

# **Balda** | AG

**Annual financial statements of  
Balda Aktiengesellschaft  
for the 2012/2013 financial year  
(1.7.2012 – 30.6.2013)**

# **BALDA AKTIENGESELLSCHAFT, BAD OEYNHAUSEN**

MANAGEMENT REPORT FOR THE 2012/2013 FINANCIAL YEAR (FROM 1 JULY 2012 TO 30 JUNE 2013)

## **A. General**

### **1. Overview of Balda AG and equity investments**

The Balda Group 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 primarily in the following sectors: medical equipment (Medical), eyewear and high-quality electronic products.

Balda AG, which is based in Bad Oeynhausen, acts as the strategic and financial holding company of the Balda Group.

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. 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.

Balda AG holds 100% of the shares in the intermediate holding company Balda Investments Netherlands B.V., Amsterdam/the Netherlands and 100% of the shares in Balda Medical GmbH & Co. KG, Bad Oeynhausen.

Balda Investments Netherlands B.V. in turn indirectly holds all of the shares in the operating companies in the USA (Balda C. Brewer Company, Balda HK Plastics, Inc.) and in Balda Investments Singapore Pte. Ltd.

### **2. Tasks of Balda AG**

As a holding company, Balda AG performs the principal management functions for the Balda Group. The Company's main tasks are 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.

Balda AG is responsible for developing and defining the Group's basic strategy. Balda AG also ensures that the operating units comply with the strategic guidelines.

In the reporting year, the Management Board of Balda AG comprised Dominik Müser (until 14.10.2013; sole member from 01.01.2013 to 05.09.2013) and James Lim (until 31.12.2012). The Management Board currently comprises Dr. Dieter Brenken (since 05.09.2013) and Oliver Oechsle

(since 14.10.2013). The Supervisory Board appoints, monitors and advises the Management Board and is directly involved in decisions of fundamental importance for the Company.

The segment managers are responsible for implementing the strategy defined for the two segments, Balda Medical and Balda Technical, by the Management Board of Balda AG. They report directly to the Management Board of Balda AG.

### **3. Overview of the business activities of the operating subsidiaries**

Balda AG's direct and indirect operating subsidiaries are active in the Balda Medical and Balda Technical segments.

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 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. 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 supplies customers in various markets, including eyewear, 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. The Balda Technical segment is dominated by customer relationships with suppliers in 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 line with market expectations, but instead developed at a virtually constant level.

#### **4. General economic 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 geopolity 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.

##### **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.

#### **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.

## **B. Financial position, cash flows and financial performance**

### **1. General**

The Company's Annual General Meeting on 11 May 2012 decided to change the financial year of Balda AG so that it ends on 30 June. 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 and the statement of cash flows relate to the 2012 short financial year and therefore a meaningful comparison with the figures for the reporting year is not possible. The previous year's figures in the balance sheet of Balda AG refer to the 30 June 2012 reporting date.

These annual financial statements as of 30 June 2013 were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

On account of its holding function, the Company's financial performance, cash flows and financial position are determined by the performance of the operating subsidiaries in the Balda Medical and Balda Technical segments. The financial performance of Balda AG depends to a considerable extent on dividend income resulting from distributions by the subsidiaries.

### **2. Significant events in the financial year**

#### **Management Board changes**

The composition of Balda AG's Management Board changed in the reporting period. James Lim retired from the Management Board with effect from 31 December 2012. Until 14 October 2013, the Management Board function was exercised by Dominik Müser (sole Management Board member until 5 September 2013).

#### **Dissolution of the indirect shareholding in TPK Holding**

The remaining shares in TPK Holding Co., Ltd., Cayman Islands, were sold in February 2013. Through the sale of the remaining 7.1 million shares, income of around EUR 87 million was generated by the subsidiary Balda Investments Singapore Pte. Ltd. The Management Board of Balda AG thus implemented the strategy announced in relation to the TPK shareholding, selling all shares.

#### **Strategic acquisitions in the USA**

At the end of December 2012, Balda announced the acquisition of two leading US plastics manufacturers through a newly-established intermediate holding company and thus its entry into the strategically important US market.

At the end of December 2012, Balda AG acquired a 100% stake in **C. Brewer Company, Anaheim, California**. Formed in 1966, this company specializes in high-precision injection-molded plastics and the construction of injection molds for customers, primarily in the Balda Medical segment and the eyewear, automotive and electronics markets. It has three production facilities in California (Anaheim is active in the Balda Medical and Balda Technical segments, Irvine in the Balda Technical segment and Ontario in the Balda Medical segment).

Also at the end of December 2012, Balda acquired a 100% stake in **HK Plastics Engineering, Inc., Oceanside, California**. HK Plastics Engineering, Inc. is a provider of all-in-one injection-molded plastics services and in the construction of injection molds. Formed in 1974, the company operates production facilities at its Oceanside headquarters, which are allocated to the Balda Medical segment.

### **Annual General Meeting on 7 November 2012**

With 60.9% of the share capital represented, Balda AG's Annual General Meeting on 7 November 2012 approved all resolutions by the Management Board on the agenda with clear majorities. The shareholders resolved on a dividend of EUR 2.00 per share for the 2012 short financial year, corresponding to a total distribution of EUR 117.8 million.

### **3. Overall assessment of the financial year**

Balda AG closed the 2012/2013 financial year with a high net income of EUR 35.0 million. The profit results almost exclusively from distributions by Balda Investments Netherlands B.V. in connection with the disposals of the investment of Balda Investments Singapore Pte. Ltd. in TPK Holding.

The Management Board is planning a further large distribution to the shareholders of Balda AG from the dividend income received.

### **4. Financial performance**

Balda AG reported sales revenues of EUR 0.5 million for the 2012/2013 financial year, most of which were generated from services provided by the holding company for the subsidiaries (2012 short financial year: EUR 0.8 million).

Other operating income totaled EUR 4.6 million (2012 short financial year: EUR 1.0 million) and comprises income from intra-Group cost allocations as well as the recharging of third-party services. Personnel expenses amounted to EUR 1.6 million (2012 short financial year: EUR 1.0 million). The average number of employees (11) was slightly higher than the average for the 2012 short financial year (10).

Other operating expenses of EUR 7.4 million predominantly comprised legal and consulting costs, IT costs, investor relations expenses and expenses for cost allocations.

Income from long-term equity investments of EUR 39.1 million (2012 short financial year: EUR 194.5 million) mainly relates to dividend payments by Balda Investments Netherlands B.V., predominantly resulting from sales of shares in TPK.

Net interest income amounted to EUR 0.0 million (2012 short financial year: net income expense of EUR 0.1 million).

The result from ordinary activities amounted to EUR 35.0 million (2012 short financial year: EUR 182.0 million). This includes the principal non-recurring effect in the form of dividends.

In spite of the high pre-tax profit in the financial year of EUR 35.0 million, the Company has not disclosed any income tax expense. This is mainly due to the income from long-term equity investments (EUR 39.1 million), most of which was tax free. Balda AG did not incur tax expense or generate tax income in the financial year (2012 short financial year: EUR 0.0 million), which meant that net income for the financial year also amounted to EUR 35.0 million (2012 short financial year: EUR 182.0 million).

After making allowance for the profit brought forward of EUR 67.4 million (following the dividend of EUR 117.8 million paid in November 2012 for the 2012 short financial year), Balda AG reported net retained profits of EUR 102.4 million.

## **5. Financial position and changes in equity**

Total assets of the Company amounted to EUR 211.4 million as of 30 June 2013, down EUR 103.6 million on the figure for the end of the 2012 short financial year (EUR 315.1 million).

Fixed assets at the balance sheet date remained dominated by long-term financial assets of EUR 188.5 million (30 June 2012: EUR 193.0 million). Shares in affiliated companies of EUR 188.5 million relate primarily to Balda Investments Netherlands B.V., but also to Balda Medical GmbH & Co. KG and Balda Solutions Deutschland GmbH.

The asset coverage ratio (equity over fixed assets) was 103.1% at the reporting date. Balda AG's assets are therefore financed at matching maturities.

Other assets reported under current assets include tax receivables of EUR 865 thousand (previous year: EUR 313 thousand), of which EUR 199 thousand (previous year: EUR 244 thousand) is due after more than one year. Miscellaneous other assets are due within one year.

As of 30 June 2013, cash and cash equivalents at EUR 8.7 million are significantly higher than at the end of the 2012 short financial year (EUR 2.8 million).

Balda AG reported equity of EUR 196.1 million at the 2012/2013 balance sheet date (30 June 2012: EUR 278.9 million). This decrease is attributable to the dividend payment of EUR 117.8 million. Due to the decline in total assets, the equity ratio rose from 88.5% in the previous year to 92.8% at the end



of the past financial year. Other provisions increased from EUR 2.0 million to EUR 2.1 million. The figure for the current year includes commitments of EUR 1.2 million for the extraordinary general meetings held on 18 July and 4 September 2013. Excluding the aforementioned extraordinary items, provisions were considerably lower than in the previous year.

Total liabilities amounted to EUR 13.2 million, down from 34.2 million as of 30 June 2012. These mainly consisted of liabilities to affiliated companies of EUR 12.4 million (30 June 2012: EUR 33.7 million). Of this figure, EUR 8.6 million (30 June 2012: EUR 8.6 million) related to a loan from Balda Solutions Deutschland GmbH.

## **6. Investments and cash flows**

### **6.1. Main principles of financial management**

Balda AG's liquidity requirements comprise the repayment of financial resources, the coverage of expenses for operating activities and dividend payments to shareholders. As a holding company, Balda AG finances itself internally, mainly through dividend payments by its subsidiaries. In addition, Balda AG receives cash from the services it provides to its subsidiaries in connection with its holding function.

As a result of the sale of the indirect shareholding in TPK Holding Ltd., Balda AG plus the holding companies Balda Investment Singapore Pte. Ltd. and Balda Investment Netherlands have adequate liquidity reserves for strategic investments.

Currently, Balda AG has not arranged any credit facilities with its commercial banks. There is a continuous exchange of information with the Company's banks so that the Company's own financing requirements can be covered at short notice.

Furthermore, the Management Board (with the approval of the Supervisory Board) is authorized to issue bonds up to an amount of EUR 100 million. Please refer to item C. 3.5 of this management report for more information. This financing mix provides a good starting point for strategic growth.

As a rule, the subsidiaries are supplied with liquidity locally. The operating subsidiaries either have their own credit lines to safeguard the financing of their business or refinance their operations through their parent company. The financing activities take place in agreement with the Finance division of Balda AG. Over and above this, the operating subsidiaries cover a large portion of their liquidity requirements through advance payments from customers.

At EUR 5.7 million, Balda AG's net working capital (current assets minus current liabilities and provisions) is positive at the balance sheet date. This means that current liabilities are covered by current assets (matching maturities). The majority of the liabilities are commitments to wholly owned subsidiaries.

	2012/2013	2012
<b>6.2. Statement of cash flows</b>		
In EUR million		
Cash flows from operating activities	14.8	193.2
Cash flow from investing activities	108.9	-116.4
Cash flow from financing activities	-117.8	-76.6
Cash and cash equivalents at the end of the financial year	8.7	2.8

#### **Cash flows from operating activities**

Cash inflows from operating activities stood at EUR 14.8 million in the financial year, down from EUR 193.2 million in the previous year. The cash inflows stemmed from a distribution of profits by Balda Investments Singapore to Balda AG through Balda Investments Netherlands based on the sale of TPK shares. Balda AG received cash from dividends of EUR 12.1 million in the reporting period.

#### **Cash flow from investing activities**

Cash inflows from investing activities (EUR 108.9 million) chiefly comprise repayments of EUR 106.0 million as part of short-term cash management. In the previous year, cash flows from investing activities had amounted to EUR minus 116.4 million and principally comprised cash invested as part of short-term cash management.

#### **Cash flow from financing activities**

In the financial year, cash flows from financing activities were dominated by the dividend payments to the shareholders of Balda AG in the amount of EUR 117.8 million for the 2012 short financial year.

#### **Cash and cash equivalents**

Balda AG's cash and cash equivalents totaled EUR 8.7 million at the 2012/2013 balance sheet date, up from EUR 2.8 million at the start of the reporting period.

## **7. Employees**

As a strategic and financial holding company, Balda AG had an average of 11 employees in the 2012/2013 financial year, compared with an average of 10 employees in the 2012 short financial year. The Company had 3 (previous year: 3) female employees and 8 (previous year: 7) male employees. The Company's structures are continuously reviewed in relation to the size of the Balda Group, with staff resources being adjusted as required by the Group's development.

## **8. Statement on corporate governance pursuant to section 289a of the HGB**

### **8.1. Declaration of Compliance in accordance with section 161 of the AktG**

Good corporate governance, defined as compliance with the principles of responsible corporate management and supervision, is an important prerequisite 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.

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 in the future, 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>.

### **8.2. Declaration on corporate management**

#### **8.2.1 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.

#### **8.2.2. 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. The Management Board and the management have at their disposal comprehensive Group-wide and company-specific reporting and control systems, which are also used by the subsidiaries. They enable risks to be documented, assessed and managed. The systems are continually refined, adapted to changing conditions and audited by the financial statement auditor. The Management Board informs the Supervisory Board on a regular basis of existing risks and their development. 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.

## 9. Compensation report

As a German stock corporation ("AG"), Balda is subject to German stock corporation law. For this reason, the Company 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.

Up until 4 September 2013, the Company's Supervisory Board consisted of Dr. Michael Naschke, Berlin, Wilfried Niemann, Preußisch Oldendorf, and Irene Schetelig, Berlin.

### Supervisory Board and compensation report

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

**in EUR**

2012/2013	Fixed compensation	Attendance fees	Total compensation
Dr. Michael Naschke	50,000.00	15,000.00	<b>65,000.00</b>
Yu-Sheng Kai	16,666.67	9,000	<b>25,666.67</b>
Chun-Chen Chen	13,247.28	6,000.00	<b>19,247.28</b>
Ted Gerlach	11,752.72	4,500.00	<b>16,252.72</b>
Wilfried Niemann	12,500.00	4,500.00	<b>17,000.00</b>
Irene Scheteling	8,333.33	4,500.00	<b>12,833.33</b>
<b>Total amount:</b>	<b>112,500.00</b>	<b>43,500.00</b>	<b>156,000.00</b>

**in EUR**

2012	Fixed compensation	Attendance fees	Total compensation
Dr. Michael Naschke	25,000	6,000	<b>31,000</b>
Yu-Sheng Kai	12,500	4,500	<b>17,000</b>
Chun-Chen Chen	18,750	4,500	<b>23,250</b>
<b>Total amount:</b>	<b>56,250</b>	<b>15,000</b>	<b>71,250</b>

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. After that date, Dominik Müser acted as the sole Management Board member.

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 2012/13 financial year:

2012/13 in EUR	Fixed compensation	Performance-based compensation	Fringe benefits	Compensation with a long-term incentive effect	Total
D. Müser <sup>1</sup>	385,000.00	200,000.00	19,242.36	0	<b>604,242.36</b>
J. Lim <sup>2</sup>	9,000.00	0	118.53	0	<b>9,118.53</b>
<b>Total amount:</b>	<b>394,000.00</b>	<b>200,000.00</b>	<b>19,360.89</b>	<b>0</b>	<b>613,360.89</b>

<sup>1</sup> Member of the Management Board until 14.10.2013

<sup>2</sup> Member of the Management Board until 31.12.2012

2012 in EUR	Fixed compensation	Performance-based compensation	Fringe benefits	Compensation with a long-term incentive effect	Total
D. Müser	150,000.00	175,000.00	6,446.72	0	<b>331,446.72</b>
J. Lim	9,000.00	0	126.93	0	<b>9,126.93</b>
<b>Total amount:</b>	<b>159,000.00</b>	<b>175,000.00</b>	<b>6,573.65</b>	<b>0</b>	<b>340,573.65</b>

## Shares held by members of corporate bodies

	30.06. 2013	30.06.2012	Change
D. Müser <sup>1</sup>	0	0	0
J. Lim <sup>2</sup>	-	0	0
Dr. Dieter Brenken <sup>3</sup>	-	-	-
Oliver Oechsle <sup>4</sup>	-	-	-
<b>Management Board, total</b>	<b>0</b>	<b>0</b>	<b>0</b>
Chun-Chen Chen <sup>5</sup>	-	0	0
Yu-Sheng Kai <sup>6</sup>	-	0	0
Dr. M. Naschke <sup>7</sup>	44,000	23,000	21,000
Ted Gerlach <sup>8</sup>	-	-	-
Wilfried Niemann <sup>9</sup>	0	-	0
Irene Schetelig <sup>9</sup>	0	-	0
Dr. Thomas van Aubel <sup>10,11</sup>	17,632,808	-	17,632,808
Frauke Vogler <sup>10</sup>	100	-	100
Klaus Rueth <sup>10</sup>	-	-	-
<b>Supervisory Board, total</b>	<b>17,676,908</b>	<b>23,000</b>	<b>17,653,908</b>

<sup>1</sup> Management Board member until 14.10.2013

<sup>2</sup> Management Board member until 31.12.2012

<sup>3</sup> Management Board member from 05.09.2013

<sup>4</sup> Management Board member from 14.10.2013

<sup>5</sup> Supervisory Board member until 07.11.2012

<sup>6</sup> Supervisory Board member until 28.02.2013

<sup>7</sup> Supervisory Board member until 04.09.2013

<sup>8</sup> Supervisory Board member from 07.11.2012 to 28.02.2013

<sup>9</sup> Supervisory Board member from 01.03.2013 to 04.09.2013

<sup>10</sup> Supervisory Board member from 04.09.2013

<sup>11</sup> 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.

## **C. Report on risks and opportunities**

### **1. Economic environment**

As a pure holding company, Balda AG's opportunities are primarily determined by the opportunities of its subsidiaries. By defining the Group strategy, the Management Board determines the future development of the subsidiaries' ability to pay dividends. With the proceeds from the sale of shares in the indirectly held investment in TPK Holding Ltd., Balda AG has adequate financial opportunities for strategic investments and therefore for ensuring its own ability to pay dividends in the long term.

Balda AG 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, Balda AG 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 Board. The Company'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 regulations and the reporting.

The acquisition of the US-based companies expanded the business volume. The Balda Group's future strategic focus aims to boost the Group's business volume such that the profitability of operations will be ensured and the Company's capital market relevance will increase. This it intends to achieve through organic growth in the existing companies and also through further acquisitions. In spite of detailed analyses of the companies being acquired, unforeseen circumstances could lead to forecast targets being missed.

An impairment of the shareholdings or even a liquidation or insolvency of an affiliated company could have an adverse effect on the financial position of Balda AG.

Distributions to the Company's shareholders lower the value of Balda AG. This is also likely to have indirect repercussions for the value of Balda AG's shareholders.

Other risks to be taken into consideration are interest rate risks and currency fluctuations. Balda AG is exposed to currency fluctuations in connection with its equity investments denominated in foreign currency. Due to the low interest rates and existing variable interest rates, interest rate risks may arise if base rates increase.

In addition, Balda AG is subject to a liquidity risk because its internal financing strength as a holding company depends to a large extent on dividend payments by its subsidiaries. The ability of the subsidiaries to pay dividends is in turn subject to entrepreneurial risk. Management counters this risk by holding a minimum reserve of funds available to be able to meet its operating commitments in the medium term. Currently, Balda AG does not have any credit facilities with banks.

In the 2012/2013 financial year, Balda AG did not conduct any derivatives transactions.



The Company actively hedges against normal business risks with adverse effects on its development through uniform, Group-wide reporting. As of the end of the reporting year there were no identifiable risks for Balda AG which might represent a threat to its continued existence as a going concern.

## **2. Internal control system relevant to the financial reporting process (ICS)**

The primary objective of the internal control system relevant to the financial reporting process (control system) is to ensure proper financial reporting in compliance with all relevant laws, provisions and accounting standards.

Balda AG's control system is connected to the risk management system. The two systems complement each other. On the one hand, the analyses performed by the Risk Management function may affect the financial reporting. On the other hand, monitoring of the control system may lead to measures being taken to minimize risk.

Balda has established a standard process for the Group to monitor the effectiveness of the control system. It defines necessary controls and sets uniform standards for documentation. The control system defines principles and processes for ensuring the propriety of accounting. Where uniform Group-wide regulations are required to be drawn up, these policies must be set down in manuals. The Group-wide accounting policies are supplemented by the local requirements in each case. The closing process is determined by a financial statements calendar that is applicable to all Balda companies.

The employees involved in the accounting process have appropriate skills and undergo regular training for the policies to be followed in accordance with HGB and IFRSs. Internal controls that have been determined from a risk standpoint are built into the financial reporting process. The control system includes both preventive and detective 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 service providers are used. The principle of dual control is applied in all significant accounting processes.

In particular the Supervisory Board's elected representative for accounting is involved in the control system. He monitors the accounting process, the effectiveness of the control system and the audit of financial statements in advance. He is also responsible for the preliminary examination of documents for the annual financial statements. Together with the other members of the Supervisory Board he also discusses the annual and consolidated financial statements and the management report with the Management Board and the auditor.

The responsibility for setting up and effectively maintaining appropriate controls for financial reporting lies with the Management Board. Every control system is limited though with regard to its effectiveness. No control system is able to eliminate or reveal all incorrect information.

### **3. Information relating to takeovers in accordance with Section 289 (4) of the German Commercial Code**

#### **3.1. 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.

#### **3.2. 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.

#### **3.3. Interests exceeding 10% of the share capital**

As far as we know, on 30 June 2013 the following shareholder 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.

#### **3.4. Holders of shares with special rights**

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

#### **3.5. Management Board authorizations**

##### **3.5.1. 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 subsidiaries, 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.

### **3.5.2. 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.

### **3.5.3. 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.

### **3.5.4. 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 million 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.

### **3.6. 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.

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

### **3.7 Compensation agreements in the event of a takeover offer**

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

## **D. Events after the reporting period**

### 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. 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.

### 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.

### **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 of Balda AG.



## **E. Forecast and outlook**

### **1. General economic environment**

The International Monetary Fund (IMF) is forecasting global growth of 2.9% for 2013 as a whole, a marginally slower growth rate than in previous years. For the euro zone, the IMF has forecast a decrease in economic output in 2013 of 0.4% for the year as a whole. The IMF estimates that the German economy will expand by 0.5%.

According to the forecasts of market experts, the pace of growth worldwide will continue to pick up in 2014 because the US and the Japanese economies are both gaining momentum. The IMF is forecasting a 3.6% increase in global gross domestic product (GDP). The IMF economists are also optimistic about the euro zone, expecting it to return to a growth trajectory in 2014 with expansion of 1.0%. The assessment for Germany is somewhat better: In 2014, the economy of the Federal Republic is expected to grow by 1.4%.

### **2. Future development of the Company with significant opportunities and risks**

Market experts consider the fundamental growth prospects for the medical technology market in the medium term to be good. Dwindling demand in the industrialized countries is expected to be compensated by rising demand in the emerging markets. Balda Medical is prepared for growth on the international markets and is striving to counteract the fluctuations from the project business by broadening its customer base.

Balda Technical also has long-term growth prospects with the electronics and automotive industries. The individual sectors will benefit from a variety of positive factors of influence such as the increase in consumption worldwide that is pushing up demand, also for higher-quality consumer electronics and automobiles. In spite of the demographic development and the growing demand for eyeglasses, the prospects of the eyewear business are deemed positive only to a limited extent on account of cost-cutting measures by customers and stiffer competition for Balda Technical.

Balda Technical is aiming to position itself in the global markets for premium products, which requires substantial internationalization of segment activities. 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 injection molding processes without having to draw on the services of other suppliers.

Balda Technical is working on developing technical innovations so that it can add more value for its customers. This will be aided by a technology transfer from the Balda Medical segment. Further expansion of the customer base will help to improve the internal spread of risks.

Provided the European financial and debt crisis does not escalate into a global economic crisis and other unexpected events do not occur, the Management Board anticipates positive earnings in the low single-digit millions for both segments in 2013/2014 and subsequent years.

The earnings of Balda AG depend to a large extent on dividend income and the calculation of intra-

Group cost allocations for the services provided to the subsidiaries. The Management Board continuously reviews the structures of Balda AG as a holding company and adapts the organization to the size of the Company. For this reason, the Management Board is expecting net income in the single-digit millions for the 2013/2014 and 2014/2015 financial years.

The strong cash position resulting from the sale of the TPK investment should be seen as a one-off effect and is considered the basis for the growth strategy. As part of the further strategic development and realignment of the Balda Group initiated by the Management Board, the goal is to put Balda AG in a position to pay appropriate dividends in the long term by collecting corresponding investment income from the operating subsidiaries and thus make the Company more attractive on the capital markets, among other things.

Investment income in the 2012 short financial year and in 2013 was dominated by high dividend payments by Balda Investments Netherlands B.V., which were made possible by the proceeds from the sale of TPK shares. Further dividend distributions from the disposal are also conceivable for the 2013/2014 financial year and possibly even in subsequent years. The dividend payments must make allowance for legal and tax requirements within the investment structure and also the funds needed to finance the growth strategy initiated by the Management Board.

Bad Oeynhausen, 3 December 2013

The Management Board

Dr. Dieter Brenken

Oliver Oechsle

Annual financial statements of for the 2012/2013  
financial year – tables (1.7.2012 – 30.6.2013)

Balda AG

## Balda AG - Balance sheet as of 30 June 2013

	Notes	30 June 2013	30 June 2012
	II.	EUR thousand	EUR thousand
<b>ASSETS</b>			
<b>A. FIXED ASSETS</b>	<b>2.a.</b>		
I. Intangible fixed assets			
Purchased software		1.357	100
		<b>1.357</b>	<b>100</b>
II. Tangible fixed assets			
Operating and office equipment		382	207
		<b>382</b>	<b>207</b>
III. Long-term financial assets			
1. Shares in affiliated companies		188.474	188.474
2. Other long-term equity investments		0	0
3. Other loans		0	4.500
		<b>188.474</b>	<b>192.974</b>
		<b>190.213</b>	<b>193.281</b>
<b>B. CURRENT ASSETS</b>			
I. Receivables and other assets	<b>2.b.</b>		
1. Trade receivables		0	5
2. Receivables from affiliated companies		4.519	5.011
3. Other assets		879	113.791
		<b>5.398</b>	<b>118.807</b>
II. Securities			
Other securities		6.987	0
		<b>6.987</b>	<b>0</b>
III. Cash in hand, bank balances	<b>2.c.</b>	8.668	2.821
		<b>21.053</b>	<b>121.628</b>
<b>C. PREPAID EXPENSES</b>		144	141
<b>TOTAL ASSETS</b>		<b>211.410</b>	<b>315.050</b>

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	30 June 2013	30 June 2012
	<b>II.</b>	EUR thousand	EUR thousand
<b>A. EQUITY</b>	<b>2.d.</b>		
I. Subscribed capital <sup>1</sup>		58.891	58.891
II. Capital reserves		34.820	34.820
III. Revenue reserves			
Legal reserve		2	2
IV. Net retained profits		102.371	185.153
		<b>196.084</b>	<b>278.866</b>
<b>B. PROVISIONS</b>	<b>2.e.</b>		
1. Provisions for taxes		5	5
2. Other provisions		2.078	1.997
		<b>2.083</b>	<b>2.002</b>
<b>C. LIABILITIES</b>	<b>2.f.</b>		
1. Trade payables		468	349
2. Liabilities to affiliated companies		12.448	33.656
3. Other liabilities		327	177
- of which taxes: EUR 87 thousand (previous year: EUR 39 thousand)			
- of which social security: (EUR 8 thousand (previous year: EUR 3 thousand))			
		13.243	34.182
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>211.410</b>	<b>315.050</b>

<sup>1</sup>Authorized capital acc. to Section 152 Number 3b German Stock Corporation Act is EUR 17,667 thousand

**Balda AG - Income statement for the period from 01.07.2012 – 30.6.2013**  
**(previous year: 1.1. – 30.6.2012)**

	Notes II.	2013 financial year	2012 short financial year
		EUR thousand	EUR thousand
1. Sales revenues	3.a.	482	788
2. Other operating income	3.b.	4.589	1.027
3. Personnel expenses		-1.587	-1.017
a) Wages and salaries		-1.492	-955
b) Social security costs		-95	-62
4. Amortisation and writedowns of intangible fixed assets and depreciation and writedowns of tangible fixed assets		-215	-60
5. Other operating expenses	3.c.	-7.391	-3.488
6. Income from long-term equity investments	3.d.	39.102	194.500
- of which from affiliated companies: EUR 39,102 thousand (previous year: EUR 194,500 thousand)			
7. Other interest and similar income		843	1.023
- of which from affiliated companies: EUR 84 thousand (previous year: EUR 55 thousand)			
8. Write-downs of long-term financial assets	3.e.	0	-9.722
9. Interest and similar expenses		-824	-1.088
- of which to affiliated companies: EUR 821 thousand (previous year: EUR 353 thousand)			
10. <b>Net income for the year</b>		<b>34.999</b>	<b>181.963</b>
11. Retained profits brought forward		67.371	3.190
12. <b>Net retained profits</b>		<b>102.370</b>	<b>185.153</b>

## Balda AG - Statement of changes in fixed assets in the 2012/2013 financial year

in EUR thousand	COST			ACCUMULATED DEPRECIATION, AMORTIZATION AND WRITE-DOWNS				CARRYING AMOUNTS		
	01.07.12	Additions	Disposals	30.06.13	01.07.12	Additions	Disposals	30.06.13	30.06.13	30.06.12
<b>INTANGIBLE FIXED ASSETS</b>										
Purchased software	1.830	1.318	0	3.148	1.730	62	0	1.792	1.356	100
<b>TANGIBLE FIXED ASSETS</b>										
Operating and office equipment	1.688	1.172	914	1.946	1.481	154	72	1.563	383	207
<b>LONG-TERM FINANCIAL ASSETS</b>										
1. Shares in affiliated companies	206.444	0	0	206.444	17.970	0	0	17.970	188.474	188.474
2. Other loans	14.197	0	14.197	0	9.697	0	9.697	0	0	4.500
	<b>220.641</b>	<b>0</b>	<b>14.197</b>	<b>206.444</b>	<b>27.667</b>	<b>0</b>	<b>9.697</b>	<b>17.970</b>	<b>188.474</b>	<b>192.974</b>
	<b>224.159</b>	<b>2.490</b>	<b>15.111</b>	<b>211.538</b>	<b>30.878</b>	<b>216</b>	<b>9.769</b>	<b>21.325</b>	<b>190.213</b>	<b>193.281</b>

## BALDA AKTIENGESELLSCHAFT, BAD OEYNHAUSEN

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE 2012/2013 FINANCIAL YEAR (FROM 1 JULY 2012 TO 30 JUNE 2013)

#### I. General

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 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 income statement of the annual financial statements as of 30 June 2013 are therefore comparable with the disclosures as 30 June 2012 only to a limited extent.

Balda Aktiengesellschaft has its registered office in Bad Oeynhausen, Germany. It mainly assumes the function of a holding company.

#### II. Disclosures relating to the annual financial statements of Balda AG

The annual financial statements of Balda AG for the 2012/2013 financial year were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Pursuant to Section 267 (3) Sentence 2 HGB in conjunction with Section 264d HGB, Balda AG is a large corporation.

The total cost (nature of expense) format in accordance with Section 275 (2) HGB was used for the classification of the income statement.

Unless indicated otherwise, all of the figures shown are in thousands of euros (EUR thousand).

#### 1. Accounting policies, currency translation

The accounting policies applied are unchanged on the previous year.

Purchased tangible and intangible fixed assets are carried at cost and reduced by straight-line depreciation and amortization. Purchase cost also includes incidental expenses and subsequent purchase costs. Purchase price discounts are deducted. The extent of the purchase cost corresponds to Section 255 (1) HGB.

Depreciation and amortization are charged using the economic useful lives set out below that were calculated based on the tax depreciation tables:

	<u>Years</u>
Software	3 to 5
Fixtures, furniture and office equipment	4 to 10



Low-value assets up to EUR 150.00 are written off in full in the year of acquisition.

A pooled item was created for low-value assets with a value of between EUR 150.00 and EUR 1,000.00. This is uniformly depreciated over five years.

Intangible and tangible fixed asset disposals are derecognized at cost with accumulated depreciation, amortization and write-downs at the time of the disposal of the assets.

Long-term financial assets are carried at the lower of cost and fair value. The fair value is also carried if the impairment is only temporary.

Receivables and other assets are carried at their principal amounts with recognition of valuation allowances. Long-term low-interest or non-interest bearing receivables are discounted at an interest rate commensurate with the term of the receivables.

Receivables in foreign currency due after no more than one year are translated at the mean spot rate at the balance sheet date. All other receivables in foreign currency are measured at the reference exchange rate on the date of acquisition or the currency-related lower fair value on the closing date.

Cash and cash equivalents in euros are stated at face value. Cash and cash equivalents in foreign currency are translated at the mean spot rate at the balance sheet date.

Prepayments for future periods are deferred under prepaid expenses provided they represent expense for a specific period of time after the closing date.

Deferred taxes are calculated for temporary differences between the carrying amount of assets, liabilities, prepaid expenses and deferred income in the balance sheet and their tax base. Effects from partnerships in which Balda AG is a partner are also taken into account. In addition to the temporary accounting differences, tax loss carryforwards are recognized. In accordance with Section 274 (1) Sentence 2 HGB, Balda AG exercised the option not to recognize the aggregate tax benefit as deferred tax assets in the balance sheet.

Equity is stated at nominal value.

Tax provisions and other provisions are each measured at the necessary settlement amount dictated by prudent business judgment, making allowance for future cost and price increases where there is sufficient objective evidence that they will occur. Long-term provisions are discounted at the interest rates announced by Deutsche Bundesbank each month for the expected term of the provision.

Liabilities are carried at their settlement amounts.

Liabilities in foreign currency due after no more than one year are translated at the mean spot rate at the balance sheet date. All other liabilities in foreign currency are measured at the reference exchange rate on the date of acquisition or the currency-related higher settlement amount on the closing date.

## 2. Disclosures on individual items in the balance sheet

### 2.a. Fixed assets

The classification of and changes in purchase cost as well as depreciation and amortization in the 2012/2013 financial year are shown in the statement of changes in fixed assets as an appendix to the notes.

### 2.b. Current assets

Receivables from affiliated companies of EUR 4,519 thousand (previous year: EUR 5,011 thousand) include trade receivables of EUR 507 thousand (previous year: EUR 974 thousand). This item also includes a receivable from the clearing account from Balda Medical GmbH & Co. KG, Bad Oeynhausen, of EUR 4,012 thousand (previous year: EUR 4,037 thousand). As in the previous year, all receivables are due within one year.

Other assets include tax receivables of EUR 865 thousand (previous year: EUR 313 thousand), of which EUR 199 thousand (previous year: EUR 244 thousand) is due after more than one year. As in the previous year, miscellaneous other assets are due within one year.

Other securities include an investment up to 19 November 2013 of EUR 6,987 thousand.

### 2.c. Cash in hand, bank balances

In addition to cash-in-hand, this item relates to credit balances on current business accounts.

## Deferred taxes

### **Exercise of option**

In accordance with Section 274 (1) Sentence 2 HGB, Balda AG exercised the option not to recognize the aggregate tax benefit as deferred tax assets in the balance sheet.

### **Bases of measurement**

The tax differences and the tax loss carryforwards result in an aggregate tax benefit of EUR 1,940 thousand.

	Basis of measurement EUR thousand	%	Deferred tax assets EUR thousand
<b>Deferred tax assets:</b>			
Offsetting of the tax loss carryforwards of Balda AG from investments with the legal form of a partnership: corporation tax	9,889	15.8	1,565
Tax difference arising from the carrying amount of an investment with the legal form of a partnership	2,559	15.8	405
Tax differences arising from the carrying amount of an investment	482	30.3	146
Tax differences from provisions at Balda AG	1,165	30.3	353
<b>Deferred tax liabilities</b>			
Tax differences arising from the carrying amount of an investment	-1,600	30.3	-485
Tax differences for liabilities to affiliated companies	-144	30.3	-44
<b>Balance on 30 June 2013</b>			<b>1,940</b>

Deferred taxes are calculated on the basis of Balda AG's expected future tax rate of 30.3% on the reversal of the differences. The combined income tax rate comprises corporation tax, trade tax and the solidarity surcharge. However, deferred taxes arising on temporary differences for investments with the legal form of a partnership are calculated on the basis of a combined income tax rate that includes only corporation tax and the solidarity surcharge; this currently amounts to 15.8%.

## 2.d. Equity

The equity of Balda AG changed as follows:

	Subscribed capital EUR thousand	Capital reserves EUR thousand	Legal reserve EUR thousand	Net retained profits EUR thousand	<b>Equity EUR thousand</b>
Balance on 30 June 2012	58,891	34,820	2	185,153	<b>278,866</b>
Dividend payment 2012/2013	0	0	0	-117,781	<b>-117,781</b>
Net income for the year 2012/2013	0	0	0	34,999	<b>34,999</b>
<b>Balance on 30 June 2013</b>	<b>58,891</b>	<b>34,820</b>	<b>2</b>	<b>103,371</b>	<b>196,084</b>

Balda AG's subscribed capital amounted to EUR 58,891 thousand at the balance sheet 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.

### **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 shall decide on the issuance of the new shares, the content of the rights attached to the shares and the terms of the issuance of the shares, subject to the approval of the Supervisory Board.

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.

### **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.

## **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 at-

tributable 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.

### **Net retained profits**

Net retained profits include a profit carried forward from 2012 in the amount of EUR 67,371 thousand (previous year: EUR 3,189 thousand).

We refer to section III. of the notes for the disclosures in accordance with Section 160 (1) No. 8 AktG.

## 2.e. Provisions

The other provisions comprise the following items:

Description	2013 EUR thousand	2012 EUR thousand
Extraordinary General Meeting	1,163	0
Annual financial statements	232	247
Legal and consulting costs	104	712
Tax audit	100	184
Employees	425	305
Other	54	549
<b>Total</b>	<b>2,078</b>	<b>1,997</b>

Balda AG held an Extraordinary General Meeting in Berlin on 18 July 2013. Due to alleged errors in the invitation, the meeting chair did not permit the adoption of resolutions. The Extraordinary General Meeting had been called at the request of the shareholder Elector GmbH, Berlin, as authorized by the Bad Oeynhausen Local Court on 5 June 2013 in accordance with Section 122 (3) AktG. Another Extraordinary General Meeting was held in Berlin on 4 September 2013. Further information is provided in item III. of “Events after the reporting period”.

## 2.f. Liabilities

Liabilities to affiliated companies of EUR 12,448 thousand (previous year: EUR 33,656 thousand) include trade payables of EUR 522 thousand (previous year: EUR 264 thousand). As in the previous year, all liabilities are due within one year.

Liabilities to affiliated companies principally comprise a loan from Balda Solutions Deutschland GmbH, Bad Oeynhausen, of EUR 8,637 thousand (previous year: EUR 8,631 thousand) and a loan from Balda Investments Netherlands B.V., Amsterdam, Netherlands, of EUR 2,374 thousand (previous year: EUR 2,419 thousand).



### Other financial obligations

Fixed-term and permanent contracts give rise to the following other financial obligations for Balda AG, exclusively from rental, leasing and purchase obligations:

	30.06.2013	30.06.2012
	EUR thousand	EUR thousand
Total amount	227	221
of which to affiliated companies	60	129

Other financial obligations to affiliated companies of EUR 60 thousand result from a three-year building lease with Balda Medical GmbH & Co. KG.

### 3. Disclosures on individual items in the income statement

#### 3.a. Sales revenues

Sales revenues principally comprise income from services rendered by employees. Here, the costs for central holding functions are allocated among the subsidiaries using a sales-based key. Due to the homogeneous sales structure, the areas of activity do not need to be broken down. Geographically, sales were generated in Germany (EUR 192 thousand; previous year: EUR 334 thousand), Europe (EUR 24 thousand; previous year: EUR 27 thousand), Asia (EUR 146 thousand; previous year: EUR 427 thousand) and America (EUR 120 thousand; previous year: EUR 0 thousand).

#### 3.b. Other operating income

Other operating income of EUR 4,589 thousand (previous year: EUR 1,027 thousand) mainly comprises income from intra-Group cost allocations for third-party services of EUR 1,663 thousand as well as the recharging of costs and machinery in the amount of EUR 1,401 thousand.

Other operating income includes prior-period income from the reversal of provisions (EUR 748 thousand).

Income from currency translation of EUR 491 thousand (prior year: EUR 50 thousand) is reported in other operating income.

### 3.c. Other operating expenses

Other operating expenses includes expenses from currency translation of EUR 3 thousand (previous year: EUR 337 thousand) as well as a prior-period expense of EUR 91 thousand (previous year: EUR 168 thousand).

### 3.d. Income from long-term equity investments

Income from long-term equity investments of EUR 39,102 thousand (previous year: EUR 194,500 thousand) mainly relates to dividend payments by Balda Investments Netherlands B.V.

### 3. e. Taxes on income

In spite of the high pre-tax profit in the financial year of EUR 34,999 thousand, the Company has not disclosed any income tax expense. This is mainly due to the income from long-term equity investments (EUR 39,102 thousand), most of which was tax free. Without this dividend income, earnings before taxes are negative and therefore do not lead to an income tax charge.

Interest and similar expenses (EUR 824 thousand) mainly contains the interest expense for the loans extended by Balda Investments Singapore LTD that were repaid in June 2013.

By contrast, other interest and similar income (EUR 844 thousand) comprises interest income (EUR 745 thousand) from term deposits.

### III. Other disclosures

#### Average number of employees

Balda AG had an average of 11 employees in the 2012/2013 financial year (previous year: 10 employees).

#### Corporate bodies

##### **Supervisory Board of Balda AG**

- Dr. Michael Naschke, lawyer, Berlin (Chairman, until 04.09.2013)  
NASCHKE & Partner Rechtsanwälte 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, (until 28.02.2013)  
Managing Director of Eternal Union International Ltd., Hong Kong
- 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 (from 01.03.2013 to 04.09.2013, Vice Chairman)  
Managing Director of Karl. W. Niemann GmbH & Co.KG, Pr. Oldendorf
- Irene Schetelig, Berlin, (from 01.03.2013 to 04.09.2013)  
Controller at Youtailor GmbH, Berlin
- Dr. Thomas van Aubel, Berlin, from 04.09.2013 (Chairman)  
Lawyer
- Frauke Vogler, Berlin, from 04.09.2013 (Vice Chairperson)  
Lawyer/tax advisor
- Klaus Rueth, Darmstadt, from 04.09.2013,  
Former CFO of EMD Chemicals, USA

## **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, from 05.09.2013, member of the Management Board
- Mr. Oliver Oechsle, Düsseldorf, from 14.10.2013, member of the Management Board

Mr. Dominik Müser was also:

- Chairman of the Board of Directors of  
Balda Investments USA LLC., Wilmington, California/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.

Mr. James Lim was also:

- Chairman of the Board of Directors of  
Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia  
Balda Solutions USA Inc., Morrisville/USA (until 01.01.2013)

## **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 for the 2012/2013 financial year:

**in EUR**

2012/2013	Fixed compensation	Attendance fees	Total compensation
Dr. Michael Naschke	50,000.00	15,000.00	<b>65,000.00</b>
Yu-Sheng Kai	16,666.67	9,000	<b>25,666.67</b>
Chun-Chen Chen	13,247.28	6,000.00	<b>19,247.28</b>
Ted Gerlach	11,752.72	4,500.00	<b>16,252.72</b>
Wilfried Niemann	12,500.00	4,500.00	<b>17,000.00</b>
Irene Scheteling	8,333.33	4,500.00	<b>12,833.33</b>
<b>Total amount:</b>	<b>112,500.00</b>	<b>43,500.00</b>	<b>156,000.00</b>

**in EUR**

2012	Fixed compensation	Attendance fees	Total compensation
Dr. Michael Naschke	25,000	6,000	<b>31,000</b>
Yu-Sheng Kai	12,500	4,500	<b>17,000</b>
Chun-Chen Chen	18,750	4,500	<b>23,250</b>
<b>Total amount:</b>	<b>56,250</b>	<b>15,000</b>	<b>71,250</b>

Compensation of the Supervisory Board is specified by the shareholders of the Balda Group. 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).

## 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. After that date, Dominik Müser acted as the sole Management Board member. On 05 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. On 14 October, 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.

## Management Board compensation report

The members of the Management Board received the following compensation for the 2012/13 financial year:

2012/13 in EUR	Fixed compensation	Performance-based compensation	Fringe benefits	Compensation with a long-term incentive effect	Total
D. Müser <sup>1</sup>	385,000.00	200,000.00	19,242.36	0	<b>604,242.36</b>
J. Lim <sup>2</sup>	9,000.00	0	118.53	0	<b>9,118.53</b>
<b>Total amount:</b>	<b>394,000.00</b>	<b>200,000.00</b>	<b>19,360.89</b>	<b>0</b>	<b>613,360.89</b>

<sup>1</sup> Member of the Management Board until 14.10.2013

<sup>2</sup> Member of the Management Board until 31.12.2012

2012 in EUR	Fixed compensation	Performance-based compensation	Fringe benefits	Compensation with a long-term incentive effect	Total
D. Müser	150,000.00	175,000.00	6,446.72	0	<b>331,446.72</b>
J. Lim	9,000.00	0	126.93	0	<b>9,126.93</b>
<b>Total amount:</b>	<b>159,000.00</b>	<b>175,000.00</b>	<b>6,573.65</b>	<b>0</b>	<b>340,573.65</b>

## Shares held by members of corporate bodies

	30.06. 2013	30.06.2012	Change
D. Müser <sup>1</sup>	0	0	0
J. Lim <sup>2</sup>	-	0	0
Dr. Dieter Brenken <sup>3</sup>	-	-	-
Oliver Oechsle <sup>4</sup>	-	-	-
<b>Management Board, total</b>	<b>0</b>	<b>0</b>	<b>0</b>
Chun-Chen Chen <sup>5</sup>	0	0	0
Yu-Sheng Kai <sup>6</sup>	0	0	0

Dr. M. Naschke <sup>7</sup>	44,000	23,000	21,000
Ted Gerlach <sup>8</sup>	-	-	-
Wilfried Niemann <sup>9</sup>	0	-	0
Irene Schetelig <sup>9</sup>	0	-	0
Dr. Thomas van Aubel <sup>10,11</sup>	17,632,808	-	17,632,808
Frauke Vogler <sup>10</sup>	100	-	100
Klaus Rueth <sup>10</sup>	-	-	-
<b>Supervisory Board, total</b>	<b>17,676,908</b>	<b>23,000</b>	<b>17,653,908</b>

<sup>1</sup> Management Board member until 14.10.2013

<sup>2</sup> Management Board member until 31.12.2012

<sup>3</sup> Management Board member from 05.09.2013

<sup>4</sup> Management Board member from 14.10.2013

<sup>5</sup> Supervisory Board member until 07.11.2012

<sup>6</sup> Supervisory Board member until 28.02.2013

<sup>7</sup> Supervisory Board member until 04.09.2013

<sup>8</sup> Supervisory Board member from 07.11.2012 to 28.02.2013

<sup>9</sup> Supervisory Board member from 01.03.2013 to 04.09.2013

<sup>10</sup> Supervisory Board member from 04.09.2013

<sup>11</sup> 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.



## Shareholdings

The following represents the list of shareholdings of Balda AG in its subsidiaries as of 30 June 2013:  
The current net income/net loss for the year is attributed to equity.

Entity	Domicile	Type of shareholding	Percentage of interest held	Equity EUR thsd.	Net income/loss for the year EUR thsd.
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	14,185	0
Balda Medical Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	35	10
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	8,655	64
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00%	652	3
Balda Investments Netherlands B.V.	Amsterdam (The Netherlands)	direct	100.00%	297,609	138,113
Balda Solutions USA, Inc. through Balda Investments Netherlands B.V.	Morrisville (N.C./USA)	indirect	100.00%	-162	-7
Balda Investments USA, LLC. through Balda Investments Netherlands B.V.	Wilmington (Delaware/USA)	indirect	100.00%	17,503	-180
Balda Investments Singapore Pte. Ltd. through Balda Investments Netherlands B.V.	Singapore (Singapore)	indirect	100.00%	236,122	72,998
Balda Investments Malaysia Pte. Ltd. through Balda Investments Netherlands B.V.	Singapore (Singapore)	indirect	100.00%	-13,784	418
Balda Solutions Malaysia Sdn. Bhd. <sup>1</sup> through Balda Investments Malaysia Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	0	0

Balda C. Brewer Inc., Anaheim (California/USA) through Balda Investments Netherlands B.V.	indirect	100.00%	23,312	-8,515
Balda HK Plastics Inc., Oceanside (California/USA) through Balda Investments Netherlands B.V.	indirect	100.00%	8,771	-359

<sup>1</sup> sold as of 26.04.2013

### **Events after the reporting period**

#### 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.

#### Extraordinary General Meeting on 04 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. 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.

At the inaugural Supervisory Board meeting on 05 September, 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.

### **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.

The Supervisory Board on 14 October 2013 dismissed Mr. Dominik Müser from the Management Board with immediate effect and appointed Mr. Oliver Oechsle as a further member of the Management Board.

### **Notifications of equity investments in accordance with section 21 (1) German Securities Trading Act (WpHG)**

From the beginning of the financial year to the date of preparing these annual financial statements, we received the following notifications pursuant to Section 21 (1) German Securities Trading Act (WpHG) regarding equity investments in Balda AG. If an entity required to make such disclosures reaches, exceeds or falls below the threshold levels specified in this clause more than once, only the most recent notification is provided:

Morgan Stanley, Delaware, USA, notified us on 27.09.2012 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had fallen below the threshold of 3% of the voting shares on 21.09.2012, and on that date was 2.33% (1,370,998 voting shares). The interest in the voting shares specified above is attributable to Morgan Stanley in accordance with Section 22 (1) Sentence 1 Number 5 WpHG in conjunction with Section 22 (1) Sentence 2 WpHG. Morgan Stanley Capital Management LLC, Delaware, USA, notified us on 27.09.2012 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had fallen below the threshold of 3% of the voting shares on 21.09.2012, and on that date was 2.33% (1,370,998 voting shares). The interest in the voting shares specified above is attributable to Morgan Stanley Capital Management LLC in accordance with Section 22 (1) Sentence 1 Number 5 WpHG in conjunction with Section 22 (1) Sentence 2 WpHG. Morgan Stanley Domestic Holdings Inc, Delaware, USA, notified us on 27.09.2012 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had fallen below the threshold of 3% of the

voting shares on 21.09.2012, and on that date was 2.33% (1,370,998 voting shares). The interest in the voting shares specified above is attributable to Morgan Stanley Domestic Holdings Inc in accordance with Section 22 (1) Sentence 1 Number 5 WpHG in conjunction with Section 22 (1) Sentence 2 WpHG. Morgan Stanley & Co LLC, Delaware, USA, notified us on 27.09.2012 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had fallen below the threshold of 3% of the voting shares on 21.09.2012, and on that date was 2.33% (1,370,998 voting shares). The interest in the voting shares specified above is attributable to Morgan Stanley & Co LLC in accordance with Section 22 (1) Sentence 1 Number 5 WpHG.

We received the following notification pursuant to Section 25 (1) WpHG on 20.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Skandinaviska Enskilda Banken AB (publ), Stockholm, Sweden 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 0.00% (equals 0 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 0.00% (equals 0 voting rights), of which held indirectly: 0.00% (equals 0 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights)

We received the following notification pursuant to Section 25 (1) WpHG on 20.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: SEB AG, Frankfurt, Germany 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 0.00% (equals 0 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 0.00% (equals 0 voting rights), of which held indirectly: 0.00% (equals 0 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights)

We received the following notification pursuant to Section 25 (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs (UK) L.L.C, London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest

in the voting shares: 2.974% (equals 1,751,333 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25 Securities Trading Act: Chain of controlled entities: Goldman Sachs Group Holdings (UK), Goldman Sachs Holdings (U.K), Goldman Sachs International. ISIN or identification of the financial/other instrument: Stock loan (physical) 2.974% (expires: open)

We received the following notification pursuant to Section 25a (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs (UK) L.L.C, London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,336 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25a Securities Trading Act: 0.00001% (equals 3 voting rights), of which held indirectly: 0.00001% (equals 3 voting rights) Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25a Securities Trading Act: Chain of controlled entities: Goldman Sachs Group Holdings (UK), Goldman Sachs Holdings (U.K), Goldman Sachs International. ISIN or identification of the financial/other instrument: CFD (cash) 0.00001% (expires: 30.06.2022)

We received the following notification pursuant to Section 25a (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs Holdings (UK), London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,336 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25a Securities Trading

Act: 0.00001% (equals 3 voting rights), of which held indirectly: 0.00001% (equals 3 voting rights) Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25a Securities Trading Act: Chain of controlled entities: Goldman Sachs Holdings (U.K) controls Goldman Sachs International. ISIN or identification of the financial/other instrument: CFD (cash) 0.00001% (expires: 30.06.2022)

We received the following notification pursuant to Section 25a (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: The Goldman Sachs Group, Inc., New York, USA 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,448 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25a Securities Trading Act: 0.00001% (equals 3 voting rights), of which held indirectly: 0.00001% (equals 3 voting rights) Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.0001% (equals 112 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25a Securities Trading Act: Chain of controlled entities: Goldman Sachs (UK) L.L.C, Goldman Sachs Group Holdings (UK), Goldman Sachs Holdings (U.K), Goldman Sachs International. Furthermore, The Goldman Sachs Group, Inc. controls Goldman Sachs Asset Management L.P. ISIN or identification of the financial/other instrument: CFD (cash) 0.00001% (expires: 30.06.2022)

We received the following notification pursuant to Section 25 (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs International, London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,333 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals

1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25 Securities Trading Act: ISIN or identification of the financial/other instrument: Stock loan (physical) 2.974% (expires: open)

We received the following notification pursuant to Section 25 (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs Holdings (UK), London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,333 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25 Securities Trading Act: Chain of controlled entities: Goldman Sachs Holdings (U.K) controls Goldman Sachs International. ISIN or identification of the financial/other instrument: Stock loan (physical) 2.974% (expires: open)

We received the following notification pursuant to Section 25a (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs International, London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,336 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25a Securities Trading Act: 0.00001% (equals 3 voting rights) Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25a Securities Trading Act: ISIN or identification of the financial/other instrument: CFD (cash) 0.00001% (expires: 30.06.2022)

We received the following notification pursuant to Section 25a (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs International, London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,336 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25a Securities Trading Act: 0.00001% (equals 3 voting rights) Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25a Securities Trading Act: ISIN or identification of the financial/other instrument: CFD (cash) 0.00001% (expires: 30.06.2022)

We received the following notification pursuant to Section 25a (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs Group Holdings (UK), London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,336 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25a Securities Trading Act: 0.00001% (equals 3 voting rights), of which held indirectly: 0.00001% (equals 3 voting rights) Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25a Securities Trading Act: Chain of controlled entities: Goldman Sachs Holdings (U.K), Goldman Sachs International. ISIN or identification of the financial/other instrument: CFD (cash) 0.00001% (expires: 30.06.2022)

We received the following notification pursuant to Section 25 (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: Goldman Sachs Group Holdings (UK), London, United Kingdom 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,333 voting rights), calculated based on the follow-



ing number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.00% (equals 0 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25 Securities Trading Act: Chain of controlled entities: Goldman Sachs Holdings (U.K), Goldman Sachs International. ISIN or identification of the financial/other instrument: Stock loan (physical) 2.974% (expires: open)

We received the following notification pursuant to Section 25 (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: The Goldman Sachs Group, Inc., New York, USA 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 19.11.2012 6. Reportable interest in the voting shares: 2.974% (equals 1,751,445 voting rights), calculated based on the following number of voting rights issued: 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 2.974% (equals 1,751,333 voting rights), of which held indirectly: 2.974% (equals 1,751,333 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 0.0001% (equals 112 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25 Securities Trading Act: Chain of controlled entities: Goldman Sachs (UK) L.L.C, Goldman Sachs Group Holdings (UK), Goldman Sachs Holdings (U.K), Goldman Sachs International. Furthermore, The Goldman Sachs Group, Inc. controls Goldman Sachs Asset Management L.P. ISIN or identification of the financial/other instrument: Stock loan (physical) 2.974% (expires: open)

We received the following notification pursuant to Section 25 (1) WpHG on 21.11.2012: 1. Issuer: Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen 2. Entity required to make the disclosure: UBS AG, Zurich, Switzerland 3. Way of meeting the threshold: Falling below it 4. Thresholds affected: 5% 5. Date of meeting the threshold: 16.11.2012 6. Reportable interest in the voting shares: 2.79% (equals 1,643,517 voting rights) based on the total number of the issuer's voting rights, i.e. 58,890,636 7. Details regarding the interest in the voting shares: Interest in the voting shares due to (financial/other) instruments pursuant to Section 25 WpHG: 0.14% (equals 84,957 voting rights), of which held indirectly: 0.00% (equals 0 voting rights) Interest in the voting shares pursuant to Section 21 and 22 WpHG: 2.65% (equals 1,558,560 voting rights) 8. Details regarding the (financial/other) instruments pursuant to Section 25 Securities Trading Act: Exercise period: anytime

Yield Return Investments Limited, Apia, Samoa, notified us on 02.01.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had fallen below the thresholds of 25%, 20%, 15%, 10%, 5% and 3% of the voting shares on 31.12.2012, and on that date was 0.00% (0 voting shares). Yun-Ling Chiang, Canada, notified us on 02.01.2013 in accordance with Section 21 (1) WpHG that his interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had fallen below the thresholds of 25%, 20%, 15%, 10%, 5% and 3% of the voting shares on 31.12.2012, and on that date was 0.00% (0 voting shares).

Dr. Thomas van Aubel, Germany, notified us on 03.01.2013 in accordance with Section 21 (1) WpHG that his interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting shares on 31.12.2012, and on that date was 26.65% (15,695,308 voting shares). The interest in the voting shares of 26.65% as specified above is attributable to him in accordance with Section 22 (1) Sentence 1 Number 1 WpHG via Elector GmbH, Berlin, Germany. Elector GmbH, Germany, notified us on 03.01.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510, had exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting shares on 31.12.2012, and on that date was 26.65% (15,695,308 voting shares).

Dr. Peter Wand, notified us on 23.07.2013 in accordance with Section 21 (1) WpHG that his interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the thresholds of 5% and 3% of the voting shares on 18.07.2013, and on that date was 0.00% (0 voting shares).

Octavian Advisors LP, New York, USA, notified us on 23.07.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the thresholds of 5% and 3% of the voting shares on 22.07.2013, and on that date was 0.00% (0 voting shares).

Mr. Richard Hurowitz, USA, notified us on 23.07.2013 in accordance with Section 21 (1) WpHG that his interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the thresholds of 5% and 3% of the voting shares on 22.07.2013, and on that date was 0.00% (0 voting shares).

Octavian Global Partners LLC, New York, USA, notified us on 23.07.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the thresholds of 5% and 3% of the voting shares on 22.07.2013, and on that date was 0.00% (0 voting shares).

TPG Opportunities II Advisors, Inc., Fort Worth, Texas, USA, notified us on 23.07.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had exceeded the thresholds of 3% and 5% of the voting shares on 22.07.2013, and on that date was 6.70% (3,948,348 voting shares). 6.70% of the voting rights (equaling 3,948,348 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 1 WpHG via Augusto Holdco, LLC (Fort Worth, Texas, USA), Augustus GP Interests Acquisition, LLC (Fort Worth, Texas, USA) and Octavian Special Master Fund, L.P. (New York, USA). 6.70% of the voting rights (equaling 3,948,348 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 6 WpHG in conjunction with Section 22 (1) Sentence 2 from Octavian Special Master Fund, L.P. (New York, USA).

Augustus Advisors, LLC, Fort Worth, Texas, USA, notified us on 23.07.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had exceeded the thresholds of 3% and 5% of the voting shares on 22.07.2013, and on that date was 6.70% (3,948,348 voting shares). 6.70% of the voting rights (equaling 3,948,348 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 6 WpHG via Octavian Special Master Fund, L.P. (New York, USA).

Balda Aktiengesellschaft: Publication pursuant to Section 26 (1) WpHG for Europe-wide distribution Senrigan Master Fund, Grand Cayman, Cayman Islands, notified us on 4 February 2013 in accordance

with Section 21 (1) WpHG that its interest in the voting shares of our company had fallen below the threshold of 3% on 1 February 2013, and on that date was 1.40% (822,883 voting shares). Senrigan Capital Group Limited, Central, Hong Kong, notified us on 4 February 2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of our company had fallen below the threshold of 3% on 1 February 2013, and on that date was 1.40% (822,883 voting shares). 1.40% of the voting rights, i.e. 822,883 voting rights, are attributable to Senrigan Capital Group Limited in accordance with Section 22 (1) Sentence 1 Number 6 WpHG. Senrigan Capital Management Limited, Grand Cayman, Cayman Islands, notified us on 4 February 2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of our company had fallen below the threshold of 3% on 1 February 2013, and on that date was 1.40% (822,883 voting shares). 1.40% of the voting rights, i.e. 822,883 voting rights, are attributable to Senrigan Capital Management Limited in accordance with Section 22 (1) Sentence 1 Number 6 in conjunction with Sentence 2 WpHG. Balda AG, Bergkirchener Str. 228, D-32549 Bad Oeynhausen, ISIN: DE0005215107, SIN: 521510

Point Lobos Master Fund, L.P., Grand Cayman, Cayman Island, notified us on 25.07.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the threshold of 3% of the voting shares on 19.07.2013, and on that date was 2.54% (1,497,606 voting shares).

Mr. Ryan Schaper, USA, notified us on 25.07.2013 in accordance with Section 21 (1) WpHG that his interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the threshold of 3% of the voting shares on 19.07.2013, and on that date was 2.95% (1,736,377 voting shares). 2.54% of the voting rights (equaling 1,497,606 voting rights) are attributable to Mr. Schaper in accordance with Section 22 (1) Sentence 1 Number 1 WpHG. 0.41% of the voting rights (equaling 238,771 voting rights) are attributable to Mr. Schaper in accordance with Section 22 (1) Sentence 1 Number 6 WpHG in conjunction with Section 22 (1) Sentence 2.

Point Lobos Capital LLC, Wilmington/Delaware, USA, notified us on 25.07.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the threshold of 3% of the voting shares on 19.07.2013, and on that date was 2.95% (1,736,377 voting shares). 2.54% of the voting rights (equaling 1,497,606 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 1 WpHG. 0.41% of the voting

rights (equaling 238,771 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 6 WpHG.

Indaba Capital Partners, L.P., San Francisco, USA, notified us on 02.08.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had exceeded the threshold of 3% of the voting shares on 29.07.2013, and on that date was 3.88% (2,286,205 voting shares).

3.88% of the voting rights (equaling 2,286,205 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 1 WpHG via Indaba Capital Fund, L.P.

Indaba Capital Fund, L.P., George Town, Cayman Islands, notified us on 02.08.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had exceeded the threshold of 3% of the voting shares on 29.07.2013, and on that date was 3.88% (2,286,205 voting shares).

Mr. Derek Christopher Schrier, USA, notified us on 02.08.2013 in accordance with Section 21 (1) WpHG that his interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had exceeded the threshold of 3% of the voting shares on 29.07.2013, and on that date was 3.88% (2,286,205 voting shares).

3.88% of the voting rights (equaling 2,286,205 voting rights) are attributable to Mr. Schrier in accordance with Section 22 (1) Sentence 1 Number 1 WpHG via Indaba Partners, LLC, Indaba Capital Partners, L.P. and Indaba Capital Fund, L.P.

3.88% of the voting rights (equaling 2,286,205 voting rights) are attributable to Mr. Schrier in accordance with Section 22 (1) Sentence 1 Number 6 WpHG in conjunction with Section 22 (1) Sentence 2 via Indaba Capital Fund, L.P.

Indaba Partners, LLC, San Francisco, USA, notified us on 02.08.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had exceed-

ed the threshold of 3% of the voting shares on 29.07.2013, and on that date was 3.88% (2,286,205 voting shares).

3.88% of the voting rights (equaling 2,286,205 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 1 WpHG via Indaba Capital Fund, L.P. and Indaba Capital Partners, L.P.

Indaba Capital Management, LLC, San Francisco, USA, notified us on 02.08.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had exceeded the threshold of 3% of the voting shares on 29.07.2013, and on that date was 3.88% (2,286,205 voting shares).

3.88% of the voting rights (equaling 2,286,205 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 6 WpHG via Indaba Capital Fund, L.P.

Octavian Special Master Fund, L.P., Augustus Advisors, LLC, Augustus GP Interests Acquisition, LLC, Augustus Holdco, LLC, TPG Opportunities II Advisors, Inc., Indaba Capital Fund, L.P., Indaba Capital Management, LLC, Indaba Capital Partners, L.P., Indaba Partners, LLC and Derek C. Schrier notified Balda Aktiengesellschaft on 20 August 2013 that its joint interest in the voting shares of Balda Aktiengesellschaft as of 20 August 2013 was approx. 13.26%.

TPG Opportunities II Advisors, Inc., Fort Worth, Texas, USA, notified us on 29.11.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the threshold of 10% of the voting shares on 29.11.2013, and on that date was 6.70% (3,948,348 voting shares). 6.70% of the voting rights (equaling 3,948,348 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 1 WpHG via Augustus Holdco, LLC (Fort Worth, Texas, USA), Augustus GP Interests Acquisition, LLC (Fort Worth, Texas, USA) and Octavian Special Master Fund, L.P. (Grand Cayman, Cayman Islands, USA).

6.70% of the voting rights (equaling 3,948,348 voting rights) are attributable to the company in accordance with Section 22 (1) Sentence 1 Number 6 WpHG in conjunction with Section 22 (1) Sentence 2 from Octavian Special Master Fund, L.P. (Grand Cayman, Cayman Islands).

Indaba Capital Partners, L.P., San Francisco, USA, notified us on 29.11.2013 in accordance with Section 21 (1) WpHG that its interest in the voting shares of Balda AG, Bad Oeynhausen, Germany, had fallen below the thresholds of 10% and 5% of the voting shares on 29.11.2013, and on that date was 4.75% (2,800,072 voting shares). 4.75% of the voting rights (equaling 2,800,072 voting rights) are

attributable to the company in accordance with Section 22 (1) Sentence 1 Number 1 WpHG via Indaba Capital Fund, L.P.

### **Corporate governance**

The Declaration of Compliance with the German Corporate Governance Code required under Section 161 German Stock Corporation Act has been issued and, together with the Statement on Corporate Governance in accordance with Section 289a German Commercial Code, has been made permanently available to the shareholders. It can be downloaded at <http://www.balda-group.com>

Regarding the fees for the auditor of the annual financial statements, we refer to item III.j of the notes to the consolidated financial statements of Balda AG.

Bad Oeynhausen, 3 December 2013

The Management Board

Dr. Dieter Brenken

Oliver Oechsle

## AUDITORS' REPORT

We have audited the annual financial statements - comprising the balance sheet, the income statement and the notes to the financial statements - together with the bookkeeping system and the management report of Balda Aktiengesellschaft, Bad Oeynhausen, for the financial year from 1 July 2012 to 30 June 2012. The accounting and preparation of the financial statements and the management report according to German commercial law are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and the 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 annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives as well as evaluating the overall presentation of the annual financial statements and the 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, which is based on the findings of the audit, the annual financial statements are in compliance with legal provisions and give a true and fair view of the net assets, financial position and results of the operations of the company in accordance with the principles of proper accounting. The management report is consistent with the annual financial statements, provides a suitable understanding of the company's situation and suitably presents the risks of future development.

Bielefeld, 3 December 2013

BDO AG  
Wirtschaftsprüfungsgesellschaft

signed Kai-Niclas Rauscher Wirtschaftsprüfer [German Public Auditor]	signed Dietrich Horn Wirtschaftsprüfer [German Public Auditor]
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