836	797
4.	(+) Other non-cash expenses / (-) other cash income		153	84
5.	(+) Loss / (-) gain on sale of tangible assets		-17	0
6.	(+) Decrease / (-) increase in inventories		1,228	-8,580
7.	(+) Decrease / (-) increase in receivables from deliveries and services and other receivables		3,223	1,344
8.	(-) Decrease / (+) increase in liabilities from deliveries and services		-1,991	1,413
9.	(-) Decrease / (+) increase in current liabilities		-1,043	-1,498
10.	(+) Decrease / (-) increase in non-current receivables		0	-2
11.	(-) Decrease / (+) increase in non-current liabilities		-2	9
12.	(+) Interest expenses / (-) interest income		39	74
13.	(-) Interest paid [1)]		-39	-74
14.	(+) Income taxes refunded / (-) income taxes paid		-715	161
	Cash flow from operating activities		**6,160**	**-1,716**
II.	**Investment activities**			
1.	Payments for investments in tangible and intangible assets		-141	-229
2.	Proceeds from sale of tangible and intangible assets		17	0
	Cash flow from investing activities		**-124**	**-229**

Consolidated cash flow statement at 31/12/2023

In thousand EUR		Annex	FY 2023/2024 01/07/23-31/12/23	FY 2022/2023 01/07/22-31/12/22
III.	**Financing activities**			
1.	Payments for the redemption of (financial) loans		-167	-583
2.	Interest received from financing activities		0	0
3.	Payments for leasing liabilities [2)]		-563	-526
	Cash flow from financing activities		**-729**	**-1,109**
IV.	**Changes to cash and cash equivalents affecting payment**		**5,307**	**-3,055**
	Cash/equivalents p. 01/07		13,246	12,884
	Effect of exchange rate changes on cash and cash equivalents		-15	-26
	Changes to cash and cash equivalents due to the scope of consolidation		0	0
V.	**Cash/equivalents p. 31/12**		**18,538**	**9,804**
	Composition of cash and cash equivalents			
	Cash		5	6
	Bank balances		18,533	9,798
	Cash and cash equivalents at the end of the period		**18,538**	**9,804**

1) The interest paid includes interest portion of lease liabilities

2) 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.

Explanatory notes

The basis for the preparation of the financial statements

The condensed half-yearly report does not contain all information and disclosures required for consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements and the group management report as at 30 June 2023.

The interim consolidated financial statements have been neither audited nor reviewed by an auditor.

The report has been drawn up in euros. For reasons of calculation, rounding differences may occur in the tables and in references.

Segment reporting

The Group's reportable segments are data visualisation and power supplies. Other segments include intra-group services.

In thousand EUR	Data visualisation	Power supplies	Other segments	Total	Reconciliation Consolidation	Consolidated
External revenues	29,133	17,819	3	46,956	0	46,956
Previous year	*31,967*	*17,471*	*0*	*49,438*	*0*	*49,438*
Internal revenues	1,678	1,013	1,771	4,462	-4,462	0
Previous year	*2,242*	*1,017*	*996*	*4,255*	*-4,255*	*0*
Segment revenues	30,812	18,832	1,774	51,418	-4,462	46,956
Previous year	*34,209*	*18,488*	*996*	*53,693*	*-4,255*	*49,438*
Gross margin (total operating performance ./. cost of sales)	11,138	5,851	1,633	18,622	-1,808	16,814
Previous year	*11,318*	*4,948*	*641*	*16,908*	*-1,203*	*15,705*
Gross margin in %	36.1	31.1	92.1	36.2		35.8
Previous year	*33.1*	*26.8*	*64.4*	*31.5*		*31.8*
EBIT	2,946	1,616	-31	4,532	-4	4,528
Previous year	*3,923*	*1,196*	*-476*	*4,643*	*-14*	*4,629*
EBIT in %	9.6	8.6	-1.7	8.8	0.1	9.6
Previous year	*11.5*	*6.5*	*-47.8*	*8.6*	*0.3*	*9.4*

Responsibility statement

We state that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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, 25 March 2024

FORTEC Elektronik AG

Sandra Maile Chair of the Management Board	Ulrich Ermel Management Board

Disclaimer of liability

This report contains certain forward-looking statements based on currently discernible and available information, assumptions and forecasts made by the Management of FORTEC Elektronik AG. They serve solely to provide information and are characterised by terms such as "believe", "expect", "predict", "intend", "forecast", "plan", "estimate" or "endeavour". These statements are therefore only valid at the time of their publication. Various known and unknown risks, uncertainties and other factors could lead to material differences between the forecasts given here and the actual results, financial situation, development or performance of the Company. FORTEC Elektronik AG assumes no obligation to update such forward-looking statements or to align them with future events or developments. Accordingly, no liability or guarantee for the topicality, correctness or completeness of this data and information is assumed either explicitly or implicitly.

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