BIG ENOUGH TO COMPETE – SMALL ENOUGH TO CARE.

INTERIM REPORT
1. half year
of 2024/2025

FORTEC
GROUP

Interim report for the first half year of 2024/2025

Contents

Interim group management report: 1. Fundamentals of the Group

Over the past years, FORTEC as a group ("FORTEC Group") has gradually transformed itself from a product supplier to 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, the FORTEC Group occupies an attractive growth niche and is constantly expanding its position as a supplier of industrial solutions, 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, medical technology and automotive engineering. Attractive niche markets such as railway & transportation and defence are also focal areas. The FORTEC Group'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 40 years now, the FORTEC Group has consistently generated positive 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.

In Germany, the group has several locations for local customer support through FORTEC Power GmbH ("FORTEC Power") and FORTEC Integrated GmbH ("FORTEC Integrated"). The FORTEC Group is represented by a sales office in Austria and by its wholly-owned sales subsidiary FORTEC Switzerland AG ("FORTEC CH") 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 Technology UK Ltd. ("FORTEC UK") in the United Kingdom, FORTEC US Corp. ("FORTEC US") in the USA and FORTEC Czech Republic s.r.o. ("FORTEC CZ"), a subsidiary of AUTRONIC Steuer- und Regeltechnik GmbH ("AUTRONIC"), in the Czech Republic. Since 2024, the group has been supported by the newly-founded development location in Cairo, Egypt, FORTEC Electronics Designs & Solutions Egypt SMLC ("FORTEC EGY").

The group occupies two attractive sectors of the high-quality electronics market. The FORTEC Group 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, the FORTEC Group 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, the FORTEC Group 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, the FORTEC Group 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.

Due to the high proportion of distribution in this successful segment, stock availability of the right products is the basis for success here.

Interim group management report: 2. Control system

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

Reporting is performed by segments and, in some cases, across the whole company for simplicity. 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 therefore differentiate them from the competition thanks to innovative applications and procedures. The group is therefore investing continuously and sustainable in its own development competence and maintains a development department with 26 (previous year: 24) 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 1.1 million (previous year: EUR 1.2 million) on 31st December of the year.

In the first half of 2024/2025, the focus was on stabilising the product range by implementing and validating necessary redesigns, as well as training new colleagues quickly in the FORTEC EGY development location in Egypt. The main tasks in this period were able to be completed successfully. The redesigns are complete and have been evaluated and approved by customers as far as possible. The new employees have been fully trained and are already making a valuable contribution to further development of existing and new product ranges. Thanks to the personnel reinforcements, development processes have been optimised and efficiency increases achieved. The improved resource situation enables structured processing of new projects and faster implementation of technical adjustments. The development of the new monitor flagship series continues to progress while the changeover to 4K/UHD is in the final phase. As part of this changeover, the first fire load-optimised “A1” stele was presented to the trade press, received a positive reaction and added an innovative solution to the range.

Interim group management report: 4. Economic report

Macroeconomic and sector-specific framework conditions

In the seconds half of the 2024 calendar year, the *global economy* was affected by various factors that brought both positive and challenging factors. Geopolitical tensions, especially the war in Ukraine, as well as uncertainties in the Middle East affected the global economic climate. These geopolitical uncertainties weakened the trust of market participants and caused a reluctance to invest, which hampered the recovery in many regions.

Growth slowed again in China, the second largest economy in the world. In the third quarter of 2024, China had a weak growth if just 4.6 % compared to the previous year, which is due to the continuing property crisis among other things, which reduced investment in the building sector and impacted consumer trust. Despite government measures, growth remained below expectations and the forecast of 5 % for the year became increasingly questionable.[1]

In the USA on the other hand, the economy showed robust development with an annualised growth of 2.8 % in the third quarter, mainly driven by private consumption. A stable job market and reducing inflation strengthened the country's economic resilience.[2]

In summary, the global economy in the second half of 2024 was a mixture of robust development in some regions such as the USA and Asia, and weaker growth figures in others, particularly Europe and China. The monetary adjustments by the central banks and the geopolitical tensions were significant contributory factors.

In the *euro zone*, the gross domestic product (GDP) only increased by 0.4 % compared to the corresponding previous quarters and only by 0.1 % in the fourth quarter according to Eurostat.[3] In order to counteract the weakening economic situation, the European Central Bank (ECB) reduced the base rate for the fourth time in 2024. The inflation development of 2.3 % in the euro zone and the additional risk of impending trade conflicts added to this.[4]

In *Germany*, the economy continued to stagnate due to a combination of negative effects. The weak global economy affected the exporting industry, as the demand from important markets such as the USA and China decreased. At the same time, geopolitical uncertainties and a strong euro caused competitive disadvantages. Domestic demand also remained cautious.[5] High inflation and uncertain future outlooks reduced consumption, while companies put investments on hold due to increasing financing costs.[6]
The job market showed the first signs of weakness. Employment remained stable overall but many companies reduced their willingness to hire. Overall, this mixture of global and domestic pressures resulted in continued weak growth.

According to the German Federal Statistical Office, the price-adjusted gross domestic product increased by 0.2 % in the third quarter of 2024 compared to the previous year only to then reduce by 0.4 % in the fourth quarter of 2024 compared to the previous year.[7, 8]

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[1] https://www.welt.de/wirtschaft/article254071152/China-Die-Konjunktur-lahmt-Schwaechstes-Wachstum-seit-eineinhalb-Jahren.html

[2] https://www.lbbw.de/artikel/news-und-einschaetzungen/bip-usa-3-quartal-2024_ai468a6iak_d.html

[3] https://ec.europa.eu/eurostat/de/web/products-euro-indicators/w/2-14022025-ap

[4] https://www.welt.de/wirtschaft/article254852870/Entscheidung-in-Frankfurt-EZB-senkt-erneut-Zinsen-im-Euroraum.html

[5] https://www.ifo.de/fakten/2024-12-12/ifo-konjunkturprognose-winter-2024-deutsche-wirtschaft-am-scheideweg

[6] https://www.ifo.de/fakten/2024-09-05/ifo-konjunkturprognose-herbst-2024-deutsche-wirtschaft-steckt-in-krise-fest

[7] https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/10/PD24_408_811.html

[8] https://www.destatis.de/DE/Presse/Pressemitteilungen/2025/01/PD25_039_811.html

The industrial purchasing managers index (PMI) in Germany was at 42.5 points in December 2024 (a value of 50 is considered a neutral marker), which indicates a continued decline in industrial production. This index comprises various indicators such as incoming orders, production, employment, delivery times and stock levels.[9]

The association of German electrical and electronic manufacturers (ZVEI) recorded around 9.6 % 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 downturn of recovery effects after the pandemic.[10]

[9] https://de.statista.com/statistik/daten/studie/200344/umfrage/entwicklung-des-einkaufsmanagerindex-emi/
[10] https://www.zvei.org/presse-medien/pressebereich/deutsche-elektro-und-digitalindustrie-wartet-weiterhin-auf-konjunkturimpulse

Interim group management report: 5. Business development

Due to the aforementioned conditions, FORTEC was not able to keep up with the result from the previous year period in the first half of the 2024/2025 financial year.

The operating earnings before interest and taxes (EBIT) decreased significantly from EUR 4.5 million in the previous year to EUR 0.2 million in the current financial year. The order book as of 31 December 2024 remained at a respectable level of around EUR 56.1 million (30 June 2024: EUR 53.4 million).

Interim group management report: 6. Profit situation

In the first half of the current 2024/2025 financial year, FORTEC achieved a group turnover of EUR 35.6 million after EUR 47.0 million in the previous year. The decline of 24 % is due to the traditionally weaker second quarter in addition to the generally challenging economic conditions, which was also preceded by a weaker first quarter.

Other operating income reduced slightly to EUR 0.7 million compared to around EUR 0.9 million in the previous year. The change was mainly based on a reduction to the compensation refund item of EUR 143 thousand.

Based on the reduced turnover, the cost of materials decreased proportionally from EUR 31.6 million to EUR 23.8 million.

The gross margin, taking into account the change in inventories of unfinished/finished goods, fell slightly from 35.8 % to 35.2 % in the first half of the 2024/2025 financial year and the cost of sales ratio increased slightly from 64.2 % in the previous year to 64.8 % in the first half of 2024/2025.

Personnel expenses decreased by EUR 0.8 million to EUR 7.7 million (previous year: EUR 8.5 million). This reduction was mainly the result of lower managing director salaries, reduced personnel costs in the production area, particularly in the USA, as well as bonuses and special payments. The personnel cost ratio in relation to the reduced turnover increased despite this from 18 % to around 22 %.

The depreciation item remained virtually unchanged at EUR 834 thousand (previous year: EUR 836 thousand).

Other operating costs increased by around EUR 0.6 million to EUR 4.5 million. EUR. The reason for this is the advertising and travel costs that increased by around EUR 0.3 million, as well as the costs of delivery of goods that increased by EUR 0.4 million due to balance sheet risk provisioning for a warranty. Costs rose significantly relative to turnover, from 8.3 % to 12.7 %.

Earnings before interest and taxes (EBIT), an important financial performance indicator reduced significantly from EUR 4.5 million to EUR 0.2 million. The EBIT margin based on turnover decreased accordingly to 0.5 % (previous year: 9.6 %).

Taxes on income and earnings decreased from EUR 1.3 million in the previous year to EUR 56 thousand in the current financial year.

The consolidated net profit for the first half of the 2024/2025 financial year stood at EUR 0.2 million (previous year: EUR 3.2 million). The return on sales after taxes decreased to 0.6 % (previous year: 6.8 %) and therefore significantly.

Earnings per share fell accordingly from EUR 0.99 in the previous year to EUR 0.07 in the reporting period.

Interim group management report: 7. Asset situation

On the assets side, with a balance sheet total of EUR 76.8 million (30/06/2024: EUR 78.8 million), *non-current assets* amount to EUR 16.5 million (30/06/2024: EUR 16.8 million).

At EUR 6.6 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 4.4 million (30/06/2024: EUR 4.8 million) are reported.

The stocks at EUR 25.8 million (30/06/2024: EUR 22.3 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 14.8 million on 30 June 2024 to EUR 8.2 million. Cash and cash equivalents increased again slightly from EUR 22.3 million on 30 June 2024 to EUR 23.7 million on 31 December 2024.

The Group's equity ratio was 75.9 % (30/06/2024: 73.3 %). At EUR 58.3 million (30/06/2024: EUR 57.8 million), the Group has sufficient equity.

On the liabilities side, *non-current bank liabilities* fell from EUR 944 thousand on 30 June 2024 to EUR 778 thousand due to scheduled repayments.

The *current provisions* increased to EUR 639 thousand due to an increase to a single provision for warranty of EUR 392 thousand (30/06/2024: EUR 287 thousand). Liabilities due to deliveries and services fell to EUR 6.0 million on 31 December 2024 (30 June 2024: EUR 6.3 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 22.5 million on 31 December 2024 (30 June 2024: EUR 21.0 million).

The operational cash flow decreased in the first half of the 2024/2025 financial year from EUR 6.2 million to EUR 2.1 million. The reasons for this are the reduced consolidated net profit and the increased stock.

The cash flow from investments increased slightly from EUR -124 thousand in the previous year to EUR -56 thousand. The reasons for this are lower investments in the reporting period compared to the previous year.

The negative cash flow from financing activities remained almost identical at EUR 698 thousand compared to EUR 729 thousand in the previous year. In total, the Group recorded cash and cash equivalents of EUR 23.7 million (previous year: EUR 18.5 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 the assessments of the Management Board, which are currently considered realistic according to the information available. 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 gross domestic product in Germany is expected to change from 0.4 % to 1.1 % in 2025.[11]

According to a survey by the IFO institute in November 2024, the majority (52.6 %) of the participating companies in the machining industry expect business conditions to remain the same in 2025, while around a third (31.8 %) expect less favourable business conditions.[12] According to the IFO institute, the Business Climate Index reduced to 84.7 in December 2024 and this is the lowest value since the start of the COVID pandemic in May 2020.[13]

The current geopolitical and economic uncertainties continue to make it difficult to produce a reliable forecast. Although the Ukraine war hardly affects FORTEC, there are indirect effects due to economic uncertainties and sanctions. The latest developments in US trade policy, particularly the introduction and increase of tariffs on various imported goods may have significant effects on German companies in the electrical sector. Furthermore, the power struggle between the USA and China, the Taiwan issue and access to raw materials could have an impact on the FORTEC Group's business.

As communicated in the ad-hoc announcement on 7th February, the Board of Directors of FORTEC Elektronik AG has adjusted the forecast for the current 2024/2025 financial year due to the preliminary figures on 31 December 2024, the continuing economic weakness and the acute geopolitical challenges. The company now expects a group turnover of between EUR 80.0 million and 95.0 million (previously: EUR 95.0 million to EUR 110 million) and a group EBIT of between EUR 4.0 million and EUR 6.0 million (previously: EUR 6.0 million to EUR 8.0 million).

General risk notice

A forecast is subject to uncertainties that may have an impact on the development of results, which cannot be fully assessed at the current time

[11] https://www.ifo.de/fakten/2024-12-12/ifo-konjunkturprognose-winter-2024-deutsche-wirtschaft-am-scheideweg

[12] https://www.ifo.de/fakten/2024-12-16/nur-jedes-achte-unternehmen-erwartet-2025-bessere-geschaefte

[13] https://www.ifo.de/fakten/2024-12-17/ifo-geschaeftsklimaindex-gesunken-dezember-2024

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.

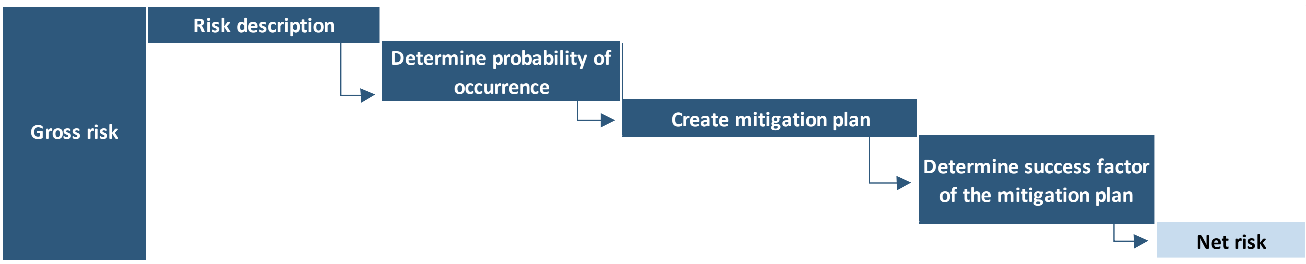
Risk management is an integral part of the management system and facilitates the identification of risks and the limiting of their effects insofar as possible.

Risk identification

At regular intervals, the FORTEC Group carries out a risk survey through 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. The FORTEC Group 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 up to 10 %), "unlikely" (probability up to 25 %), "possible" (probability up to 50 %), "probable" (probability up to 75 %) and "highly probable" (probability up to 100 %).

The potential gross loss amount is classified up to EUR 0.1 million ("minimal"), up to EUR 0.5 million ("minor"), up to EUR 1.0 million ("moderate"), up to EUR 5.0 million ("severe") and up to and greater than 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 the FORTEC Group.

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, the FORTEC Group 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 be insufficient in individual cases.

For both segments, potential risks that the FORTEC Group 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

In times of high demand and product availability shortages, such as during the pandemic from 2020 to 2023 and due to the general increase in energy prices, the prices for purchased parts increased dynamically. A decrease in demand along with improved delivery capability is currently increasing the market risk, as price implementation becomes more difficult.

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 the FORTEC Group 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.

However, this risk is currently classified as low.

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 the FORTEC Group, 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,* which 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 supplies 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. An expected concentration process on the supplier side could also have a negative effect on the company. In extreme cases, this could result in the termination of the supply relationship. The tensions between China and Taiwan currently pose a particular risk on the supplier side. Due to the current developments in the USA, there is a higher risk due to punitive tariffs. The company counteracts the risks by establishing alternative secondary suppliers in certain areas, adjusting the inventory and checking for alternative inventory flows.

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 or, in the event of low demand and high delivery capability, to decreased purchase prices, meaning that a loss of sales or lower margins could arise in the worst case scenario. The group attempts to counteract this risk through a forward-looking procurement policy and back-up inventories.

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

Risk reporting in relation to the use of financial instruments

The Group holds financial instruments including: Current and investment accounts, supplier credits and receivables or similar. The FORTEC Group 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 is reinforced further in the currently challenging economic times and 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.

The FORTEC Group has been able to deal with this risk so far and therefore assumes a moderate 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, income from investments, 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. Due to cancellations of the existing trade credit insurance of some customers by the insurers, they will be checked again (as is the general case for uninsured customers) and safeguarded either by bank guarantees, other hedges or increasingly by advance payment. In certain cases, FORTEC is also assuming a certain amount of risk itself. Accounts receivable are constantly monitored and known risks are reflected in value adjustments.

The risk is currently classified as high.

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. Through targeted representative regulations, comprehensive documentation and regular training, FORTEC ensures that short-term absences of individual employees can be compensated for at any time. The most important core tasks are therefore assured and business operations are not impaired.

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, the FORTEC Group 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 the industrial customers of the FORTEC Group 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 the business model of FORTEC 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 the upstream suppliers of FORTEC, 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.

The same effect could occur if the trading margin to be achieved is below the costs incurred by the FORTEC Group 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 the FORTEC Group. 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 ongoing training of employees, multi-factor authentication and cooperating with an external information security officer.

Nevertheless, the risk is currently classified as high

Compliance risks

As an international company that is oriented towards the capital market, the FORTEC Group operates in an environment of varied legal regulations. Numerous compliance laws and regulations, e.g. tax matters, as well as the ongoing changes to these regulations influence the company. Violations of these regulations, as well as the EU General Data Protection Regulation (GDPR), the supply chain due diligence law, the NIS2 directive and the regulations along with the corresponding reporting about the CSRD can result in significant fines, additional costs and negative reports. Violations of applicable directives by employees of the FOTREC Group is a risk to which the company is exposed. The company faces these risks proactively by training employees, observing legislative changes precisely and ongoing consultation with lawyers and accountants, as well as other external partners.

The risk is therefore classified as moderate.

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, the British pound and the Egyptian 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 low.

Interest rate risks

The FORTEC Group has significant cash and cash equivalents that earn interest, as the company invests its money for terms of up to 3 months. Therefore, an interest reduction to short-term interest would cause a decrease in interest income.
The risk is currently classified as low, as interest income is currently of low importance in comparison to the remaining sources of income.

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 ongoing 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 the United Kingdom, the USA and Egypt.

Product opportunities also arise for the FORTEC Group 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. The FORTEC Group, 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, the FORTEC Group 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 in accordance with the "Grow Together 2025 Strategy". The "FORTEC One" project with the common brand identity implemented last year is an important milestone in merging together to become a global partner for unlimited technology solutions. Further measures for a successful future are anchored in the “Strong Together 2030 Strategy”.

With the newly-established FORTEC Electronic Design and Solutions development site in Cairo, Egypt, FORTEC is increasing its own development capacities to generate growth with new products and to inspire customers with the new possibilities.

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

The 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 the FORTEC Group outweigh the risks. Despite increasing entrepreneurial risks, higher product requirements and shorter product lifecycles, the Group believes that the digitisation trend can have a positive effect on the market environment.

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.

Germering, March 2025

Sandra Maile
Chair of the Management Board

Ulrich Ermel
Management Board

Consolidated balance sheet as at 31/12/2024 in accordance with IAS/IFRS

	ASSETS in thousand EUR	31/12/2024	30/06/2024		LIABILITIES AND SHAREHOLDER'S EQUITY in thousand EUR	31/12/2024	30/06/2024
A.	**Non-current assets**	**16,501**	**16,771**	**A.**	**Equity capital**	**58,312**	**57,762**
I.	Acquired goodwill	6,586	6,503	I.	Subscribed capital	3,250	3,250
II.	Intangible assets	303	331	II.	Capital reserve	14,481	14,481
III.	Tangible fixed assets	4,274	4,492	III.	Conversion adjustments	2,240	1,907
IV.	Rights of use	4,425	4,830	IV.	Other reserves	38,128	32,813
V.	Financial assets balanced in accordance with the equity method	84	84	V.	Consolidated net profit for the period	218	5,315
VI.	Financial assets	79	77	VI.	Non-controlling interests	-6	-5
VII.	Deferred taxes	750	454				
B.	**Current assets**	**60,332**	**62,031**	**B.**	**Non-current liabilities**	**5,140**	**5,781**
I.	Inventories	25,824	22,290	I.	Non-current bank liabilities	778	944
II.	Receivables from deliveries and services	8,249	14,795	II.	Non-current leasing liabilities	3,534	3,973
III.	Tax refund entitlements	1,930	2,100	III.	Other non-current financial liabilities	89	87
IV.	Other financial assets	308	236	IV.	Other non-current liabilities	11	24
V.	Other assets	361	351	V.	Non-current reserves	358	400
VI.	Cash and cash equivalents	23,659	22,259	VI.	Deferred tax liabilities	371	352
				C.	**Current liabilities**	**13,381**	**15,260**
				I.	Liabilities to credit institutes	333	333
				II.	Liabilities from deliveries and services	5,985	6,321
				III.	Current leasing liabilities	1,084	1,040
				IV.	Tax liabilities	2,878	4,408
				V.	Other current financial liabilities	910	1,275
				VI.	Other current liabilities	1,552	1,595
				VII.	Reserves	639	287
	Total assets	**76,834**	**78,802**		**Total liabilities**	**76,834**	**78,802**

Consolidated statement of comprehensive income 1st HY as at 31/12/2024

In thousand EUR	Consolidated statement of income 01/07/2024 - 31/12/2024	Consolidated statement of income 01/07/2023 - 31/12/2023
Sales revenues	**35,649**	**46,956**
Change in inventory of unfinished/finished goods	724	1,493
Other operating income	677	910
Cost of materials	-23,823	-31,635
Personnel expenses	-7,686	-8,450
Depreciation	-834	-836
Other operating costs	-4,536	-3,909
Operating result (EBIT)	**172**	**4,528**
Other interest and similar income	162	25
Other interest and similar costs	-61	-65
Result before taxes	**274**	**4,489**
Taxes on income and earnings	-56	-1,273
Consolidated net profit for the period	**218**	**3,216**
Other earnings*	333	120
Total earnings	**550**	**3,336**
Earnings per share (in EUR)	0.07	0.99
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	551	3,338
Non-controlling shareholders	-1	-2

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

Consolidated statement of comprehensive income Q2 as at 31/12/2024

In thousand EUR	Consolidated statement of income 01/10/2024 - 31/12/2024	Consolidated statement of income 01/10/2023 - 31/12/2023
Sales revenues	**18,157**	**20,370**
Change in inventory of unfinished/finished goods	514	691
Other operating income	459	371
Cost of materials	-12,154	-13,681
Personnel expenses	-3,889	-4,318
Depreciation	-416	-423
Other operating costs	-2,254	-2,007
Operating result (EBIT)	**417**	**1,001**
Other interest and similar income	76	23
Other interest and similar costs	-29	-32
Result before taxes	**464**	**993**
Taxes on income and earnings	33	-180
Consolidated net profit for the period	**497**	**812**
Other earnings*	356	-20
Total earnings	**853**	**792**
Earnings per share (in EUR)	0.15	0.25
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	853	792
Non-controlling shareholders	-0.3	-0.5

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

Consolidated statement of changes in equity at 31/12/2024

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 01/07/2023	**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**
As at 01/07/2024	**3,250**	**14,481**	**1,907**		**38,128**	**57,766**	**-5**	**57,762**
Consolidated period result 01/07 - 31/12/2024					218	218	-1	218
Change in other earnings			333			333		333
Changes 01/07 - 31/12/2024			333		218	551	-1	550
As at 31/12/2024	**3,250**	**14,481**	**2,240**		**38,346**	**58,317**	**-6**	**58,312**

Consolidated cash flow statement at 31/12/2024

	In thousand EUR	Annex	FY 2024/2025 01/07/24-31/12/24	FY 2023/2024 01/07/23-31/12/23
I.	**Operating activities**			
1.	Consolidated net profit for the period		218	3,216
2.	(+) Income tax expenditure / (-) income tax refund		56	1,273
3.	(+) Depreciation / impairment of value of tangible and intangible assets		834	836
4.	(+) Other non-cash expenses / (-) other cash income		211	153
5.	(+) Loss / (-) gain on sale of tangible assets		11	-17
6.	(+) Decrease / (-) increase in inventories		-3,647	1,228
7.	(+) Decrease / (-) increase in receivables from deliveries and services and other receivables		6,661	3,223
8.	(-) Decrease / (+) increase in liabilities from deliveries and services		-400	-1,991
9.	(-) Decrease / (+) increase in current liabilities		-1,089	-1,043
10.	(+) Decrease / (-) increase in non-current receivables		-287	0
11.	(-) Decrease / (+) increase in non-current liabilities		-40	-2
12.	(+) Interest expenses / (-) interest income		-102	39
13.	(-) Interest paid [1)]		102	-39
14.	(+) Income taxes refunded / (-) income taxes paid		-462	-715
	Cash flow from operating activities		**2,065**	**6,160**
II.	**Investment activities**			
1.	Payments for investments in tangible and intangible assets		-56	-141
2.	Proceeds from sale of tangible and intangible assets		0	17
	Cash flow from investing activities		**-56**	**-124**

Consolidated cash flow statement at 31/12/2024

	In thousand EUR	Annex	FY 2024/2025 01/07/24-31/12/24	FY 2023/2024 01/07/23-31/12/23
III.	**Financing activities**			
1.	Payments for the redemption of (financial) loans		-167	-167
2.	Payments for leasing liabilities [2)]		-531	-563
	Cash flow from financing activities		**-698**	**-729**
IV.	**Changes to cash and cash equivalents affecting payment**		**1,311**	**5,307**
	Cash/equivalents p. 01/07		22,259	13,246
	Effect of exchange rate changes on cash and cash equivalents		89	-15
V.	**Cash/equivalents p. 31/12**		**23,659**	**18,538**
	Composition of cash and cash equivalents			
	Cash		5	5
	Bank balances		23,655	18,533
	Cash and cash equivalents at the end of the period		**23,659**	**18,538**

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.

Condensed notes to the consolidated financial statements

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 2024.

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	20,898	14,744	7	35,649	0	35,649
Previous year	*29,133*	*17,819*	*3*	*46,956*	*0*	*46,956*
Internal revenues	1,268	817	1,972	4,057	-4,057	0
Previous year	*1,678*	*1,013*	*1,771*	*4,462*	*-4,462*	*0*
Segment revenues	22,166	15,561	1,979	39,705	-4,057	35,649
Previous year	*30,812*	*18,832*	*1,774*	*51,418*	*-4,462*	*46,956*
Gross margin (total operating performance ./. cost of sales)	7,567	5,164	1,821	14,552	-2,002	12,550
Previous year	*11,138*	*5,851*	*1,633*	*18,622*	*-1,808*	*16,814*
Gross margin in %	34.1	33.2	92.0	36.6		35.2
Previous year	*36.1*	*31.1*	*92.1*	*36.2*		*35.8*
EBIT	-478	755	-93	184	-13	172
Previous year	*2,946*	*1,616*	*-31*	*4,532*	*-4*	*4,528*
EBIT in %	-2.2	4.9	-4.7	0.5	0.3	0.5
Previous year	*9.6*	*8.6*	*-1.7*	*8.8*	*0.1*	*9.6*

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, 24 March 2025

FORTEC Elektronik AG

Sandra Maile	Ulrich Ermel
Chair of the Management Board	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.

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