

Financial Statement for 1st Half Year of Fiscal Year 2008/2009

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Fiscal Half Year July 01 – December 31, 2008

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Management Report 2008/09

Business and Results

During first six months of fiscal year 2008/09, the turnover of 21.7 million EUR topped again the figure of previous year of 20.2 million EUR. The profit before interest and tax amounting to 1.214 million EUR was also same as the considerable good result (1.240 million EUR) of last year. The profit after tax of 0.855 million EUR compared to 0.843 million EUR of same period last year remained constant.

Financial Situation

The company only works on own capital. Having a capital quota of 83 % at a balance volume of 23.4 million EUR, the company possesses sufficient own capital and thus is in a position to survive without problems and without shortage in cash a longer period of recession and also make use of possible acquisitions due to its financial stability. At present, there is neither limited nor granted capital nor a return-of-share program.

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

Management and board at the annual shareholders' meeting again finalised a dividend of EUR 0.30 per share.

The signed capital is exclusively common stock drawn to bondholders and entitled to vote. There are neither restrictions in the right to vote nor the purchase. The AK Industriebeteiligungen GmbH, Norderfriedrichskog possesses 10% of the company's capital since 25.02.2003.

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

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

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 self-added value.

By connecting the product segments of power supplies, 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 purchase of standard units and ends in customer specific developments.

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

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 and since 01st January 2009 we possess a majority of shares in a Czech production 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. Also, due to the continuous developing finance and economic crisis, a supplier may become bankrupt or ceases production because of non cost-effective reasons.

A considerable risk is forecast of stock. Wrong planning could result in considerable losses. The risk to have un-sellable 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. When the economic crisis is going to expand also to our customers and providers of the investment industry, then we will have to face the risk that ordered and in-stock merchandise cannot be taken and has to be depreciated.

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 as to the liability for debt in case of warranty. In addition, the costs for build-in and build-out of defective parts are to be reimbursed to the customer - costs which in total may accelerate considerably the value of the delivered product. Here, the customers started to develop a certain aggressiveness for claims which is obviously against and at expenses of the supplier; followed by increasing claims and disputes with risks involved.

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. During the continuous financial and economic crisis, we expect considerable problems, if these insurance companies reduce their limits and yet no further security is provided by the clients.

Our success also strongly depends on the vast, detailed and years-of-experience of our personnel. A considerable 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 of our suppliers to sell directly to industrial customers and not any more through their common distribution channels. In addition, similar effects could happen if the costs decrease because of the reduction of margins due to competitor's information available to all customers via internet. This basically influences the costs of personnel 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 considerably.

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. Taken into consideration the continuous developing economic crisis, the time-factor between recognition and steps-taken could be rather long and maybe not sufficient – in worst case – to take counter-action.

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

The growth strategy of the group does not only involve organic increase but also company acquisitions. Here, the figure above the net asset value is balanced as goodwill and examined year by year as to the recoverability. If the expectations of the purchased company are not met, then depreciations in the group's balance made as per IFRS are done. A special risk in the future is the 3.3 million € book-goodwill of ALTRAC and the 0.9 million € book-goodwill of Autronic. In view of the continuous developing bad economy and possibly at long-term, there could be changed values and thus result in a correction of the goodwill value.

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

Expectations

During these last weeks and months, the economic conditions continued to further deteriorate. In first half of current business year 2008/09, we still succeeded to defend ourselves against the downswing. Although we expect a further operative and good 3rd quarter, the difficult times are still lying ahead of us.

Although considering a weak tendency within the entire market, our product portfolio still continues to have chances to grow. We intend to use this potential for our positioning after the economic downturn. In this respect, our financial stability will guarantee a considerable advantage towards competitors.

Annexe.

The balancing and evaluation methods of fiscal year 2007/08 according to IAS/IFRS remain unchanged. The number of full-time employees amounts to 116 (prev. year 106). The product folio is marketed under the segment Embedded Solutions; therefore a segmental report divided into product groups is not necessary. Considering the 22 million EUR total turnover, 17 million EUR were achieved nationally (prev. year 15 million EUR) and 5 million EUR in Europe (prev. year 5 million EUR). The board of managers at the annual shareholders' meeting on 18th December 2008 finalised again a dividend of 30 Cent per share.

Versicherung der gesetzlichen Vertreter

Nach bestem Wissen versichere ich, dass gemäss den anzuwendenden Rechnungslegungsgrundsätzen für die Zwischenberichterstattung der Konzern-Zwischenabschluss der FORTEC Elektronik AG zum 31. Dezember 2008 ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns vermittelt und im Konzern-Zwischenlagebericht der Geschäftsverlauf einschließlich des Geschäftsergebnisses und die Lage des Konzerns so dargestellt sind, dass ein den tatsächlichen Verhältnissen entsprechendes Bild vermittelt wird, sowie die wesentlichen Chancen und Risiken der voraussichtlichen Entwicklung des Konzerns im verbleibenden Geschäftsjahr beschrieben sind.

Landsberg, 27. Februar 2009

Der Vorstand

CONSOLIDATED BALANCE SHEET (uncertified) according to IAS/IFRS
31.12.2008 (last year's figures 30.06.2008)

TOTAL ASSETS	€ 31.12.2008	€ 30.06.2008	TOTAL EQUITY AND LIABILITIES	€ 31.12.2008	€ 30.06.2008
A. Non-current assets			A. Shareholders equity		
I. Goodwill	4.584.041	4.584.041	I. Subscribed capital	2.954.943	2.954.943
II. Intangible assets	88.932	54.481	II. Capital reserve	8.558.937	8.558.937
III. Tangible assets	990.935	786.896	III. Other compreh. income	7.164.343	6.192.420
IV. Financial assets	868.528	1.208.252	IV. Net income	855.219	2.096.213
V. Longterm Liabilities	8.049	8.049			
	6.540.485	6.641.719		19.533.442	19.802.513
B. Current assets			B. Long-term liabilities		
I. Inventories	10.810.037	8.564.035	I. Deferred taxes	263.381	265.979
II. Accounts receivables	3.271.369	4.163.380			
III. Other assets	463.689	598.765	C. Short-term liabilities		
IV. Cash-on-hand, bank balance	2.337.420	4.831.168	I. Bank liabilities	0	0
	16.882.515	18.157.348	II. Trade payables	1.656.476	1.821.301
			III. Accruals for other taxes	311.237	1.080.183
			IV. Other accruals	406.381	625.283
			V. Other liabilities	1.252.083	1.203.808
				3.626.177	4.730.575
Total Assets	23.423.000	24.799.067	Total Equity and Liabilities	23.423.000	24.799.067

Consolidated Income Statement
(uncertified) according to IAS/IFRS

01.07. – 31.12.2008 (last year's figures 01.07. - 31.12.2007)

<u>Income Statement</u>	FY 2008/09	FY 2007/08
Sales revenues	21.720.728 €	20.170.751 €
Other operating income	472.274 €	278.731 €
Cost of material	15.877.293 €	14.684.416 €
Expenses personnel	2.931.969 €	2.728.300 €
Depreciation	150.237 €	146.278 €
Other operating expenses	2.018.510 €	1.649.735
Operating income (EBIT)	1.214.993 €	1.240.753 €
Other interests and similar income	59.955 €	85.207 €
Taxes on income and profit	419.729 €	482.446 €
Net income	855.219 €	843.514 €
Earning per share/1st Half Year	0.29 €	0.28 €
Shares outstanding	2.954.943	2.954.943 €

Consolidated Income Statement (uncertified) according to IAS/IFRS

01.10. – 31.12.2008 (last year's figures 01.10. - 31.12.2007)

<u>Income Statement</u>	Q2 (1.10.-31.12.08)	Q2 (1.10.-31.12.07)
Sales revenues	10.457.268 €	9.918.036 €
Other operating income	272.673 €	127.529 €
Cost of material	7.466.006 €	7.257.368 €
Personnel expenses	1.494.990 €	1.371.845 €
Depreciation	85.936 €	73.639 €
Other operating expenses	1.146.587 €	804.159 €
Operating income (EBIT)	536.422 €	538.554 €
Other interests and similar income	17.946 €	43.249 €
Taxes on income and profit	204.489 €	234.033 €
Net income	349.879 €	347.770 €
Earning per share/2 nd Quarter	0.12 €	0.12 €
Shares outstanding	2.954.943	2.954.943

Consolidated Cash Flow Statement

(uncertified) according to IAS/IFRS
01.07. - 31.12.2008 (last year's figures 01.07. - 31.12.2007)

I. Operative Business	<u>FY 2008/09</u>	<u>FY 2007/08</u>
Net income	€ 855.219	€ 843.514
Depreciation of tangible and intangible assets	€ 150.237	€ 146.278
Increase of inventories	€ -2.246.002	€ -. 93.768
Reduction of accounts receivables	€ 892.011	€ 1.766.759
Change of liabilities	€ - 888.094	€ 1.313.762
Change of short-term accruals	€ - 218.902	€ - 89.221
Change of other assets	€ 135.076	€ 144.393
Cash flow from operating business	€ -1.320.455	€ 1.404.193
 II. Investment Activities		
Investments of finance/tangible and intangible assets	€ - 294.029	€ - 127.317
Earnings from assets	€ 7.219	€ 9.478
Cash flow from investment activities	€ - 286.810	€ - 117.839
 III. Financing Activities		
Profit earned/paid	€ - 886.483	€ - 886.483
 VI. Cash Flow in total	 € -2.493.748	 € 399.871
 V. Change in Liquid Funds		
Cash at beginning of period	€ 4.831.168	€ 5.153.407
Cash at end of period	€ 2.337.420	€ 5.553.278

Company Capital
(uncertified) according to IAS/IFRS
01.07. - 31.12.2008

	Capital stock Euro	Capital Reserves Euro	Development of reserves and accumulated profit Euro	TOTAL Euro
Balance 01.07.2008	2.954.943	8.558.937	8.288.633	19.802.513
Change of stated value from market earnings of financial assets			-339.724	-339.724
Deferred taxes accumulated on company capital			101.917	101.917
Payout dividends			-886.483	-886.483
Period earning			855.219	855.219
Balance 31.12.2008	2.954.943	8.558.937	8.019.562	19.533.442
Not transferable according to § 150 AktG according to § 47 AktG	2.954.943	8.558.937		

Company Capital
(uncertified) according to IAS/IFRS
01.07. - 31.12.2007

	Capital stock Euro	Capital Reserves Euro	Development of reserves and accumulated profit Euro	TOTAL Euro
Balance 01.07.2007	2.954.943	8.689.363	6.872.568	18.516.874
Payout dividends			-886.483	-886.483
Period earning			843.514	843.514
Balance 31.12.2007	2.954.943	8.689.363	6.829.599	18.473.905
Not transferable according to § 150 AktG according to § 47 AktG	2.954.943	8.689.363		