

# **Annual Report 2007/2008**

=====

**Fiscal Year July 01, 2007 – June 30, 2008**

## **Content**

- **Management Report**
- **Consolidated Balance Sheet**
- **Consolidated Income Statement**
- **Cash Flow Statement**
- **Annexe including**
  - **Statement of Capital Changes**
  - **Statement of Assets**
  - **Segment Report**
- Auditor's Report**

**FORTEC Elektronik AG**

**Ph: +49(0)8191-91172-10 Fax: +49(0)8191-21770 email: [aktie@fortecag.de](mailto:aktie@fortecag.de)**

# Management Report 2007/2008

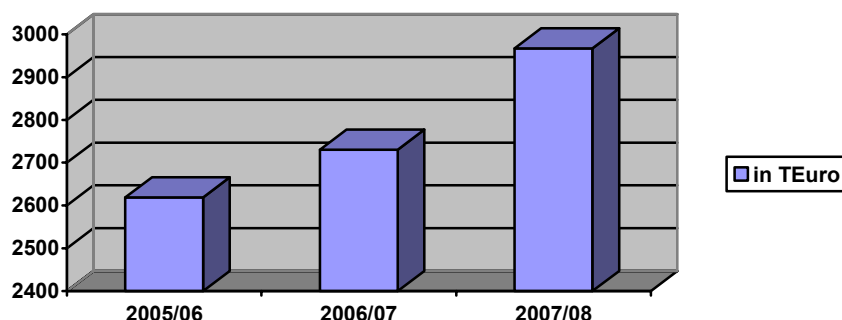
## Business and Results

In business year 2007/08, the boom of the investment industry is now in its 5<sup>th</sup> year. Business of our industrial buyers in the investment industry continued to have its strong demand – especially from Asia. Since spring 2004, the economy in the German speaking countries in our field of industrial suppliers was in steady growth especially based on exports. In past half year of BY 2007/08, the dynamic of economical activities considerably increased. Due to the excessively low dollar rate, we as importer enormously made profit.

After the group's turnover of 42,6 million EUR (prev.year 41,8 million EUR) developed as forecasted, the result of ordinary business of 2,7 million EUR in BY 2007/08 incredibly increased to 3,0 million EUR – let alone the extraordinary success of EMTRON company. Also the group's profit increased supported by a reduced tax rate by 33% from 1,6 million EUR to 2,1 million EUR. The profit per share exploded more or less from 57 Cent in previous year to now 71 Cents this BY 2007/08.

The disappointing development of the shares during entire BY does not reflect neither the long positive history nor the actual circumstances nor the very good positioning of the group within the recessive situation actually expected.

### *Development of Common business*



## **Financial Situation**

Without doubt, the financial situation is comfortable – mainly in view of the turbulences in the financial field and the expected consequences of the banker's behaviour as regards credits.

The company only works on own capital. Having a capital quota of 80% at a balance volume of 24,8 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.

The number of shares is now 2.954.943 pcs at a nominal value of 1 EUR.

The signed capital is exclusively common stock drawn to bondholders and entitled to vote. The AK Industriebeteiligungen GmbH, Norderfriedrichskog possesses 10% of the company's capital since 02.09.2003 and owns 513.336 shares as per 20.01.2007.

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 regular mandate of the current board ends as per day of the annual board's meeting, which reports on business year 2008/09. The compensation of the supervisory board breaks down to a fix and a variable part. At 13.12.2007, the general shareholders board decided, that the required statements in the financial report can be omitted as per § 314 No. 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.

## **Analysis und Strategy**

FORTEC's 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. FORTEC's 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. Thus, FORTEC covers by its portfolio the fields of health, information, security and mobility as well as build-up of industrial manufacture, which at present are the mega trends of worldwide dynamic increase of demand.

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 addition, the costs for build-in and build-out of defective parts may accelerate

considerably the delivered value of the product. During past years, 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. In view of the consequences of the financial crises, we will expect problems during these next years.

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. Another negative aspect could be a concentration process expected from the supplier's side which could result – in worst case – to a contract cancellation with suppliers. 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. In view of the consequences of the financial crises however, one could not exclude that the expected setback at the sales market will strike more intensive and faster than costs could be decreased.

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, there could be changes in business years after 01 January 2009 due to the introduction of IFRS 8 instead of the previous valid IFRS 14 which will determinate the procedure of the impairment test.

## **Expectations**

During past months, the international economic conditions have deteriorated. The risk of recession cannot be ignored. Europe was still well during these past quarters whereas the U.S. was already being afraid of recession. However, the latest economic information show that the dream was an illusion. Europe is influenced by the consequences of this latest financial crises same as America; although being at the begin of the decrease.

First recession signs are being realized at present in England, Ireland and Spain. Our business, mainly focusing on Central Europe will continue to be successful during the first months of the new business year – yet the rise is over. It will only be a matter of time until all German speaking countries will be struck as well.

In view of the expected slowdown – and as already correctly forecasted in last business report – the peak of the current economic cycle in business year 2007/08 is reached. Based on this forecast and the further process of economic slowdown in sales, we therefore expect a side-movement and a considerable pressure on margins.

Therefore in business year 2008/09 and 2009/10, the cost management will have priority to all other internal expansion plans. Besides, critical times are always good times for strategic investments. From a point of strength, without bank liabilities and with considerable assets in cash, we will watch our European competitors closely especially those with a good product portfolio.

Although the positive economic tailwind within the investment section will cease, we will nevertheless expect a satisfactory future business result for the investor. Since about 25 years, we achieved year by year and without exception results above average by our business model proven and tested in many cycles.

## **Assurance of Legal Representative**

I herewith assure to my best knowledge that in accordance with the international regulations of balancing, the group's result reveals the actual conditions of its situation of assets, finance and balance. In the group's report, the course of business incl. the results represents the actual situation as well as the considerable chances and risks of its expected development.

FORTEC Elektronik AG  
Board of Directors

**CONSOLIDATED BALANCE SHEET**  
**per 30.06.2008 (prev.year 30.06.2007)**

<b>TOTAL ASSETS</b>	<b>Notes</b>	<b>30.06.2007</b>	<b>30.06.2008</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>30.06.2007</b>	<b>30.06.2008</b>
<b>A. Non-current Assets</b>				<b>A. Shareholders' equity</b>	14		
I. Goodwill	6	4.485.708,73	4.584.041,69	I. Subscribed capital	13	2.954.943,00	2.954.943,00
II. Intangible assets	7	51.046,74	54.480,83	II. Capital reserve	14	8.689.363,59	8.689.363,59
III. Tangible assets	7	690.826,04	786.895,71	III. Exchange differences	14/29	-274.802,78	-130.426,34
IV. Financial assets	8	1.262.776,77	1.208.252,46	IV. Other compreh. Income	14	5.575.485,63	6.192.420,43
V. Accounts receivable	9	8.048,76	8.048,76	V. Net income		1.571.885,30	2.096.212,89
		<b>6.498.407,04</b>	<b>6.641.719,45</b>			<b>18.516.874,74</b>	<b>19.802.513,57</b>
<b>B. Current Assets</b>				<b>B. Long-term liabilities</b>			
I. Inventories	10	7.136.976,43	8.564.034,60	I. Deferred Taxes	17	398.909,81	265.979,06
II. Accounts receivable	11	4.565.183,49	4.163.380,40			<b>398.909,81</b>	<b>265.979,06</b>
III. other assets	11	697.672,39	598.765,00	<b>C. Short-term liabilities</b>			
IV. Cash on hand, balances with banks	12	5.153.407,12	4.831.168,09	I. Trade payables	16	2.747.304,08	1.821.301,27
		<b>17.553.239,43</b>	<b>18.157.348,09</b>	II. Accruals for other taxes	16	551.073,03	1.080.182,54
				III. Other provisions	15	670.673,40	625.283,40
				IV. Other liabilities/accruals	16	1.166.811,41	1.203.807,70
						<b>5.135.861,92</b>	<b>4.730.574,91</b>
<b>Total Assets</b>		<b>24.051.646,47</b>	<b>24.799.067,54</b>	<b>Total Equity and Liabilities</b>		<b>24.051.646,47</b>	<b>24.799.067,54</b>

## **CONSOLIDATED INCOME STATEMENT 01.07.2007 – 30.06.2008**

	Notes	01.07.2006 - 30.06.2007	01.07.2007 - 30.06.2008
		EUR	EUR
1. Sales revenues	19	41.765.908,43	42.584.655,32
2. Increase in finished goods/work in process	20	-17.566,88	218.053,00
3. Other operating income	21	856.115,82	729.625,95
4. Cost of material	22	31.644.794,33	31.006.723,86
5. Personnel expenses	23	5.006.087,17	5.750.580,19
6. Depreciation	24	203.421,74	171.388,17
7. Other operating expenses	25	<u>3.063.465,85</u>	<u>3.819.660,18</u>
8. Other interest and similar income	26	100.661,37	200.062,37
9. Other interest and similar expenses	26	<u>57.669,78</u>	<u>16.855,96</u>
10. Results from ordinary activities		2.729.679,87	2.967.188,27
11. Taxes on income	27	1.163.836,30	870.975,38
12. Other taxes		-6.041,73	0,00
13. Net income		1.571.885,30	2.096.212,89
14. Earnings per Share			
Basic		0,57	0,71
Diluted		0,57	0,71



# CONSOLIDATED CASH FLOW STATEMENT 01.07.2007 – 30.06.2008

		Anhang Notes	2006/2007	2007/2008
I.	<b>OPERATIVE BUSINESS</b>			
	1. Consolidated net income		1.571.885,30	2.096.212,89
	2. Depreciation of tangible/intangible assets		203.483,75	171.388,17
	3. Other cash-ineffective transactions		432.597,58	15.853,72
	4. Increase (PY Increase) in inventories		-2.166.113,64	-1.427.058,17
	5. Decrease (PY Decrease) in accounts/other debts receivable		3.334.306,00	500.710,48
	6. Decrease (PY Increase) in accounts payable		92.055,14	-926.002,81
	7. Increase (PY Decrease) in short-term liabilities		-238.232,47	529.109,51
	8. Decrease (PY Decrease) in long-term liabilities		-84.917,20	-132.930,75
	<b>Cash flow provided from operating business</b>	30	<b>3.145.064,46</b>	<b>827.283,04</b>
II.	<b>INVESTMENT ACTIVITIES</b>			
	1. Investment in tangible/intangible assets		-147.754,22	-278.293,16
	2. Investment in financial assets		-1.073.775,77	0,00
	3. Proceeds from fixed assets sales		20.712,73	12.106,46
	4. Proceeds from financial assets sales		0,00	3.147,53
	<b>Cash flow from investment activities</b>	30	<b>-1.200.817,26</b>	<b>-263.039,17</b>
III.	<b>FINANCING ACTIVITIES</b>			
	1. Increase subscribed capital		254.943,00	0,00
	2. Increase capital reserve		2.738.002,00	0,00
	3. Distribution of profits		-810.000,00	-886.482,90
	<b>Cash flow from financing activities</b>		<b>2.182.945,00</b>	<b>-886.482,90</b>
IV.	<b>TOTAL CASH FLOW</b>	30	<b>4.127.192,20</b>	<b>-322.239,03</b>
V.	<b>CHANGE IN LIQUID FUNDS</b>	12		
	Cash on hand and in banking accounts 30.06.2008 (PY 30.06.2007)		5.153.407,12	4.831.168,09
	Cash on hand and in banking accounts 01.07.2007 (PY 01.07.2006)		901.463,25	5.153.407,12
			<b>4.251.943,87</b>	<b>-322.239,03</b>
	Short-term liabilities due to banks 30.06.2008 (PY 30.06.2007)		124.751,67	0,00
	Short-term liabilities due to banks 01.07.2007 (PY 01.07.2006)		0,00	0,00
			<b>124.751,67</b>	<b>0,00</b>
	<b>Change in liquid funds</b>		<b>4.127.192,20</b>	<b>-322.239,03</b>

# **Annex FORTEC Elektronik AG for Business Year 2007/08**

## **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.

In new business year, FORTEC Elektronik AG used the new and/or revised IFRS standards – IFRS 7 “Financial Instruments: Statements” and change of IAS 1 “Specification of Report”. There were no material consequences on the group's situation of assets, finance and profit based on these revised standards. However, additional specifications were necessary.

There were no material consequences on the group's situation of assets, finance and profit and no additional details necessary based on the first use of interpretations IFRIC 10 “Interim report and reduced value” resp. IFRIC 11 “IFRS 2 – Business with company owned shares as well as group's shares”.

In business year, the following new resp. revised standards and interpretations for the group's business were published, however not yet covered/accepted by EU law.

- IAS 1 „Darstellung des Abschlusses“ („Report Outline“)
- IAS 27 „Konzern- und separate Einzelabschlüsse“ (Group's and single Results“)
- Änderung des IAS 32 „Finanzinstrumente: Darstellung“ („Financial media: Details“)
- Änderung des IAS 1 „Darstellung des Abschlusses“ („Report Outline“)
- IFRIC 12, IFRIC 13, IFRIC 124, IFRIC 15, IFRIC 16

The following standard was covered by EU law, however not yet applicable during business year.

- IFRS 8 „Geschäftssegmente“ („Business Segments“)

IFRS 8 replaces previous IAS 14 and is applicable for business years that begin at or on 1<sup>st</sup> January 2009. Earlier application of IFRS 8 not intended.

Due to the future application of the above mentioned standards, there is no further considerable consequence expected as to the group's situation of finance. As concerns the consequences of the evaluation of goodwill, please see management report.

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 AUTRONIC GmbH / Sachsenheim 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 Altrac AG 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 and the company capital at historical rate.

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 (before consolidation) are shown in the following chart as per 30.06.2008:

	<b>FORTEC AG</b>	<b>Blum SV GmbH</b>	<b>Emtron GmbH</b>	<b>Rotec GmbH</b>	<b>Autronic GmbH</b>	<b>Altrac AG</b>
	<b>TEuro</b>					
<b>Turnover</b>	25.868	1.053	7.262	778	4.949	4.425
<b>Company result (EBIT)</b>	1.241	27	1.374	-461	182	-50
<b>Financial result</b>	198	-10	38	-17	-39	13
<b>Taxes</b>	497	4	391	-2	-9	-11
<b>Year's earning (as per IFRS)</b>	942	13	1.021	-476	152	-27

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>Autronic GmbH at Sachsenhausen</b>	<b>Altrac AG at Dietikon (CH)</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>	385.719	2.083.928	-215.863	520.850	160.000
<b>Annual result 2006/07</b>	13.072	1.021.090	-476.216	151.584	1.564.091
<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

The day of issue of all separate reports of all group members/subsidiaries is date of the group's report (30.06.2008).

Altrac AG made its annual report in Swiss Franks. The year's result as per 30.06.2008 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.

Besides a fusion is not necessary because both companies do not interfere with the group's situation as concerns its assets, finance and profit.

#### **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 AUTRONIC 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 Explanations as to certain Balancing Points**

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 AUTRONIC 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 EUR 4.584.041,69 (prev. year EUR 4.485.708,73) as per 30.06.2008.

The goodwill difference to previous year amount to TEUR 98 and is based on the exchange rate reduction of the Swiss Frank compared to last year in view of the participation rate of Altrac AG.

## **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 30.06.2008 are as follows:

	<b>Group 30.06.2007</b>	<b>Group 30.06.2008</b>
<b>Participations</b>	46.176,77	8.188,46
<b>Bonds</b>	1.216.600,00	1.200.064,00
<b>TOTAL Financial Assets</b>	<b>1.262.776,77</b>	<b>1.208.252,46</b>

The participation noted is a 25% on Advantec Electronics B.V., Oudenbosch (NL) amounting to normal EUR 8.187,46 together with financial bonds of EUR 46.175,77 of Advantec B.V., Oudenbosch (NL) acquired this year. Based on the current economic figures of Advantec B.V., an attribution to the previous acquisition costs (+EUR 8.186,46) was made. The shares at Advantec B.V. were depreciated to reminder value – following commercial precaution. 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) Long-term Liabilities Stocks**

It concerns the paid rent deposits for the offices at Landsberg, Wien and Meißen. The figures in balance of previous year were adjusted and deferred to tangible assets.

### **10) Stocks/Inventories**

The stocks/inventories as per 30.06.2008 are as follows:

	<b>Group 30.06.2007</b>	<b>Group 30.06.2008</b>
<b>Goods/raw material/operating supplies</b>	6.845.697,86	7.882.802,37
<b>Finished/Unfinished products</b>	187.866,00	646.635,00
<b>Payments made</b>	103.412,57	34.597,23
<b>Total stock value</b>	<b>7.136.976,43</b>	<b>8.564.034,60</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 226) by TEUR 777. The evaluation of stocks/inventories is according to IAS 2.



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

These accounts receivables as per 30.06.2008 are as follows:

	<b>Group 30.06.2007</b>	<b>Group 30.06.2008</b>
<b>Deliveries and service</b>	4.545.183,49	4.163.380,40
<b>other accounts receivables</b>	705.721,15	598.765,00
<b>TOTAL accounts receivables</b>	<b>5.250.904,64</b>	<b>4.762.145,40</b>

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

These receivables from deliveries and service and all others remaining have a maturity 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 366). These contain among other the credit of the corporate income tax (TEUR 140).



## GROUP'S STATEMENT OF ASSETS as per 30.06.2008

	<u>Purchase costs</u>					<u>Depreciation</u>					<u>Net book value</u>	
	Balance on 01.07.2007	Additions 2007/2008	Retirements 2007/2008	Exchange Difference	Balance on 30.06.2008	Balance on 01.07.2007	Additions 2007/2008	Retirements 2007/2008	Exchange Difference	Balance on 30.06.2008	Balance on 01.07.2007	Balance on 30.06.2008
<b>Intangible assets</b>												
- Software	323.381,34	19.669,95	102.083,32	2.174,10	243.142,07	272.334,60	16.292,65	102.083,32	2.117,31	188.661,24	51.046,74	54.480,83
<b>Tot.intangible assets</b>	323.381,34	19.669,95	102.083,32	2.174,10	243.142,07	272.334,60	16.292,65	102.083,32	2.117,31	188.661,24	51.046,74	54.480,83
<b>Tangible assets</b>												
- 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
- Plant, Buildings	159.041,12	0,00	0,00	0,00	159.041,12	26.175,36	8.088,23	0,00	0,00	34.263,59	132.865,76	124.777,53
- Vehicles	487.941,39	42.070,70	87.477,26	3.914,73	446.449,56	350.721,71	48.864,09	78.147,26	2.664,55	324.103,09	137.219,68	122.346,47
- Small tools	43.789,34	2.568,50	0,00	0,00	46.357,84	38.348,34	2.046,50	0,00	0,00	40.394,84	5.441,00	5.963,00
- plant, machinery	8.969,07	89.672,19	0,00	0,00	98.641,26	5.679,37	9.075,33	0,00	0,00	14.754,70	3.289,70	83.886,56
- Office furnishings	775.490,77	88.119,22	303.377,61	13.631,38	573.863,76	709.261,91	53.759,21	303.377,61	13.039,71	472.683,22	66.228,86	101.180,54
- Office and plant equipment	242.677,02	13.632,60	4.660,41	990,55	252.639,76	181.649,83	15.495,92	4.660,41	960,41	193.445,75	61.027,19	59.194,01
- Low-value items P.Y.	83.647,16	0,00	10.621,61	0,00	73.025,55	52.268,31	12.306,60	10.621,61	0,00	53.953,30	31.378,85	19.072,25
- Low-value items	0,00	22.560,00	0,00	0,00	22.560,00	0,00	5.459,64	0,00	0,00	5.459,64	0,00	17.100,36
<b>Total tangible assets</b>	2.054.930,87	258.623,21	406.136,89	18.536,66	1.925.953,84	1.364.104,83	155.095,52	396.806,89	16.664,67	1.139.058,13	690.826,04	786.895,71
<b>Financial assets</b>	1.270.963,23	0,00	3.147,53	0,00	1.267.815,70	8.186,46	51.376,78	0,00	0,00	59.563,24	1.262.776,77	1.208.252,46
<b>Total assets</b>	3.649.275,44	278.293,16	511.367,74	20.710,76	3.436.911,63	1.644.625,89	222.764,95	498.890,21	18.781,98	1.387.282,62	2.004.649,55	2.049.629,00

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

Cash-on-hand and bank accounts per 30.06.2008 are as follows:

	<b>Group 30.06.2007</b>	<b>Group 30.06.2008</b>
<b>Cash-on-hand</b>	14.648,94	8.927,00
<b>Bank credit and post giro</b>	5.129.348,90	4.819.035,41
<b>cheque credit</b>	6.817,53	444,47
<b>postage machine</b>	2.591,75	2.761,01
<b>other payment means</b>	<b>5.153.407,12</b>	<b>4.831.167,89</b>

Credits at banks which are in US-\$ 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.

## **14) Company Capital.**

The groups' capital during reported period is as follows.

	<b>Company capital</b>	<b>Capital reserve</b>	<b>Exchange rate differ.</b>	<b>Market value</b>	<b>Profit reserve accumulat. profit</b>	<b>TOTAL Euro</b>
	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>	
<b>Balance 01.07.2007</b>	2.954.943,00	8.689.363,59	-274.802,78	41.488,33	7.105.882,60	<b>18.516.874,74</b>
<b>Addition</b>						
Exchange rate			144.376,44			<b>144.376,44</b>
purchase price ./ taxes					-17.090,82	<b>-17.090,82</b>
market evaluation				-51.376,78		<b>-51.376,78</b>
<b>Dividend / payout</b>					-886.482,90	<b>-886.482,90</b>
<b>Years profit</b>					2.096.212,89	<b>2.096.212,89</b>
<b>Balance 30.06.2008</b>	<b>2.954.943,00</b>	<b>8.689.363,59</b>	<b>-130.426,34</b>	<b>-9.888,45</b>	<b>8.298.521,77</b>	<b>19.802.513,57</b>

The addition to market value reserve results from the evaluation at d-day of the financial instruments (bonds and participations) to be found under “available for sale” and these changes in value were included success-neutral. The tax amounts to be calculated on capital are the taxes as per day of calculation of the bonds (EUR 16.890,00) as well as actual profit taxes from sale of bonds (EUR 200,82).

## **15) Reserves**

Reserves within the group as per 30.06.2008 are as follows:

	<b>Balance 01.07.2007</b>	<b>Consumption 2007/2008</b>	<b>Dissolution/ Regrouping 2007/2008</b>	<b>Addition/ Regrouping 2007/2008</b>	<b>Balance 30.06.2008</b>
<b>Other Accruals</b>					
- longterm	0,00	0,00	0,00	0,00	0,00
- shortterm	670.673,40	172.650,00	95.390,00	222.650,00	625.283,40
<i>thereof re: warranties</i>	<i>597.073,40</i>	<i>168.450,00</i>	<i>95.390,00</i>	<i>122.650,00</i>	<i>455.883,40</i>
	<b>670.673,40</b>	<b>172.650,00</b>	<b>95.390,00</b>	<b>222.650,00</b>	<b>625.283,40</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 30.06.2008 are as follows:

	<b>Group 30.06.2007</b>	<b>Group 30.06.2008</b>
<b>Liabilities from deliveries/service</b>	2.747.304,08	1.821.301,27
<b>Tax liabilities</b>	551.073,03	1.080.182,54
<b>Others</b>	1.166.811,41	1.203.807,70
<b>TOTAL liabilities</b>	<b>4.465.188,52</b>	<b>4.105.291,51</b>

Evaluation of the liabilities was made at their payment amounts.

The tax liabilities are the taxes due in current business year in the amount to TEur 876 (Profit tax TEur 640 and income tax TEur 80).

Among other liabilities are listed so-called limited accruals amounting to TEUR 1.018 (prev.year TEUR 842), which according to HGB are “reserves” but according to IFRS are liabilities. In general, these are liabilities against personnel (TEUR 789, prev.year TEUR 634) as well as year’s end costs (TEUR 139; prev.year TEUR 141). 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	30.06.2007		30.06.2008	
	active deferred taxes	passive deferred taxes	active deferred taxes	passive deferred taxes
<b>Tangible assets (GWG)</b>	0	12	0	10
<b>Financial assets</b>	0	27	0	17
<b>Stocks</b>	0	171	0	67
<b>Liabilities</b>	0	30	0	25
<b>Other assets</b>	0	1	0	0
<b>Reserves</b>	0	158	0	148
<b>Liabilities</b>	1	1	1	0
	<b>1</b>	<b>400</b>	<b>1</b>	<b>267</b>
<b>Discounting</b>	-1	-1	-1	-1
	<b>0</b>	<b>399</b>	<b>0</b>	<b>266</b>

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

At balance day, there are rental liabilities as follows:

• up to 1 year	TEUR	510
• 1 to 5 years	TEUR	722
• <u>more than 5 years</u>	TEUR	613
<b>Total</b>	<b>TEUR</b>	<b>1.845</b>

Based on these liabilities, FORTEC holds TEUR 312 and Autronic GmbH TEUR 1.418.

## **Detailed Explanation 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 42.584.655,32 (prev.year EUR 41.765.908,43) and breaks down to geographical segments as follows:

<u>Sales revenue of group</u>	<u>Embedded Solutions</u>
	Euro
<b>Germany</b>	<b>33.173</b>
<i>previous year Germany</i>	29.405
<b>International</b>	<b>9.412</b>
<i>previous year International</i>	12.361
<b>TOTAL</b>	<b>42.585</b>
<i>previous year total</i>	41.766

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 75.406,00 (prev.year EUR 11.766,12) as well as the addition in stock of Autronic GmbH of EUR 142.647,00 (prev. year EUR 29.333,00).

### **21) Other Company Revenues**

Other company revenues are as follows:

	<b>Group</b>	<b>Group</b>
	<b>2006/2007</b>	<b>2007/2008</b>
Other regular revenues	190.272,98	220.033,96
Revenues of asset retirements	621,77	3.920,00
Reduction correction of single value	0,00	2.762,00
Release of accruals	287.282,57	106.373,88
Other revenues in line with ordinary business activity	377.938,50	396.536,11
<b>TOTAL other company revenues</b>	<b>856.115,82</b>	<b>729.625,95</b>

In general, other regular revenues are benefits to employees amounting to TEUR 103 (prev.year TEUR 89)

In the context of ordinary business activities, mainly revenues are recorded from exchange rate differences of TEUR 273 (prev.year TEUR 287).

## **22) Purchases**

Purchases within the group were eliminated.

## **23) Personnel**

Expenses for personnel are as follows:

	<b>2006/2007</b>	<b>2007/2008</b>
Salaries and wages	4.287.395,48	4.892.260,71
Social contributions and payments to retirement	718.691,69	858.319,48
<b>TOTAL Costs Personnel</b>	<b>5.006.087,17</b>	<b>5.750.580,19</b>

## **24) Depreciation**

Depreciation in business year is as follows:

	<b>G r o u p 2006/2007</b>	<b>G r o u p 30.06.2008</b>
Intangible assets	37.820,77	16.292,65
Tangible assets and low-value items	165.663,15	155.095,52
<b>T O T A L depreciation</b>	<b>203.483,92</b>	<b>171.388,17</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 30.06.2008 was necessary.



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

Other company costs and expenses are as follows:

	<b>G r o u p 2006/2007</b>	<b>G r o u p 2007/2008</b>
Office rent	514.575,42	661.967,41
Insurances, contributions	146.829,96	127.242,42
Repairs, maintenance	30.350,20	52.703,82
Vehicles	152.877,24	168.300,44
Advertising and travel expenses	556.111,69	573.990,72
Costs of delivery of goods	384.173,55	362.794,89
Misc. company costs/expenses	879.152,12	1.102.743,71
Loss from asset retirements	8.819,01	1.144,68
Loss UV and value corrections	89.775,18	350.713,44
Other expenses re: ordinary business	295.217,47	418.058,65
<b>TOTAL other company costs/expenses</b>	<b>3.057.881,84</b>	<b>3.819.660,18</b>

Under “other expenses in line with ordinary business activities” are differences in currency exchange rates amounting to TEUR 418 (prev.year TEUR 295) and are calculated based on payments made during relevant business year.

## **26) Interest Receipts**

Interest is recorded from interest receipts of TEUR 200 (prev.year TEUR 101) as well as interest expenses of TEUR 17 (prev.year TEUR 58).

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

The group's report records corporate income tax, social fee and trade income tax as well as income tax according to Swiss law of obligations according to percentages valid as per balancing day.

On July 6, 2007, the “Bundestag” upon official approval by the “Bundestag” has agreed upon the revised company tax law 2008. I.e. that in Germany beginning 2008, the tax rates change considerably. The corporate income tax was reduced from 25% to 15%; the business tax from 5% to 3,5%. Nevertheless, the deduction of the business tax as operating cost was dropped.

Tax on profit in the group is 29,8 % (prev.year 42,6%) and comprises incorporate and business/trade tax.

The tax figures are as follows (in TEUR):

	Group 2006/2007	Group 2007/2008
<u>Tax paid and/or owed</u>		
Germany	796	854
Switzerland	21	17
	817	871
<u>Deferred Tax</u>		
from time differences	347	0
from loss revenues	0	0
	347	0
<b>Income Tax</b>	<b>1.164</b>	<b>871</b>

FORTEC group's actual tax expense of TEUR 871 (prev.year TEUR 1.164) is by TEUR 12 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):

	Group 2006/2007	Group 2007/2008
Tax result before profit	2.730	2.967
Income tax incl. Trade tax	39,5%	29,8%
Expected income tax expense at equal tax burden	1.078	884
Raise/Reduction of Income tax expense by:		
low tax expense foreign countries	-46	-3
Use of non-balanced losses	-6	-21
non deductible company expenses	6	4
tax free income (amortisation profits)	-54	-4
tax refunds previous years (loss carry-back)	-37	-3
tax payments previous years	0	8
depreciations/participations (non tax-relevant)	0	14
Correction corporate tax credit	197	0
Correction evaluation nbn GmbH	28	0
other discrepancies	-2	-8
recorded income tax burden	1.164	871
<b>Effective tax rate percentage</b>	<b>42,7%</b>	<b>29,4%</b>

Profit tax of TEUR 17 were directly calculated on company capital; deferred taxes up to TEUR 17. The consequence of the reduced tax rate (company revised tax law) is TEUR 288 in consideration of the profit tax rate of previous year (39,5%).

## 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 devide figures into report segments of geographical aspects according to IAS 14.

	<b>Germany TEUR</b>	<b>Europe TEUR</b>	<b>TOTAL TEUR</b>
Turnover	33.173	9.412	42.585
<i>previous year</i>	29.405	12.361	41.766
Year's result	1.824	272	2.096
<i>previous year</i>	1.130	447	1.577
Depreciation tangible/Intangible assets	152	19	171
<i>previous year</i>	173	31	204
Asset value segment capital/property	22.030		
<i>previous year</i>			
Debts	4.474	523	4.997
<i>Previous year</i>	4.611	924	5.535
Investments	277	1	278
<i>previous year</i>	130	23	153

In Europe turnover amounted to 9,4 million EUR (prev.year 12,4 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 0,3 million EUR (prev.year 0,4 million EUR) of which Altrac is 0,0 million EUR (prev.year 0,2 million EUR). The foreign assets (value Altrac) amount to 1,5 million EUR (prev. year 1,5 million EUR); the foreign liabilities to 0,5 million EUR (prev. year 0,9 million EUR). Foreign investments of 0,001 million EUR (prev.year 0,02 million EUR) were made.

## 29) Currency Exchange Rates

A total of EUR 144.376,44 of differences in exchange rate were listed and are as follows:

Balance per 01.07.2007	-274.802,78
Addition 2007/2008	144.376,44
<b>Balance per 30.06.2008</b>	<b>-130.426,34</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. 12.

These financial means are not subject to any directive conditions and there was no restriction as to availability during business year.

Cash flow operative business reduced by approx. TEUR 2.318 compared to previous year because of build-up of stock asset (increase TEUR 1.427) as well as the reduction of suppliers' liabilities (TEUR 926).

Cash flow operative business amounting to TEUR 827 includes interest receipts of TEUR 200 (prev.year EUR 101) and interest payments of TEUR 17 (prev.year TEUR 58).

Cash flow operative business also lists payments of income tax of TEUR 619 (prev.year TEUR 556).

The consequences of the exchange rate differences from participation still existing in previous year were moved to operating business (other transactions non-relevant to payments). Previous year was adjusted accordingly.

### **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 related 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 2007/08 TEUR 12 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>2007/2008</b>
	<b>in TEURO</b>
Short-term payments to employees	835
	<b>835</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.-Kffr. Gertrud Deffner, Wirtschaftsprüferin, the following remuneration for BY 2007/2008 was made:

	<b>2007/2008</b>
	<b>in TEuro</b>
Audits of annual financial statement	65
General expenses tax consultant	0
	<b>65</b>

The remuneration for year's audit include the fees for the group's annual report as well as those of FORTEC Elektronik AG.

### **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 146 (prev.year TEUR 82); 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 50 persons (prev.year 54) and 4 temporary helps (prev.year 4). The group employs an average of 114 persons (prev.year 88).

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

There were no changes between balance day of June 30, 2008 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 886.482,90). Distribution right is given to a total of 2.954.943 shares of 0,30 EUR each.

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

The annual business statement was issued October 09, 2008 and released by the board of directors.

Landsberg, October 09, 2008

FORTEC Elektronik AG

Dieter Fischer  
CEO

## Statement of Capital Change 2007/2008 (incl. prev. year)

	Subscribed capital	Capital reserve	Currency exchange differences	Other comprehensive income		TOTAL
				Basic market evaluation	Profit reserve/ Profit carr.forward	
	Euro	Euro	Euro	Euro	Euro	Euro
<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>Company capital changes 2006/2007 (non-effective on company result)</b>						
Capital increase	254.943,00	2.738.002,00				2.992.945,00
Changes of market value financial bonds				59.478,33		59.478,33
Balancing items re: currency exchanges foreign subsidiaries /companies			-200.618,27			-200.618,27
Correction goodwill nbn					-60.000,00	-60.000,00
Dividends					-810.000,00	-810.000,00
	<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				296.840,00
Group's result 2006/2007					1.571.885,30	1.571.885,30
	<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>

	Subscribed capital	Capital reserve	Currency exchange differences	Other comprehensive income		TOTAL
				Basic market evaluation	Profit reserve/ Profit carr.forward	
	Euro	Euro	Euro	Euro	Euro	Euro
<b>Company capital changes 2007/2008 (non-effective on company result)</b>						
Changes of market value financial bonds				-51.376,78		<b>-51.376,78</b>
Taxes directly allocated w.company capital					-17.090,82	<b>-17.090,82</b>
Balancing items re: currency exchanges foreign subsidiaries /companies			144.376,44			<b>144.376,44</b>
Dividends					-886.482,90	<b>-886.482,90</b>
	<b>0,00</b>	<b>0,00</b>	<b>144.376,44</b>	<b>-51.376,78</b>	<b>-903.573,72</b>	<b>-810.574,06</b>
<b>Company capital changes 2007/2008 (effective on company result)</b>						
Group's result 2007/2008					2.096.212,89	<b>2.096.212,89</b>
	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>2.096.212,89</b>	<b>2.096.212,89</b>
<b>Balance 30.06.2008</b>	<b>2.954.943,00</b>	<b>8.689.363,59</b>	<b>-130.426,34</b>	<b>-9.888,45</b>	<b>8.298.521,77</b>	<b>19.802.513,57</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 des Abschlussprüfers**

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 2007 bis 30. Juni 2008 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 Grundsätze 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.

Kehl, den 14.10.2008

Gertrud K.Deffner  
(Wirtschaftsprüferin)