

# **Annual Report 2008/2009**

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**Fiscal Year July 01, 2008 – June 30, 2009**

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# Management Report 2008/2009

## **Business and Results**

Business in fiscal year 2008/09 was split: for now 5 years until end of 2008, we gained from an increase of the investment industry by stable and rising sales (turnover) and order bookings – whereas at the end of 2008 there was a sudden stop of incoming orders. This reaction – triggered by the financial crisis in 2007 and by the following capital market crisis of 2008 – now reached the entire economy.

During the first six months of BY 2008/09, the group's turnover was clearly above level of previous year; whereas in the third quarter more and more customers wished to postpone terms of delivery. In last quarter, the turnover – due to the aggravated recession – was definitely below the figures of previous year's quarterly report. Thus, in BY 2008/09, the year's turnover of 42.2 million EUR was slightly below previous year's level of 42.6 million EUR – confirming the expectations mentioned in last year's report.

As announced in last year's report and as a consequence of the 1<sup>st</sup> phase of the recession and its effects, there was a pressure on margins of new orders during 2<sup>nd</sup> half year of BY 2008/09. Fact was that in BY 2007/08 mainly due to the weak result in last quarter, the results of normal business operation before interest and tax (EBIT) of 2.8 million EUR could not be sustained any more. Yet, there was still a value of 2.1 million EUR – which compared to direct competitors – still has to be considered very good.

As to balancing 2008/09, we took all necessary steps for any risks and carefully evaluated the active assets in view of the so-called slow proceeding recovery within the industrial field. Although according to forecasts of many of market participants, we should have reached the end of the rapid down-hill of economy and one speaks positively of the recession's end in corresponding reports and according to the early-bird messages of the economic research institutes.

## **Financial Situation**

In contrary to many competitors, the financial situation is considered comfortable without exceptions. In time and before expected problems as to creditworthiness of middle-size customers, it was possible to supply specially manufactured and on-stock goods still during 4<sup>th</sup> quarter. Therefore in 4<sup>th</sup> quarter, stock value as per 30.06.2009 was reduced by 2.5 million EUR and amounts to 7.3 million EUR (prev. year 8.6 million EUR) and thus being considered to be a healthy level without noticeable risks. Liabilities from deliveries and services are now 3.9 million EUR (prev. year 4.2 million EUR) which mainly came in when balancing was completed – thus not creating any loss or risk.

The company only works on own capital without any bank liabilities. Having a capital quota of 83.4% at a balance volume of 21.686 TEUR, the company possesses sufficient own capital and thus is in a position to finance without any problem the upcoming difficult BY 2009/10. Due to the actual cash-on-hand of more than 5 million EUR, it may be possible to make acquisitions beginning 2010 in order to broaden and enlarge business.

Cash-flow of operative business in BY 2008/09 was definitively positive by more than 2 million EUR (prev. year 0.8 million EUR) and clearly reveals the financial strength of the company.

### **Further Information according to § 289 Art. 4 HGB**

The number of shares is 2.954.943 at a nominal value of 1 EUR. At present, there is no limited, nor approved capital, nor any program for repurchase of stock.

The signed capital is exclusively common stock drawn to bondholders who are 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 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). The compensation of the supervisory board breaks down to a fix, a variable and a share-based part.

On 13.12.2006, the general shareholders board decided, that the required statements in the financial report can be omitted as per § 314 No. 6 Art. 5-9 HGB. It is not agreed that there are any refunds to be made in case of change of control and/or any take-over offer. If change of control based on a take-over offer takes place, it is agreed that the suppliers' contracts essential for the company may be cancelled by the latter. Especially, there is a potential risk that a competitor will take over.

Changes (alterations) of 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.

### **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 specific customer developments.

Target customers are mainly manufacturers in the field of industry automation, medicine technology as well as providers of security instruments. Thus, with its portfolio, FORTEC covers 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 thousands of customers are the basis of our success. Our core countries namely Germany, Austria and Switzerland still offer considerable potential although already achieved leadership in some market segments. At the end of 2008, we initiated the existing option (since several years already) for the acquisition of a majority to a Czech manufacturer which is possessed 99% by the subsidiary Autronic. Moreover, we are represented in the Benelux by a 25% participation in an electronic company.

Due to our product portfolio, our strategy is to continuously achieve profitable margins by own added-value, which, after cost deduction, still allows a reasonable interest rate of the used company capital.

### **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 thoroughly checked every year; 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 risk - 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 because there is a continuous trend to local suppliers. 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 important fact is that of the configuration of the merchandise with origin Far East as well as the political EU requirements as to 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/supplier - are liable towards our customers.

A yet steady growing risk is the customer's requirements as to a prolonged time of warranty and the usual terms of a suppliers' contract. During these past years, the customers started to develop a certain aggressiveness for claims which is obviously against and at expenses of the supplier. Claims resulting of a supplier's contract may accelerate considerably the delivered value of the product. The result are more and more legal proceedings including corresponding risk.

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 market crises, we will expect considerable problems within the next years.

Our success also strongly depends on the vast, detailed and years of experience of our personnel. A big change in staff yet 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 of 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 towards the supplier. In addition, similar effects could arise 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. Due to the abrupt economic decrease in industry in the course of the economic and financial crisis, the setback at the sales market took place more intensively and faster than costs could be decreased. In spite of counter-actions, there will be losses temporarily in various fields in BY 2009/10 until economy recovers again or the costs will be adjusted to reduced turnover.

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 existing 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 checked year by year as to the recoverability. If the expectations of the purchased company are not met and/or – as a consequence of the economic unstableness – the expected cash-flow result cannot be achieved, then depreciations in the group's balance as per IFRS have to be done. In spite of the economic setback and the carefully made income planning for the next two to three years, an additional need for depreciation may not be eliminated if economic recovery fails.

### **Expectations**

Since fall 2008, the international economic conditions have deteriorated. A year ago, one still spoke about the risk of a recession which cannot be ignored any more – and now we are facing brutal reality.

In Central Europe we had a recession of the economy never experienced before since foundation of the Federal Republic of Germany in 1949. Only due to the counter-actions of all important bank institutes after the Lehmann crash, it was possible to avoid a total collapse of the financial system and the ruin of the world's economy by flooding the world's financial system with a liquidity as well as numerous measures of all major governments of the OECD.

During first quarter of BY 2009/10 we will have overcome the “downhill” and further this year slowly do steps forward. Yet, it is too early to speak of the end of the recession, as it was reported by all media in late summer 2009. BY 2009/10 will be the most difficult in the company's history. Only when we will see another continuous increase in exports in Germany and thus refreshens investments, than we will have overcome the recession.

Therefore in business year 2009/10, the cost management will have priority to all other internal expansion plans. The actual existing (short-term) overcapacities in personnel have to be adjusted accordingly. This is a situation never happened since a few centuries in the professional electronic industry which in principle mainly had a lack of engineers. As to costs of personnel and in view of an economy revival sooner or later, we try to keep our staff using the instrument of short-time work.

There will be successive costs' reductions in other fields. In BY 2008/09 the subsidiary Herrsching was abandoned and integrated to the personnel in Landsberg.

Also in BY 2009/10 and as usual in times of recession, we will have to face on one hand the risk to have too much and unsellable merchandise on stock and on the other hand the problem – which all suppliers necessarily do due to limited possibilities to take a loan during times of recession - to have too less merchandise on stock and thus may endanger our business.

Besides, critical times are always good times for strategic investments. Who survives from the crisis, will have all chances to come to strength. From a point of strength, without bank liabilities and with considerable assets in cash, we will watch our European competitors closely especially when there is a good product portfolio.

Although the investment industrial sector is at present worldwide down, especially the electronic sector will develop again positively in the long run. In spite of existing risks, we expect again to soon achieve sales and earnings above average after the recession. Since 25 years now, we have had generated year after year always extraordinary income during several cycles of our proofed business concept – without even having one year of loss. Even if we cannot guarantee this development for BY 2009/10 because of the extreme difficult economic conditions, our business concept is proof and stable. It is our intention to continue working on this concept for these next years.

### **Assurance of Legal Representative**

I herewith assure to my best knowledge that in accordance with the 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.

Landsberg, Oct. 05<sup>th</sup>, 2009

FORTEC Elektronik AG  
Dieter Fischer  
CEO

**GROUP's CONSOLIDATED BALANCE SHEET**  
**per 30.06.2009 (previous year 30.06.2008)**

<b>AKTIVA / TOTAL ASSETS</b>		<b>Consolidated balance sheet 30.06.2008</b>	<b>Consolidated balance sheet 30.06.2009</b>	<b>PASSIVA / TOTAL EQUITY AND LIABILITIES</b>		<b>Consolidated balance sheet 30.06.2008</b>	<b>Consolidated balance sheet 30.06.2009</b>
<b>A. Langfristige Vermögenswerte Non-current ass.</b>				<b>A. Eigenkapital</b>	<b>Shareholders' equity</b>		
I. Goodwill	Goodwill	2.228.297	2.335.459	I. Gezeichnetes Kapital	Subscribed capital	2.954.943	2.954.943
II. Immaterielle Vermögenswerte	Intangible assets	54.481	178.797	II. Kapitalrücklage	Capital reserve	8.689.364	8.689.364
III. Sachanlagen	Tangible assets	786.896	1330.519	III. Umrechnungsdifferenz	Exchange differences	-51.863	139.400
IV. Finanzielle Vermögenswerte	Financial assets	1.208.252	95.233	IV. Sonstige Rücklagen	Other compreh. Income	3.758.112	4.735.680
V. Langfristige Forderungen	Accounts receiv.	8.049	9.182	V. Jahresüberschuss	Net income	2.096.213	1.568.393
		<b>4.285.975</b>	<b>4.807.191</b>			<b>17.446.769</b>	<b>18.087.780</b>
<b>B. Kurzfristige Vermögenswerte Current assets</b>				<b>B. Langfrist. Verbindlichkeiten</b>	<b>Long-term liabilities</b>		
I. Vorräte	Inventories	8.564.035	7.327.416	I. Langfrist. Rückstellungen	Other provisions	56.160	56.160
II. Forderungen aus Lieferungen und Leistungen	Accounts receiv und Leistungen	4.163.380	3.871.707	II. Latente Steuerverbindlichk.	Deferred Taxes	265.979	209.869
III. Steuerforderungen	Tax receivables	462.674	293.103			<b>322.139</b>	<b>266.029</b>
IV. Sonst. Vermögenswerte	Other assets	136.091	240.626	<b>C. Kurzfristige Verbindlichkeiten</b>	<b>Short-term liabilities</b>		
V. Liquide Mittel	Cash on hand, balances banks	4.831.168	5.146.225	I. Verbindl. Lief./Leistungen	Trade payables	1.821.301	1.376.970
		<b>18.157.348</b>	<b>16.879.076</b>	II. Steuerverbindlichkeiten	Accruals other taxes	1.080.183	443.862
				III. Sonstige Rückstellungen	Other provisions	569.123	514.543
				IV. Sonst. Verbindlichkeiten	Other liability./accruals	1.203.808	997.083
						<b>4.674.415</b>	<b>3.332.459</b>
<b>Summe Aktiva</b>	<b>Total Assets</b>	<b>22.443.323</b>	<b>21.686.267</b>	<b>Summe Passiva</b>	<b>Total Equity/Liabilities</b>	<b>22.443.323</b>	<b>21.686.267</b>

# **GROUP's Consolidated Income-Statement 01.07.2008 - 30.06.2009**

		<b>Anhang Notes</b>	<b>Consolidated income- statement 01.07.2007 - 30.06.2008</b>	<b>Consolidated income- statement 01.07.2008 - 30.06.2009</b>
<b>1. Umsatzerlöse</b>	<b>Sales revenues</b>	19	<b>42.584.655</b>	<b>42.220.704</b>
<b>2. Erhöhung Bestand unfertige Erzeugnisse</b>	<b>Increase in finished goods/work in process</b>	20	<b>218.053</b>	<b>314.453</b>
<b>3. sonstige betriebliche Erträge</b>	<b>Other operating income</b>	21	<b>729.626</b>	<b>1.149.615</b>
<b>4. Materialaufwand</b>	<b>Cost of material</b>	22	<b>31.006.724</b>	<b>31.702.047</b>
<b>5. Personalaufwand</b>	<b>Personnel expenses</b>	23	<b>5.750.580</b>	<b>5.553.848</b>
<b>6. Abschreibungen</b>	<b>Depreciation</b>	24	<b>171.388</b>	<b>217.469</b>
<b>7. Sonstige betriebliche Aufwendungen</b>	<b>Other operating expenses</b>	25	<b><u>3.819.660</u></b>	<b><u>4.118.429</u></b>
<b>8. Betriebsergebnis (EBIT)</b>	<b>Operating result</b>		<b>2.783.982</b>	<b>2.092.979</b>
<b>9. Sonstige Zinsen u. ähnliche Erträge</b>	<b>Other interest and similar income</b>	26	<b>200.062</b>	<b>96.661</b>
<b>10. Zinsen u. ähnliche Aufwendungen</b>	<b>Other interest and similar expenses</b>	26	<b><u>16.856</u></b>	<b><u>6.972</u></b>
<b>11. Ergebnis der gewöhl. Geschäftstätigkeit</b>	<b>Results from ordinary activities</b>		<b>2.967.188</b>	<b>2.182.668</b>
<b>12. Steuern vom Einkommen und Ertrag</b>	<b>Taxes on income</b>	27	<b>870.975</b>	<b>614.275</b>
<b>13. Jahresüberschuss</b>	<b>Net income</b>		<b>2.096.213</b>	<b>1.568.393</b>
<b>14. Ergebnis je Aktie</b>	<b>Earnings per Share</b>			
unverwässert	Basic		<b>0,71</b>	<b>0,53</b>
verwässert	Diluted		<b>0,71</b>	<b>0,53</b>

# GROUP's Consolidated Cash-flow Statement 01.07.2008 – 30.06.2009

		Annex	2007/2008	2008/2009
I.	<b>OPERATIVER BEREICH</b>			
	1. Jahresüberschuss		2.096.213	1.568.393
	2. Abschreibungen auf Sachanlagen und immaterielle Anlagegegenstände inkl. Goodwill		171.388	217.469
	3. Korrektur andere zahlungsunwirks. Transaktionen		15.854	144.527
	4. Abnahme (VJ Zunahme) der Vorräte		-1.427.058	1.236.619
	5. Abnahme (VJ Abnahme) Forderungen aus Lieferungen, Leistungen u. sonstigen Forderungen		500.710	356.709
	6. Abnahme (VJ Abnahme) Verbindlichkeiten aus Lieferungen und Leistungen		-926.003	-444.331
	7. Abnahme (VJ Zunahme) kurzfrist. Verbindlichkeiten		529.110	-897.625
	8. Zunahme der langfristigen Forderungen		0	-1.133
	9. Abnahme (VJ Abnahme) langfrist. Verbindlichkeiten		-132.931	-56.110
	<u>Cash flow aus dem operativen Bereich</u>	30	<b>827.283</b>	<b>2.124.518</b>
II.	<b>INVESTITIONSBEREICH</b>			
	1. Invest. Sachanlagen /immaterielle Anlagegegenstände		-278.293	-885.883
	2. Investitionen in Finanzanlagen		0	-48.183
	3. Erlöse aus Abgängen Sachanlagevermögen		12.106	11.088
	4. Erlöse aus den Abgängen von Finanzanlagen		3.148	0
	<u>Cash flow aus dem Investitionsbereich</u>	30	<b>-263.039</b>	<b>-922.978</b>
III.	<b>FINANZIERUNGSBEREICH</b>			
	1. Gewinnausschüttung		-886.483	-886.483
	<u>Cash flow aus dem Finanzierungsbereich</u>		<b>-886.483</b>	<b>-886.483</b>
IV.	<b>CASH FLOW INSGESAMT</b>	30	<b>-322.239</b>	<b>315.057</b>
V.	<b>VERÄNDERUNG DER LIQUIDEN MITTEL</b>	12		
	Kasse, Bankguthaben 30.06.2009 (VJ 30.06.2008)		4.831.168	5.146.225
	Kasse, Bankguthaben 01.07.2008 (VJ 01.07.2007)		5.153.407	4.831.168
	<u>Veränderung der liquiden Mittel</u>		<b>-322.239</b>	<b>315.057</b>
	<b>Zusammensetzung des Finanzmittelfonds</b>			
	Kasse, Scheck		12.133	16.952
	Bankguthaben		4.819.035	5.129.273
	<u>Finanzmittel am Ende der Periode</u>	12	<b>4.831.168</b>	<b>5.146.225</b>
	<b>OPERATIVE BUSINESS</b>			
	1. Consolidated net income		2.096.213	1.568.393
	2. Depreciation of tangible assets and intangible assets incl. goodwill		171.388	217.469
	3. Other cash-ineffective transactions		15.854	144.527
	4. Decrease (PY Increase) in inventories		-1.427.058	1.236.619
	5. Decrease (PY Decrease) in accounts receivable and other debts receivable		500.710	356.709
	6. Decrease (PY Decrease) in accounts payable		-926.003	-444.331
	7. Decrease (PY Increase) in short-term liabilities		529.110	-897.625
	8. Increase in long-term receivable		0	-1.133
	9. Decrease (PY Decrease) in long-term liabilities		-132.931	-56.110
	<u>Cash flow provided from operating business</u>	30	<b>827.283</b>	<b>2.124.518</b>
	<b>INVESTMENT ACTIVITIES</b>			
	1. Investment tangible and intangible assets		-278.293	-885.883
	2. Investment in financial assets		0	-48.183
	3. Proceeds from fixed assets sales		12.106	11.088
	4. Proceeds from financial assets sales		3.148	0
	<u>Cash flow from investment activities</u>	30	<b>-263.039</b>	<b>-922.978</b>
	<b>FINANCING ACTIVITIES</b>			
	1. Distribution of profits		-886.483	-886.483
	<u>Cash flow from financing activities</u>		<b>-886.483</b>	<b>-886.483</b>
	<b>TOTAL CASH FLOW</b>	30	<b>-322.239</b>	<b>315.057</b>
	<b>CHANGE IN LIQUID FUNDS</b>	12		
	Cash on hand/bank accounts 30.06.2009 (PY 30.06.2008)		4.831.168	5.146.225
	Cash on hand/bank accounts 01.07.2008 (PY 01.07.2007)		5.153.407	4.831.168
	<u>Change in liquid funds</u>		<b>-322.239</b>	<b>315.057</b>
	<b>Composition of liquid funds</b>			
	Cash-on-hand, cheques		12.133	16.952
	Banking accounts		4.819.035	5.129.273
	<u>Liquid funds at period-end</u>	12	<b>4.831.168</b>	<b>5.146.225</b>

# **Annex FORTEC Elektronik AG for Business Year 2008/09**

## **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. Basis thereof is the obligation to fulfil § 315a Art. 1 HGB with Art. 4 of regulation (EG) Nr. 1606/2002 of the European Parliament and Council dated July 19, 2002 re: use of the international balancing standards. All standards to report as per balancing day have been observed. Besides all information compulsory according to IFRS also all statements and explanations will be made as per § 315a Art. 1 HGB, which German Trade Law requires for a group's report according to IFRS.

## **Revised or new IFRS and Consequential Changes of Information and/or Evaluation.**

Compared to group's final report as per 30.06.2008, the following standards and interpretations were amended and are to be reported obligatory due to EU law or the coming-into-effect of the regulation.

- Changes to IAS 39 and IFRS 7: Regrouping of financial instruments

On 16.10.2008, the changes as to IAS 39 and IFRS 7 "regrouping of financial instruments" into EU law were made. Changes come into effect retroactively per 01.07.2008. There are no essential effects as to the group's report.

- IFRIC 11 "IFRS reimbursement share-based"  
At present, these rules are not relevant for the group.
- IFRIC 12 "IAS 19 – Limits of service-based assets, minimum reporting obligation and its reciprocal effects"  
At present not relevant for the group.
- IFRIC 13 "programs to acquire and tie customers"  
At present not relevant for the group.

The following IFRS resp. IFRIC were published by IASB at balancing day; yet are not compulsory for later report periods and/or were not inserted yet in EU law.

- IFRS 8 "segment reporting"  
IFRS 8 was published on 30.11.2006, inserted to EU law on 21.11.2007 and is to be compulsory for the first time for business years which will start at or after 01.01.2009. The regulations of IFRS 8 have to be observed for business year 2008/09.
- IFRIC 12 "Concession agreement for rendering/ supply of service"  
At present not relevant for the group.

- Changes as to IAS 23 “Costs for foreign capital”  
At present not relevant for the group.
- Changes as to IAS 1 “presentation of the report”  
The changes were taken over into EU law on 18.12.2008 and are compulsory for business years which start at or after 01.01.2009. These changes are relevant for the group’s report and will be taken into consideration for the next report.
- Revised IFRS 1 “First application of IFRS”  
Not relevant for the group.
- Changes IFRS 3 “Fusions of groups and changes to IAS 27 re: group’s pooling and/or separate associations”  
The revised document of IFRS 3 as well as the changes to IAS 27 were inserted to EU law on 15.06.2009 and are compulsory for the first time for business years that start on or after 01.07.2009. Not relevant for the group.
- Changes to IFRS 2 “share-based reimbursements”  
At present not relevant for the group.
- Changes to IAS 32 and IAS 1 “financial instruments”  
The changes to IAS 32 and IAS 1 “financial instruments” were inserted into EU law on 22.01.2009 and are compulsory for the first time for business years which start at or after 01.01.2009. At present not relevant for the group.
- Changes to IFRS 1 and IAS 27  
The changes to IFRS 1 and IAS 27 were inserted into EU law on 23.01.2009 and are compulsory for the first time for business years which start at or after 01.01.2009. At present not relevant for the group.
- IFRIC 15 “Agreement re: construction of real estate”  
At present not relevant for the group and are not yet inserted to EU law at balancing day.
- IFRIC 16 “Assurance of a net investment in a foreign subsidiary”  
IFRIC 16 was inserted to EU law on 04.06.2009 and is compulsory for business years that start after 30.06.2009. At present not relevant for the group.
- Changes to IAS 39 “financial instruments: start and evaluation – hedge activities”  
The changes to IAS 39 were published on 31.07.2008 and were not yet inserted to EU law. These changes are compulsory for the first time for business years which start at or after 01.07.2009. At present not relevant for the group.
- IFRIC 17 “refunds of tangible assets”  
Not relevant for the group.
- Changes to IFRS 7 “improved description of financial instruments”  
The changes to IFRS 7 were published on 06.03.2009 and are compulsory for business years which start at or after 01.01.2009. In principle not relevant for the group.

- Changes to IFRIC 9 and IAS 39 “embedded derivatives”  
At present not relevant for the group.
- IFRIC 18 “transfer of assets to customers”  
At present not relevant for the group.

For this business year, FORTEC Elektronik AG did not use the new resp. revised IFRS standards which are not compulsory per 30.06.2009 except IFRS 8.

Following the future application of the aforementioned standards and interpretations, no considerable influence is seen on the groups' situation as to assets, financial and earnings (revenue/income) – except an upgraded group's annexe.

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 Steuer- und Regeltechnik 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 expenses. 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. The future average tax amount (KSt, SolZ and GewSt) amounts to 29 % (prev.year 29%). Balancing of deferred tax return claims and tax debts was made of TEUR 72 (prev.year EUR 1).

**Currency exchange rates** of obligations and liabilities 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, investments and earnings at average annual rate as well as company capital at history rate.

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

**Earnings/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 expenses.

**Regulations in structure** remain same as previous year. Short-term means assets and obligations when due within one year. Accounts receivables from deliveries, service and stock are in general considered short-term. Deferred claims on tax and/or obligations are considered 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 30.06.2009:

	<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>	26.545	733	7.333	1.573	4.045	4.060
<b>Company result (EBIT)</b>	1.395	57	740	167	-231	-35
<b>Financial result</b>	119	-2	46	-34	-44	4
<b>Taxes</b>	411	15	224	-1	-31	-3
<b>Year's earning (as per IFRS)</b>	1.103	41	562	133	-243	-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 at Sachsenheim</b>	<b>Altrac AG at Dietikon (CH)</b>
<b>Goodwill (IFRS) (€)</b>	69.339	167.146	0	0	2.099.396
<b>Nominal value of participation (€)</b>	250.000	250.000	250.000	250.000	160.000
<b>Economic equity capital (€)</b>	426.198	2.646.351	-82.726	277.407	1.621.043
<b>Annual result 2006/07</b>	40.479	562.423	133.137	-243.443	-27.149
<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	no
<b>trade income tax</b>	no	no	no	no	nein
<b>corporate income tax</b>	no	no	no	no	nein
<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 (30.06.2009).

Altrac AG made its annual report in Swiss Franks. The year's result as per 30.06.2009 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. Moreover, an involvement into both companies could be omitted because there is no influence nor importance of neither company as concerns the group's situation of assets, finance and earnings (income).

#### **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 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 accumulates to "quiet" reserves at capital assets – namely on corporate income tax and goodwill. At Altrac AG and Autronic GmbH (former 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 Autronic Steuer- und Regeltechnik GmbH (company value).

In last years' report, each subsidiary was identified as individual unit generating own payment. The possible earnings of each of these units are 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%.

Due to the actual application of IFRS 8 “segment reporting” (compulsory only for business years that start after 01.10.2009), the segments “data visualisation” and “power supplies” were identified as individually generating payment units for business year 2008/09.

In spite of the planed 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%.

For BY 2006/07 there was already a need for devaluation of the balanced goodwill rate of Altrac AG and Autronic Steuer- und Regeltechnik GmbH due to application of IFRS 8 and the resulting changes segment. Same applies to this year's report as the negotiated payments of “power supplies” made by Altrac AG and Autronic GmbH do not reach the net book values of the company value. The decreases of TEUR 1.503 (Altrac) and TEUR 931 (Autronic) had to be considered and carried forward in goodwill during BY 2006/07 and in company capital in 2008/09.

No extraordinary depreciation was made for all other goodwill.

As per 30.06.2009, book value of goodwill amounts to EUR 2.335.459 (prev.year EUR 2.228.297).

The goodwill difference to previous year amounts to TEUR 107 and is based on the exchange rate reduction of the Swiss Frank compared to last year and 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 at various exchange rate at balancing dates.

## **8) Financial Assets**

The financial assets as per 30.06.2009 are as follows:

	<b>Group 30.06.2008</b>	<b>Group 30.06.2009</b>
<b>Participations</b>	8.188	56.371
<b>Stock /shares</b>	1.200.064	896.862
<b>TOTAL Financial Assets</b>	<b>1.208.252</b>	<b>953.233</b>

The participation noted is a 25% on Advantec Electronics B.V., Oudenbosch (NL) amounting to nominal TEUR 8 as well as of nominal TEUR 46 (26%) of Advantec B.B., Oudenbosch (NL). Based on the actual economic figures of Advantec Electronics B.V. there is no change compared to previous year. The evaluation was made at original acquisition costs.

In BY 2008/09, subsidiary Autronic Steuer- und Regeltechnik GmbH acquired 99 % share of Alltronic elektronické stavební skupiny a komponenty spol. s r.o., Dýšina, Czech Republic for EUR 48.184. Current value at balance day is considered approx. purchase price. There was no partial company's report made as per 30.06.2009 by Autronic GmbH as Alltronic being of minor economic importance. This also applies for the group's report; therefore financial asset according to IAS is reported.

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. At balancing day, a value decrease of the shares of TEUR 303 has successfully to be reported as the market evaluation reserve was omitted. Until documentation of group's report, the share's market rate continued to reduce.

## **9) Long-term Liabilities**

These are the unpaid security deposits for the rented offices in Landsberg, Vienna and Meissen.

## **10) Stocks/Inventories**

The stocks/inventories as per 30.06.2009 are as follows:

	<b>Group 30.06.2008</b>	<b>Group 30.06.2009</b>
<b>Goods/raw material/operating supplies</b>	7.541.406	6.004.479
<b>Finished/Unfinished products</b>	988.031	1.302.543
<b>Payments made</b>	34.597	20.394
<b>Total stock value</b>	<b>8.564.034</b>	<b>7.327.416</b>

The goods as well as raw material and others 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. All foreseen risks have been taken into consideration by relevant reductions. Inventories have been reduced to the lower net sales value (TEUR 346) by TEUR 1.057. The goods produced and/or semi-finished are calculated as per their production costs not taking into consideration the direct costs (like salaries and material costs) as well as fix and variable general production costs – i.e. costs according to IAS 2.

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

These accounts receivables as per 30.06.2009 are as follows:

	<b>Group 30.06.2008</b>	<b>Group 30.06.2009</b>
<b>Deliveries and service</b>	4.163.380	3.871.707
<b>Tax receivables</b>	462.674	293.103
<b>other accounts receivables</b>	136.091	240.626
<b>TOTAL accounts receivables</b>	<b>4.762.145</b>	<b>4.405.436</b>

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

All accounts receivables mentioned in chart above have a remaining maturity of less 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 mainly due to the loan of TEUR 130 (prev.year TEUR 0) granted to the consolidated company Alltronic s.r.o., Dýšina, Czech Republic and active invoicing of TEUR 85 (prev.year TEUR 84).

Besides the claim of overpaid taxes during 2009, the tax liabilities are among others the credit balance resulting from the corporate tax (TEUR 120), which has a remaining duration of more than one year.

In previous year, the tax liabilities were positioned under “other assets”. This business year, it is mentioned as a separate item in the balancing; previous year’s figure was adjusted accordingly.



# Consolidated Cash-flow Statement as per 30.06.2009

		<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 01.07.2008	Zugänge Additions 2008/2009	Abgänge Retirements 2008/2009	WK-Diff. Exchange Difference	Stand am Balance on 30.06.2009	Stand am Balance on 01.07.2008	Zugänge Additions 2008/2009	Abgänge Retirements 2008/2009	WK-Diff. Exchange Difference	Stand am Balance on 30.06.2009	Stand am Balance on 01.07.2008	Stand am Balance on 30.06.2009
<b>Immaterielle Vermö- genswerte</b>	<b>Intangible assets</b>												
- Software	- Software	243.142	16.229	21.749	4.074	386.696	188.661	36.973	21.737	4.002	207.899	54.481	178.797
<b>Summe Immat.Verm.werte</b>	<b>Total intangible assets</b>	243.142	16.229	21.749	4.074	386.696	188.661	36.973	21.737	4.002	207.899	54.481	178.797
<b>Sachanlagen</b>	<b>Tangible assets</b>												
- Grundstücke	- Property	253.375	0	0	0	253.375	0	0	0	0	0	253.375	253.375
- Gebäude	- Plant, Buildings	159.041	377.632	0	0	536.673	34.264	8.089	0	0	42.352	124.777	494.321
- Fahrzeuge	- Vehicles	446.450	71.097	78.888	4.448	443.107	324.103	53.149	78.884	3.716	302.085	122.347	141.022
- Werkzeuge	- Small tools	46.358	16.408	11.001	0	51.765	40.395	3.713	10.998	0	33.110	5.963	18.655
- technische Anlagen/Maschi	- plant, machinery	98.641	137.533	0	0	236.175	14.755	18.756	0	0	33.511	83.886	202.664
- Büroeinrichtung	- Office furnishings	573.864	53.533	95.753	14.911	546.555	472.683	59.947	95.689	15.982	452.923	101.181	93.632
- Betriebs- und Ge- schäftsausstattung	- Office and plant equipment	252.640	38.558	7.204	1837	285.831	193.446	17.178	7.050	1802	205.375	59.194	80.456
- GWG Vorjahre	- Low-value items P.Y.	95.585	0	17.384	0	78.202	59.413	13.686	17.378	0	55.721	36.172	22.481
- GWG	- Low-value items	0	29.892	0	0	29.892	0	5.979	0	0	5.979	0	23.913
<b>Summe Sachanlagen</b>	<b>Total tangible assets</b>	1925.954	724.654	210.229	2196	2.461.575	139.059	180.496	209.998	21500	1310.555	786.895	1330.519
<b>Finanzielle Vermögensw.</b>	<b>Financial assets</b>	1267.816	48.183	0	0	1315.999	59.563	303.202	0	0	362.765	1208.253	953.234
<b>Summe Anlagevermögen</b>	<b>Total assets</b>	<b>3.436.912</b>	<b>934.066</b>	<b>231.978</b>	<b>25.270</b>	<b>4.164.270</b>	<b>1.387.283</b>	<b>520.671</b>	<b>231.735</b>	<b>25.501</b>	<b>1.701.719</b>	<b>2.049.629</b>	<b>2.462.550</b>
<u>nachrichtlich: Vorjahr 2007/2008</u>													
Immaterielle Vermö- genswert	Intangible assets	323.381	19.670	102.083	2.174	243.142	272.335	16.293	102.083	2.117	188.661	51047	54.481
Sachanlagen	tangible assets	2.054.931	258.623	406.137	18.537	1925.954	1364.105	155.096	396.807	16.665	139.058	690.826	786.895
Finanzielle Vermögensw.	financial assets	1270.963	0	3.148	0	1267.816	8.186	51377	0	0	59.563	1262.777	1208.253
<b>Summe Vorjahr</b>	<b>total assets</b>	<b>3.649.275</b>	<b>278.293</b>	<b>511.368</b>	<b>20.711</b>	<b>3.436.912</b>	<b>1644.626</b>	<b>222.765</b>	<b>498.890</b>	<b>18.782</b>	<b>1387.283</b>	<b>2.004.650</b>	<b>2.049.629</b>

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

Cash-on-hand and bank accounts per 30.06.2009 are as follows:

	<b>Group 30.06.2008</b>	<b>Group 30.06.2009</b>
<b>Cash-on-hand</b>	8.927	14.448
<b>Bank credit and post giro</b>	4.819.035	5.129.273
<b>cheque credit</b>	444	0
<b>postage machine</b>	2.761	2.504
<b>Total payments</b>	<b>4.831.168</b>	<b>5.146.225</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 2.954.943,00 non-value shares (No. 577410/ISIN DE 0005774103). Each share is worth EUR 1,00 of the basic capital.

## **14) Company Capital.**

The groups' capital during reported period is as follows.

	<b>Basic Capital  EUR</b>	<b>Capital- reserve  EUR</b>	<b>Differences re: currency exchange EUR</b>	<b>Market value reserves EUR</b>	<b>Profit reserve/ accumulated Profit reserve/ EUR</b>	<b>TOTAL EUR</b>
<b>Balance 01.07.2008</b>	2.954.943	8.689.364	-51.863	-9.888	5.864.214	<b>17.446.769</b>
<b>Purchase</b>						
Currency exchange			191.262			<b>191.262</b>
Tax re: company capital				71.040		<b>71.040</b>
Market evaluation				-303.202		<b>-303.202</b>
<b>Dividend</b>					-886.483	<b>-886.483</b>
<b>Year's earnings</b>					1.568.393	<b>1.568.393</b>
<b>Balance 30.06.2009</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>139.400</b>	<b>-242.050</b>	<b>6.546.124</b>	<b>18.087.780</b>

The enlistment into the 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.

Taxes to be accounted directly to the company capital are deferred taxes as per value day of the bonds (TEUR 71). Notice has to be given to the company capital statement to be obligatory as per IAS 1.8 c) which is part of this groups report.

## **15) Reserves**

Reserves within the group as per 30.06.2009 are as follows:

	<b>Balance</b>	<b>Consumption</b>	<b>Dissolution</b>	<b>Addition</b>	<b>Balance</b>
	<b>01.07.2008</b>	<b>2008/2009</b>	<b>2008/2009</b>	<b>2008/2009</b>	<b>30.06.2009</b>
<b>Other Accruals</b>					
- longterm	56.160	6.240	0	6.240	56.160
- shortterm	569.123	124.080	21.320	90.820	514.543
thereof re: warranties	455.883	59.450	20.950	90.820	466.303
	<b>625.283</b>	<b>130.320</b>	<b>21.320</b>	<b>97.060</b>	<b>570.703</b>

Other accruals were listed according to IAS 37 in consideration of all foreseeable liabilities with their scheduled maturity. Deduction of interest not necessary.

The long-term liabilities comprise reserves (years 2 – 10) for the legal responsibility to keep safe the company’ s records; previous year was adjusted accordingly. Other liabilities are short-term (less than 1 year). Refunds are not expected.

## **16) Liabilities**

Liabilities as per 30.06.2009 are as follows:

	<b>Group</b>	<b>Group</b>
	<b>30.06.2008</b>	<b>30.06.2009</b>
<b>Liabilities from deliveries/service</b>	1.821.301	1.376.970
<b>Tax liabilities</b>	1.080.183	443.862
<b>Others</b>	1.203.808	997.083
<b>TOTAL liabilities</b>	<b>4.105.292</b>	<b>2.817.915</b>

Evaluation of the liabilities was made at their payment amounts.

The tax liabilities amount to TEUR 444 (tax on earnings TEUR 124, sales tax TEUR 238, income tax TEUR 82).

Among other liabilities are listed so-called limited accruals amounting to TEUR 724 (prev.year TEUR 1.018), which according to HGB are “reserves” but according to IFRS are liabilities. In general, these are liabilities against personnel (TEUR 475, prev.year TEUR 789) as well as year's end costs (TEUR 161; prev.year TEUR 155).

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 29 % (prev.year 29%). 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	30.06.2008		30.06.2009	
	active deferred taxes	passive deferred taxes	active deferred taxes	passive deferred taxes
<b>Tangible assets (GWG)</b>	0	10	0	3
<b>Financial assets</b>	0	17	71	0
<b>Stocks</b>	0	67	0	112
<b>Liabilities</b>	0	25	0	20
<b>Other assets</b>	0	0	0	1
<b>Reserves</b>	0	148	0	146
<b>Liabilities</b>	1	0	1	0
	<b>1</b>	<b>267</b>	<b>72</b>	<b>282</b>
<b>Discounting</b>	-1	-1	-72	-72
	<b>0</b>	<b>266</b>	<b>0</b>	<b>210</b>

The discounting of active and passive deferred taxes is made according to IAS 12.71. Active deferred taxes resulting from “financial assets” are being accounted directly with the company's capital (return on market value).

As per 30.06.2009, there is a non-used taxable loss of TEUR 1.120 resulting from corporate tax and business tax.

## **18) Other Financial Liabilities**

At balance day, there are rental liabilities with the following terms:

- Up to 1 year	TEUR	461	(TEUR	510)
- 1 to 5 years	TEUR	722	(TEUR	722)
- more than 5 years	TEUR	453	(TEUR	613)
<b>TOTAL</b>	<b>TEUR</b>	<b>1.636</b>	<b>(TEUR</b>	<b>1.845)</b>

FORTEC's share of the total liabilities is TEUR 269 (prev.year TEUR 311) as well as Autronic's GmbH of TEUR 1.253 (prev.year TEUR 1.418).

## **Explanatory 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 TEUR 42.221 (prev.year TEUR 42.586) and breaks down to geographical segments as follows:

<b><u>Sales revenue of group</u></b>	<b>Data Visualisation TEUR</b>	<b>Power Supplies TEUR</b>	<b>TOTAL  TEUR</b>
<b>Germany</b>	<b>19.129</b>	<b>15.212</b>	<b>34.341</b>
<i>previous year Germany</i>	15.455	17.719	33.174
<b>International</b>	<b>3.449</b>	<b>4.431</b>	<b>7.880</b>
<i>previous year International</i>	4.355	5.057	9.412
<b>TOTAL</b>	<b>22.578</b>	<b>19.643</b>	<b>42.221</b>
<i>previous year total</i>	19.810	22.776	42.586

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 TEUR 76 (prev.year TEUR 75), of Autronic Steuer- und Regeltechnik GmbH of TEUR 33 (prev.year TEUR 143) and of Blum Stromversorgungen GmbH of TEUR 205.

## **21) Other Company Revenues**

Other company revenues are as follows:

	<b>Group</b>	<b>Group</b>
	<b>2007/2008</b>	<b>2008/2009</b>
Other regular revenues	220.034	181.018
Revenues of asset retirements	3.920	11.088
Reduction correction of single value	2.762	78.791
Release of accruals	106.374	79.261
Other revenues in line with ordinary business activity	396.536	799.457
<b>TOTAL other company revenues</b>	<b>729.626</b>	<b>1.149.615</b>

In general, other regular revenues are benefits to employees amounting to TEUR 94 (prev.year TEUR 103)

In the context of ordinary business activities, mainly revenues are recorded from exchange rate differences of TEUR 614 (prev.year TEUR 273).

## **22) Purchases**

Purchases within the group were eliminated.

## **23) Personnel**

Expenses for personnel are as follows:

	<b>2007 / 2008</b>	<b>2008 / 2009</b>
Salaries and wages	4.892.261,00	4.666.433,00
Social costs and contributions to retirement	858.319,00	887.415,00
<b>TOTAL Costs Personnel</b>	<b>5.750.580,00</b>	<b>5.553.848,00</b>

## **24) Depreciation**

Depreciation in business year is as follows:

	<b>Group</b>	<b>Group</b>
	<b>2005/2006</b>	<b>2006/2007</b>
Intangible assets	16.293,00	36.973,00
Tangible assets and low-value items	155.096,00	180.496,00
<b>TOTAL depreciation</b>	<b>171.389,00</b>	<b>217.469,00</b>

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

Other company costs and expenses are as follows:

	<b>G r o u p 2007 / 2008</b>	<b>G r o u p 2008 / 2009</b>
Office rent	661.967	643.485
Insurances, contributions	127.242	141.917
Repairs, maintenance	52.704	67.660
Vehicles	168.300	151.531
Advertising and travel expenses	573.991	669.207
Costs of delivery of goods	362.795	294.869
Misc. company costs/expenses	1.102.744	1.166.207
Loss from asset retirements	1.145	233
Loss UV and value corrections	350.713	93.350
Other expenses in line with ordinary business activities	418.059	889.969
<b>TOTAL other company costs/expenses</b>	<b>3.819.660</b>	<b>4.118.429</b>

Under “other expenses in line with ordinary business activities” are differences in currency exchange rates amounting to TEUR 889 (prev.year TEUR 418) and are calculated based on payments made during relevant business year.

## **26) Interest Receipts**

Interest is recorded from interest receipts of TEUR 97 (prev.year TEUR 200) as well as interest expenses of TEUR 7 (prev.year TEUR 17).

## **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 taken into consideration the tax rates valid at date of balancing. On July 6<sup>th</sup>, 2007, the German Federal Parliament in accordance with the Federal Council initiated the reform as to the business tax 2008. Thus, the tax rates were considerably changed beginning year 2008. The corporate income tax was reduced from 25 to 15 %; the corporate income index from 5 to 3 %. In return, the reduction of the business tax as company expenses is inapplicable.

Tax on profit in the group is 28.1 % (prev.year 29.4%) and comprises incorporate and business/trade tax.

The tax figures are as follows (in TEUR):

	Group 2007/2008	Group 2008/2009
Tax paid and/or owed		
Germany	854	603
Switzerland	17	7
	871	610
<u>Deferred Tax</u>		
from time differences	0	4
from loss revenues	0	0
	0	4
<b>Income Tax</b>	<b>871</b>	<b>614</b>

FORTEC group's actual tax expense of TEUR 614 (prev.year TEUR 871) is by TEUR 36 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 figures are as follows: (in TEUR):

	Group 2007 / 2008	Group 2008 / 2009
Tax result before profit	2.967	2.183
Income tax incl. Trade tax	29,8%	29,8%
Expected income tax expense at equal tax burden	884	650
Raise/Reduction of Income tax expense by:		
low tax expense foreign countries	-3	-1
Use of non-balanced losses	-21	-40
non deductible company expenses	4	5
tax free income (amortisation profits)	-4	0
tax refunds previous years (loss carry-back)	-3	0
tax payments previous years	8	0
Depreciation re: investments (not tax-relevant)	14	0
Trade tax (add-ons / deductions)	0	6
other discrepancies	-8	-6
recorded income tax burden	871	615
<b>Effective tax rate percentage</b>	<b>29,4%</b>	<b>28,2%</b>

Taxes on profit of TEUR 71 were accounted to "own capital"; thereof EUR 71 deferred taxes.

## **28) Segment Report**

The company's range covers data visualisation and power supplies. Therefore, it is necessary to explain figures by report segments according to IFRS 8 as per 30<sup>th</sup> June 2009.

	<b>Data visualisation TEUR</b>	<b>Power supplies TEUR</b>	<b>TOTAL TEUR</b>
Turnover	22.578	19.643	42.221
<i>previous year</i>	19.810	22.775	42.585
Regular depreciation *	87	130	217
<i>previous year</i>	63	108	171
Company result (EBIT)	916	1.177	2.093
<i>previous year</i>	344	2.440	2.784
Financial result*	49	41	90
<i>previous year</i>	140	43	183
Tax on profit*	279	336	615
<i>previous year</i>	297	574	871
Annual result	686	882	1.568
<i>previous year</i>	187	1.909	2.096
Assets*	10.177	11.848	22.025
thereof international	9.587	10.229	19.816
<i>previous year</i>	10.329	12.614	22.943
thereof national	590	1.619	2.209
<i>previous year</i>	444	1.412	1.856
Debts*	742	2.856	3.598
<i>previous year</i>	1.024	3.973	4.997
Investments*	180	706	886
<i>previous year</i>	69	209	278

\* assessment after gross earning

The assessment (evaluation) principles and/or financial accounting principles for the segments conform to those of the company respectively the group.

The financial result consists of financial profit of TEUR 97 (prev. Year TEIR 200) and financial expenses of TEUR 7 (prev. Year 17). It was renounced to do a segment report on the financial assets and expenses because of reasons of essence.

## **29) Currency Exchange Rates**

A total of TEUR 191 of differences in exchange rate within the company capital is listed as follows:

Balance per 01.07.2008	-51.863,00
Addition 2008/2009	191.262,00
<b>Balance per 30.06.2009</b>	<b>139.399,00</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.

Financial means (liquid) are cash-on-hand and bank accounts - details explained under no. 12. The financial means depend on no restrictions as to their disposition; at any time during BY, these financial means could be disposed of.

Cash flow operative business amounting to TEUR 2.125 includes interest receipts of TEUR 97 (prev.year TEUR 200) and interest payments of TEUR 7 (prev.year TEUR 17).

Cash flow operative business also lists payments of income tax of TEUR 1.300 (prev.year TEUR 576).

### **31) Supervisory Board**

Members of the supervisory board are.

Michael Höfer (board manager), Steingarden, Portfolio Manager  
Volker Gräbner (labour representative), Hamburg, Regional 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 2008/09 TEUR 11 (prev.year 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, expenses are as follows:

	<b>2007/2008</b>	<b>2008/2009</b>
	<b>in TEUR</b>	<b>in TEUR</b>
Short-term payments to employees	835	757
Expenses to be paid after termination of employees' contracts	0	0
other long-term liabilities	0	0
Expenses in line with termination of employees' contracts	0	0
Benefits based on share	0	0
	<b>835</b>	<b>757</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.-Kfr. Mrs Gertrud Deffner, Wirtschaftsprüfer, the following remuneration for BY 2008/2009 was made:

	<b>2007/2008</b>	<b>2008/2009</b>
	<b>in TEUR</b>	<b>in TEUR</b>
Audits of annual financial statement	65	65
General expenses tax consultant	0	0
other expenses	0	0
	<b>65</b>	<b>65</b>

The remuneration for the annual audit includes 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 110 (prev.year TEU 146) 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 51 persons (prev.year 50) and 4 temporary helps (prev.year 4). The group employs an average of 125 persons (prev.year 114).

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

There were no changes between balance day of June 30, 2009 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 2008/09 the company published two announcements according to § 15 WpHG (purchase of recordable 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.

As per announcement dated 02.06.2008 and following § 21 Abs.1 WpHG, the AK Industriebeteiligung GmbH, Norderfriedrichskoog records 19.01 % as per January 01, 2007.

No Ad-hoc announcement was published.

### **36) Release for Publication**

The annual business statement was issued October 05, 2009 and released by the board of directors.

Landsberg, 05<sup>th</sup> October 2007

FORTEC Elektronik AG

Dieter Fischer  
CEO

## Statement of Company Capital Change 2008/2009 (inc. PY)

	Subscribed	Capital-	Currency	Other compreh. Income		T O T A L
	Capital	reserve	Exchange Differences	Market elevation reserve	Profit reserve/ Profit carried forward	
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance as per 30.06.2007</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>-155.239</b>	<b>41.488</b>	<b>4.671.575</b>	<b>16.202.130</b>
<b>Non-operative company capital changes 2007/08</b>						
Changes in value from market evaluation assets				-51.377		-51.377
Taxes directly allocated to company capital					-17.091	-17.091
Balancing items re: currency exchanges of foreign subsidiaries			103.376			103.376
Dividend payments					-886.483	-886.483
	0	0	103.376	-51.377	-903.574	-851.574
<b>Operative company capital changes 2007/08</b>						
Group's result 2007/2008					2.096.213	2.096.213
	0	0	0	0	2.096.213	2.096.213
<b>Balance as per 30.06.2008</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>-51.863</b>	<b>-9.888</b>	<b>5.864.214</b>	<b>17.446.769</b>
<b>Non-operative company capital changes 2008/09</b>						
Changes in value from market evaluation assets				-303.202		-303.202
Taxes directly allocated to company capital				71.040		71.040
Balancing items re: currency exchanges of foreign subsidiaries			191.262			191.262
Dividend payments					-886.483	-886.483
	0	0	191.262	-232.162	-886.483	-927.383
<b>Operative company capital changes 2008/09</b>						
Group's result 2008/2009					1.568.393	1.568.393
	0	0	0	0	1.568.393	1.568.393
<b>Balance as per 30.06.2009</b>	<b>2.954.943</b>	<b>8.689.364</b>	<b>139.400</b>	<b>-242.050</b>	<b>6.546.124</b>	<b>18.087.780</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 2008 bis 30. Juni 2009 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 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, Oct. 09, 2009

Gertrud K. Deffner  
Wirtschaftsprüferin