

# **Annual Report 2006/2007**

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**Fiscal Year July 01, 2006 – June 30, 2007**

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# Management Report 2006/2007

## **Business and Results**

Since spring 2004, the economy of our industrial section in the German speaking countries still continues to boom especially due to exports. In fiscal year 2006/07, F. turnover was only to benefit under-proportionally because as a major importer buying from dollar regions, we are forced to invoice the dollar decline to our industrial end customers. First time after many years, we had to take a decline in turnover by 3,5 million EUR during this fiscal year. Fact is that we were not in a position to fully compensate a unique major order in the field of data recognition from the second half of previous year in the amount of 5 million EUR. Not taken into consideration this major order, a continuous organic turnover increase can be recorded which during this fiscal year was primarily made by our subsidiaries.

Whereas the group's turnover of 42,8 million EUR in fiscal year 2006/07 was below the previous year's figure (45,3 million EUR), the operative result of the group could again be considerably raised compared to previous year because of the good economy in general. This was topped as well by an operative cash flow of 3,3 million EUR – i.e. even more than 1 EUR per share and a profit before tax of about 2,7 million EUR (previous year 2,6 million EUR).

In order to judge the exact profit of the company in fiscal year 2006/07, it should be taken into account that last year the company gained 0,5 million EUR due to the sale of bonds mainly tax-free. This was not possible during this year. Due to the tax free profits of last year's financial result, also the low tax rate of last year (35,7%) could be explained compared to this year's tax burden (42,6).

## **Financial Situation**

The company only works on own capital. Having a capital quota of 778% at a balance volume of 24,1 million EUR, the company possesses sufficient own capital and thus is in a position to finance without any problem the organic growth and consolidations made by acquisitions. At present, there is neither limited nor granted capital nor a return-of-share program.

Although in spring 2007, only part of the handed-out shares within the share-option programs has been transformed, the company nevertheless earned a total of 3 million EUR from limited capital as capital improvement. The number of shares increased from 2,7 million pcs to now 2.954.943 pcs at a nominal value of 1 EUR.

Management and board at the annual shareholders' meeting again suggest a dividend of EUR 0,30 per share for this increased number of shares. This was done first of all in view of a still continuous financing of planned investments by own capital this year and the company still working without bank liabilities.

The signed capital is exclusively common stock drawn to bondholders and entitled to vote. There are neither restrictions in the right to vote nor the purchase. The AK

Industriebeteiligungen GmbH, Norderfriedrichskog possesses 10% of the company's capital since 25.02.2003.

Appointment and dismissal of the board is in accordance with legal regulations (§§ 84, 85 AktG). Changes in articles of the association, especially dismissal of the supervisory board is dependent of a majority of board votes of 75%. The compensation of the supervisory board breaks down to a fix, a variable and a share-based part. At 13.12.2007, the general shareholders board decided, that the required statements in the financial report can be omitted as per § 285 Nr. 9a Satz 5-9 HGB and/or § 314 Absatz 1 Nr. 6 Satz 5-9 HGB.

When controlling based on a take-over offer, it is agreed that the suppliers' contracts essential for the company may be cancelled by the latter. Especially when there is a risk that a competitor will take over. At present, there are no reimbursement agreements made by the board in such a case.

On December 18, 2006, the German Inspection Office for Invoicing (DPR) informed us, that the year's report per 30.06.2006 will be inspected as per § 342 b Abs. 2 Satz 3 No. 3 HGB (random inspection). After inspection, the DPR informed us by letter October 25, 2007 that there has been no mistakably invoicing recorded in 2005/2006.

### **Analysis und Strategy**

F focus is on distribution of standard components. Due to vast and always available information via Internet, there will be a reduction of the margins in industrial business in the long run. F goal is to compensate this development by own added-value.

By connecting the product segments of powersupplies, display technology (industrial displays incl. controls) and embedded computer technology (Single-board computer) to create an Embedded Solution System, FORTEC possesses for a long time now a very attractive rare domain.

Marketing starts with delivery of system-proved and tested standard kits, accompanied by customers' service in hard- and software at the sale of standard units and ends in customer specific developments.

Target customers are mainly manufacturers in the field of industry automation, medicine technology as well as providers of security instruments.

Our big competence is to provide technology know-how in combination with sales at site. Years of business relations to some thousand customers are the basis of our success. Our core countries namely Germany, Austria and Switzerland still offer considerable potential although already reached leadership in some market segments. Moreover, we are represented in the Benelux by a 25% participation in an electronic company.

Our strategy is to continuously achieve over-proportional profits of market segments in a long-term still considerably growing market. The basis of our steady successful expansion politics - also in the past – is: secured profitability.

## **Risk management and report.**

Risks that could endanger the company at present are not reported.

Balance risks if any at balance day have been considered by corresponding accruals. The company has taken care of all possibilities to deal with any possible risks.

Elementary risks are covered by considerable insurances and are yearly examined; in special cases it may not be sufficient.

Potential risks which have to be taken into consideration to exist within the market are the risks for distribution, products and marketing as well as the dependency from suppliers.

Another enormous - yet not to be underestimated - is the system-related risk of the close co-operation with only few strategic partners in the same product portfolio. Already a change in personnel could lead to the loss of an existent and successful business co-operation and this mainly in view of suppliers in the Far East with whom there are often relationships for many years and of personal matter.

A considerable risk is forecast of stock. Wrong planning could result in considerable losses. The risk to have unsellable merchandise on stock, is not only the result of false forecast, but also depends on the different quality standards set by customers and producers. Mainly the fact of the configuration of the merchandise especially from Far East as well as the political requirements of its contents and its usage.

The product liability is an increasing risk which is controlled and noted by choice of suppliers and their valuations/ratings. However, having different quality standards, frauds and/or criminal actions of suppliers, we as importer are liable towards our customers.

A yet steady growing risk is the customer's requirements as to a prolonged time of warranty and "must" of proof for the supplier according to the regulation of liability for debt in 2002 in case of warranty. In addition and since that time, the costs for build-in and build-out of defective parts are to be reimbursed to the customer - costs which in total may accelerate considerably the delivered value of the product. Here, the customers started to develop a certain aggressiveness for claims which is obviously against and at expenses of the supplier.

Another main topic of the risk management is the often bad payment behaviour of some middle-sized companies. Here, examination of solvency as well as current debtors is made, yet observing mainly the requirements of the goods' insurance company.

Our success also strongly depends on the vast, detailed and years of experience of our personnel. A big change in staff and especially of key-persons would definitely endanger our current success.

A big question would endanger our business model as importer of technical high-quality products i.e. the change in customers' behaviour to no longer produce in Middle Europe and turn to suppliers at site. In the future, the same effect would be a

changed behaviour or our suppliers to sell directly to industrial customers and not any more through their common distribution channels. In addition, similar effects could happen if the costs decrease because of the reduction of margins due to the competitor's information available to all customers via internet. This basically influences as well the personnel costs common in the German speaking region.

Due to the EDP – networking of the entire group, a break-down or a serious interference in the computer system could cause enormous damage to the company. A misuse by externals or internals, especially theft of information, business interruptions or IT – system breakouts or insufficient means for data security could endanger the company to an extreme extent.

Because of monthly statements, it is possible to recognize in-time differences in the forecast of order income, bookings, stock as well as turnover, margins and costs and thus take immediate action.

Foreign currency risks are excluded, if possible, in case of larger project by invoicing directly in the relevant currency. However, there could be negative impulses on our company in normal business especially due to a further change of the dollar parity.

The growth strategy of the group does not only involve organic increase but also company acquisitions. Here, the figure above the net asset value is balanced as goodwill and examined year by year as to the recoverability. If the expectations of the purchased company are not met, then depreciations in the group's balance made as per IFRS are done. The need to depreciate can also be effected due to changed regulations IFRS, resulting in a changed procedure of rating of goodwill. In this respect, beginning January 2009 there could be changes due to the introduction of IFRS 8 instead of the previous valid IFRS 14 which will determinate the procedure of the impairment test.

### Expectations

As supplier to the industry of investment goods, we also have to deal with its ups and downs.

Since spring 2004, the electronic industry is again growing in cycles. After a slowly hesitating industrial recession in Middle Europe in fiscal year 2004/05 - mainly based on export business – also F noted a self-yielding economic situation. This was basically defined by national demand – thus booking a major order of more than 5 million EUR and thus increasing our turnover to almost 30% in FY 2005/06. Although being below the turnover figures of the previous year, also FY 2006/07 will continue to boom – even not taking into consideration this one-time major order income.

We believe, that the peak of this cycle will reveal in FY 2007/08. Therefore, we expect a kind of side-oriented phase of the group's turnover striving to a rather strong pressure on margins. Although the positive tailwind of the economy in the investment industry will slow down, we still expect an acceptable business result for share owners in the future.

For more than 20 years – without any exceptions – we have made profit year by year based on our business philosophy.

**KONZERNBILANZ – CONSOLIDATED BALANCE SHEET I**  
**per 30.06.2007 (Vorjahr/prev.year 30.06.2006)**

<b>AKTIVA / TOTAL ASSETS</b>		<b>Konzernbilanz Consolidated balance sheet 30.06.2006</b>	<b>Konzernbilanz Consolidated balance sheet 30.06.2007</b>	<b>PASSIVA / TOTAL EQUITY AND LIABILITIES</b>		<b>Konzernbilanz Consolidated balance sheet 30.06.2006</b>	<b>Konzernbilanz Consolidated balance sheet 30.06.2007</b>
<b>Non-current Langfristige Vermögenswerte assets</b>				<b>A. Eigenkapital Shareholders´equity</b>			
I. Goodwill	Goodwill	4.729.508,46	4.485.708,73	I. Gezeichnetes Kapital	Subscribed capital	2.700.000,00	2.954.943,00
II. Immaterielle Vermögenswerte	Intangible assets	83.190,85	51.046,74	II. Kapitalrücklage	Capital reserve	5.654.521,59	8.689.363,59
III. Sachanlagen	Tangible assets	741.349,46	690.826,04	III. Umrechnungsdifferenz	Exchange differences	-74.184,51	-274.802,78
IV. Finanzielle Vermögenswerte	Financial assets	189.001,00	1.262.776,77	IV. Sonstige Rücklagen	Other compreh. Income	4.705.322,78	5.575.485,63
V. Latente Steueransprüche	Deferred taxes	197.421,00	0,00	V. Jahresüberschuss	Net income	1.680.684,52	1.571.885,30
		<b>5.940.470,77</b>	<b>6.490.358,28</b>			<b>14.666.344,38</b>	<b>18.516.874,74</b>
<b>Kurzfristige Vermögenswerte Current assets</b>				<b>B. Langfrist. Verbindlichkeiten Long-term liabilities</b>			
I. Vorräte	Inventories	4.970.862,79	7.136.976,43	I. Sonstige Rückstellungen	Other provisions	179.690,00	0,00
II. Forderungen aus Lieferungen und Leistungen	Accounts receiv	7.924.870,36	4.565.183,49	II. Latente Steuerverbindlichk.	Deferred Taxes	259.954,96	398.909,81
						<b>439.644,96</b>	<b>398.909,81</b>
III. Sonstige Vermögenswerte	Other assets	651.340,28	705.721,15	<b>C. Kurzfristige Verbindlichkeiten Short-term liabilities</b>			
IV. Wertpapiere	Securities	29.000,00	0,00	I. Verbindl. Kreditinstitute	Liabilities to banks	124.751,67	0,00
V. Liquide Mittel	Cash on hand, balances banks	901.463,25	5.153.407,12	II. Verbindl. Lief./ Leistungen	Trade payables	2.655.248,94	2.747.304,08
		<b>14.477.536,68</b>	<b>17.561.288,19</b>	III. Steuerverbindlichkeiten	Accruals other taxes	290.138,53	551.073,03
				IV. Sonstige Rückstellungen	Other provisions	1.009.296,03	670.673,40
				V. Sonstige Verbindlichkeiten	Other liabilit./accruals	1.232.582,95	1.166.811,41
						<b>5.312.018,11</b>	<b>5.135.861,92</b>
<b>Summe Aktiva</b>	<b>Total Assets</b>	<b>20.418.007,45</b>	<b>24.051.646,47</b>	<b>Summe Passiva</b>	<b>Total Equity/Liabilities</b>	<b>20.418.007,45</b>	<b>24.051.646,47</b>

# KONZERN Gewinn- und Verlustrechnung / Consolidated Income Statement 01.07.2006 – 30.06.2007

		Konzern GuV Consolidated income-statement #WERT!	Konzern GuV Consolidated income-statement 01.07.2006 - 30.06.2007
1. Umsatzerlöse	Sales revenues	45.280.464,87	41.765.908,43
2. Minderung Bestand unfertige Erzeugnisse	Decrease in finished goods/work in process	-35.234,00	-17.566,88
3. sonstige betriebliche Erträge	Other operating income	1.489.127,55	856.115,82
4. Materialaufwand	Cost of material	36.471.659,07	31.644.794,33
5. Personalaufwand	Personnel expenses	4.500.129,29	5.006.087,17
6. Abschreibungen	Depreciation	257.711,20	203.421,74
7. Sonstige betriebliche Aufwendungen	Other operating expense s	<u>2.906.132,68</u>	<u>3.063.465,85</u>
8. Sonstige Zinsen u. ähnliche Erträge	Other interest and similar income	44.917,51	100.661,37
9. Zinsen u. ähnliche Aufwendungen	Other interest and similar expenses	<u>24.648,07</u>	<u>57.669,78</u>
10. Ergebnis der gewöhl. Geschäftstätigkeit	Results from ordinary activities	2.618.995,61	2.729.679,88
11. Steuern vom Einkommen und Ertrag	Taxes on income	933.873,82	1.163.836,30
12. Sonstige Steuern	Other taxes	4.437,27	-6.041,73
13. Jahresüberschuss	Net income	<u>1.680.684,52</u>	<u>1.571.885,30</u>
14. Ergebnis je Aktie	Earnings per Share		
unverwässert	Basic	0,62	0,57
verwässert	Diluted	0,60	0,57

## KONZERN Kapitalflussrechnung / Consolidated Cash-flow Statement 01.07.2006 – 30.06.2007



		2005/2006	2006/2007
<b>I. OPERATIVER BEREICH</b>	<b>OPERATIVE BUSINESS</b>		
1. Jahresüberschuss	1. Consolidated net income	1.680.684,52	1.571.885,30
2. Abschreibungen auf Sachanlagen und immaterielle Anlagegegenstände	2. Depreciation of tangible assets and intangible assets	242.711,20	203.483,75
3. Korrektur zahlungsunwirksame Transaktionen	3. Cash-ineffective transactions	327.643,51	633.215,85
4. Zunahme (VJ Zunahme) der Vorräte	4. Increase (PY Increase) in inventories	-3.754,40	-2.166.113,64
5. Abnahme (VJ Zunahme) der Forderungen aus Lieferungen und Leistungen und sonstige Forderungen	5. Decrease (PY Increase) in accounts receivable and other debts receivable	-4.491.954,30	3.334.306,00
6. Zunahme (VJ Zunahme) der Verbindlichkeiten aus Lieferungen und Leistungen	6. Increase (PY Increase) in accounts payable	1.176.847,89	92.055,14
7. Abnahme (VJ Abnahme) der kurzfristigen Rückstellungen	7. Decrease (PY Decrease) in short-term accruals	-12.215,86	-238.232,47
8. Zunahme (VJ Zunahme) der sonstigen Verbindlichkeiten	8. Increase (PY Decrease) in other liabilities	-92.463,14	-84.917,20
<b>Cash flow aus dem operativen Bereich</b>	<b>Cash flow provided from operating business</b>	<b>-1.172.500,58</b>	<b>3.345.682,73</b>
<b>II. INVESTITIONSBEREICH</b>	<b>INVESTMENT ACTIVITIES</b>		
1. Investitionen in Sachanlagevermögen und immaterielle Anlagegegenstände	1. Investment in tangible assets and intangible assets	-245.600,52	-147.754,22
2. Investitionen in Finanzanlagen	2. Investment in financial assets	-177.400,00	-1.073.775,77
3. Erlöse aus den Abgängen von Sachanlagevermögen	3. Proceeds from fixed assets sales	4.094,09	20.712,73
4. Erlöse aus den Abgängen von Finanzanlagen	4. Proceeds from financial assets sales	871.468,00	0,00
<b>Cash flow aus dem Investitionsbereich</b>	<b>Cash flow from investment activities</b>	<b>452.561,57</b>	<b>-1.200.817,26</b>
<b>III. FINANZIERUNGSBEREICH</b>	<b>FINANCING ACTIVITIES</b>		
1. Erhöhung gezeichnetes Kapital	1. Increase subscribed capital	0,00	254.943,00
2. Erhöhung Kapitalrücklage (zahlungswirksam)	2. Increase capital reserve	0,00	2.738.002,00
3. Währungsumrechnungsdifferenz aus Beteiligungsansatz	3. Exchange difference	-45.611,78	-200.618,27
4. Gewinnausschüttung	4. Distribution of profits	-810.000,00	-810.000,00
<b>Cash flow aus dem Finanzierungsbereich</b>	<b>Cash flow from financing activities</b>	<b>-855.611,78</b>	<b>1.982.326,73</b>
<b>IV. CASH FLOW INSGESAMT</b>	<b>TOTAL CASH FLOW</b>	<b>-1.575.550,79</b>	<b>4.127.192,20</b>
<b>V. VERÄNDERUNG DER LIQUIDEN MITTEL</b>	<b>CHANGE IN LIQUID FUNDS</b>		
Kasse, Bankguthaben 30.06.2007 (VJ 30.06.2006)	Cash on hand / banking accounts 30.06.07 (PY 30.06.06)	901.463,25	5.153.407,12
Kasse, Bankguthaben 01.07.2006 (VJ 01.07.2005)	Cash on hand / banking accounts 01.07.06 (PY 01.07.05)	2.601.765,71	901.463,25
		<b>-1.700.302,46</b>	<b>4.251.943,87</b>
kurzfr. Bankverbindlichkeiten 30.06.2007 (VJ 30.06.2006)	Short-term liabilities to banks 30.06.2007 (PY 30.06.2006)	124.751,67	0,00
kurzfr. Bankverbindlichkeiten 01.07.2006 (VJ 01.07.2005)	Short-term liabilities to banks 01.07.2006 (PY 01.07.2005)	0,00	124.751,67
		<b>124.751,67</b>	<b>-124.751,67</b>
<b>Veränderung der liquiden Mittel</b>	<b>Change in liquid funds</b>	<b>-1.575.550,79</b>	<b>4.127.192,20</b>

# **Annex FORTEC Elektronik AG for Business Year 2006/07**

## **1) General Information**

FORTEC Elektronik AG issues a group's final report according to § 315 a of HGB and according to the current valid regulations of International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as recommended in the EU taking into consideration all standards at balancing date.

Besides the parent company, this group report includes the German subsidiaries of Blum Stromversorgungen GmbH/Thannhausen, Emtron electronics GmbH/ Nauheim, Rotec technology GmbH/Rastatt and nbn Systemkomponenten / Herrsching as well as the Swiss Altrac AG/Dietikon. The reports of each subsidiary are dated at the day of issue of the group's report, being examined and certified by independent financial auditors with unlimited comments.

The year's report of the FORTEC AG as well as of the group was issued in EUR.

The consolidated balance sheet as well as the income statement is made according to the total cost procedure.

In order to improve clear understanding, some items in the consolidated balance sheet and in the income statement as well as in the balance are summarized; they are explained in detail in the annex.

The group's report issue requires a variety of expectations and estimations from the management. Thus, it may occur that there are differences in the figures of the group's report and the actual results.

## **2) Balancing and Evaluation Principles.**

Intangible assets (without goodwill) as well as tangible assets are calculated according to purchase cost minimized by the accumulated depreciation and being depreciated according to plan for the period of use. This period is said to be 3-5 years for software, 10 years for company building, for vehicles 3-6 years, for tools and equipment 4 years, for office equipment 3-5 years and for other company and business equipment 4 -10 years. Costs of repair are calculated according to FORTEC Elektronik AG's expense. At day of balance the achieved proceeds from the equipment assets were not below the book value. As depreciation method, only linear depreciation is used. Incomes are depreciated according to "pro rata temporis"; minor cost merchandise is depreciated for 5 years.

The **financial asset** is evaluated "fair- value" at the group's balance day. Changes in value compared to previous year are taken into consideration at own capital. Assets of financial investments are classified as "available-for-sale".

The **stocks asset** is evaluated to purchase costs plus additional costs and minus discount. As concerns price alterations, only mixed prices are changed accordingly. Therefore, the average method was used; the lowest value principle was observed. If the net sales value was below purchase cost, the lower net sales value was used. Financing costs are not activated.

**Obligations from deliveries, services and others** are evaluated as to their nominal amount. Necessary value corrections were done right away. Individual debtors risks were separately evaluated.

The evaluation of **fluids** is done by their net value.

Taken into consideration the necessary caution, **reserves** of these amounts which the company might have to deal with were not made. It was not required to calculate interests. Therefore, no explanation according to § 285 No. 12 HBG is necessary.

FORTEC Elektronik AG and its group did not need to make **pension reserves**.

**Obligations** with return payment were made. As per balance day, there were no obligations with a remaining period of more than 5 years. The obligations are assured accordingly.

**Deferred taxes** were made as concerns the group's result according to IAS. Achieved higher taxes and the different tax amount will be reduced in future business years. When making reserves for taxes (IAS 12), the future average tax amount (KSt, SolZ and GewSt) was calculated by 38 % (prev. year 38%). Balancing of tax return claims and tax debts was not made in the amount of TEUR 1.

**Currency exchange rates** as per balance day were made at daily rate although being above purchase cost and the consequences taken.

The report of the Swiss company AltracAG is calculated according to IAS 21 of functional currency into EURO. The valid currency for Altrac AG is the country's currency, as the company is considered independent financially, economically and logistically.

At groups' balance all considerable balance data – based on exchange rates – were calculated at daily rate of the balance day

At group's balance, **expense reserves** according to IAS/IFRS were not made.

**Returns** – whenever payment date was – were recorded. They will be evaluated according to its date for payment; taxes will be calculated proportionally at time.

**Other capital costs** made during business year were recorded as expense.

**Regulations in structure** remain same as previous year. Short-term means assets and obligations if due within one year. Accounts receivables from deliveries, service and others are in general considered short-term. Deferred claims on tax and/or obligations are recorded long-term.

### **3) Consolidation**

The group's balance is made by FORTEC Elektronik AG together with four active national and one non-active company as well as one foreign company having the majority of the votes. Thus all subsidiaries were consolidated. As FORTEC Elektronik AG holding the entire capital of all subsidiaries, there are no minority shares. The most important figures according to IFRS of the relevant companies are shown in the following chart as per 30.06.2007:

	<b>FORTEC AG</b>	<b>Blum SV GmbH</b>	<b>Emtron GmbH</b>	<b>Rotec GmbH</b>	<b>nbn GmbH</b>	<b>Altrac AG</b>
	<b>TEuro</b>					
<b>Turnover</b>	28.441	1.271	7.262	1.947	862	4.393
<b>Company result (EBIT)</b>	1.648	69	830	33	-51	304
<b>Financial result</b>	75	-7	-9	-7	-26	17
<b>Taxes</b>	743	23	305	4	5	79
<b>Year's earning (as per IFRS)</b>	980	39	516	22	-81	242

Note: nbn Systemkomponenten GmbH changed name and site as per registration in HR on 9.8.2007.  
New name is: "AUTRONIC Steuer- und Regeltechnik GmbH" in Sachsenheim (BRB 723684 Amtsgericht Stuttgart).

Participation figures of the results of all group members are to be seen in the following:

	<b>Blum SV GmbH at Thannhausen</b>	<b>Emtron electronic GmbH at Nauheim</b>	<b>ROTEC GmbH at Rastatt</b>	<b>nbn GmbH at Herrsching</b>	<b>Altrac AG at Dietikon (C)</b>
<b>Goodwill (IFRS) (€)</b>	69.339	167.146	0	931.105	3.318.118
<b>Nominal value of participation (€)</b>	250.000	250.000	250.000	250.000	160.000
<b>Economic equity capital (€)</b>	372.647	1.062.838	260.353	369.266	1.545.626
<b>Annual result 2006/07</b>	38.998	516.202	22.002	-81.228	241.737
<b>Capital-/Shareholders (%)</b>	100,00%	100,00%	100,00%	100,00%	100,00%
<b>Tax status</b>					
<b>sales/purchase tax</b>	yes	yes	yes	yes	yes
<b>trade income tax</b>	no	no	no	no	no
<b>corporate income tax</b>	no	no	no	no	no
<b>Acquisition</b>	17.12.1992	17.12.1998	02.07.2003*	01.01.2004	30.08.2000

\*Note: Rotec technology GmbH was founded by FORTEC AG on 2.7.03.

The day of issue of all separate reports of all group members/subsidiaries is date of the group's report (30.06.2007).

Altrac AG made its annual report in Swiss Franks. The year's result as per 30.06.2007 is converted in EUR according to IAS 21 and the concept of functional currency.

At balance day, FORTEC holds 25% of the capital stock of Advantec Electronics B.V. Oudenbosch (NL) as well as 25% of Advantec B.V., Oudenbosch (NL). The companies are no subsidiaries in terms of IAS 27.13, as there is no command/control function. Besides Advantec Electronics B.V. and Advantec B.V. are no associated companies according to IAS 28.2 i.V.m. IAS 28.6, as the indication catalogue of IAS 28.5 is not relevant.

#### **4) Consolidation basics**

According to law and regulations, the reports of each company were issued for completion of the group's report in accordance with the valid balancing and evaluation methods of FORTEC Elektronik AG and/or appropriately adapted for consolidation. Similar positions were added together.

Accounts receivables and liabilities within the group were eliminated; hand in hand with successful consolidation, all internal sales and revenues/returns were set against costs and purchases.

#### **5) Capital consolidation**

The capital consolidation was made according to IFRS 3 and the benchmark method. Settlement of "fair values" was done with same own capital of each subsidiary of the group's financial statement at date of purchase.

The difference sum of Blum Stromversorgungen GmbH (formerly Microscan Vertriebs GmbH and Powertrade GmbH) accumulates completely towards goodwill because the time values of the acquired values and debts are in conformity with the relevant book values. At Emtron electronic GmbH, the difference sum accumulates to "quiet" reserves at capital assets – namely on corporate income tax and goodwill. At Altrac AG and nbn GmbH there are "quiet" reserves in acquired values and in goodwill.

The differences from capital consolidation – if not applicable to "quiet" reserves – are defined as goodwill in the acquired assets. Goodwill is noted as assets and checked yearly by impairment test. Every reduction in value is immediately and successfully noted.

#### **Detailed information as to "Balancing"**

According to IAS 1, the group's balance is listed into long- and short-term assets. Assets and liabilities are considered short-term if they are due within one year. According to IAS 12, deferred taxes are long-term assets and liabilities.

## **6) Goodwill**

The listed goodwill results from the acquisition of the subsidiaries Altrac AG, Blum Stromversorgungen GmbH, Emtron electronic GmbH as well as nbn Systemkomponenten GmbH. The subsidiaries each are independent units creating payments the amount of which is recorded on basis of the use-value. Schedule for this cash-flow plan is 5 years; for the years 6 ff., the concept of “eternal pension” is used; the interest rate is 8%.

In spite of the planned depreciation of goodwill resulting from capital consolidation, a lower value based on impairment test is determined. Here, the net bookings of the company's values expected on intermediate term are opposed to the discounted payments; discount rate is 8%. As the discounted payments exceed the bookings of the company's values, no exceptional depreciations of company's values were necessary.

The book value of goodwill amounts to Euro 4.485.708,73 (prev.year 4.729.507,46) as per 30.06.2007.

The goodwill difference to previous year amount to TEUR 184 and is based on the exchange rate reduction of the Swiss Frank compared to last year. This also in view of the participation rate of Altrac AG amounting to TEUR 60 due to the acquisition of nbn GmbH and its purchase price payment. This acquisition made in 2004 was finalized in January 2007.

## **7) Intangible and Tangible Assets**

The development of asset at historical purchase costs and depreciation in business year are to be seen in the “consolidated gross fixed assets movement”.

Intangible and tangible assets are reduced to purchase costs for in-time depreciation. Exclusively linear depreciations were made; low value industrial goods are depreciated linearly over 5 years.

Depreciations an intangible and tangible assets are considered in the “consolidated income statement” under no. 6 *depreciations*.

In the “consolidated gross fixed assets movement” an additional column “differences in currency exchange rates” was added. Here, the differences in assets of Altrac AG are listed based on exchange differences at balance day of this independent foreign company.

## **8) Financial Assets**

The financial assets as per 30.06.2007 are as follows:

	<b>Group 30.06.2006</b>	<b>Group 30.06.2007</b>
<b>Participations</b>	1,00	46.176,77
<b>Bonds</b>	189.000,00	1.216.600,00
<b>TOTAL Financial Assets</b>	<b>189.001,00</b>	<b>1.262.776,77</b>

The participation noted is a 25% on Advantec Electronics B.V., Oudenbosch (NL) amounting to normal EUR 8.187,46. This amount has already been depreciated last year based on economic caution together with financial bonds of EUR 46.175,77 of Advantec B.B., Oudenbosch (NL) acquired this year. The evaluation was made at "fair value" on balance day.

The bonds are shares traded at the stock market; value is made in accordance with stock rate at balance day.

The financial assets are classified "financial assets available-for-sale". Changes in value compared to previous year are listed success-neutral in market value reserve.

## **9) Stocks/Inventories**

The stocks/inventories as per 30.06.2007 are as follows:

	<b>Group 30.06.2006</b>	<b>Group 30.06.2007</b>
<b>Goods/raw material/operating supplies</b>	4.872.246,46	6.845.697,86
<b>Finished/Unfinished products</b>	71.000,00	187.866,00
<b>Payments made</b>	27.616,33	103.412,57
<b>Total stock value</b>	<b>4.970.862,79</b>	<b>7.136.976,43</b>

Stock assets are noted together with purchase costs taken into consideration the purchase related extra costs and average prices. If necessary, depreciation was made on the lower value – which is the net sales value. In case – according to HGB – a reduction in the reports towards the lower current replacement value is to be made, then – if net sales value is higher - this will be revised in the group's report. All foreseen risks have been taken into consideration by relevant reductions. Inventories have been reduced to the lower net sales value (TEUR 13) by TEUR 251. The evaluation of stocks/inventories is according to IAS 2.

## **10) Accounts Receivables from Deliveries, Service and other**

These accounts receivables as per 30.06.2007 are as follows:

	<b>Group 30.06.2006</b>	<b>Group 30.06.2007</b>
<b>Deliveries and service</b>	7.924.870,36	4.545.183,49
<b>other accounts receivables</b>	651.340,28	705.721,15
<b>TOTAL accounts receivables</b>	<b>8.576.210,64</b>	<b>5.250.904,64</b>

As concerns these receivables, all foreseen risks were eliminated by corrections of each value item.

Other accounts receivables in the amount of TEUR 149 (prev. year TEUR 9) have a remaining maturity of more than one year. All others have a remaining term of less than one year. Accounts receivables of more than 5 years do not exist. Further and other receivables in the group are active invoicing (TEUR 84), other assets (TEUR 72) as well as tax liabilities (TEUR 549). These contain among other the credit of the corporate income tax (TEUR 140).





# Konzernbruttoanlagenspiegel / Consolidated Cash-flow Statement as per 30.06.2007

		<u>Historische Anschaffungskosten</u>					<u>Abschreibungen</u>					<u>Buchwerte</u>	
		<u>Purchase costs</u>					<u>Depreciation</u>					<u>Net book value</u>	
		Stand am Balance on 01.07.2006	Zugänge Additions 2006/2007	Abgänge Retirements 2006/2007	WK-Diff. Exchange Difference	Stand am Balance on 30.06.2007	Stand am Balance on 01.07.2006	Zugänge Additions 2006/2007	Abgänge Retirements 2006/2007	WK-Diff. Exchange Difference	Stand am Balance on 30.06.2007	Stand am Balance on 01.07.2006	Stand am Balance on 30.06.2007
<b>Immaterielle Vermögensgegenstände</b>	<b>Intangible assets</b>												
- Software	- Software	337.995,39	6.055,00	16.605,33	-4.063,72	323.381,34	254.804,54	37.758,76	16.337,25	-3.891,45	272.334,60	83.190,85	51.046,74
<b>Summe Immaterielle VGG</b>	<b>Total intangible assets</b>	337.995,39	6.055,00	16.605,33	-4.063,72	323.381,34	254.804,54	37.758,76	16.337,25	-3.891,45	272.334,60	83.190,85	51.046,74
<b>Sachanlagen</b>	<b>Tangible assets</b>												
- Grundstücke	- Property	253.375,00	0,00	0,00	0,00	253.375,00	0,00	0,00	0,00	0,00	0,00	253.375,00	253.375,00
- Gebäude	- Plant, Buildings	159.041,12	0,00	0,00	0,00	159.041,12	18.087,12	8.088,24	0,00	0,00	26.175,36	140.954,00	132.865,76
- Fahrzeuge	- Vehicles	471.755,92	70.900,84	48.329,86	-6.385,51	487.941,39	322.594,29	58.985,94	25.531,86	-5.326,66	350.721,71	149.161,63	137.219,68
- Werkzeuge	- Small tools	43.789,34	0,00	0,00	0,00	43.789,34	36.132,34	2.216,00	0,00	0,00	38.348,34	7.657,00	5.441,00
- technische Anlagen/Maschi	- plant, machinery	8.465,77	503,30	0,00	0,00	8.969,07	3.467,77	2.211,60	0,00	0,00	5.679,37	4.998,00	3.289,70
- Büroeinrichtung	- Office furnishings	802.242,09	38.816,31	40.442,18	-25.125,45	775.490,77	714.317,41	58.570,39	39.446,50	-24.179,39	709.261,91	87.924,68	66.228,86
- Betriebs- und Ge-	- Office and plant												
schäftsausstattung	equipment	242.483,42	14.122,79	12.077,71	-1.851,48	242.677,02	175.972,58	18.849,19	11.373,18	-1.798,75	181.649,83	66.510,84	61.027,19
- GWG Vorjahre	- Low-value items P.Y.	87.020,83	0,00	20.729,66	0,00	66.291,17	56.252,52	13.270,42	20.725,83	0,00	48.797,11	30.768,31	17.494,06
- GWG	- Low-value items	0,00	17.355,99	0,00	0,00	17.355,99	0,00	3.471,20	0,00	0,00	3.471,20	0,00	13.884,79
<b>Summe Sachanlagen</b>	<b>Total tangible assets</b>	2.068.173,49	141.699,23	121.579,41	-33.362,44	2.054.930,87	1.326.824,03	165.662,98	97.077,37	-31.304,81	1.364.104,83	741.349,47	690.826,04
<b>Finanzanlagen</b>	<b>Financial assets</b>	197.187,46	1.073.775,77	0,00	0,00	1.270.963,23	8.186,46	0,00	0,00	0,00	8.186,46	189.001,00	1.262.776,77
<b>Summe Anlagevermögen</b>	<b>Total assets</b>	2.603.356,34	1.221.530,00	138.184,74	-37.426,16	3.649.275,44	1.589.815,03	203.421,74	113.414,62	-35.196,26	1.644.625,89	1.013.541,32	2.004.649,55

## **11) Securities /Bonds**

The shares of a convertible bond bought last year have been sold during this business year.

According to IAS 39, classification was made as “available for sale”. Evaluation as per balance day was made at success-neutral. Difference to purchase cost at balance day was corrected accordingly (balance day 30.06.2007 minus purchase costs).

## **12) Cash-on-hand/Bank Accounts**

Cash-on-hand and bank accounts per 30.06.2007 are as follows:

	<b>Group 30.06.2006</b>	<b>Group 30.06.2007</b>
<b>Cash-on-hand</b>	7.228,04	14.648,94
<b>Bank credit and post giro</b>	890.401,51	5.129.348,90
<b>cheque credit</b>	2.299,99	6.817,53
<b>postage machine</b>	1.533,70	2.591,75
<b>other payment means</b>	<b>901.463,24</b>	<b>5.153.407,12</b>

Credits at banks which are in US-\$ or Japanese Yen were evaluated at the middle exchange rate valid at balance day. Bank credits in other currencies do not exist. Bank accounts in other currencies did not exist.

The mentioned value of the liquid means equals market value.

All payment means can be disposed of without restriction.

## **13) Capital Stock**

The capital stock of FORTEC Elektronik AG at balance day amounts to EUR 2.954.943,--. The companies' shares are divided into 2.954.943,-- non-value shares (No. 577410/ISIN DE 0005774103). Each share is worth EUR 1,-- of the basic capital.

On occasion of the annual general meeting on 20.12.2001, decision was made for a confirmed capital of EUR 900.000,00. Thus, the members of the board are entitled – in agreement with the committed management – to raise the basic capital once or in parts by releasing new shares up to 01.12.2006. This capital was never used and therefore is null and void as per 01.12.2006.

The pendant capital as per annual general meeting on December 12, 1996 in the amount of EUR 900.000 was exclusively used to assure option rights in business year 1998/99.

The price was EUR 45,-- (before share split) per share as option right. The given shares were valid until 15 March 2007 since the opening exchange rate (XETRA) of FORTEC Elektronik AG share will now be above EUR 15,-- at least 10 trade days before 22 January. The company has raised its capital by EUR 134.943,-- nominal incl. Agio by EUR 2.024.145 due to these option rights

At the annual general meeting of 14 Dec. 2000 the board of directors was entitled – in agreement with the committee and the members of the board – to release one-time or else up to 90.000 option

rights to employees/worker of related companies, board members and members of the management of related companies.

On November 15, 2004, 40.000 option shares at a basis price of EUR 24,22 were handed out. The option rights have been completely carried out in February 2007. Thus, the company raised its capital by EUR 120.000; there has been an income to the company of EUR 968.800 incl. Agio.

#### **14) Company Capital.**

The groups' capital during reported period is as follows.

	<b>Basic Capital</b>	<b>Capital- reserve</b>	<b>Differences in currency exchange</b>	<b>Market value reserves</b>	<b>Profit reserve/ accumulated profit</b>
	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>
<b>Balance 01.07.2006</b>	2.700.000,00	5.654.521,59	-74.184,51	-17.990,00	6.403.997,30
<b>Purchase</b>					
Capital increase	254.943,00	2.738.002,00			
Shares' option program		296.840,00			
Currency exchange			-200.618,27		
Market evaluation				59.478,33	
<b>Dividend</b>					-810.000,00
<b>Correction Goodwill nbn</b>					-60.000,00
<b>Year's earnings</b>					1.571.885,30
<b>Balance 30.06.2007</b>	<b>2.954.943,00</b>	<b>8.689.363,59</b>	<b>-274.802,78</b>	<b>41.488,33</b>	<b>7.105.882,60</b>

The addition to market value reserve results from the evaluation at d-day of the financial instruments (bonds) to be found under "available for sale" and these changes in value were included success-neutral.

#### **15) Reserves**

Reserves within the group as per 30.06.2007 are as follows:

	<b>Balance</b>	<b>Consumption</b>	<b>Dissolution</b>	<b>Addition/</b>	<b>Balance</b>
	<b>01.07.2006</b>	<b>2006/2007</b>	<b>Regrouping</b>	<b>Regrouping</b>	<b>30.06.2007</b>
			<b>2006/2007</b>	<b>2006/2007</b>	
<b>Other Accruals</b>					
- longterm	179.690,00	0,00	179.690,00	0,00	0,00
- shortterm	1.009.296,03	367.985,10	307.722,93	337.085,40	670.673,40
thereof re: warranties	683.633,10	111.285,10	69.070,00	93.795,40	597.073,40
thereof re: remain purchase price nbn	200.000,00	200.000,00	0,00	0,00	0,00
	<b>1.188.986,03</b>	<b>367.985,10</b>	<b>487.412,93</b>	<b>337.085,40</b>	<b>670.673,40</b>

Other accruals were listed according to IAS 37 in consideration of all foreseeable liabilities with their scheduled maturity. Interest was not discounted.

Therefore, short-term reserves mainly comprise long-term reserves for warranties (TEUR 579; prev.year TEUR 684). There were only short-term liabilities and no long-term. The long-term reserves of last year were changed into short-term since their validity was less than 1 year; no refund expected.

## **16) Liabilities**

Liabilities as per 30.06.2007 are as follows:

	<b>Group 30.06.2006</b>	<b>Group 30.06.2007</b>
<b>Liabilities against credit institutes</b>	124.751,67	0,00
<b>Liabilities from deliveries/service</b>	2.655.248,94	2.747.304,08
<b>Tax liabilities</b>	290.138,53	551.073,03
<b>Others</b>	1.232.582,95	1.166.811,41
<b>TOTAL liabilities</b>	<b>4.302.722,09</b>	<b>4.465.188,52</b>

Evaluation of the liabilities was made at their payment amounts.

The tax liabilities amount to EUR 470.242,03 of current business year.

Among other liabilities are listed so-called limited accruals amounting to TEUR 842 (prev.year TEUR 823), which according to HGB are "reserves" but according to IFRS are liabilities. In general, these are liabilities against personnel (TEUR 634, prev.year TEUR 617) as well as year's end costs (TEUR 141; prev.year TEUR 150). Previous years figures were adjusted accordingly.

Liabilities of more than 5 years are not listed. All liabilities have a maturity of less than 1 year.

## **17) Passive Deferred Taxes**

The defining of deferred taxes is done according to the "temporary-concept" of IAS 12 as regards balancing differences and evaluation differences as well as consolidation measures of the related balance and figures according to IFRS. For calculation of deferred tax, legal valid rates valid at terms of realisation at balance day were used.

Calculation of passive deferred taxes (IAS 12) is based upon the average company income tax (church tax, social Fee and trade income tax) of 38 % (prev.year 38%). Calculating deferred tax on profits of Altrac AG (CH), an income tax rate of 25% was taken.

Tax latences due to evaluation differences at following balance positions are seen:

in TEuro	30.06.2006		30.06.2007	
	active deferred taxes	passive deferred taxes	active deferred taxes	passive deferred taxes
Tangible assets (GWG)	0	11	0	12
Financial assets	0	5	0	27
Stocks	0	95	0	171
Liabilities	0	33	0	30
Other assets	0	4	0	1
Reserves	0	113	0	158
Liabilities	1	0	1	1
	<b>1</b>	<b>261</b>	<b>1</b>	<b>400</b>
Discounting	-1	-1	-1	-1
	<b>0</b>	<b>260</b>	<b>0</b>	<b>399</b>

The credit of corporate income tax listed last year as deferred tax (TEUR 197) is now classified as “current tax” according to the new legal regulation of § 37 KStG. Therefore, a regrouping of other assets was necessary.

### **18) Other Financial Liabilities**

At balance day, there are rental liabilities in the amount of EUR2,3 million; mainly due to the subsidiaries AUTRONIC GmbH (nbn) based on a contract of 10 years (EUR 1,6 million).

### **Detailed information as to “Consolidated income statement”**

### **19) Sales Revenue**

The sales revenue is calculated minus sales diminution and price reductions such as rebates, discounts, etc as well as reimbursements and returns.

In general, the group’s figure is as per IAS 18 and based on executed delivery and/or made service, if price is agreed and determined and the realisation of the corresponding liabilities is fixed.

The group’ turnover amounts to EUR 41.765.908,43 (prev.year EUR 45.280.464,87) and broke down to geographical segments is as follows:

<b><u>Sales revenue of group</u></b>	<b>Embedded Solutions</b>
	Euro
<b>Germany</b>	<b>29.405</b>
<i>previous year Germany</i>	36.393
<b>International</b>	<b>12.361</b>
<i>previous year International</i>	8.887
<b>TOTAL</b>	<b>41.766</b>
<i>previous year total</i>	45.280

Group internal revenues were eliminated in line with consolidation

## **20) Changes in Stock of unfinished/finished Goods**

This means, the increase in stock of unfinished/finished goods of Rotec technology GmbH amounting to EUR 11.766,12 (prev.year EUR 35.234,00) as well as the reduction in stock of nbn GmbH of EUR 29.333,00 (prev. year EUR 0,0).

## **21) Other Company Revenues**

Other company revenues are as follows:

	<b>Group</b>	<b>Group</b>
	<b>2005/2006</b>	<b>2006/2007</b>
Other regular revenues	150.907,45	190.272,98
Revenues of asset retirements	250.972,56	621,77
Reduction correction of single value	9.770,00	0,00
Release of accruals	231.965,41	287.282,57
Other revenues in line with ordinary business activity	845.512,13	377.938,50
Revenues from capital assets, stocks, inventories, accounts receivables and other tangible and intangible assets and bank accounts	0,00	0,00
<b>TOTAL other company revenues</b>	<b>1.489.127,55</b>	<b>856.115,82</b>

In general, other regular revenues are benefits to employees amounting to TEUR 89 (prev.year EUR 79)

In the context of ordinary business activities, mainly revenues are recorded from exchange rate differences of TEUR 287 (prev.year EUR173).

## **22) Purchases**

Purchases within the group were eliminated.

## **23) Personnel**

Expenses for personnel are as follows:

	<b>2005/2006</b>	<b>2006/2007</b>
Salaries and wages	3.827.679,94	4.287.395,48
Social costs and contributions to retirement	672.449,35	718.691,69
<b>TOTAL Costs Personnel</b>	<b>4.500.129,29</b>	<b>5.006.087,17</b>

Costs personnel 2006/076 include additions to share option program of 15.11.2004 amounting to EUR 296.840,00 (prev.year EUR 295.000,--).

## **24) Depreciation**

Depreciation in business year is as follows:

	<b>Group 2005/2006</b>	<b>Group 2006/2007</b>
Intangible assets	51.296,29	37.820,77
Tangible assets and low-value items	191.414,91	165.663,15
Other depreciation	242.711,20	203.483,92
Depreciation circulating assets	15.000,00	0,00
	257.711,20	203.483,92
Depreciation financial assets	0,00	0,00
<b>TOTAL depreciation</b>	<b>257.711,20</b>	<b>203.483,92</b>

Depreciation on goodwill from capital consolidation was made up to 30.06.2004 regularly during 15 years. Since BY 2004/05 value examination is made exclusively by impairment test. After that, no decrease in value as per 30.06.2007 was necessary.

## **25) Other Company Costs and Expenses**

Other company costs and expenses are as follows:

	<b>Group 2005/2006</b>	<b>Group 2006/2007</b>
Office rent	474.858,77	514.575,42
Insurances, contributions	141.514,50	146.829,96
Repairs, maintenance	23.140,77	30.350,20
Vehicles	151.062,19	152.877,24
Advertising and travel expenses	336.312,28	556.111,69
Costs of delivery of goods	695.708,57	384.173,55
Misc. company costs/expenses	727.350,23	879.152,12
Loss from asset retirements	4.461,00	8.819,01
Loss UV and value corrections	33.547,47	89.775,18
Other expenses in line with ordinary business activities	318.176,90	295.217,47
<b>TOTAL other company costs/expenses</b>	<b>2.906.132,68</b>	<b>3.057.881,84</b>

Under "other expenses in line with ordinary business activities" are differences in currency exchange rates amounting to TEUR 295 (prev.year TEUR 318) and are calculated based on payments made during relevant business year.

## **26) Interest Receipts**

Interest is recorded from interest receipts of TEUR 101 (prev.year TEUR 45) as well as interest expenses of TEUR 58 (prev.year TEUR 25).

## **27) Taxes on Income and Revenue**

The group's report record corporate income tax, social fee and trade income tax as well as income tax according to Swiss law of obligations.

Tax on profit in the group is 42,6 % (prev.year 35,7%) and comprises incorporate and business/trade tax.

The tax figures are as follows (in TEUR):

	<b>Group 2005/2006</b>	<b>Group 2006/2007</b>
<u>Tax paid and/or owed</u>		
Germany	887	796
Switzerland	2	21
	<b>889</b>	<b>817</b>
<u>Deferred Tax</u>		
from time differences	45	347
from loss revenues	0	0
	<b>45</b>	<b>347</b>
<b>Income Tax</b>	<b>934</b>	<b>1.164</b>

FORTEC group's actual tax expense of TEUR 1.164 (prev.year TEUR 934) is by TEUR 86 above the theoretical tax expense resulting from an average tax rate to the group's result before tax.

Taken into consideration the theoretical expected tax expense compared to the actual tax expense recorded in the "consolidation income statement", the following can be seen (in TEUR):



	<b>Group 2005/2006</b>	<b>Group 2006/2007</b>
Tax result before profit	2.619	2.730
Income tax incl. Trade tax	41,8%	39,5%
Expected income tax expense at equal tax burden	1.095	1.078
Raise/Reduction of Income tax expense by:		
low tax expense foreign countries	-27	-46
Use of non-balanced losses	-59	-6
non deductible company expenses	6	6
tax free income (amortisation profits)	-97	-54
tax refunds previous years (loss carry-back)	0	-37
tax payments previous years	15	0
Correction corporate tax credit	0	197
Correction evaluation nbn GmbH	0	28
other discrepancies	1	-2
recorded income tax burden	934	1.164
<b>Effective tax rate percentage</b>	<b>35,7%</b>	<b>42,7%</b>

## **28) Segment Report**

The company distributes semiconductors, electronical equipment, display technology, embedded computers, powersupplies and IPC-systems. These products are marketed under the term Embedded Solutions. Therefore, it is possible to divide figures into report segments of geographical aspects according to IAS 14.

	<b>Germany TEuro</b>	<b>Europe TEuro</b>	<b>T O T A L TEuro</b>
Turnover	29.405	12.361	41.766
<i>previous year</i>	36.394	8.887	45.281
Year's result	1.130	447	1.577
<i>previous year</i>	1.386	295	1.681
Depreciation Tangible/Intangible assets	173	31	204
<i>previous year</i>	207	36	243
Asset value segment capital/property	21.647		
<i>previous year</i>			
Debts	4.611	924	5.535
<i>Previous year</i>	4.830	922	5.752
Investments	130	23	153
<i>previous year</i>	246	50	296

In Europe turnover amounted to 12,4 million EUR (prev.year 8,9 million EUR); thereof turnover achieved by the subsidiary Altrac AG in Switzerland in the amount of 4,4 million EUR (prev.year 4,4 million). Foreign profit share amounts to 0,4 million EUR (prev.year 0,3 million EUR) of which Altrac is 0,2 million EUR (prev.year 0,1 million EUR). The foreign assets (value Altrac) amount to 1,5 million EUR (prev. year 1,4 million EUR); the foreign liabilities to 0,9 million EUR (prev. year 0,9 million EUR). Foreign investments of 0,02 million EUR (prev.year 0,05 million EUR) were made.

## **29) Currency Exchange Rates**

A total of EUR – 200.618,27 of differences in exchange rate were listed and are as follows:

Balance per 01.07.2006	-74.184,51
Addition 2006/2007	-200.618,27
<b>Balance per 30.06.2006</b>	<b>-274.802,78</b>

## **30) Comments to “Consolidated cash-flow statement”**

The consolidated cash flow statement is issued according to the indirect method and separates into cash-flow operative business, investments and financial business. In cash-flow operative business of this report, a separate line was added for ineffective payments; last year was adjusted accordingl

Financial means (liquid) are cash-on-hand and bank accounts - details explained under no. 11. Due to the changes in currency exchange rate, there is a higher financial fond according to IAS of approx. TEUR 4 during this financial year.

Cash flow operative business amounting to TEUR 3.351 includes interest receipts of TEUR 101 (prev.year EUR 45) and interest payments of TEUR 58 (prev.year TEUR 25).

Cash flow operative business also lists payments of income tax of TEUR 556.

## **31) Supervisory Board**

Members of the supervisory board are.

Michael Höfer (board manager), Steingarden, Portfolio Manager  
Volker Gräbner (labour representative), Hamburg, Sales Manager  
Helmut Nentwich, Burgdorf, Bank Specialist

In current fiscal year, the total revenues of the supervisory board members amount to 22.500,00 same as in previous year.

Besides, board manager Höfer is also member of the following committees:

Konsortium AG, Augsburg  
Value-Holding AG,Augsburg  
Lone Star AG, Augsburg  
Markenhaus AG, Gräfelfing  
Karwendelbach AG, Mittenwald

### **32) Business with other Persons**

The board manager's wife, Mrs Maria Fischer is working as lawyer for the company and representing it. Mrs Fischer balances accounts according to RVG. During BY 2006/07 TEUR 17 were paid to Mrs Fischer and recorded accordingly.

### **33) Benefits to Persons in Management Key-Positions**

For the managing director of the national subsidiaries and the board manager of FORTEC AG as well as the administration board members of Altrac AG, Switzerland, the following expenses were realized:

	<b>2006/2007</b>
	<b>in TEURO</b>
Short-term payments to employees	744
Expenses in line with termination of working contracts	20
Benefits based on share	297
	<b>1.061</b>

An individual listing of the benefits to persons in key-positions of the management is not required according to the decision of the annual general meeting on 13.12.2006: detailed listing may be omitted as per § 314 Abs. 1 Nr. 6a) Satz 5 – 9HGB as well as § 285 S. 1 Nr. 9 a) Satz 5-9 HGB for the period of 5 years hereon (§314 Abs. 2 S. 2 i.V.m. § 286 Abs. 5 HGB)

### **34) Renumeration of Auditor**

For services rendered for group's annual report by auditor, Dipl.-Kfm. Manfred Krautkrämer, Wirtschaftsprüfer, the following renumeration for BY 2006/2007 was made:

	<b>2006/2007</b>
	<b>in TEuro</b>
Audits of annual financial statement	130
General expenses tax consultant	23
	<b>153</b>

The renumeration for annul audit include the fees for the group's annual report as well as those of FORTEC Elektronik AG and its national subsidiaries.

### **35) Miscellaneous**

At balance day, there are group leasing obligations of only minor economic importance.

During fiscal year, development costs at the subsidiary Rotec technology GmbH were TEUR 82 (prev.year TEU 71); these costs were activated in the reserve assets under single and general costs as well as overall administrations costs surplus.

During business year FORTEC Elektronik AG employed an average of 54 persons (prev.year 52) and 4 temporary helps (prev.year 2). The group employs an average of 88 persons (prev.year 74).

Exclusive board manager in business year and at balance date was Dieter Fischer.

There were no changes between balance day of June 30, 2007 and the day when balance was published which need to be corrected as to any values or debts.

According to § 161 AktG the board has made the required explanation to use the Corporate Governance Codex and reported to the auctioneers (via internet) (§285 No. 16 resp. 314(1) No. 8 HGB).

The board of managers suggests a dividend in the total amount of EUR 886.482,90 (prev. year EUR 810.00,00). Distribution right is given to a total of 2.954.943 shares of 0,30 EUR each.

During BY 2006/07 the company published two Ad-hoc Announcement according to § 15 WpHG (results of BY 2005/06) and one announcement of asset-deals as well as two notifications according to § 15 a WpHG (notifiable sales of bonds).

According to § 21 Abs. 1 WpHG Pioneer Asset Management S.A.,Luxembourg informed on 28.03.2007 that their voting rights as concerns FORTEC Elektronik AG exceeded 5% on 05.03.2007.

On 31.03.2007 and following § 26 a WpHG it was recorded that the total of voting rights as per March 2007 amounts to 2.954943 votes. The change in total voting rights is valid since 16.03.2007.

### **37) Release for Publication**

The annual business statement was issued October 31, 2007 and released by the board of directors.

Landsberg, 31<sup>st</sup> October 2007

FORTEC Elektronik AG

Dieter Fischer  
CEO

## Statement of Capital Change 2006/2007 (incl. prev. year)

	Subscribed Capital	Capital- Reserve	Currency- Exchange- Differences	Other compreh. income		T O T A L
				Basis Market Evaluation	Profit reserve/ Profit carried forw.	
	Euro	Euro	Euro	Euro	Euro	Euro
<b>Balance 30.06.2005</b>	2.700.000,00	5.359.521,59	-28.572,73	0,00	5.533.312,78	13.564.261,64
<b>Company capital changes 2005/06 (non-effective on company result)</b>						
Change in value from market evaluation bonds				-17.990,00		-17.990,00
Balancing items currency exchanges foreign subsidiaries			-45.611,78			-45.611,78
Dividends					-810.000,00	-810.000,00
	0,00	0,00	-45.611,78	-17.990,00	-810.000,00	-873.601,78
<b>Company capital changes 2005/06 (effective on company result)</b>						
Share options program		295.000,00				295.000,00
Group's result					1.680.684,52	1.680.684,52
	0,00	295.000,00	0,00	0,00	1.680.684,52	1.975.684,52
<b>Balance 30.06.2006</b>	2.700.000,00	5.654.521,59	-74.184,51	-17.990,00	6.403.997,30	14.666.344,38
	<b>Subscribed Capital</b>	<b>Capital- Reserve</b>	<b>Currency- Exchange- Differences</b>	<b>Other compreh. income</b>		<b>T O T A L</b>
				<b>Basis Market Evaluation</b>	<b>Profit reserve/ Profit carried forw.</b>	<b>Capital</b>

	Euro	Euro	Euro	Euro	Euro	Euro
<b>Company capital changes 2006/2007 (non-effective on company result)</b>						
Capital increase	254.943,00	2.738.002,00				<b>2.992.945,00</b>
Change in value from market evaluation bonds				59.478,33		<b>59.478,33</b>
Balancing items currency exchanges foreign subsidiaries			-200.618,27			<b>-200.618,27</b>
Correction Goodwill nbn					-60.000,00	<b>-60.000,00</b>
Dividends					-810.000,00	<b>-810.000,00</b>
	<b>254.943,00</b>	<b>2.738.002,00</b>	<b>-200.618,27</b>	<b>59.478,33</b>	<b>-870.000,00</b>	<b>1.981.805,06</b>
<b>Company capital changes 2006/2007 (effective on company result)</b>						
Shares option program		296.840,00				<b>296.840,00</b>
Group's result 2006/2007					1.571.885,30	<b>1.571.885,30</b>
	<b>0,00</b>	<b>296.840,00</b>	<b>0,00</b>	<b>0,00</b>	<b>1.571.885,30</b>	<b>1.868.725,30</b>
<b>Balance 30.06.2007</b>	<b>2.954.943,00</b>	<b>8.689.363,59</b>	<b>-274.802,78</b>	<b>41.488,33</b>	<b>7.105.882,60</b>	<b>18.516.874,74</b>

## **Auditors' Report**

Based on the group's final balancing I herewith state to have issued to the company the following confirmation as per IDW PS 400:

### **Bestätigungsvermerk**

Ich habe den von der FORTEC Elektronik Aktiengesellschaft aufgestellten Konzernabschluss - bestehend aus Bilanz, Gewinn- und Verlustrechnung, Eigenkapitalveränderungsrechnung, Kapitalflussrechnung und Anhang - sowie den Konzernlagebericht für das Geschäftsjahr vom 1. Juli 2006 bis 30. Juni 2007 geprüft. Die Aufstellung von Konzernabschluss und Konzernlagebericht nach den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315 a Abs.1 HGB anzuwendenden handelsrechtlichen Vorschriften liegt in der Verantwortung des Vorstandes der Gesellschaft. Meine Aufgabe ist es, auf der Grundlage der von mir durchgeführten Prüfung eine Beurteilung über den Konzernabschluss und den Konzernlagebericht abzugeben.

Ich habe meine Konzernabschlussprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätzen ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Konzernabschluss unter Beachtung der anzuwendenden Rechnungslegungsvorschriften und durch den Konzernlagebericht vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben im Konzernabschluss und Konzernlagebericht überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfasst die Beurteilung der Jahresabschlüsse der in den Konzernabschluss einbezogenen Unternehmen, der Abgrenzung des Konsolidierungskreises, der angewandten Bilanzierungs- und Konsolidierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Konzernabschlusses und des Konzernlageberichts. Ich bin der Auffassung, dass meine Prüfung eine hinreichend sichere Grundlage für meine Beurteilung bildet.

Meine Prüfung hat zu keinen Einwendungen geführt.

Nach meiner Beurteilung auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Konzernabschluss den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315 a Abs. 1 HGB anzuwendenden handelsrechtlichen Vorschriften und vermittelt unter Beachtung dieser Regelungen ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage.

Der Konzernlagebericht steht im Einklang mit dem Konzernabschluss, vermittelt insgesamt ein zutreffendes Bild von der Lage des Konzerns und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Dipl.-Kfm. Manfred Krautkrämer

Wirtschaftsprüfer