# Fiscal Statement
# of 1st Half Year 2011/2012

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**Half Year July 01 – December 31, 2011**

**Content**

- **Management Report**
- **Consolidated Balance Sheet**
- **Consolidated Income Statement**
- **Consolidated Statement of Comprehensive Income**
- **Consolidated Statement of Changes in Equity**
- **Cash Flow Statement**
- **Annexe including Segment Report**

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# Management Report 2011/2012

## General Business

The bottom of recession in 2009/10 and its dynamic upswing last year within the electronic industry slowly decreased during first half of BY 2011/12. Yet negative comments made and heard in late 2011 did not occur. Lately made expectations that the Euro-main-zone could collapse due to recession and fiscal measurements, did not come true neither.

During a continuous friendly environment – in spite of the weaker last quarter – FORTEC again achieved to top the figures of last years' period of 21.7 million EUR by more than 10 % to 24.1 million EUR during this first half of BY.

## Results

The result of usual business before interest and tax (EBIT) of 960.117 EUR in first half ov BY 2011/12 was considerably above 768.975 EUR of previous year, mainly based on the economic increase in turnover with no change in expenses. The monetary effect of the market up-swing clearly reveals in the profit increase before interest and tax of 0.6 million EUR in BY 2010/11 to now 0.7 million EUR.

As to balancing of 1st half of BY 2011/12, we took all necessary steps again for any risks involved and carefully evaluated the assets.

## Financial Situation

The financial situation is considered to be extraordinary and compared to companies of similar business model also persuades by an equity capital quota higher than above-average.

The company works on own capital only without any bank liabilities. Having a capital quota of over 20 million EUR at a balance volume of 26 million EUR, the company possesses sufficient capital. Due to the actual cash-on-hand of 7 million EUR, it is possible to plan further major acquisitions.

Cash-flow in operative business in these first 6 months of BY 2011/12 continued to be definitively positive by more than 1.3 million EUR (prev. year 0.5 million EUR) and clearly reveals the financial strength of the company.

## Further Information according to § 315 Article 4 HGB

The number of shares is 2.954.943 at a nominal value of 1 EUR. At present, there is no limited or proved 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 limitations as concerns 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.

It is not agreed that there are any refunds to be made in case of change of control and/or any takeover offer. If change of control based on a takeover offer takes place, it is agreed that the suppliers' contracts essential for the company may be cancelled by the latter. Especially, when there is a potential risk that a competitor will take over.

Alterations of articles of the association, especially dismissal of the supervisory board requires 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 BY 2013/14.

## Analysis, Strategy and Prospects

FORTEC's focus is the distribution of standard components. Due to vast and always available information via internet, there is a continuous trend seen as to reduction of margins in industrial business. FORTEC's goal is to compensate this development by own added-value.
When 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 with the sale of standard units and ends in specific customer development e.g. base-board design accompanied by the development and installation of these customer-specific products.

In the field of power supplies, FORTEC domains completely open-frame boards and DC/DC convertors produced as standard in the Far East or modified units from Germany ranging to tailor-made and user-specific developments to be manufactured in our Czech subsidiary.

In every respect, FORTEC provides service to industrial final customers. Target customers are mainly manufacturers in the field of industry automation, medicine technology as well as providers for the railway and security instruments. With this portfolio, FORTEC thus covers the fields of health, information, security and mobility as well as build-up of industrial manufacture, which at present are the big 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. We manufacture in our sites in Germany and the Czech Republic. Moreover, we are represented in the Benelux by an increased participation of 36% in BY 2010/11 to an electronic distribution 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 company capital.

**<u>Risk Management Report.</u>**

The risks mentioned below could influence our entire company, our financial situation and our results and we have to face these risks continuously. These risks are not definite, however others may occur which at present, we do not know nor do consider as important.

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

Balance risks, if any, at balance day have been considered by appropriate accruals. The company has taken care of all possibilities to deal with any possible risks. At balancing day, the evaluation of these risks was made to our best knowledge, yet could not be sufficient in total.

Elementary risks are covered by considerable insurances and are thoroughly checked each 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 of distribution, products and marketing as well as the dependency from other 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 even of private matter.

A considerable risk is disposition 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 material planning, 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.

Compared to a few years ago, the product liability is an increasing risk to the company which is controlled and noted by choice of suppliers and their ratings. However, as concerns 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 concerns 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; resulting in more legal proceedings including corresponding risk.

Another main topic of the risk management is the often bad credit worthiness of some middle-sized companies. Here, careful examination of its solvency is made, yet observing mainly the requirements of the insurance company.

Our success also strongly depends on the vast 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 local suppliers. In the future, the same effect would have the behaviour of our suppliers to sell directly to industrial customers and not any more within their 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 competitor's information available to all customers via internet. This basically influences the personnel costs applied in the German speaking area.

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. An abuse by externals or internals, especially theft of information, business interruptions or IT – system breakouts or insufficient means for data security could extremely endanger the company.

Foreign currency risks are excluded, if possible. However, there could be negative impulses on our company in normal business especially due to a further change of the dollar and yen parity as well as regards the ups and downs of the Swiss Franc towards Euro and Dollar.

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 each year as to its recoverability. If the expectations of the purchased company are not met and/or – as a consequence of 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.

## Internal Control and Risk Management System in View of Balancing Process

The control and risk management is an integral part of all processes of the FORTEC group and is based on a global system of risk identification, its evaluation as well as its controlling. The board of directors holds sole responsibility of control and risk management. Active monitoring are to support its identification, evaluation and processing within the specific business sectors of the AG and its subsidiaries.

Monthly statements of the AG and its subsidiaries help to recognize in time any changes as concerns order income, order book, stock as well as turnover and consequently take necessary steps as to the raw margin and costs. The value of receivables, especially those of the debtors is controlled on a regular basis. The value of share holdings is controlled once a year by a so-called impairment test and corrected if necessary.

The measures of the internal control system assure the correctness and reliability of the group's balance, which, in accordance with legal regulations, is covered completely and in time; furthermore, inventory is made correctly and group's assets and depths are listed and evaluated appropriately. It is guaranteed that balancing documents provide reliable and understandable information.

The balancing regulations are in accordance with the International Financial Reporting Standards (IFRS) and are basis for FORTEC's balancing and evaluation standards also applying to its German and foreign subsidiaries.

The group's auditor and others e.g. the tax auditor use process independent controlling. Especially as regards the group's final balancing process, a specific autonomous monitoring is applied at issue of the group's year balance.

## Resumée and Expectations

BY 2010/11 was the most successful year in FORTEC's history of more than 25 years: On one hand due to the accumulated need of the investment industry and on the other hand due to earlier-made deliveries of the industry in general being uncertain of the delivery abilities of Japanese sub-suppliers because of the Fukushima effect.

Since begin of BY 2011/12, the chances for a further positive development increased considerably. In view of the strong saving policy of the "countries-in-debts", the economy within the EUR-region in general decelerated and the climate became frosty. After the export boom of the German economy in 2011, we expect a considerable slow-down in growth heading towards normalisation. Yet the risk of a recession is still present.

Due to the actual more difficult situation, we, however, expect for BY 2011/12 almost the same result as in BY 2010/11. Taken into consideration the uncertainty at beginning of BY 2012, we are not counting on the extraordinary results of 2010/11 based on special conditions and influences. Yet – in spite of all risks involved -we are positive to achieve a result for BY 2011/12 which will again allow a dividend same as previous year.

## CONSOLIDATED BALANCE SHEET (uncertified), according to IAS/IFRS
## 31.12.2011 (last year's figures 30.06.2011)

| ASSETS | BY 31.12.2011 € | BY 30.06.2011 € |
|---|---|---|
| **/ .Non-current assets** | | |
| I. Goodwill | 2.878.831 | 2.890.333 |
| II. Intangible assets | 63.506 | 95.343 |
| III. Tangible assets | 1.320.053 | 1.368.162 |
| IV. Financial assets | 94.288 | 94.288 |
| V. Lang-term liabilities | 147.570 | 162.430 |
| VI. Deferred taxes | 1.900 | 1.900 |
| | **4.506.148** | **4.612.456** |
| **I .Current assets** | | |
| I. Inventories | 10.317.206 | 9.594.330 |
| II Accounts receivables | 3.153.592 | 5.052.522 |
| III. Tax receivables | 222.574 | 58.896 |
| IV. Other assets | 299.866 | 175.249 |
| V. Cash-on-hand, bank balances | 7.205.881 | 7.589.096 |
| | **21.199.119** | **22.470.093** |
| **Assets total** | **25.705.267** | **27.082.549** |

| EQUITY AND LIABILITIES | BY 31.12.2011 € | BY 30.06.2011 € |
|---|---|---|
| **A. Shareholders Egty.** | | |
| I. Subscribed capital | 2.954.943 | 2.954.943 |
| II. Capital reserve | 8.689.364 | 8.689.364 |
| III. Currency difference | 1.114.139 | 1.135.052 |
| IV Other reserves | 6.816.299 | 5.508.157 |
| V. Net income | 709.392 | 2.785.613 |
| | **20.284.137** | **21.073.129** |
| **B. Long-term liabilities** | | |
| I. Long-term reserves | 297.503 | 323.429 |
| II. Deferred tax liabilities | 323.715 | 317.479 |
| | **621.218** | **640.908** |
| **C. Short-term liabilities** | | |
| I. Trade payables | 1.999.711 | 2.634.843 |
| II. Tax liabilities | 561.440 | 925.947 |
| III. Other provisions | 1.101.551 | 911.360 |
| IV Other liabilities/accruals | 1.137.210 | 896.363 |
| | **4.799.912** | **5.368.512** |
| **Equity&liabilities total** | **25.705.267** | **27.082.549** |

## **Consolidated Income Statement** (uncertified), according **IAS/IFRS**

### 01.07. - 31.12.2011 (last year's figures 01.07. - 31.12.2010)

| Income Statement | BY 2011/12 | BY 2010/11 |
| --- | --- | --- |
| **Sales revenues** | **24.090.227 €** | **21.735.326 €** |
| Change in stock of unfinished merchandise | 149.138 € | 169.250 € |
| Other operating income | 399.233 € | 380.586 € |
| Cost of material | 18.542.835 € | 16.506.983 € |
| Expenses personnel | 2.925.674 € | 2.809.459 € |
| Depreciation | 150.007 € | 153.653 € |
| Other operating expenses | 2.059.965 € | 2.046.092 € |
| **Operating income (EBIT)** | **960.117 €** | **768.975 €** |
| Interests and similar income | 40.687 € | 28.886 € |
| Taxes on income and profit | 291.412 € | 204.391€ |
| **Net income** | **709.392 €** | **593.470€** |
| Earning per share/1st half year | 0,24 € | 0,20 € |
| Shares outstanding | 2.954.943 | 2.954.943 |

**Consolidated Income Statement** (uncertified), according **IAS/IFRS**

**01.10. - 31.12.2011 (last year's figures 01.10. - 31.12.2010)**

| Income Statement | Q2 (1.10-31.12.11) | Q2 (1.10.-31.12.10) |
|---|---:|---:|
| **Sales revenues** | **11.067.936 €** | **10.729.396€** |
| Change in stock of unfinished merchandise | 149.138 € | 169.250 € |
| Other operating income | 239.852 € | 189.624 € |
| Cost of material | 8.491.962 € | 8.046.229 € |
| Expenses personnel | 1.468.939 € | 1.441.084 € |
| Depreciation | 30.255 € | 75.561 € |
| Other operating expenses | 1.007.842 € | 1.140.398 € |
| **Operating income (EBIT)** | **457.928 €** | **384.998 €** |
| Interests and similar income | 19.307 € | 19.383 € |
| Taxes on income and profit | 139.577 € | 107.282€ |
| **Net income** | **337.658 €** | **297.099 €** |
| Earning per share/1st half year | 0,11 € | 0,10 € |
| Shares outstanding | 2.954.943 | 2.954.943 |

# Consolidated Statement of Comprehensive Income

| | 01.07. - 31.12.2011 | 01.07. – 30.12.2010 |
|---|---|---|
| 1. Income during 1st half year | 709.392 | 593.470 |
| 2. Increase/expenses/re-evaluation of tangible and intangible assets | 0 | 0 |
| 3. Changes in market value of assets re:„available for sale“ | | 206.002 |
| 4. Differences in exchange rates | - 20.913 | 0 |
| 5. Income taxes | 0 | 0 |
| T O T A L result | 688.479 | 799.472 |

# Consolidated Statement of Changes in Equity

| | | | | Other comprehensive income | | T O T A L |
|---|---|---|---|---|---|---|
| | Subscribed capital | Capital reserve | Exchange rate differences | Market Evaluation reserve | Profit reserve/ profit carried forward | |
| | EUR | EUR | EUR | EUR | EUR | EUR |
| **Balance as per 01.07.2011** | **2.954.943** | **8.689.364** | **1.135.052** | **0** | **8.293.770** | **21.073.129** |
| Net income | | | | | 709.392 | **709.392** |
| Changes “other result” | | | - 20-913 | | | **- 20.913** |
| Dividend payments | | | | | - 1.477.471 | **- 1.477.471** |
| **Balance as per 31.12.2011** | **2.954.943** | **8.689.364** | **1.114.139** | **0** | **7.525.691** | **20.284.137** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Balance as per 01.07.2010** | **2.954.943** | **8.689.364** | **687.536** | **-206.002** | **6.394.640** | **18.520.480** |
| Net income | | | | | 593.470 | **593.470** |
| Changes “other result” | | | | 206.002 | | **206.002** |
| Dividend payments | | | | | - 886.483 | **- 886.483** |
| **Balance as per 31.12.2010** | **2.954.943** | **8.689.364** | **687.536** | **0** | **6.101.627** | **18.433.469** |

# Consolidated Cash-flow Statement (uncertified), according to **IAS/IFRS**

## 01.07. -31.12.2011 (last year's figures 01.07. - 31.12.2010)

| **I. Operative Income** | **BY 2011/12** | **BY 2010 /11** |
|---|---|---|
| Net income | € 709.392 | € 593.470 |
| Depreciation of tangible and intangible assets | € 150.007 | € 153.653 |
| Increase of inventories | € - 722.876 | € - 1.349.020 |
| Reduction of accounts receivables | € 1.898.930 | € 823.492 |
| Change of liabiltities | € - 752.556 | € 205.208 |
| Change of accruals | € 164.265 | € 265.918 |
| Change of other accruals | € - 124.617 | € - 208.209 |
| Cash-flow from operative business | € 1.322.545 | € 484.512 |
| **II. Investment Activities** | | |
| Investments of financial/tangible and intangible assets | € - 230.789 | € - 201.224 |
| Earnings from assets | € 2.500 | € 1.000 |
| Cash-flow from investment activities | € - 228.289 | € - 200.224 |
| **III. Financial Activities** | | |
| Profit earned / paid | € - 1.477.471 | € - 886.483 |
| **VI. Cash-flow in total** | € - 383.215 | € - 602.195 |
| **V. Change in liquid funds** | | |
| Cash at beginning of period | € 7.289.096 | € 6.355.459 |
| Cash at end of period | € 7.205.881 | € 5.753.264 |

## Annexe.

The current half-year report has to be read in connection with the Annual Group's Report dated 30.06.2011. The balancing and evaluation methods of fiscal year 2010/11 according to IAS/IFRS remain unchanged. The information given in this report is only valid at day of publication and cannot be written forth. The number of full-time employees of 110 remain same (prev. year 110). The group's business comprises data visualization and power supplies.

| Segment report | Data visualization T€ | Power supplies T€ |
|---|---|---|
| Turnover | 10.003.029 | 14.087.198 |
| Profit (EBIT) | 184.710 | 775.407 |
| Financial Result | 16.895 | 23.792 |
| Income Tax | 58.465 | 232.947 |
| Net Income | 143.140 | 566.252 |

## Versicherung der gesetzlichen Vertreter (Assurance of Legal Representative)

Nach bestem Wissen versichere ich, dass gemäss den anzuwendenden Rechnungs-legungsgrundsätzen für die Zwischenberichterstattung der Konzern-Zwischenabschluss der FORTEC Elektronik AG zum 31. Dezember 2011 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.

Germany/ Landsberg, February 29th, 2012

Dieter Fischer
CEO