Balda AG

Our know-how for your solution.

ANNUAL REPORT 2012 / 2013

Key figures for the Group
Balda AG

KEY FIGURES FOR THE GROUP AT A GLANCE PURSUANT TO IFRS

IN EUR MILLION	FINANCIAL YEAR 01.07.2012 – 30.06.2013	SHORT FINANCIAL YEAR 01.01. – 30.06.2012
Sales, continuing operations	59.9	11.7
of which Balda Medical	49.0	11.7
of which Balda Technical	10.9	—
Gross revenue	57.1	13.8
EBITDA before extraordinary items [1]	4.1	– 2.6
EBITDA margin in % before extraordinary items [1]	6.8	– 21.8
EBITDA after extraordinary items	**4.9**	**– 2.9**
of which Balda Medical	6.0	– 0.3
of which Balda Technical	1.0	0.0
of which Balda Central Services [2]	– 2.7	– 2.2
EBIT before extraordinary items [1]	0.4	– 3.6
EBIT margin in % before extraordinary items	0.6	– 30.8
EBIT after extraordinary items	– 10.4	– 3.9
Net finance income	29.0	268.9
Earnings before taxes	18.7	265.0
Earnings after taxes, continuing operations	20.8	261.0
Earnings after taxes, discontinued operations [3]	– 7.3	– 10.3
Comprehensive income, Group	13.5	250.7
Earnings per share (EUR)	0.229	4.257
	AS OF 30.06.	AS OF 30.06.
Total assets	359.7	473.4
Equity	334.5	450.5
Equity ratio (%)	93.0	95.2
Employees (number at reporting date, continuing operations)	856	220

1 The figures for 2012 / 2013 have been adjusted essentially for non-capitalizable non-recurring items, primarily for M&A processes and the modernization of Group IT as well as items in connection with the two extraordinary general meetings on 18 July 2013 and 4 September 2013.
2 Including expenses attributable to the former Electronic Products segment
3 Corresponds to the net profit / loss of Balda Solutions Malaysia Sdn. Bhd. (sold effective 26 April 2013)

Mission Statement
Balda AG

Balda is a specialist for plastics solutions that require precision, quality, safety and specifications tailored to customer requirements. The Group's Balda Medical segment manufactures for the healthcare sector, with applications in diagnostics, pharma and medical technology, while the Balda Technical segment serves customers in sectors such as eyeware, automotive and electronics.

Balda thus supplies products to sectors that, as result of fundamental trends such as population development, promise continuous growth in the long term. The Company's special area of expertise is high-precision injection-molded plastics. **Balda looks back on more than 50 years of experience as a specialist for plastics solutions.**

Balda's strategy is focused on achieving sustainable, profitable growth, generating added value for its business partners and delivering attractive returns on the investments made by Balda AG shareholders. The Company's headquarters and main production base are located in Bad Oeynhausen, Germany. Balda also maintains production facilities in California / USA.

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To the shareholders

Letter from the Management Board

Dr. Dieter Brenken
Member of the Management Board (CFO)

Oliver Oechsle
Member of the Management Board (COO)

Ladies and Gentlemen,

We, the members of the new Management Board, are pleased to present to you the 2012 / 2013 Annual Report of Balda AG. The focus in the past financial year was on consolidating the Company's management. Consolidated sales amounted to EUR 59.9 million in the reporting year (2012 short financial year: EUR 11.7 million). Earnings after taxes from continuing operations in this period were EUR 20.8 million, down from EUR 261.0 million in the 2012 short financial year. Both figures were heavily impacted by the sale of TPK shares. Overall, the Company has a solid financial foundation and therefore possesses the necessary financial capabilities to continue on its growth trajectory.

Our mission as the Management Board is to enable further growth for the Balda Group and to strengthen its position as a quality supplier of complex, customized plastics solutions. The Group's stated goal is to remain efficient for customers and attractive for the capital markets. Balda has the potential to achieve this. And with the business decisions implemented in 2012, we are starting out on a strong footing.

From a strategic perspective, entering the North American market was the right decision, an important decision. Balda's presence in the United States will pay off in the long term above all. We are already starting to see positive effects. Adding the four C. Brewer and HK Plastics Engineering sites in the United States gives the Balda Group an international positioning and adds value for customers. Both of these companies are based in California. Two of the sites specialize in products with relevance for our Balda Medical and Balda Technical segments, while the other two offer a cross-segment range of products. In reviewing the strategy, the Management Board reserves the right to decide on the allocation of additional resources and the assignment of individual businesses to segments.

We advise and support our customers across national borders and continents, thus giving them new prospects in international growth markets that constitute an important pillar for us as a plastics processing company. For this reason, we will press ahead with the integration of the US companies. Here, too, we have already reached an intermediate stage: The plastics specialists in the United States have been using the Balda name since May 2013.

Further special dividend from the TPK sale

The sale of TPK has also been completed. Balda's modest remaining investment in the Taiwanese touchscreen manufacturer of two percent was sold by the Group in a third and final partial sale. The Management Board and Supervisory Board propose paying a further special dividend of EUR 1.50 per share for the 2012 / 2013 financial. Together with this third dividend, a total of EUR 4.80 per share – or around EUR 283 million – from the TPK sales would be passed on to our shareholders. Up until today, this is just under 59 % of the total proceeds from the sale of the TPK shares.

Focus on existing strengths

In spite of all the progress we have made, we are still some way from achieving our goals. We have yet to master a number of challenges to ensure sustainable, profitable growth. These include accelerating processes and becoming more competitive. It is nevertheless gratifying to note that Balda is able to finance the planned projects such as completion of the IT infrastructure and systems from its own resources. Balda's equity and financial base remains an important foundation for the future in spite of the payment of special dividends from the TPK sale. This ability to pay dividends without drawing on company assets must also be a guiding principle in future decisions.

Focusing on Balda's existing strengths is on our agenda for next year. The healthcare sector, which provides robust to good growth prospects in the medium and long term on the strength of various basic trends such as the aging of the population and rising demand for healthcare products in the growth markets, will become more important. The market has considerable potential in the medical technology sector in particular, an area in which the Balda Group has a proven track record with Balda Medical. Specialist expertise in handling plastics solutions with device functionalization and miniaturization already afford Balda Medical a unique position in this market.

Balda Technical is also founded on engineering expertise that enhances and rounds off the Group's portfolio with high-precision injection-molded plastics solutions for the eyeware, electronics and automotive markets.

Balda's core expertise is the development of technologically advanced plastics solutions. This expertise has been built and systematically refined over the Company's 100-year existence. Balda is at a turning point – and not for the first time either. In its checkered history, the Company has shown time and again that it has the power to change. We as the Management Board are eager to build on these efforts with the help of our staff and shareholders.

We would like to warmly thank all of our employees for their hard work. Our thanks also go to you, the shareholders, for your confidence in our Company. We would ask all of you to continue to support the Balda Group on the path ahead.

Yours sincerely,

Dr. Dieter Brenken
Member of the Management Board (CFO)

Oliver Oechsle
Member of the Management Board (COO)

Report of the Supervisory Board

Dear Shareholders,

As the current Supervisory Board was not elected until after the end of the 2012 / 2013 financial year, which is the subject of this report, i. e. at the extraordinary General Meeting on 4 September 2013, we can only report on events in the reporting period using the information we obtained, not on the basis of our own activities.

At the time we took office, neither Balda AG's single-entity financial statements as of 30 June 2013 nor the corresponding consolidated financial statements had been completed. Besides the usual induction activities, our work in the initial weeks therefore focused on examining the annual financial statements. Furthermore, in November 2013 the entire Supervisory Board visited all operating facilities of the two subsidiaries acquired in the United States and talked to the local managers.

Work of the Supervisory Board in the reporting period

On the basis of the information received, the following tasks were performed in the reporting period: In the financial year, apart from two meetings of the members of the Supervisory Board during the General Meeting on 7 November 2012, the Supervisory Board held only one more meeting requiring personal attendance, plus seven meetings via teleconference. All members of the Supervisory Board attended all meetings.

In addition, four resolutions were adopted by circular letter. Due to the fact that the Supervisory Board comprises only three members, it did not form any committees in the reporting period.

Key topics in the reporting period

The resolutions of the former Supervisory Board focused on the following issues:

- In December 2012, the Supervisory Board approved the acquisition of all interests in two US-based companies: C. Brewer Company, Anaheim, California, which specializes in high-precision, injection-molded plastics as well as the construction of injection molds, and HK Plastics Engineering, Inc., Oceanside, California, which is a provider of comprehensive services in injection molding and the construction of injection molds. The acquisitions led to the recognition of impairment losses of around EUR 12 million in the financial statements for the period ended 30 June 2013 (more information below).

- In January 2013, the Supervisory Board approved the sale of the third and final tranche of approximately 7 million shares in TPK Holding. The first sales of around 36 million shares in TPK Holding in two tranches of around 20 million and 16 million shares had already taken place in the 2012 short financial year.

- Likewise, in January 2013, deviating from Section 84 (1) of the German Stock Corporation Act (AktG), the Supervisory Board arranged the early extension of Mr. Dominik Müser's Management Board appointment until 30 June 2015.

- In April 2013, the Supervisory Board approved the sale of all of the shares in the Group company Balda Solutions Malaysia Sdn. Bhd. (BSM). This company was sold by way of a management buyout, within the scope of which the shares were taken over by Blue Ocean Genius Sdn. Bhd., a company majority-owned by James Lim, BSM's Managing Director. BSM was sold for EUR 1.00. In addition, a lease was concluded with a purchase option for the building and business property there, which is expected to generate further payments of about EUR 5 million in the coming years. The sale led to a loss of around EUR 6 million after impairment losses of approximately EUR 9 million had been charged on this investment in the 2012 short financial year.

Corporate governance
In February 2013, the Management Board and Supervisory Board submitted a Declaration of Compliance with the German Corporate Governance Code in accordance with Section 161 AktG, which it published on the Company's website.

The Declaration of Compliance was updated in December 2013.

Personnel matters
There were several changes in the composition of Balda AG's Management and Supervisory Boards in the 2012 / 2013 financial year.

James Lim, who had joined the Company's Management Board as Chief Operations Officer (COO) at the beginning of 2012, left the Management Board as of 31 December 2012 when his term of office expired. Dominik Müser was the sole member of Balda AG's Management Board from 1 January to 4 September 2013.

On 5 September 2013, after the end of the reporting period, Dr. Dieter Brenken was appointed as a new member of the Management Board. Mr. Müser was removed from office with immediate effect on 14 October 2013, the same day on which the Supervisory Board appointed Oliver Oechsle as the second Management Board member.

The composition of the Supervisory Board also changed on several occasions during the reporting period. At the beginning of the reporting period, the Supervisory Board comprised Dr. Michael Naschke (Supervisory Board Chairman), Kevin Kai and Alan Chen. In accordance with regulations, the terms of office of the Supervisory Board members ended at the close of the General Meeting that resolved on the formal approval of their actions for the 2012 financial year, hence on 7 November 2012. On this day, the General Meeting re-elected Dr. Michael Naschke and Kevin Kai as Supervisory Board members together with new member Ted Gerlach. Following the elections, Dr. Michael Naschke was appointed as Supervisory Board Chairman for a further term.

After Kevin Kai and Ted Gerlach stepped down with effect from 28 February 2013, the Bad Oeynhausen Local Court appointed Irene Schetelig and Wilfried Niemann as new Supervisory Board members at Dr. Naschke's request. The term of office of the court-appointed Supervisory Board members, Wilfried Niemann and Irene Schetelig, commenced on 1 March 2013, continued after the reporting period and ended, in accordance with Section 104 (5) AktG, at the close of the extraordinary General Meeting on 4 September 2013 that removed Dr. Naschke from office and elected new Supervisory Board members. Dr. Michael Naschke also resigned from his post with effect from the end of this extraordinary General Meeting. The extraordinary General Meeting on 4 September 2013 elected Frauke Vogler, Dr. Thomas van Aubel and Klaus Rueth as the new Supervisory Board members who are currently in office. Dr. Thomas van Aubel was subsequently appointed as the new Supervisory Board Chairman, while Frauke Vogler was appointed Deputy Chairman and Financial Expert as defined by Section 100 (5) AktG.

Annual financial statements and consolidated financial statements

On 28 January 2013, the Supervisory Board engaged BDO AG Wirtschaftsprüfungsgesellschaft, Bielefeld, which had been elected as the financial statement auditor by the Company's Annual General Meeting on 7 November 2012, to audit the annual financial statements of Balda AG and the consolidated financial statements for the 2012 / 2013 financial year. The annual financial statements were prepared in accordance with the principles of Sections 242 to 256 plus Sections 264 ff. of the German Commercial Code (HGB) as well as the German Stock Corporation Act, while the consolidated financial statements were prepared in accordance with the principles of the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the supplementary provisions of German commercial law pursuant to Section 315a (1) HGB. The auditor audited the annual financial statements for the 2012 / 2013 financial year and the consolidated financial statements for the 2012 / 2013 financial year as well as the management report for Balda AG and the Group management report and issued these with an unqualified auditors' report dated 3 December 2013.

The Supervisory Board has examined the financial statements and the management report, the consolidated financial statements and Group management report as well as the proposal of the Management Board for the appropriation of net retained profits.

The auditor took part in the Supervisory Board's discussions on 5 December 2013 of the documents submitted, reported on the principal results of its audit and fielded questions from the Supervisory Board. In preparation for the meeting, Frauke Vogler, also in her capacity as Financial Expert as defined by Section 100 (5) AktG, and Klaus Rueth discussed drafts of the audit reports and other documents with the auditor on 2 October 2013 and explained the results to Dr. van Aubel. All Supervisory Board members also discussed the annual accounts at length with the Management Board.

The Supervisory Board's examinations focused on the impairment of the two acquisitions in the United States. The review by the new Management Board ultimately led to an impairment of the US acquisitions by a total of EUR 11.5 million or approx. 28 % of the purchase price, which was not paid until the end of December 2012. It should also be noted that the lion's share of the impairment losses (EUR 11 million) were charged to the Balda Technical segment, while only EUR 0.5 million were attributable to the Balda Medical segment. The Supervisory Board also discussed the sizable increase in operating expenses at Balda AG.

Following its own examination, the Supervisory Board came to the conclusion that the development of the Company and the Group is presented and assessed correctly by the Management Board in the management report and the Group management report and that the disclosures made concur with the Supervisory Board's own assessment. The Supervisory Board considers that the annual financial statements and consolidated financial statements comply with the legal requirements and contain all of the required disclosures.

Following its own examination, the Supervisory Board concurs with the findings of the audit of the annual financial statements and consolidated financial statements. The final results of the Supervisory Board's examination did not give rise to any objections to the annual financial statements and consolidated statements prepared by the Management Board. The Supervisory Board examined the Management Board's proposal on the appropriation of net retained profits through payment of a dividend of EUR 1.50 per share and concurs with this in view of the Company's cash position.

The Supervisory Board discussed the annual financial statements and the consolidated financial statements at its meeting on 5 December 2013 in the presence of the auditor and approved the annual financial statements of Balda AG on 5 December 2013. The Company's annual financial statements have thus been adopted. The Supervisory Board approved the consolidated financial statements on 10 December 2013.

Thanks

The Supervisory Board would like to thank the employees and the employee representatives for their conscientious work in the 2012 / 2013 financial year.

The Supervisory Board would also like to thank the employees for the interest they show in the Company and especially for the trust they have placed in the Supervisory Board and their vote of confidence in the Supervisory Board.

Bad Oeynhausen, 10 December 2013

The Supervisory Board
Dr. Thomas van Aubel
(Chairman of the Supervisory Board)

The year in review

1st quarter

JULY 2012

BALDA MEDICAL EXPANDS ITS PRODUCT PROGRAM

The Balda Medical segment added three new diagnostic products to its product portfolio. To develop these products, the segment implemented many of its customers' technical requirements with individualized injection molding processes. On the basis of these product innovations, up to several million units of which are manufactured each year, Balda Medical once again demonstrated its expertise as a manufacturer of state-of-the-art diagnostic products.

2nd quarter

OCTOBER 2012

BALDA MEDICAL CELEBRATES ITS TENTH BIRTHDAY

The Balda Medical segment celebrated ten years of existence in 2012. After its foundation in 2002 as part of a diversification strategy at Balda, the segment gradually developed into a successful, highly regarded player in the healthcare market.

During this time, Balda Medical gained specialist expertise in handling plastics, focusing in particular on close, trust-based, long-term cooperation with its customers.

NOVEMBER 2012

BALDA SHAREHOLDERS RECEIVE DIVIDEND

Balda AG's Annual General Meeting resolved on payment of a dividend of EUR 2 per share for the 2012 short financial year. This made EUR 117.8 million available for dividend distribution. Shareholders thus participated in proceeds resulting from the sale of the shares in the touchscreen manufacturer TPK for the second time.

DECEMBER 2012

BALDA CONTINUES TO EXPAND

Balda acquired US-based plastics specialists C. Brewer Company and HK Plastics Engineering with a total of four production facilities in the US State of California.

3rd quarter

JANUARY 2013

BALDA CREATES NEW SEGMENT

In the process of integrating the two US companies, Balda founded the new Balda Technical segment, which replaces the Balda Electronic Products segment. This was in response to the expanded portfolio of services in the areas of eyeware, automotive and electronics.

BALDA SELLS ITS REMAINING TPK SHARES

Balda sold the rest of its shares in touchscreen manufacturer TPK Holding, generating EUR 87 million. The sale of all shares in three tranches has generated around EUR 480 million for Balda since February 2012.

4th quarter

APRIL 2013

SALE OF THE SITE IN MALAYSIA

Balda sold its site in Ipoh, Malaysia, by way of a management buy-out.

02.

The Balda Group

Balda is a provider of premium-quality, sophisticated plastics solutions for a variety of industries including the healthcare, eyeware, electronics and automotive markets.

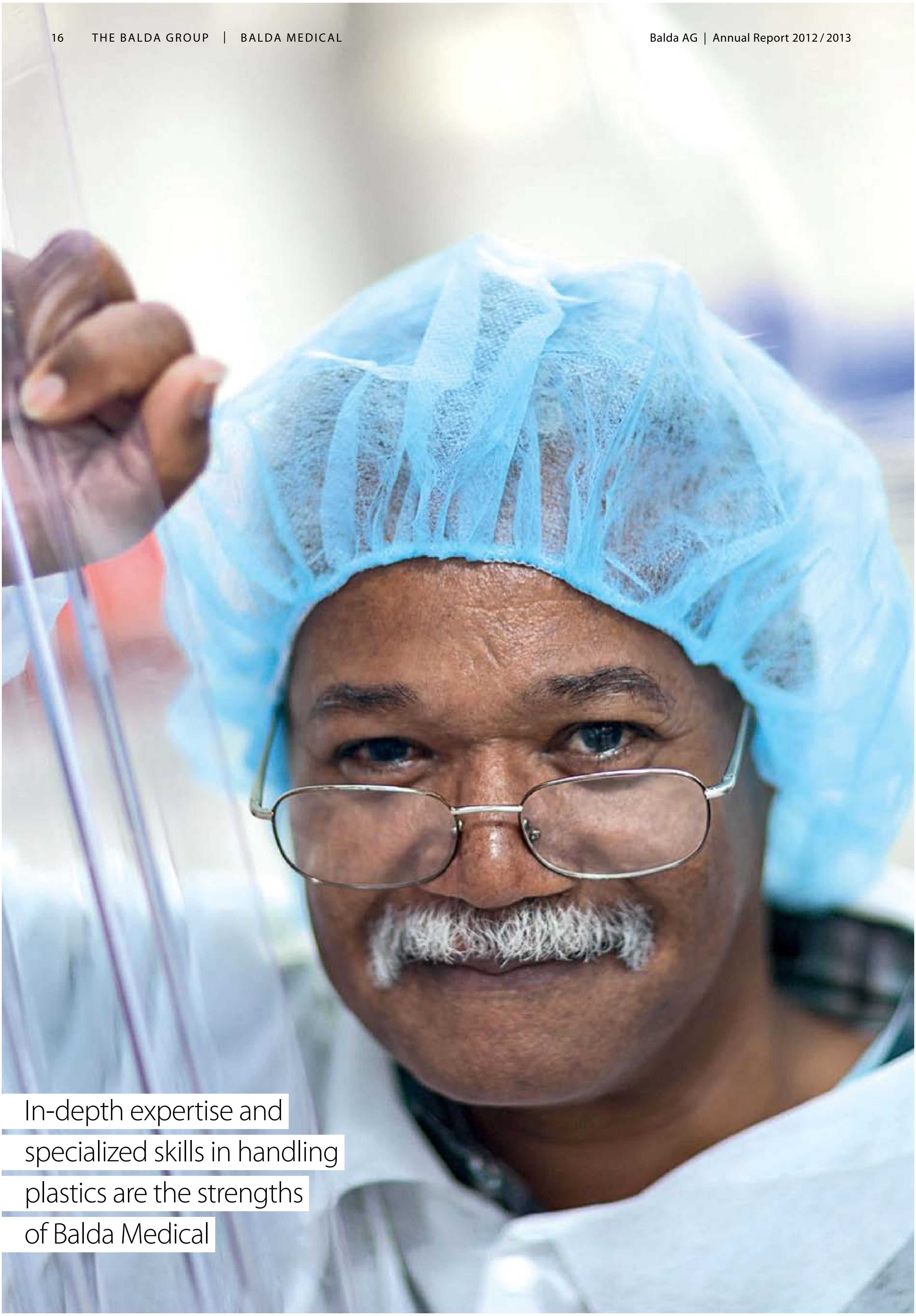
The Group's operations are divided into the Balda Medical and Balda Technical segments. Both of these segments are distinguished by specialist expertise and experience in handling plastics. Knowledge transfer between the segments enables innovative, individualized solutions to be developed for customers.

Reliable partner for the medical technology sector

In view of the improvements in the quality of medical care and the aging population, medical technology products are becoming more and more important. They need to satisfy ever-increasing quality, precision and hygiene requirements at the same time. With its headquarters in Germany, Balda Medical develops and produces high-quality plastics solutions for the medical technology, pharmaceutical and diagnostics markets.

Excellent expertise for demanding industries

Consumption is growing worldwide, driving demand for products from a wide variety of sectors. Customers are looking for efficient products that give them additional flexibility and convenience in many areas of their daily lives. Balda Technical, with its production sites in the United States, manufactures innovative plastics systems for the eyeware, automotive and electronics industries.



In-depth expertise and specialized skills in handling plastics are the strengths of Balda Medical

Balda Medical

Sophisticated and high-performance products for the healthcare market

Balda Medical is a competitive system partner supplying innovative healthcare products. The segment's success rests on its strong technology and injection molding expertise and high product and quality awareness.

Balda Medical is one of the leading manufacturers of complex and innovative plastics solutions and operates internationally with facilities in Germany and the United States.

Healthcare products showing premium quality and safety characteristics

Special packaging such as child-proof tubes are part of Balda Medical's product portfolio and meet the high demands of healthcare customers.

BALDA MEDICAL

Balda Medical develops and produces innovative and sophisticated solutions for the international healthcare markets. The segment, which is headquartered in Bad Oeynhausen in Germany's Westphalia region, works closely and collaboratively with its customers and possesses specialist expertise in handling plastics solutions, placing the Company in a unique market position.

Balda Medical's activities concentrate on products for the pharma, diagnostics and medical technology markets.

The segment offers its customers much more than just contract manufacturing. As a system partner, alongside design, industrial scale-up and production, the segment also offers further reaching solutions for packaging, integrated electronics, logistics and even product certification.

In more than a decade in existence, Balda Medical has evolved continuously and today comprises the Balda Group's core business.

HEALTHCARE – A PROMISING GLOBAL MARKET

Balda Medical benefits from global trends that promise long-term growth. The segment is therefore positioned to perform successfully regardless of economic fluctuations.

The trends that drive Balda Medical's business are numerous: Life expectancy today is increasing further. At the same time, increasing awareness of health issues by the population means that people are paying more attention to their eating habits and the health effects of their environment. Moreover, the medical industry is developing increasingly specialized and customized treatments. These include patients independently treating themselves with medications more and requiring innovative devices for this purpose, such as those for controlled dispensing of pills. Electronic components must often be integrated into plastic systems in such devices.

Global trends affect not only major industrialized countries, but are also increasingly impacting emerging economies in Eastern Europe, Asia and even South America. Healthcare services in many emerging and developing countries are improving steadily, and thus larger numbers of people are obtaining access to drugs and treatment facilities. At the same time, cost pressures in healthcare are rising, particularly in the Western industrialized countries.

Plastic injection molding in the healthcare sector requires maximum precision, hygiene and experience

SPECIAL EXPERTISE IN PLASTICS PROCESSING

Balda Medical meets the strict requirements common in the healthcare sector, which represent a major barrier to market entry for many companies.

Worldwide healthcare market players must possess extensive knowledge of plastics processing to meet product quality and product safety requirements.

Balda Medical greatly values close, collaborative and long-term cooperation with its customers.

This strong, trust-based relationship is key to the success of the segment, because pharmaceutical companies and medical technology manufacturers require products from their suppliers made according to their individual specifications and expect the best possible quality and on-time delivery.

The healthcare market is also relatively stable and less vulnerable to macroeconomic volatility than others. Companies operating in this market generally have a steady level of business.

SEGMENT ON TRACK FOR GROWTH

Balda Medical has acquired an excellent reputation in the healthcare industry, Balda Medical's goal is to be a first choice system supplier for sophisticated plastic products and to be listed with key healthcare companies as a strategic supplier.

Balda Medical strategy is to broaden its customer base and extend its range of products and services. An further major step toward this goal was taken by Balda in the 2012 / 2013 financial year when it completed the acquisition and integration of two US plastics specialists, C. Brewer and HK Plastics Engineering in California. These acquisitions made Balda Medical significantly more international and competitive, and added to its expertise. When the US subsidiaries were integrated into the Company, their names were changed to Balda C. Brewer and Balda HK Plastics.

Ambitious growth strategy: Balda Medical is pursuing the goal of becoming a global first-choice system supplier for companies in the healthcare market.

Precision in the manufacturing of healthcare products

Sophisticated solutions: Product properties such as safety, user-friendliness and reliability are extremely important in the healthcare sector.

Even single-user articles such as pipettes must meet consistently high quality standards in spite of being rapidly produced in large quantities.

PRESENCE IN KEY HEALTHCARE MARKETS

Thanks to its international presence, Balda Medical is able to service the needs of customers across national and continental boundaries. The Company's head office is located in Bad Oeynhausen, Germany, and thus in Europe's most important healthcare markets.

With the two subsidiaries Balda C. Brewer and Balda HK Plastics, Balda Medical also maintains a presence in North America, the world's most important healthcare market.

Balda Medical has production facilities in the cities of Anaheim, Ontario and Oceanside, giving it a presence right in the center of California's "Medical Valley." In addition to producing injection-molded plastics in Oceanside, Balda also manufactures turned parts from a variety of materials.

HIGH-QUALITY PRODUCTS

Balda Medical manufactures innovative products of the highest quality. The company focuses in particular on keeping its products safe, user-friendly and reliable. Product success is directly dependent on knowledge of the design options presented by various materials and their particular characteristics in terms of electrical conductivity, friction, tightness and proof against moisture.

Balda Medical's portfolio is based on the following core products:

- ***Handheld devices (finger prickers, inhalers, glucose level testers, insertion devices and tablet dispensers)***
- ***Single-user articles (pipettes, cuvettes, veterinary tubes and racks)***
- ***Packaging (e. g. child-proof tubes)***
- ***Specialized functional assemblies for integration into complex equipment***

The segment, which is headquartered in Bad Oeynhausen, Germany, possesses specialist expertise in handling plastics solutions, placing the Company in a unique market position.

EXTENSIVE DEVELOPMENT CAPABILITIES

Balda Medical's development capabilities are extensive and based on many years of manufacturing experience. Systematic product development provides transparency to the segment's customers and enables them to participate in all phases of product development. In detailed discussions with customers, Balda Medical develops innovative plastics solutions for specific uses while complying with regulatory requirements and ensuring user friendliness for patients and other end users as well as the cost effectiveness of the overall solution.

Diagnostic applications, medical devices, pharmaceutical packaging and drug delivery systems are becoming more complex,

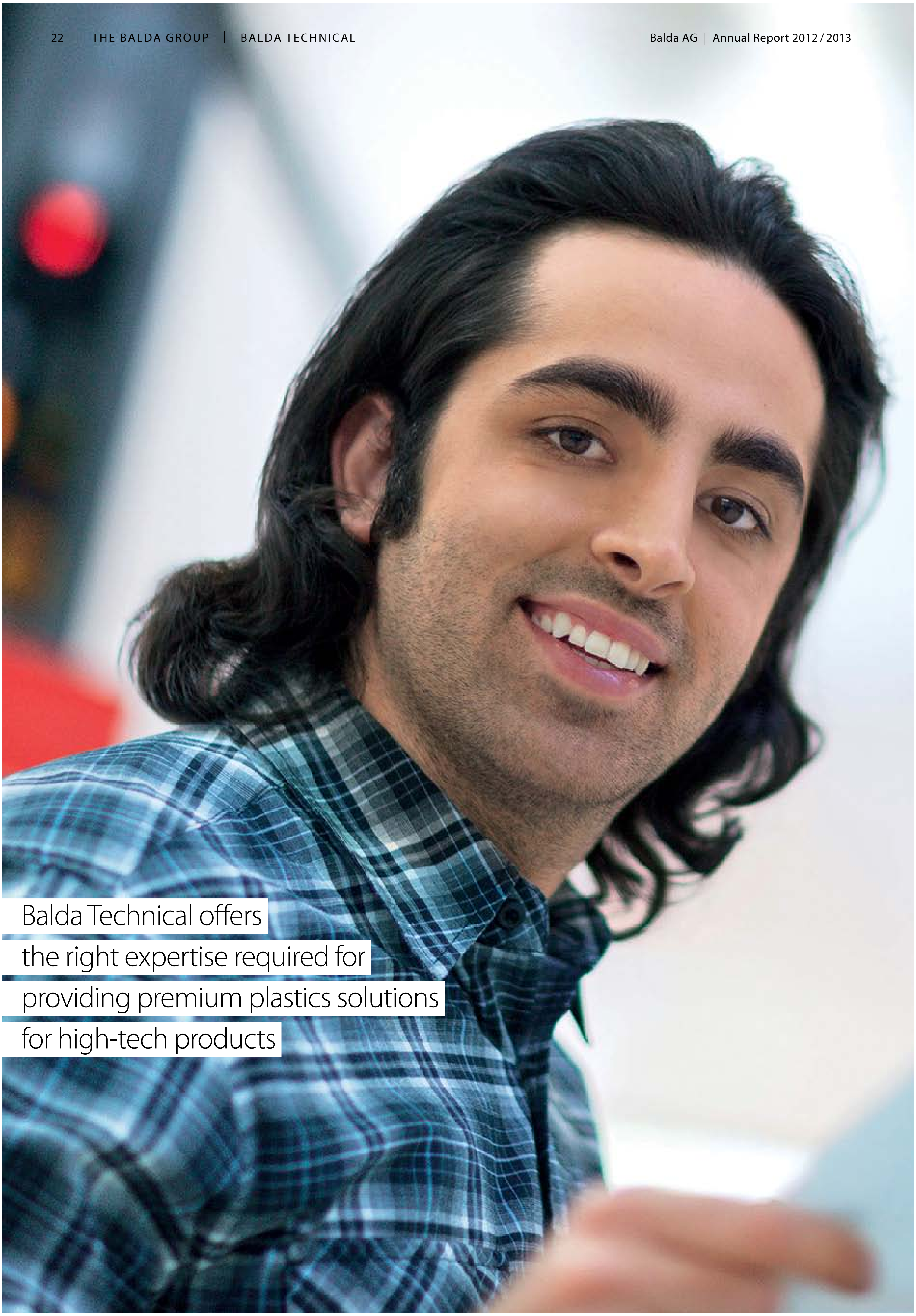
And Balda Medical therefore takes a holistic approach to monitoring new products over the entire product life cycle.

What's more, effective product implementation and its later impact on the market is decided as early as the design phase. The segment therefore applies the "DfX" principle, which takes a wealth of requirements into account at an early stage: Design for Costs (DfC), Design for Manufacturing (DfM), Design for Reliability (DfR) and Design for Quality (DfQ). This guarantees a high degree of product reliability and minimizes risk.

In all areas, Balda Medical can draw on many years of experience in the successful design and implementation of sophisticated products and ensure our specialist teams are involved from the outset. This systematic approach distinguishes the segment from conventional development service providers.

FIRST-RATE QUALITY AWARENESS

Balda Medical meets the highest quality and safety standards. In doing so, the segment uses several quality management approaches, including Six Sigma, and high-precision measuring technology. Additionally, the Company's facilities are certified according to various regulatory regimes and comply with standards such as the current Good Manufacturing Practice (cGMP), DIN EN ISO 9001 (requirements for quality management systems), DIN EN ISO 13485 (quality management system for medical devices), DIN EN ISO 15378 (requirements for primary packaging materials for medicinal products) and 93 / 42 / EEC (EU Medical Devices Directive).



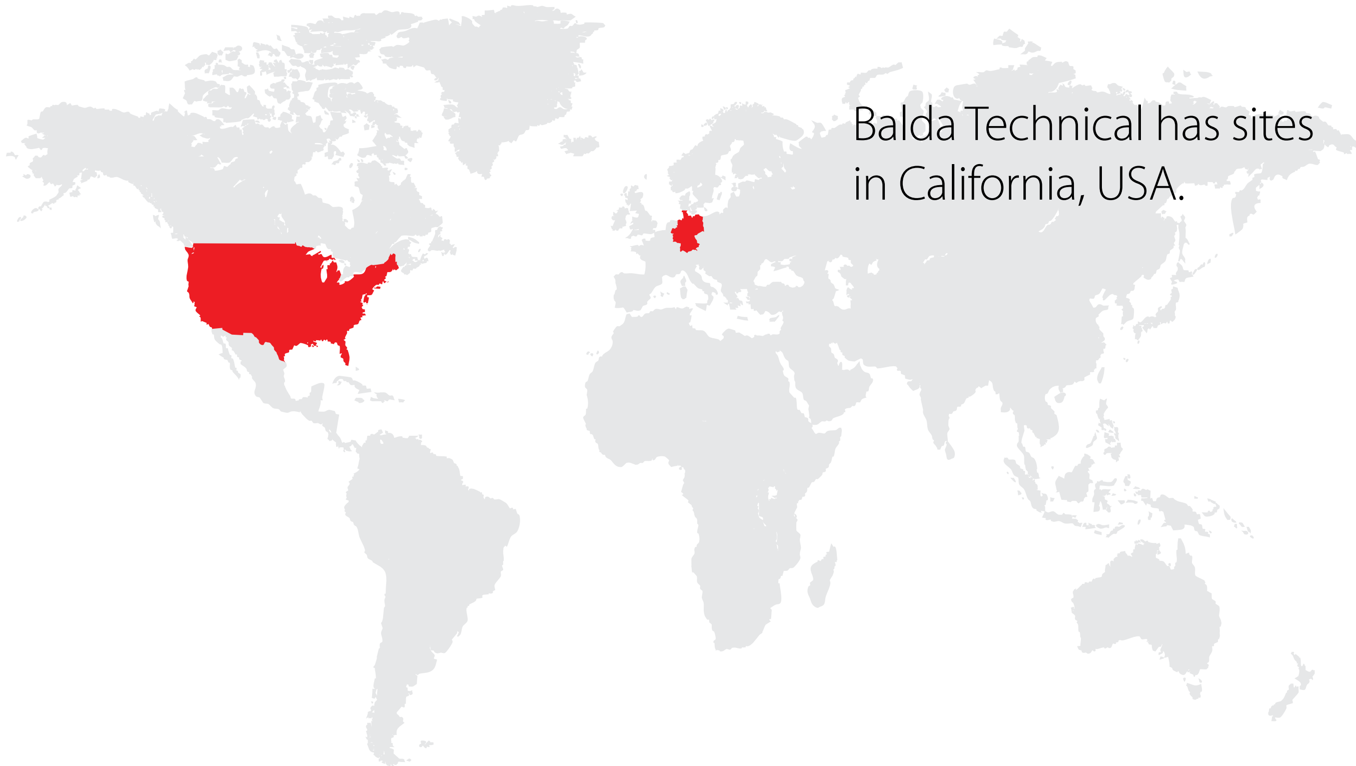
Balda Technical offers
the right expertise required for
providing premium plastics solutions
for high-tech products

Balda Technical

Customized system solutions for a variety of industries

Balda Technical is an established partner in the field of plastics to customers in sophisticated markets. The segment, which was formed in the 2012 / 2013 financial year as the result of the acquisition of two US-based companies, Balda C. Brewer and Balda HK Plastics, operates as a system supplier to the eyeware, electronics and automotive industries.

Balda Technical manufactures complex plastics solutions at facilities in the United States that fulfill the highest precision, quality and durability requirements. The segment therefore has a good foundation.



Balda Technical has sites in California, USA.

On account of long-term trends such as demographic change, the market for high-quality eyeglass frames has good prospects for expert providers.

BALDA TECHNICAL

Balda Technical supplies customers in various markets, including eyeware, electronics and automotive, with high-precision, injection-molded plastics solutions. The segment's business benefits from comprehensive expertise in sophisticated plastics products and has many years of experience in research and development. This puts Balda Technical in the position to work closely with customers to manufacture products that meet specific requirements and have a very wide variety of properties.

As a full-service partner for its customers, Balda Technical handles the entire plastic injection-molding process, including surface finishing, from a single source. Against this backdrop, the segment not only produces individual products, but also offers important additional services, thus clearly adding value.

HIGH-POTENTIAL MARKETS

Balda Technical operates in various markets that offer an excellent long-term outlook for high-performance suppliers.

The Eyeware unit, which produces premium-quality frames for eyeglasses, works for one of the most successful manufacturers of fashionable, high-end glasses. Extensive investment in automation systems has made this unit increasingly competitive.

The automotive industry also enjoys a positive outlook. Demand for high-quality automotive products is growing continually the world over as well. Automakers intend to continue investing substantially in their production capability in the coming years – with corresponding positive effects for their suppliers. An increasing number of vehicle models with shorter and shorter life cycles are being launched, requiring innovative solutions for complex requirements in connection with plastics components too.

The segment therefore has a good basis for catering to the increase in demand worldwide.

SOLUTIONS FOR SOPHISTICATED APPLICATIONS

Balda Technical offers its customers high-precision, injection-molded plastics solutions for demanding, high-quality applications. The entire molding process is handled from a single source: from design and prototyping to the construction of special molds and their final, high-quality series production or finishing. Companies increasingly need partners that can cover this type of broad spectrum of services, not just in-country, but internationally.

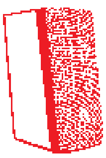
Building on its specific expertise, Balda Technical is in the position to provide a full range of engineering services, product services and project management services.

This distinguishes the segment from the competition in an important way.

The segment's broad-based customer portfolio features both manufacturing and consumer goods multinationals as well as fast-growing SMEs. The outstanding quality of products from Balda Technical results from decades of experience gained from process expertise in the field of high-performance plastics. The Balda Technical segment is also founded on first-class engineering expertise that feeds continuously into R&D and production work.

Moreover, the segment has long-standing relationships with its customers based on mutual trust. The integration of the US-based companies, Balda C. Brewer and Balda HK Plastics, into the Balda Group at the end of December 2012 has given rise to synergy effects with Balda Medical, for instance in the form of various technology transfers.

Everything from a single source: As a full-service partner for its customers, Balda Technical handles the entire injection molding process – from product development to finishing – from a single source.



Premium-quality electronics: Premium-quality consumer technology products are recording strong demand as a result of the worldwide increase in consumption.

ADVANCED TECHNOLOGIES WITH A GLOBAL FOCUS

With two locations in the United States, Balda Technical maintains a presence in a region in which rising demand for products from the segment's target sectors of eyeware, electronics and automotive is to be expected well into the future. The segment is also in an excellent position to supply customers worldwide.

The California sites in Anaheim and Irvine belonging to the US subsidiary Balda C. Brewer have been doing business successfully in their markets for decades and during this time have acquired special capabilities in plastic injection molding for an international clientele.

HIGH-TECH PRODUCTS FOR A VARIETY OF SECTORS

Balda Technical's products stand out due to a number of special properties, including precision, longevity and durability, thermal stability, color fidelity and superior haptic appeal, as well as low ecological impact and sustainability. These products thereby deliver real value across a very broad spectrum of applications.

Balda Technical's technological capabilities and product portfolio are continuously expanding due to extensive research and development work, as well as close collaboration with customers.

Balda Technical's portfolio currently comprises the following core products:

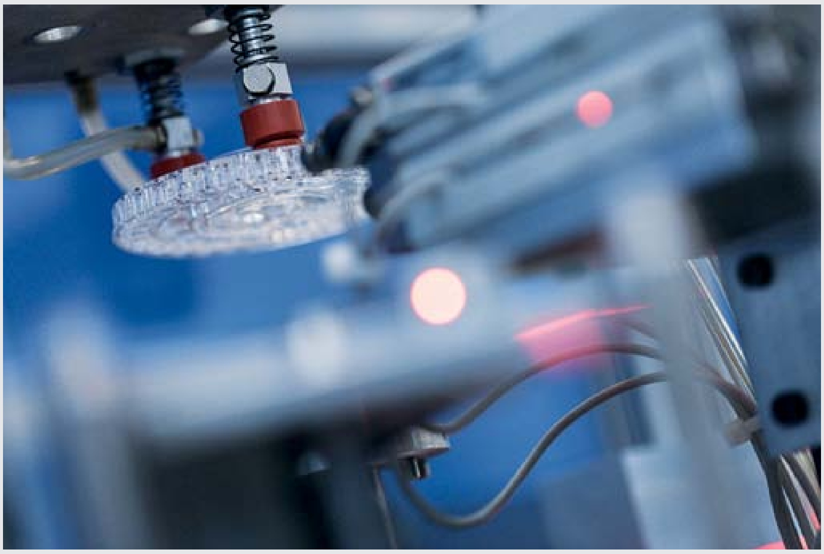
- ***High-quality eyeglass frames for the sports and lifestyle segments***
- ***Complex plastics solutions for premium home audio components***
- ***High-tech plastics products for automotive modules, such as tire pressure check gages***

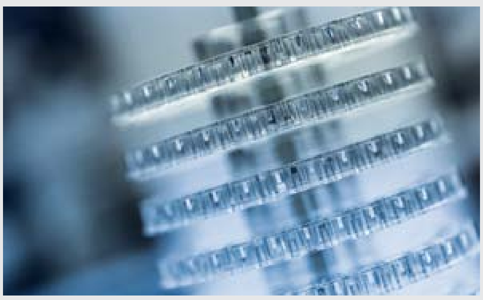
Balda Technical is an established partner in the field of plastics to customers in sophisticated markets.

Our know-how for your solution.

The outstanding quality of products from Balda Technical in terms of their precision, longevity and durability results from decades of experience gained from process expertise in the field of high-performance plastics.

The Balda Technical segment is also founded on first-class engineering expertise that feeds continuously into R&D and production work on superior application solutions.





03.

The Balda share

A. The Balda share

1.1 THE BALDA SHARE AT A GLANCE

German SIN / ISIN	000521510 / DE0005215107
Stock exchange segment	Prime Standard / Regulated Market
Trading segment	Industry
Prime sector	Industrial goods
Sub sector	Industrial products + services
Index	SDAX, CDAX, Prime all Share
Date of initial listing	23 November 1999
Designated sponsor	Close Brothers Seydler Bank AG
Share capital	EUR 58,890,636
Number of shares issued	58,890,636
Average daily trading volume [1]	366,000 shares
High / low for the 2012 / 2013 financial year [2]	EUR 5.23 / EUR 2.90
Closing price for the 2012 / 2013 financial year [2]	EUR 4.00
Market capitalization on 30 June 2013 [2]	EUR 235.6 million
Earnings per share for the 2012 / 2013 financial year	EUR 0.23
Dividend per share [3]	EUR 1.50

1 Xetra and all stock exchanges in Germany
2 Xetra closing prices
3 Proposal to the Annual General Meeting on 28 January 2014

1.2 EQUITY MARKETS SHAPED BY MONETARY POLICY AND ECONOMIC INTERACTION

In 2012, the international financial markets were still weighed down in particular by the sovereign debt crisis in the euro zone and the monetary policy measures implemented by the leading central banks. Added to this were growing economic concerns that clouded developments as the year progressed. This picture changed in spring 2013 when, by relaxing their monetary policies, major central banks put pressure on yields on the long-term bond markets, stimulating the equity markets as a result. Germany's equity markets also benefited from the slight improvement in leading economic indicators, a trend underpinned by good news from the US corporate sector. Hopes that the euro zone would move out of recession and that the currency crisis would be solved additionally had a positive effect. This environment benefited the indexes of the leading stock exchanges.

The German DAX closed up 24.0 % on 28 June 2013 at 7,959 points (29 June 2012: 6,416 points). Despite the odd setback, this increase remained relatively constant throughout the year. On 22 May 2013, the DAX reached a preliminary high of 8,531 points.

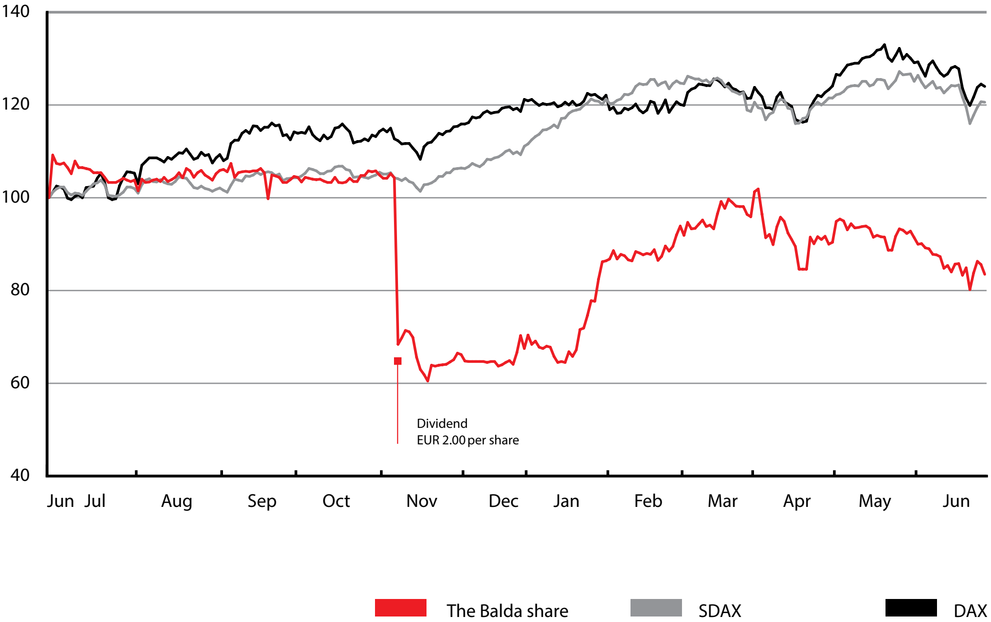
The SDAX also showed a similarly encouraging trend, Posting gains of 20.6 % to reach 5,795 points on 30 June 2013 (29 June 2012: 4,804 points).

1.3 FURTHER STRONG APPRECIATION OF BALDA'S SHARES

Allowing for the resolution by the General Meeting of Balda AG on 7 November 2012 to pay a special dividend of EUR 2.00 per share, the Company's stock appreciated by 25.3 % in the 2012 / 2013 financial year. As a result, Balda's shares significantly outperformed the stock exchange indexes. Following the distribution of the special dividend, the stock reached a low of EUR 2.90 on 20 November 2012 before gaining 27.5 % to close the financial year at EUR 4.00 on 28 June 2013.

1.4 SHARE PRICE PERFORMANCE (INDEXED ON 29 JUNE 2012)

OVERVIEW OF THE SHARE PRICE PERFORMANCE



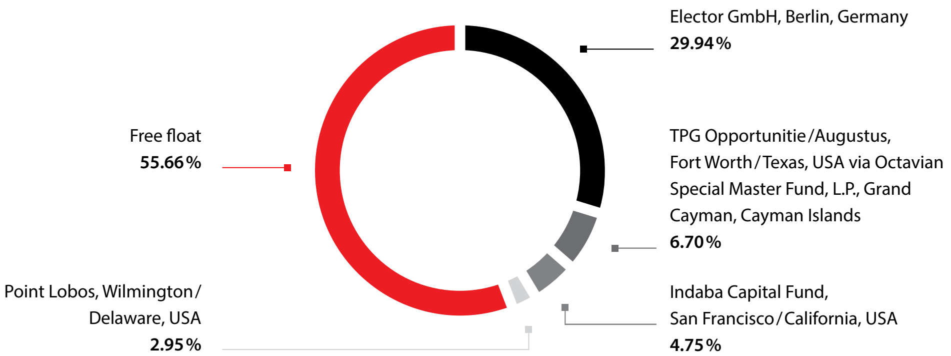
1.5 ACTIVE TRADING IN THE STOCK

The average trading volume of Balda's shares on all German stock exchanges on 252 trading days was 366,000 shares (2012 short financial year: 254,000 shares). The total trading volume in the 2012 / 2013 financial year was 92.1 million shares (2012 short financial year: 32.2 million shares).

Balda AG's market capitalization on 28 June 2013, the last trading day in the financial year, was approximately EUR 236 million based on 58,890,636 shares outstanding and a share price of EUR 4.00.

1.6 SHAREHOLDER STRUCTURE

OVERVIEW OF THE SHAREHOLDER STRUCTURE



Last updated: 29 November 2013 based on the available voting rights announcements made in accordance with the German Securities Trading Act

Balda has maintained its broad international shareholder structure. After the notification of voting rights on 29 November 2013 (based on the voting rights announcements made in accordance with the German Securities Trading Act), Elector GmbH, Berlin, Germany, was the largest single shareholder with 29.94 % of the shares. Yield Return Investments, the largest single shareholder in the previous year with a voting interest of 27.60 %, was no longer registered.

The US fund TPG Opportunities II Advisors, Inc., Fort Worth, Texas, USA, with the other individuals and funds assigned through this fund, including Octavian Master Fund, L.P., Fort Worth, Texas, USA, and Indaba Partners, LLC, San Francisco, California, USA, with the other individuals and funds assigned through this fund, pooled their voting interests during the financial year. The TPG / Octavian-Indaba pool comprised 14.78 % of the voting interests. The US fund Point Lobos Capital LLC, Wilmington, Delaware, USA, reduced its voting interest from 5.11 % to 2.95 %. In total, approximately 48 % of the shares were therefore held by the larger shareholders; correspondingly, around 52 % of the shares were in free float, as in the previous year.

1.7 INVESTOR RELATIONS ACTIVITIES STEPPED UP

As announced in the previous year, Balda stepped up its IR activities in 2012 / 2013, focusing on providing capital market operators with transparent, timely, detailed information about recent developments in the Group, its strategy and possible structural changes. This is in response to capital market participants' heightened interest in SDAX-listed Balda AG.

As Balda's IR activities became more professional, two renowned institutions, M.M. Warburg & CO and Close Brothers Seydler Bank AG, began to cover the Company and now regularly prepare analyses, assessments and recommendations in relation to the shares of Balda AG. The more extensive coverage has improved the scope for timely, professional discussion and dissemination of relevant news from the Company on the capital markets.

The Annual General Meeting held in Bielefeld on 7 November 2012 was also accompanied by active financial market communication. At this meeting, a majority of over 99 % of shareholders approved a further dividend of EUR 2.00, which was subsequently paid out.

You can find further up-to-date information on the investor relations website at http://www.balda-group.com/en/investors.html. There you can also request a copy of or download our annual and interim reports.

04.

Group management report

A. Business and economic environment

1.1 OVERVIEW OF THE GROUP'S STRUCTURE

The Group (hereinafter also referred to as Balda) is an international supplier of technologically sophisticated plastic products. Its core expertise lies in high-quality plastic injection molding. This expertise can be applied in a range of markets and is currently used in the following sectors: healthcare (Balda Medical segment) as well as eyeware, high-quality electronic products and automotive (Balda Technical segment).

Balda AG, which is based in Bad Oeynhausen, acts as the strategic and financial holding company of the Balda Group. Its main tasks are controlling and strategically developing the Group, securing and managing the Group's financing, as well as providing shared services such as Group accounting and controlling, investor relations and public relations as well as holding equity investments in other Group companies. The Management Board of Balda AG consists of Oliver Oechsle (since 14 October 2013) and Dr. Dieter Brenken (since 5 September 2013). In the reporting year, the Management Board comprised Dominik Müser (until 14 October 2013) and James Lim (until 31 December 2012).

The Balda AG share is traded in the Prime Standard segment of Deutsche Börse AG. It is also listed in the SDAX, the stock exchange segment for small caps.

Balda AG holds 100 % of the shares in Balda Investments Netherlands B.V., Amsterdam / The Netherlands, which acts as an intermediate holding company. Balda Investments Netherlands B.V. owns 100 % of the shares in the intermediate holding company Balda Investments Singapore Pte. Ltd., Singapore. The remaining shares in TPK Holding Co. Ltd. were sold in the 2012 / 2013 financial year.

Balda Investments Netherlands B.V. indirectly holds all of the shares of the newly acquired Widesphere Sdn. Bhd. The Malaysia-based company is the legal owner of the real estate of Balda Solutions Malaysia Sdn. Bhd., which was sold.

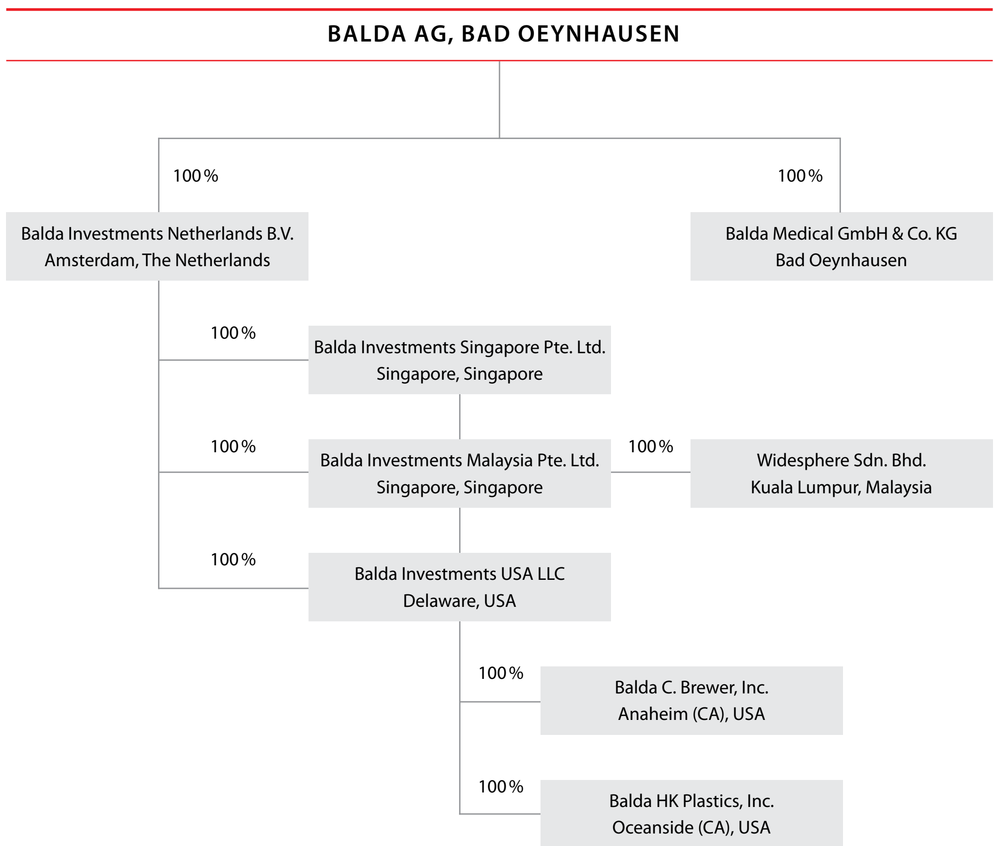
In addition, Balda Investments Netherlands B.V. also indirectly holds 100 % of the shares of the newly acquired US operating companies Balda C. Brewer, Inc. in Anaheim, California, and Balda HK Plastics, Inc. in Oceanside, California, via the intermediate holding company Balda Investments USA LLC.

Balda AG also holds 100 % of the shares in Balda Medical GmbH & Co. KG, Bad Oeynhausen.

As of 26 April 2013, Balda fully divested itself of operations (manufacture of plastics products for the electronics industry) in the Asia region, which were located in Malaysia (former Electronic Products segment). The shares of the Group company were sold in a management buy-out.

The Balda Group's activities are organized in two operating segments and the Central Services division:

- The Balda Medical segment with production facilities in Bad Oeynhausen, Germany, as well as Ontario, Anaheim and Oceanside in California, USA
- The Balda Technical segment with production facilities in Anaheim and Irvine in California, USA
- Balda Central Services, which primarily comprises Balda AG's activities as a holding company



1.2 OVERVIEW OF BUSINESS ACTIVITIES

The operations of the Balda Group are concentrated in two segments: Balda Medical and Balda Technical. These segments were defined in the course of taking over the two US-based plastics specialists acquired at the end of 2012: Balda C. Brewer and Balda HK Plastics. This led to the creation of the Balda Technical segment, which replaced the former Electronic Products segment.

The Balda Medical segment manufactures high-quality plastics products for the pharmaceutical, diagnostics and medical technology sectors, drawing on its special expertise in the development of sophisticated plastics solutions as well as longstanding, trust-based relationships with customers and suppliers. The segment's core expertise is the design, development and production of assemblies, systems and packaging in accordance with the individual specifications of Balda's customers, among them well-known pharmaceutical and medical technology companies in and outside Germany.

Balda Medical's product portfolio includes various hand-held devices (for example, blood glucose meters, finger prickers, inhalers, tablet dispensers), single-user articles (such as pipettes and tubes), packaging and special functional assemblies for integration into more complex systems. The segment generates the lion's share of its sales with customers from Germany and the United States for global markets.

In more than a decade in existence, Balda Medical has evolved continuously and today comprises the Balda Group's core business. The performance of the Balda Medical segment considerably exceeded market expectations in the reporting year. In addition to the positive project-related contribution to sales made by tools and equipment, sales with plastics products increased by over 20 % in a pro forma comparison with the previous year (short financial year).

The Balda Technical segment develops and produces high-precision injection-molded plastics solutions for the eyeware, electronics and automotive industries. This segment also has considerable expertise in the development of sophisticated plastics products as well as many years of experience in research and development. As a system partner, Balda Technical teams up with its customers to manufacture products that meet specific requirements and have very different characteristics.

Balda Technical's portfolio comprises high-quality eyeglass frames for sports and lifestyle applications, complex plastics solutions for hi-fi components in the premium range, as well as high-tech plastics products for automotive modules. The segment's customers are global operators in their respective industries. Segment sales are concentrated in the North American region.

The Balda Technical segment is dominated by customer relationships with the optical industry. Balda Technical, which was created when the US company C. Brewer Corp. was acquired, was unable to lift its sales compared with the pro forma prior year 2012 – in contrast to market expectations – but instead developed at a virtually constant level.

1.3 MACROECONOMIC DEVELOPMENT

In 2012, the global economy was impacted by the global debt and financial crisis, to which the German economy was not immune. Despite the resulting imponderables and the weakness of the global economy, the German economy showed itself to be robust. Unlike other euro zone countries and the United States, Germany weathered the period of economic weakness, recording growth of 0.7 % for 2012 as a whole. This meant that the German economy held up well in a difficult environment, especially given the decline in exports in winter 2012 / 2013. The weakness of the global economy and sluggish euro area development limited the expansion of the German sales markets.

The United States also got off to a slow start in 2012. However, propelled by consumer spending and gross investments in fixed assets, the US economy recovered as the year progressed. Owing to weak demand in Europe, foreign trade had little influence on this growth. This stands in contrast to the euro zone, which recorded positive growth effects in its international trade. Still, foreign trade failed to compensate for the dwindling domestic demand stemming from consolidation efforts in the countries affected by the debt crisis.

The response of governments and central banks to the debt crisis was to implement fiscal and geopolicy measures. Progress on adaptation in the crisis-hit countries of the euro area as well as the nascent stabilization in the global economy provided signs of a recovery in the global economy at the start of the year. By fall 2012, the IMF was already forecasting growth of 3.6 % for the global economy in 2013, 2.1 % for the United States and 0.9 % for Germany.

The first six months of 2013 confirmed the positive market signals. Production in the developed economies expanded rapidly, while the growth rates in the emerging markets were much weaker than in earlier years by local standards. The US economy picked up by 0.6 % in the second quarter of 2013 compared with the previous three months. All leading research institutions are forecasting GDP growth of 1.5 % for the United States in 2013. Euro area production also increased in the first half of the year.

The German economy likewise posted robust growth in spring 2013, with second-quarter GDP climbing 0.7 % quarter-on-quarter. Following the slump in the winter semester, foreign trade also rallied and exports to countries outside Europe are now gaining momentum on the strength of the recovery in the global economy.

1.4 SECTOR DEVELOPMENT

1.4.1 Balda Medical

The German Medical Technology Association (BVMed) put the global market for medical devices and equipment in 2012 at around EUR 220 billion. The United States was the largest market with a volume of EUR 90 billion, followed by Europe at EUR 65 billion. Germany is the largest national market in Europe ahead of France, Italy, the United Kingdom and Spain. Statistics for the first six months of 2013 were not yet available when this Management Report was prepared.

With its sub-markets of pharma, diagnostics and medical technology, healthcare is considered to be a highly stable growth market. The anticipated sales growth in the medical technology sector slowed considerably in Germany during 2013, now averaging just 2.6 % compared with around 5 % in each of the previous years. This was demonstrated by the fall survey of the German Medical Technology Association (BVMed), in which 111 member companies took part. Global sales performed better, increasing by around 4.4 %.

In its 2013 fall survey, BVMed nevertheless points to factors such as growing price pressure, obstacles to innovation and the low level of reimbursement in Germany.

For 2012, the Spectaris industry association reported a sales volume of EUR 22.3 billion for the German medical technology sector, a figure representing year-on-year growth of 4.2 %. Business in Germany contracted slightly, but growth of 6.7 % was generated abroad. On the whole, German medical technologies enjoy a high level of market acceptance, also evidence of the strong innovative capabilities of the industry. As the most important sales market in Asia, China's significance was said to be increasing. Moreover, according to the Germany Trade & Invest industry barometer, German medical technologies have a good chance of generating further increasing sales in many European countries.

1.4.2 Balda Technical

In the medium to long term, the ophthalmic optics industry anticipates positive global growth opportunities for the sector. Demographic developments, particularly in the Western industrialized countries, are mentioned as a key factor in this regard. Demand for optical aids is rising along with an aging population. Increasing numbers of people are getting "presbyopic" around their mid-forties and therefore need glasses.

In 2012, sales for the ophthalmic optics industry in Germany grew by around 3 % to about EUR 4 billion. Sales generated in Germany remained mostly constant, growing 1 % to EUR 2 billion, while overseas revenue increased 5 %, also to around EUR 2 billion, despite the negative influence of the European debt crisis. For 2013 as a whole, the German ophthalmic optics industry expects sales to expand by approximately the same percentage, although the assessment of the performance of the domestic market is more optimistic. In total, around 40 million people wear glasses in Germany alone, according to industry statistics.

Driven by increasing consumption, the long-term growth outlook for the consumer electronics industry is good, especially in the emerging economies. In Balda's estimation, however, the consumer environment is weak for electronic commodities, which differ only in quantity and price and are under pressure. Balda therefore focuses on technologically sophisticated market segments in which higher margins can be achieved.

The outlook for the automotive industry is basically positive, although the picture differs regionally. The German Association of the Automotive Industry (VDA) anticipates the worldwide automotive market to grow by 2 % for the year as a whole to 70.5 million vehicles based on the market's performance to date in 2013. Expansion was particularly robust in the markets in China, which was up 10 % as expected, and the United States, with growth of 5 %. In contrast, in Western Europe a decline amounting to 5 % of registered vehicles is projected due to factors primarily including economic weakness in Italy, Spain and France.

1.5 GROUP MANAGEMENT

As a holding company, Balda AG performs the principal management functions for the Group. It is responsible for developing and defining the Group's basic strategy. Balda AG also ensures that the operating units comply with the strategic guidelines. More information on the management of the Group can be found under "Internal control relevant to the financial reporting process" (section E, no. 5.3).

The Management Board is responsible for managing the Group. The Supervisory Board appoints, monitors and advises the Management Board and is directly involved in decisions of fundamental importance for the Company.

An overview of the companies included in the consolidated financial statements is provided in the "List of shareholdings" in the notes to the consolidated financial statements.

1.5.1 Financial performance indicators and financial targets

Balda's objective is to measure and assess the Group's long-term commercial success on the basis of clearly defined financial indicators. The key performance indicators that have been used up to now are predominantly sales, gross revenue, EBITDA, profit / loss from operations, workforce and investments.

1.6 INFORMATION RELATING TO TAKEOVERS IN ACCORDANCE WITH SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE

1.6.1 Composition of subscribed capital

As of 30 June 2013, the Company's share capital remained unchanged on the previous year at EUR 58,890,636.00 and was divided into 58,890,636 no-par value shares with a stated value of EUR 1.00. Each share entitles the holder to one vote in the General Meeting.

1.6.2 Restrictions affecting voting rights or the transfer of shares

As stipulated in the Articles of Association, all of the Company's shares are freely transferable. At the reporting date, the Company's Management Board is not aware of any restrictions affecting voting rights or the transfer of shares.

1.6.3 Interests exceeding 10 % of the share capital

According to the information available to us, on 30 June 2013 the following shareholders directly or indirectly held interests in the Company's share capital granting over 10 % of the voting rights:

- Elector GmbH, Berlin: 29.94 % of the capital and voting rights, held directly.

1.6.4 Holders of shares with special rights

There are no shares with special rights conferring powers of control.

1.6.5 Basis for amendments to the Articles of Association

Amendments to the Articles of Association are subject to resolution by the General Meeting. Article 18 (4) of the Articles of Association stipulates that, with the exception of a change in the purpose of the Company or the Company's duration, a simple majority of the share capital represented at the adoption of the resolution is sufficient to pass a resolution to amend the Articles of Association. Pursuant to Article 23 of the Articles of Association, however, the Supervisory Board is authorized to resolve on amendments to the Articles of Association that affect only the wording, as well as, in particular, changes to disclosures on the share capital concerning the amount of capital increases from contingent or authorized capital or capital reductions resulting from the redemption of shares.

1.6.6 Management Board authorizations

1.6.6.1 Acquisition of own shares

Based on the resolution of the Annual General Meeting on 27 May 2011, the Management Board is authorized with the approval of the Supervisory Board to acquire own shares in the period up to 26 May 2016 totaling up to 10 % of the share capital existing at the time of the resolution. This authorization may not be used by the Company for the purpose of trading treasury shares.

The authorization may be exercised in whole or in part, once or several times, by the Company; it may also be exercised by its Group companies, or for its or their account by third parties. The acquired shares along with the treasury shares held by the Company or attributable to it pursuant to Sections 71d and 71e German Stock Corporation Act (AktG) may not at any time represent more than 10 % of the respective share capital of the Company.

The Management Board can elect to acquire the shares by way of the stock exchange or as part of a public purchase offer. If the shares are acquired on the stock exchange, the consideration paid by the Company for each share (not including incidental acquisition costs) may not exceed or fall below by more than 10 % the market price of the shares of the Company of the same class and features determined in the opening auction in Xetra trading (or a functionally comparable successor system) on the Frankfurt Stock Exchange, Frankfurt am Main, ("Frankfurt Stock Exchange") on the date on which the obligation to purchase the shares is assumed.

If the shares are acquired in a public purchase offer to all shareholders of the Company, the purchase price or threshold values of the purchase price range per share (not including incidental acquisition costs) may not exceed or fall below by more than 10 % the mean of the closing prices of the shares of the Company of the same class and features in Xetra trading (or a functionally comparable successor system) on the Frankfurt Stock Exchange on the 4th to 10th trading days prior to publication of the offer. If a purchase price range is specified, the final price will be determined from the acceptance statements or offers for sale submitted. If the applicable market price determined using this method changes substantially after publication of the purchase offer, the offer can be amended. The date on which the final decision concerning the purchase price adjustment is published is then applicable in place of the date of publication of the offer. The offer volume can be limited. If the offer is oversubscribed beyond this volume, any shareholder right to tender is excluded insofar as the acquisition can be carried out pro rata to the respective tendered or offered shares, and priority can be given to small blocks of up to 100 shares per shareholder.

The Management Board is authorized with the approval of the Supervisory Board to use the treasury shares of the Company for all purposes permitted by law and, in addition to disposal via the stock exchange or by way of an offer directed to all shareholders, can use them as follows:

They can be retired in whole or in part without an additional resolution by the Annual General Meeting. The Management Board can decide to reduce the Company's share capital in the event of retirement, or leave the share capital unchanged and instead increase the proportion of the share capital accounted for by the remaining shares by way of the retirement pursuant to Section 8 (3) German Stock Corporation Act. In this case, the Management Board is authorized to adjust the information concerning the number of shares in the Company's Articles of Association.

- Provided the subscription rights of shareholders are excluded, they can be offered and sold as part of a merger with companies or an acquisition of companies, parts of companies, or equity investments in companies, or other assets, including receivables.

- Provided the subscription rights of shareholders are excluded, they can be used to satisfy conversion or option rights or obligations arising from bonds that the Company or a company in which the Company holds a direct or indirect majority interest issues or has issued.

- Provided the subscription rights of shareholders are excluded, they can be sold for cash consideration if the selling price does not fall substantially below the market price of the shares of the Company of the same class and features at the time at which the Company enters into the obligation to sell. This authorization is only valid with the proviso that the proportional amount of the Company's share capital accounted for by the shares sold while excluding subscription rights pursuant to Section 186 (3) sentence 4 German Stock Corporation Act may not exceed a total of 10 % of the share capital either at the time of entry into force or at the time of exercise of this authorization; this maximum threshold is reduced by the proportional amount of the share capital accounted for by shares or relating to the conversion or option rights or obligations issued while excluding subscription rights during the term of this authorization based on other authorizations in direct or analogous application of Section 186 (3) sentence 4 German Stock Corporation Act.

If own shares of the Company are sold in an offer directed to all shareholders, the Management Board with the approval of the Supervisory Board can exclude the subscription rights of shareholders for fractional amounts.

The aforementioned authorizations for the use of treasury shares can be exercised once or several times, individually or jointly and in whole or in part; it may also be exercised by its Group companies, or for its or their account by third parties.

The Management Board included a written report on the reasons for excluding subscription rights with the invitation to the Annual General Meeting on 27 May 2011 in accordance with Sections 71 (1) No. 8 sentence 5, 186 (4) sentence 2 German Stock Corporation Act.

As or the reporting date, the Management Board has not exercised this authorization.

1.6.6.2 Authorized capital

The Annual General Meeting on 11 May 2012 authorized the Management Board, with the approval of the Supervisory Board, to increase the Company's share capital by a maximum of EUR 29,445,318 on one or several occasions up to 10 May 2017 by issuing up to 29,445,318 new no-par value bearer shares against cash and / or non-cash contributions (Authorized Capital 2012).

As a rule, the new shares must be offered to the shareholders for subscription. However, the Management Board is authorized with the approval of the Supervisory Board to exclude the statutory subscription rights of shareholders in the following cases:

- To round fractional amounts

- To acquire companies, parts of companies or equity investments in companies, or other assets, including receivables

- To grant subscription rights to the holders of conversion or option rights or obligations that were issued by the Company or a company in which the Company holds a direct or indirect majority interest to the extent that they would be entitled to these after exercise of their conversion or option rights, or after their respective obligations are fulfilled

- As long as the proportion of the share capital attributable to the new shares for which subscription rights are being excluded does not exceed a total of 10 % of the share capital either at the time of entry into force or at the time of exercise of this authorization, and the issuing price of the new shares does not substantially fall below the market price of the Company's shares of the same class and features within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 German Stock Corporation Act The proportional amount of the share capital attributable to the shares sold during the term of this authorization while excluding subscription rights in accordance with Sections 71 (1) No. 8 sentence 5, 186 (3) sentence 4 German Stock Corporation Act must be counted against the limit of 10 % of the share capital. Moreover, the proportional amount of the share capital attributable to the shares or relating to the conversion or option rights or obligations issued during the term of this authorization while excluding subscription rights based on other authorizations in direct or analogous application of Section 186 (3) sentence 4 German Stock Corporation Act must be counted against the limit of 10 % of the share capital.

Including other authorizations to exclude subscription rights, the authorization to exclude subscription rights may not exceed a total of 20 % of the share capital either at the time of entry into force or when the authorization is exercised.

The Management Board included a written report on and made known the reasons for excluding subscription rights with the invitation to the Annual General Meeting on 11 May 2012 in accordance with Sections 203 (2) sentence 2 and 186 (4) sentence 2 German Stock Corporation Act.

The authorized capital resolved by the Annual General Meeting 2007 (Authorized Capital 2007) was revoked by the Annual General Meeting on 11 May 2012.

1.6.6.3 Contingent Capital

The Company's share capital will be contingently increased by up to EUR 17,667,190 through the issue of up to 17,667,190 new no-par value bearer shares carrying dividend rights from the start of the financial year in which they are issued (Contingent Capital 2012). The contingent capital increase serves the purpose of granting shares to the holders of convertible bonds and / or bonds with warrants, profit participation rights and / or profit participation bonds (or combinations of these instruments) issued up to 10 May 2017 by the Company or entities in which the Company has a direct or indirect majority holding on the basis of the authorization by the Annual General Meeting on 11 May 2012, to the extent that these are issued for cash.

It will only be exercised to the extent that the conversion or option rights from the aforementioned bonds are exercised, or conversion or option obligations from such bonds are fulfilled and not used to satisfy other forms of performance.

The contingent capital resolved by the Annual General Meeting in 2007 and the Annual General Meeting in 2006 (Contingent Capital 2007 and Contingent Capital 2006) were revoked by the Annual General Meeting on 11 May 2012 to the extent that no shares were issued on this basis.

1.6.6.4 Issuance of bonds

The Company's Annual General Meeting on 11 May 2012 authorized the Management Board, with the approval of the Supervisory Board, to issue convertible bonds and / or bonds with warrants, profit participation rights and / or profit participation bonds or combinations of these instruments (together "bonds") with a total face value of up to EUR 100,000,000.00 with or without a maturity limit on one or several occasions up to 10 May 2017. The holders of the bonds may be granted conversion rights or options on no-par value bearer shares of the Company with a total stated value of up to EUR 17,667,190.00 in accordance with the details of the terms of the bonds on which the corresponding conversion or option obligations are based.

The Bonds can be issued in euros or the equivalent in another legally valid currency. They can also be issued by companies in which Balda AG holds a direct or indirect majority interest. In such a case, the Management Board is authorized with the approval of the Supervisory Board to assume the guaranty for the Bonds and to grant the holders conversion or option rights on no-par value bearer shares of Balda AG, or create corresponding conversion or option obligations.

Bonds can also be issued against non-cash contributions.

The shareholders shall have the right to subscribe to the Bonds. However, the Management Board is authorized to exclude these subscription rights with the approval of the Supervisory Board

- for fractional amounts;

- if it is necessary for granting holders of Bonds with conversion or option rights or conversion or option obligations an exchange or subscription right to the extent to which they would be entitled after exercise of the conversion or option right or fulfillment of the conversion or option obligation;

- to the extent that Bonds are issued against non-cash contributions and the value of the non-cash contributions is suitably proportional to the theoretical market value of the Bonds according to generally accepted mathematical valuation models;

- to the extent that Bonds with conversion or option rights or conversion or option obligations are expected to be issued against cash contributions and the issuing price in analogous application of Section 186 (3) sentence 4 German Stock Corporation Act does not fall substantially below the theoretical market value of the Bonds with conversion or option rights or conversion or option obligations determined according to generally accepted mathematical valuation models. However, this authorization to exclude subscription rights applies only to the extent that the shares issued or to be issued to satisfy conversion or option rights or fulfill conversion or option obligations do not account for more than a total of 10 % of the Company's share capital at the time of entry into force and at the time of exercise of the authorization. The proportional amount of the share capital attributable to the shares issued or sold while excluding subscription rights during the term of this authorization in direct, analogous or corresponding application of Section 186 (3) sentence 4 German Stock Corporation Act must be applied to this maximum threshold,

- insofar as participation rights or income bonds without conversion or option rights or conversion or option obligations are issued, provided these participation rights or income bonds are structured like straight bonds, i. e., they do not create any membership rights in the Company or grant any interest in the liquidation proceeds.

The authorization to exclude subscription rights is limited to the extent that the proportional amount of share capital attributable to the new shares issued to fulfill conversion or option rights and satisfy conversion or option obligations, including other authorizations to exclude subscription rights, may not exceed a total of 20 % of the share capital either at the time of entry into force or when the authorization is exercised.

The Management Board included a written report on and made known the reasons for excluding subscription rights with the invitation to the Annual General Meeting on 11 May 2012 in accordance with Sections 221 (4) sentence 2 and 186 (4) sentence 2 German Stock Corporation Act.

Neither the authorized capital nor the contingent capital had been utilized by the reporting date, nor have bonds been issued.

1.6.7 Changes to the Articles of Association in the financial year

No changes were made to the Articles of Association during the financial year.

1.6.8 Compensation agreements in the event of a takeover offer

No compensation agreements have been made with the members of the Management Board or employees of the Balda Group for the event of a takeover offer.

B. Financial position, cash flows and financial performance

2.1 GENERAL

The Annual General Meeting on 11 May 2012 had decided to change the financial year of Balda AG and the Balda Group so that it ends on 30 June. The same applies for the significant companies included in the Group (cf. the list of shareholdings in the Notes). This resulted in a short six-month financial year for the period from 1 January to 30 June 2012.

The previous year's figures stated in this management report for the income statement, the statement of cash flows and the segment reporting relate to the 2012 short financial year (6 months) and therefore a meaningful comparison with the figures for the 2012 / 2013 financial year is not possible. The previous year's figures in the consolidated statement of financial position refer to the 30 June 2012 reporting date.

These consolidated financial statements for the period ended 30 June 2013 were prepared in compliance with the International Financial Reporting Standards (IFRSs) as applicable in the EU. Information on the basis of consolidation can be found in the Notes to the consolidated financial statements. In the course of its strategic reorganization, Balda divested itself of the Malaysian company (BSM) in the 2012 / 2013 financial year, thus leaving the Asia region (where plastics products for the electronics industry were manufactured), and sold the related activities in a management buy-out effective 26 April 2013. The company is therefore included in the consolidated financial statements for the 2012 / 2013 financial year up until its deconsolidation. However, Balda remains the legal owner of the real estate (land and factory building). In the income statement, the earnings after taxes of the company sold are reported as "net profit / loss from discontinued operations" in accordance with IFRSs in a separate item after "net profit / loss from continuing operations."

The Balda Group's remaining investment in TPK Holding Co., Ltd. was sold during the financial year. The proceeds from the sale of the TPK shares are reported in the Group's net finance income.

2.2 SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

Annual General Meeting resolves dividend of EUR 2 per share

On 7 November 2012, the Annual General Meeting of Balda AG, with 60.1 % of the share capital present, resolved on payment of a dividend of EUR 2.00 per share for the 2012 short financial year. This made EUR 117.8 million available for dividend distribution. Shareholders thus once again participated in proceeds resulting from the sale of the majority of shares in TPK Holding Co. Ltd. completed in the short financial year. This brings the total that Balda shareholders have received from the sale of TPK shares to around EUR 194.3 million or EUR 3.30 per share.

The AGM also elected Mr. Ted Gerlach as a new member of the Supervisory Board to fill the post vacated by Mr. Chun-Chen Chen. At the same time, the AGM confirmed the offices of Supervisory Board members Dr. Michael Naschke and Mr. Yu-Sheng Kai. At its inaugural meeting, the Supervisory Board elected Dr. Naschke as its Chairman.

Acquisition of Charles Brewer E.D.M., Inc.

Balda AG announced on 21 December 2012 that it had agreed the purchase of 100 % of the shares in Charles Brewer E.D.M., Inc., Anaheim, California, United States, with effect from 31 December 2012. Reflecting the Company's strategy, the acquisition strengthened the Balda Medical segment. Balda C. Brewer specializes in precision injection-molded plastics. The company develops and produces solutions in particular for customers from the medical and eyeware industries, as well as for the automotive and high-end electronics industries. Here, Balda C. Brewer acts as a system partner, covering the entire injection molding process as a one-stop provider. The company has three sites in the Californian cities of Anaheim, Irvine and Ontario (USA).

Takeover of HK Plastics Engineering, Inc.

Balda AG reported on 29 December 2012 that it had agreed the purchase of 100 % of the shares in HK Plastics Engineering, Inc., Oceanside, California, effective 28 December 2012. The acquisitions have enabled the Group to broaden its footprint in the important US market. This acquisition also strengthens the Balda Medical segment.

Balda HK Plastics is a provider of all-in-one injection-molded plastics services ranging from design and development to toolmaking and the injection molding process to mechanical assembly. The company especially manufactures for high-profile customers from the medical technology segment and operates a production facility at its headquarters in Oceanside.

The two acquisitions have made Balda the largest injection molding company on the West Coast of the United States, an extremely important region for the medical technology industry.

Management Board changes

On 31 December 2012, Mr. James Lim left the Management Board of Balda AG when his term of office expired. For the remainder of the reporting year, the Management Board comprised Dominik Müser, who served as its sole member until 4 September 2013.

Please see the report on events after the reporting period for information on changes after the reporting period.

Balda creates the Balda Technical segment

Following the acquisition of the two US plastics specialists, Balda C. Brewer and Balda HK Plastics, Inc., the Balda Group has reported on the two operating segments Balda Medical and Balda Technical since the end of December 2012. The Balda Medical segment has been expanded to include the respective health-care activities of the two acquired companies. Balda's Electronic Products segment has been renamed Balda Technical and expanded through the addition of the C. Brewer sites in California. The other Group companies without operating businesses are combined under Central Services, which mainly covers the activities of Balda AG as the Group's strategic and financial holding company and the lease of the real property of the disposed entity Balda Solutions Malaysia Sdn. Bhd. (see below).

Sale of the remaining shares in TPK Holding

In the 2012 / 2013 financial year, Balda AG sold its remaining shares (7,066,008 units) in TPK Holding Co., Ltd. via its Group company Balda Investments Singapore Pte. Ltd., generating proceeds of around EUR 87 million. This sale was the implementation of the announcement made at the Annual General Meeting on 7 November 2012 to sell the remaining shares in TPK Holding Co. Ltd. at the best price. The sale of TPK has generated total cash funds of around EUR 480 million for Balda since early 2012.

Changes on the Supervisory Board of Balda AG

Two Supervisory Board members, Yu-Sheng Kai and Ted Gerlach, resigned from their posts effective 28 February 2013. The Bad Oeynhausen Local Court then appointed the entrepreneur Wilfried Niemann and the financial controller Irene Schetelig as new members of the Supervisory Board, following a proposal by Dr. Michael Naschke.

Sale of the Malaysian site

Balda AG announced on 26 April 2013 that its Management Board had arranged to sell its site in Ipoh, Malaysia, under a management buy-out with the approval of the Supervisory Board. Effective as of 26 April 2013, Blue Ocean Genius Sdn. Bhd. acquired all shares of the subsidiary Balda Solutions Malaysia Sdn. Bhd. (BSM) for a price of EUR 1.00.

Excluded from the sale are the land and factory building, which will remain in the possession of the Balda Group as key assets and will be rented back to BSM. Blue Ocean has the option of acquiring the land and building in the medium term at their market value, taking into account the rental payments made to that point. Blue Ocean is majority-owned by James Lim, Managing Director of BSM.

The completion of the transaction resulted in a non-cash effect on earnings of around EUR minus 6 million and a positive cash effect of EUR 1.0 million in the reporting year.

Request from shareholder Elector GmbH for Extraordinary General Meeting

On 16 April 2013, the sole member of the Management Board of Balda AG, Mr. Dominik Müser, announced that he was not going to grant the request for an Extraordinary General Meeting (pursuant to Section 122 (1) German Stock Corporation Act) made on 4 April 2013 by the shareholder Elector GmbH (Berlin). The reason provided was that the shareholder had been unable to demonstrate the urgency of the proposed resolutions.

The Bad Oeynhausen Local Court did not agree with the opinion of the Management Board in office at the time and in a decision dated 5 June 2013 granted the application submitted by Elector GmbH to be permitted to convene an Extraordinary General Meeting. The purpose of the General Meeting was to appoint three new members nominated by Elector GmbH to Balda's three-member Supervisory Board. The Extraordinary General Meeting was held in Berlin on 18 July 2013. The meeting chair Dr. Naschke did not allow the adoption of any resolutions (see "Events after the reporting period").

A further Extraordinary General Meeting was then held on 4 September 2013, electing new members to the Supervisory Board.

2.3 OVERALL ASSESSMENT OF THE FINANCIAL YEAR

The Balda Group showed strong performance in the 2012 / 2013 financial year in economic terms. At operating level, the Group turned its earnings around, as forecast. Before extraordinary items, consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations improved by EUR 6.7 million over the 2012 short financial year to EUR 4.1 million; consolidated EBITDA after extraordinary items was EUR 4.9 million (2012 short financial year: EUR – 2.9 million).

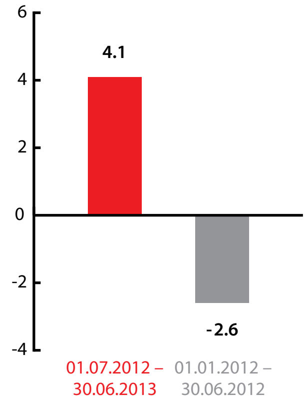
Consolidated sales from continuing operations amounted to EUR 59.9 million, which was at the lower end of the target range of EUR 60 to EUR 65 million (2012 short financial year: EUR 11.7 million).

This result is dominated by the positive effects from the sale of the remaining shares in TPK Holding. Consolidated profit was nevertheless reduced by the impairment losses charged on the carrying amounts of the investments in the US companies as a consequence of the impairment testing. The comprehensive income of the Group including discontinued operations amounted to EUR 13.5 million.

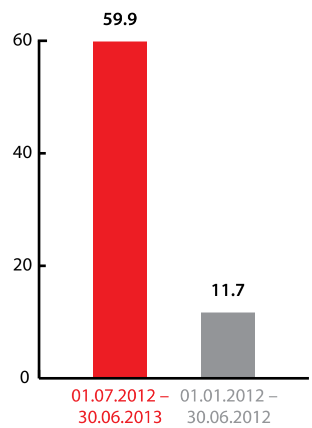
The acquisition of US plastics specialists Balda C. Brewer and Balda HK Plastics at the end of 2012 gave a substantial boost to the international presence and competitiveness of the Balda Medical segment in particular. The loss-making Group company Balda Solutions Malaysia, Ipoh, Malaysia, was sold effective 26 April 2013.

Selling the shares in TPK Holding generated substantial cash funds for the Balda Group. These will be used for the continued implementation of the future strategy and for a further dividend distribution. The Management Board and Supervisory Board will therefore propose payment of a special dividend of EUR 1.50 per share to the Annual General Meeting on 28 January 2014, leading to the distribution of EUR 88.3 million in total. This would correspond to nearly the full proceeds from the sale in January 2013 of the Balda Group's remaining stake in TPK Holding. It would be the third special dividend since May 2012.

EBITDA, Group, before extraordinary items
Figures in EUR million



Consolidated sales
Figures in EUR million



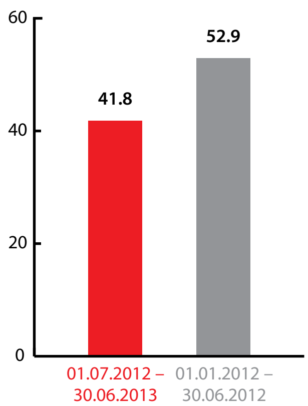
2.4 FINANCIAL PERFORMANCE

Key income statement figures of the Balda Group (IFRS)

IN EUR MILLION	01.07.2012 – 30.06.2013	01.01.2012 – 30.06.2012
Sales	59.9	11.7
Gross revenue	57.1	13.8
EBITDA before extraordinary items	4.1	– 2.6
EBITDA after extraordinary items	4.9	– 2.9
EBIT	– 10.4	– 3.9
Net finance income	29.0	268.9
Earnings before taxes	18.7	265.0
Taxes on income	2.1	– 4.0
Net profit / loss from continuing operations	20.8	261.0
Net profit / loss from discontinued operations	– 7.3	– 10.3
Consolidated profit / loss	13.5	250.7
Net profit of Balda AG (HGB)	35.0	182.0

Consolidated sales in the reporting period (1 July 2012 to 30 June 2013) amounted to EUR 59.9 million (2012 short financial year: EUR 11.7 million). This figure includes the sales from the US companies that were consolidated from 1 January 2013. The amount reported for the comparative period in the previous year comprises only revenues from the Balda Medical segment generated at the site in Bad Oeynhausen, Germany, owing to the reclassification of the activities of Balda Solutions Malaysia Sdn. Bhd. (BSM), Ipoh, Malaysia (formerly the Electronic Products segment), as discontinued operations.

Cost of materials ratio, Group
Figures in percent



Including finished goods and work in progress, ***gross revenue*** amounted to EUR 57.1 million, up from EUR 13.8 million in the 2012 short financial year.

Other operating income stood at EUR 9.7 million (2012 short financial year: EUR 3.3 million) and includes, among others, the reversal of a contingent purchase price liability from the acquisition of Balda C. Brewer in the amount of EUR 3.3 million.

The ***cost of materials*** amounted to EUR 23.8 million, corresponding to 41.8 % of gross revenue. In the 2012 short financial year, the cost of materials had been EUR 7.3 million (52.9 % of gross revenue). The decrease in the cost of materials in relation to gross sales is due to a change in the product mix in the reporting period and a larger contribution made to sales by the equipment business. The cost of materials ratios of the newly acquired US entities also had a positive effect on the ratio.

Personnel expenses were EUR 21.2 million (2012 short financial year: EUR 6.4 million). This reflects the inclusion of the workforce of the acquired US entities from 1 January 2013. Personnel expenses represented 37.2 % of gross revenue, as compared with 46.2 % in the 2012 short financial year.

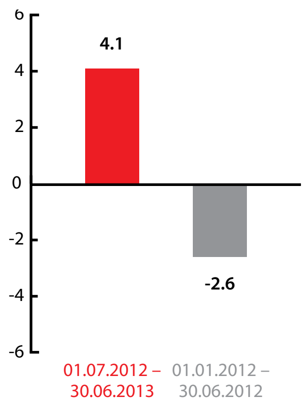
Depreciation, amortization and impairment losses increased to EUR 15.2 million from EUR 1.1 million in the 2012 short financial year. This increase is mainly attributable to impairment losses resulting from impairment testing of goodwill (EUR 11.5 million) and to higher depreciation and amortization caused by the initial consolidation of the US companies.

Other operating expenses amounted to EUR 16.9 million (2012 short financial year: EUR 6.3 million). This includes EUR 1.9 million in non-capitalizable non-recurring expenses from extraordinary items, incurred primarily in connection with the extensive M&A processes (e. g. transaction costs, due diligence expenses). These non-recurring expenses include costs for the extraordinary general meetings in the 2013 calendar year. Without the extraordinary items, other operating expenses amounted to EUR 13.3 million.

The extraordinary items are comprised as follows:

Impairment losses resulting from impairment testing	11.5
Acquisition costs	1.9
Costs for the extraordinary general meetings	1.3
Income from the reversal of liabilities	– 3.9
Other items, net	– 0.1

EBITDA, Group
Figures in EUR million



In the 2012 / 2013 financial year, the Balda Group posted ***earnings before interest, taxes, depreciation and amortization (EBITDA) before extraordinary items*** of EUR 4.1 million (2012 short financial year: EUR – 2.6 million). This represents an EBITDA margin of 6.8 % of consolidated sales. After extraordinary items, EBITDA amounted to EUR 4.9 million (2012 short financial year: EUR – 2.9 million).

Earnings before interest and taxes (EBIT) were EUR –10.4 million, after EUR – 3.9 million in the 2012 short financial year. If EBIT is adjusted for the above-mentioned extraordinary items, earnings in the financial year were positive at EUR 0.4 million (2012 short financial year: EUR – 3.6 million).

Net finance income totaled EUR 29.0 million (2012 short financial year: EUR 268.9 million). As in the previous year, this item was influenced to a considerable extent by the proceeds from the sale of the shares in TPK Holding. This item also includes positive exchange rate effects from the translation of foreign currencies in the subsidiary Balda Investments Singapore. On account of its substantial cash balances, the Group generated net interest income.

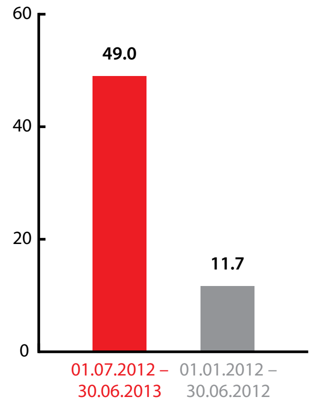
Earnings before taxes (EBT) of the continuing operations were EUR 18.7 million (2012 short financial year: EUR 265.0 million). It should be noted, though, that particularly earnings before taxes in the comparative period were dominated by high income from the sale of TPK shares.

Earnings after taxes for continuing operations were EUR 20.8 million, down from EUR 261.0 million in the 2012 short financial year.

The ***net loss from discontinued operations***, which relates to Balda Solutions Malaysia sold with financial effect from 31 March 2013 (see also the explanations under item 2.2 "Significant events in the financial year"), amounted to EUR –7.3 million. This results from the loss from operating activities as well as the loss from the deconsolidation. In the 2012 short financial year, the net loss from discontinued operations had amounted to EUR –10.3 million. It stemmed from the loss incurred from the operations of the Group company Balda Solutions Malaysia as well as from impairment losses charged on activities at the Ipoh, Malaysia, site as a consequence of regular impairment testing.

Comprehensive income for the Group in 2012 / 2013 was EUR 13.5 million, down from EUR 250.7 million in the 2012 short financial year. This corresponds to ***earnings per share*** (basic EPS and diluted EPS) of EUR 0.23 (prior-year period: EUR 4.26).

Sales, Balda Medical
Figures in EUR million



2.5 SEGMENT PERFORMANCE

2.5.1 Balda Medical segment

The Balda Medical segment generated ***sales*** of EUR 49.0 million in 2012 / 2013 (2012 short financial year: EUR 11.7 million). This includes the revenues of the two US companies acquired with effect from 1 January 2013. ***EBITDA*** of this segment amounted to EUR 6.0 million, corresponding to a return on sales of 12.2 %. At EUR – 0.3 million, ***EBITDA*** in the short financial year had remained slightly negative owing to delays in projects on the customer side. Segment ***EBIT*** amounted to EUR 2.7 million, up from EUR –1.3 million in the 2012 short financial year. Adjusted for the impairment losses, EBIT would have been EUR 3.2 million.

2.5.2 Balda Technical segment

The Balda Technical segment was created from the former Electronic Products segment in the course of the acquisition of US plastics specialists Balda C. Brewer and Balda HK Plastics. This segment reported ***sales*** of EUR 10.9 million for the 2012 / 2013 financial year, comprising the activities of the US companies from their date of initial consolidation. ***EBITDA*** amounted to EUR 1.0 million, corresponding to a return on sales of 8.9 %. ***EBIT*** stood at EUR –10.7 million in the reporting period, which was primarily due to the impairment losses mentioned earlier (EUR 11.0 million). Without the impairment losses, EBIT would have been positive.

2.5.3 Balda Central Services

The Balda Central Services segment, which primarily comprises Balda AG's activities as a holding company, reported negative ***EBIT*** of EUR – 2.9 million for the 2012 / 2013 financial year (2012 short financial year: EUR – 2.3 million). Segment earnings include extraordinary expenses, primarily in connection with M&A activities and extraordinary general meetings, of EUR 3.9 million plus income from non-recurring effects arising from the reversal of liabilities and expected payments from BenQ receivables written down of EUR 4.7 million. The holding company's cost base was lowered further through the streamlining of the Group's structure and savings.

As in the short financial year, the earnings of Central Services in the reporting period were dominated by the development of net finance income, which mainly includes the effects from the sale of shares in TPK Holding. Earnings before taxes thus amounted to EUR 26.3 million (2012 short financial year: EUR 266.7 million).

2.6 INVESTMENTS AND CASH FLOWS

2.6.1 Principles and objectives of financial management

The primary objective of the financial management function is to ensure that the Balda Group remains able to repay its debts and retains a healthy equity-debt structure. The Group has implemented a system with appropriate parameters for managing short-term, medium-term and long-term financing and liquidity requirements.

Even after the planned strategic growth, the goal is to guarantee that the Group has a healthy cash flow. Minimum cash reserves are also held for the purpose of continuing to avoid possible liquidity bottlenecks in the financing of the Group's operations.

The Group prevents liquidity risks by holding sufficient cash funds available. Given the persistent uncertainty in the financial markets, the specific aim of investing excess cash reserves is not to maximize profit, but to preserve assets on the basis of a conservative investment strategy.

2.6.2 Cash flows

The following disclosures analyze the cash flows in the 2012 / 2013 financial year (01.07.2012 – 30.06.2013) and the 2012 short financial year (01.01. – 30.06.2012). The statement of cash flows has been prepared in accordance with the provisions of the IFRSs and is designed to aid an assessment of the Group's financial capabilities. The disclosures for the 2012 / 2013 financial year include the figures for the US companies acquired in December 2012 and for the subsidiary Balda Solutions Malaysia, which was sold in April 2013. Die statement of cash flows for the prior-year period includes the figures for Balda Medical in Germany. Cash flows are divided into cash flows from operating, investing and financing activities. The individual sections of the statement of cash flows are as follows:

Cash flow from operating activities

The cash flow from operating activities amounted to EUR 1.4 million in the 2012 / 2013 financial year (2012 short financial year: EUR – 5.2 million). The following were the primary factors that had a positive effect on this figure: interest received (EUR 1.2 million) due to the high amount of cash and the improvement in earnings generated by the business expansion.

Cash flow from investing activities

The net cash inflow from investing activities amounted to EUR 167.5 million (2012 short financial year: EUR 64.6 million); it was mainly influenced by the sale of the TKP shares. The Group spent EUR 4.2 million on investments in property, plant and equipment and intangible assets in the reporting period (2012 short financial year: EUR 1.3 million).

In the 2012 short financial year, the Group sold shares in TPK Holding Co. Ltd., generating proceeds of EUR 237.1 million. Of this figure, surplus cash and cash equivalents of EUR 168.0 million were invested in borrower's notes up until the end of October 2012. In the 2012 / 2013 financial year, the Company recorded cash receipts of EUR 242.9 million from the sale of the TPK shares, and dividend payments of TPK generated a cash inflow of EUR 9.3 million during the period. An outflow of cash was triggered by the acquisition of the US-based entities (EUR 37.6 million) and the acquisition of borrower's note loans (EUR 41.7 million).

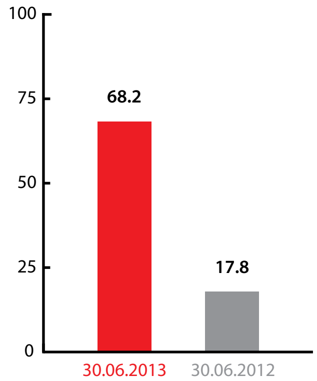
Cash flow from financing activities

The cash outflow from financing activities totaled EUR 117.8 million (2012 short financial year: EUR 76.9 million) and stemmed in particular from the dividend payment of EUR 117.8 million to the shareholders of Balda AG in November 2012.

Cash and cash equivalents at the end of the financial year

The Group's total cash and cash equivalents at the reporting date of 30 June 2013 amounted to EUR 68.2 million (2012 short financial year: EUR 17.8 million) and correspond to the net cash reported in the consolidated statement of financial position.

Cash and cash equivalents, Group
Figures in EUR million



As a result of the sale of all shares in TPK Holding Co. Ltd., the Group has sufficient liquidity reserves for making strategic investments – even after the distribution of the dividend for the 2012 short financial year and the planned dividend for the 2012 / 2013 financial year. There is a continuous exchange of information with the Company's banks so that financing requirements can be covered or extended at short notice.

2.6.3 Investments and depreciation, amortization and impairment losses

The Balda Group made investments of EUR 3.8 million in the 2012 / 2013 financial year (2012 short financial year: EUR 1.3 million). Of this amount EUR 1.5 million is attributable to the Balda Medical segment (2012 short financial year: EUR 1.2 million) and EUR 0.6 million to the Balda Technical segment (2012 short financial year: EUR 0.1 million), primarily for the purpose of optimizing production capacities.

Balda Central Services invested EUR 1.7 million in the reporting period, principally in the updating and harmonization of the IT infrastructure.

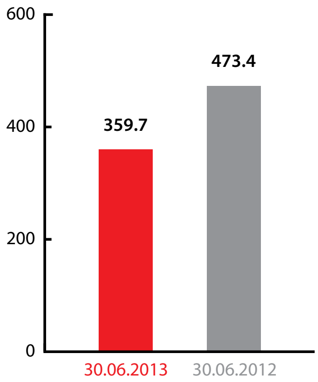
Depreciation and amortization across the Group amounted to EUR 3.7 million (2012 short financial year: EUR 1.1 million). In addition, impairment testing led to impairment losses of EUR 3.2 million being charged on property, plant and equipment and intangible assets.

The Group invested EUR 41.4 million in the reporting year to acquire the US-based companies. The goodwill of EUR 22.6 million disclosed on initial recognition was impaired by EUR 8.3 million as a consequence of the impairment testing as of 30 June 2013.

2.7 FINANCIAL POSITION

2.7.1 Assets

Total asset, Group
Figures in EUR million



The Balda Group's ***total assets*** were EUR 359.7 million on the reporting date of 30 June 2013. This marks a decline of EUR 113.7 million compared with the year-end figure for the 2012 short financial year (EUR 473.4 million). The chief factor influencing the change in the statement of financial position was the payment of a special dividend of EUR 117.8 million in November 2012.

Non-current assets increased significantly compared with the prior reporting date, from EUR 27.7 million to EUR 54.9 million, principally as a result of the initial consolidation of the US companies Balda C. Brewer and Balda HK Plastics. In this context, Balda recognized goodwill of EUR 22.6 million, which was impaired by EUR 8.3 million in connection with impairment testing as of the reporting date. Intangible assets totaled EUR 9.6 million and were also mainly attributable to the assets identified in the purchase price allocation for the two US entities. The aforementioned impairment testing also led to the impairment of property, plant and equipment (EUR 1.4 million) and intangible assets (EUR 1.7 million).

Current assets at the reporting date decreased by EUR 140.9 million year-on-year to EUR 304.8 million (30 June 2012: EUR 445.6 million). Inventories decreased from EUR 13.4 million to EUR 10.4 million on account of changes in inventories, as well as the partial billing of the inventories of tools and equipment. Compared with the previous closing date, trade receivables rose by EUR 3.7 million to EUR 10.2 million due to the consolidation of the US companies.

Other current assets decreased from EUR 389.5 million at the end of June 2012 to EUR 215.1 million at the end of June 2013. Note that, among others, receivables from the sale of an equity stake in TPK Holding in June 2012 and from dividend claims against TPK were still contained in this figure at the end of the short financial year. These receivables did not flow to the Group until the first quarter of the 2012 / 2013 financial year. On the reporting date of 30 June 2013, the other current assets item consisted almost entirely of receivables from the investment of the Group's cash in bonds and borrower's note loans in the amount of EUR 209.7 million (30 June 2012: EUR 168.0 million).

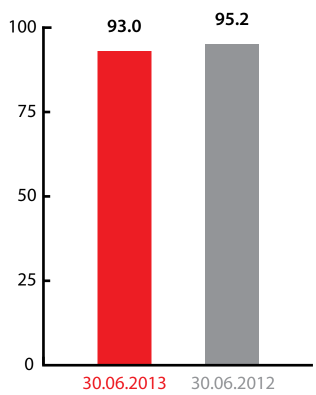
Cash rose by EUR 50.4 million to EUR 68.2 million. This development was primarily impacted by the inflow of funds from the sale of the shares in TPK Holding executed in late June 2012 and early February 2013. The item was reduced in turn by the payment of the special dividend in November 2012 and the cash outflow from the acquisition of the two US companies. The "other current assets" include cash invested in time deposits with a maturity of more than three months.

Non-current assets held for sale were disclosed with a value of 0 as of 30 June 2013 due to the sale of the shares in TPK Holding in the reporting period (30 June 2012: EUR 17.9 million).

2.7.2 Equity

Balda Group equity amounted to EUR 334.5 million at the end of the reporting period, down EUR 115.9 million compared with the end of the 2012 short financial year (EUR 450.5 million). This reduction is primarily a result of the dividend payment made in November 2012. Reserves fell from EUR 51.4 million to EUR 39.8 million primarily on account of exchange rate effects. The ***equity ratio*** was 93.0 % of total assets (30 June 2012: 95.2 %).

Equity ratio, Group
Figures in percent



2.7.3 Liabilities

Non-current liabilities rose by EUR 4.4 million to EUR 6.9 million as of 30 June 2013 (30 June 2012: EUR 2.6 million). This increase is based primarily on higher deferred taxes, due mainly to the first-time consolidation of the US entities.

Total ***current liabilities*** increased by EUR 2.2 million to EUR 18.2 million. Trade payables fell by EUR 1.0 million to EUR 6.3 million. Other current liabilities increased by EUR 2.0 million to EUR 4.9 million and include the remaining portion of the obligations under the earn-out clause agreed on acquiring Balda C. Brewer amounting to EUR 0.5 million. Advance payments received decreased by EUR 3.6 million to EUR 3.1 million. This was due to the invoicing of projects in the tools and equipment business.

C. Non-financial performance indicators and other factors for success

3.1 NON-FINANCIAL PERFORMANCE INDICATORS

In addition to defined financial control parameters, non-financial performance indicators are also important for the long-term success of the Balda Group. These indicators relate to particular strengths and skills whose relevance can be derived from the Group segments' individual business models.

The non-financial performance indicators that are particularly important for the Balda Medical segment are as follows:

- ***Plastics and process expertise:*** Plastics for use in diagnostics, medical technology and pharmaceuticals differ from traditional plastics in that they need to fulfill particularly high requirements, including, for example, special properties of the materials used as regards friction, electrical conductivity, sealing or protection against moisture. Besides standard plastics, Balda Medical also uses more complex high-performance plastics for whose deployment special skills and experience are required. Safeguarding and deepening this material and process expertise in the workforce will be essential for Balda Medical to continue to comply with the strict safety and reliability standards for medical products.

- ***Technological innovation:*** The market for medical technology products is undergoing fundamental changes. This requires continuous refinement of the necessary plastics solutions. One example is state-of-the-art drug dispensers, used by patients themselves, which are a means of ensuring correct dosage of drugs in terms of number, time or quantity. New trends here are increased monitoring of the ingestion of drugs using digitized solutions (smart packaging), in which the patient is aided by acoustic or optical signals. This is leading to increasing integration of electronic components into plastic and metal products, which is making the overall systems more complex. Safeguarding and building up technological expertise over and above the core competency of injection molding therefore represents an increasing challenge for Balda Medical. As the complexity of the systems grows, so do the project management requirements. Added to this are the challenges of meeting the quality standards required by customers and ensuring punctual delivery.

- ***Positioning as an expert system partner:*** Product cycles in the medical technology market range from 3 to 20 years. Balda Medical's customers are well-known pharmaceutical companies and drug manufacturers that expect reliable, long-term supply of high-quality plastics products. Suppliers are also required to guarantee a high degree of dependability as regards product quality, ability to supply and punctual delivery so that customer satisfaction is ensured. It is therefore important for Balda Medical to position itself as a strategic system partner that develops and implements customized solutions in close dialog with customers. A holistic understanding of the product that considers all stages and aspects of a medical technology product from the idea for a product to its withdrawal from the market is essential for this.

- ***International presence in key healthcare markets:*** Customers in the healthcare industry often have an international presence and expect the same of their suppliers. Proximity to customers is becoming increasingly important – something which also requires international distribution capacity in all major economic areas. To be able to meet the requirements of existing and potential customers and position itself as a global first choice system supplier, Balda Medical is working on expanding its own footprint in key regions of the world. The segment already took an important step towards achieving this goal in the 2012 / 2013 financial year when it acquired the two US-based plastics experts Balda C. Brewer and Balda HK Plastics.

The non-financial performance indicators that are particularly important for the Balda Technical segment are as follows:

- ***Positioning in niche markets for premium products:*** The target markets worldwide for the products developed by the Balda Technical segment for the eyeware, electronics and automotive industries are premium products of which high volumes are necessarily produced. This makes it possible to achieve conventional margins in promising niche markets outside of commodity products – markets in which high sales volumes can nevertheless be generated and high-quality production is expected. In the case of premium products, which must meet special requirements in terms of manufacture, design and, last but not least, innovation, the priorities are therefore an appropriate price, customized solutions to complex tasks and supply of customers at consistently high quality. In positioning itself in this market, Balda Technical is seeking to leverage the competitive advantage that the segment is able to offer its customers end-to-end processes ranging from development to toolmaking, injection molding, surface treatment and assembly from a single source.

- ***Technical innovation in the use of high-performance plastics:*** Balda Technical sets itself apart from the competition with its plastics processing expertise and hence its ability to create technological innovations. In the field of plastics, these innovations primarily concern surface treatment and design, such as injecting decorative elements into the plastic. In this way, Balda Technical ensures important product characteristics such as precision, durability and resilience, temperature resistance, color fastness, high-quality feel and also environmental friendliness and sustainability, thereby adding significant value to its customers' products in a wide range of applications. As a result, Balda continually invests in development. An important aspect of this strategy is the use of Balda's own technologies to secure a competitive edge.

3.2 ENVIRONMENTAL MANAGEMENT AND HEALTH AND SAFETY

General

The conservation of natural resources and the protection of employees are intertwined, integral parts of the Balda Group's corporate policy. Balda is committed to its social and environmental responsibility and therefore aims to continually improve environmental protection and health and safety in all areas of the Company. In order to pursue this goal as efficiently as possible, all employees are actively involved in the segments' improvement processes.

Efficient, responsible use of resources and the reduction of emissions and noise levels are key tasks for environmental protection in the Group. The systematic saving of energy, the prevention of waste from by-products and the reuse of materials are at the heart of the Group's environmental activities.

Recycling and use of by-products and waste materials

Balda systematically recycles waste produced in the manufacturing process. The Company consistently employs recycling, particularly in plastic injection molding processes. Non-reusable plastics are recycled thermally under conditions that minimize environmental pollution as far as possible. The environmental measures also include environmentally friendly, conscious use of water.

Strict safeguards

The Balda Group works with paints and dyes in its production processes. Use of these chemicals is subject to strict controls. These substances are used in accordance with the provisions of the EU's "REACH" (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation.

Particular attention is paid to the handling and careful storage of hazardous substances. Here, risk prevention measures take priority. Environmental pollution is considered as much of a danger as the risk of fire or explosion.

Certified environmental management systems

The Balda Medical segment has certified environmental management systems.

Balda Medical has implemented an integrated management system for health, safety and environment management (HSE) in line with the BS OHSAS 18001 and DIN EN 14001 standards. The main objective of Balda Medical's environmental policy is efficient, environmentally friendly use of resources and the reduction of emissions. The integrated management system ensures compliance with the relevant environmental laws and legislation as well as a high degree of sustainability and safety for man and the environment. It was certified by TÜV Rheinland.

Efficient energy management

The Balda Group's environmental program includes strict specifications for the effective and economical use of energy for all of the Group's sites. The optimization of energy consumption – with the requirement of achieving appreciable reductions – contributes both to environmental protection and cost efficiency.

Close involvement of customers and suppliers

The Group's customers have been integrating the systems partner Balda into their environmental programs for years. As part of its quality management activities, Balda regularly checks the environment management systems of its supply partners with its own audits or by requesting information from the suppliers. Balda has been working for many years on integrating its suppliers into its environmental policy.

Higher operational safety standards

Balda Medical has the status of an authorized economic operator (AEO). This certifies that the Company is particularly reliable and trustworthy and enables it to enjoy numerous benefits in the international movement of goods. The AEO-F certification is the highest version of the security and safety seal awarded by the customs authorities. It includes both the security-related conditions of the AEO-S (Security) status and the customs simplifications of the AEO-C (Customs) status.

Management responsibility

The managing directors are responsible for compliance with laws, regulations and measures that protect the environment and workers. They are personally responsible for monitoring and achieving the environmental targets set. They are also responsible for the continual review of the environmental measures practiced. Performance is measured based on the degree to which targets are achieved and on profitability. The managing directors report directly to the Management Board of Balda AG. The effectiveness of the measures is monitored by internal environmental audits and the annual recording of key figures. The results form the basis for further improvements to the most important targets, programs and measures.

The local environmental officers report to the site's management on the status of the environmental management activities based on an internal comparison of the actual and the desired situation. The environmental officer is responsible for the communication with and training of employees at the Group's production facilities.

In the 2012 / 2013 financial year, the Balda Group once again held several information events and training courses for the workforce on environmental and health and safety issues.

3.3 RESEARCH AND DEVELOPMENT

3.3.1 Balda Medical segment

The Balda Medical segment's product development is primarily based on the technical and design-oriented requirements of its customers. Its services range from concept development to the construction of prototypes and functional models to the creation of marketable systems and their approval, industrial manufacturing and after-sales support. Balda Medical can draw on many years of expertise and experience in research and development and use this in its discussions with customers in order to achieve optimized system solutions.

In the 2012 / 2013 financial year, the segment continued its work on the concept of a mechanical mini tablet dispenser (mMTS), expanding this with two solutions. These solutions are simple, low-cost versions of the mini tablet dispenser. A patent application has since been made for the product concepts developed. In addition, the concept phase for a catheter fixation has been completed and innovative solutions for blood warming in the dialysis process developed, among other things.

In addition to these special tasks, Balda Medical provided assistance to customers with technical support and simulations in the development of medical technology products in plastic. For existing products, the segment also identified potential in the continuous improvement process and prepared the introduction of suitable design changes.

3.3.2 Balda Technical segment

In its research and development activities, Balda Technical concentrates in particular on building up its expertise in the treatment of plastic surfaces and being able to add value for customers, for example in the areas of product design and direct injection of decorative elements in surfaces.

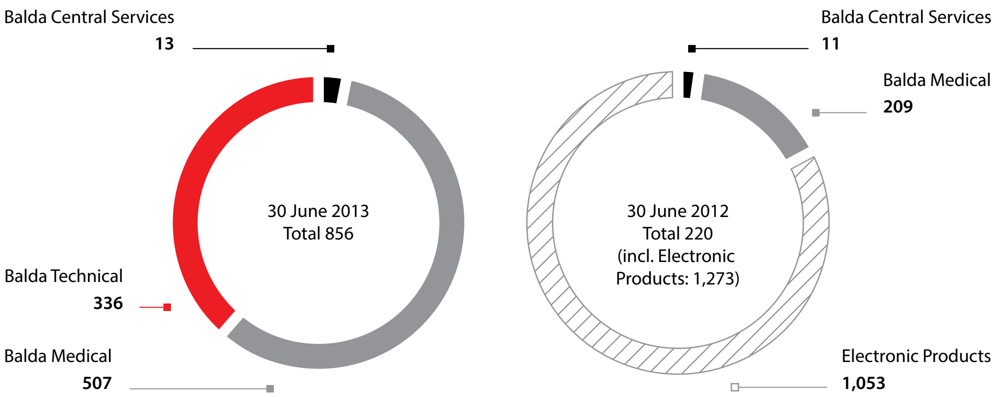
Technology transfer from the Balda Medical segment and the generation of further synergy effects within the Balda Group are instrumental in this context. This ultimately results in the placement of new customer orders.

3.4 PERSONNEL REPORT

The Balda Group had a total of 856 employees (figures include leased staff, temporary staff and trainees) in the Balda Medical, Balda Technical and Balda Central Services segments as of 30 June 2013. At the end of the 2012 short financial year (30 June 2012) the directly comparable number was 220 employees.

Please note that the employees of the subsidiary Balda Solutions Malaysia, which was sold effective 26 April 2013, are no longer included in the comparative figures for the previous year, and these therefore relate exclusively to the Balda Medical and Balda Central Services segments. In contrast, the figures for the period ended 30 June 2013 include the employees of US-based Balda C. Brewer and Balda HK Plastics, which were acquired effective 31 December 2012, who are split between the Balda Medical and Balda Technical segments. The Balda Technical segment was formed from the former Electronic Products segment.

EMPLOYEES, BALDA GROUP, AS OF 30 JUNE



3.4.1 Balda Medical segment

As of 30 June 2013, the Balda Medical segment had a total of 507 employees in Bad Oeynhausen in Germany, and Anaheim, Ontario and Oceanside, California, in the United States. This figure is up 298 employees from 30 June 2012 (209 employees) due to the consolidation of the US subsidiaries. Of these employees, 402 held permanent positions (prior-year reporting date: 181), and 105 were leased staff (prior-year reporting date: 28).

In the 2012 / 2013 financial year, Balda Medical continued to train its employees with demand-based seminars on the current state of technology and environmental protection and occupational health and safety issues.

3.4.2 Balda Technical segment

As of the end of June 2013, the Balda Technical segment had a total of 336 employees at the Anaheim and Irvine facilities in the US state of California. This figure comprised 210 employees with permanent positions and 126 leased staff.

As a result of the acquisition of the US-based companies Balda C. Brewer and Balda HK Plastics in late December 2012, the former Electronic Products segment was renamed Balda Technical. Due to the sale of the Malaysian company BSM, no comparative figures are available for the prior year.

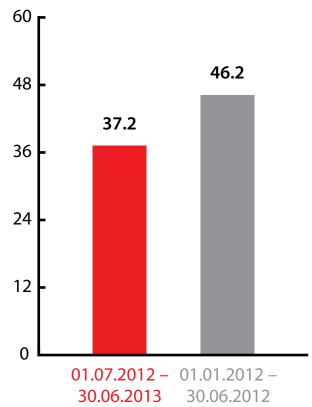
3.4.3 Central Services

Balda Central Services comprises the employees of the holding company Balda AG, which is headquartered in Bad Oeynhausen, Germany, and the intermediate holding company Balda Investments Netherlands B.V. in Amsterdam, the Netherlands. Balda AG's holding function was already streamlined considerably in the 2012 short financial year. As of the end of June 2013, the Balda Central Services had 13 employees (30 June 2012: 11 employees).

3.4.4 Personnel expenses

In the 2012 / 2013 financial year, the Balda Group's personnel expenses amounted to EUR 21.2 million (2012 short financial year: EUR 6.4 million in continuing operations). Personnel expenses account for 37.2 % of the Group's gross revenue, which is nine percentage points lower than the ratio in the 2012 short financial year (46.2 %).

Personnel expenses ratio
Figures in percent



Continuing education and training expenses

The Balda Group's segments operate in a field of plastic injection molding that requires employees to have special skills. Acquiring, securing and transferring the knowledge of all employees is essential to the Group's success. Accordingly, the Balda Group invests actively in human resources development by running many training programs and seminars, and promotes its workforce's own initiatives and ideas for improving products and processes.

In the Group, training is conducted based on a systematic and specific needs analysis, for instance to advance the personal development of individual employees, train new employees or introduce new technologies.

In the 2012 / 2013 financial year, the Group's expenses for employee training and continuing education amounted to EUR 0.1 million (2012 short financial year: EUR 0.1 million).

In addition, Balda actively involved employees of both segments in integrating the US companies acquired during the financial year into the Group. To this end, strategy meetings were conducted on various topics and to define common corporate values, and information sessions were held. The results serve as the foundation for the further activities of the segments at both the strategic and operational levels.

3.5 CORPORATE GOVERNANCE REPORT

Good corporate governance, defined as compliance with the principles of responsible corporate management and supervision, is an important prerequisite / duty to fulfill so that Balda as a company can gain, keep and grow the trust of shareholders, lenders, employees, business partners and the general public.

3.5.1 Statement on corporate governance

The commitment to open and responsible management and supervision geared towards sustainable value creation is an integral part of corporate governance in the Balda Group. In addition to the fulfillment of legal requirements, corporate governance is characterized by a high degree of personal responsibility by each and every employee. Complying with transparency criteria and avoiding conflicts of interest are core elements of good corporate governance.

3.5.1.1 Declaration of Compliance in accordance with section 161 of the AktG

The management boards and supervisory boards of listed stock corporations are required by Section 161 (1) sentence 1 German Stock Corporation Act (AktG) to issue a declaration at least once a year stating whether the respective company has complied and will comply with the recommendations of the German Corporate Governance Code (GCGC) published by the German Federal Ministry of Justice. If the company has not followed or will not follow a recommendation, the management board and supervisory board must indicate and justify this in its annual Declaration of Compliance.

The Management Board and Supervisory Board of Balda AG issued its most recent Declaration of Compliance with the Corporate Governance Code pursuant to Section 161 German Stock Corporation Act in February 2013. It is available on the Company’s website at http://www.balda-group.com/en/group/strategy.html#cg.

3.5.1.2 Disclosures on corporate governance practices

Balda AG, its corporate bodies and their actions comply with the statutory regulations, the Company’s Articles of Association and the recommendations of the German Corporate Governance Code unless non-compliance was otherwise justified in the Declaration of Compliance published on Balda AG’s website. No other external codes or standards that exceed the statutory requirements are followed in the Balda Group. The current full version of the Declaration on the corporate management of Balda AG is available on Balda’s website at http://www.balda-group.com/en/group/strategy.html#cg .

3.5.1.3 Cooperation between the Management Board and Supervisory Board

The Management Board reports regularly to the Supervisory Board, usually several times a month both verbally and in writing, concerning the Company’s situation and specific transactions, particularly its business performance and cash flows, the market situation and developments, and the Company’s strategy. Key transactions are explained in detail by the Management Board to the Supervisory Board using reports, handouts and presentations. The Chairman of the Supervisory Board is regularly informed in person and by phone about all material issues by the Management Board. Upon invitation by the Supervisory Board, the Management Board sometimes participates in meetings of the Supervisory Board.

Responsible handling of business risks is one of the statutory obligations and principles of good corporate governance. Balda AG's Management Board and the Balda Group's management have at their disposal comprehensive Group-wide and company-specific reporting and control systems, which enable risks to be documented, assessed and managed. The systems are continually refined, adapted to changing conditions and audited by the financial statement auditors. The Management Board informs the Supervisory Board on a regular basis of existing risks and their development. The Financial Expert elected by the Supervisory Board in particular handles monitoring of the accounting process, including reporting, the effectiveness of the internal control system, risk management and the internal auditing system, and compliance as well as financial statement audits.

Details concerning risk management in the Balda Group and the accounting-related internal control and risk management system are outlined in the Group Risk Report (Section E of the Group Management Report).

3.5.2 Compensation report

3.5.2.1 Management Board compensation report

The composition of Balda AG's Management Board changed in the reporting period. Management Board member James Lim stepped down with effect from 31 December 2012. After that date, Dominik Müser acted as the sole Management Board member. On 5 September 2013, Dr. Dieter Brenken was appointed effective immediately as a further Management Board member by the Supervisory Board with a term of office running until 31 October 2014. On 14 October 2013, the Supervisory Board dismissed the CEO, Mr. Dominik Müser, with immediate effect and appointed Mr. Oliver Oechsle as a further member of the Management Board.

The compensation of the Management Board members in the 2012 / 2013 financial year was composed as follows (compensation report – item 4.2.5 of the German Corporate Governance Code):

The compensation of the Management Board members comprised monetary compensation consisting of fixed and variable components (item 4.2.3 of the Code) and fringe benefits. The fixed compensation comprises the monthly salaries paid to Management Board members. The fringe benefits include the costs for the use of a company car or a compensation payment for non-use of a company car, contributions towards the members' health insurance schemes and pension plans as well as costs for accident insurance policies. No other contractually agreed pension commitments were made. The Management Board members did not receive any payments from third parties that had been promised to them for their Management Board work or granted in the 2012 / 2013 financial year (item 4.2.3 of the Code).

The variable compensation of the Management Board members comprises components that are based on the Company's commercial and financial success (performance-based compensation). Due to the limited term of Management Board contracts and the mainly short-term nature of the targets set, there are no plans for an additional compensation component with a long-term incentive in the 2012 / 2013 financial year.

The component that is linked to the Company's commercial success is calculated for the Management Board member based on the achievement of agreed targets and successful completion of defined projects and measures. In this respect, the Supervisory Board may, at its own discretion, grant Management Board members a bonus on the basis of their performance.

The content of the contract with the former CEO, Dominik Müser, was amended effective 1 February 2013 (in the course of a contract extension to 30 June 2015), among other things, with regard to his compensation.

The members of the Management Board received the following compensation for the 2012 / 2013 financial year:

COMPENSATION OF THE MANAGEMENT BOARD 2012 / 2013

IN EUROS	FIXED COMPENSATION	PERFORMANCE-BASED COMPENSATION	FRINGE BENEFITS	TOTAL
D. Müser	385,000	200,000	19,242	**604,242**
J. Lim [1]	98,443	0	26,484	**124,927**
Total amount:	**483,443**	**200,000**	**45,726**	**729,169**

COMPENSATION OF THE MANAGEMENT BOARD 2012 SHORT FINANCIAL YEAR

IN EUROS	FIXED COMPENSATION	PERFORMANCE-BASED COMPENSATION	FRINGE BENEFITS	TOTAL
R. Mohr [2]	0	0	0	**0**
D. Müser	150,000	175,000	6,447	**331,447**
J. Lim	90,459	0	24,557	**115,016**
Total amount:	**240,459**	**175,000**	**31,004**	**446,463**

1 Member of the Management Board until 31.12.2012
2 Member of the Management Board until 01.01.2012

3.5.2.2 Compensation of the Supervisory Board

The compensation of the Supervisory Board is determined by the shareholders of Balda AG. Pursuant to the resolution by the Annual General Meeting on 27 May 2011 effective 1 June 2011, this compensation only includes fixed components in addition to meeting attendance fees.

In the reporting year, the Company did not commission the Supervisory Board members to provide any advisory or agency services during their term of office. In addition, Balda did not pay any separate compensation (item 5.4.4 of the German Corporate Governance Code).

The members of the Supervisory Board received the following compensation for the 2012 / 2013 financial year:

COMPENSATION OF THE SUPERVISORY BOARD 2012 / 2013

IN EUROS	FIXED COMPENSATION	ATTENDANCE FEES	TOTAL COMPENSATION
Dr. Michael Naschke	50,000	15,000	**65,000**
Yu-Sheng Kai	16,667	9,000	**25,667**
Chun-Chen Chen	13,247	6,000	**19,247**
Ted Gerlach	11,753	4,500	**16,253**
Wilfried Niemann	12,500	4,500	**17,000**
Irene Scheteling	8,333	4,500	**12,833**
Total amount:	**112,500**	**43,500**	**156,000**

COMPENSATION OF THE SUPERVISORY BOARD 2012 SHORT FINANCIAL YEAR

IN EUROS	FIXED COMPENSATION	ATTENDANCE FEES	TOTAL COMPENSATION
Dr. Michael Naschke	25,000	6,000	**31,000**
Yu-Sheng Kai	12,500	4,500	**17,000**
Chun-Chen Chen	18,750	4,500	**23,250**
Total amount:	**56,250**	**15,000**	**71,250**

Regarding changes in the composition of the Supervisory Board after the reporting date, please see section D.4.2 of the management report.

3.5.3 Annual document (in accordance with Section 10 WpPG)

In accordance with Section 10 of the German Securities Prospectus Act (WpPG), companies whose securities have been admitted for trading in an organized market must make available to the public at least once a year a document which includes all of the information or refers to all of the information which the company has published in the previous twelve months in accordance with the German Securities Trading Act (WpHG), the German Securities Prospectus Act (WpPG) and the German Stock Exchange Act (BörsenG). Balda AG's current "Annual document" is published on the company's website and can be downloaded.

D. Events after the reporting period

4.1 EXTRAORDINARY GENERAL MEETING ON 18 JULY 2013

Balda AG held an Extraordinary General Meeting in Berlin on 18 July 2013. The Company's Berlin-based shareholder Elector GmbH had convened the meeting on the basis of an authorization by Bad Oeynhausen Local Court. The sole agenda item was the complete replacement of Balda's Supervisory Board with the shareholder's own candidates. The former Supervisory Board Chairman and meeting chair Dr. Michael Naschke declared that the Extraordinary General Meeting was unable to pass resolutions. This was said to be due to a protocol error on the part of the convening shareholder Elector GmbH.

4.2 EXTRAORDINARY GENERAL MEETING ON 4 SEPTEMBER 2013

At Balda AG's Extraordinary General Meeting in Berlin on 4 September 2013, new members were elected to the Company's three-person Supervisory Board. With 60.3 % of the share capital present, the shareholders elected Ms. Frauke Vogler, lawyer / tax advisor, Berlin; Dr. Thomas van Aubel, lawyer, Berlin; and Mr. Klaus Rueth, Darmstadt, to the Supervisory Board.

At the subsequent inaugural Supervisory Board meeting, Dr. van Aubel was elected as Chairman of the Supervisory Board. The new Supervisory Board members replaced the court-appointed members Irene Schetelig and Wilfried Niemann. The existing Supervisory Board Chairman Dr. Michael Naschke was voted out of office with the required majority. He had already announced at the beginning of the General Meeting that he was stepping down with immediate effect. The sole agenda item for the Extraordinary General Meeting, which had been convened by shareholder Elector GmbH, was the appointment of new members of the Supervisory Board.

4.3 MANAGEMENT BOARD CHANGES

The Supervisory Board of Balda AG resolved on 5 September 2013 to appoint Dr. Dieter Brenken as a further Management Board member with immediate effect. On 14 October 2013, the Supervisory Board dismissed the CEO, Mr. Dominik Müser, with immediate effect and appointed Mr. Oliver Oechsle as a further member of the Management Board.

E. Risk report

5.1 RISK MANAGEMENT IN THE BALDA GROUP

The Group has an effective, tried-and-tested risk management system which was further refined and optimized in the financial year just ended. The transparent treatment of individual risks enables the Company's exposure to risk to be controlled appropriately.

Like any other commercial enterprise, the Balda Group is exposed to various internal and external risks. Taking advantage of commercial opportunities while controlling the risks associated with them is the main priority for Balda's management. The Group's risk management systematically identifies, assesses and tracks the development of relevant risks. The key elements for the risk management system are the planning processes, controlling, the internal Group regulations and the Group reporting.

As an international company, the Balda Group is exposed to various risk areas. Both actions and failure to act can threaten the Company's business success or its existence as a going concern. There are currently no indications of risks which could threaten the continued existence of the Balda Group, either alone or in conjunction with other risks.

The principles of the Balda Group's risk management are documented in a manual. The Company has appointed risk managers and persons responsible at management level in the Group companies in order to ensure an efficient risk management system. The risks that are assessed qualitatively and quantitatively in the segments' strategies are updated and goals and control measures are agreed in regular business development meetings between the Management Board and the segment's Managing Directors.

Balda carries out regular deviation and trend analyses and project reviews in order to detect operational risks at an early stage. The emphasis here is on continual monitoring of the relevant sales markets and trends and close coordination with customers on future order volumes. If the early warning indicators and evaluated results reveal negative trends, the management of the operating segments and / or the Management Board immediately introduce measures to counteract these. Identifying risks, knowing their progress, controlling them and possibly steering them is a high priority for the Management Board.

The Balda Group's principle of decentralized management is also entrenched in the risk management system with the entities and managers in the Group's segments being actively involved in tracking and assessing relevant risks. As part of the planning, control and reporting process in the Balda Group, monthly reports by segment are presented to the holding company's Management Board. The Management Board promptly forwards information about significant risks to the Supervisory Board. If necessary, discussions take place between the Management Board and the Supervisory Board at an early stage. The reports of the segments are consolidated in the holding company and examined for deviations from the budget and previous assessments. Also included are the outlooks for customers and the trends in the markets relevant for Balda. The probability of risks occurring and the chances of their being influenced by suitable measures are also an aspect of the reporting. After the risks have been assessed, the Management Board is responsible for decisions aimed at reducing and preventing relevant risks.

The Balda Group takes out insurance giving consideration to economic aspects in order to minimize the financial consequences of a possible loss. The Management Board reviews the scope and amount of this insurance regularly.

5.2. RISKS

Risks which are significant for the Group are described in the following chapters. The order does not reflect the probability of occurrence or the extent of the potential loss.

5.2.1 General risks

The Group's realignment for now envisages a substantial increase in consolidated sales through organic growth and additionally through acquisitions to expand the Balda Medical segment. The respective measures, for example the identification of target companies as part of the M&A process, were initiated. A first step was implemented in the 2012 / 2013 financial year with the acquisition of two companies in the USA.

5.2.2. Business environment and industry risks

5.2.2.1 Macroeconomic risks

A negative development in general economic conditions may result in risks for the Balda Group as company operating on an international scale.

In general, the global economy continue to develop at a low level in the 2012 / 2013 financial year. In particular sovereign debt crisis, which remains unresolved and has intensified in some of the major countries of the euro zone, and the slowdown in growth in emerging countries such as China have resulted in a more skeptic outlook on the global economy's growth prospects for 2013 and 2014. If the sovereign debt crisis in Europe intensifies further, resulting in further uncertainty on the capital and financial markets and among businesses and consumers, this might have a negative impact on the global economy and the demand for products produced by the Balda Group.

In the United States, economic growth in the first half of the year was not as strong as expected. The US economic outlook for the second half of 2013 and for 2014 is likewise being viewed with a critical eye on account of weakness in the BRIC states. Only residential construction and private consumption are currently driving the upturn: exports are not bolstering economic growth, and the US government's fiscal policy is also failing to provide a positive boost.

5.2.2.2 Sales risks

Balda constantly monitors economic developments in individual countries and trade flows in order to minimize sales risks. When necessary, the Group reacts by adjusting its production capacity. An adverse economic development might reduce demand from private households and businesses for mobile phones and electronic products and as a result Balda's sales volumes. However, the fact should be taken into account that the Balda Medical segment has long-term agreements with customers and therefore is less susceptible to economic fluctuations than the previous Electronic Products segment.

In the newly organized Balda Technical segment, which comprises non-medical activities acquired along with US-based Balda C. Brewer and Balda HK Plastics, sales risk is reduced by a heterogeneous customer structure and corresponding product diversification. However, changes in the ownership structure can cause changes in the composition of the customer base. This issue is addressed with careful integration planning and intensive customer support. The eyeware business of the Balda Technical segment is heavily dependent on one major customer.

The Balda Group's international reach in various business areas minimizes the Group's risks from regional influences. In addition, the increasingly diversified product and customer structure in both operating segments diminishes sales risk in sub-markets. Also contributing to this development is the continued push for organic growth in the companies with the aim of finding new customers.

5.2.2.3 Exchange rates

Risks arise primarily from changes in the exchange rates between the US dollar and the euro. The Group's sales invoiced in foreign currencies could diminish when converted into euros if the foreign currency weakens. This would result in a fall in sales for the Balda Group.

Rising global inflation due to the increased amount of money in circulation also represents a risk for Balda. Sourcing plastics could become more expensive as a result. If Balda were unable to pass on higher prices to its customers, margins would fall.

Currency risks from operating activities are manageable because sales and procurement are both generally conducted in the relevant local currency.

5.2.2.4 Political risks
Global companies are constantly exposed to risk factors relating to political and economic policy developments. The high sovereign debt of many countries, in particular European countries and the USA, might result in a rise in taxes and as a consequence lower investment and consumer spending. This might have a negative impact on the Balda Group's sales.

Political conflicts and unrest, for example in Afghanistan, the Middle East and the Arab states of North Africa, are likely to result in a rise in the price of oil and other raw materials. They put a strain on stock exchanges across the world, make it more difficult to acquire capital and have a negative impact on consumption.

Furthermore, higher wages, rising incidental wage costs, increasing healthcare costs, higher taxes, as well as restrictive national laws, for example in connection with the environment, could take effect at the Balda Group's production locations. The resulting cost risks would also apply to the Group's competitors, though, provided they produce in the same regions.

5.2.2.5 Market risks
As an international Group, Balda is dependent on the development of the individual sales markets. The Company counters market risks with intensive customer contact and market research, among others. In addition to external measures, Balda reacts to sales risks with a flexible production capacity.

The general market acceptance of those products for which Balda supplies components and assemblies constitutes a key risk. As a supply company, Balda itself has little influence on the success of the products launched in the sales markets such as the medical technology market. The Company is completely reliant on the expertise of its customers here.

5.2.2.6 Competition risks in the industry
Competition in the market served by suppliers and system partners like the Balda Group, whose segments are active in the healthcare as well as the eyeware, electronics and automotive industries, is expected to remain intense in 2013 / 2014.

The resulting risks have an effect not only on the number of orders placed but also on the sales and margins of the Balda Group. The Company is reacting to this trend by positioning itself in technologically more sophisticated niche markets in which profitable prices and sufficient sales volumes can be generated.

5.2.3 Corporate strategy risks

5.2.3.1 Risks of international activities

The collaboration between the Group companies involves risks due to possible divergence of individual interests, different goals and the legal framework. Balda's holding company maintains open and intensive dialogue with its subsidiaries. The Group limits risks relating to its foreign commitments by using international legal advisors and lawyers who specialize in international contract law. An international, interdisciplinary post-merger project was launched when Balda C. Brewer and Balda HK Plastics were acquired to ensure efficiency and collaboration at various levels of these companies.

5.2.3.2 Technology risks

Uncalculated cost increases in production and development could represent a risk. This risk is reduced by being involved at an early stage in customers' development processes. Balda therefore knows its customers' requirements at an early stage. The Group is also cooperating in development with external partners. As a result the Group can better assess technological developments and minimize the resultant risks.

5.2.4 Business risks

5.2.4.1. Customer risks

Balda's success as a supplier depends to a large extent on the market success of its customers' products.

The market success of customers continues to determine order volumes and therefore the number of system units to be produced by Balda. The growing complexity of products and rising customer requirements increase the default risk of major customers. The possible non-acceptance of new end products sold by Balda's customers and the possible loss of market share by these customers can have a direct impact on Balda's order and sales volumes.

In the Balda Medical segment, sales are spread across a comparatively small number of customers. As in the past, the Company aims at reducing this concentration significantly in the next few years by broadening its customer base as part of the growth strategy defined for Balda Medical.

In the 2012 / 2013 financial year, two customers each accounted for over 10 % of the Group's total sales. Basically, the loss of one or more major customers could have a significant impact on the development of the segments and the Balda Group.

5.2.4.2 Supplier and procurement risks

The Group's two operating segments are each responsible for controlling their own supplier and procurement risks. Relevant developments are included in the Group risk report.

5.2.4.3 Capacity utilization risks

The provision of production capacity and qualified staff requires much capital and results in a risk. The Balda Group therefore employs temporary workers in peak periods so that fluctuations in demand can be controlled via the flexible deployment of these employees and risks of lost production can be reduced. Balda also counters this risk by planning as precisely as possible and adjusting capacity in close consultation with the customer, taking into account general market developments.

5.2.4.4 Personnel risks

Committed and competent employees and managers are a key factor for Balda's success. The Balda Group has a constant requirement for international experts and managers with technical and sector-specific know-how. There is a risk that specialist experts and managers in key positions will leave the Company. International managers and highly qualified specialists are in demand across sectors and to some extent across countries. The Balda Group therefore faces increasingly intense competition in the recruitment of suitable personnel. Balda counters this risk with specific personnel policy measures and positions itself as an attractive employer both locally and internationally.

5.2.5 Financial risks

In addition to the comments on the financial risks below, we also refer to the explanatory disclosures in the Notes.

5.2.5.1 Capital market and financing risks

The Balda Group invests the cash that is not required for operational purposes in short-term fixed deposits with terms of less than twelve months. The Group only chooses secure investments that are covered by a deposit protection fund or, in the case of industry bonds, that have a good rating. Negative developments in financial markets may result in a downgrading in the credit rating of issuers. Balda tries to counter this risk by continually monitoring market developments and by making investments with flexible notice periods.

Due to the Balda Group's strong equity base, there are currently no identifiable risks relating to financing and capital procurement.

The risk of a deterioration in the Group's financial position due to fluctuations in the price of the TPK Holding share was eliminated in the 2012 / 2013 financial through the sale of the entire equity investment. There are no other equity investments in listed entities.

5.2.5.2 Foreign currency risks

As a Group with a global presence, the Balda Group is also exposed to currency risks. The holding company and the controlling departments of the regions constantly monitor relevant market developments. The risks are limited by consolidating the payment flows in foreign currencies. If necessary, the Group also concludes forward exchange hedges. These transactions relate to existing incoming or outgoing invoices. In the reporting year, the hedges primarily concerned the US dollar and only occurred in Malaysia. The forward exchange transactions were of minor importance for the Group and did not represent a significant risk.

5.2.5.3 Legal risks

Legal risks may result from the many regulations and laws which concern the Company. In order to prevent possible risks, the decisions and transactions of Balda AG are based on extensive international legal advice.

Two shareholders filed a joint action for annulment and rescission with the Dortmund Regional Court with a writ served to the Company on 25 October 2013 opposing the resolutions adopted by the Extraordinary General Meeting on 4 September 2013 under item 2, "Election of the Supervisory Board". The plaintiffs are requesting a decision that the resolutions adopted at the above-mentioned General Meeting under the aforementioned agenda item 2 – or its individual subitems 2.1 through 2.3 – are null and void or, failing which, be declared null and void. The Company will carefully review the charges made regarding the individual points and submit a statement of defense.

There were no other material legal disputes or litigation risks as of the end of the financial year on 30 June 2013.

5.2.5.4 Risks arising from the holding structure

Balda manages the differences between national legal systems in the Group regions with the help of international legal advisors. Balda employs its own in-house lawyer in Europe to deal with key processes relevant to the Company. External specialists support them if necessary.

5.2.5.5 Liability risks

The Group covers risks relating to product liability or product recall campaigns with insurance.

5.2.5.6 Bad debt risk

The level of outstanding debts is monitored regularly by the respective units. A uniform dunning system has also been installed in the Group's respective units.

Additional risk of potential bad debt losses is taken into account by taking out appropriate insurance.

5.2.6 Other risks

5.2.6.1 Environmental risks

The Balda Group minimizes environmental risks by consistently applying its occupational health and safety and environmental management system. Extensive action is taken on the relevant environmental issues in Balda's development and production processes to ensure that the Company's business is environmentally friendly and complies with statutory environmental regulations.

Balda Medical's environmental management system is DIN EN ISO 14001 certified. As of 30 June 2013, there were no major environmental risks to report.

5.2.6.2 Tax risks

In the 2012 / 2013 financial year, a routine tax audit of the period from 2006 to 2011 was conducted at Balda Investments Singapore Pte. Ltd. in Singapore. This audit has not yet been completed. Risks can arise for the Group from possible subsequent payment of taxes on previous years. Provisions were recognized in individual cases.

Tax risks may arise due to the international integration and structure of the Group with regard to dividend payments, for example. Balda seeks the advice of renowned tax consulting firms in all relevant tax matters in order to minimize tax risks. Where possible, important issues are discussed beforehand with the tax authorities before an audit commences. Nevertheless, the final tax assessment is the responsibility of the respective local tax authorities.

5.2.6.3 IT risks

Technical failures or unauthorized internal and external access to IT systems can create risks. Security systems and firewalls protect the Group's IT systems from being accessed by unauthorized third parties. The compatibility of systems in the Balda Group is ensured by the implementation of standard ERP systems throughout almost the entire Group. The risk of failure is reduced by the server structures being located at different sites. Responsibility for the management of information technology lies almost exclusively with the Group's segments.

5.2.7 Overall risk

Balda has taken sufficient precautions against the usual business risks which might have a negative impact on the development of the Balda Group. As of the end of the reporting year there were no identifiable risks for the Balda Group which might represent a threat to their continued existence as a going concern.

5.3 INTERNAL CONTROL SYSTEM RELEVANT TO THE FINANCIAL REPORTING PROCESS (ICS)

The Group's internal risk and control management systems are designed to ensure a proper financial reporting process. All business transactions are recorded in the accounts in full and in a timely manner in accordance with IFRS standards. The structures and processes are defined to ensure that the financial reporting complies with all of the relevant laws, regulations and standards.

5.3.1 Interaction of systems

The two systems complement each other. On the one hand, flaws in the control system can be detected by identifying new risks. Additional controls can eliminate these shortcomings. On the other hand, monitoring of the control system might result in the conclusion that certain risks require more effective control.

Balda has established a standard process for the Group to monitor the effectiveness of the control system. It defines necessary controls, uniform standards for documentation and ensures regular tests are carried out.

The responsibility for setting up and effectively maintaining appropriate controls for financial reporting lies with the Management Board of Balda AG. The Supervisory Board assesses at the close of every financial year the appropriateness and effectiveness of the control system. For the 2012 / 2013 financial year, the Supervisory Board of Balda AG has conclusively assessed and verified the effectiveness of the internal controls for financial reporting. Every control system is limited though with regard to its effectiveness. No control system is able to eliminate or reveal all incorrect information.

5.3.2 Structures, processes and control

The Group Finance division of Balda AG, together with the Accounting and Controlling departments, manages the Group's accounting processes. Standard guidelines apply throughout the Group for accounting, bookkeeping and controlling.

They are laid out in the Group's Accounting Manual. The Group also has a standard chart of accounts. The Group's Accounting department continually analyses new laws, applicable IFRS accounting standards and other announcements with regard to their relevance for and impact on the consolidated financial statements and the management report. Relevant requirements are included in the guidelines for Group accounting. These rules are communicated promptly to the Group's segments. Together with the Balda AG financial statements calendar which is applicable throughout the Group, they form the basis for the process of preparing the consolidated financial statements.

At Balda, the process of uniform and proper accounting within the Group is supported by supplementary procedures, standardized reporting formats and IT-assisted reporting and consolidation processes. Accounting data that is received or forwarded is constantly checked for completeness and accuracy, for instance by way of random checks.

The reporting in the Group is based on the locally deployed ERP systems. The consolidated financial statements are prepared based on the financial statement information reported by the Group companies. They are based on the transactions posted in the Group companies. The units supply Balda AG's Group Controlling department with clearly defined reports on a monthly basis. The reports are based on a standard chart of accounts. The reports contain pre-programmed plausibility checks. In addition, appropriate processes ensure the Group-wide and standard implementation of reporting requirements.

Besides inquires with the persons responsible for accounting and bookkeeping in the operational units, this involves, in particular, plausibility checks and analyses in the form of period and time series comparisons as well as analyses of individual items in the income statement. The holding company's Controlling department discusses any differences with the responsible unit located in the segments. Local accounting departments are responsible for the proper bookkeeping and accounting of the operational companies. The causes of any validation message or warning are to be corrected by the supplying units before final approval of the financial statement information.

The Group Controlling department aggregates the figures by segment and prepares them for the chief operating decision-maker, i. e. the Management Board. Specifically, these comprise the key performance indicators of sales, gross revenue, EBITDA, EBIT and EBT, investments and headcount. The Management Board provides monthly reports to the Supervisory Board.

Aggregated Group reporting is also conducted on a quarterly basis including the income statement, statement of financial position, investments, segment assets and cash flow.

The employees who are involved in the accounting process of the Balda Group are suitable in terms of professional expertise and undergo regular training. The Group companies in the segments are responsible for compliance with the guidelines and procedures that are applicable across the entire Group and for the proper and timely processing of their accounting processes and systems. The local companies are supported by personnel from the holding company throughout the accounting process.

Internal controls that have been determined in terms of risk considerations are built into the accounting process of the Balda Group. Balda's control system includes both preventive and detection control elements. They comprise a systematic separation of functions and IT-based and manual coordination. Furthermore, Balda's ICS works in accordance with the principle of dual control and with general IT controls. The financial systems used are protected against unauthorized access by appropriate IT measures. An internal access authorization system and constant monitoring of this system ensure that no unauthorized access is possible.

The departments involved in the accounting process are suitably staffed in terms of both quantity and quality. In the event of any shortages, qualified external consultants are used. The principle of dual control is applied in all accounting processes. The clear demarcation of responsibility ensures that business transactions are recorded, processed and documented in accordance with legal regulations, the articles of association and internal guidelines and posted in a timely manner and correctly in the accounts. At the same time it is ensured that assets and liabilities are recognized, reported and measured correctly and that reliable and relevant information is provided in full and in a timely manner.

5.3.3 Deviations from budgets

A key parameter for Controlling is the comparison against budget data. In the event of significant deviations from budget budgets, the Management Board of Balda AG immediately initiates control and steering measures based on trend analyses.

The internal control system for the financial reporting process, the key features of which have been explained above, ensures that business transactions are always recorded, processed and assessed correctly and included in the accounts.

5.3.4 Involvement of the Supervisory Board

The Financial Expert elected by the Supervisory Board is involved in the control system. He monitors the accounting process, the effectiveness of the control system and the internal audit system as well as the audit of financial statements in advance. He is also responsible for the preliminary examination of documents for the consolidated financial statements. Together with the other members of the Supervisory Board he also discusses the consolidated financial statements and the management report with the Management Board and the auditor.

5.3.5 Internal auditing system

The Balda Group's Internal Audit department is responsible as a further element of the control system for compliance with the guidelines, the independent examination of the effectiveness of the control system and for assuring the control system's quality. The Company generally delegates the audit activities to external consultants.

F. Opportunities and anticipated developments

6.1 MACROECONOMIC ENVIRONMENT

The growth outlook for the global economy weakened again in the second half of 2013. In its economic forecast published in July, the International Monetary Fund (IMF) outlined additional economic risks such as a longer-lasting slower pace of growth in the emerging economies. Moreover, negative influences continue to emanate from the European sovereign debt crisis. The IMF emphasized that healthier worldwide economic growth, particularly in the established industrial countries, requires further political reforms such as stimulus for short-term growth and serious measures to curb government debt. On the whole, the IMF projects growth of 2.9 % for 2013 and 3.6 % for 2014.

For the euro zone, the organization predicts a recession that will be more severe than anticipated, With economic output shrinking by 0.4 % in 2013. In the following year, a recovery is expected with growth of 1.0 %.

According to the IMF, economic output in Germany will increase by 0.4 % in the current year and 1.4 % in 2014. In the meanwhile, the German Institute for Economic Research reported further improvement in economic sentiment among German companies in the spring. Employment numbers in Germany continue to rise, although at a slower pace than to date. Significant increases in salaries boosted private consumption.

The IMF expects the US economy to expand by 1.6 % in 2013 and 2.6 % in 2014. Positive influences here include growth in private wealth and the resulting solid consumption figures for private households.

6.2 SECTOR DEVELOPMENT

6.2.1 Balda Medical

The long-term growth prospects of the worldwide healthcare market continue to be viewed as fundamentally positive. The growth drivers for manufacturers of innovative and high-quality products are worldwide trends such as global population growth, improved access to medical care for many people in the emerging economies, increasing self-treatment with medications by patients and rising life expectancies worldwide.

In addition, a hallmark of the healthcare market is its barriers to access for potential competitors due to the strict requirements in the industry. Cooperation with customers is generally of a long-term nature. The market is therefore considered relatively stable and less susceptible to economic volatility than others, which provides healthcare players with good prospects for the long run.

Annual global growth forecasts for the pharmaceutical, diagnostic and medical technology markets in which Balda Medical operates vary between 4 % and 14 %, depending on sector and source.

6.2.2 Balda Technical

The basic growth outlook for the optics, electronics and automotive segments is considered to be positive for the long term. In spite of the demographic development and the growing demand for eyeglasses, the prospects of the eyeware business are deemed positive only to a limited extent on account of cost-cutting measures by customers and stiffer competition for Balda Technical.

The long-term performance of the high-quality electronics segment is driven by rising consumption across the globe. In the emerging economies in particular, demand for innovative electronics products is growing.

The growth perspectives of the automotive market are also considered to be good, with rising demand for automotive products worldwide fueling this development. Due to the high demand in the emerging economies, automakers plan to make substantial additional investments in the coming years.

6.3 STRATEGIC PRIORITIES AND OPPORTUNITIES

6.3.1 Balda Group

The Balda Group follows a medium- to long-term growth and value enhancement strategy based on a careful analysis of the Company's strategic strengths and potential. The main cornerstones of the strategic focus are outlined below:

- The Balda Group disposed of any long-term loss-making businesses in the 2012 / 2013 financial year. The goal is to ensure sustainable profitability with a medium-term increase in the target return on an EBITDA basis.
- Growth in the Group's business volume on a scale that ensures the profitability of operations. The Group is seeking to significantly boost its sales volume in the medium term.
- Sustainable operating profitability is required if Balda AG is to be able to pay dividends without having to draw on the Company's assets.
- Strengthening of the Group's core competencies, particularly with a view to the high-quality processing of injection-molded products and the integration of plastics solutions with electronic components and systems. In principle, this expertise can be applied in different markets.

6.3.2 Balda Medical segment

In the Balda Medical segment Balda is continuing its development focused on the healthcare market. In addition to organic growth, this division relies especially on targeted acquisitions to

- make the business more international in order to meet customers' requirements and expectations and to position itself as a global first choice system supplier with recognized expertise in the field of plastics solutions for the medical technology industry and other healthcare markets;
- generate cross-selling effects through the broader international presence, i. e. for example in Europe to also work for American customers who up to now received their products exclusively from US suppliers, and vice versa;
- expand the division's portfolio of technology services and real net output ratio and facilitate technology transfer between the segments and sites;
- further broaden the customer base, thus improving the internal spread of risks in the segment and in the Balda Group as a whole.

Organic growth is encouraged by continuously bringing the internal structures into line with the new market requirements.

Its acquisition of the two US-based plastics specialists Balda C. Brewer and Balda HK Plastics has made Balda the largest provider of injection-molded plastics on the West Coast of the United States, which gives it a major presence in the world's most important medical devices market. Once the two American companies have been integrated into the Group, Balda will concentrate on expanding and enhancing the efficiency of the individual sites. The possibility of technology transfers between the sites in Germany and California will also be reviewed.

The internal optimization of the segment will concentrate on stepping up and expanding Balda Medical's sales activities. Continuing the "Fit for Sales" initiative is aimed at securing access to larger numbers of new customers and increasing the segment's sales presence and effectiveness in the market.

Establishing production structures in Eastern European countries, where costs are lower, is a key prerequisite for the acquisition and implementation of projects that require substantial manpower and manual effort, especially for assembly – projects that cannot be profitably executed at the Bad Oeynhausen site as automation is either not possible or not feasible to implement. The medium-term goal of optimizing the production mix at various sites with corresponding technology and cost structures is important for Balda Medical's target positioning as a global first choice system supplier so that it will be listed at the most important healthcare companies as a strategic supplier.

6.3.3 Balda Technical segment

The Balda Technical segment was formed from the two US-based plastics specialists acquired at the end of 2012, Balda C. Brewer and Balda HK Plastics, and from what used to be the Electronic Products segment. It focuses on the eyeware, electronics and automotive industries. Its objective is to offer customers plastics solutions that meet particularly high expectations, such as in relation to precision, durability, design or feel.

Balda Technical is pursuing the goal of positioning itself in global markets for premium products. This requires the segment to make its activities much more international, as Balda Technical is currently active in the US market only. Resolution of complex tasks individually specified by customers while ensuring consistently high quality is particularly important. One of the segment's major competitive advantages is its ability to offer end-to-end processes ranging from development to injection molding, surface treatment and assembly without having to draw on the services of other suppliers.

Balda Technical's portfolio of premium products also requires the segment to be able to offer customers technological innovations and consequently add value in a broad spectrum of applications on the basis of expertise and experience in plastics processing. For this purpose, Balda Technical will expand its portfolio of technology services through technology transfer from the Balda Medical segment, among other things, thereby extending its skills base in relation to surface treatment or product design, for instance. The segment recently acquired the technological prerequisites to inject decorative elements into plastic surfaces, thus fulfilling special requirements of the design and feel of the products.

Another aspect is the transfer of the automation level of the Balda Medical segment in Germany to Balda Technical's US sites, which is aimed at enhancing the sites and optimizing processes.

Further expansion of the customer base will help to improve the internal spread of risks. Of particularly importance in this connection is the development of patentable products and new production technologies. This gives the segment the potential to intensify relationships with existing customers, gain new customers and lay the foundations for further improving its profit margin.

Linked to this is Balda Technical's development from a simple product supplier into a sales- and marketing-oriented organization with a strong culture of innovation.

6.4 EXPECTED ECONOMIC DEVELOPMENT

6.4.1 Balda Medical segment

For the 2013 / 2014 financial year, Balda Medical aims to generate higher sales than in the 2012 / 2013 financial year as well as a segment profit. The first-time consolidation of the two US-based companies Balda C. Brewer and Balda HK Plastics will have a positive effect over a full financial year. In the 2012 / 2013 financial year, these two companies had been consolidated for just six months.

Balda Medical is working on generating cross-selling effects in its business and has reaped initial rewards. In the 2013 / 2014 financial year, the segment has already received inquiries from Balda customers in Europe for which production will take place in the United States. Balda Medical has also attracted another international customer with headquarters in Germany. Balda will manufacture cuvettes for this prominent manufacturer of medical technology equipment.

The introduction of a new enterprise resource planning (ERP) system will help to enhance efficiency at the German site. This system will serve to increase transparency in production in addition to selective resource management, enabling optimization measures for the business processes to be derived.

6.4.2 Balda Technical segment

The emphasis in the Balda Technical segment in the 2013 / 2014 financial year will be on the segment's strategic positioning in markets for premium products.

Here, Balda Technical will benefit from a technology transfer from Germany to the United States. Recently, an innovative manufacturing technology was rolled out with which the surface decoration is directly integrated into the production process so that a high-quality feel can be created for the product in question. Similar to Balda Medical, the segment is also working on generating cross-selling effects and thus manufacturing for European customers in the United States as well. In addition, Balda Technical has significantly expanded its cooperation with a US-based audio specialist from the premium segment, which is expected to have a positive effect on future business development.

6.4.3 Balda Group

Thanks to the structural measures implemented in the 2012 / 2013 financial year, the operational advances and the sizable cash flows from the sale of all the shares in TPK Holding, the Balda Group has an excellent basis for continuing its international growth trajectory.

The general economic conditions, particularly the effects of the still unresolved sovereign debt crisis in the euro zone and the slower pace of growth in major emerging industrialized countries, have worsened and continue to sound a note of caution in both the short and the medium term. Whether the expected slowdown in the global economy will have a negative effect on the performance of Balda's customers and therefore also put a damper on demand for the segments' products remains to be seen. Nevertheless, both the Balda Medical and the Balda Technical segments still have good long-term prospects.

Assuming that macroeconomic conditions do not deteriorate significantly and barring any other unforeseeable adverse effects that have a material impact on the Balda Group, the Management Board aims to achieve, based on the current portfolio, i. e. without further acquisitions,

- consolidated sales of EUR 70 to EUR 80 million and
- a single-digit EBITDA margin (based on sales) in the 2013 / 2014 financial year.

Consolidated earnings before and after taxes are also expected to be positive on the basis of positive EBITDA.

Based on the existing portfolio, assuming the Company develops as planned, the Management Board anticipates a further increase in consolidated sales and earnings for the following financial year, 2014 / 2015.

Bad Oeynhausen, 3 December 2013

The Management Board

Dr. Dieter Brenken
Member of the Management Board (CFO)

Oliver Oechsle
Member of the Management Board (COO)

05.

Consolidated financial statements

Consolidated income statement

OF BALDA AG FOR THE PERIOD FROM 01.07.2012 – 30.06.2013 (PREVIOUS YEAR: 01.01.2012 – 30.06.2012)

IN EUR THOUSAND	CONSOLIDATED NOTES II.	01.07.2012 – 30.06.2013	01.01.2012 – 30.06.2012
Sales revenues	6.a.	59,906	11,729
Changes in inventories of finished goods and work in progress	6.b.	– 2,852	2,022
Gross revenue		57,054	13,751
Other operating income	6.c.	9,702	3,263
Cost of materials	6.d.	23,829	7,279
		41.8 % [1]	52.9 % [1]
Staff costs	6.e.	21,207	6,351
a) Wages and salaries including social security costs		16,458	5,742
b) Expenses for temporary employees		4,749	609
		37.2 % [1]	46.2 % [1]
Depreciation, amortization and impairment losses	6.f.	15,223	1,061
Other operating expenses	6.g.	16,859	6,251
Profit / loss from operations [2]		**– 10,362**	**– 3,928**
Net interest income / expense	6.h.	2,386	551
Other finance income (net)	6.i.	9,753	4,586
Net gain / loss from the sale of TPK shares	6.j.	16,883	274,349
Impairment of loan receivable	6.k.	0	– 10,577
Earnings before taxes		**18,660**	**264,981**
Taxes on income	6.l.	– 2,131	4,006
Net profit / loss from continuing operations	**6.m.**	**20,791**	**260,975**
Net profit / loss from discontinued operations	6.n.	– 7,311	– 10,250
Comprehensive income, Group	**6.o.**	**13,480**	**250,725**
Comprehensive income, Group, attributable to:	**6.p.**		
Shareholders of Balda AG		13,480	250,725
of which from continuing operations		20,791	260,975
of which from discontinued operations		– 7,311	– 10,250
Non-controlling interests		0	0
of which from continuing operations		0	0
of which from discontinued operations		0	0
Earnings per share:	**6.q.**		
Number of shares, basic (in thousands)		58,891	58,891
Earnings per share (EUR) – basic		0.229	4.257
Number of shares, diluted (in thousands)		58,891	58,891
Earnings per share (EUR) – diluted		0.229	4.257

1 Based on gross revenue

2 Profit / loss from operations before extraordinary items 382 – 3,618

Consolidated statement of comprehensive income

OF BALDA AG FOR THE PERIOD FROM 01.07.2012 – 30.06.2013 (PREVIOUS YEAR: 01.01.2012 – 30.06.2012)

IN EUR THOUSAND	2012 / 2013	2012
1. Comprehensive income, Group	13,480	250,725
2. Other comprehensive income	– 11,614	– 186,740
2.1 Currency translation difference		
2.1.1 Items that were reclassified to profit or loss	– 2,824	– 3,584
2.1.2 Items that will be reclassified to profit or loss	– 8,109	10,196
2.2 Change in fair value of available-for-sale financial assets		
2.2.1 Items recognized directly in other comprehensive income	16,567	80,218
Income taxes applicable thereon	0	2,271
2.2.2 Items that were reclassified to profit or loss	–17,248	– 275,841
3. Comprehensive income for the period	1,866	63,985
Comprehensive income for the period attributable to:		
Shareholders of Balda AG	1,866	63,985
Non-controlling interests	0	0

Further disclosures on the consolidated statement of comprehensive income can be found in the consolidated notes under 5.l. “Equity, Group” and 6.p. “Earnings per share – basic and diluted”

Consolidated statement of changes in equity

FOR THE 2012 AND 2012 / 2013 FINANCIAL YEARS

IN EUR THOUSAND	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	ADJUSTMENT ITEM FOR THE FAIR VALUE MEASURE-MENT OF AFS INSTRUMENTS	CURRENCY TRANSLATION RESERVE	NET RETAINED PROFITS	EQUITY OF SHAREHOLDERS OF BALDA AG
Balance on 01.01.2012	58,891	34,555	1,881	194,033	7,694	165,970	463,024
Net profit / loss for the year	—	—	—	—	—	250,725	250,725
Other comprehensive income	—	—	—	–193,352	6,612	—	– 186,740
Total comprehensive income	0	0	0	–193,352	6,612	250,725	63,985
Distribution to shareholders	—	—	—	—	—	– 76,558	– 76,558
Balance on 30.06.2012	58,891	34,555	1,881	681	14,306	340,137	450,451
Balance on 01.07.2012	58,891	34,555	1,881	681	14,306	340,137	450,451
Net profit / loss for the year	—	—	—	—	—	13,480	13,480
Other comprehensive income	—	—	—	– 681	–10,933	—	–11,614
Total comprehensive income	0	0	0	– 681	–10,933	13,480	1,866
Distribution to shareholders	—	—	—	—	—	– 117,781	–117,781
Balance on 30.06.2013	58,891	34,555	1,881	0	3,373	235,836	334,536

Further disclosures can be found in the consolidated notes under 5.l. “Equity, Group”

Consolidated statement of financial position

OF BALDA AG AS OF 30.06.2013

ASSETS			CONSOLIDATED NOTES II.	30.06.2013 EUR THOUSAND	30.06.2012 EUR THOUSAND
A.	**Non-current assets**				
	I.	Property, plant and equipment	5. a.	20,992	23,427
		1. Land and buildings		10,206	14,517
		2. Machinery and equipment		9,396	7,125
		3. Fixtures, furniture and office equipment		1,390	1,735
		4. Advance payments and construction in progress		0	50
	II.	Goodwill	5. b.	14,710	2
	III.	Intangible assets	5. c.	9,579	372
	IV.	Financial assets	5. d.	5,191	0
		1. Loans		5,191	0
	V.	Deferred taxes	5. e.	4,423	3,947
	Non-current assets			**54,895**	**27,748**
B.	**Current assets**				
	I.	Inventories	5. f.	10,402	13,426
		1. Raw materials and supplies		3,181	3,375
		2. Work in progress and finished goods and merchandise		6,942	7,310
		3. Advance payments made		279	2,741
	II.	Trade receivables	5. g.	10,222	6,495
	III.	Other current assets	5. h.	215,134	389,479
	IV.	Current tax assets	5. i.	863	572
	V.	Cash	5. j.	68,153	17,776
	VI.	Non-current assets held for sale	5. k.	0	17,895
	Current assets			**304,774**	**445,643**
Total assets				**359,669**	**473,391**

OF BALDA AG AS OF 30.06.2013

EQUITY AND LIABILITIES			CONSOLIDATED NOTES II.	30.06.2013 EUR THOUSAND	30.06.2012 EUR THOUSAND
A.	**Equity**				
	I.	Subscribed capital		58,891	58,891
	II.	Reserves		39,809	51,423
	III.	Net retained profits		235,836	340,137
		1. Comprehensive income, Group		13,480	250,725
		2. Retained profits brought forward		222,356	89,412
	Equity, Group		**5. l.**	**334,536**	**450,451**
B.	**Non-current liabilities**				
	I.	Bank loans	5. m.	763	0
	II.	Non-current finance lease liabilities	5. n.	0	137
	III.	Deferred taxes	5. o.	6,046	2,345
	IV.	Non-current provisions	5. p.	128	98
	Non-current liabilities			**6,937**	**2,580**
C.	**Current liabilities**				
	I.	Trade payables	5. q.	6,283	7,323
	II.	Other current financial / non-financial liabilities	5. r.	4,873	2,862
	III.	Advance payments received	5. s.	3,119	6,749
	IV.	Short-term bank borrowings and short-term loans	5. t.	968	137
	V.	Current portion of finance lease liabilities	5. u.	0	14
	VI.	Income tax liabilities	5. v.	2,843	2,654
	VII.	Current provisions	5. w.	110	621
	Current liabilities			**18,196**	**20,360**
Total equity and liabilities				**359,669**	**473,391**

Consolidated statement of cash flows

OF BALDA AG FOR THE PERIOD FROM 01.07.2012 – 30.06.2013 (PREVIOUS YEAR: 01.01.2012 – 30.06.2012)

	IN EUR THOUSAND	CONSOLIDATED NOTES II.	2012 / 2013	2012
	Net loss / income before income tax and net finance income – continuing operations		– 10,362	– 14,748
	Net loss / income before income tax and net finance income – discontinued operations		– 967	0
+	Interest received		1,173	521
–	Interest paid		– 68	– 40
+ / –	Income taxes received / paid		– 281	– 440
+ / –	Depreciation, amortization and write-downs of non-current assets / reversals of write-downs of non-current assets (excluding deferred taxes) and impairment		16,193	10,803
+ / –	Other non-cash expenses / income		– 4,439	– 2,637
+ / –	Increase / decrease in tax assets and tax liabilities		– 895	363
+ / –	Increase / decrease in provisions		– 334	36
+ / –	Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		6,517	1,324
+ / –	Increase / decrease in liabilities and other liabilities not attributable to investing or financing activities		– 5,140	– 361
=	**Cash flow from operating activities**	**4. a.**	**1,397**	**– 5,179**
	of which discontinued operations		124	– 1,618
	Cash flow from investing activities			
–	Cash payments for property, plant and equipment and intangible assets		– 4,191	– 1,259
+	Cash receipts from the sale of property, plant and equipment and intangible assets		15	66
+	Cash receipts from payment of loans		4,500	0
–	Payments of loans		0	– 3,268
–	Cash payment for purchase of shares in Group companies		– 37,564	0
+	Cash receipts from the sale of TPK shares		242,939	237,100
–	Cash receipts from the sale of BSM		– 5,849	0
+	Cash receipts from distributions, TPK		9,333	0
–	Cash payments to acquire borrower’s note loans		– 41,659	– 168,000
=	**Cash flow from investing activities**	**4. b.**	**167,524**	**64,639**
	of which discontinued operations		– 217	– 45

OF BALDA AG FOR THE PERIOD FROM 01.07.2012 – 30.06.2013 (PREVIOUS YEAR: 01.01.2012 – 30.06.2012)

	IN EUR THOUSAND	CONSOLIDATED NOTES II.	2012 / 2013	2012
	Cash flow from financing activities			
+	Cash receipts from bank borrowings		44	0
–	Cash repayments of bank borrowings		0	– 302
–	Dividend payments		– 117,781	– 76,558
–	Cash payments for finance lease liabilities		– 74	– 87
=	**Cash flow from financing activities**	**4. c.**	**– 117,811**	**– 76,947**
	of which discontinued operations		22	– 360
	Net change in cash and cash equivalents		51,110	– 17,487
+	**Cash and cash equivalents at the beginning of the financial year (previous year: including discontinued operations)**		**17,776**	**35,895**
+ / –	Effects of changes in foreign exchange rates on cash held in foreign currencies		– 733	– 632
=	**Cash and cash equivalents at the end of the financial year**	**4. d.**	**68,153**	**17,776**
	Cash and cash equivalents at the end of the financial year – discontinued operations		0	6,921
	Cash and cash equivalents at the end of the financial year – continuing operations		**68,153**	**10,855**
	Change in cash and cash equivalents from changes in the basis of consolidation		– 6,324	0
	Composition of cash and cash equivalents at the end of the financial year			
	Cash		**68,153**	**10,855**

Notes

TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BALDA AG, BAD OEYNHAUSEN, FOR THE FINANCIAL YEAR FROM 1 JULY 2012 TO 30 JUNE 2013

I. General information

1. GENERAL INFORMATION ABOUT BALDA

Balda Aktiengesellschaft (hereinafter also referred to as Balda AG or Balda) has its registered office in Bergkirchener Strasse 228, 32549 Bad Oeynhausen, Germany.

Balda is a provider of premium-quality, sophisticated plastics solutions for the medical technology sector, and the optics, electronics and automotive industries. The Company provides superior engineering services, products of the highest quality as well as a fast, flexible and tailored service for its customers.

The Group's Balda Medical and Balda Technical operating divisions are active internationally; the Group has four plants in California / USA, and maintains production facilities at its headquarters in Bad Oeynhausen / Germany. Balda's customers are leading companies in the ophthalmic eyeware, consumer electronics, electronic communications, pharmaceutical and medical technology markets.

These consolidated financial statements were approved for publication by the Management Board on 5 December 2013.

2. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF BALDA AG

These consolidated financial statements of Balda AG as of 30 June 2013 were prepared in accordance with Section 315a of the German Commercial Code (HGB) and in compliance with the provisions of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, as applicable in the European Union and in force on the reporting date, as well as the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC).

The consolidated financial statements have been prepared in euros. Unless indicated otherwise, all of the figures shown are in thousands of euros (EUR thousand). This may give rise to rounding differences. As a rule, the separate financial statements of the consolidated companies have the same reporting date as the consolidated financial statements.

The consolidated financial statements were prepared as of the reporting date 30 June 2013.

In the previous year, a short financial year had been formed for the period from 1 January to 30 June 2012 because the financial year of Balda AG was changed to the period beginning on 1 July of a given year and ending on 30 June of the following year. The disclosures contained in the consolidated financial statements as of 30 June 2013 that concern the reporting period are therefore comparable with the disclosures for the short financial year from 1 January to 30 June 2012 only to a limited extent.

The following subsidiary did not change its financial year, which means that its financial year still ends on 31 December:

- Balda Solutions USA, Inc., Morrisville / USA

The above company prepared interim financial statements as of 30 June 2013.

In accordance with IAS 1, Balda prepared its consolidated statement of financial position using a current / non-current classification. All assets and liabilities due in more than one year are classified as non-current.

The Group prepares a separate income statement using the nature of expense method as well as a statement of comprehensive income.

The financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies that comply with IFRSs as adopted by the EU.

The significant accounting policies used in the preparation of these consolidated financial statements are presented below. Unless otherwise specified, the accounting policies described were consistently applied to the reporting periods presented. The most important measurement base for the financial statements is amortized / depreciated cost. Some financial instruments are measured at fair value.

3. DISCLOSURES RELATING TO CONSOLIDATION

3. a. Basis of consolidation

The consolidated financial statements include the financial statements of Balda AG and the companies it controls as of 30 June (its subsidiaries). Control exists if Balda AG has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In addition to Balda AG, four domestic (previous year: five) and eight foreign (previous year: six) subsidiaries were included in full in the consolidated financial statements as of 30 June 2013.

	2013	2012
Basis of consolidation as of 30 June	12	11
domestic entities (excluding Balda AG)	4	5
foreign entities	8	6

In the 2012 / 2013 financial year, the basis of consolidation changed as follows:

In December 2012, the Group established a new intermediate holding company, Balda Investments USA LLC, Delaware, USA. To strategically expand the Balda Medical segment, 100 % of the shares in Charles Brewer E.D.M. Inc., Anaheim, California, USA, were acquired effective 28 December 2012 and 100 % of the shares in HK Plastics Engineering Inc., Oceanside, California, USA, were acquired effective 31 December 2012. The companies were renamed Balda C. Brewer E.D.M. Inc (BCB) and Balda HK Plastics Engineering Inc. (BHK) with effect from 1 May 2013.

The sales mentioned above and further sales of smaller companies as of the time of sale had the following effect on the Group's assets and liabilities:

IN EUR THOUSAND	BCB	BHK	TOTAL
Payments made	29,134	8,955	**38,089**
Contingent consideration	3,784	0	**3,784**
Other adjustment amounts	– 430	– 25	**– 455**
Total purchase price	**32,488**	**8,930**	**41,418**
Cash	453	71	**524**
Property, plant and equipment	5,920	2,609	**8,529**
Brand names, customer lists, other intangible assets	7,696	2,293	**9,989**
Inventories	4,242	968	**5,210**
Trade receivables and other receivables	5,162	1,132	**6,294**
Deferred tax assets	0	47	**47**
Non-current liabilities	891	0	**891**
Trade payables and other payables	2,864	658	**3,522**
Current liabilities to banks	659	0	**659**
Deferred tax liabilities	4,976	1,770	**6,746**
Net assets acquired	**14,083**	**4,692**	**18,775**
Goodwill	18,404	4,239	**22,643**

Acquisition-related costs of EUR 1,442 thousand were reported under other operating expenses in the income statement for the 2012 / 2013 financial year.

An earn-out clause was agreed as contingent consideration in the sales contract making an additional purchase price payment dependent on the earnings of BCB in the 2013 calendar year. The value of the contingent consideration is therefore only an estimate at the date of acquisition and will change depending on the earnings performance of the company and exchange rate effects. As of the 30 June 2013 reporting date, the amount of the contingent consideration was reduced through profit or loss by EUR 3,332 thousand to EUR 536 thousand.

The other adjustment amounts of EUR 25 thousand had been paid as of the 30 June 2013 reporting date.

In connection with the purchase price allocation for the newly acquired US entities, capitalizable assets were identified primarily for customer relationships and company names. They are shown under intangible assets.

The surplus price related principally to the expected synergy effects with the existing Balda Medical and Balda Technical (formerly: Electronic Products) segments in addition to employee expertise.

Since 28 December 2012, Balda C. Brewer Inc., Anaheim, California, USA, has contributed sales revenues of EUR 18,650 thousand to the consolidated sales revenues reported in the consolidated income statement. Its share of profit for the same period without impairment losses was EUR 725 thousand (EBT).

Since 31 December 2012, Balda HK Plastics, Oceanside, California, USA, has contributed sales revenues of EUR 5,217 thousand to the consolidated sales revenues reported in the consolidated income statement. Its share of profit for the same period without impairment losses was EUR 193 thousand (EBT).

Had the two companies already been consolidated as of 1 July 2012, sales revenues of EUR 83,096 thousand would have been reported in the consolidated income statement.

As of 11 April 2013, the Balda Group acquired Widesphere Sdn. Bhd., Kuala Lumpur, Malaysia. This company did not engage in any commercial activity in the 2012 / 2013 financial year. There are plans for it to manage the land and building of the disposed entity Balda Solutions Malaysia in the future.

Balda Solutions Malaysia (BSM) was sold effective 26 April 2013 by way of a management buy-out, the sale generating a loss of EUR 6,190 thousand based on a sale price of EUR 1.00. Earnings from operating activities up until the date of the deconsolidation of BSM and the loss on the sale were reported in the income statement under the net profit / loss from discontinued operations.

On the basis of a resolution on payment (non-cash dividend), the land and factory building in Ipoh will be transferred to the Balda Group and subsequently rented to BSM. The transfer of these assets from BSM to the Balda subsidiary Widesphere as required by law had not yet taken place by the 30 June 2013 reporting date. The Group reported a receivable of EUR 6,441 thousand at the reporting date.

When it signed the lease, BSM received an option to acquire these valuable assets at the end of 2016 at a fixed price, taking into account the rental payments made until then.

The disposal of the following assets and liabilities of the company sold led to a deconsolidation loss as follows:

IN EUR THOUSAND	BASIS OF CONSOLIDATION DISPOSALS FROM SALES
Current assets	11,078
Non-current assets	8,326
Current liabilities	10,668
Non-current liabilities	234
Net assets	**8,502**
Total sale proceeds (EUR 1.00)	0
Expenses in connection with the sale	– 969
Loss on disposal incl. costs to sell	**– 9,471**
Currency translation reserve	3,281
Deconsolidation loss	**– 6,190**

Current liabilities include dividend obligations of EUR 7,878 thousand. The cash dividend of EUR 1,000 thousand included in this figure was paid out in May 2013. The non-cash dividend of EUR 6,878 thousand was paid when the property was transferred to the wholly owned Balda subsidiary Widesphere on 26 August 2013.

The expenses incurred in connection with the disposal mainly relate to a write-down of the dividend receivable, various lawyer's fees and costs for the transfer of the property in connection with the non-cash dividend.

Balda Vermögensverwaltungsgesellschaft mbH, Bad Oeynhausen, was merged into Balda Medical GmbH, Bad Oeynhausen, with effect from 25 July 2012.

Balda Investments Mauritius Ltd., Port Louis, Mauritius, was liquidated effective 8 April 2013. The liquidation gave rise to a loss of EUR 457 thousand stemming from the release of currency reserves.

3. b. Consolidation methods

The acquisition method is used for acquisition accounting. On the acquisition of a company, the assets and liabilities of the corresponding subsidiaries are measured at their fair values at the date of purchase. Where the acquisition costs exceed the fair value of the proportionate share of the assets and liabilities acquired, the Group recognizes the difference as goodwill.

The income and expenses of the subsidiaries sold in the course of a financial year are correspondingly included in the consolidated income statement up until the date of the loss of control.

Receivables and corresponding liabilities between the Group companies are set off against each other.

Sales revenues from intercompany deliveries and services and other intercompany income are set off against the corresponding expenses. Intercompany profits or losses from intercompany deliveries and services are eliminated.

The Balda Group held no shares in associated companies in either the 2012 / 2013 financial year or the 2012 short financial year.

3. c. Currency translation

All foreign operations of the Balda Group run the financial, economic and organizational aspects of their business independently. The Group companies prepare the financial statements that are included in the consolidated accounts in their respective functional currency, which is the national currency, with the exception of the companies in Singapore and Mauritius (where the functional currency is USD).

In the consolidation process, the assets and liabilities of the Group's foreign operations are translated from the functional currency into euros at the closing rate. Income and expense items are translated at the average rate for the period. Equity items of the foreign subsidiaries are translated at historical exchange rates. The Group recognizes the differences compared with the closing rate in other comprehensive income in the statement of comprehensive income or presents them as a separate component of equity in the currency translation reserve. The differences recorded in this reserve are reclassified to the income statement on the disposal of the subsidiary.

The Group recognizes goodwill arising on the acquisition of foreign operations as assets of the economically independent subsidiary and translates them at the closing rate (IAS 21.47). The resulting exchange differences are recognized in the currency translation reserve.

Foreign currency transactions are translated using the exchange rate at the date of the transaction.

The exchange rates taken as basis for the currency translation related to EUR 1.00 developed as follows:

		MIDDLE SPOT RATE AT THE REPORTING DATE		AVERAGE RATE FOR THE YEAR	
			30 JUNE		FINANCIAL YEAR
CURRENCIES	ISO CODE	2013	2012	2012 / 2013	2012
US dollar	USD	1.3007	1.2577	1.2925	1.2970
Chinese renminbi	CNY	n. a.	7.9365	n. a.	8.1753
Malaysian ringgit	MYR	4.1051	4.0145	3.9667	3.9935

II. Disclosures relating to the consolidated financial statements of Balda AG

1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The amended standards that are effective for the first time in the 2012 / 2013 financial year are listed below. All standards and interpretations that were in force at the reporting date and were effective for the 2012 / 2013 financial year were applied in the consolidated statements provided these had been endorsed by the EU.

STANDARD OR INTERPRETATION	TITLE (EFFECTIVE DATE)
IAS 1	Presentation of Financial Statements

The initial application of this revised standard does not have a material effect on the consolidated financial statements of Balda AG. The presentation of other comprehensive income was amended in the statement of comprehensive income in line with the change in this standard.

Standards that according to the IASB would be effective for the first time in the 2012 / 2013 financial year but whose date of initial application in the EU is not until later financial years and are therefore not yet applicable in these consolidated financial statements:

STANDARD OR INTERPRETATION	TITLE (EFFECTIVE DATE)
IAS 12	Income Taxes: Amendment in relation to exceptions to the basic principles of IAS 12 for investment properties held as financial investments under the fair value model in accordance with IAS 40 (1 July 2013)

The application of these standards will not have any effect on the consolidated financial statements of Balda AG.

New and amended standards as well as recently published interpretations that are not yet effective though earlier application is permitted, which are not yet applied by the Company:

STANDARD OR INTERPRETATION	TITLE (EFFECTIVE DATE)
IFRS 1	Amendments to IFRS 1: Government Grants (1 January 2013)
IFRS 7	Amendments to IFRS 7: Disclosures about Offsetting Financial Assets and Financial Liabilities (1 January 2013)
IAS 32	Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (1 January 2014)
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets (1 January 2015) Financial Instruments: Additions for Financial Liability Accounting (1 January 2015)
IFRS 10	Consolidated Financial Statements (1 January 2013)
IFRS 11	Joint Arrangements (1 January 2013)
IFRS 12	Disclosure of Interests in other Entities (1 January 2013)
IFRS 13	Determination of Fair Value (1 January 2013)
IAS 1	Presentation of Financial Statements: Changes to the Presentation of Other Comprehensive Income (1 July 2012)
IAS 19	Employee Benefits: Amendments for the elimination of the corridor method, new format for the presentation of benefit-specific liabilities and new disclosures (1 January 2013)
IAS 27	Separate Financial Statements: As a consequence of the issue of IFRS 10, IAS 27 was amended and now comprises only the existing guidance for separate financial statements (1 January 2014)
IAS 28	Investments in Associates and Joint Ventures was amended accordingly following the issue of IFRS 10 and IFRS 11 (1 January 2014)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (1 January 2013)
Various	Annual Improvement Project (AIP) from May 2012 (1 January 2013)
IFRS 10, 11, 12	Transitional provisions (1 January 2013)

Apart from changes to the disclosure and presentation requirements, the initial application of these amended standards and interpretations will probably not have a material effect on the consolidated financial statements of Balda AG.

2. ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are described in the following sections.

Use of estimates and discretionary decisions

All ***estimates and discretionary decisions*** are continuously reassessed and are based on historical experience and other factors, including expectations regarding future events that appear reasonable under given circumstances. The most important forward-looking statements, as well as the main sources of uncertainty regarding estimates that could create a significant risk requiring a material adjustment to the reported assets and liabilities within the next financial year are shown below in the relevant passages of the notes.

These mainly pertain to ***goodwill***. To determine impairment, it is necessary to calculate the value in use of the cash-generating unit to which the goodwill is allocated. The calculation of the value in use requires an estimate of the future cash flows from the cash-generating unit and an appropriate discount rate for the present value calculation. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.b. "Goodwill".

The measurement of ***items of property, plant and equipment and intangible assets*** requires estimates of the expected useful lives of the assets. Balda reviews the estimated useful lives at the end of each financial year and adjusts them as necessary. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.a. "Property, plant and equipment" as well as under II.5.c. "Intangible assets".

Inventories are measured at the lower of cost and net realizable value, i. e. the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.f. "Inventories".

The maturity structure of the balance of receivables and customers' credit standing as well as changes in payment terms are taken into account for the ***allowance for doubtful accounts***. The extent of the actual derecognitions may exceed the extent of the expected derecognitions if the customers' financial position deteriorates. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.g. "Trade receivables".

Assessments must be made for the calculation of ***current and deferred taxes***. Deferred tax assets are recognized to the extent that it is probable that they can be utilized. A variety of factors such as past financial performance and tax planning must be taken into account in assessing the probability that particularly deferred tax assets on loss carryforwards can be utilized in the future. If the actual results deviate from these estimates, this could have adverse effects on Balda's financial position, cash flows or financial performance. We refer to our general explanations below and to the details on the calculation and the carrying amounts under II.5.e. and II.5.o. "Deferred taxes".

Areas in which discretionary decisions with significance for the consolidated financial statements are made are primarily the classification of financial assets and financial liabilities in accordance with IAS 39 as well as the classification as non-current assets held for sale in accordance with IFRS 5.

The ***accounting policies*** were uniformly applied in the Group and are the same as in the previous year.

Financial instruments
The financial instruments reported in the statement of financial position (financial assets and financial liabilities) as defined in IAS 32 and IAS 39 include cash, trade receivables and trade payables, loans, non-current and current borrowings, as well as other specific receivables and payables based on contractual arrangements.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The ***amortized cost*** of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Financial assets and financial liabilities are divided into the following categories:

- Financial assets and financial liabilities at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets; and
- financial liabilities at amortized cost.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets upon initial recognition and reviews the classification at each reporting date. An assessment is made at each reporting date as to whether there are objective indicators that a financial asset or a group of financial assets has been impaired.

At the end of the reporting year, the Group holds financial instruments from the loans and receivables (LaR), available-for-sale financial assets (AfS), financial liabilities at amortized cost (FLAC) and financial assets and financial liabilities (FAHfT / FLHfT) categories.

Financial instruments are recognized in the statement of financial position if the Company is party to a contract associated with the financial instrument. The instruments are always recognized at the trading date. The Group only derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset as well as substantially all the risks and rewards incidental to ownership of the asset to a third party. The Group derecognizes financial liabilities when the obligations specified in the contract have been settled, canceled or have expired.

These financial assets or financial liabilities are initially recognized at fair value plus transaction costs. This does not include financial assets designated as at fair value through profit or loss, which are recognized at fair value minus transaction costs. At subsequent reporting dates, measurement varies for the different categories of financial assets or financial liabilities and is described in detail under the accounting policies for each item in the statement of financial position.

Loans and receivables (LaR) and other financial liabilities (excluding derivatives and liabilities designated as at fair value through profit or loss) are generally measured at amortized cost. All other primary and derivative financial instruments are measured at fair value. Gains or losses are recognized in net profit or loss for the period or in other comprehensive income (AfS).

Primary and derivative financial instruments are measured using the fair value hierarchy, which has the following three levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities.

Level 2 – Valuation techniques based on observable inputs derived from quoted prices for assets and liabilities, either directly (i. e. as prices) or indirectly (i. e. derived from prices).

Level 3 – Valuation techniques using inputs for the measurement of assets or liabilities that are not based on observable market data (unobservable inputs, assumptions).

The Group uses derivatives to hedge currency risks resulting from operating activities. In accordance with the IFRSs, the derivatives are recognized in the "financial assets or financial liabilities measured at fair value through profit or loss" category. Accordingly, they are stated at fair value on initial recognition. The fair values are also relevant for measurement at subsequent reporting dates. Changes in value are immediately recognized through profit or loss.

Equity investments are measured at fair value and are classified as available-for-sale financial assets (AfS). Loans are recognized at amortized cost and allocated to the loans and receivables category. Insofar as the financial assets are not subject to market interest rates, they are discounted to the present value using the market interest rate.

Receivables and other assets (LaR) are carried at amortized cost, less directly attributable transaction costs, which corresponds to the fair value of the contribution. Receivables classified as available for sale are carried at their fair value. Through the recognition of appropriate specific valuation allowances, adequate provisions were made for estimated irrecoverable amounts from all identifiable risks.

In accordance with IAS 39, ***financial liabilities*** are carried at the acquisition-date fair value. Allowance is made for costs that are directly attributable to the acquisition (transaction costs). At subsequent reporting dates, these liabilities are measured at amortized cost using the effective interest method. Monetary liabilities in foreign currencies are translated at the closing rate.

Inventories are measured at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. An average value or a value calculated using the first-in, first-out formula is carried. The cost of inventories includes all costs incurred in production.

Property, plant and equipment and intangible assets are carried at cost and reduced by straight-line depreciation and amortization plus any impairment losses. Depreciation and amortization are calculated using the following economic useful lives:

	YEARS
Buildings	33 to 50
Machinery and equipment	5 to 10
Fixtures, furniture and office equipment	3 to 10
Software and other intangible assets	3 to 15

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be recognized and depreciated separately. Depreciation commences when the assets have been completed and are ready for their intended use.

Leases in which Balda is the lessee are classified as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the lessee under the lease agreement. All other leases are classified as operating leases.

If the beneficial ownership of leased assets lies with the lessor (***operating lease***), the lessee recognizes the lease payments as an expense over the term of the lease. Where the Group is the lessor in an operating lease, the lease payments are recognized in profit or loss over the lease term.

The ***assets held under a finance lease***, as Group assets, are recognized at the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recognized in the statement of financial position as a liability from finance leases.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The items of property, plant and equipment held under finance leases are written down over the shorter of the economic useful life of the asset and the term of the lease.

In the case of ***assets leased under a finance lease***, the amounts to be paid by the lessee are presented as receivables at an amount equal to the net investment in the Group's lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

The useful lives of all intangible assets (other than goodwill) are limited.

To the extent required by IAS 36, items of property, plant and equipment and intangible assets were ***impaired*** to the lower recoverable amount.

The Group reviews the carrying amounts of its items of property, plant and equipment and intangible assets at the end of each reporting period to assess whether there is any indication that an asset may be ***impaired***. If any such indication exists, the Group estimates the recoverable amount of the asset to determine the extent of any impairment losses. If the recoverable amount cannot be determined for an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs. The amount is allocated suitably and consistently to the individual cash-generating unit or to the smallest group of cash-generating units.

The ***recoverable amount*** is the higher of an asset's fair value less costs to sell and its value in use. In measuring the value in use, the Group discounts the future cash flow estimates to the present value using the plan values with the current market interest rate before taxes that reflects the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the calculated ***recoverable amount*** of an asset (or a cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately in profit or loss.

If the impairment loss is subsequently ***reversed***, the carrying amount of the asset (or cash-generating unit) is increased to the recalculated recoverable amount. The increased carrying amount of an asset (or cash-generating unit) attributable to a reversal of an impairment loss must not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss for an asset is recognized immediately in profit or loss.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired company at the date of acquisition. The capitalized goodwill is reviewed for impairment annually and measured at the amount initially recognized less cumulative amortization. Impairment testing is also performed if there are indications that a cash-generating unit may be impaired. If the cash-generating unit's recoverable amount that has been determined does not cover the carrying amounts allocated to it, the carrying amounts of the assets allocated to the cash-generating unit will be written down accordingly. Reversals of impairment losses are not permitted. When an entity is sold, the share of goodwill attributable to this sub-unit is included in the calculation of the gain or loss on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units expected to benefit from the business combination which generated the goodwill being tested. The cash-generating unit must not be larger than the operating segment whose operating results are regularly reviewed by the Group's chief operating decision maker as part of the internal reporting (IAS 36.80 in conjunction with IFRS 8.5).

Non-current assets (or groups of assets and liabilities) are classified as ***held for sale*** and measured at the lower of carrying amount and fair value less costs to sell if their carrying amount will be realized principally through a sale transaction rather than through continuing use.

Deferred taxes are recognized for the expected tax losses and tax credits arising from temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, as well as on consolidation measures with a temporary effect. The balance sheet liability method is applied. In addition, deferred tax assets are recognized on tax loss carryforwards. Deferred tax assets and liabilities are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred taxes on temporary differences arising from goodwill are not recognized.

Deferred taxes are measured at the tax rates that apply or are expected to apply in the relevant country to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of the deferred tax assets is reviewed at the end of each annual reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is recognized in profit or loss, except for items that are recognized either in other comprehensive income or directly in equity, in which case the deferred tax is also recognized either in other comprehensive income or directly in equity.

Provisions are recognized when an entity has a legal or constructive obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Non-current provisions are carried at their present value where the effect of the time value of money is material.

Provisions for warranty obligations are recognized at the time when the product in question is sold. This amount is based on the best estimate by management of the expense needed to settle the obligation.

Revenues from the sale of goods are recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The amount of sales revenues is measured net of value-added tax and any trade discounts and volume rebates when the significant risks and rewards of ownership of the goods have been transferred to the buyer pursuant to the agreed delivery terms. If the service was not rendered in full, the service is recognized at cost under inventories.

Sales revenues from construction contracts are generated to a limited extent. IAS 11 defines a construction contract as a contract specifically negotiated for the construction of an asset.

The Group applies the percentage of completion method to calculate the contract revenue to be recorded in each financial year. The stage of completion corresponds to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Costs incurred in the current financial year that relate to future activity on the contract are not included in the contract costs used to calculate the stage of completion.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

The net amount for contract work is presented as an asset or a liability in the statement of financial position. Construction contracts are presented as an asset when the costs incurred exceed progress billings. A liability is recognized in the opposite case.

Research costs are recognized as an expense in the period in which they are incurred.

An intangible asset arising from ***development*** of a product is recognized if, and only if, the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for internal use or sale as well as its intention to complete the intangible asset and use or sell it. The Group must also demonstrate how the intangible asset will generate probable future economic benefits, the availability of resources to complete the development and its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Interest income and expense are recognized in profit or loss using the effective interest method when the amortized cost of a financial asset or a financial liability is calculated.

Contingent liabilities and assets are possible obligations or assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Balda AG. Contingent liabilities are also present obligations that arise from past events for which it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Neither contingent liabilities nor contingent assets are recognized.

3. SEGMENT REPORTING

At Balda, the Management Board as the chief operating decision maker makes decisions about resources to be allocated to the business segments and assesses their performance. The segmentation and disclosure of selected segment information are performed in line with the internal management and reporting systems (management approach) as well as the other required provisions of the IFRS.

In line with the internal reporting, the Group's segments as of 30 June 2013, the last day of the financial year, are Balda Medical and Balda Technical.

During the financial year, the Management Board restructured the segments subject to reporting as a result of the realignment of the Group and the acquisitions made. The Electronic Products segment was renamed the Balda Technical segment.

The scope of activities of the production segments has been expanded and newly defined as a result of the acquisitions of the US companies. On the one hand, the business activities of the acquired companies complement the existing product range of both segments, while on the other hand, they supplement these with related products.

Segment management has been reassigned in connection with the US acquisitions. For each segment, there is a designated head of segment who makes decisions on the distribution of resources and monitors the profitability of the segment using specified financial information. The Management Board itself exercises this function for the Balda Technical segment and for Balda Central Services.

The Balda Technical segment focuses on the manufacture of injection molded parts for the electronics and automotive markets as well as the development and manufacture of plastic products for the eyeware market.

After the acquisition of the US companies, the Group's Balda Medical segment develops and produces complex plastic products for medical technology, pharmaceutical and diagnostic applications.

Balda Central Services supports the subsidiaries mainly by providing IT, controlling, finance, marketing and sales services. In addition, the division issues strategic guidelines and provides other support in its exercise of customary holding company functions. As the investment in TPK was managed from the holding company in Singapore – the complete investment has been sold in the meantime – the results from this holding are also shown under "Balda Central Services".

The figures for Balda Solutions Malaysia Sdn. Bhd., which was sold during the 2012 / 2013 financial year, are no longer part of the segment reporting as of June 2013. The profit / loss of this company, which focuses on the development and manufacture of electronic products, is also no longer included in the comparative period.

In accordance with internal reporting, segment reporting includes disclosures on gross revenue. In addition to sales revenues, gross revenue includes changes in work in progress and finished goods and merchandise. The Group segments' sales performance and financial performance are the individual components of the Group's business performance.

Gross revenue, operating profit (EBITDA), profit / loss from operations (EBIT) and the pre-tax profit (EBT) are monitored by the Management Board of Balda AG separately for each segment in order to estimate the segment's profitability and decide on the allocation of resources.

Segment reporting is performed in accordance with the general accounting principles of Balda AG outlined in section II.2 "Accounting policies". Segment profit / loss corresponds to the profit / loss for the period in each case.

Transfer prices between the operating segments are calculated on an arm's length basis. Segment income and segment expenses are presented in gross terms and include the transfers between the business segments. These transfers are eliminated on consolidation. In the segment report, these transfers are presented as intersegment corrections.

The segment data of the reportable segments can be found in the following table:

2012 / 2013 FINANCIAL YEAR (01.07.2012 – 30.06.2013)

IN EUR THOUSAND	BALDA TECHNICAL	BALDA MEDICAL	TOTAL OPERATING SEGMENTS	BALDA CENTRAL SERVICES	RECONCILIATION [4]	INTERSEGMENT CORRECTIONS [5]	GROUP
External sales revenues	**10,939**	**48,967**	**59,906**	**0**	**0**	**0**	**59,906**
Internal sales revenues	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Sales revenues, total	**10,939**	**48,967**	**59,906**	**0**	**0**	**0**	**59,906**
Gross revenue	**10,340**	**46,714**	**57,054**	**0**	**0**	**0**	**57,054**
EBITDA	**973**	**6,027**	**7,000**	**–2,650**	**510**	**0**	**4,860**
EBIT	**–10,684**	**2,676**	**–8,008**	**–2,864**	**510**	**0**	**–10,362**
Interest income	0	2	2	2,537	0	–91	2,448
Interest expense	18	129	147	6	0	–91	62
Net gain / loss from the sale of TPK shares	0	0	0	16,883	0	0	16,883
Other finance income (net) [6]	0	0	0	9,753	0	0	9,753
EBT	**–10,702**	**2,549**	**–8,153**	**26,303**	**510**	**0**	**18,660**
Taxes on income							2,131
Net profit / loss from continuing operations							**20,790**
Net profit / loss from discontinued operations							–7,311
Comprehensive income, Group							**13,480**
Investments	645	1,479	2,124	1,651	191	0	3,966
Depreciation and amortization	692	2,803	3,495	215	970	0	4,680
Impairment losses	10,965	549	11,514	0	0	0	11,514
Non-cash expenses / income	0	82	82	13,188	–7,313	0	5,957
Segment assets [1/2]	11,358	57,152	68,510	290,905	0	–5,032	354,383
Number of employees on 30.06. [3]	336	507	843	13	0	0	856

2012 SHORT FINANCIAL YEAR (01.01. – 30.06.)

IN EUR THOUSAND	BALDA TECHNICAL	BALDA MEDICAL	TOTAL OPERATING SEGMENTS	BALDA CENTRAL SERVICES	RECONCILIATION [4]	INTER SEGMENT CORRECTIONS [5]	GROUP
External sales revenues	**0**	**11,729**	**11,729**	**0**	**0**	**0**	**11,729**
Internal sales revenues	**0**	**0**	**0**	**58**	**– 58**	**0**	**0**
Sales revenues, total	**0**	**11,729**	**11,729**	**58**	**– 58**	**0**	**11,729**
Gross revenue	**0**	**13,751**	**13,751**	**58**	**– 58**	**0**	**13,751**
EBITDA	**0**	**– 321**	**– 321**	**– 2,221**	**– 325**	**0**	**– 2,867**
EBIT	**0**	**– 1,315**	**– 1,315**	**– 2,288**	**– 325**	**0**	**– 3,928**
Interest income	0	1	1	1,362	0	– 55	1,308
Interest expense	0	77	77	735	0	– 55	757
Net gain / loss from the sale of TPK shares	0	0	0	274,349	0	0	274,349
Impairment of loan receivables	0	0	0	– 10,577	0	0	– 10,577
Other finance income (net) [6]	0	0	0	4,586	0	0	4,586
EBT	**0**	**– 1,391**	**– 1,391**	**266,697**	**– 325**	**0**	**264,981**
Taxes on income							4,006
Net profit / loss from continuing operations							**260,975**
Net profit / loss from discontinued operations							– 10,250
Comprehensive income, Group							**250,725**
Investments	0	1,174	1,174	170	59	0	1,403
Depreciation and amortization	0	994	994	67	806	0	1,867
Non-cash expenses / income	0	– 851	– 851	119,897	– 1,048	0	117,998
Segment assets [1/2]	0	28,214	28,214	444,324	22,582	– 26,248	468,872
Number of employees on 30.06. [3]	0	209	209	11	0	0	220

1 Segment assets = Non-current assets plus current assets excluding deferred tax assets und current tax assets.
2 The assets of Balda Central Services do not include carrying amounts from the equity investment in TPK (previous year: EUR 70,250 thousand).
3 Number of employees on the reporting date = including leased staff, temporary staff and trainees (previous year: only for continuing operations).
4 The amounts listed in the reconciliation concern allocations to the discontinued operations.
5 The intersegment corrections concern sales revenues generated between segments as well as intra-Group receivables.
6 The net other finance income consists only of currency gains / losses.

The Balda Group generates its sales revenues from the two segments described below:

The Balda Technical segment, which has sites in Irvine and Anaheim, focuses on the manufacture of injection molded parts for the electronics and automotive markets as well as the development and manufacture of plastic products for the eyeware market.

The Balda Medical segment develops and produces complex plastic products for medical technology, pharmaceutical and diagnostic applications at its sites in Anaheim, Ontario, Oceanside and Bad Oeynhausen.

Sales revenues from external customers in the short 2012 financial year and the 2012 / 2013 financial year is distributed as follows across the individual segments' products in continuing operations:

IN EUR THOUSAND	2012 / 2013	2012
Balda Technical	10,939	0
Balda Medical	48,967	11,729
Total	**59,906**	**11,729**

In the 2012 / 2013 financial year, one customer in each of the operating segments accounted for over 10 % of the Group's total sales.

Sales revenues and non-current assets are allocated to the following geographical regions (in EUR thousand):

	SALES REVENUES		NON-CURRENT ASSETS	
	2012 / 2013	2012	2013	2012
Germany	26,906	7,514	14,895	14,856
Abroad *	33,000	4,215	35,577	0[1]
Groupwide	**59,906**	**11,729**	**50,472**	**14,856**
* of which in the USA	24,658	935	30,386	0

1 2012: excluding the assets of the entity that was sold, BSM (EUR 8,943 thousand)

The criterion on the basis of which sales revenues are allocated to the geographical regions is the country in which the companies of our external customers are domiciled.

The non-current assets reported comprise the property, plant and equipment, intangible assets goodwill and financial assets of the continuing operations allocated to the corresponding countries. Deferred tax assets are not included.

4. STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared in accordance with IAS 7 Statement of Cash Flows. Cash flows are divided into cash flows from operating, investing and financing activities.

The statement of cash flows shows changes in and the composition of cash flows. The cash flow from operating activities was calculated using the indirect method.

The BSM entity, which was sold, has been included in the statement of cash flows until the date of deconsolidation. The acquired US-based entities have been included from the date of acquisition.

The individual items of the statement of cash flows are as follows:

4. a. Cash flow from operating activities
The Balda Group generated a cash inflow of EUR 1,397 thousand from its operating activities in the 2012 / 2013 financial year (previous year: EUR minus 5,179 thousand). The increase in the 2012 / 2013 reporting period was attributable to improved profitability due to an increase in business volume and higher interest income due to higher liquidity reserves.

4. b. Cash flow from investing activities
The cash inflow from investing activities totaled EUR 167,524 thousand (previous year: EUR 64,639 thousand).

The cash flow from investing activities includes cash inflows from the sale of TPK shares (EUR 242,939 thousand), cash dividends received from TPK (EUR 9,333 thousand) and the repayment of a seller's loan in connection with the 2011 sale of the MobileCom segment (EUR 4,500 thousand). The Group invested EUR 41,659 thousand in fixed-term deposit and borrower's note loans in the reporting period. Capital expenditure on property, plant and equipment and intangible assets led to cash outflows of EUR 4,191 thousand. The Group spent cash of EUR 38,089 thousand on the acquisition of the US companies. The acquisition generated cash of EUR 525 thousand.

The Balda Group received EUR 1,000 thousand (cash dividend) from the sale of the interests in BSM. Cash of EUR 6,849 thousand was sold at the same time.

4. c. Cash flow from financing activities
The cash outflow from financing activities totaled EUR 117,811 thousand (previous year: EUR 76,947 thousand) and results in particular from the dividend payment of EUR 117,781 thousand to the shareholders of Balda AG in November 2012.

No major new leases meeting the criteria of a finance lease were signed in the reporting year. The liabilities reported in the previous year were repaid in full (previous year: EUR 87 thousand).

4. d. Cash and cash equivalents at the end of the financial year

The Group's total cash and cash equivalents at the 30 June 2013 reporting date amounted to EUR 68,153 thousand (previous year: EUR 17,776 thousand), corresponding to the cash reported in the consolidated statement of financial position.

5. DISCLOSURES ON INDIVIDUAL ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets

5. a. Property, plant and equipment

The figures reported in the consolidated statement of financial position reflect the fair value at the date of initial consolidation or the cost at the date of initial recognition reduced by depreciation and impairment losses.

The changes in property, plant and equipment were as follows:

COST IN EUR THOUSAND	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FIXTURES, FURNITURE AND OFFICE EQUIPMENT	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	PROPERTY, PLANT AND EQUIPMENT, TOTAL
Balance on 01.07.2012	38,436	45,754	13,718	50	97,958
Initial consolidation	407	7,389	732	0	8,529
Currency differences	127	581	122	0	830
Additions	59	2,095	474	16	2,644
Disposals	0	53	194	0	247
Disposal through deconsolidation (BSM)	6,511	24,403	5,880	0	36,794
Reclassifications	0	1	11	– 66	– 54
Balance on 30.06.2013	32,519	31,364	8,983	0	72,866
CUMULATIVE DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES					
Balance on 01.07.2012	23,919	38,629	11,983	0	74,531
Currency differences	45	367	90	0	502
Additions	825	2,588	663	0	4,076
Impairment losses	100	1,301	51	0	1,452
Disposals	0	52	168	0	220
Reclassifications	0	0	0	0	0
Disposal through deconsolidation (BSM)	2,576	20,865	5,027	0	28,468
Balance on 30.06.2013	22,313	21,968	7,592	0	51,873
NET CARRYING AMOUNTS					
Balance on 30.06.2012	14,517	7,125	1,735	50	23,427
Balance on 30.06.2013	10,206	9,396	1,390	0	20,992

COST IN EUR THOUSAND	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER FIXTURES, FURNITURE AND OFFICE EQUIPMENT	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	PROPERTY, PLANT AND EQUIPMENT, TOTAL
Balance on 01.01.2012	38,287	43,746	13,494	481	96,008
Currency differences	149	546	118	0	813
Additions	0	1,063	243	20	1,326
Disposals	0	49	138	2	188
Reclassifications	0	449	0	– 449	0
Balance on 30.06.2012	38,436	45,754	13,718	50	97,958
CUMULATIVE DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES					
Balance on 01.01.2012	22,583	36,188	11,643	0	70,414
Currency differences	32	416	108	0	556
Additions	448	1,011	343	0	1,802
Impairment losses	856	1,046	0	0	1,902
Disposals	0	32	110	0	142
Balance on 30.06.2012	23,919	38,629	11,983	0	74,532
NET CARRYING AMOUNTS					
Balance on 31.12.2011	15,704	7,558	1,851	481	25,594
Balance on 30.06.2012	14,517	7,125	1,735	50	23,427

Following impairment testing at the level of the cash-generating unit of the Balda Technical segment (for more information see 5.b. Goodwill), property, plant and equipment was impaired in the amount of EUR 1,443 thousand.

Property, plant and equipment decreased from EUR 23,427 thousand to EUR 20,992 thousand as of 30 June 2013. In addition to depreciation and impairment losses, this decrease is attributable to the deconsolidation of the Malaysian company. The additions from the acquisition of the two US-based entities had an offsetting effect.

Loans, guarantee facilities and lease agreements are collateralized through land charges and collateral assignment of property, plant and equipment in the amount of approximately EUR 10,000 thousand (previous year: EUR 10,293 thousand).

The carrying amounts of the leased assets – shown under "land and buildings" and "machinery and equipment" – are comprised as follows:

IN EUR THOUSAND	30.06.2013	30.06.2012
Land and buildings		
Cost	0	979
Cumulative depreciation, amortization and impairment losses	0	63
Carrying amount	**0**	**916**
Machinery and equipment		
Cost	0	351
Cumulative depreciation, amortization and impairment losses	0	54
Carrying amount	**0**	**297**

The leases reported in the previous year related to the land / buildings and machinery used for production in Malaysia. As a result of the sale of the company, the Balda Group also lost the corresponding leases.

5. b. Goodwill

The companies and the allocated goodwill are listed in the following overview and amount to EUR 14,710 thousand at the reporting date (previous year: EUR 2 thousand). These correspond to the smallest cash-generating units and – distributed across the operating segments – developed as follows:

COST IN EUR THOUSAND	BALDA MEDICAL ADMINISTRATION BALDA CENTRAL SERVICES	BALDA SOLUTIONS MALAYSIA BALDA TECHNICAL SEGMENT	BALDA C. BREWER BALDA MEDICAL SEGMENT	BALDA C. BREWER BALDA TECHNICAL SEGMENT	BALDA HK PLASTICS BALDA MEDICAL SEGMENT	GOODWILL, TOTAL
Balance on 01.07.2012	2	16,784	0	0	0	16,786
Additions, US entities	0	0	10,776	7,628	4,238	22,643
Currency differences	0	317	170	122	69	678
Disposals from deconsolidation	0	17,101	0	0	0	17,101
Balance on 30.06.2013	2	0	10,947	7,750	4,307	23,006
CUMULATIVE DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES						
Balance on 01.07.2012	0	16,784	0	0	0	16,784
Impairment losses	0	0	0	7,800	549	8,349
Currency differences	0	317	0	– 50	– 3	264
Disposals from deconsolidation	**0**	**17,101**	**0**	**0**	**0**	**17,101**
Balance on 30.06.2013	0	0	0	7,750	546	8,296
NET CARRYING AMOUNTS						
Balance on 30.06.2012	2	0	0	0	0	2
Balance on 30.06.2013	2	0	10,947	0	3,761	14,710

COST IN EUR THOUSAND	BALDA MEDICAL ADMINISTRATION BALDA CENTRAL SERVICES	BALDA SOLUTIONS MALAYSIA BALDA TECHNICAL SEGMENT	BALDA C. BREWER BALDA MEDICAL SEGMENT	BALDA C. BREWER BALDA TECHNICAL SEGMENT	BALDA HK PLASTICS BALDA MEDICAL SEGMENT	GOODWILL, TOTAL
Balance on 01.01.2012	2	16,407	0	0	0	16,409
Currency differences	0	377	0	0	0	377
Disposals from deconsolidation	0	0	0	0	0	0
Balance on 30.06.2012	2	16,784	0	0	0	16,786
CUMULATIVE DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES						
Balance on 01.01.2012	0	9,532	0	0	0	9,532
Currency differences	0	218	0	0	0	218
Impairment losses	0	7,034	0	0	0	7,034
Disposals from deconsolidation	**0**		**0**	**0**	**0**	**0**
Balance on 30.06.2012	0	16,784	0	0	0	16,784
NET CARRYING AMOUNTS						
Balance on 31.12.2011	2	6,875	0	0	0	6,877
Balance on 30.06.2012	2	0	0	0	0	2

Goodwill must be tested for impairment once per year. At the end of the financial year, the business performance of one major customer of the newly acquired US companies showed a negative trend. The planning underlying the impairment tests led to necessary impairment charges.

In the calculation of the values in use using the DCF method for the impairment tests, there are estimation uncertainties for the underlying assumptions, specifically with regard to:

1. Gross profit margins
2. Discount factor
3. Trend in commodity prices
4. Growth rates on which the extrapolation of the cash flow forecasts outside the budget period is based.

Goodwill is measured using the criteria outlined below:

Balda C. Brewer, Inc:

The company's operations extend to the Balda Technical and Balda Medical segments and can be clearly distinguished on the basis of the customer structure and processes. The reporting to the Management Board as the chief operating decision maker is segmented. The segments of the company, which are split between Balda Technical and Balda Medical, are therefore considered cash-generating units.

The recoverable amount of the Balda Technical segment's cash-generating unit was calculated based on the value in use. The recoverable amount was measured by discounting the company's future cash flows. The detailed planning period comprises the years 2013 / 2014 to 2015 / 2016 and is based on assumptions about future sales prices or sales volumes and costs, taking the general economic conditions into account. For the years after 2015 / 2016, a perpetual annuity with a general growth rate of 1.0 % was calculated. This was based on a weighted average cost of capital before taxes of 14.3 %. At EUR 10,896 thousand, the value in use calculated in this way was lower than the underlying carrying amount of EUR 19,868 thousand. If the impairment losses exceed the goodwill's carrying amount, this amount is distributed equally among the assets allocated to the cash-generating unit.

The recoverable amount of the Balda Medical segment's cash-generating unit was calculated based on the value in use. The recoverable amount was measured by discounting the company's future cash flows. The detailed planning period comprises the years 2013 / 2014 to 2015 / 2016 and is based on assumptions about future sales prices or sales volumes and costs, taking the general economic conditions into account. For the years after 2015 / 2016, a perpetual annuity with a general growth rate of 1.2 % was calculated. This was based on a weighted average cost of capital before taxes of 14.3 %. The value in use calculated in this way exceeds the carrying amount by EUR 840 thousand or 4.4 %. A reduction in the growth rate to 0.8 % or an increase in the discount rate to 14.8 % would not use up this excess amount.

Balda HK Plastics, Inc:

The recoverable amount of the cash-generating unit was calculated based on the value in use. The recoverable amount was measured by discounting the company's future cash flows. The detailed planning period comprises the years 2013 / 2014 to 2015 / 2016 and is based on assumptions about future sales prices or sales volumes and costs, taking the general economic conditions into account. For the years after 2015 / 2016, a perpetual annuity with a general growth rate of 1.2 % was calculated. This was based on a weighted average cost of capital before taxes of 14.3 %. At EUR 549 thousand, the value in use calculated in this way was lower than the underlying carrying amount of EUR 10,744 thousand.

5. c. Intangible assets

Intangible assets have a finite useful life and are composed as follows:

COST IN EUR THOUSAND	SOFTWARE	PATENTS, LICENSES, RIGHTS	INTERNALLY GENERATED INTANGIBLE ASSETS	ADVANCE PAYMENTS MADE	INTANGIBLE ASSETS, TOTAL
Balance on 01.07.2012	2,648	0	189	0	2,837
Initial consolidation	0	9,989	0	0	9,989
Currency differences	0	148	0	0	148
Additions	50	0	4	1,319	1,373
Balance on 30.06.2013	2,698	10,137	193	1,319	14,347
CUMULATIVE DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES					
Balance on 01.07.2012	2,465	0	0	0	2,465
Currency differences	0	–15	0	0	–15
Additions	133	472	0	0	605
Impairment losses	0	1,713	0	0	1,713
Balance on 30.06.2013	2,598	2,170	0	0	4,768
NET CARRYING AMOUNTS					
Balance on 30.06.2012	183	0	189	0	372
Balance on 30.06.2013	100	7,968	193	1,319	9,579

COST IN EUR THOUSAND	SOFTWARE	PATENTS, LICENSES, RIGHTS	INTERNALLY GENERATED INTANGIBLE ASSETS	ADVANCE PAYMENTS MADE	INTANGIBLE ASSETS, TOTAL
Balance on 01.01.2012	2,648	0	110	0	2,758
Additions	0	0	79	0	79
Balance on 30.06.2012	2,648	0	189	0	2,837
CUMULATIVE DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES					
Balance on 01.01.2012	2,400	0	0	0	2,400
Additions	65	0	0		65
Balance on 30.06.2012	2,465	0	0	0	2,465
NET CARRYING AMOUNTS					
Balance on 31.12.2011	248	0	110	0	358
Balance on 30.06.2012	183	0	189	0	372

Intangible assets primarily relate to purchased brand names, lists of customers and other intangible assets acquired as part of the acquisition of the US companies. They are shown under "Patents, licenses, rights". Their remaining useful life is 4.5 and 14.5 years.

Following impairment testing at the level of the cash-generating unit of the Balda Technical segment (for more information see 5.b. Goodwill), intangible assets were impaired in the amount of EUR 1,713 thousand.

Internally generated intangible assets principally concern costs for product design and prototype construction for a tablet dispenser in the Medical segment. Future income is expected to cover the total costs of development.

Total research costs and development costs that cannot be capitalized amounted to EUR 438 thousand in the 2012 / 2013 financial year (2012 short financial year: EUR 1,229 thousand).

5. d. Financial assets

The full amount reported for loans (EUR 5,191 thousand) relates to the non-current portion of the receivable (non-cash dividend) in connection with the sale of Balda Solutions Malaysia.

5. e. Deferred taxes

The following amounts for temporary differences were recognized under deferred tax assets as of 30 June 2013 and 30 June 2012:

TEMPORARY DIFFERENCES IN EUR THOUSAND	2012	EFFECTS FROM INITIAL CONSOLIDATION	RECOGNIZED THROUGH PROFIT OR LOSS	ADJUSTMENT OF OFFSETTING AGAINST DEFERRED TAX LIABILITIES	EFFECTS FROM DECONSOLIDATION	2013
Tax losses (loss carryforwards)	4,004	0	– 790	0	0	3,214
Offsetting against deferred tax liabilities	– 869	0	0	– 36	0	– 905
Provisions	373	0	337	0	0	710
Inventories	0	0	76	0	0	76
Receivables	14	0	–14	0	0	0
Property, plant and equipment	358	47	922	0	0	1,327
Other	46	0	– 46	0	0	0
	3,926	**47**	**485**	**– 36**	**0**	**4,423**
Discontinued operations	21	0	0	0	– 21	0
Deferred taxes according to statement of financial position	**3,947**	**47**	**485**	**– 36**	**– 21**	**4,423**

Deferred tax assets are recognized only when it is probable that at the reporting date taxable profits will be available against which the deductible temporary differences can be utilized. As of 30 June 2013, there were deferred tax assets of EUR 4,180 thousand whose utilization depends on the availability of future taxable income that is higher than the effects on earnings from the reversal of existing taxable temporary differences. Based on the corresponding tax planning, it is probable that the tax assets will be realized.

At the reporting date there were tax loss carryforwards for trade tax in the amount of EUR 73,942 thousand (previous year: EUR 103,162 thousand) and for German and foreign corporation tax in the amount of EUR 83,321 thousand (previous year: EUR 122,944 thousand), on which no deferred taxes were recognized. It is nevertheless assumed that it will be possible to offset these loss carryforwards against future profits. However, since these profits are expected in periods that are outside the planning horizon, they are not recognized.

Deferred taxes with respect to the German companies are calculated at the tax rate of 30.3 % (previous year: 30.3 %).

Current assets

5. f. Inventories

Impairment losses are recognized on the inventories disclosed at the reporting date in the amount of EUR 10,402 thousand (previous year: EUR 13,426 thousand). The impairment losses for inventories developed as follows:

IN EUR THOUSAND	2012 / 2013	2012
Valuation allowances at the beginning of the financial year	**707**	**1,446**
Transfers to the valuation allowance	161	148
Reversal of allowances	16	95
Utilization of allowances	237	792
Disposal due to change in the basis of consolidation	329	0
Addition due to change in the basis of consolidation	330	0
Valuation allowances at the end of the financial year	**616**	**707**

In the 2012 / 2013 financial year, impairment losses recognized on inventories were expensed in the amount of EUR 992 thousand (previous year: EUR 1,242 thousand).

5. g. Trade receivables

Trade receivables amount to EUR 10,222 thousand at the reporting date (previous year: EUR 6,495 thousand).

All receivables are due in less than one year.

The specific valuation allowances on trade receivables changed as follows:

IN EUR THOUSAND	2012 / 2013	2012
Valuation allowances at the beginning of the financial year	**393**	**58**
Transfers to the valuation allowance	23	368
Addition from the acquisition of the US companies	81	0
Disposal due to change in the basis of consolidation	366	0
Reversal of unused valuation allowances	0	33
Valuation allowances at the end of the financial year	**131**	**393**

We also refer to our comments on credit risk in section II.5.ac. "Management of risks arising from financial instruments and capital management".

The maturities of the trade receivables that are not impaired are as follows:

IN EUR THOUSAND	CARRYING AMOUNT	OF WHICH: NEITHER IMPAIRED NOR PAST DUE AS OF THE REPORTING DATE	OF WHICH: NOT IMPAIRED AS OF THE REPORTING DATE AND PAST DUE WITHIN THE FOLLOWING TIME BANDS					OF WHICH: IMPAIRED AS OF THE REPORTING DATE
			UP TO 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	BETWEEN 91 AND 120 DAYS	MORE THAN 120 DAYS	
Trade receivables as of 30.06.2013	10,222	8,356	1,462	215	35	23	0	131
Trade receivables as of 30.06.2012	6,495	4,850	356	188	5	64	0	1,032

With regard to the trade receivables that are neither impaired nor past due, there are no indications at the reporting date that the debtors will not meet their payment obligations.

The default risk for trade receivables for the current and the previous financial year is limited to the carrying amount of the receivables.

5. h. Other current assets

Other current assets are comprised as follows:

IN EUR THOUSAND	2012 / 2013	2012
Financial assets	214,794	388,783
Non-financial assets	340	696
Other current assets, total	**215,134**	**389,479**

Of the financial assets, EUR 1,250 thousand relates to the current portion of the receivable (non-cash dividend) in connection with the sale of BSM.

Furthermore, other financial assets include various fixed-term deposits and corporate bonds.

The fixed-term deposits (EUR 130,021 thousand) have terms ending in June 2014 at the latest and interest rates of between 1.28 % and 0.72 % depending on the investment volume and maturity. The amounts invested are based on the private banks' deposit protection fund. The corporate bonds (EUR 79,638 thousand) have terms ending in December 2013 at the latest and interest rates of between 0.8 % and 0.45 %.

The other current financial assets from the previous year include the entitlement to a purchase price payment for the sale on 30 June 2012 (2nd tranche 2012) of more TPK shares in the amount of EUR 153,719 thousand (reduced by costs to sell) as well as the entitlements to the new shares granted by TPK as part of a capital increase from company funds and a cash dividend in the amounts of EUR 52,355 thousand and EUR 9,333 thousand, respectively. All receivables and entitlements were recovered in July 2012.

The maturities of the financial assets are as follows:

IN EUR THOUSAND	CARRYING AMOUNT	OF WHICH: NEITHER IMPAIRED NOR PAST DUE AS OF THE REPORTING DATE	OF WHICH: NOT IMPAIRED AS OF THE REPORTING DATE AND PAST DUE WITHIN THE FOLLOWING TIME BANDS					OF WHICH: IMPAIRED AS OF THE REPORTING DATE
			UP TO 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	BETWEEN 91 AND 120 DAYS	MORE THAN 120 DAYS	
30.06.2013								
Other receivables								
Due within 1 year	214,794	214,794	0	0	0	0	0	0
30.06.2012								
Other receivables								
Due within 1 year	388,783	384,254	1	0	14	0	14	4,500

With regard to the receivables that are neither impaired nor past due, there are no indications at the reporting date that the debtors will not meet their payment obligations.

The impairment charges taken on other current financial assets changed as follows:

IN EUR THOUSAND	2012 / 2013	2012
Valuation allowances at the beginning of the financial year	**10,577**	**0**
Additions from reclassifications	0	10,577
Utilization	10,577	0
Valuation allowances at the end of the financial year	**0**	**10,577**

Upon payment of the purchase price in connection with the sale of the China business, the valuation allowance was utilized outside profit or loss. The purchase price was newly negotiated in 2012.

Other current non-financial assets are comprised as follows:

	30.06.2013		30.06.2012	
IN EUR THOUSAND	TOTAL	OF WHICH: CURRENT	TOTAL	OF WHICH: CURRENT
VAT refund claims	340	340	240	240
Advance payments on services yet to be provided	0	0	456	456
Total	**340**	**340**	**696**	**696**

5. i. Current tax assets

The tax assets solely relate to refund claims for income taxes in accordance with IAS 12.

5. j. Cash

Cash amounting to EUR 68,153 thousand (previous year: EUR 17,776 thousand) comprises cash and bank balances. For more information on the development of cash, please refer to our comments on the statement of cash flows in section II.4. “Statement of cash flows”.

As of 30 June 2013, there were no cash or cash holdings with restrictions on disposal (previous year: EUR 3,991 thousand).

5. k. Non-current assets held for sale

As of 30 June 2013, the Group had no non-current assets held for sale. In the previous year, this item had included the equity investment of the bonus shares in TPK Holding received in 2011. The TPK group develops and produces capacitive touch screens. The remaining 0.8 % of the interests (bonus shares from 2011) were sold in the 2012 / 2013 financial year.

The non-current assets held for sale developed as follows in the financial year:

IN EUR THOUSAND	
Balance on 30 June 2012	**17,895**
Addition from capital increase, TPK	52,355
Change in fair value due to share price performance	16,567
Sale of TPK shares (sale proceeds)	– 89,217
Currency differences	2,400
Balance on 30 June 2013	**0**

The addition relates to further interests in TPK from a capital increase from company funds that had been resolved in the previous year. In the 2012 short financial year, this amount had already been carried under other assets.

All shares in TPK were sold in February 2013.

5. l. Equity, Group

The statement of changes in equity shows the development of equity.

The parent company's subscribed capital still amounts to EUR 58,891 thousand at the 30 June 2013 reporting date. It is divided into 58,890,636 no-par value bearer shares carrying full dividend rights. The individual shares have a stated value of EUR 1.00. All shares are fully paid in.

The Group's equity amounted to EUR 334,536 thousand as of 30 June 2013, down from EUR 450,451 thousand at the end of the 2012 short financial year.

The Annual General Meeting on 11 May 2012 authorized the Management Board, with the approval of the Supervisory Board, to increase the Company's share capital by a maximum of EUR 29,445,318 on one or several occasions up to 10 May 2017 by issuing up to 29,445,318 new no-par value bearer shares against cash and / or non-cash contributions (Authorized Capital 2012).

The Company's share capital will be contingently increased by up to EUR 17,667,190 through the issue of up to 17,667,190 new no-par value bearer shares carrying dividend rights from the start of the financial year in which they are issued (Contingent Capital 2012). The contingent capital increase serves the purpose of granting shares to the holders of convertible bonds and / or bonds with warrants, profit participation rights and / or profit participation bonds (or combinations of these instruments) issued up to 10 May 2017 by the Company or entities in which the Company has a direct or indirect majority holding on the basis of the authorization by the Annual General Meeting on 11 May 2012, to the extent that these are issued for cash.

The Company's Annual General Meeting on 11 May 2012 authorized the Management Board, with the approval of the Supervisory Board, to issue convertible bonds and / or bonds with warrants, profit participation rights and / or profit participation bonds or combinations of these instruments (together "bonds") with a total face value of up to EUR 100,000,000 with or without a maturity limit on one or several occasions up to 10 May 2017. The holders of the bonds may be granted conversion rights or options on no-par value bearer shares of the Company with a total stated value of up to EUR 17,667,190 in accordance with the details of the terms of the bonds on which the corresponding conversion or option obligations are based.

Neither the authorized capital nor the contingent capital had been utilized by the reporting date, nor have bonds been issued.

The capital reserves primarily comprise premiums from the issue of new shares of Balda AG. In addition, the capital reserves include the statutory reserve of Balda AG.

Up until the time the shares were sold, the TPK shares were recognized in equity under reserves in the item "Adjustment item for fair value measurement of AfS instruments", making allowance for deferred taxes. As a result of the sale of the TPK shares, EUR 17,248 thousand was transferred from the reserves to the income statement in the financial year. The development of the adjustment items for the fair value measurement of AfS instruments is as follows:

IN EUR THOUSAND	
Balance on 30.06.2012	**681**
Write-up to fair value	16,567
Reversal of provisions	–17,248
Balance on 30.06.2013	**0**

Differences arising from the translation of the statements of financial position and income statements of the foreign companies prepared in foreign currency are transferred to the foreign currency translation reserve under equity in accordance with IAS 21. Balda recognizes exchange differences of EUR 2,400 thousand from the translation of the assets and liabilities at closing rates.

The change of the currency translation reserve recognized in other comprehensive income is comprised as follows:

IN EUR THOUSAND	2013	2012
Change in the currency translation reserve recognized in equity	– 8,109	10,196
Disposal from sales and reclassification to the income statement	– 2,824	– 3,584
Change in the currency translation reserve	**– 10,933**	**6,612**

Net retained profits comprise the profit or loss generated by the Group up to the present, less any dividend distributions. As of 30 June 2013, net retained profits amounted to EUR 235,836 thousand, following EUR 340,137 thousand in the previous year.

In the 2012 / 2013 financial year, a dividend of EUR 117,781 thousand (EUR 2.00 per share) was distributed to shareholders for the 2012 short financial year.

Non-current liabilities

5. m. Bank loans

At the 30 June 2013 reporting date, there were bank loans of EUR 763 thousand (previous year: EUR 0 thousand) exclusively at the newly acquired US companies.

5. n. Non-current finance lease liabilities

There were no non-current finance lease liabilities at the reporting date. The amounts reported in the previous year (EUR 137 thousand) relate to the repayment amounts of the finance lease liabilities at the subsidiary sold in 2013, BSM.

Please also refer to our comments in section III. D. "Leases".

5. o. Deferred taxes

The deferred tax liabilities developed as follows in the 2012 / 2013 financial year:

TEMPORARY DIFFERENCES IN EUR THOUSAND	BALANCE 30.06.2012	EFFECTS FROM INITIAL CONSOLI-DATION	RECOGNIZED THROUGH PROFIT OR LOSS	CURRENCY TRANSLATION EFFECTS	ADJUSTMENT FROM OFFSET-TING AGAINST DEFERRED TAX ASSETS	EFFECTS FROM DECON-SOLIDATION	BALANCE ON 30.06.2013
Property, plant and equipment	113	6,745	– 1,847	84.	0	0	5,095
Receivables	1,100	0	164	0	0	0	1,264
Financial investments	1,448	0	– 880	0	0	0	568
Offsetting against deferred tax assets	– 869	0	0	0	– 36	0	– 905
Other	88	0	– 64	0	0	0	24
	1,880	**6,745**	**– 2,627**	**84.**	**– 36**	**0**	**6,046**
of which discontinued operations	465	0	– 217	7	0	– 255	0
Deferred taxes according to statement of financial position	**2,345**	**6,745**	**– 2,844**	**91**	**– 36**	**– 255**	**6,046**

In the consolidated financial statements of Balda AG, deferred tax liabilities are generally only recognized on outside basis differences when the management plans to distribute profits in the foreseeable future. At the reporting date, deferred tax liabilities of EUR 568 thousand (previous year: EUR 1,448 thousand) were recognized on temporary differences between the net assets of subsidiaries and the corresponding carrying amount of the investments for tax purposes. In accordance with Section 8b (1) in conjunction with (5) of the German Corporation Tax Act (KStG), this amount constitutes the tax charge in connection with the planned dividend distributions by subsidiaries to Balda AG. Over and above this, no deferred taxes were recognized on taxable temporary outside basis differences of EUR 11,583 thousand (previous year: EUR 13,366 thousand) because on this scale it is unlikely that these temporary differences will reverse in the foreseeable future.

5. p. Non-current provisions

Non-current provisions developed as follows:

IN EUR THOUSAND	BALANCE 30.06.2012	EXCHANGE RATE DIFFERENCES	USE	DISPOSAL	ADDITION	BALANCE 30.06.2013
Provisions for anniversary obligations	98	0	0	0	30	128
Total	**98**	**0**	**0**	**0**	**30**	**128**

Non-current provisions relate to deferrals for future obligations to employees arising from long-term service (anniversary obligations). The amount of the obligations depends on the length of the employees' service. An interest rate of 2.60 % was used for the discounting to the present value at the reporting date. The time value of money recognized in the 2012 / 2013 financial year is EUR 4 thousand.

Current liabilities

5. q. Trade payables

Trade payables principally result from deliveries of materials and services.

The decrease in trade payables to EUR 6,283 thousand as of 30 June 2013 from EUR 7,323 thousand as of 30 June 2012 is mainly attributable to the sale of the former subsidiary BSM.

5. r. Other current financial / non-financial liabilities

The other current financial liabilities mainly concern:

IN EUR THOUSAND	2013	2012
Employee benefits	2,523	1,654
Liabilities from the acquisition of the US entities	533	0
Miscellaneous other current liabilities	1,817	784
Total amount	**4,873**	**2,438**

All of the liabilities are due within one year.

The Group did not hold any derivatives at the 30 June 2013 reporting date. At the prior-year reporting date, derivatives with a volume of USD 2.5 million and a fair value of minus EUR 65 thousand were held by BSM, which was sold.

The other current non-financial liabilities mainly concern:

IN EUR THOUSAND	2013	2012
VAT tax obligations	413	424
Total amount	**413**	**424**

5. s. Advance payments received

The advance payments received chiefly relate to payments received on account of orders for assembly lines and tools that are already being used in production. No advance payments in connection with IAS 11.40 were made as of the reporting date.

5. t. Short-term bank borrowings and short-term loans

In addition to the credit lines that have been drawn down, this item includes the repayments from loans taken out that are due within the next twelve months. All of the amounts are therefore due within one year.

5. u. Current portion of finance lease liabilities

Current liabilities under leases amounted to EUR 0 thousand at the reporting date (previous year: EUR 14 thousand) and related in the previous year to the amounts from finance leases due within one year.

Please also refer to our comments in section III. D. "Leases".

5. v. Income tax liabilities

The tax liabilities relate exclusively to obligations for income taxes in accordance with IAS 12.

5. w. Current provisions

The current provisions are made up as follows:

IN EUR THOUSAND	BALANCE 30.06.2012	CURRENCY DIFFERENCES	USE	DISPOSAL DUE TO CHANGES IN THE BASIS OF CONSOLI-DATION	ADDITION	BALANCE 30.06.2013
Contingent losses on orders on hand	581	8	443	146	0	0
Other	40	0	40	0	110	110
Total	**621**	**8**	**483**	**146**	**110**	**110**

The provisions for the loss-free valuation of orders on hand related to projects from the Balda Technical segment (formerly Electronic Products).

5. aa. Share-based payment transactions

The Group has no share-based payment programs.

5. ab. Additional disclosures on financial instruments

Presentation by measurement category:

The carrying amounts, measurements and fair values by measurement category for the continuing operations are shown in the table below:

			MEASUREMENT PURSUANT TO IAS 39				
30.06.2013 IN EUR THOUSAND	MEASUREMENT CATEGORY PURSUANT TO IAS 39	CARRYING AMOUNT AS OF 30.06.2013	(AMORTIZED) COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE IN EQUITY	MEASUREMENT ACCORDING TO OTHER IFRSS	FAIR VALUE AS OF 30.06.2013
Assets							
Cash	LaR	68,153	68,153	0	0	0	68,153
Trade receivables	LaR	10,222	10,222	0	0	0	10,222
Other current financial assets	LaR	214,794	214,794	0	0	0	214,794
Other non-current financial assets	LaR	5,191	5,191	0	0	0	5,191
Liabilities							
Trade payables	FLAC	6,283	6,283	0	0	0	6,283
Short-term bank borrowings and loans	FLAC	1,731	1,731	0	0	0	1,731
Other current financial liabilities	FLAC	4,460	4,460	0	0	0	4,460
of which aggregated by IAS 39 measurement category:							
Loans and receivables (LaR)	LaR	298,360	298,360	0	0	0	298,360
Financial liabilities at amortized cost (FLAC)	FLAC	12,474	12,474	0	0	0	12,474

30.06.2012 IN EUR THOUSAND	MEASUREMENT PURSUANT TO IAS 39						
	MEASUREMENT CATEGORY PURSUANT TO IAS 39	CARRYING AMOUNT AS OF 30.06.2012	(AMORTIZED) COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE IN EQUITY	MEASUREMENT ACCORDING TO OTHER IFRSS	FAIR VALUE AS OF 30.06.2012
Assets							
Cash	LaR	17,776	17,776	0	0	0	17,776
Trade receivables	LaR	6,495	6,495	0	0	0	6,495
Other current financial assets	LaR	336,428	336,428	0	0	0	336,428
Other current financial assets	AfS	52,355	0	0	52,355	0	52,355
Non-current assets held for sale	AfS	17,895	0	0	17,895	0	17,895
Liabilities							
Trade payables	FLAC	7,323	7,323	0	0	0	7,323
Short-term bank borrowings and short-term loans	FLAC	137	137	0	0	0	137
Other current financial liabilities	FLAC	2,373	2,373	0	0	0	2,373
Derivative financial liabilities	FLHfT	65	0	65	0	0	65
Finance lease liabilities (IAS 17)		151	0	0	0	151	151
of which aggregated by IAS 39 measurement category:							
Loans and receivables (LaR)	LaR	360,699	360,699	0	0	0	360,699
Assets available for sale (AfS)	AfS	70,250	0	0	70,250	0	70,250
Financial liabilities held for trading (FLHfT)	FLHfT	65	0	65	0	0	65
Financial liabilities at amortized cost (FLAC)	FLAC	9,833	9,833	0	0	0	9,833

The financial instruments measured at fair value can be classified as follows using the different levels of the measurement methodology:

	2013		2012	
MEASUREMENT CATEGORY [1]	LEVEL 1	LEVEL 2	LEVEL 1	LEVEL 2
AfS	0	0	70,250	0
FLHfT	0	0	0	65

1 See explanations under "Accounting policies".

The net profit / loss of continuing operations classified by measurement category are as follows:

	FROM SUBSEQUENT MEASUREMENT					
30.06.2013 IN EUR THOUSAND	AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIRMENT LOSS	FROM INTEREST AND DIVIDENDS	FROM DISPOSAL	NET PROFIT / LOSS 2013
Loans and receivables (LaR)	0	7,353	– 39	2,421	0	9,735
Financial assets (AfS) – Other comprehensive income – Income statement	0	2,400	0	0	16,883	19,283
Financial liabilities held for trading (FLHfT)	0	0	0	0	0	0
Financial liabilities at amortized cost (FLAC)	0	0	0	– 61	3,867	3,806
Total	**0**	**9,753**	**– 39**	**2,360**	**20,750**	**32,824**

	FROM SUBSEQUENT MEASUREMENT					
30.06.2012 IN EUR THOUSAND	AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIRMENT LOSS	FROM INTEREST AND DIVIDENDS	FROM DISPOSAL	NET PROFIT / LOSS 2012
Loans and receivables (LaR)	0	– 3,422	– 10,912	709	0	– 13,625
Financial assets (AfS) – Other comprehensive income – Income statement	0	753	0	9,177	274,349	284,279
Financial liabilities held for trading (FLHfT)	0	0	0	0	0	0
Financial liabilities at amortized cost (FLAC)	0	0	0	– 57	0	– 57
Total	**0**	**– 2,669**	**– 10,912**	**9,829**	**274,349**	**270,597**

5. ac. Management of risks arising from financial instruments and capital management

Currency risks

The Balda Group's international activities generate cash flows in euros as well as cash flows in other currencies, particularly US dollars.

Operating risks are nevertheless not regarded as high because the Group companies primarily carry out their activities in their respective functional currencies.

The objective of the currency management function at Balda is to minimize foreign currency risks. Where possible and expedient, hedging instruments are used to eliminate currency risks. Currency movements are continuously observed in conjunction with the banks. The Group does not have any foreign currency holdings. Where no hedging instruments can be used, foreign currency is exchanged immediately.

For the reporting of market risks, IFRS 7 requires sensitivity analyses which show effects of hypothetical changes in relevant risk variables on profit / loss and equity. Balda Group companies are always exposed to foreign currency risk when their cash flows are denominated in a currency other than their functional currency. The foreign currency risk presented in the sensitivity analysis results from the following transactions:

Currency risks exist in the Group mainly as a result of the US-dollar liability to subsidiaries in connection with the acquisition of companies in the Unites States.

The periodic effects are determined by correlating the hypothetical changes in the risk variables to the holdings of financial instruments at the reporting date. Here, it is assumed that the holdings at the reporting date are representative for the entire year.

Currency risks as defined by IFRS 7 arise as a result of financial instruments that are denominated in a currency other than the functional currency and are of a monetary nature; exchange rate-related differences arising from the translation of financial statements into the Group currency are not taken into account. All non-functional currencies in which the Group enters into financial instruments are considered relevant risk variables.

Transactions in foreign currency are primarily effected in USD for the Group's operating activities. The following table shows, from a Group perspective, the sensitivity of a rise or fall in the euro against the foreign currency in question. The sensitivity analysis merely considers outstanding monetary items in foreign currency and adjusts their translation at the end of the period in accordance with a 5 % change in the exchange rates. The sensitivity analysis includes transactions from the operating business if these transactions are denominated in a currency other than the company's functional currency. It therefore comprises the effects of a change in the exchange rate on the financial investments held. If the euro had been 5 % stronger (weaker) relative to all currencies as of 30 June 2013, total comprehensive income and consolidated equity would have been around EUR 59 thousand (previous year: EUR 11,382 thousand) lower (higher).

IN EUR THOUSAND	NOMINAL VOLUME AS OF 30.06.2013	2013 +/− 5 %	NOMINAL VOLUME AS OF 30.06.2012	2012 +/− 5 %
Effects on total comprehensive income				
from TWD	0	0	215,295	10,765
from CNY	0	0	4,500	225
from USD	1,165	58	993	50
from MYR	0	0	6,808	340
from other currencies	14	1	41	2
		59		**11,382**

Credit risk

Actively pursued local debtor management is designed to ensure that the Group companies receive information on the creditworthiness of business partners in advance from corresponding credit bureaus and credit insurers. Moreover, customers' past payment behavior can provide additional insight. Where possible, receivables will also be hedged through credit insurance policies. In the Group's operations, receivables are continuously monitored at local level. Specific valuation allowances are recognized to make allowance for default risks. On the basis of these Group-wide regulations, the losses of the non-impaired assets are regarded as low.

Interest rate risk

The Balda Group is subject to interest rate risk primarily in Europe and Asia. Operations are financed locally in close collaboration with the Corporate Finance department of Balda AG. Major interest rate transactions are negotiated directly with Corporate Finance. On account of the uncertainty in the financial markets, the investment of excess liquidity reserves is focused on the preservation of assets rather than the maximization of profit.

The interest rate sensitivity analysis presents the effects of changes in market interest rates on interest payments, interest income and interest expense, as well as on equity. Sensitivity analyses for interest rate risk are based on the following assumptions:

- Non-derivative financial instruments with fixed interest rates are only subject to a risk of changes in value in terms of their carrying amounts if they are measured at fair value. Such financial instruments are measured at amortized cost in the Balda Group.

- Non-derivative variable-rate financial instruments whose interest payments are not included as hedged items in a hedge that has been recognized as a cash flow hedge are subject to interest rate risk both in terms of recognition in the income statement and in terms of cash flow.

At the 30 June 2013 reporting date, the Balda Group did not have any variable-rate financial liabilities. The financial receivables on which interest is charged likewise have only fixed, not variable interest rates. A quantitative presentation is therefore not provided. In the previous year, the effect of a change in the variable interest rates of 10 % on the financial receivables and liabilities on which interest is charged was presented. Such a change would have a negative (positive) effect on net finance income of approximately EUR 1 thousand. In the previous year, the calculation was based on a net volume of EUR 137 thousand.

Liquidity risk

Liquidity risk in the narrower sense of the word refers to the risk that there will not be sufficient funds available to meet all payment obligations punctually.

In the wider sense of the word, however, liquidity risk for the Balda Group also means any limitation of the Group's ability to raise debt or capital (e. g. rating), which could jeopardize the implementation of corporate strategies or the Group's general financial flexibility. Key factors of influence on liquidity risk (economic developments, assessment of the credit standing by external parties) are outside the control of the financial management function.

Liquidity risk management therefore concerns the analysis of the risk and the use of financial instruments (e. g. agreement of adequate credit facilities, diversification of lenders, definition of capital commitment) to hedge the risk in the environment over which the financial management function has no control.

The following table shows the contractually agreed (undiscounted) interest and principal repayments of the non-derivative financial liabilities and derivative financial instruments:

		CASH FLOWS 2013 / 14		CASH FLOWS 2014 / 15		CASH FLOWS 2015 / 16 – 2017 / 2018		CASH FLOWS 2018 / 19 FF.	
IN EUR THOUSAND	CARRYING AMOUNT 30.06.2013	INTEREST	REPAY-MENT	INTEREST	REPAY-MENT	INTEREST	REPAY-MENT	INTEREST	REPAY-MENT
Non-derivative financial liabilities									
Bank borrowings and loans	1,731	22	1,272	11	310	1	149	0	0
Trade payables	6,283	0	6,283	0	0	0	0	0	0
Other financial liabilities	4,460	0	4,460	0	0	0	0	0	0

There were no variable interest rates at the 30 June 2013 reporting date. In the previous year, the underlying annual interest rates for variable interest rates were 7.19 %.

The previous year was as follows:

IN EUR THOUSAND	CARRYING AMOUNT 30.06.2012	CASH FLOWS 2012 / 13 INTEREST	CASH FLOWS 2012 / 13 REPAYMENT	CASH FLOWS 2013 / 14 INTEREST	CASH FLOWS 2013 / 14 REPAYMENT	CASH FLOWS 2014 / 15 – 2016 / 2017 INTEREST	CASH FLOWS 2014 / 15 – 2016 / 2017 REPAYMENT	CASH FLOWS 2017 / 18 FF. INTEREST	CASH FLOWS 2017 / 18 FF. REPAYMENT
Non-derivative financial liabilities									
Short-term bank borrowings and short-term loans	137	2	137	0	0	0	0	0	0
Trade payables	7,323	0	7,323	0	0	0	0	0	0
Other financial liabilities	2,862	0	2,862	0	0	0	0	0	0
Finance lease liabilities	151	11	102	2	49	0	0	0	0
Derivative financial instruments	**65**	**0**	**65**	**0**	**0**	**0**	**0**	**0**	**0**

Objective of the capital and liquidity management function

In terms of its accounting equity, the main objective of the Group's ***capital management*** function is to ensure that the Balda Group remains able to repay its debts and retains a capital structure with matching maturities. The Management Board is authorized to raise short-term debt to finance current assets. For its strategic investments, the Group has at its disposal, in addition to loans, a variety of equity instruments such as the issue of bonds. The Group has implemented a system with appropriate parameters for managing short-term, medium-term and long-term financing and liquidity requirements. The Group prevents liquidity risks by holding adequate cash and cash equivalents available. Future and actual cash flows are monitored at the same time.

Important parameters of the Company's capital management system are the optimization of net financial liabilities and net gearing. Net financial liabilities include all liabilities to banks, lease liabilities and payments received, net of cash. As a result of the sale of the TPK shares, the excess of cash over liabilities increased to EUR 63,303 thousand (previous year: EUR 10,739 thousand). The ratio of net financial liabilities to the Group's equity led to a net gearing of minus 19.0 % (previous year: minus 2.4 %).

The following table provides an overview of the significant capital management parameters:

	30.06.2013	30.06.2012
Net financial receivables (in EUR thousand)	63,303	10,739
Net gearing (in %)	– 19.0	– 2.4
Equity ratio in %	93.0	95.2
Equity (in EUR thousands)	334,536	450,451
Return on equity (in %)	3.6	54.1

As a consequence of the sale of TPK shares in 2012 and February 2013, the Group had very high cash and cash equivalents at the reporting date (bank balances as well as short-term fixed-term deposits in debt instruments). The Group's liquidity ratios at the reporting dates were as follows:

		30.06.2013	30.06.2012
Cash ratio (in %)	$\frac{\text{Cash + current investments}}{\text{Current liabilities}}$	1,526.8	912.5
Current ratio (in %)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1,670.4	2,188.8

These figures illustrate the matched maturities in the Group's financing. Even after the planned dividend distribution, the goal is to guarantee that the Group has a healthy cash flow. Having a minimum reserve of cash is also designed to continue to prevent future liquidity bottlenecks for financing the Group's operations. Balda continuously exchanges information with the commercial banks. This aims to ensure the necessary provision of credit facilities to cover potential liquidity bottlenecks. At the current time, the Group has credit lines at banks in the amount of USD 1,000 thousand.

6. DISCLOSURES ON INDIVIDUAL ITEMS IN THE CONSOLIDATED INCOME STATEMENT

In the case of all disclosures about changes in individual items in the consolidated income statement, comparability of the amounts is limited because the 2012 / 2013 financial year is compared with the 2012 short financial year (1 January to 30 June).

6. a. Sales revenues

EUR 26,906 thousand of the sales revenues of the Balda Group in the financial year (2012 short financial year: EUR 7,514 thousand) is attributable to domestic sales, while EUR 33,000 thousand (2012 short financial year: EUR 4,215 thousand) is attributable to international sales. All of the sales revenues in the financial year just ended generated from the sale of goods in the Balda Technical and Balda Medical segments. The increase in sales revenues stems from two factors: the acquisition of the US companies and the lack of a contribution to sales in the previous year from the company that was sold, BSM.

Sales revenues include contract revenue from long-term construction contracts in accordance with IAS 11 in the amount of EUR 2,106 thousand. Contract revenue was only recognized in the amount of the contract costs incurred in the period.

6. b. Changes in inventories of finished goods and work in progress

This item concerns the change in inventories of the goods produced or processed by the Group. A decrease in inventories of EUR 2,852 thousand was reported in the 2012 / 2013 financial year (2012 short financial year: increase in inventories of EUR 2,022 thousand). This decline is due to higher invoices for the tools and equipment business.

6. c. Other operating income

Other operating income in the consolidated financial statements is comprised as follows:

IN EUR THOUSAND	2012 / 2013	2012
Foreign exchange gains	2,425	577
Income from cost allocations	212	0
Income from the reversal of allowances on receivables	29	33
Rental income	825	340
Accounting profits from the disposal of fixed assets	0	63
Sale of materials	58	0
Income from the reversal of provisions / liabilities	1,171	1,742
Income from the adjustment of the variable purchase price payment	3,332	0
Other	814	508
Income from expected payments from the BenQ bankruptcy estate	836	0
Total	**9,702**	**3,263**

6. d. Cost of materials

The cost of materials of the Balda Group was EUR 23,829 thousand (2012 short financial year: EUR 7,279 thousand). The ratio of the cost of materials to gross revenue was 41.8 % in the 2012 / 2013 financial year (2012 short financial year: 52.9 %). This ratio decreased on account of the change in the product mix of the Balda Group as a result of the US companies acquired.

6. e. Personnel expenses

Personnel expenses in the Group amounted to EUR 21,207 thousand (2012 short financial year: EUR 6,351 thousand). The ratio of personnel expenses to gross revenue was 37.2 % in the 2012 / 2013 financial year (2012 short financial year: 46.2 %). This decrease results from the substantial growth in the sales volume year-on-year, due in particular to the US companies acquired in 2012. Personnel expenses in the reporting year include employer contributions to pension plans in the amount of EUR 658 thousand (2012 short financial year: EUR 339 thousand). Personnel expenses for the reporting period include expenses of EUR 179 thousand for settlement payments (previous year: EUR 90 thousand).

6. f. Depreciation, amortization and impairment losses

Depreciation and amortization on property, plant and equipment and intangible assets amounted to EUR 3,710 thousand in the reporting period (2012 short financial year: EUR 1,061 thousand). This amount includes depreciation and amortization in the amount of EUR 1,145 thousand recognized on the assets of the US companies identified as part of the purchase price allocations. Annual goodwill impairment testing led to impairment charges of EUR 11,514 thousand in the reporting year. Goodwill impairment losses accounted for EUR 8,349 thousand of this figure. Property, plant and equipment and intangible assets were also impaired in the amount of EUR 3,165 thousand. Depreciation, amortization and impairment losses totaled EUR 15,223 thousand (2012 short financial year: EUR 1,061 thousand).

6. g. Other operating expenses

The other operating expenses mainly concern:

IN EUR THOUSAND	2012 / 2013	2012
Occupancy, maintenance and operating costs	2,110	605
Energy costs	1,978	669
IT costs	1,022	595
Travel / vehicle / advertising costs and investor relations expenses	1,964	782
Training courses / incidental personnel expenses	211	83
Rental and leasing expenses	730	13
Administrative costs	385	176
Legal and consulting costs	5,014	1,391
Outgoing freight and warehousing costs	1,001	90
Loss from the disposal of fixed assets	61	12
Foreign exchange expenses	5	473
Insurance	342	72
Bad debt allowance and bad debt losses	149	0
Other taxes	217	36
Costs of cost allocations	525	190
Other	1,145	1,064
Total	**16,859**	**6,251**

As compared with the 2012 short financial year, legal and consulting costs in particular have increased. These include costs of EUR 1,893 thousand incurred in connection with acquisitions. Travel / vehicle / advertising expenses and investor relations expenses in the 2012 / 2013 financial year also include the accrued costs for the extraordinary general meetings in July and September 2013 amounting to EUR 1,340 thousand.

6. h. Net interest income / expense

The interest result is made up as follows:

IN EUR THOUSAND	2012 / 2013	2012
Interest expense	62	775
Interest income	2,448	1,326
Net interest income / expense	**2,386**	**551**

Interest expense in the 2012 short financial year included the discounting of a loan granted to its fair value (EUR 718 thousand). No corresponding loans existed in 2012 / 2013.

In the previous year, interest income had included interest from the effective interest on the buyer loan from the sale of the China business in 2011 in the amount of EUR 597 thousand.

6. i. Other finance income (net)

Other finance income is comprised as follows:

IN EUR THOUSAND	2012 / 2013	2012
Income from currency differences	9,753	0
Expenses from currency differences	0	4,591
Dividend income from TPK equity investment	0	9,177
Total	**9,753**	**4,586**

Other net finance income includes currency gains from the reporting date measurement of euro-denominated cash and cash equivalents held by foreign subsidiaries (EUR 7,353 thousand). The Group recorded currency gains of EUR 2,400 thousand in connection with the sale of the remaining TPK shares in February 2013 (EUR 2,400 thousand).

6. j. Net gain from the sale of TPK shares

The net gain from the sale of TPK shares total EUR 16,883 thousand and is composed of the release of reserves (EUR 17,248 thousand) less costs to sell (EUR 365 thousand).

6. k. Impairment of loan receivable

The impairment in the previous year in the amount of EUR 10,577 thousand concerned the impairment of the loan from the sale of the MobileCom segment because the goodwill was impaired.

6. l. Taxes on income

The income taxes recognized in the income statement are made up as follows:

IN EUR THOUSAND	2012 / 2013	2012
Current income tax expense	975	0
Tax expense, previous years	–1	1,602
Deferred tax income from the origination or reversal of temporary differences	– 3,985	639
Change in the deferred tax assets recognized on loss carryforwards	790	1,765
Total income tax expense	– 2,131	**4,006**

The applicable tax rate in Germany is composed of trade tax of 14.5 % (2012 short financial year: 14.5 %) and corporation tax of 15.8 % (2012 short financial year: 15.8 %) including the solidarity surcharge. The tax on the Group's earnings before taxes differs from the theoretical amount calculated on application of the theoretical income tax rate of around 30.3 % (2012 short financial year: around 30.3 %) on earnings before taxes, as follows:

IN EUR THOUSAND	2012 / 2013	2012
Earnings before taxes	18,660	264,981
Theoretical tax expense 2012 / 2013: 30.3 % (previous year: 30.3 %)	5,657	80,289
Tax rate differences	– 4,353	– 21,395
Non-tax deductible income and expenses	– 4,103	– 58,540
Utilization of tax loss carryforwards	672	1,717
Tax effect from change in deferred taxes	– 318	2,768
Tax-free income from dividend payments	0	– 1,560
Tax losses for which no deferred tax assets were recognized	502	2,430
Taxes for previous years	–1	1,602
Other	– 187	– 3,305
Total income tax expense / refund	– 2,131	**4,006**

6. m. Net profit / loss from continuing operations

The Balda Group generated a net profit from continuing operations of EUR 20,791 thousand (2012 short financial year: EUR 260,975 thousand).

The basic and diluted earnings per share for the continuing operations are as follows:

	2012 / 2013	2012
Net profit / loss from continuing operations after taxes (EUR thousand)	20,791	260,975
Weighted average number of shares issued (in thousands)	58,891	58,891
Basic and diluted earnings per share pursuant to IAS 33 (EUR)	**0.353**	**4.432**

As in the previous year, there were no dilutive instruments in the 2012 / 2013 financial year.

6. n. Net profit / loss from discontinued operations

The net profit / loss from discontinued operations was comprised as follows in the 2012 / 2013 financial year:

IN EUR THOUSAND	2012 / 2013	2012
Sales revenues	15,847	12,978
Other operating income	289	123
Changes in inventories of finished goods and work in progress	– 60	1,571
Cost of materials	9,732	9,169
Personnel expenses	4,329	3,605
Depreciation, amortization and impairment losses	970	806
Other operating expenses	2,458	2,976
Impairment	0	8,936
Net finance income	142	101
Earnings before taxes	**– 1,271**	**– 10,719**
Taxes on income	– 150	469
Net profit / loss from discontinued operations	**– 1,121**	**– 10,250**
of which attributable to other shareholders	0	0
Net profit / loss from discontinued operations attributable to the Group	**– 1,121**	**– 10,250**
Net deconsolidation profit / loss from disposal	– 6,190	0
Comprehensive income, discontinued operations	**– 7,311**	**– 10,250**

The loss from discontinued operations for the Asia region in the financial year is attributable to the operating activities of Balda Solutions Malaysia (former Electronic Products segment) up until the deconsolidation date on 26 April 2013 and the deconsolidation loss as a result of the sale of the company. Prior-year figures were calculated accordingly.

The basic and diluted earnings per share for the discontinued operations are as follows:

	2012 / 2013	2012
Net profit / loss from discontinued operations after taxes (EUR thousand)	– 7,311	– 10,250
Weighted average number of shares issued (in thousands)	58,891	58,891
Basic and diluted earnings per share pursuant to IAS 33 (EUR)	**– 0.124**	**– 0.174**

As in the previous year, there were no dilutive instruments in the 2012 / 2013 financial year.

6. o. Comprehensive income, Group

The Group's comprehensive income of EUR 13,480 thousand (2012 short financial year: EUR 250,725 thousand) relates in full to the shareholders of Balda AG.

6. p. Earnings per share – basic and diluted

The basic and diluted earnings per share are as follows:

	2012 / 2013	2012
Net profit / loss from attributable to the Group according to the income statement (EUR thousand)	13,480	250,725
Weighted average number of shares issued (in thousands)	58,891	58,891
Basic and diluted earnings per share pursuant to IAS 33 (EUR)	**0.229**	**4.257**

As in the previous year, there were no dilutive instruments in the 2012 / 2013 financial year.

The other comprehensive income (EUR minus 11,614 thousand) primarily includes the net gains / losses from the translation of the statements of financial position and income statements of the foreign companies prepared in foreign currency. Other elements are the increase in the fair value of TPK shares (EUR 16,567 thousand) as well as the reclassification amount (EUR 17,248 thousand) with regard to the TPK shares sold in the 2012 / 2013 financial year. No income taxes are attributable to the individual components of other comprehensive income (2012 short financial year: EUR 2,271 thousand).

III. Other disclosures

A. AVERAGE NUMBER OF EMPLOYEES

The following figures relate to the headcount in the Balda Group including leased employees, temporary staff and trainees from the continuing operations.

	2012 / 2013	2012
Management Board	2	2
Commercial employees	67	26
Technical and industrial staff	556	167
Leased employees	298	32
Subtotal	**923**	**227**
Temporary staff, trainees	2	2
Total (average) number of employees	**925**	**229**
Number of employees at the reporting date	**856**	**220**

For further information we refer to our comments on employees in the management report.

B. CONTINGENT LIABILITIES

With the exception of the collateral disclosed in the notes, there were no contingent liabilities or guarantees as of the 30 June 2013 reporting date for which the Group provided assets as collateral.

C. OTHER FINANCIAL OBLIGATIONS

The other financial obligations of EUR 1,359 thousand (previous year: EUR 2,155 thousand) comprised purchase commitments for investments in property, plant and equipment as well as binding orders for materials including raw materials.

For more information about the rental and leasing obligations, please refer to our comments in section III. d. "Leases".

D. LEASING

Lessee – operating lease

As of 30 June 2013, rental and leasing obligations amounted to:

MINIMUM LEASE PAYMENTS IN EUR THOUSAND	2012 / 2013	2012
< 1 year	913	220
> 1 to 5 years	2,111	13
> 5 years	0	0
Total amount	**3,024**	**233**

The payments of EUR 932 thousand (previous year: EUR 369 thousand) that were recognized as an expense in the reporting period primarily relate to minimum lease payments for the factory buildings of the US entities.

The obligations under rental and lease agreements relate to agreements in which the Group companies are not beneficial owners in accordance with the IFRSs (operating leases). The rental and leasing obligations principally concern machinery. There are no contractual purchase options at the end of the lease term.

Lessee – finance lease

There were no finance leases at the 30 June 2013 reporting date. The corresponding figures from the previous year are presented in the reconciliation of the future minimum lease payments to their present value, as shown in the table below:

		MATURITIES		
30.06.2012 IN EUR THOUSAND	TOTAL	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Minimum lease payments	165	113	52	0
Interest share received	13	11	2	0
Present values	152	102	50	0

Lessor – operating lease

To maximize capacity utilization at the Bad Oeynhausen manufacturing facility, production areas are leased to third parties until May 2015. This lease will generate the following lease payments for the Group:

MINIMUM LEASE PAYMENTS IN EUR THOUSAND	2013	2012
< 1 year	315	292
> 1 to 5 years	323	574
> 5 years	0	0
Total amount	**638**	**866**

E. CONTINGENT LIABILITIES AND ASSETS

When the convertible profit participation rights were converted in 2010, conversion costs were paid to the investors for early conversion. The Management Board considers these payments (EUR 8,105 thousand) operating expenses rather than interest-related payments subject to a capital gains tax deduction.

The Balda Group anticipates an estimated financial inflow of approximately EUR 630 thousand from claims for damages in the 2013 / 2014 financial year.

F. LIST OF SHAREHOLDINGS

The following represents the list of shareholdings of Balda AG as of 30 June 2013:

FULLY CONSOLIDATED EQUITY INVESTMENTS

ENTITY	DOMICILE	EQUITY INVESTMENT	PERCENTAGE OF SHARES HELD
Balda Medical GmbH & Co. KG	Bad Oeynhausen Germany	Direct	100 %
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen Germany	Direct	100 %
Balda Solutions Deutschland GmbH	Bad Oeynhausen Germany	Direct	100 %
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen Germany	Direct	100 %
Balda Investments Netherlands B.V.	Amsterdam The Netherlands	Direct	100 %
Balda Solutions USA, Inc. through Balda Investments Netherlands B.V.	Morrisville North Carolina / USA	Indirect	100 %
Balda Investments Singapore Pte. Ltd. through Balda Investments Netherlands B.V.	Singapore Singapore	Indirect	100 %
Balda Investments Malaysia Pte. Ltd. through Balda Investments Netherlands B.V.	Singapore Singapore	Indirect	100 %
Balda Investments USA LLC through Balda Investments Netherlands B.V.	Wilmington USA	Indirect	100 %
Balda C. Brewer, Inc. through Balda Investments USA LLC	Anaheim California / USA	Indirect	100 %
Balda HK Plastics, Inc. through Balda Investments USA LLC	Oceanside California / USA	Indirect	100 %
Widesphere Sdn. Bhd. through Balda Investments Malaysia Pte. Ltd.	Kuala Lumpur / Malaysia	Indirect	100 %

ENTITIES THAT ARE NOT CONSOLIDATED OR BELONG TO DISCONTINUED OPERATIONS

ENTITY	DOMICILE	EQUITY INVESTMENT	PERCENTAGE OF SHARES HELD
Balda Investments Mauritius Ltd. through Balda Investments Netherlands B.V.	Port Louis Mauritius	Indirect	100 %
Balda Solutions Malaysia Sdn. Bhd through Balda Investments Malaysia Pte. Ltd.	Ipoh Malaysia	Indirect	100 %

G. CORPORATE BODIES OF BALDA AG

Supervisory Board of Balda AG

Dr. Michael Naschke, Berlin (Chairman, until 04.09.2013)
NASCHKE & PARTNER law firm, Berlin

Mr. Chun-Chen Chen, Taipei, Taiwan (Vice Chairman until 07.11.2012)
Chairman of the Board of Directors of TVM Corp. and Touch Video Monitor Corp., Taipei / Taiwan

Mr. Yu-Sheng Kai, Hong Kong, China (until 28.02.2013)
Managing Director of Eternal Union International Ltd., Hong Kong, China

Mr. Ted Gerlach, Pleasanton, USA (from 07.11.2012 to 28.02.2013, Vice Chairman)
Managing partner at BluePoint Controls, USA

Mr. Wilfried Niemann, Pr. Oldendorf (01.03.2013 to 04.09.2013, Vice Chairman)
Managing Director of Karl. W. Niemann GmbH & Co. KG, Pr. Oldendorf

Ms. Irene Schetelig, Berlin (01.03.2013 to 04.09.2013)
Controller at Youtailor GmbH, Berlin

The following persons were elected to the Supervisory Board during the Extraordinary General Meeting on 4 September 2013:

Ms. Frauke Vogler, lawyer / tax advisor, Berlin

Dr. Thomas van Aubel, lawyer, Berlin

Mr. Klaus Rueth, formerly: CFO of EMD Chemicals, USA, Darmstadt

At the subsequent inaugural Supervisory Board meeting, Dr. van Aubel was elected as Chairman of the Supervisory Board.

In the 2012 / 2013 financial year, Dr. Michael Naschke exercised the function of Financial Expert in the Supervisory Board (member with expertise in the fields of accounting or financial statement auditing). Ms. Frauke Vogler took over this function from 9 October 2013. The Supervisory Board of Balda AG did not form any committees in the reporting year.

Management Board of Balda AG

Mr. Dominik Müser, Ratingen, Chairman of the Management Board and Chief Financial Officer (CFO) / CEO until 14.10.2013 (from 01.01.2013 to 04.09.2013 as the sole member of the Management Board)

Mr. James Lim, Banting, Selangor, Malaysia, CEO Balda Solutions Malaysia Sdn. Bhd., Chief Operating Officer (COO) (until 31.12.2012)

Dr. Dieter Brenken, Hilden, member of the Management Board (since 05.09.2013)

Mr. Oliver Oechsle, Düsseldorf, member of the Management Board (since 14.10.2013)

As a member of the Management Board up until his dismissal, Mr. Dominik Müser was also:

- Chairman of the Board of Directors of Balda Investments USA LLC., Wilmington, Delaware / USA (from 12.12.2012)

- Member of the Board of Directors of
  - Balda Investments Singapore Pte. Ltd., Singapore / Singapore
  - Balda Solutions Malaysia Sdn. Bhd., Ipoh / Malaysia (until 26.08.2013)
  - Balda Solutions USA, Inc., Morrisville / USA
  - Balda Investments Malaysia Pte. Ltd., Singapore / Singapore
  - Balda C. Brewer, Inc., Anaheim California / USA (from 29.12.2012)
  - Balda HK Plastics, Inc., Oceanside California / USA (from 01.01.2013)
  - Widesphere Sdn. Bhd., Kuala Lumpur / Malaysia (from 26.04.2013)

With the exception of his post at Balda Solutions Malaysia Sdn. Bhd., Ipoh / Malaysia, Mr. Dominik Müser resigned from all posts effective 14 October 2013.

During his time on the Management Board, Mr. James Lim until 31.12.2012 was also:

- Chairman of the Board of Directors of
  - Balda Solutions Malaysia Sdn. Bhd., Ipoh / Malaysia
  - Balda Solutions USA, Inc., Morrisville / USA

Compensation of the Management Board and Supervisory Board

Compensation of the Supervisory Board

As a German stock corporation ("AG"), Balda is subject to German stock corporation law. For this reason, the Group has a dual management and supervisory structure consisting of the Management Board and a three-member Supervisory Board, as stipulated in its Articles of Association.

Supervisory Board and compensation report

The members of the Supervisory Board received the following compensation:

COMPENSATION OF THE SUPERVISORY BOARD MEMBERS IN 2012 / 2013

2012 / 2013 IN EUR	FIXED COMPENSATION	ATTENDANCE FEES	TOTAL COMPENSATION
Dr. Michael Naschke	50,000	15,000	**65,000**
Yu-Sheng Kai	16,667	9,000	**25,667**
Chun-Chen Chen	13,247	6,000	**19,247**
Ted Gerlach	11,753	4,500	**16,253**
Wilfried Niemann	12,500	4,500	**17,000**
Irene Scheteling	8,333	4,500	**12,833**
Total amount:	**112,500**	**43,500**	**156,000**

COMPENSATION OF THE SUPERVISORY BOARD MEMBERS, 2012 SHORT FINANCIAL YEAR

2012 SHORT FINANCIAL YEAR IN EUR	FIXED COMPENSATION	ATTENDANCE FEES	TOTAL COMPENSATION
Dr. Michael Naschke	25,000	6,000	**31,000**
Yu-Sheng Kai	12,500	4,500	**17,000**
Chun-Chen Chen	18,750	4,500	**23,250**
Total amount:	**56,250**	**15,000**	**71,250**

Compensation of the Supervisory Board is specified by resolution of the General Meeting. On 27 May 2011, the General Meeting resolved to waive variable compensation. Supervisory Board members will be solely remunerated on the basis of set fees.

In the reporting year, the Company did not commission the Supervisory Board members to provide any advisory or agency services during their term of office. In addition, Balda did not pay any separate compensation (item 5.4.4 of the German Corporate Governance Code).

Management Board and compensation report

The composition of Balda AG's Management Board changed in the reporting period. Management Board member James Lim stepped down with effect from 31 December 2012. Dominik Müser acted as the sole Management Board member from 1 January to 4 September 2013. On 5 September 2013, Dr. Dieter Brenken was appointed as a further Management Board member by the Supervisory Board with a term of office running until 31 October 2014. Mr. Dominik Müser was removed from his post of Chief Executive Officer on 14 October 2013. At the same time, the Supervisory Board appointed Mr. Oliver Oechsle as a further member of the Management Board.

The compensation of the Management Board members in the 2012 / 2013 financial year was composed as follows (compensation report – item 4.2.5 of the German Corporate Governance Code):

The compensation of the Management Board members comprised monetary compensation consisting of fixed and variable components (item 4.2.3 of the Code) and fringe benefits. The fixed compensation comprises the monthly salaries paid to Management Board members. The fringe benefits include the costs for the use of a company car or a compensation payment for non-use of a company car, contributions towards the members' health insurance schemes and pension plans as well as costs for accident insurance policies. No other contractually agreed pension commitments were made. The Management Board members did not receive any payments from third parties that had been promised to them for their Management Board work or granted in the 2012 / 2013 financial year (item 4.2.3 of the Code).

The variable compensation of the Management Board members comprises components that are based on the Company's commercial and financial success (performance-based compensation). Due to the limited term of Management Board contracts and the mainly short-term nature of the targets set, there are no plans for an additional compensation component with a long-term incentive in the 2012 / 2013 financial year.

The component that is linked to the Company's commercial success is calculated for the Management Board member based on the achievement of agreed targets and successful completion of defined projects and measures. In this respect, the Supervisory Board may, at its own discretion, grant Management Board members a bonus on the basis of their performance.

The content of the contract with the CEO, Dominik Müser, was amended effective 1 February 2013 (in the course of a contract extension to 30 June 2015), among other things, with regard to his compensation.

Management Board compensation report

The members of the Management Board received the following compensation for the 2012 / 2013 financial year:

COMPENSATION OF THE MANAGEMENT BOARD IN 2012 / 2013

2012 / 2013 IN EUR	FIXED COMPENSATION	PERFORMANCE-BASED COMPENSATION	FRINGE BENEFITS	TOTAL
D. Müser	385,000	200,000	19,242	**604,242**
J. Lim [1]	98,443	0	26,484	**124,927**
Total amount:	**483,443**	**200,000**	**45,726**	**729,169**

1 Member of the Management Board until 31.12.2012

COMPENSATION OF THE MANAGEMENT BOARD, 2012 SHORT FINANCIAL YEAR

2012 SHORT FINANCIAL YEAR IN EUR	FIXED COMPENSATION	PERFORMANCE-BASED COMPENSATION	FRINGE BENEFITS	TOTAL
R. Mohr [1]	0	0	0	**0**
D. Müser	150,000	175,000	6,447	**331,447**
J. Lim	90,459	0	24,557	**115,016**
Total amount:	**240,459**	**175,000**	**31,004**	**446,463**

1 Member of the Management Board until 01.01.2012

DIRECTORS' HOLDINGS

	30.06.2013	30.06.2012	CHANGE
Dominik Müser [1]	0	0	0
James Lim [2]	—	0	0
Dr. Dieter Brenken [3]	—	—	—
Oliver Oechsle [4]	—	—	—
Management Board, total	**0**	**0**	**0**
Chun-Chen Chen [5]	—	0	0
Yu-Sheng Kai [6]	—	0	0
Dr. Michael Naschke [7]	44,000	23,000	21,000
Ted Gerlach [8]	—	—	—
Wilfried Niemann [9]	0	—	0
Irene Schetelig [9]	0	—	0
Dr. Thomas van Aubel [10,11]	17,632,808	—	17,632,808
Frauke Vogler [10]	100	—	100
Klaus Rueth [10]	—	—	—
Supervisory Board, total	17,676,908	**23,000**	**17,653,908**

1 Management Board member until 14.10.2013
2 Management Board member until 31.12.2012
3 Management Board member from 05.09.2013
4 Management Board member from 14.10.2013
5 Supervisory Board member until 07.11.2012
6 Supervisory Board member until 28.02.2013
7 Supervisory Board member until 04.09.2013
8 Supervisory Board member from 07.11.2012 to 28.02.2013
9 Supervisory Board member from 01.03.2013 to 04.09.2013
10 Supervisory Board member from 04.09.2013
11 Shareholding via Elector GmbH, Berlin

The Management Board members Dr. Dieter Brenken, who was appointed with effect from 5 September 2013, and Mr. Oliver Oechsle, who was appointed on 14 October 2013, did not receive any compensation in the financial year just ended.

The corporate bodies did not make any further purchases or sales in the 2012 / 2013 financial year.

H. RELATED PARTY DISCLOSURES

Related parties as defined by IAS 24 are legal entities or individuals who control or exercise significant influence over Balda AG and its subsidiaries. This includes individuals and companies that are significantly influenced by Balda AG and / or its subsidiaries.

Only the members of the corporate bodies of Balda AG count as members of management in key positions within the Balda Group. Relationships to members of the corporate bodies are presented in the compensation report. By reason of his position as a shareholder, the Supervisory Board Chairman Dr. Naschke was paid dividends in November 2012 in accordance with the general terms and conditions.

There were no other transactions with related parties.

I. EVENTS AFTER THE REPORTING PERIOD

Changes in the Supervisory Board

At Balda AG's Extraordinary General Meeting in Berlin on 4 September 2013, new members were elected to the Company's three-person Supervisory Board. With 60.3 % of the share capital present, the shareholders elected Ms. Frauke Vogler, lawyer / tax advisor, Berlin; Dr. Thomas van Aubel, lawyer, Berlin; and Mr. Klaus Rueth, Darmstadt, to the Supervisory Board.

At the subsequent inaugural Supervisory Board meeting, Dr. van Aubel was elected as Chairman of the Supervisory Board. The new Supervisory Board members replaced the court-appointed members Irene Schetelig and Wilfried Niemann. The existing Supervisory Board Chairman Dr. Michael Naschke was voted out of office with the required majority. He had already announced at the beginning of the General Meeting that he was stepping down with immediate effect. The sole agenda item for the Extraordinary General Meeting, which had been convened by shareholder Elector GmbH, was the appointment of new members of the Supervisory Board.

Management Board changes

The Supervisory Board of Balda AG resolved on 5 September 2013 to appoint Dr. Dieter Brenken as a further Management Board member with immediate effect. On 14 October 2013, the Supervisory Board dismissed the CEO, Mr. Dominik Müser, with immediate effect and appointed Mr. Oliver Oechsle as a further member of the Management Board.

J. AUDITORS' FEES

The following fees payable to the auditor are recognized as an expense in the 2012 / 2013 financial year:

IN EUR THOUSAND	2012 / 2013	2012
Audits of financial statements	250	206
Tax advisory services	0	146
Other services	0	64
Total amount	**250**	**416**

The fees for audit services essentially consist of the fees for the audit of the consolidated financial statements as well as for the audit of the financial statements of Balda AG and Balda Medical GmbH & Co. KG as of 30 June 2013.

K. APPLICATION OF THE EXEMPTIONS IN SECTION 264A HGB IN CONJUNCTION WITH SECTION 264B HGB

Balda Medical GmbH & Co. KG, Bad Oeynhausen, makes use of the exemptions from the duty to prepare a management report and notes to the financial statements as well as their publication in accordance with Section 264b of the German Commercial Code.

Corporate governance

Balda follows and will follow the recommendations and suggestions of the German Corporate Governance Code as amended on 15 May 2012 with certain exceptions. The declaration of compliance for the 2012 / 2013 financial year in accordance with Section 161 of the German Stock Corporation Act (AktG) is permanently available to shareholders and the general public together with previous declarations of compliance on the Balda website under Investor Relations / Publication / Corporate Governance (www.balda-group.com). The most recent corporate governance declaration can also be downloaded from the corporate governance section of the Balda website.

Bad Oeynhausen, 3 December 2013

The Management Board

Dr. Dieter Brenken

Oliver Oechsle

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Balda Group, together with a description of the material opportunities and risks associated with the expected development of the Balda Group."

Bad Oeynhausen, 3 December 2013

The Management Board

Dr. Dieter Brenken

Oliver Oechsle

Auditors' report

We have audited the consolidated financial statements prepared by Balda Aktiengesellschaft, Bad Oeynhausen, comprising the statement of financial position, statement of comprehensive income, income statement, statement of changes in equity, statement of cash flows and notes, together with the Group management report for the financial year from 1 July 2012 to 30 June 2013. The preparation of the consolidated financial statements and Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315 (1) HGB [Handelsgesetzbuch: German Commercial Code] are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting information of the entities included in consolidation, the definition of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the additional provisions of German commercial law pursuant to section 315a (1) of the HGB as well as the IFRSs overall and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bielefeld, 3 December 2013

BDO AG

Wirtschaftsprüfungsgesellschaft

signed Rauscher	signed Horn
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

06.

Additional information

Financial calendar

19 December 2013	Report on the first quarter of 2013 / 2014
28 January 2014	Annual General Meeting, 2012 / 2013 financial year, Ringlokschuppen Bielefeld
13 February 2014	Report on the second quarter of 2013 / 2014
14 May 2014	Report on the third quarter of 2013 / 2014

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