Balda AG

14/15

BALDA AG

EXPERTISE IN PLASTICS

ANNUAL REPORT 2014 / 2015

KEY FIGURES

BALDA AG

KEY FIGURES FOR THE GROUP AT A GLANCE (PURSUANT TO IFRS)

IN EUR MILLION	01.07.2014 –30.06.2015	01.07.2013 –30.06.2014
Sales revenues	**85.4**	**70.5**
Of which Europe	37.5	31.8
Of which America	47.9	38.7
Total operating revenue	**83.8**	**70.9**
EBITDA before extraordinary items	**6.4**	**4.0**
EBITDA after extraordinary items	**1.5**	**1.9**
Of which Europe	2.1	–0.7
Of which America	–0.2	2.8
Of which other	–0.3	–0.2
EBITDA-margin in % (before extraordinary items)	**7.7**	**5.7**
EBIT	**–12.1**	**–4.7**
Net fixed income	2.8	10.0
Earnings before taxes	–9.3	5.3
Consolidated net income	–12.7	5.9
Earnings per share in EUR	–0.22	0.10

KEY FIGURE FINANCIAL POSITION	30.06.2015	30.06.2014
Total assets	**265.8**	**263.3**
Equity	234.1	241.8
Equity ratio in %	88.1	91.8
Employees at reporting date	789	786

EUR 85.4 MILLION

REVENUES

EUR 6.4 MILLION

EBITDA (BEFORE EXTRAORDINARY ITEMS)

EUR –12.7 MILLION

CONSOLIDATED NET INCOME

MISSION STATEMENT

BALDA AG

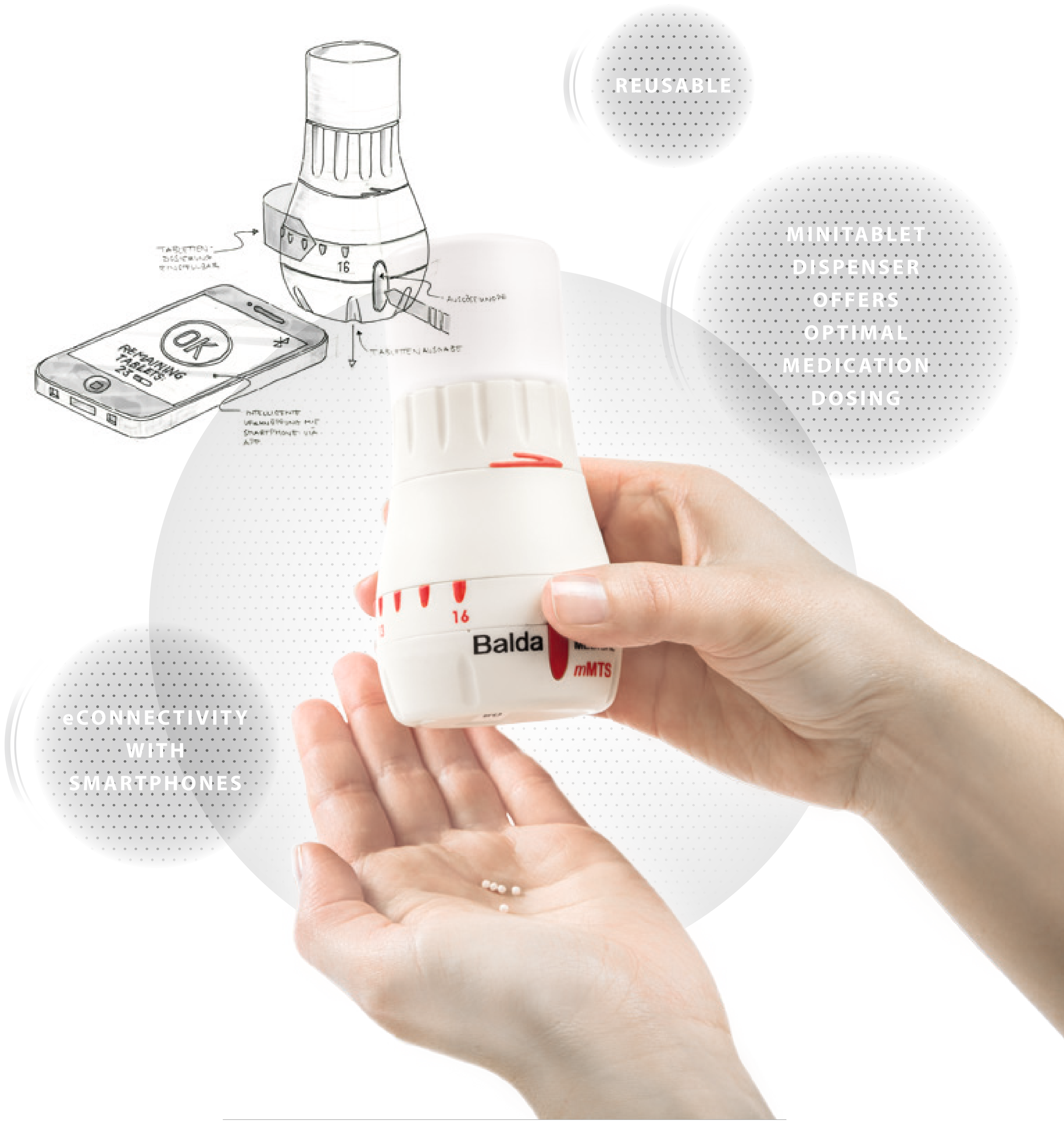
As an international system developer and manufacturer, Balda is a provider of premium-quality, sophisticated plastic solutions for the healthcare and diagnostics industry, as well as for additional sectors that make the highest demands in terms of products and quality. The company is distinguished by superior engineering services and high product quality, matched by fast and tailored customer services. The company's core expertise lies in the design, development and production of assemblies, systems and packaging in accordance with the individual specifications of Balda's customers both in and outside Germany.

Balda operates state-of-the-art production facilities at its headquarters in Bad Oeynhausen, Germany, as well as in Southern California in the USA. In Europe, the company manufactures high-quality plastic solutions for the medical technology, pharmaceutical and diagnostics markets. In America, Balda produces high precision injection-molded plastic solutions for manufacturers of medical technology, as well as fashion and technical products.

The success of the Balda Group is based on the deployment of leading-edge, cost-effective technologies, coupled with close and trust-based collaboration with customers. Balda's long-term strategy is focused on generating added value for its business partners, sustainable growth, a strong international presence, the continuous enhancement of the company's value, and consequently attractive returns on its shareholders' investments.

CONTENT

01 THE COMPANY



MECHANICAL MINI TABLET SYSTEM (mMTS)

The mMTS—developed by Balda—is designed to issue solid oral medication. The aim is to improve patients' consumption patterns and to enable more precise and reliable dosing. Balda can soon individualize the mMTS and equip it with further functions such as for child safety.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

We report as follows on our activity in the 2014/2015 financial year:

Work of the Supervisory Board in the reporting period
The Supervisory Board held a total of nine attended meetings and twelve telephone meetings in the 2014/2015 financial year. All members of the Supervisory Board attended all meetings.

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

Key topics in the reporting period
The discussions and resolutions of the Supervisory Board focused on the following issues:

— Visit to operating sites of the US subsidiary Balda C. Brewer; discussions with local management, steps to integrate the US subsidiaries,

— Conclusion of a new rental agreement concerning a production location in the USA, preparation to consolidate sites,

— Management of proceedings at regional court against Dominik Müser, review of compensation claims against Dominik Müser and other directors,

— Accompanying the arbitration case of the sellers of Balda C. Brewer against Balda Investments USA and the counterclaim brought in the arbitration proceedings,

— Completion and audit of the separate and consolidated financial statements as of 30 June 2014,

— Simplification of the Group structure, including through launching liquidation of the Group company in Singapore and disposal of the property in Malaysia,

— Examination of various potential corporate acquisitions,

— again, intensive cost and budget discussions with both the Management Board and the management of the operating subsidiaries,

— and as well as, from January 2015, accompanying discussions with parties interested in acquiring the Balda Group's operating business.

Corporate governance
In October 2014, the Management Board and Supervisory Board submitted a declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG), which it published on the company's website.

The declaration of compliance was updated in September 2015.

Personnel matters
The following changes occurred to the composition of the Management Board of Balda AG in the 2014/2015 financial year:

On 28 August 2014, the Supervisory Board passed a resolution to extend the Management Board appointment of Oliver Oechsle by a further two years, in other words, until 31 October 2016. Dr. Dieter Brenken's appointment ended on 31 October 2014, as scheduled.

No changes occurred to the Supervisory Board during the period under review.

Separate and consolidated annual financial statements
On 13 April 2015, the Supervisory Board engaged Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, which had been elected as the financial statement auditor by the company's Annual General Meeting on 18 November 2014, to audit the separate annual financial statements of Balda AG and the consolidated financial statements for the 2014/2015 financial year. The separate annual financial statements were prepared in accordance with the principles of Sections 242 to 256 and Sections 264 et seq. of the German Commercial Code (HGB) as well as the German Stock Corporation Act (AktG), while the consolidated financial statements were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplementary provisions of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB). The auditor audited the separate annual financial statements for the 2014/2015 financial year and the consolidated financial statements for the 2014/2015 financial year, as well as the management report for Balda AG and the Group management report and issued these with an unqualified auditors' report dated 24 September 2015.

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

The auditor participated in the Supervisory Board's discussions on 14 September 2015 of the documents submitted, reported on the principal results of its audit and responded to questions from the Supervisory Board. Above and beyond this, all Supervisory Board members concerned themselves intensively with the Management Board with the documents relating to the annual financial statements.

Unfortunately, the Supervisory Board's examinations focused again on the impairment of the two acquisitions in the United States. As a result, the impairment test necessitated that a further impairment loss totaling EUR 7.0 million be applied to the US acquisitions, after total impairment losses of EUR 11.5 million were already required in the annual financial statements as of 30 June 2013.

The Supervisory Board also concerned itself with the following audit focus areas:

- Impairment of US subsidiaries—especially customer base and goodwill,
- Audit of the internal controlling system for the purchasing process at the US units,
- IT interface audit,
- Appraisal of litigation pending in the USA.

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

Following its own examination, the Supervisory Board concurs with the findings of the audit of the separate annual financial statements and consolidated financial statements. The final results of the Supervisory Board's examination did not give rise to any objections to the separate annual financial statements and consolidated statements as prepared by the Management Board.

The Supervisory Board examined the Management Board's proposal for the appropriation of net unappropriated profits through payment of a dividend of EUR 1.10 per share and concurs with this in view of the company's cash position.

The Supervisory Board discussed the separate annual financial statements and the consolidated financial statements at its meeting on 28 September 2015 in the presence of the auditor and approved the annual financial statements of Balda AG on 28 September 2015. The company's separate annual financial statements have been adopted as a consequence. The Supervisory Board also approved the consolidated financial statements on 28 September 2015.

Supervisory Board activities after the financial year-end; further personnel matters

From July 2015 on, the Supervisory Board also intensively accompanied the Management Board negotiations with two interested parties concerning the sale of the entire operating business of the Balda Group, which resulted on 23 September 2015 in a notarized sale agreement with the purchasing companies. The purchasing companies are managed by Paragon, a Munich-based investment company. This agreement requires the approval of the Annual General Meeting of Balda AG, and is a topic at the AGM on 19 November 2015.

The details of the purchase agreement will soon be explained in the Management Board report that will be published to coincide with the convening document for the Ordinary Annual General Meeting.

To ensure that the sale serves shareholders' interests, the Supervisory Board has obtained a fairness opinion from Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg. This auditing and tax advisory company confirmed on 21 September 2015 that it regards the purchase price as fair from a financial perspective.

Independently of this, the sole Management Board member (CEO) informed the Supervisory Board in July 2015 that Paragon had offered to transfer him to the acquiring company's Management Board. So that this would give rise to no conflicts of interest, the Supervisory Board passed a resolution that both the company's permanent legal adviser and I, as Supervisory Board Chairman, will participate personally in all contractual negotiations with Paragon.

Finally, the Supervisory Board, in line with the Management Board, passed a resolution to propose to the AGM that it approve a further distribution to shareholders of EUR 0.90 per share by way of a capital reduction. This is to allow the purchase price that is not required for operational purposes to be distributed without deduction of capital gains tax to shareholders. The Management and Supervisory Board are of the opinion that that Group's cash resources remain sufficient after the conclusion of the forthcoming strategic redefinition to also realize larger acquisitions when appropriate properties are located.

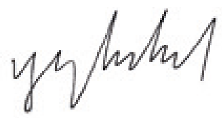
Thanks

The Supervisory Board would like to thank the employees and the employee representatives for their conscientious work in the 2014 / 2015 financial year. In addition, the Supervisory Board would like to thank Oliver Oechsle for his work and contribution.

The Supervisory Board would also like to thank the shareholders for the interest that they show in the company, and especially for the trust and confidence they have placed in the Supervisory Board.

Bad Oeynhausen, 28 September 2015

The Supervisory Board



DR. THOMAS VAN AUBEL CHAIRMAN OF THE SUPERVISORY BOARD

LETTER FROM THE MANAGEMENT BOARD

LADIES AND GENTLEMEN,

The following major future-related decisions are on the agenda for the forthcoming Annual General Meeting of the shareholders of Balda AG.

The development and growth potential of the operating business of the Balda Group encountered sustained interest in numerous discussions with investors and potential cooperation partners. This resulted in a specific offer from investment firm Paragon Partners GmbH, Munich, to acquire our entire operating business. In this context, the independence of the Balda brand is to be retained and the growth strategy that the Group has adopted is to be continued. Both of these factors represent an important decision-making criterion for our customers for their successful collaboration with us. The Management and Supervisory boards of Balda AG have commissioned a fairness opinion to ensure that a sale serves the shareholders' interests. These independent valuation surveys came to the conclusion that the EUR 62.9 million acquisition price is fair. As jobs are also secured as part of the sale, the Supervisory and Management boards consequently recommend that Balda's shareholders approve the sale of the operating business at the forthcoming Annual General Meeting.

Another important item on the agenda will be the resolution to adopt the Supervisory and Management boards proposal of both a special dividend of EUR 1.10 and a capital reduction with the ratio 10:1 from EUR 58.9 to 5.9 million. This capital reduction corresponds to an additional distribution of EUR 0.90 per current share. The net assets of the Balda Group remaining after the dividend payout, and after deducting taxes, costs and release, lie between EUR 130 and 140 million, and can be deployed for new, high-yielding investments.

You will receive the details of these two agenda items with the convening document for the Annual General Meeting, which we will also publish on our website.

Following these current topics, I turn to the development of the Balda Group during the past financial year—the 2014/2015 financial year proved to be a good one in operating terms for Balda AG. With sales revenues growing by 21.1 %, from EUR 70.5 million to EUR 85.4 million, we clearly outperformed the target that we had set ourselves. This very remarkable growth was supported by around EUR 4 million of positive currency effects.

Balda AG generated EUR 6.4 million of operating EBITDA before extraordinary items, reflecting an approximately 7.7 % EBITDA margin. Earnings before interest and taxes and before extraordinary items stood at around EUR 1.4 million.

This positive trend was overshadowed by further impairment losses at the US subsidiaries, and legal disputes, especially with their former owners. The announcement of the loss of a major customer in the eyewear area, which is anticipated to occur in the middle of next year, will result in the closure of our plant in Irvine during the current financial year. We have made provision on the balance sheet for this measure. During the year under review we were also required to apply impairment losses amounting to a total of EUR 8.5 million to various balance sheet items. The withdrawal of this major customer is not due to reasons that relate specifically to Balda, but is based instead on an earlier decision by this producer of spectacles to assume responsibility itself for important value creation processes.

At the same time, we exploited the opportunity offered to implement a further rationalization of our locations, from which we anticipate considerable efficiency and cost benefits. We took over a production site from an Ontario-based medical technology group, including its installed technology, for example. Balda will expand its cleanroom capacity from around 800 m^2 to approximately 2,000 m^2 on a 14,000 m^2 production space in the newly rented plant.

We have also maintained continuous dialog with the capital market, for example as part of numerous discussions with investors and analysts, and through participating at investor conferences. Regrettably, the Balda share has failed to benefit from the operating successes, positive expert appraisals and the company's financial strength.

The sale of the operating units and the brand that we announced in our ad hoc announcement on 23 September 2015 consequently comprises a realization of value for shareholders. The purchase by financial investor Paragon will have a positive effect on the development of our operative business. This was especially important with regard to our customers and employees.

Dear shareholders, I would like to take this opportunity to extend my warm thanks to you for the confidence and trust that you have invested in us—and I would kindly ask you to support us further along our path in the future. It goes without saying that I would also like to extend our very warm thanks to our employees as well as the employee representatives for their high level of commitment.

Yours sincerely,

OLIVER OECHSLE SOLE MANAGEMENT BOARD MEMBER

eCONNECTIVITY WILL PLAY A CENTRAL ROLE

CHRISTOPH KLAUS CEO OF BALDA C. BREWER, INC. / **OLIVER OECHSLE** SOLE MANAGEMENT BOARD MEMBER OF BALDA AG / **RALF LINDNER** CEO OF MEDISANA AG

While it is no longer possible to imagine everyday life without technical aids such as computers and cell phones, modern technology now also offers possibilities that extend much further still: the Internet of Things and eConnectivity have also become central topics in medical technology. Ralf Lindner, CEO of Medisana AG, Oliver Oechsle, sole Management Board member of Balda AG, and Christoph Klaus, CEO of Balda C. Brewer, Inc., held an experts' discussion about the rapid changes in the healthcare and medical technology market, related prospects, and their significance for the Group's own products.

? As in most sectors, the Internet is also resulting in long-term changes in medical technology. What significance do the Internet of Things and eConnectivity have?

Oliver Oechsle The Internet of Things and eConnectivity are a really exciting subject, especially as far as the future is concerned! Our sector is just at the start in this regard. The digital gathering of medical data was originally planned to occur with the electronic healthcare card in Germany (the "eGK"), although eventually it wasn't implemented for data protection reasons.

Ralf Lindner This was mainly due to the storage of data and the transmission of data to third parties, despite the fact that data gathering already occurs in the private sphere in many situations. This is precisely what Medisana's core business is about: our devices in the consumer area gather and store health data and vital signs via smartphones. Of course, it's still a completely new area, but a lot is set to happen in it over the coming years. We currently offer our customers trackers for their smart phones, for example—pedometers in other words—although our devices also gather data about sleep patterns, and all the way through to vital data. But only for users themselves—although they can then transfer the data for example to their doctor.

Oechsle Yes, I also see a lot happening in this area. In particular, this technology from the consumer area will be used increasingly in the healthcare market in the future.

Christoph Klaus It is precisely this area that we address at Balda: before the end of this year, we will present a prototype of our mini tablet dispenser, including a readout mechanism. It's a complete innovation. There's never been anything like it before and we're very excited to see how the market will react to it.

? And where does the specific benefit for patients lie?

Klaus This new mini tablet dispenser enables the volume and timing of medication to be documented. This is not only important in terms of how a patient monitors their own intake, but also essential for compliance reasons, such as in the case of Alzheimer's patients, for example. Back in 2003, the World Health Organization had already identified and written about the compliance problem: "Non-compliance is a worldwide problem of striking magnitude". The dispenser also makes work easier in the context of medical studies.

Oechsle The tablet dispenser primarily serves patient compliance, which is also referred to as patient adherence. To go back to the Alzheimer's example: although an app does exist that reminds patients to take their medication, and also documents when medication was last taken, so far a manual entry has had to be made when the medication is taken. But our device can communicate with an app on the smart phone and transmit a message accordingly as to whether and when the medication was dispensed. Not only does this enable precise documentation, the device also sets off an alarm if medication hasn't been taken for a long time. The device can also transmit an emergency call.

? Can the tablet dispenser dispense various medications, or do you then need several medication dispensers?

Oechsle Each individual platform is currently configured for one medication each, with corresponding approval for this substance, and with a control function that is coordinated to it. Especially with dosing, it's important that the tablet-dispensing that is programmed accords with the prescription for the medication. An ideal use would be in pain therapy, for example—in other words, when medication needs to be taken regularly.

Klaus Our first aim is to demonstrate our expertise. In the next step, we can then develop the actual device together with our customers from the pharmaceuticals area. With our prototype, we are now showing that we master the technology, and understand how the market's rules of the game work. This was why we are starting with a dispenser for a single medication, and concentrating on it. The focus is not on dispensing a cocktail of medications.

Lindner But isn't it the case that, in particular, older people frequently take a lot of different medications?

Oechsle That's right. We first want to concentrate on medications that are prescribed for a limited period, and where monitoring is important. With pain therapy, for example, it's important that patients don't decide of their own accord to boost their dose, but that instead, the medication is reduced as patients get better. A further important area of use is with Alzheimer's and dementia patients who simply forget to take their medication. The device's reminder and monitoring functions are quite critical in this type of situation.

Klaus Or take high blood pressure as another example: if you forget to take your medication just three times, it can become life-threatening—and our device can then trigger an emergency call, of course.

In the final analysis, there are three classic errors in taking tablets that we encounter: especially with longer-term therapies, patients sometimes like to take so-called "drug holidays". Other patients give up altogether after completing around 60 to 70% of the therapy, but then take their medication again one day before their next visit to the doctor, and say nothing about having previously broken off their course of medication. And then there's wrong dosing, which we've already talked about.

» **This year we are presenting a prototype of our mini tablet dispenser with a readout function—a complete innovation.** «

CHRISTOPH KLAUS

Oechsle Firstly, in other words, with our tablet dispenser we offer the capability of self-monitoring, which is important with all three error patterns. Secondly, the data can help the doctor who is treating the patient to monitor the consumption and effect of the medication.

Many patients take medicines in exactly the same dosage for weeks on end, despite the fact that the doctor has actually prescribed a declining dose. So the tablet dispenser will enable doctors to prescribe a more precise dose in the future that is tailored to individual patients. Even with a lower level of medicine consumed this will then allow the same results to be achieved. This would also result in far fewer resistances that can arise due to wrong or excessive dosages, for instance.

Lindner But to date it hasn't been possible to assess whether a patient has actually taken the medication. The only thing that is documented is whether the tablet was dispensed from the device.

Klaus This is still a problem, because even with our mini tablet dispenser the actual consumption has to be documented manually.

Oechsle You just have to take a look at medicine today. Especially with post-operative and hospital care—which is becoming ever shorter, by the way—recovery has to be monitored. Whether a therapy is working and patients are improving can be measured using various vital data such as blood pressure, blood sugar, pulse, and so on. And Medisana offers the corresponding devices for this.

Klaus Balda and Medisana form a really good fit in this context. If we record medication as precisely as vital data in the future, and these data are combined, then doctors will get a better overall picture that can enable them to prepare a more precise diagnosis more rapidly, and prescribe a corresponding therapy.

Lindner Precisely. This has also been proved by a study that we have been conducting for the last two years together with Dr. Dr. med. Hans-Detlev Stahl in Leipzig, for example—he's also referred to as Doctor Digital or Doctor Smartphone, by the way. Dr. Stahl is seen as a pioneer among German doctors who administer preventative healthcare with the help of digital measurement data. He works with our products and recommends his patients to use the related app. The study has shown that the relevant values for patients who use the corresponding devices and apps have improved. This has also allowed medications to be reduced, or stopped, and some patients on diets have reached their target weight faster. The only thing that Dr. Stahl still lacks is an instrument for medication monitoring, in other words, automatic recording of medication. We can't do that, but Balda can.

? **Isn't data recording a key issue?**

Lindner Absolutely—but data protection plays an enormously important role in this context, and constantly presents new challenges to companies that deploy eConnectivity.

Oechsle Companies in the consumer goods area are already a considerable way ahead in this context, because they already have extensive experience with databases and how they can be sealed off to ensure data protection.

Lindner That's true, but it's surely not possible to have one hundred % data protection.

Oechsle We also have to think about how medical data and devices can be protected, not only from data theft, but also from manipulation. One option is to separate data: different data segments are stored on a decentralized basis, and are only reassembled when required by patients or doctors. If the database were then to be hacked, it would only contain individual fragments.

Klaus This is precisely what smartphone manufacturers are trying to do with their platforms, where users can collect and aggregate their various data. The task of the app is then to prepare an overview derived from all the information.

Lindner Although this then gives rise to the question as to the extent to which patients actually do this. I have no concerns as far as the data that our devices gather are concerned, but we have to think about alternatives when we're dealing with sensitive medical figures.

Oechsle To make storage on smartphones or in the Cloud secure, a personal smartcard would be an alternative. Data could only be decrypted and made available with a personal code. Doctors would then have a card reader device on which they could view the information that is released, for example. As soon as you removed the smart card from the device, the data would no longer be accessible.

Lindner That would be one option. But first there is another challenge when gathering data using medical devices—and that is the measuring methodology that is stored on them. It has to be impossible to change or update it. And if anyone were to try to do so nevertheless, they would lose their right of access. In other words, the measuring methodology must be isolated from the rest of the device.

Take blood sugar measuring devices as an example: in 2013, a new standard was introduced that included a reduction in measurement tolerance. Previously, plus or minus 20% was allowed, now it's just 15%. This has rendered all previous measurement devices obsolete, as we can't change the measuring technology. So we had to launch a new generation of devices on the market where the measurement module corresponds to the new standard.

Oechsle New standards are definitely market drivers. However, Balda has historically not been a manufacturer of its own products, and produces them for other companies instead. This will also remain our strategy. But we

RALF LINDNER

» **The recording of vital data enables much more precise monitoring and more successful treatment.** «

are positioned better in our segment than others, as we produce our own solutions and work directly together with customers to develop products further.

Klaus Pharmaceuticals manufacturers generally have no interest in conducting their own manufacturing of the devices they require. And for a good reason: it's a highly specialized technical area.

Lindner Pharmaceuticals companies themselves performed this expertise in the past, but now they leave it to specialists such as Balda. A further pharmaceuticals giant has just sold its device division, for example.

Balda has a very good and clear positioning as a specialist in this context. You have built up extensive know-how as an integrator of plastics and other materials over more than a hundred years, and your customers benefit from this.

Oechsle And it is exactly here where we differ from other companies. Industrial companies are increasingly seeking partners that offer a technology platform on which they can configure their own products.

Klaus It is precisely this total platform that we offer. We make drug delivery devices for the dosing of medications. And we have proved with our tablet dispensers that we master the solid dispensing format. For liquid medication, we have our dosing pipette. The future is developing increasingly in the direction of smart drug delivery devices—intelligent devices to deliver medications, in other words.

» Our mini tablet dispenser that includes a chip could soon become standard in drug delivery systems. «

OLIVER OECHSLE

? So, Balda's task is to anticipate what its customers will require over the coming years, and how the market develops?

Oechsle That's right. As we said at the start: our sector is just at the beginning, and our healthcare system will undergo massive changes, not least due to demographic trends, in other words, the increasing ageing of society, and due to new technologies.

Klaus Let's just take a look at the development of electronics: what was a mobile handset able to do ten years ago, and what can smartphones do today?

Oechsle If we project a similar acceleration in terms of dimension and costs to the Internet of Things and our devices, then I can very well imagine that in ten years a significant proportion of medications will be equipped with intelligence that not only documents medication but also prescribes dosages to patients, including a reminder function. Prices for antibiotics currently amount to around 30 to 40 euros per therapy, for example, and presumably this is not going to change. If a device for administering or dosing costs only a fraction of this, then our product could become standard.

Our facilities

OCEANSIDE, CALIFORNIA, USA

ONTARIO II, CALIFORNIA, USA

IRVINE, CALIFORNIA, USA

BAD OEYNHAUSEN, GERMANY

ONTARRIO I, CALIFORNIA, USA

THE BALDA SHARE

1. THE BALDA SHARE AT A GLANCE

WKN / ISIN	000521510 / DE0005215107
Stock exchange segment	Prime Standard / Regulated Market
Trading segment	Industry
Prime sector	Industrial goods
Sub-sector	Industrial products + services
Index	CDAX, Prime all Share
Date of initial listing	23.11.1999
Designated sponsor	BHF-BANK Aktiengesellschaft
Share capital	EUR 58,890,636
Number of shares issued	58,890,636
Average daily trading volume	131,828
High / low for the 2014 / 2015 financial year	EUR 3.37 on 03.09.2014
Low for the 2014 / 2015 financial year	EUR 2.30 on 22.06.2015
Closing price for the 2014 / 2015 financial year	EUR 2.40
Market capitalization on 30.06.2015	EUR 141.3 million
Earnings per share for the 2014 / 2015 financial year	EUR –0.22

2. EQUITY MARKET PERFORMANCE

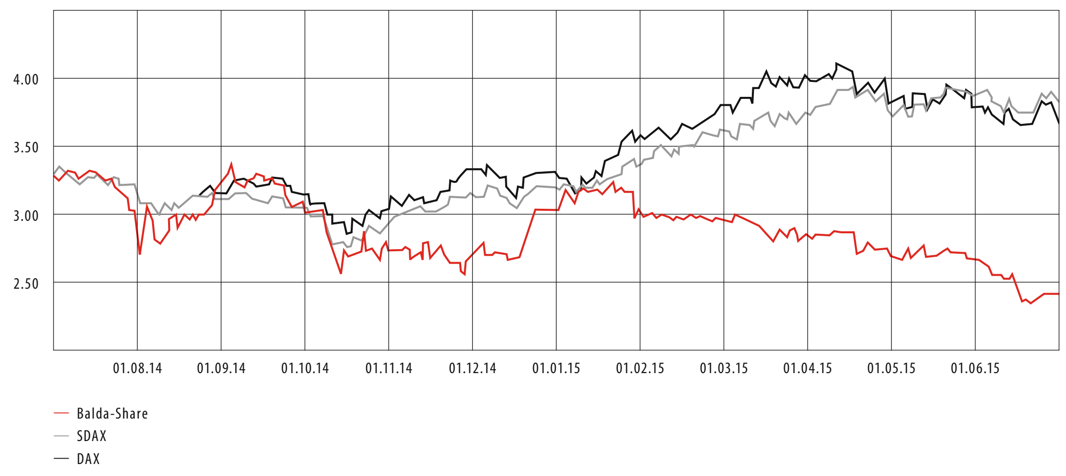
Equity markets mainly followed a sideways trend in 2014. Despite this, shortly before the start of the Balda financial year, the German equity index (DAX) broke through its highest historical level of 10,000 points in June. The DAX then reported no significant increase during the first six months of the Balda financial year, despite a higher level of volatility. This changed abruptly at the start of 2015: the DAX first exceeded the record level of 11,000 points on 13 February 2015, before reaching a new historic high just a few weeks later on 19 March 2015. The DAX reached its low for the reporting period of Balda AG during intraday trading on 16 October 2014 at 8,355.0 points; the high for this index of leading shares was achieved on 10 April 2015 at 12,390.8 points, by contrast. The DAX appreciated by a total of 11.1 % during the 2014 / 2015 financial year. Compared to this, the SDAX index performed even better, rising by a total of 15.8 % during the Balda reporting period. This index of second-line stocks reached its high during intraday trading on 26 May 2015, with its low being recorded in intraday trading on 16 October 2014—in line with the DAX.

3. PERFORMANCE OF THE BALDA SHARE

In the year under review, the Balda share failed to benefit from the positive trend in indices. The Balda share reached its high for the year at EUR 3.37 during intraday trading on 3 September 2014. On this date, Deutsche Börse announced that Balda AG would no longer be listed in the SDAX index in future owing to lower market capitalization. The index amendment came into force with the start of trading on 22 September. The announcement of the exit of the share from the SDAX was followed by a downtrend. The Balda share reached its low for the year of EUR 2.30 during intraday trading on 22 June 2015. The Balda share relinquished 27.5 % of its value over the course of the year. As of the end of the 2014 / 2015 financial year, the Balda share reported a year-closing price of EUR 2.40—corresponding to a market capitalization of EUR 141.3 million.

4. SHARE PRICE PERFORMANCE COMPARED TO THE DAX AND SDAX (INDEXED SHARE PRICE PERFORMANCE 1 JULY 2014 TO 30 JUNE 2015)

OVERVIEW OF THE SHARE PRICE



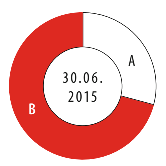
5. SHAREHOLDER STRUCTURE

The interest held by Elector GmbH has not changed during the period under review, amounting accordingly to the 29.43 % held in the previous financial year; Elector GmbH is consequently the largest shareholder of Balda AG.

On 5 February 2015, TPG Opportunities / Augustus and individuals who are attributable to this fund, as well as further funds, dropped below the threshold of 3 %, holding 2.96 % of the voting rights in Balda AG on this date.

The free float has consequently increased year-on-year from 59.95 % to 70.57 %.

SHAREHOLDER STRUCTURE IN %



— A Elector GmbH, Berlin, Germany: 29.43 %
— B Free Float: 70.57 %

6. INVESTOR RELATIONS

The aim of investor relations work at Balda AG is to supply the capital market transparently and quickly with relevant information. Consequently, during the year under review Balda conducted one-on-one discussions with institutional investors, by telephone and in-person, including at capital market conferences, such as in Frankfurt / Main at the Small Conference in September 2014, and at the Equity Capital Forum in November 2014, for instance. The company presented itself to numerous institutional investors at these investor conferences and conducted various one-on-one meetings. Besides this, Balda AG intensified direct dialogue with interested capital market participants, and introduced a conference call with institutional investors and analysts with the publication of the half-year report, which will also be held in the future in parallel with the publication of reports.

In the 2014 / 2015 financial year, the share of Balda AG was covered by M.M. Warburg & CO and First Berlin Equity Research. Edison Research also assumed international coverage during the course of the financial year under review. These three research houses regularly compile analyses, valuations and recommendations relating to the Balda share.

Balda AG continuously informs it shareholders about current topics on the detailed investor relations pages on the company's website.

WWW.BALDA-GROUP.COM/EN/INVESTORS

02 GROUP MANAGEMENT REPORT

FUNOOGLES

Young US company funoogles markets sunglasses and corrective spectacles for children. funoogles can be constantly recombined like building blocks from various frames and earpieces to create a new look. Balda supported funoogles in the development of the requisite injection molding tools and assumed series production in summer 2015.

THE GROUP

On 23 September 2015, Balda AG signed an agreement to sell its entire operating business. This sale is still subject to approval by the shareholders' Annual General Meeting and by the anti-trust authorities (see related notes in the report on events after the balance sheet date). For this reason, although this disposal is to be taken into account in the outlook, it is not to be taken into account in the consolidated financial statements and the management report.

1. OVERVIEW OF THE GROUP STRUCTURE

INSIDE REAR COVER OF THIS ANNUAL REPORT CONTAINS A GRAPHICAL OVERVIEW OF THE GROUP STRUCTURE.

The Group (also referred to below as the "Group" or the "company") is an international supplier of technologically high-end plastic products. Its core competency lies in manufacturing high-quality injection molded plastics that can be utilized generally in highly varied markets. Injection molded technology is currently deployed in the areas of healthcare, diagnostics, eyewear, electronics and automotive.

Balda Aktiengesellschaft (also referred to below as "Balda AG") has its headquarters in Bad Oeynhausen, Germany, and acts as the strategy and financial holding company for the Balda Group. Its main tasks are controlling and strategically developing the Group, securing and managing the Group's financing, as well as providing shared services such as Group accounting and controlling, investor relations and public relations, as well as holding equity investments in other Group companies. Oliver Oechsle has acted as sole Management Board member and CEO of Balda AG since 31 October 2014.

The Balda AG share is listed in the Prime Standard segment of Deutsche Börse AG under securities codes WKN / ISIN 000521510 / DE0005215107.

Balda AG holds 100 % of the shares in Balda Investments Netherlands B.V., Hengelo, Netherlands, which acts as an intermediate holding company. Balda Investments Netherlands B.V. owns 100 % of the shares in the intermediate holding company Balda Investments Singapore Pte. Ltd., Singapore. The liquidation of Balda Investments Singapore was initiated during the 2014 / 2015 reporting period in order to reduce complexity within the Group's organizational structure. Balda Investments Netherlands B.V. indirectly holds all of the shares of the company Widesphere Sdn. Bhd. The Malaysia-based company is the owner of a real estate, which has been let via financial leasing to a company outside the Group. The lease agreement was amended during the 2014 / 2015 business period, and the lessee has exercised the newly agreed purchase option. The lease agreement has a short-term character for this reason. The structural streamlining in Asia is advancing significantly as a consequence.

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

Balda AG also holds 100 % of the shares in Balda Medical GmbH & Co. KG, Bad Oeynhausen. In November 2014, a wholly-owned subsidiary of Balda Medical GmbH & Co. KG and Balda Investments Netherlands B.V. was founded in Timisaora, Romania, in order to bundle production.

The operating business is divided into the geographic regions of America and Europe. The Group's international management reflects a higher level of efficiency as a consequence: segment responsibilities lie with the Management Board. The Other area comprises management functions in the Asian region, and the rental of a property in Ipoh, Malaysia (until June 2015).

2. OVERVIEW OF BUSINESS ACTIVITIES

The Balda Group is split according to its operating segments of America and Europe. Balda operates four sites in its America segment in Ontario, Anaheim, Oceanside and Irvine, all California. The business in Europe specializes in the healthcare area, while the America segment serves not only the important healthcare market but also customers in the eyewear, electronics and automotive markets.

In the 2014 / 2015 financial year, the Europe segment was expanded beyond its corporate headquarters in Bad Oeynhausen to include a site in Romania. A subsidiary was founded in Timisaora in November 2014, with appropriate premises being rented in May 2015. This site is currently in the stage of preparing its manufacturing and infrastructure, and it serves to bundle relevance, labor-intensive production at one location. At its site in Romania, Balda will realize assemblies and packagings for the medical technology area. Production at the Romanian plant is expected to start during the second half of the current 2015 / 2016 financial year.

The Balda Group manufactures high-quality plastic products for the pharmaceuticals, diagnostics and medical technology industries based on special capabilities in handling demanding plastics solutions. Long-term and trust-based relationships with customers and suppliers make important contributions in this context. The segment's core expertise lies in the design, development and production of assemblies, systems and packaging in accordance with the individual specifications of Balda's customers, among them renowned pharmaceutical and medical technology companies in and outside Germany. Balda's product portfolio includes various handheld devices such as finger prickers and tablet dispensers. Along with medical technology devices, consumables for high-end diagnostics, pipettes and reaction equipment, as well as tubes and other packaging materials, play an important role.

Balda also commands proven expertise in handling high-end plastics products, as well as many years of experience in the research and development area. As a system partner, Balda teams up with its customers to manufacture products that meet specific requirements and exhibit highly different characteristics.

ACQUISATION OF DOSING PIPETTE PATENT.

Balda expanded its product portfolio in the third quarter of the 2014 / 2015 financial year, acquiring the patent of a dosing pipette for the oral administration of liquid medications. Along with the patent, Balda also acquired tools, part of the production line, and existing customer relationships. This enables Balda to offer its customers the entire range of innovative dosing systems for the oral administration of liquid and solid medications, thereby significantly improving its market position. Balda is developing itself significantly from a pure manufacturer into a platform for systematic medication.

In addition, Balda develops and produces high-precision solutions in injection molded plastic for further industries such as eyewear, electronics and automotive. In June 2015, the company's largest individual customer in the eyewear area announced that it wished to withdraw its production from Balda and to conduct his manufacturing itself in the future. Despite this loss, fashion products at the USA site remain a building block within the corporate product range. Balda's customers include globally active companies in their respective industries.

3. CORPORATE GOVERNANCE REPORT

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, maintain and foster the trust of shareholders, lenders, employees, business partners and the general public.

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

WWW.BALDA-GROUP.COM/EN/INVESTORS/CORPORATE-GOVERNANCE.HTML

— The management boards and supervisory boards of listed stock corporations are required by Section 161 (1) Clause 1 of the 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 (also refered to below as "GCGC" or "Code") published by the German Federal Ministry of Justice. If this recommendation is diverged from, management and supervisory boards must publish and justify this in their annual compliance declaration. Most recently in September 2015, the Management and Supervisory boards of Balda AG issued a declaration of compliance with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act (AktG), which is available on the Balda website under the menu heading of Investor Relations.

WWW.BALDA-GROUP.COM/EN/INVESTORS/CORPORATE-GOVERNANCE.HTML

— Balda AG, its corporate bodies and their actions comply with the statutory regulations, the company's articles of association and the recommendations of the GCGC, unless non-compliance was otherwise justified in the declaration of compliance published on the website of Balda AG. No other external codes or standards that exceed the statutory requirements are applied in the Balda Group. The current full version of the declaration on the corporate management of Balda AG is available on Balda's website, within the Investor Relations area.

— 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 by way of reports, templates and presentations. The Supervisory Board Chairman is also informed regularly by the Management Board in person and by telephone on all material issues. Upon invitation by the Supervisory Board, the Management Board participates in individual Supervisory Board meetings.

THE GROUP REPORT ON OPPORTUNITIES AND RISKS CAN BE FOUND ON PAGES 47 – 57.

— Responsible handling of business risks forms one of the statutory obligations and principles of good corporate governance. The Management Board of Balda AG and the Balda Group's management have at their disposal comprehensive Group-wide and company-specific reporting and control systems, which enable risks to be documented, assessed and managed. The systems are continuously refined, adapted to changing conditions and examined by the auditors. The Management Board informs the Supervisory Board on a regular basis about existing risks and changes to them. In particular, the Supervisory Board member responsible for accounting handles monitoring of the accounting process, including reporting, the effectiveness of the internal control system, risk management and the internal auditing system, and compliance as well as financial statement audits. Details concerning risk management in the Balda Group, and the accounting-related internal control and risk management system, are outlined in the Group report on opportunities and risks.

4. COMPENSATION REPORT

4.1 Management Board compensation

In the 2014 / 2015 financial year compensation of the Management Board members underwent fundamental change due to a change in the Management Board structure as of 1 November 2014. Already with effect as of 1 September 2014, the existing interim management agreement with Management Board member Oliver Oechsle was modified into a regular fixed-period Management Board contract until 31 October 2016.
Compensation of the Management Board members was composed as follows during the period under review (German Corporate Governance Code section 4.2.5):

Compensation of Management Board members Dr. Dieter Brenken and—until 31 August 2014—Oliver Oechsle was based on short-term interim management contracts. To this extent, the compensation structure consisted of compensation on the basis of a fixed daily rate that was paid depending on the actual working hours of the Management Board members during the respective calendar month. Ancillary payments were also made to the Management Board members that arose from costs connected with Management Board activities (e.g. fixed rates per kilometer for business journeys, and for traveling to and from work with their own cars; accommodation costs at the place of work and on business travel; compensation of costs for utilizing personal communications equipment etc). The Management Board members invoiced the company at the respective month-end for the work that they had rendered and for their ancillary costs.

Variable compensation based on the company's business and financial success and profitability (performance-based compensation), and a compensation component with long-term incentive effect were not agreed with the Management Board members. At its own discretion, the Supervisory Board was nevertheless able to grant Management Board members special compensation payments to reflect their performance or successes. Special payments were made to the Management Board members during the period under review which arise from the previous financial year, and for which a provision was formed as reported in the 2013 / 2014 annual report.

Since transitioning to a service contract from 1 September 2014, the compensation of Management Board member Oliver Oechsle comprises monetary compensation components consisting, as a matter of principle, of fixed and variable components (German Corporate Governance Code section 4.2.3) and ancillary benefits. Along with monthly salary payments to the Management Board member, the fixed compensation also includes compensation for the waiver of a company car, as well as the costs of accommodation at the place of work along with related expenses such as parking charges. Ancillary benefits include contributions and allowances for health and long-term care insurance and the professional cooperative, as well as Group accident insurance cover, among other items. No other contractually agreed pension commitments were granted.

The variable compensation of Management Board member Oliver Oechsle contains components that are generally oriented to the company's business and financial success and profitability (performance-based compensation). Due to the limited term of the Management Board contract and the mainly short-term nature of the targets set, the contract with the Management Board member did not contain an additional compensation component with a long-term incentive.

As far as the company is aware, the Management Board members did not receive any payments from third parties that were pledged to them for their Management Board work, or were granted in the 2014 / 2015 financial year (item 4.2.3 of the Code). The company is engaged in a court case with former Management Board member Dominik Müser concerning compensation claims connected with the termination of his former Management Board contract as of 14 October 2013. The company has meanwhile brought a counterclaim against Dominik Müser for payment of compensation for damages and losses due to violations of duty. The company has formed a corresponding provision amounting to currently EUR 1,227 thousand for these disputes with the former Management Board member. Moreover, Dominik Müser was paid fixed compensation of EUR 72 thousand in the 2014 / 2015 financial year due to provisional rulings in summary proceedings.

Management Board compensation in the 2014 / 2015 financial year

For financial years commencing from 31 December 2013, the German Corporate Governance Code pursuant to section 4.2.5 recommends the disclosure of individualized compensation components for each Management Board member according to certain criteria. It also recommends utilizing the template tables that are attached to the Code to present such components. For this reason, the company has decided to restructure and adapt the tabular presentation of Management Board compensation compared with previous years in order to align it with the Code's recommendations.

Allowances granted for the 2014 / 2015 reporting year (pursuant to the GCGC)

The following table presents the allowances, including ancillary benefits, granted for the 2013 / 2014 and 2014 / 2015 financial years, as well as the minimum and maximum compensation achievable in the 2014 / 2015 financial year. In line with the Code's requirements, one-year, performance-based compensation is to be stated with the target value, in other words, the value that is granted to the Management Board member given 100 % target attainment.

MANAGEMENT BOARD COMPENSATION 2014 / 2015 IN EUR THOUSAND (ALLOWANCES PRESENTED PURSUANT TO GCGC)

	OLIVER OECHSLE (COO)[1]				DR. DIETER BRENKEN (CFO)[2]			
2014 / 2015 IN EUR THOUSAND	2013 / 2014	2014 / 2015	2014 / 2015 (MIN.)	2014 / 2015 (MAX.)	2013 / 2014	2014 / 2015	2014 / 2015 (MIN.)	2014 / 2015 (MAX.)
Fixed compensation	244	332	332	332	281	112	112	112
Ancillary benefits	0	2	2	2	0	0	0	0
Total	**244**	**334**	**334**	**334**	**281**	**112**	**112**	**112**
One-year variable compensation	50	60	0	60	50	0	0	0
Multi-year variable compensation	0	0	0	0	0	0	0	0
Total	**50**	**60**	**0**	**60**	**50**	**0**	**0**	**0**
Post-retirement benefit expense	0	0	0	0	0	0	0	0
Total compensation	**294**	**394**	**334**	**394**	**331**	**112**	**112**	**112**

1 Management Board member form 14 October 2013, sole Management Board member from 31 October 2014.

2 Management Board member until 31 Ocotober 2014.

Receipts for the 2014 / 2015 reporting year (pursuant to the GCGC)

Due to the fact that compensation granted to Management Board members for the financial year under review is in part not accompanied by a payment during the respective financial year, a separate table (in line with the Code's recommendation) now presents the actual amounts that Management Board members have received for the 2014 / 2015 financial year. In line with the Code, both fixed and one-year, performance-based compensation are to be stated as receipts for the respective financial year. The following table shows the total compensation that the individual Management Board members have actually received for the 2014 / 2015 financial year—presented according to their respective components.

MANAGEMENT BOARD COMPENSATION 2014 / 2015 IN EUR THOUSAND (RECEIPTS PRESENTED PURSUANT TO GCGC)

	OLIVER OECHSLE (COO)[1]		DR. DIETER BRENKEN (CFO)[2]	
2014 / 2015 IN EUR THOUSAND	2013 / 2014	2014 / 2015	2013 / 2014	2014 / 2015
Fixed compensation	244	332	281	112
Ancillary benefits	0	2	0	0
Total	**244**	**334**	**281**	**112**
One-year variable compensation	0	30	0	20
Multi-year variable compensation	0	0	0	0
Total	**0**	**30**	**0**	**20**
Post-retirement benefit expense	0	0	0	0
Total compensation	**244**	**364**	**281**	**132**

1 Management Board member form 14 October 2013, sole Management Board member from 31 October 2014.

2 Management Board member until 31 Ocotober 2014.

4.2 Supervisory Board compensation

As a German stock corporation ("AG"), Balda is subject to German stock corporation law. For this reason, the company operates 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 composition and compensation report

During the year under review, the company's Supervisory Board continued to consist of Dr. Thomas van Aubel, Berlin, Chairman, Frauke Vogler, Berlin, Deputy Chairman, and Klaus Rueth, Darmstadt.

As a result of the resolution passed by the Shareholders' General Meeting on 27 May 2011, Supervisory Board compensation now consists of just fixed compensation. Each Supervisory Board member receives fixed compensation of EUR 25 thousand accordingly. The Chair receives double this fixed compensation, and the Deputy Chair one and a half times. The Supervisory Board members also receive fixed compensation of EUR 1.5 thousand of meeting fees per meeting.

The members of the Supervisory Board received the following compensation for the 2014 / 2015 and 2013 / 2014 financial years:

MANAGEMENT BOARD COMPENSATION

2014 / 2015 IN EUR	FIXED COMPENSATION	MEETING FEES	TOTAL COMPENSATION
Dr. Thomas van Aubel	50	27	77
Frauke Vogler	38	27	65
Klaus Rueth	25	27	52
Overall total	**113**	**81**	**194**
2013 / 2014 IN TEUR			
Dr. Thomas van Aubel	41	15	56
Frauke Vogler	30	17	47
Klaus Rueth	20	17	37
Dr. Michael Naschke	9	3	12
Wilfried Niemann	7	3	10
Irene Schetelig	5	3	8
Overall total	**112**	**58**	**170**

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).

5. RESEARCH AND DEVELOPMENT

The research and development (R&D) area plays a central role for Balda—both in expanding our expertise for the application of finished products in the Europe segment, and in expanding our technological know-how, especially in the America segment.

Balda AG made enormous progress in relation to the drug compliance topic during the 2014 / 2015 financial year. Support in the dosing of medications is becoming increasingly important. This relates to both solid and liquid medications. Especially where orally administered medications are concerned, mini-tablets are currently experiencing a renaissance. This is the conclusion derived from studies published by Prof. Dr. Jörg Breitkreutz of the Institute of Pharmaceutics and Biopharmaceutics at the Heinrich-Heine-University in Düsseldorf. Prof. Dr. Breitkreutz identifies particular relevance in paediatrics, although an increasing emphasis is being placed on mini-tablets in other disciplines too. This is generating great demand for suitable dispensers. For this reason, Balda's R&D department is currently working on additional functions for its mini-tablet dispensers.

The pharmaceuticals industry is also showing a greater level of interest in drug compliance and drug abuse topics. Firstly, automated dosing systems can comprise a USP compared with generics providers. Secondly, the precise dosing and monitoring of addiction potential is reduced significantly, especially in the case of psychotropic drugs and painkillers. In clinics, these systems can considerably improve patient medication processes, and cut costs.

Balda spent around EUR 1.0 million on research and development in the 2014 / 2015 financial year.

6. GROUP MANAGEMENT

FURTHER INFORMATION CAN BE FOUND UNTER "FINANCIAL REPORTING PROCESS" ON PAGES 56 AND 57.

As its holding company, Balda AG performs the Group's main management functions. It is responsible for developing and defining the Group's basic strategy. Balda AG also ensures that the operating units comply with strategic guidelines.

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

AN OVERVIEW OF THE COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS IS PROVIDED ON PAGE 110.

The Management Board manages the Group by regions. Responsibility for the operating segments' earnings in the 2014 / 2015 financial year lay with the Management Board. The managing directors of the operating companies themselves were responsible for attaining their targets. The managers at the subsidiaries are responsible for implementing the strategy for their regions and relevant markets as prescribed by the Management Board of Balda AG. The managing directors report directly to the Management Board of Balda AG.

Financial performance indicators and financial targets

Balda's objective is to measure and assess the Group's long-term commercial success on the basis of clearly defined financial indicators. Along with total operating revenue, EBITDA, workforce numbers and segment assets, key performance indicators include sales revenues, operating result (EBIT) and investments.

7. INFORMATION RELATING TO TAKEOVERS PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

7.1 Composition of subscribed share capital

As of 30 June 2015, 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 notional value of EUR 1.00. Each share entitles the holder to one vote in the General Meeting.

7.2 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 was not aware of any restrictions affecting voting rights or the transfer of shares.

7.3 Interests exceeding 10 % of the share capital

According to the information available to us, on 30 June 2015 the following shareholders directly or indirectly held interests in the company's share capital granting over 10 % of the voting rights:

— Dr. Thomas van Aubel via Elector GmbH, Berlin: 29.43 % of the share capital and of the voting rights directly

7.4 Holders of shares with special rights

No shares exist with special rights that endow control authorizations.

7.5 Management Board authorizations with regard to the possibility to issue or repurchase shares

7.5.1 Acquisition of treasury 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 treasury 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 company can exercise this authorization either wholly or in partial amounts, and either once or on several occasions. Exercise can also be realized by its Group companies, or by third parties for it or for its account. The acquired shares along with the treasury shares held by the company or attributable to it pursuant to Sections 71d and 71e of the 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 / Main, ("Frankfurt Stock Exchange") on the date on which the obligation to purchase the shares is entered into.

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 % of 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) of the German Stock Corporation Act (AktG). 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 warrant 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) Clause 4 of the German Stock Corporation Act (AktG) may not exceed a total of 10% of the share capital either at the time of coming 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 warrant 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) Clause 4 of the German Stock Corporation Act (AktG).

If treasury 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; they 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 Clause 5, 186 (4) Clause 2 of the German Stock Corporation Act (AktG).

7.5.2 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 coming 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) Clause 4 of the German Stock Corporation Act (AktG). 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 Clause 5, 186 (3) Clause 4 of the German Stock Corporation Act (AktG) 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) Clause 4 of the German Stock Corporation Act (AktG) 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.

Otherwise, the Management Board, with Supervisory Board approval, shall decide concerning the issuing of new shares, the content of the share rights, and the terms of the share issue.

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) Clause 2 and 186 (4) Clause 2 of the German Stock Corporation Act (AktG).

7.5.3 Contingent capital

The company's share capital shall be increased contingently by up to EUR 17,667,190 through the issue of up to 17,667,190 new no par value bearer shares carrying dividend entitlement 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 warrant rights from the aforementioned bonds are exercised, or conversion or warrant obligations from such bonds are fulfilled and not used to satisfy other forms of performance.

7.5.4 Debt instruments

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 warrants 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 warrant 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 warrant rights on no par value bearer shares of Balda AG, or create corresponding conversion or warrant obligations.

Bonds can also be issued against non-cash capital 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 warrant 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 warrant right or fulfillment of the conversion or warrant obligation,

- to the extent that bonds are issued against non-cash capital contributions and the value of the non-cash capital 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 warrant rights or conversion or warrant obligations are expected to be issued against cash capital contributions and the issuing price in analogous application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) does not fall substantially below the theoretical market value of the bonds with conversion or warrant rights or conversion or warrant 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 warrant rights or fulfill conversion or warrant obligations do not account for more than a total of 10% of the company's share capital at the time of coming 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) Clause 4 of the German Stock Corporation Act (AktG) must be applied to this maximum threshold,

- insofar as participation rights or income bonds without conversion or warrant rights or conversion or warrant 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 warrant rights and satisfy conversion or warrant obligations, including other authorizations to exclude subscription rights, may not exceed a total of 20% of the share capital either at the time of coming 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) Clause 2 and 186 (4) Clause 2 of the German Stock Corporation Act (AktG).

Neither authorized nor contingent capital had been utilized as of the balance sheet date.

7.6 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 Section 23 of the articles of association, however, the Supervisory Board is authorized to pass resolutions 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.

During the reporting period an AGM resolution on 18 November 2014 amended Section 17 (2) of the articles of association, and newly introduced an additional Section 17a to the articles of association. These aforementioned amendments authorized the AGM chair to impose more specific restrictions on shareholders' rights to speak and pose questions at the AGM. The details of the wording are included in the version of the text of the articles of association dated 18 November 2014 which is published on the company's website.

WWW.BALDA-GROUP.COM/EN/INVESTORS/CORPORATE-GOVERNANCE

7.7 Compensation agreements for the instance of a takeover offer

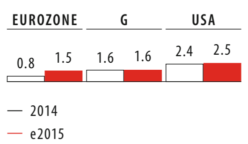
No compensation agreements exist with members of the Management Board and the employees the instance of a takeover offer.

The other disclosures required pursuant to Section 315 (4) of the German Commercial Code (HGB) relate to matters that do not exist within the Balda Group.

ECONOMIC, BUSINESS AND FINANCIAL REPORT

1. BUSINESS AND ECONOMIC ENVIRONMENT

GDP GROWTH IN %



1.1 Macroeconomic trends

The International Monetary Fund (IMF) forecasts moderate growth for 2015 in its World Economic Outlook (WEO) published in July 2015. Compared with the previous year, the IMF assumes stronger growth in industrialized states, with somewhat weaker economic growth in emerging and growth economies.

As far as global economic growth is concerned, the IMF has downgraded its April forecast slightly by 0.2 percentage points, and now assumes 3.3 % growth in 2015. The IMF forecast for 2016 is unchanged, with the organization continuing to forecast 3.8 % global economic growth.

The forecast for the Eurozone are unchanged at 1.5 % growth for 2015. For the coming 2016 year, the IMF has raised its growth forecast for the Eurozone economy from 1.6 % to 1.7 %.

The growth forecasts for the German economy were unchanged in the WEO Update published in July 2015. The IMF sees economic output growing by 1.6 % in the current 2015 year, and by 1.7 % in 2016.

The forecasts for the USA have been downgraded significantly: the IMF is currently assuming 2.6 % growth the 2015 (compared with the 3.1 % increase that the IMF had still expected in April). This is mainly due to a very weak first quarter in the USA, reflecting not only a further hard winter, but also reduced oil industry investment volumes. With a look to 2016, the IMF forecast that the American economy will grow by 3.0 %.

1.2 Sector trends

1.2.1 The plastics market

The plastics industry comprises one of the important factors in the economy, with around EUR 800 billion of sales worldwide. Global production amounted to 299 million tons in 2013.

The European plastics industry generated sales in Europe of around EUR 320 million in 2013, with productive output of approximately 57 million tons, according to PlasticsEurope. Production grew by 2.6 % in 2013, with 1.5 % growth being forecast for 2014, and 1.0 % for 2015. No figures are available yet for the 2014 year elapsed, according to the association.

In Europe alone, more than 1.45 million individuals are employed in more than 60,000 plastics sector operations, according to sector association PlasticsEurope. In the USA, approximately 0.9 million individuals work in the sector.

In Germany, the sector performed well again in 2014, with the plastics processing industry reporting total sales growth of 2.6 % to a level of EUR 59 billion, according to the German Plastics Manufacturing Industry Association (GKV). The number of sector employees also increased, rising by 2.6 % to a level of around 311,000 individuals. Production volumes in 2014 were up by 3 % to 13.6 million tons. For 2015, the GKV assumes sales growth at the previous year's level.

The 100 largest injection molding companies in the USA generated total sales revenues of EUR 23.8 billion in 2014, compared with EUR 21.1 billion in the previous year, according to PlasticNews. A forecast for 2015 has not been published.

1.2.2 Balda-specific sectors

NEW SUBSIDIARY IN TIMISOARA, ROMANIA.

In its Europe segment, the operating business of Balda AG exclusively relates to the area of the growth market for healthcare. Around 30 % of its business is currently attributable to the diagnostics area. At its Bad Oeynhausen site, the company also manufactures products for medical technology and for the pharmaceuticals industry. In addition, automation and process development, as well as research and development, are located at the Bad Oeynhausen site. The company has been establishing a subsidiary in Romania since the 2014 / 2015 financial year, with the production start anticipated during the 2015 / 2016 financial year. Balda will realize assemblies and packagings for the medical technology area at this site.

In its America segment, Balda is positioned in a more diversified manner, although most of the business in the USA is also generated in the healthcare area. The manufacturing of high-value eyewear comprises a further major share of business. In addition, the company in the USA also serves smaller areas such as automotive and consumer electronics, which are subsumed under "Technical".

Healthcare

The healthcare industry markets of relevance for Balda AG as a service provider and systems supplier (diagnostics, medical technology and pharmaceuticals) continue to report stable growth, and significant innovation potential in the area of Balda core competencies. Specifically, these are:

Diagnostics

The diagnostics sector is recording growth worldwide, which is also benefiting Balda currently. Balda enjoys a very successful customer base in the diagnostics area. Demand is high for this reason, and Balda is currently growing in this segment in both the USA and Europe. Germany comprises the largest market within the EU, according to the German Diagnostics Industry Association (VDGH). Total diagnostics sales amounted to EUR 2.14 billion in 2012. The sector spends significantly above average on research and development (10.1 % of sales). A rise in demand for consumables reflects not only ever new application areas but also a broader installed global base of diagnostic robots.

Medical technology

Growth of 5 to 10 % annually is presently being registered in the medical technology area worldwide. The Asian market is reporting a particularly strong positive development. The Hamburg Institute for the World Economy (HWWI) sees demand for medical technology advancing annually by between 3 and 4 % up to 2020 in industrialized nations, and even by as much as between 9 and 16 % in emerging economies. The trend in medical technology is heading towards devices that combine both electronic components and mechanics. The roots of Balda AG in camera and mobile telephony technology are helping the company to tap this market for the Balda Group.

Total sales of medical technology in Germany were up by 2.3 % to reach EUR 25.2 billion in 2014, compared with growth of 2.6 % in the previous year, according to the German Medical Technology Association (BVMed). Following the USA with a 30.9 % of global trade, German medical technology ranks second with a 14.6 % share. Both Balda markets in Germany and the USA also ranked top in terms of sales revenues, value creation, and employees. Within the EU alone, the German share of value creation and employment in medical technology amounts to around 40 %.

The medical technology sector is distinguished by strong dynamics and innovative strength, with medtech companies investing an average of around 9 % of their sales revenues in research and development. Innovation processes in the medtech sector nevertheless differ significantly from other healthcare industries, according to the German Medical Technology Association (BVMed), with innovations being implemented as step-by-step innovations.

Pharmaceutical

Balda AG is well positioned in the pharmaceuticals area to take on new projects, both in Bad Oeynhausen and at its American sites. The market for technical products for the precise and patient-adapted dosing and application of medications is growing at between 5 and 10 % annually in both the USA and Europe, and at more than 10 % annually in Asia and South America.

The global pharmaceuticals market weighed in at around EUR 720 billion in 2013, reflecting 2.3% year-on-year growth, according to the German Pharmaceutical Industry Association (BPI). The total sales revenues of the American market stood at around EUR 249.5 billion in 2013 (4% up), while the German market generated EUR 33.7 billion of turnover, reflecting 5% increase. The BRICS states (Brazil, Russia, India, China and South Africa) even reported growth of as much as 13%, together generating sales revenues of around EUR 89 billion in 2013.

The pharmaceuticals market is regarded as the most innovative of all industries: German pharmaceuticals companies invested an average of 13.2% of their sales in research and development in 2012. Additional innovations in the effectiveness of medical products is allowing medicaments' application areas to be augmented, and their patented lives to be extended. Balda expanded its product portfolio during the 2014/2015 financial year elapsed, acquiring the patent—including production and existing customers—for the oral administration of medications. As a consequence, Balda is now covering a broad spectrum of dosing of solid and liquid medicaments for oral medication.

Eyewear

The eyewear market segment is distinguished by its global business, although it is served only by Balda America. The sector is recording significant growth in emerging economies, especially Brazil, China and India. High-quality eyewear products are regarded as status symbols, and consequently comprise goods that are enjoying demand. With the "Made in California" suffix, Balda's production site in the USA has a USP that is attractive for our customers, especially in the high fashion, sports segment.

Towards the end of the 2014/2015 reporting period, Balda AG was informed by its most important customer that it will conduct its own manufacturing in the future. This had no effects on the 2014/2015 financial year elapsed. The changes will not come to bear primarily until the 2016/2017 financial year. This area is now well established through expansion and establishing further customer relationships, allowing us to continue to offer high quality fashion products in California for our customers.

Technical

Balda AG utilizes this term to aggregate its other business activities for customers of automotive and consumer electronics markets. In the Technical area, Balda has established good customer relationships that are both very stable, and increasingly demand higher production levels. Customers value our capabilities in process development and automation, where we also deploy our international teams.

2. FINANCIAL POSITION AND PERFORMANCE

General

These consolidated financial statements for the period ended 30 June 2015 were prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the EU. Information on the basis of consolidation can be found in the notes to the consolidated financial statements.

The Malaysian subsidiary is the legal owner of the property (land and operating buildings) in Ipoh, Malaysia, and this property is rented as part of a finance lease agreement. The original lease agreement for the property in Ipoh was amended during the financial year under review. This lease agreement now has only short-term character as the lessee exercised a newly agreed purchase option in June 2015.

In addition, the liquidation of Balda Investments Singapore Pte. Ltd. was initiated during the reporting period elapsed, with the targeted structural streamlining thereby advancing faster than originally planned. This company was still included within the consolidation scope as of the balance sheet date.

Moreover, the Europe segment was expanded in November 2014 to include a site in Timisaora, Romania, with the founding of a subsidiary for which appropriate premises were rented in May 2015. This location is currently in the phase of preparing its production and infrastructure. Production at the Romanian plant is expected to start during the second half of the current 2015/2016 financial year.

2.1 Significant events in the financial year

Changes to the Management Board

On 28 August 2014, the Supervisory Board announced that the interim management contract with Dr. Dieter Brenken would expire at the end of October, as planned. In this connection, Oliver Oechsle was appointed for a further two years to the Management Board of Balda AG. Oliver Oechsle has a service contract with Balda AG since 1 September 2014.

Counterclaim against former Management Board member

On 24 September 2014, the Supervisory Board of Balda AG passed a resolution to bring a lawsuit against a former Management Board member. The counterclaim concerns damage compensation proceedings by the company due to violation of duty during 2013.

Damage compensation claims against former directors

On 22 December 2014, the Supervisory Board of Balda AG approved the bringing of damage compensation claims by the company against former Supervisory Board members and the claim concerning the former sole Management Board member. The former directors are accused of violation of duties in relation to the intended disposal of shares in TPK Holding Co. in July 2011. Based on current estimations, the potential damages amount to a two-digit figure in the millions.

Sellers of Balda C. Brewer, Inc., bring claim against Balda subsidiary

The sellers of C. Brewer Company, Anaheim, California, USA, brought an arbitration court claim against Balda Investments USA LLC on 31 December 2014 in the USA. The sellers accuse the company of creating a situation through certain activities which impaired the attainment of the parameters determined for the success-related purchase price adjustment (earn-out) agreed in the share purchase contract. The sellers are claiming damage compensation of USD 5 million as well as the payment of punitive damages of a still undefined amount and have applied for the defendant company to bear the costs arising from the arbitration procedure. Balda AG deems the claim to be unsubstantiated.

Balda relieves managing directors in the USA

The Management Board and Supervisory Board of Balda AG resolved a resolution on 7 January 2015 to relieve with immediate effect the two managing directors of Balda C. Brewer and Balda Precision, Charles Brewer III (CEO) and Michael Brewer (COO), from their duties.

Counterclaim against seller of Balda C. Brewer, Inc.

On 31 December 2014, the sellers of C. Brewer Inc. brought an arbitration court claim against Balda Investments USA LLC for the payment of an earn-out sum as well as "punitive damages" and the assumption of the legal costs. On 26 January 2015, Balda Investments USA LLC brought a counterclaim for damages compensation of approximately USD 12 million as well as "punitive damages" and the assumption of legal costs. The company accuses the sellers of withholding information relevant to the valuation of the company from Balda AG. This information has only become accessible now, after the change of management in the USA.

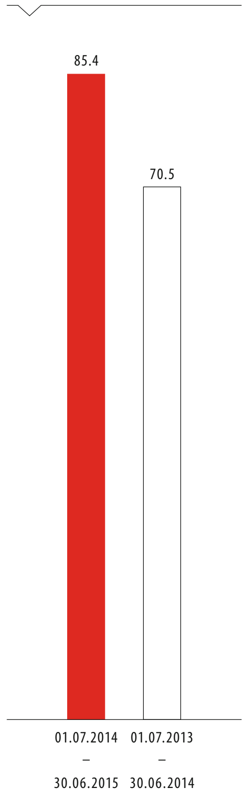
Major eyewear customer to produce for itself in the future

The main customer of Balda AG in the eyewear area informed the company on 12 June 2015 that, due to an internal strategy decision, it will in future produce for itself the significant proportion of the goods produced by US subsidiary Balda C. Brewer, Inc. For the transformation process, initially somewhat higher sales revenues are anticipated, although these will then largely discontinue from mid-2016. This customer's share of consolidated sales revenues amounts to approximately 14%. The fall in sales revenues with this customer will be effective primarily from the 2016/2017 financial year, thereby slowing the Group's growth.

2.2 Results of operations

Consolidated sales revenues were up from EUR 70.5 million to EUR 85.4 million in the year under review, representing 21.1% growth. This revenue growth is primarily attributable to higher customer calls for deliveries of various projects and new business. Furthermore the high change of the applied average rate of exchange between USD/EUR had a considerable impact on the sales revenues growth. The industrialization business, which is important for future growth, remained at a high level of 12.7% of total revenue (previous year: 16.3%).

SALES REVENUES IN EUR MILLION



Other operating income declined from EUR 4.0 million to EUR 2.9 million. Extraordinary items of EUR 1.8 million were booked in the previous year, compared with EUR 0.2 million in the reporting period. The remaining revenues are attributable mainly to rental income and materials sales.

The cost of materials rose in absolute terms from EUR 26.9 million in the previous year to EUR 32.8 million in the year under review. This increase primarily reflected the revenue growth. The 1.1 percentage point rise in the cost of materials ratio to 39.1 % is primarily due to growth in the morematerials-intensive articles sales in the Europe segment, in comparison to the US business.

Staff costs increased to EUR 33.4 million, compared with EUR 29.3 million in the previous year, especially reflecting additional expenses for the growing average number of employees, and EUR 1.0 million of expense deferrals due to the departure of staff during the year under review (previous year: EUR 1.7 million). The staff cost ratio fell from 41.3 % to 39.8 % in the financial year elapsed.

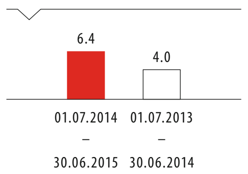
Amortization, depreciation and impairment losses increased to EUR 13.6 million, compared with EUR 6.7 million in the prior-year period, being strongly impacted by goodwill impairment losses in the America segment (EUR 7.0 million), whereas no impairment losses were required in the previous-year period. These were primarily necessitated after a major customer announced that it would take over its own production in the future. This item in the period under review also includes EUR 1.6 million of impairment losses applied to tangible and intangible assets in the America segment (previous year: EUR 1.7 million), which are mainly attributable to the aforementioned announcement of the major customer. Depreciation and amortization of EUR 5.0 million was incurred in the 2014 / 2015 financial year (previous year: EUR 4.9 million).

Other operating expenses of EUR 19.1 million were EUR 2.3 million above the previous year's level. When adjusted to reflect extraordinary items, other operating expenses nevertheless increased only slightly year-on-year, from EUR 15.2 million in the previous year to EUR 15.7 million in the reporting year. The rise in this adjusted expense item fell far short of the rate of revenue growth. This development reflects again the cost-cutting measures that were launched in previous years, and spans both operating segments.

EBITDA was impacted by EUR 4.9 million of extraordinary items in the year under review (previous year: EUR 2.1 million), These include, firstly, other operating income (income relating to other accounting periods deriving from the reversal of liabilities composed in the previous year) in an amount of EUR 0.2 million (previous year: EUR 1.8 million). Secondly, one-off expenses were incurred that arise mainly from litigation (EUR 3.2 million) and the discontinuation of business in 2015 / 2016 as announced by a major customer in the USA, along with related restructuring measures und inventories devaluation (EUR 0.5 million). The one-off items affect the following expense line items of the income statement:

IN EUR MILLION	2014 / 2015	2013 / 2014
Other operating income	0.2	1.8
Cost of materials	–0.8	0
Staff costs	–1.0	–2.3
Other operating expenses	–3.3	–1.6
Effect on EBITDA	**–4.9**	**–2.1**
Impairment losses	–8.6	–1.7
Effect on the operating result (EBIT)	**–13.5**	**–3.8**

EBITDA BEFORE EXTRAORDINARY ITEMS IN EUR MILLION



Of the one-off effects impacting EBITDA, EUR 3.9 million are attributable to the America segment (previous year: EUR 0.1 million), and EUR 0.9 million to the Europe segment (previous year: EUR 2.1 million). The Other segment incurred EUR 0.1 million of one-off effects (previous year: EUR 0 million). The impairment losses in 2014 / 2015 were incurred in full within the America segment. In the previous year, EUR 0.7 million of impairment losses were attributable to each of the America and Europe operating segments, and EUR 0.3 million were allocable to the Other sector.

In the 2014 / 2015 financial year, the Balda Group posted earnings before interest, taxes, depreciation and amortization (EBITDA) before extraordinary items of EUR 6.4 million (prior-year period: EUR 4.0 million), which is equivalent to a 7.7 % EBITDA return on gross revenue.

The result before interest and taxes (EBIT) before extraordinary items amounted to EUR 1.4 million, compared with EUR –0.9 million in the equivalent period. After taking into account depreciation, amortization, impairment losses and extraordinary items, the company reported EBIT of EUR –12.1 million, compared with EUR –4.7 million in the previous-year period.

The net financial result fell from EUR 10.0 million to EUR 2.8 million. In this context, EUR 4.1 million of currency losses were incurred within the other financial result, which arise from the release of a currency adjustment item after the active operating activities of a subsidiary in Singapore were discontinued as part of a liquidation process. Within the net financial result, the net interest result shrank by EUR 0.9 million to EUR 0.7 million due to the further fall in interest rates and the lower investment volume.

The result before taxes (EBT) of EUR –9.3 million also fell considerably short of the previous year's EUR 5.3 million due to the aforementioned extraordinary items and the lower net financial result.

Consolidated comprehensive income of EUR –12.7 million compares with EUR 5.9 million in the prior-year period, with this change also being attributable mainly to the extraordinary items and the lower net financial result in the year under review.

Correspondingly, earnings per share were negative to the tune of EUR –0.22 (previous year: plus EUR 0.10), on both an undiluted and diluted basis.

2.3 Financial position

2.3.1 Principles and objectives of financial management

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

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

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

2.3.2 Cash flows

The following disclosures analyze the cash flows in the 2014 / 2015 and 2013 / 2014 financial years. The statement of cash flows has been prepared in accordance with the provisions of the IFRS and is designed to aid an assessment of the Group's financial capabilities. The individual sections of the statement of cash flows are as follows:

Cash flow from operating activities

The Balda Group generated a cash inflow EUR 2.6 million from operating activities in 2014 / 2015 financial year (previous year: EUR 7.7 million). Business growth and trends, inpayments from lease receivables (EUR 1.4 million) and interest income received (EUR 1.4 million) exerted a positive effect. The buildup of working capital made a negative contribution to operating cash flow and is chiefly responsible for the year-on-year lower level of cash flow.

Cash flow from investing activities

The cash outflow from investing activities totaled EUR 24.2 million (previous year: EUR 174.2 million).

Cash outflows from investing activities arose mainly from the investment in fixed term depositsand bonds in an amount of EUR 25.0 million. In the previous year, sales resulted in EUR 179.7 million of cash outflows.

Capital expenditure of EUR 2.1 million was below the previous year's level of EUR 2.8 million. In the previous year, cash deposits to collateralize guarantee credit facilities (EUR 2.9 million) fed through to cash outflows, and then to cash inflows in an equal amount in the year under review when these guarantee credit facilities were released.

Cash flow from financing activities

The cash outflow from financing activities amounted to EUR 0.2 million (previous year: cash outflow of EUR 89.3 million) and relates to redemption payments for bank loans in the America segment. The previous year's high level of cash outflow arises mainly from the EUR 88.3 million of dividends paid to Balda AG shareholders in January 2014. No dividend payment occurred in the year under review.

Cash and cash equivalents at the end of the financial year

EURO 139.5 MILLION

CASH AND CASH EQUIVALENTS

The Group's total cash and cash equivalents at the reporting date of 30 June 2015 amounted to EUR 139.5 million (previous year: EUR 160.5 million) and correspond to the net cash reported in the consolidated statement of financial position.

The Group continues to hold sufficient liquidity reserves for strategic investments. Information is exchanged continuously with the company's banks so that financing requirements can be covered or extended at short notice.

2.3.3 Investments and depreciation

In the 2014 / 2015 financial year, the Balda Group invested EUR 5.7 million in property, plant and equipment, and in intangible assets (previous year: EUR 2.8 million). Of the investments, EUR 1.3 million are attributable to the America segment (previous year: EUR 1.7 million) and EUR 4.4 million to the Europe segment (previous year: EUR 1.1 million).

In the Europe segment, Balda Solutions GmbH spent EUR 3.1 million to acquire a patent and related machines for the manufacture of dosing pipettes. The payment of the purchase price for the machines was rendered during the year under review (EUR 0.5 million). The residual amount relates to the purchase of the patent and has been agreed as a performance-based payment over the contractual duration. Otherwise, investments relate mainly to replacement investments and the optimization of production capacities.

Depreciation and amortization across the Group amounted to EUR 5.0 million (previous year: EUR 4.9 million). The announcement by a major customer in the eyewear area that it would withdraw its business from a Balda subsidiary in America fed through to EUR 1.6 million of impairment losses applied to property, plant and equipment, and to intangible assets. As part of goodwill impairment testing, EUR 7.0 million of goodwill impairment losses were required due to the sharp fall in eyewear revenue over the coming years.

2.3.4 Changes in equity

88.1 %

EQUITY RATIO

On the equity and liabilities side of the balance sheet, the Group reports EUR 234.1 million of consolidated equity as of 30 June 2015 (30 June 2014: EUR 241.8 million). This reduction is due mainly to the loss that was incurred for the year. The EUR 5.0 million release of the item foreign currency adjustment offset this effect. This includes an amount of EUR 4.1 million derecognized through profit or loss due to the discontinuation of the active business operations of the subsidiary in Singapore as part of a liquidation. The equity ratio fell from 91.8 % on the reference reporting date to 88.1 % as of 30 June 2015.

2.3.5 Changes in liabilities

When comparing the respective reporting dates, non-current liabilities reduced by EUR 0.7 million to EUR 5.8 million. This reduction arises mainly from lower deferred tax liabilities. This was offset by higher level of non-current liabilities due to the performance-based purchase price liability in connection with the acquisition of a patent.

Current liabilities were up by EUR 10.9 million to EUR 25.9 million, with the increase reflecting not only a higher level of income tax liabilities (EUR 6.6 million), but also EUR 2.2 million of provisions formed for legal cases and restructuring measures.

2.3.6 Capital structure

A significant objective of capital management is to continue to be able to secure the Group's congruent maturity capital structure. Such a capital structure existed on the balance sheet date. Current assets showed a surplus in relation to current liabilities of EUR 182.8 million.

2.4 Net assets

Changes in net assets

The Balda Group reported EUR 265.8 million of total assets as of 30 June 2015. This corresponds to a EUR 2.5 million increase compared with the previous year's level.

Non-current assets rose from EUR 47.5 million to EUR 57.1 million, chiefly due to longer-term cash investments (EUR 15.0 million). After the reclassification of a finance lease receivable to current assets, this increased financial investments by EUR 11.8 million. This was offset by EUR 5.0 million of amortization and depreciation and EUR 8.6 million of impairment losses (compared with EUR 1.7 million in the previous year). At EUR 19.6 million, the property, plant and equipment item remained at approximately the previous year's level. Intangible assets grew from EUR 6.7 million to EUR 8.2 million due to the EUR 2.6 million purchase of a patent. The investment ratio in relation to property, plant and equipment, and intangible assets, amounted to 21.7 % in the year under review (previous year: 10.8 %).

Current assets fell from EUR 215.8 million to EUR 208.7 million. This included a EUR 4.2 million rise in trade receivables to a total level of EUR 12.8 million due to the higher sales revenues volume. The other current assets item increased by EUR 9.5 million to EUR 47.1 million, with this rise being particularly attributable to a higher level of short-term cash investments with terms of more than three months, the reclassification of the aforementioned lease receivable, and the first-time recognition of prepayments rendered in relation to inventories reported among current assets.

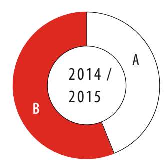
Cash and cash equivalents reduced by EUR 21.0 million to EUR 139.5 million, with the decline reflecting investments in short- and long-term financial investments realized in the year under review.

3. SEGMENT TRENDS

3.1 America segment

In its America segment, Balda achieved EUR 47.9 million of sales revenues in the year under review, after EUR 38.7 million in the 2013 / 2014 financial year. This growth reflects higher customer orders, currency exchange rate effects, and new business due to intensified sales activities last year. Sales revenues comprise around 56 % of total consolidated revenue (previous year: around 55 %). This segments earnings situation showed further successes after the efficiency enhancement measures that were launched. EBITDA before extraordinary items improved from EUR 2.9 million in the comparable period to EUR 3.6 million in the 2014 / 2015 financial year. In relation to gross revenue, this represents 8.2 %, compared with 7.4 % in the previous year. Segment EBITDA after extraordinary items stood at EUR –0.2 million (on extraordinary items see section 2.2 "results of operations"), following EUR 2.8 million in the previous-year period. The highly negative operating result in the 2014 / 2015 financial year arises from the aforementioned impairment losses that were not incurred to this level in the previous year.

SEGMENT REVENUES IN %



— A Europe: 43.9 %
— B America: 56.1 %

3.2 Europe segment

The Europe segment reported sales revenues of EUR 37.5 million for the 2014 / 2015 financial year, compared with EUR 31.8 million in the prior-year period. This growth is attributable to higher articles sales in the medical business. EBITDA of EUR 2.1 million was significantly ahead of the previous year's EUR –0.7 million, which was negative due to a higher level of extraordinary items. After adjusting for extraordinary items, EBITDA in the year under review of EUR 3.0 million was EUR 1.6 million above the reference figure (on extraordinary items see section 2.2 "results of operations"). The EBITDA margin amounted to 8.2 % in the year under review compared with 4.3 % in the prior-year period. This not only reflects good operating business trends, but also the successes of the cost-cutting measures in the holding companies.

3.3 Other

In the Other area, general holding company costs fed through to slightly negative EBITDA of EUR –0.3 million (previous year: EUR –0.2 million). Additional costs of EUR 0.1 million incurred as part of the process of liquidating Balda Investments Singapore Pte. Ltd., Singapore, were also recognized in the year under review.

After amending the existing lease contract relating to the property in Malaysia, the entire lease receivable is reported with a translated amount of around EUR 3.5 million as of the balance sheet date.

4. NON-FINANCIAL PERFORMANCE INDICATORS

Along with the defined key financial performance indicators, non-financial performance indicators are also significant for the long-term corporate success and profitability of the Balda Group. These indicators relate to particular strengths and skills whose relevance can be derived from the Group segments' individual business models.

For all customer and product segments, these primarily comprise the following aspects:

— Development and industrialization know-how: given its more than 100-year corporate history, Balda can look back on first-class results in the development and subsequent preparation of industrialized mass production of high-quality products. Many of these plastic products combined mechanical and electronic components. Optical, haptic and other technical challenges and problems required solutions. When examining the entire income and expense period for a product life-cycle, it is clear that—especially during the first months of development—decisions need to be taken that massively influence the expenditure over the entire product life-cycle. Balda's developers have made a massive contribution to allowing products to be manufactured efficiently, and consequently cost-effectively. Many of our products today benefit from this unique, cross-disciplinary experience that has been acquired over many years. This experience also provides us with competitive advantages when developing new, intelligent products, including for improved patient medication, for example.

— Plastics and process know-how: Plastics in the areas of medical technology, diagnostics and other specialist areas are today high-performance materials that have been adapted and optimized specially for their deployment. Balda Medical also utilities more complex high-performance plastics, and has established a leading position through the creation and expansion of this materials and process know-how among its staff.

— Expert system partner: Balda utilizes a customized logistics solution to manage products from the development stage, through to production, quality assurance and finally on to the customer. This allows us to implement maximum product quality, product availability, supply capacity and delivery punctuality for our customers at competitive prices.

— International presence: our customers frequently also expect internationality among their suppliers. Globally operating companies expect a capability to operate internationally, manage intercultural projects and exclude currency risks through targeted location selection, and exploit logistics benefits and advantages. With the integration of our participating interests in the USA, we can offer these benefits and advantages to our customers for the US dollar zone.

6.300 m²

CLEANROOM CAPACITY

— Cleanroom capacity expanded further: in order to process existing custom orders, production capacities in cleanrooms underwent further expansion after the end of the 2014 / 2015 financial year. This occurred after the takeover of the new building including its entire cleanroom technology situated directly adjacent to existing Balda plants in Ontario, USA. The cleanroom capacity now amounts to 6,300 m², compared with 4,600 m² in the previous year.

4.1 Personnel report

As at the reporting date of 30 June 2015, the Balda Group employed a total of 789 staff including temporary help staff and trainees. This compares with 786 individuals at the end of the previous year (30 June 2014).

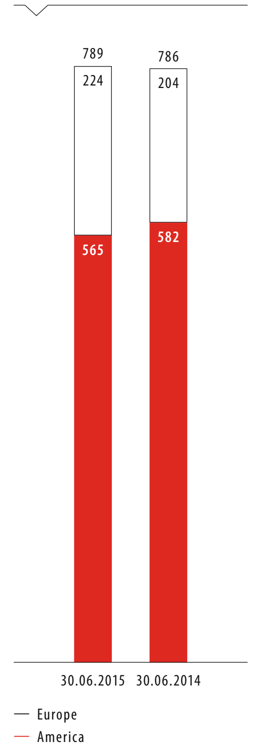
4.1.1 America segment

As of 30 June 2015, Balda in its America segment employed a total of 565 staff in Anaheim, Irvine, Ontario, and Oceanside, California, USA. In the previous year, Balda employed 582 staff in the USA. The slight reduction of 17 staff is primarily due to capacity adjustments and efficiency enhancement at the America site. Overall, a slight trend away from temporary employment to fixed employment is evident. Consequently, 389 individuals were employed on a fixed basis (previous year's reporting date: 385) and 176 staff were provided through employment agencies (previous year: 197).

4.1.2 Europe segment

As of 30 June 2015, Balda in its Europe segment employed a total of 224 staff at its location in Bad Oeynhausen in Germany, and at its office in Hengelo, Netherlands compared with 204 as of the previous year's reporting date. Of these, 199 individuals were employed on a fixed basis (previous year: 194 staff) and 25 individuals were provided by employment agencies (previous year's reporting date: 10). The increase in employee numbers, including in the case of temporary help staff, is primarily attributable to business volume growth.

EMPLOYEES



4.1.3 Staff costs

Staff costs of EUR 33.4 million for the Balda Group in the 2014 / 2015 financial year were again ahead of the previous year's level of EUR 29.3 million. As already in the previous year, an amount of EUR 1.0 million was deferred for the release of staff (previous year: EUR 1.7 million). In relation to total operating revenue, the staff cost ratio for the Balda Group amounted to 39.8 %, compared with 41.3 % in the prior-year period.

4.1.4 Continuing education and training expenses

The Balda Group regards continuing education and training as a strategic, Group-wide and continuous process that allows the potentials within the workforce to be leveraged and constantly developed further with an eye to the company's objectives. A training plan for all staff is generated on the basis of periodic surveys of training requirements. This systematic approach enables us to ensure that the entire workforce has a level of knowledge that is up-to-date and in accordance with their functions, and that such knowledge is expanded consistently.

Given this, we conduct continuing education training measures that are not just product or process related—we also convey methodological expertise. Multi-period continuous education training offerings also serve to promote soft factors such as employee loyalty and motivation. Moreover, as an international operating Group, we make great efforts to expand our staff members' foreign language capabilities. In addition to the further training of the workforce, we are also committed to the qualified training of young people, thereby also creating the potential to structure future growth from our own resources. Training in both technical and administrative professions offers young people outstanding prospects with the possibility to play a positive role in structuring the start of their professional lives within a technologically high-end and international corporate group.

At the bottom line, the strategic approach to our continuous education and training measures serves to expand Balda's overall competences in order to thereby create the basis for gradually expanding the company's value chain in the future.

4.2 Environmental management and occupational health & safety

General

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

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

Recycling

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

Stringent safeguards

REACH = REGISTRATION, EVALUATION, AUTHORISATION AND RESTRICTION OF CHEMICALS

The Balda Group works with paints and dyes in its production processes. Use of these chemicals is subject to strict controls. These substances are used in accordance with the provisions of the EU's REACH.

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

Certified environmental management systems

In its Europe segment, Balda Medical GmbH & Co. KG has implemented an integrated management system for health, safety and environment management (HSEE) in line with the BS OHSAS 18001, DIN EN 14001 and DIN EN 50001 standards. The main objective of the health, safety and environment policy of Balda Medical GmbH & Co. KG is the efficient and environmentally friendly utilization of resources and the reduction of emissions. The integrated management system ensures compliance with the relevant environmental laws and legislation as well as a high degree of sustainability and safety for man and the environment. It was certified by TÜV Rheinland CERT GmbH. In its America segment, Balda's environmental management is based on statutory regulations.

Efficient energy management

By calculating important energy aspects and realizing corresponding energy targets, the Balda Group achieves considerable efficiency enhancements in handling energy within the company. The optimization of energy consumption —with the requirement of achieving appreciable reductions – contributes both to environmental protection and cost efficiency. Since 2014, energy management at Balda Medical GmbH & Co. KG has been certified according to the DIN EN ISO 50001 standard as a component of the HSEE management system.

Promoting low-emission vehicles

Balda AG installed an electric filling station at the company's headquarters during the third quarter of the 2014 / 2015 financial year. This is available free of charge for visitors to the company and for suppliers. Balda employees are also invited to utilize the electric filling station. This is also free of charge up to the benefits-in-kind limit.

Close involvement of customers and suppliers

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

Higher operational safety standards

Balda Medical GmbH & Co. KG has the status of an Authorized Economic Operator (AEO). The company is thereby regarded as particularly reliable and trustworthy. For this reason, it benefits from many advantages in the context of international merchandise trade. The AEO-F certification is the highest version of the security and safety seal awarded by the customs authorities. It includes both the security-related conditions of the AEO-S (Security) status and the customs simplifications of the AEO-C (Customs) status.

Segment management responsibility

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

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

In the 2014 / 2015 financial year, the Balda Group once again held several information events and training courses for the workforce on environmental and health and safety issues.

5. OVERALL ASSESSMENT OF THE FINANCIAL YEAR 2014 / 2015

The Balda Group generated consolidated sales revenues of EUR 85.4 million in the 2014 / 2015 financial year, compared with EUR 70.5 million in the prior-year period, thereby reflecting 21.1 % sales revenues growth. This revenue growth is primarily attributable to higher customer demand in various projects and the strong changes of the exchange rate between EUR / USD.

21.1 %

SALES REVENUES GROWTH

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) and before extraordinary items amounted to EUR 6.4 million in the period under review, compared with EUR 4.0 million in the previous year. This corresponds to a 7.7 % EBITDA margin. Earnings before interest and taxes (EBIT) and before extraordinary items stood at EUR 1.4 million, compared with a loss of EUR –0.9 million in the previous year. The company thereby met its forecast of positive EBIT before extraordinary items, although EBIT resulted negative at EUR –12.1 million after extraordinary items. These extraordinary items are attributable, firstly, to income relating to other accounting periods arising from the reversal of liabilities, and, secondly, to one-off items. These are primarily the consequences of litigation, and the discontinuation of business in 2015 / 2016 as announced by major customer—both items in the USA.

As a consequence, consolidated comprehensive income stood at EUR –12.7 million for the 2014 / 2015 financial year elapsed, compared with EUR 5.9 million in the prior-year period. Here, too, the change is chiefly attributable to extraordinary items and the lower net financial result during the financial year under review.

During the past reporting period, Balda achieved an important further milestone toward the expansion of its portfolio: with the acquisition of the patent for the production of dosing pipettes, the Group can now also make a product available for the oral consumption of liquid medications. Balda is thereby offering its customers the entire range of innovative dosing systems for the oral administration of both solid and liquid medicaments, and has improved its market position significantly.

The Group is developing itself from a pure manufacturer into a platform for systematic medication. This is also perceived increasingly by the markets, resulting in a higher level of customer inquiries during the financial year elapsed. Balda's innovative dosing systems enable it to offer its customers individual solutions, thereby developing a USP.

EVENTS AFTER THE REPORTING PERIOD

REALIGNMENT OF THE AMERICA SEGMENT AND NEW SITE “ONTARIO II”

The US subsidiary of the Balda Group will concentrate its previous four production sites into two locations in Ontario and Oceanside, both California, over the coming months, while at the same time significantly expanding production areas.

The former production site of a medical technology group, including its installed technology, was taken over for this purpose. This now offers the opportunity to further expand the business with medical technology products that require cleanroom technology at the new Ontario II site. At the same time, the location in Oceanside is being enlarged to manufacture technical and fashion products.

SALE OF THE ENTIRE OPERATING BUSINESS OF THE BALDA GROUP, DISTRIBUTIONS OF EUR 2.00 PER SHARE

On 23 September 2015, Balda AG concluded a purchase agreement concerning the sales of its entire operating business for a purchase price of EUR 62.9 million. The buyers are acquiring companies managed by the investment company Paragon Partners GmbH, Munich. The sale comprises all operational subsidiaries of the Balda Group, i.e. Balda Medical GmbH & Co. KG, Bad Oeynhausen, Balda C. Brewer, Inc. and Balda Precision, Inc., both in California, USA, as well as Balda Medical Systems SRL, Romania and further individual assets.

The buyer will retain all employees of the operational subsidiaries and employees and members of the management of Balda AG. These to be sold subsidiaries are to be continued and further extended as operational unit in accordance with today’s strategic orientation. All in all, the company receives a gross amount (including profits to be paid out for the past business year) of approximately EUR 66.7 million (before exemptions, taxes and costs).

The agreement is subject to the condition precedent of approval by the annual general meeting of Balda AG as well as the approval by the anti-trust authorities. The Management Board will shortly convene the annual general meeting scheduled for 19 November 2015. Moreover, the Management Board and the Supervisory Board intend to suggest a dividend payment of EUR 1.10 per share. In addition, on approval of the purchase agreement the Management Board and the Supervisory Board will propose to reduce the share capital from currently EUR 58,890,636.00 to EUR 5,889,063.00 and return to the shareholders the share capital thus released. This corresponds to an amount of another EUR 0.90 per current share.

In this context, the annual general meeting will also adopt a decision concerning a change of the business purpose of the company and the company name.

After the 30 June 2015 reporting date, no other events occurred of important significance for the Group’s net assets, results of operations and financial position.

REPORT ON OPPORTUNITIES AND RISKS

1. STRATEGIC FOCUSES AND OPPORTUNITIES

The strategic realignment and focus on the healthcare sector that was launched in the 2012 financial year is developing well, especially given the fact that the global healthcare sector continues to grow at a rate of up to 10%. As a consequence, the following strategic steps on which Balda already commenced on the 2014/2015 financial year comprise a consistent and meaningful further continuation of the strategic orientation.

Balda demonstrates this further development with the expansion of its product portfolio, with examples including the purchase of a patent to manufacture dosing pipettes, and the development of a mini-tablet dispenser. The Internet of Things and eConnectivity have also developed into central topics within medical technology. Balda is exploiting this trend, and is engaging with the topics and issues to a significant extent. Initial projects are in development.

Our customers also include leading manufacturers of highly varied diagnosis procedures utilizing reagents and DNA analyses. Consumption of the consumables and reagent vessels that Balda supplies is growing constantly along with the installed base of diagnostic robots.

Moreover, competitiveness in smaller and medium batch sizes is to be expanded through establishing a production site in Romania. Balda will realize assemblies and packagings for the medical technology area at this site.

Current inquiries from both existing and new customers indicate opportunities for further organic growth, and confirm the Group’s strategic orientation.

2. THE MANAGEMENT OF OPPORTUNITIES AND RISKS AT THE BALDA GROUP

The Group has an effective, tried-and-tested opportunities and risk management system that was further refined and optimized in the financial year just ended. The following section describes how our opportunities and risk management system functions.

2.1 Functionality of the Balda Group's opportunity and risk management system

	IDENTIFICATION ›	ASSESSMENT ›	AGGREGATION ›	ANALYSIS ›	REPORTING ›	CONTROLLING ›
PROCESS ELEMENTS	Ongoing monitoring of company and its general business environment	Assessment of the peak influences of opportunities / risks on EBITDA	Aggregation of related opportunities / risks into categories of opportunities and risks	Analysis of opportunities and risks in order to implement (counter) measures	General, quarterly reporting	Local entity, Group steering committees
	Identification of all aspects of an opportunity / a risk	Assessment of (counter) measures	Consolidation of local opportunities and risks to regional portfolios	Identification of further (counter) measures on a regional and local basis	Quarterly reporting to Management Board and Supervisory Board	Implementation of (counter) measures
	Identification of entities included and of the business environment	Assessment based upon the guidelines and Group-wide specifications	Consolidation of regional portfolios and Group-wide opportunities and risks into one Group portfolio		Ad hoc reports	
TOP-DOWN RESPONSIBILITY LIES WITH	Management Board Functional areas	Management Board Functional areas	Management Board Functional areas	Management Board Functional areas	Management Board Functional areas Local entity	Management Board Functional areas Group steering committees
BOTTOM-UP RESPONSIBILITY LIES WITH	Functional areas Local entity Local Management	Functional areas Local entity Local Management		Functional areas Local entity Local Management	Functional areas Local entity Local Management	Functional areas Local entity Local Management

Risks are recorded quarterly, and reported to the Management and Supervisory boards on the basis of functional areas and individual companies.

In addition, risks that are identified during the course of the quarter that exert an effect on the Balda Group's results are reported on an ad hoc basis to the Management Board. This occurs at periodic review meetings between the managing directors, the heads of the functional areas, and the Management Board. The Management Board then reports to the Supervisory Board at regular Supervisory Board meetings. Where required, appropriate measures are approved and initiated.

Operating opportunities are identified, documented and analyzed in review meetings at local and regional level, as well as within the Management Board. Measures to implement strategic and operating opportunities through local and regional projects are also approved at these discussions. The recording and success of the implementation of potential opportunities are followed up and checked as part of monthly reporting and quarterly forecasts. Strategic opportunities are included as strategy assumptions in the medium-term planning that is prepared annually. Identified opportunities and risks are assessed using systematic valuation processes, and quantified as to their financial effects. This entails determining both event probabilities and effects on budgeted earnings metrics.

In order to analyze the overall risk to the Balda Group and launch appropriate countermeasures, we aggregate the risks of the local business units and segments as well as Group-wide risks into a risk portfolio. The consolidation scope of risk management corresponds to the consolidation scope utilized in the consolidated financial statements in this context.

We also split risks according to the type and functional area that they impact. This enables specific risks to be aggregated in a structured manner into risk groups. Along with individual risk steering, this aggregation also allows us to identify trends, and especially Balda-specific risk types, in order to thereby sustainably influence and reduce risk factors for particular risk types.

2.2 Opportunities and risk portfolio of the Balda Group

As part of preparing and monitoring and opportunities and risk profile, we assess the financial effects of opportunities and risks applying three categories that derive in relation to the EBITDA of the specific company or Group.

I Low: up to 5 % of current EBITDA
II Moderate: up to 25 % of current EBITDA
III High: up to 25 % of current EBITDA

The effects presented always take into account the impact of measures and countermeasures that have been launched. This forms a net valuation of the opportunities and risks.

We measure the event probabilities of individual opportunities and risks on a scale of 1-5. These are then aggregated within categories.

Improbable = 1
Possible = 2 – 3
Probable = 4 – 5

3. OPPORTUNITIES AND RISKS

Risks which are significant for the Group are described in the following chapters.

Economic risks

The success and probability of the Balda Group depends to a not insignificant extent on macroeconomic trends in its sales markets and its customers' sales markets. For this reason, the Balda Group takes global economic trend indicators into account in both its planning and its opportunities and risk management.

In order to gage macroeconomic trends, Balda primarily utilizes forecasts produced by generally recognized institutions such as the IMF, the Bundesbank and renowned economic research institutions. Global growth of 3.3% is anticipated for 2015 as a consequence. A positive development beyond this level represents an opportunity for Balda. Flexible production structures allow capacities to be expanded quickly in order to respond to higher demand. We regard it as possible that the economic situation improves significantly worldwide to an extent that would moderately affect our earnings. For the Asian region, we also see the potential for a positive divergence compared with the assumptions on which a planning is based. We nevertheless identify risks that could run counter to our forecast, and these are reflected in our risk management. While taking into account the strained budgetary position of numerous countries in EMEA and America, and the politically uncertain situation of some states such as Ukraine, Afghanistan, the Middle East, and the Arab states of North Africa, we regard a weakening of the global economy as unlikely. Should these factors nevertheless affect global demand, the financial effects for the Balda Group could be moderate to high compared with planning.

Sector-specific and technological opportunities and risks

Balda continuously monitors economic trends in individual countries and trade flows. Where required, this allows sales risks to be countered through capacity adjustment. It should nevertheless also be noted that Balda has worked together over many years on the basis of trust in its healthcare area, and is consequently less susceptible to cyclical economic fluctuations. In the non-healthcare area, which mainly reflects the US companies Balda C. Brewer and Balda Precision, sales risks are reduced through a heterogeneous customer structure and corresponding product diversification. The Balda Group's international reach in various business areas minimizes the Group's risks from regional influences. In addition, the increasingly diversified product and customer structure in both operating segments diminishes sales risk in sub-markets. A further factor contributing to this development is the continued push for organic growth at our companies with the aim of finding new customers for interesting and technically groundbreaking projects.

Balda is aware the importance of constantly offering state-of-the-art technologies in order to remain competitive and innovative. For this reason, Balda realizes most of its investments in technical plant and machinery. As far as this risk is concerned, however, Balda also identifies the opportunity to prove persuasive to customers as the result of it innovative strength and capacity. Moreover, Balda involves customers in new developments at an early juncture. Constant coordination during the entire course of projects averts the development of technological errors and unpredictable cost risks. We counter long-term sector-specific opportunities and risks through a consistent innovation policy and market analyses. We consequently ascribe low event probabilities to sector-specific and technology risks. We gage potential financial effects as low. Balda identifies potential opportunities to acquire new customers as a result of its innovative strength and capability, technical know-how and international presence. We gage the potential financial effects as moderate.

Corporate strategy opportunities and risks

Through active strategic management by Balda AG, the company together with its operating units in Europe and the USA has increasingly succeeded in establishing new customer contacts at international level, thereby also establishing projects that are important for the future business trends of the operating companies.

The company plans to drive consolidated sales revenues up to a level of between EUR 100 and 150 million in the medium term, through not only organic growth but also acquisitions.

The respective measures (e.g. the identification of target companies and target regions) were launched as part of the M&A strategy. The strategy aims to expand presence on existing markets, and to tap new markets that offer attractive growth potential. M&A activities were reduced during the second half the year due to the management changes in the USA and the forthcoming site consolidation measures.

As part of organic growth, the company has been establishing a subsidiary in Romania since the 2014/2015 financial year, with production start being anticipated to occur during the 2015/2016 financial year. Assembly and packaging services for certain future projects are being situated there. Balda is thereby securing competitiveness in smaller and medium batch sizes.

Balda is investing continuously in the research and development of new, more efficient process technologies, as well as in developing proprietary products. This focus on developing new technologies, products and solutions, and on improving them, will bolster the Balda Group's competitive position and innovative capacity.

This consistent strategic orientation comprises the foundation for Balda to generate medium and long-term potential opportunities. As a consequence, Balda gages the effect of the strategy as potential, and the potential financial effects as moderate.

Erroneous estimations in relation to the Group's strategic orientation and its market potentials, as well as any potential failure by customers to accept newly developed products, cannot be excluded, however, and can negatively affect the Balda Group's competitive position and sales revenues. Balda monitors the market environment and its competitors, and conducts customer and supplier surveys in order to avoid strategic risks.

We consequently regard the materialization of strategic risks as improbable, and the potential financial effects as moderate.

Operational opportunities and risks

Raw materials

The materials deployed at Balda, especially plastic granulate, are subject to the risk of price fluctuations. The global economy also indirectly affects price trends. The individual segments themselves are responsible for the purchasing of raw materials and the negotiations of the related prices. A multi-supplier strategy is deployed as far as possible in this context in order to reduce dependency. The company continues to endeavor to enter into supply agreements with the longest terms possible, in order to hedge the volatility risk relating to raw materials prices. Some contracts with our customers contain price adjustment clauses that are particularly related to raw materials prices. This allows Balda to minimize materials purchasing risks, and to make it easier to calculate price fluctuations.

Balda identifies the potential for prices to rise due to positive growth forecasts for the global economy. We nevertheless anticipate only minor financial effects due to the aforementioned approach in purchasing materials. Moreover, a portion of materials price increases can be passed on to customers. We see it as unlikely that raw materials prices will fall. We gage the potential financial effects from falling raw materials prices as low, by contrast.

Suppliers and dependencies on important suppliers

The discontinuation of deliveries by suppliers and dependencies on individual suppliers can result in shortfalls in raw materials, thereby negatively affecting the Group's operating activities. In order to minimize such risk, we work only with reliable and innovative suppliers that meet our high quality standards. The Balda Group nevertheless depends on suppliers, as some customers prescribe suppliers. Supplier audits are conducted within the quality management function. Alternatives are evaluated if indications exist that suppliers will be unable to deliver, or that certain products will be undeliverable. Balda's supplier relationships nevertheless tend to be long-term in nature due to the product life cycles of Balda products. For this reason, Balda knows its supplies, and is informed about changes to their statuses. Consequently, we evaluate a possible risk relating to the discontinuation of deliveries from suppliers, although we gage the extent of the related potential financial loss as low. Balda nevertheless also identifies opportunities as the result of its proactive approach with both existing and new supplier relationships. We identify a potential divergence compared with planning, with a low impact.

Quality and processes

Balda Group products are subject to high customer requirements in terms of performance, quality and operational reliability. For this reason, a key success factor to secure sustainable corporate success is the continuous assurance of product quality so that Balda Group products deliver critical added value for its customers. In this context, the Balda Group is also caught between cost leadership and quality assurance. The resultant risk is structured through far-reaching quality assurance measures, and a focus on innovative and value-creating solutions that meet customer requirements. Balda also holds various certifications such as SIX Sigma, DIN EN ISO 9001 and DIN EN ISO 13485. For this reason, we see a potential for individual quality risks to materialize, while we gage the potential financial effects as low due to the quality assurance processes that have been installed and existing insurance against losses.

As with all companies, Balda also endeavors constantly to realize cost benefits, and to thereby strengthen its own competitive position. We anticipate positive impulses for the Balda Group's operating activities from the development and implementation of initiatives that are oriented to the areas of cost discipline, continuous improvement of processes in all functions and all areas of the company, optimization of supply chain management and manufacturing processes. As we are constantly following up the improvement process in coordination with our customers, we anticipate positive deviations in the area of these processes. We regard cost reductions as possible in this connection. As we have already planned optimizations arising from production processes, and have structured these production processes very efficiently, however, we regard the probability of short-term financial effects from a deviation from plan as low. These optimization processes are nevertheless of great significance for the company on a long-term view, as they secure the company's competitive position.

Customers

Customer risks arise from dependency on important customers that generate a not insignificant proportion of sales revenues. Such customers might exploit their negotiating strength and increase pressure on our margins. Falls in demand or the loss of such customers can exert negative effects on the Balda Group's results. For this reason, both new order intake and customer behavior are monitored constantly in order to identify potential customer risks at an early stage.

Operating discussions between the Management Board and the operating units' managing directors are held every month. These discussions cover sales revenues trends and potential divergences. The Management Board also receives reports on current offers and tenders, which provides them with a reliable overview of current business trends. The Management Board has access to the CRM system and can inform itself at any time about sales activities.

Balda also maintains long-term relationships with its customers, and projects with such customers are generally long-term in nature. Moreover, Balda enjoys a more diversified customer portfolio in some areas, which reduces the financial effects of customer risks. Balda generated between 10% and 24% of its total sales revenues with three customers each during 2014/2015. Overall, we identify a potential risk of dependency on customers and their risks. We gage the potential effects as moderate.

Towards the end of the 2014/2015 reporting period, Balda AG was informed by one of its most important customers that it will conduct its own manufacturing in the future. As far as the 2014/2015 financial year elapsed is concerned, this had no effect on the value retention of individual balance sheet items. The foregone sales revenues will not come to bear until the second half of the 2015/2016 financial year. Balda will be able to rectify these sales revenues losses in the short to medium term on the basis of its current lead order book position.

We have expanded our customer portfolio based on our objective of further expanding relevant markets. Moreover, it is already becoming clear that the project pipeline has enlarged significantly compared with the previous year. It should be noted that projects in the healthcare area have longer lead times compared to other sectors. Overall, we identify probable possibilities for positive deviations from plan arising from a growing number of customers and projects. We gage the potential and financial effects as moderate.

Opportunities and risks in personnel management

The success and profitability of the Balda Group depends on its staff's commitment, innovative capacity, know-how and integrity. The departure of staff members with key competences and bottlenecks in terms of appropriate staff capacities could negatively affect our operating activities. Competition for the most talented staff is becoming increasingly intense due to demographic trends and a shortage of specialist and technical staff in Western industrialized economies. Balda counters such risks with far-reaching continuous education and training programs. Balda also offers its employees an appropriate participation in the company's performance and profitability through variable compensation schemes. In parallel, our staff also participate in the continuous further development of the Balda Group through staff surveys and improvement campaigns. Representation arrangements and a corresponding distribution of responsibilities also exist that promote mutual communication and the exchange of information. This hedges the Balda Group against risks that can arise as the result of the departure of particular staff members.

Overall, we see the potential for personnel risks to materialize, although we regard the associated potential financial risks as low due to the aforementioned personnel policy measures.

We also identify opportunities to secure the Balda Group's business capacity through the further development of our employees through corresponding further education and training measures. Moreover, Balda offers its employees, as far as possible, additional benefits such as participation in fitness courses, health checks and family-friendly working time models. In line with these aforementioned measures, Balda promotes the maintenance and establishment of knowledge within the company, where we identify an opportunity for the future development of the Balda Group, whose success we regard as probable. We regard the direct financial success probability as somewhat low. The personnel measures nevertheless positively affect the Group's financial success long-term.

IT-related opportunities and risks

The ability to access and exchange information quickly, completely and appropriately, and to deploy performant IT systems, is of central importance to innovative and global companies such as Balda. A far-reaching outage could result in interruptions to operating activities or the disclosure of sensitive corporate information. For this reason, Balda has implemented appropriate measures to avoid and reduce these types of risks. A central IT department located within the holding company steers the individual units with respect to the standardization of systems and system solutions in terms of archiving, protection and data availability. Staff access to sensitive information is secured with the help of authorization concepts tailored to corresponding centers and functions while taking into account the functional separation concept. IT systems deployed in the production area are doubled in order to reduce risks. Potential risks are also taken into account through early planning and the creation of appropriate transition solutions.

We gage it as unlikely that IT-related risks will materialize in all regions. We gage the potential financial effects as low to moderate. Opportunities in the IT area derive particularly from potentials relating to process standardization and optimization across all Balda Group units. We regard these as trouble, and anticipate the financial effects at a low level.

Opportunities and risks from the application of financial instruments

Currency

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

Currency risks from operating activities are manageable because sales are generally realized in the respective local currency, and purchasing predominantly occurs in local currency. Although we gage the event risk deriving from changes to exchange rate parities as probable, we nevertheless regard their potential financial effects as low, because purchasing and sales occur predominantly in local currency.

We monitor currency exchange rate trends continuously, and hedge them with derivatives when significant. We perceive opportunities in exchange rate parities between the US dollar and the euro changing to benefit the Balda Group. We gage the related event risk as possible, and the attendant potential financial risk as low, as sales revenues are realized in local currency.

Liquidity and default risks

The Balda Group counters the risk deriving from cash flow fluctuations through holding minimum reserves of liquid assets, in order to thereby be able to meet operating obligations medium-term. Balda counters potential receivables defaults through regular analyses of receivables. The goal is to ensure adequate liquidity to meet current obligations. The event probability relating to liquidity and default risk is assessed as possible, and the financial effects as low.

Legal opportunities and risks

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

An analysis of history has uncovered the fact that some former directors acted in error. At its meeting on 24 September 2014, the Supervisory Board of Balda AG passed a resolution to bring a lawsuit against a former director. Out of consideration for the ongoing lawsuit, it is currently impossible for the Management Board to make any statements concerning these matters.

In the arbitration claim of the former sellers of C. Brewer against Balda Investments USA LLC, although provisions have been formed for the anticipated arbitration court costs, the former sellers are demanding a USD 5 million of loss compensation plus punitive damages to a level that has not yet been determined. Balda Investments USA LLC has brought a counterclaim against this lawsuit for USD 12 million plus punitive damages and the bearing of the court costs by the defendants.

The event probability (opportunity as well as risk) of the arbitration case is currently gaged as possible, with the potential financial effects for both evaluated as high.

In the USA, Balda C. Brewer has also been addressed as part of a class action against a large number of potential perpetrators. The subject of the class action is the alleged contamination of third-party land through waste oil deposits by a waste disposal company that also carried out waste oil disposal for Balda C. Brewer. Due to the unquantifiable level of a potential loss and the very high number of potential perpetrators, Balda regards the event probability of a financial loss as improbable, and has categorized the potential financial effects as low.

The Supervisory Board of Balda AG has approved the assertion of the company's loss compensation claims against the former Supervisory Board members Dr. Michael Naschke, Yu-Sheng Kai and Chun-Chen Chen, and also approved the claim on the former sole Management Board member (CEO) Rainer Mohr. It is alleged that the former directors violated their duty in relation to the planned disposal of shares in TPK Holding Co. in July 2011 due to which the TPK shares could only be sold at a subsequent date at a significantly lower price. Based on current estimations, the potential claim amount to a medium two-digit figure in the millions. In the context of judicial enforcement, cost risks can arise that are to be categorized as moderate to high. A provision for such risk cannot be formed as Balda AG is claiming these receivables in active litigation.

Provisions have been formed in the annual financial statements for all other legal risks that are known to us. Potential refund claims from the lawsuits in which Balda acts as suitor are not balanced.

No other material legal disputes or litigation risks existed as of the end of the financial year on 30 June 2015.

Tax law risks

Tax risks may arise due to the international integration and structure of the Group with regard to loans or dividend payments, for example. Last year, for instance, a German tax authority took a differing view of a now settled intra-group loan. This assessment was revised in favor of Balda, however.

Balda seeks the advice of renowned tax consulting firms in all relevant tax matters in order to minimize tax risks. Where possible, important tax issues are discussed before implementation with the tax authorities. Nevertheless, the final tax assessment is the responsibility of the respective local tax authorities. Tax authority inquiries exist in Germany and Singapore as part of current tax audits and are being processed. These have not yet resulted in any further findings apart from the matters that have already been recognized in the financial statements.

The Dutch tax authority has posed statements relating to the existing tax relief for years from 2012. It is currently impossible to give an assessment as to whether this modifies the statement relating to tax risks beyond added provisions.

Assessment by the Management Board of the overall opportunities and risk portfolio

The overall Group position is derived from aggregating all opportunities and individual risks of all of the categories of the business units and functions. While taking into account the event probabilities and potential financial effects, as well as the background to the current business prospects, the Management Board of the Balda Group anticipates no individual or aggregated risk that might jeopardize the Group as a going concern.

In summary, the opportunities and risk position of Balda is as follows:

CHANCE AND RISK PORTFOLIO OF BALDA GROUP

	EVENT PROBABILITIES			FINANCIAL EFFECTS			NO ASSESSMENT POSSIBLE
	IMPROBABLE (1)	POSSIBLE (2–3)	PROBABLE (4–5)	LOW 5% OF EBITDA/EBT	MODERATE UP TO 25% OF EBITDA/EBT	HIGH MORE THAN 25% OF EBITDA/EBT	
Economic risks							
Risks	*				*		
Opportunities		*			*		
Sector-specific and technological opportunities and risks							
Risks	*			*			
Opportunities		*			*		
Corporate strategy opportunities and risks							
Risks	*				*		
Opportunities		*			*		
Operational opportunities and risks							
Raw materials							
Risks		*		*			
Opportunities	*			*			
Suppliers and dependencies on important suppliers							
Risks		*		*			
Opportunities		*		*			
Quality and processes							
Risks		*		*			
Opportunities		*		*			
Customers							
Risks		*			*		
Opportunities			*		*		
Opportunities and risks in personnel management							
Risks		*		*			
Opportunities			*	*			
IT-related opportunities and risks							
Risks	*				*		
Opportunities			*	*			
Financial opportunities and risks							
Currency							
Risks			*	*			
Opportunities		*		*			
Liquidity and default risks							
Risks		*		*			
Legal opportunities and risks							
Lawsuit against former director							
Risks							*
Opportunities							*
Arbitration claim of former sellers of Balda C. Brewer							
Risks		*				*	
Opportunities		*				*	
Class action in the USA							
Risks	*			*			
Loss compensation claims against former Supervisory Board members							
Risks			*		*		
Opportunities		*				*	
Tax law opportunities and risks							
Risks							*
Opportunities							*

4. FINANCIAL REPORTING PROCESS

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

4.1 Interaction of systems

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

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

The responsibility for setting up and effectively maintaining appropriate controls for financial reporting lies with the Management Board of Balda AG. The Supervisory Board assesses at the close of every financial year the appropriateness and effectiveness of the control system. For the 2014/2015 financial year, the Supervisory Board of Balda AG has conclusively assessed and verified the effectiveness of the internal controls for financial reporting. Every control system is limited though with regard to its effectiveness. No control system is able to eliminate or reveal all incorrect information.

4.2 Structures, processes and control

The Group finance division of Balda AG, together with the accounting and controlling departments, manages the Group's accounting processes. Standard guidelines apply throughout the Group for accounting, bookkeeping and controlling. They are set out in the Group accounting manual. The Group also has a standard set of accounts. The Group accounting department continually analyses new laws, applicable IFRS accounting standards and other announcements with regard to their relevance for and impact on the consolidated financial statements and the management report. Relevant requirements are included in the guidelines for Group accounting. These rules are communicated promptly to the Group's segments. Together with the Balda AG financial statements calendar that is applicable throughout the Group, they form the basis for the process of preparing the consolidated financial statements.

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

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

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

The Group controlling department aggregates the figures by segment and prepares them for the Management Board as the main operating decision-maker. Along with the important steering metrics of sales revenue, EBIT and investments, this also specifically relates to total operating revenue, EBITDA, EBT, segment assets and the number of employees. The Management Board provides monthly reports to the Supervisory Board.

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

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

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

The departments involved in the accounting process are suitably staffed in terms of both quantity and quality. In the event of any shortages, recourse is made to qualified external consultants. The principle of dual control is applied in all accounting processes.

The clear demarcation of responsibility ensures that business transactions are recorded, processed and documented in accordance with legal regulations, the articles of association and internal guidelines and posted in a timely manner and correctly in the accounts. At the same time it is ensured that assets and liabilities are recognized, reported and measured correctly and that reliable and relevant information is provided in full and in a timely manner.

4.3 Deviations from budgets

Comparison against budget data forms a key controlling parameter. In the event of significant deviations from budgets, the Management Board of Balda AG immediately initiates control and steering measures based on trend analyses.

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

4.4 Involvement of the Supervisory Board

The financial expert (Frauke Vogler), elected by the Supervisory Board, is integrated into the control system. She monitors the accounting process, the effectiveness of the control system and the internal audit system as well as the audit of financial statements. She is also responsible for the examination of documents for the consolidated financial statements. The entire Supervisory Board also discusses the consolidated financial statements and the management report with the Management Board and the auditor.

4.5 Internal auditing system

The Balda Group's internal audit department is responsible as a further element of the control system for compliance with the guidelines, the independent examination of the effectiveness of the control system, and for assuring the control system's quality. Along with audits that are conducted internally, the company also delegates auditing activities to external advisers. Planning and audits by the internal audit function also comprise taking into account risks in the consolidated financial statements and within the financial accounting process. External auditors are equipped with extensive information, auditing and access rights in order to conduct their tasks.

OUTLOOK

The global economy is set to grow by 3.8% in 2016, compared with 3.3% in the current calendar year, according to the IMF. The IMF sees economic growth in developing countries slowing somewhat, although countries such as Russia that have encountered economic difficulties, as well as Near East and North African economies, will recover increasingly in 2016. Growth in industrial nations will also accelerate further. The IMF identifies the most important growth drivers of industrial nations in good financing terms, European finance policy – including in relation to the Greece crisis – continued low oil prices, and the general improvement in labor market conditions. The Balda Group operates in the healthcare market in its Europe and USA segments. We differentiate between the areas of diagnostics, medical technology and pharmaceuticals within this market segment.

Both the installed base of laboratory devices and their utilization of consumables is growing continuously, and worldwide. Our customers include leading providers of highly automated diagnostics robots and their related consumables. Balda is a reliable, efficient and high-quality supplier worldwide within this high-growth market. We commissioned new plants and tools for our customers in both segments in the year under review, and we will further expand this growth internationally.

The requirements made of medical products, whether for treatment or patient medication, are growing constantly. The connectivity of different products with central databases and their global availability will also bring change to medical technology devices. The success of various fitness trackers that already measure heart rate and activity today speaks for itself.

Balda has prepared itself for this change. We are currently integrating electronic applications into our mechanical platforms for tablet dispensers that enable expanded functionalities, including in combination with smartphones. Our many years of experience in camera and mobile telephony technology are helping us to integrate these mechanical and electronic components into our products.

Industry has taken note of the Balda Group's broader positioning, which has fed through to a higher level of inquiries for development and production in the pharmaceuticals and medical device areas over the last months. We can offer our potential customers first-class development and manufacturing conditions. The strength of our capital backing and our first-class infrastructure offer additional added value.

Europe segment

The IMF sees a marked recovery in the Eurozone economy, forecasting 1.5% GDP growth the 2015, and 1.7% for 2016. This forecast reflects a 0.1 percentage point upgrade compared with its spring forecast. Eurozone growth drivers include the continued low level of oil prices, the growing global economy and the depreciating euro. EU economic and financial policy also remains growth-friendly. Our customers in Europe largely comprise internationally positioned groups in the sectors of medical technology, pharmaceuticals and diagnostics. In our Europe segment, we consequently also benefit from these global markets' growth.

We have constantly installed and commissioned new plants at our production location in Bad Oeynhausen. In order to facilitate further growth, we have prepared additional spaces to accommodate new production plants in Bad Oeynhausen, and we anticipate the first project orders during the course of this financial year.

The planned expansion of manual production capacity in Romania will allow us to offer further value creation areas in Europe in the future, and significantly improve our positioning in the manufacturing of medical devices. Preparatory measures have been concluded with the renting of production spaces and the installation of infrastructure. New orders for the medical technology area are available for this manufacturing site, enabling us to assume operating activities in 2016.

The Europe segment has positioned itself attractively on the market with the expansion of production areas in Germany, and in combination with assembly capacities in Romania. By way of summary, we are assuming that the Europe segment will experience above-market-average organic growth over the coming years.

America segment

For the USA, the IMF is forecasting 2.5% GDP growth for the current year and 3% for the coming 2016 year. The 2015 forecast reflects a 0.6 percentage point downgrade compared with the spring, although the IMF assumes a marked recovery during the second half of the year. The primary growth drivers in the USA include low gasoline prices, favorable labor market conditions, rising wages and a strengthening of the real estate market.

The America segment has been undergoing an extensive change process since its acquisition in December 2012. The loss of massive sales revenues from a customer in the eyewear area had to be absorbed already in the first year after acquisition. This customer will now substract its entire production for strategic reasons. In order to maintain the business level, around 40% of the business volume must be replaced by new customers and products during the four years of the transformation process. This sales performance will generate renewed growth once this transformation process is concluded.

We will be able to consolidate our sites in the USA through renting a new production space at the Ontario, California, location, and at the same time expand our offering of cleanroom and manufacturing areas. The consolidation of locations will feed through to further individual burdens and production outages during the current financial year. With the closure and transfer-back of the sites that are being relinquished, the segment will then be positioned considerably more cost-efficiently and attractively. Administrative and supervisory functions will be centralized in a better manner, production peaks will be cushioned, and logistics costs will be reduced.

As a production and logistics location, the new site in Ontario will concentrate on the areas of diagnostics, medical technology and pharmaceuticals. Along with the existing production lines, at our existing location in Oceanside we will focus on fashion and technical sector solutions. In the USA, we offer extensive expertise in automation and process development, as well as proprietary toolmaking.

Besides customers in the healthcare area, Balda in the USA caters for further market areas such as eyewear, automotive and consumer electronics. In most of these areas, we are growing alongside the success of our customers and their markets.

Last year, we acquired new customers in the eyewear and consumer electronics areas who appreciate our flexibility and speed. The ability to label fashion products "Made in California" comprises a further argument for Balda.

In the whole America segment, we are focusing on expanding vertical depth of manufacturing and on assuming product responsibility. Despite the forthcoming loss of a major customer and related standstill periods due to production relocation, we are assuming that sales revenues in the coming year will be at a similar level to the financial year elapsed.

Balda group – Statements on the most important key figures

The forecast of the Balda Group was supplemented to include the planned sale of the entire operating business that was announced on 23 September 2015. This sale is still subject to approval by the Annual General Meeting and anti-trust authorities. The purchase agreement includes a retroactive economic transfer of the acquisition assets as of 1 July 2015. For this reason, once the purchase agreement becomes effective from 1 July 2015, the entire operating business will discontinue with its sales revenues, costs and income for the Balda Group.

The forecasts presented in this report about the operating business relate mainly to the development of the operating subsidiaries that would be sold if the Annual General Meeting approves the disposal of them as of 1 July 2015.

Extensive documentation about the purchase agreement that has been concluded, and the agreement itself, will be made available to shareholders as part of preparation for the AGM.

The Balda Group's positioning as an international system supplier for high-end product solutions made of plastics is meeting with positive reactions. Balda AG addresses global growth markets with its products to the greatest possible extent. The Balda Group will participate in this growth. Our forecast sales revenues growth for the current financial year of around EUR 5 million (+ / – currency fluctuations arising from currency translation) is conservative, and primarily reflects the fact that some new products, especially in the healthcare area, will have long lead times. The newly available production spaces in Europe and the USA will help to provide a sustainable basis for the sales successes this year, and assist our growth in continuing to range above the sector average over the coming years. The measures that have been introduced or already concluded in Asia will provide significant cost relief here over the next years, although they will not reduce them entirely.

The investments realized in the 2014 / 2015 financially (EUR 5.7 million) have exceeded our planned investments only slightly. The Management Board assumes investments of a similar magnitude for the 2015 / 2016 financial year. These investments include expanding production and cleanroom capacities as part of the newly rented production hall, and replacement investments in machines to optimize capacities, among other items. With this investment volume, depreciation and amortization will amount to around the level of the 2014 / 2015 financial year. No impairment losses are expected.

The fact that we have addressed the issues that arose from the turbulent past will provide us with great relief at the working level during the coming financial year, allowing us to refocus on expanding the operating business and on further developing the company in strategic terms. Litigation costs will continue to burden results during the coming year.

Insofar as macroeconomic conditions do not change significantly, and no currently unforeseeable events occur, the Management Board of Balda AG expects sales revenues (on the basis of the current portfolio) to grow from EUR 85.4 million to around between EUR 90 million in the current 2015 / 2016 financial year. This assumes that currency exchange rate factors at a planned average rate of the USd to EUR of 1.09 have no significant impact. The effects from the future discontinuation of eyewear business with a major customer will not yet have a notable impact during the 2015 / 2016 financial year, but instead in the following year. Together with a higher level of customer orders, exchange rate effects fed through to consolidated sales revenues in the 2014 / 2015 financial year that exceeded forecasts sales revenues by more than 10 %.

FURTHER INFORMATION CAN BE FOUND IN THE SECTION RESULTS OF OPERATIONS ON PAGES 37 – 39.

EBITDA before extraordinary items amounted to EUR 6.4 million in the 2014 / 2015 financial year. The 7.7 % EBITDA margin was within the expected high single-digit percentage range. Due to expected closure and relocation costs in the America segment, the Management Board expects a positive EBITDA-margin within the medium single-digit percentage range for the 2015 / 2016 financial year.

EBIT was burdened by a total of EUR 13.5 million of extraordinary items in the financial year under review. The future costs of court procedures will remain a relevant and difficult-to-forecast quantity for consolidated results in the future.

FURTHER INFORMATION CAN BE FOUND IN THE SECTION RESULTS OF OPERATIONS ON PAGES 37 – 39.

Following negative EBIT in the year under review, the Management Board is assuming a positive operating result before interest and taxes (EBIT) with a positive operating EBIT margin in the low single digit percentage range. The consolidation of sites in the America segment will continue to generate closure and relocation costs of between EUR 1 and 2 million that have been included in the earnings forecast. Excluding the unplanned extraordinary items, the EUR 1.4 million operating result in the 2014 / 2015 financial year lay within the range of the low single-digit percentage bandwidth that was forecast for the EBIT margin for the financial year elapsed.

Statements relating to developments in the disposal of the operating business

If the Annual General Meeting approves the planned sale of the operating subsidiaries, the Balda Group would additionally receive approximately EUR 63 million of liquidity inflow. These sale proceeds are expected to generate income in the upper single-digit range in millions of euros.

To this extent, we anticipate a significant change in the structure of the company's financial position in the 2015 / 2016 financial year.

After the planned dividend payout and capital reduction, taxes to be paid, and ongoing costs, financial assets of around EUR 130 to 140 million would remain for the Balda Group for the future development and expansion of the Group strategy. The Management and Supervisory boards will develop and examine various concepts for the utilization of the Group's remaining funds. Decisions are to be reached already at the Ordinary Annual General Meeting on 19 November 2015 concerning not only the new business purpose, but also the company's name.

Bad Oeynhausen, 24 September 2015

OLIVER OECHSLE SOLE MANAGEMENT BOARD MEMBER

03 CONSOLIDATED FINANCIAL STATEMENTS

DOSING PIPETTE: PRECISION LIQUID DISPENSER

The dosing pipette is an innovative and highly accurate dosing system for taking liquid medication. Up to ten different dosage settings are possible per dosing pipette, with a maximum volume of 6 ml. Balda can individualize the worldwide-available pipette for its customers through varying different materials, prints, colors and sizes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF BALDA AG AS OF 30 JUNE 2015

ASSETS		CONSOLIDATED NOTES II	30.06.2015 EUR THOUSAND	(ADJUSTED) 30.06.2014 EUR THOUSAND	(ADJUSTED) 01.07.2013 EUR THOUSAND
A.	NON-CURRENT ASSETS				
I.	Property, plant and equipment	5.a.	19,568	19,377	20,992
	1. Land and buildings		9,395	10,002	10,206
	2. Machinery and equipment		8,967	7,986	9,396
	3. Fixtures, furniture and office equipment		613	951	1,390
	4. Advance payments and construction in progress		593	438	0
II.	Goodwill	5.b.	9,696	14,023	14,710
III.	Intangible assets	5.c.	8,188	6,680	9,579
IV.	Financial assets	5.d.	15,000	3,234	5,191
	1. Financial investments		15,000	0	0
	2. Other non-current loans		0	3,234	5,191
V.	Deferred taxes	5.e.	4,685	4,222	4,423
	Non-current assets		**57,137**	**47,536**	**54,895**
B.	CURRENTS ASSETS				
I.	Inventories	5.f.	9,150	8,645	10.123
	1. Raw materials and supplies		4,065	3,170	3,181
	2. Work in progress and finished goods and merchandise		5,085	5,475	6,942
II.	Trade receivables	5.g.	12,771	8,541	10,222
III.	Other current assets	5.h.	47,119	37,604	215,413
IV.	Current tax assets	5.i.	183	489	863
V.	Cash and cash equivalents	5.j.	139,477	160,518	68,153
	Current Assets		**208,700**	**215,797**	**304,774**
TOTAL ASSETS			**265,837**	**263,333**	**359,669**

EQUITY AND LIABILITIES		CONSOLIDATED NOTES II	30.06.2015 EUR THOUSAND	(ADJUSTED) 30.06.2014 EUR THOUSAND	(ADJUSTED) 01.07.2013 EUR THOUSAND
A.	EQUITY				
I.	Subscribed capital		58,891	58,891	58,891
II.	Reserves		36,037	30,964	39,809
III.	Net retained profits		139,185	151,928	235,836
	1. Consolidated net income		–12,743	5,864	13,480
	2. Retained profits brought forward		151,928	146,064	222,356
	Equity, Group	**5.k.**	**234,113**	**241,783**	**334,536**
B.	NON-CURRENT LIABILITIES				
I.	Bank loans	5.l.	205	465	763
II.	Deferred taxes	5.m.	2,594	5,851	6,046
III.	Non-current provisions	5.n.	181	147	128
IV.	Non-current financial liabilities	5.o.	2,796	0	0
	Non-Current liabilities		**5,776**	**6,463**	**6,937**
C.	CURRENT LIABILITIES				
I.	Trade payables	5.p.	5,854	5,539	6,283
II.	Other current financial / non-financial liabilities	5.q.	5,097	4,065	4,873
III.	Advance payments received	5.r.	3,614	2,995	3,119
IV.	Short-term bank borrowings and short-term loans	5.s.	363	285	968
V.	Income tax liabilities	5.t.	7,445	799	2,843
VI.	Current provisions	5.u.	3,575	1,404	110
	Current liabilities		**25,948**	**15,087**	**18,196**
TOTAL EQUITY AND LIABILITIES			**265,837**	**263,333**	**359,669**

CONSOLIDATED INCOME STATEMENT

OF BALDA AG FOR THE PERIOD FROM 1 JULY 2014 – 30 JUNE 2015

IN EUR THOUSAND	CONSOLIDATED NOTES II	2014/2015	2013/2014
Sales revenues	6.a.	85,437	70,517
Changes in inventories of finished goods and work in progress	6.b.	–1,597	348
Total operating revenue		83,840	70,865
Other operating income	6.c.	2,904	4,048
Cost of materials	6.d.	32,794	26,935
Cost of materials ratio		39.1% [1]	38.0% [1]
Staff costs	6.e.	33,376	29,253
a) Wages and salaries including social security costs		28,124	25,381
b) Expenses for temporary employees		5,252	3,872
Staff costs ratio		39.8% [1]	41.3% [1]
Depreciation, amortization and impairment losses	6.f.	13,583	6,656
Other operating expenses	6.g.	19,057	16,795
Profit/loss from operations [2]		**–12,066**	**–4,726**
Net interest income/expense	6.h.	737	1,579
Other finance income (net)	6.i.	2,027	8,471
Earnings before taxes		**–9,302**	**5,324**
Taxes on income (previous year: income)	6.j.	3,441	–540
Consolidated net income	**6.k.**	**–12,743**	**5,864**
Earnings per share:	**6.l**		
Number of shares, undiluted and diluted (in thousands)		58,891	58,891
Earnings per share (EUR)—undiluted and diluted		–0.216	0.100
[1] Based on gross revenue.			
[2] Profit/loss from operations before extraordinary items (compare group management report 2.2 "results of operations").		1,448	–908

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF BALDA AG FOR THE PERIOD FROM 1 JULY 2014 – 30 JUNE 2015

IN EUR THOUSAND	CONSOLIDATED NOTES II	2014/2015	2013/2014
1. Consolidated net income		**–12,743**	**5,864**
2. Other comprehensive income	**7.**	**5,073**	**–10,281**
2.1 Currency translation difference			
2.1.1 Items that were reclassified to profit or loss		4,073	0
2.1.2 Items that will be reclassified to profit or loss		1,000	–10,281
3. Comprehensive income for the period		**–7,670**	**–4,417**

Futher disclosures on the consolidated statement of comprehensive income can be found in the consolidated notes under 5.k. "Equity, Group" and 6.l. "Earnings per share—basic and diluted"

CONSOLIDATED STATEMENT OF CASH FLOWS

OF BALDA AG FOR THE PERIOD FROM 1 JULY 2014 – 30 JUNE 2015

IN EUR THOUSAND		CONSOLIDATED NOTES II	2014/2015	2013/2014
	Net loss/income before income tax, net finance income and depreciation (EBITDA)		1,517	1,930
+	Interest received		1,448	687
–	Interest paid		–50	–69
–	Income taxes paid		–158	–151
+/–	Other non-cash expenses/income		3,351	965
+	Cash receipts from finance lease receivables		1,375	1,250
+/–	In-/decrease in tax assets and tax liabilities		266	–780
+	Increase in provisions		950	1,313
+/–	In-/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities		–5,711	5,727
–	Decrease in liabilities and other liabilities not attributable to investing or financing activities		–437	–3,158
=	**Cash flow from operating activities**	**4.a.**	**2,550**	**7,714**
	Cash flow from investing activities			
–	Cash payments for property, plant and equipment and intangible assets		–2,141	–2,754
+	Cash receipts from the sale of property, plant and equipment and intangible assets		11	136
–	Cash payments/receipts to secure bank guarantees		2,878	–2,878
+/–	Cash payments/receipts from a short term financial planning		–24,983	179,659
=	**Cash flow from investing activities**	**4.b.**	**–24,235**	**174,163**

IN EUR THOUSAND		CONSOLIDATED NOTES II	2014/2015	2013/2014
	Cash flow from financing activities			
–/+	Cash payments/receipts from bank borrowings		–182	–981
–	Dividend payments		0	–88,336
=	**Cash flow from financing activities**	**4.c.**	**–182**	**–89,317**
	Net change in cash and cash equivalents		–21,867	92,560
+	**Cash and cash equivalents at the beginning of the financial year**		**160,518**	**68,153**
+/–	Effects of changes in foreign exchange rates on cash held in foreign currencies		826	–195
=	**Cash and cash equivalents at the end of the financial year**	**4.d.**	**139,477**	**160,518**
	Composition of cash and cash equivalents at the end of the financial year			
	Cash and cash equivalents		**139,477**	**160,518**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF BALDA AG FOR THE 2014 / 2015 AND 2013 / 2014 FINANCIAL YEARS

		RESERVES				
IN EUR THOUSAND	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	CURRENCY TRANS-LATION RESERVE	NET RETAINED PROFITS	EQUITY OF SHARE-HOLDERS OF BALDA AG
Balance on 01.07.2013	**58,891**	**34,555**	**1,881**	**3,373**	**235,836**	**334,536**
Consolidated net income	—	—	—	—	5,864	5,864
Other comprehensive income	—	—	—	–10,281	—	–10,281
Total comprehensive income	0	0	0	–10,281	5,864	–4,417
Distribution to shareholders	—	—	—	—	–88,336	–88,336
Reclassification from adjustment of functional currency	—	—	—	1,436	–1,436	0
Balance on 30.06.2014	**58,891**	**34,555**	**1,881**	**–5,472**	**151,928**	**241,783**
Balance on 01.07.2014	**58,891**	**34,555**	**1,881**	**–5,472**	**151,928**	**241,783**
Consolidated net income	—	—	—	—	–12,743	–12,743
Other comprehensive income	—	—	—	5,073	—	5,073
Total comprehensive income	0	0	0	5,073	–12,743	–7,670
Balance on 30.06.2015	**58,891**	**34,555**	**1,881**	**–399**	**139,185**	**234,113**

NOTES

**TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BALDA AG,
BAD OEYNHAUSEN,
FOR THE FINANCIAL YEAR FROM 1 JULY 2014 UNTIL 30 JUNE 2015**

I. GENERAL INFORMATION

1. GENERAL INFORMATION ABOUT BALDA

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

Balda AG, with its subsidiaries (also referred to as the Balda Group), is a provider of premium-quality, high-end plastics solutions for the medical technology sector, and the eyewear, consumer electronics and automotive industries. The Group is distinguished by superior engineering services, products of the highest quality as well as a fast, flexible and tailored service for its customers.

The Balda Group with its operating segments is active internationally and has five plants at four production sites in California, USA, as well as maintaining production facilities at its headquarters in Bad Oeynhausen, Germany. Balda's customers are leading companies in the eyewear, consumer electronics, pharmaceutical and medical technology markets.

These consolidated financial statements were approved for publication by the Management Board on 24 September 2015.

The consolidated financial statements prepared as of 30 June 2015 and the Group management report were submitted to the operator of the Federal Gazette (Bundesanzeiger) for publication pursuant to Section 325 of the German Commercial Code (HGB).

2. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF BALDA AG

These consolidated financial statements of Balda AG as of 30 June 2015 were prepared in accordance with Section 315a of the German Commercial Code (HGB) and in compliance with the provisions of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as applicable in the European Union and in force on the reporting date, as well as the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC).

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

The consolidated financial statements were prepared on the basis of the 30 June reporting date.

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

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

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

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

3. INFORMATION ABOUT CONSOLIDATION

3. a. Scope of consolidation

The consolidated financial statements include the financial statements of Balda AG and the companies it controls as of 30 June each year (its subsidiaries). Control exists if Balda AG can exercise power over the participating company, variable returns from its investment are excluded, and it can influence the level of return on the basis of its power.

In addition to Balda AG, four German (previous year: four) and eight foreign (previous year: seven) subsidiaries were included in full in the consolidated financial statements.

NUMBER OF COMPANIES

	2015	2014
Consolidation scope as of 30 June	12	11
German entities (excluding Balda AG)	4	4
Foreign entities	8	7

In the 2014 / 2015 financial year, the scope of consolidation changed as follows:

The company Balda Medical Systems SRL was founded in Romania in November 2014. The shares are held by Balda Investments Netherlands BV, Netherlands (85 %) and Balda Medical GmbH & Co. KG, Germany (15 %). This company did not yet have any operating activities in the 2014 / 2015 financial year.

3. b. Consolidation methods

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

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

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

The Balda Group held no shares in associated companies in either the 2014 / 2015 or the 2013 / 2014 financial year.

3. c. Currency translation

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

The assets and liabilities of the Group's foreign operations are translated from their functional currencies (where they differ from the euro) into euros at the rate on the balance sheet date. Income and expense items are translated at the average rate for the period. Equity items of the foreign subsidiaries are translated at historical exchange rates. The Group recognizes the differences compared with the rate on the balance sheet date in other comprehensive income in the statement of comprehensive income or presents them as a separate component of equity in the currency translation reserve. The differences that are recognized in this reserve are reclassified to the income statement if the subsidiary leaves the scope of consolidation, or discontinues active operating activities.

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

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

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

EXCHANGE RATE

		MID SPOT RATE ON BALANCE SHEET DATE		ANNUAL AVERAGE RATE	
		30.06.		FOR FINANCIAL YEAR	
CURRENCIES	ISO-CODE	2015	2014	2014/2015	2013/2014
US dollar	USD	1.1094	1.3644	1.1957	1.3562
Malaysian ringgit	MYR	4.1894	4.3821	4.1339	4.3900
Romanian leu	RON	4.4705	—	4.4316	—

II. INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS OF BALDA AG

1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The amended standards that must be applied for the first time in the 2014/2015 financial year are listed below. All standards and interpretations that were in force at the reporting date and were effective for the 2014/2015 financial year within the EU were applied in the consolidated statements provided these had been endorsed by the EU.

STANDARD OR INTERPRETATION

STANDARD OR INTERPRETATION	TITLE
IAS 28	Investments in Associates and Joint Ventures was amended accordingly following the issue of IFRS 10 and IFRS 11
IAS 32	Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
IAS 36	Disclosures relating to the recoverable amount for non-financial assets
IAS 39	Amendments: Novation of derivatives and continuation of hedge accounting
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, 11, 12	Transition regulations
IAS 27	Separate Financial Statements: As a consequence of the issue of IFRS 10, IAS 27 was amended and now comprises only the existing guidance for separate financial statements
IFRS 10, 12 and IAS 27	Amendments: Investment Entities
IFRIC 21	Levies

With the exception of changes to the disclosures made in the notes to the financial statements, initial application of these new/revised IFRS/IAS/IFRIC, in case it applies to the Group, does not have a material effect on the consolidated financial statements of Balda AG.

Below we present the following standards, which according to the IASB would be applicable with mandatory effect for the first time in the 2014/2015 financial year but whose date of initial application in the EU is not until later financial years, and are consequently not yet applicable in these consolidated financial statements:

STANDARD OR INTERPRETATION

STANDARD OR INTERPRETATION	TITLE (DATE OF ENTRY INTO FORCE)
IAS 19	Amendments to defined benefit schemes—employee contributions (01.02.2015)
Various	Annual Improvement Project (AIP), 2010 – 2012 cycle (01.02.2015) and 2011 – 2013 cycle (01.01.2015)

From today's perspective, we assume that the application of the standards has no significant effects on the consolidated financial statements of Balda AG.

New and amended standards as well as recently published interpretations that are not yet effective, although earlier application is permitted (subject to EU endorsement), which are not yet applied by the company:

STANDARD OR INTERPRETATION
APPLICATION FOR FINANCIAL YEARS THAT START ON THE DATE OF COMING INTO FORCE OR LATER

STANDARD OR INTERPRETATION	TITLE (DATE OF ENTRY INTO FORCE)
IAS 1	Amendments relating to the exercising of judgment in the presentation of financial statements (01.01.2016)
IAS 16 and IAS 38	Amendments / clarification of accepted depreciation and amortization methods (01.01.2016)
IAS 16 and IAS 41	Amendments relating to the accounting treatment of bearer plants (01.01.2016)
IAS 27	Amendments relating to the equity method in separate financial statements (01.01.2016)
IFRS 9	Financial Instruments (01.01.2018)
IFRS 10 and IAS 28	Amendments relating to the recognition of gains or losses in transactions with associates or joint ventures (01.01.2016)
IFRS 10, 12 and IAS 28	Consolidation exemptions (01.01.2016)
IFRS 11	Amendments relating to the accounting treatment of an acquisition of an interest in a joint operation (01.01.2016)
IFRS 14	Regulatory Deferral Accounts (01.01.2016)
IFRS 15	Revenue from Contracts with Customers (01.01.2018)
Diverse	Annual Improvement Project s(AIP) 2012 – 2014 cycle

In relation to the first-time application of these amended standards and interpretations, we are currently examining whether the changes have any significant effects on the consolidated financial statements of Balda AG.

2. ACCOUNTING PRINCIPLES

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

Use of estimates and discretionary decisions

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

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

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

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

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

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

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

Unless stated otherwise, the accounting policies were uniformly applied in the Group and are the same as in the previous year.

Financial instruments

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

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in a regular business transaction between market participants on the measurement date.

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

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

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

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

At the end of the financial year under review, the Group held financial instruments in the categories of loans and receivables (LaR) and financial liabilities (FLAC).

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

These financial assets or financial liabilities are initially recognized at fair value plus transaction costs. This does not include financial assets designated as at fair value through profit or loss, which are recognized at fair value minus transaction costs. In this category, recognition is at fair value excluding transaction costs. Subsequent measurement there is for the different categories of financial assets and liabilities, and is described in detail as part of the accounting methods for the respective balance sheet items.

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

Primary and derivative financial instruments are measured according to the following levels:

Level 1: Fair value measurements are derived from listed prices (unadjusted) on identical markets for identical financial assets or liabilities.

Level 2: Valuation techniques based on observable inputs derived from quoted prices for assets and liabilities, either directly (in other words, as prices), or indirectly (in other words, derived from prices).

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

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

In accordance with IAS 39, financial liabilities are carried at the acquisition-date fair value. Costs that are directly attributable to the purchase (transaction costs) are taken into account if the liabilities are measured at fair value through profit or loss. At subsequent reporting dates, these liabilities are measured at amortized cost using the effective interest method. Monetary liabilities in foreign currencies are translated at the closing rate.

Further general accounting policies

Inventories are measured at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. An average value or a value calculated using the first-in, first-out formula is carried. The cost of inventories includes all costs of purchase and of production as well as other costs that are required to bring inventories to their present condition.

Property, plant and equipment and intangible assets are carried at cost and reduced by straight-line depreciation or amortization plus any impairment losses. Depreciation and amortization are calculated using the following economic useful lives, which were formed on the basis of past empirical values:

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

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

Leases in which the Balda Group is the lessee and which are classified as finance leases, do not exist in the Group. All other leases are classified as operating leases.

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

In the case of assets leased under a finance lease, the amounts to be paid by the lessee are presented as receivables at an amount equal to the net investment in the Group's lease. The assets are reported among financial assets and other current assets separated according to their non-current and current portions. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group applies the percentage of completion method to calculate the contract revenue to be recorded in each financial year. The percentage of completion of a contract is determined on the basis of the production progress realized with the respective project.

Orders are reported among receivables or liabilities, within the trade receivables or trade payables items. A construction order is reported as an asset if the cumulative output (contract costs incurred and reported profits) exceeds the advance payments. If a negative balance remains after deducting the advance payments, this negative amount is reported among current liabilities.

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

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

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

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

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

Changes in reporting methods

During the year under review, the Group transferred the reporting of prepayments rendered to inventories in the balance sheet. Prepayments rendered in relation to inventories are reported among other current assets. Balda is thereby complying with the recommendation of the German Financial Reporting Enforcement Panel (FREP) to report prepayments rendered under other assets if the amount is material. Balda regards this as having been complied with in the case of prepayments made in relation to inventories. The previous year's reporting was restated accordingly.

The individual items are as follows both before and after the reclassification:

IN EUR THOUSAND	30.06.2015	30.06.2014	01.07.2013
Reporting before reclassification			
Inventories	11,250	10,052	10,402
Other current assets	45,019	36,197	215,134
Reporting after reclassification			
Inventories	9,150	8,645	10,123
Other current assets	47,119	37,604	215,413

3. SEGMENT REPORTING

At Balda, the Management Board as the chief operating decision maker, makes decisions about resources to be allocated to the business segments and assesses their performance. The segmentation and disclosure of selected segment information are performed in line with the internal management and reporting systems (management approach) as well as the other required provisions of IFRS 8.

Group planning, steering and reporting is based on allocating Group companies to geographic regions. The regions of America and Europe are defined as geographical segments. The Management Board is thereby realizing a clear demarcation of earnings responsibility within the individual companies, and consequently more effective international management for the Group. Segment responsibilities lie with the Management Board, which decides concerning the distribution resources, and monitors segment profitability on the basis of predetermined financial information.

The America segment includes all companies that are headquartered in the USA at the sites of Irvine, Anaheim, Ontario, and Oceanside in California. This segment focuses on producing injection molded articles made of plastics for highly varied products from the sectors of medical technology, eyewear, consumer electronics and automotive. This segment also comprises revenue from the development and production of tools for our customers. A minor level of revenue generated from turned parts is also reported in this segment.

The Europe segment comprises the production of complex plastic products for the areas of medical technology, pharmaceuticals and diagnostics at the company's site in Bad Oeynhausen, Germany and in the future in Romania, as well as the development of plants and tools required for production on the basis of customer orders. Plastic products are produced on the company's own injection molding machines. This segment's further spectrum of services includes service functions such as strategic development, management of the Group significant financial resources, and other support as part of normal holding company functions.

The Other area comprises the financing holding entity and the real estate company in Asia. The financing holding entity manages only a low level of cash and cash equivalents. The original lease agreement for the property in Ipoh, Malaysia, was amended during the financial year under review. The lessee has exercised the agreed purchase option. This lease agreement now has only short-term character as the lessee exercised a newly agreed purchase option in June 2015. Along with a low level of cash and cash equivalents, the real estate company possesses an other current receivable arising from the finance lease.

In accordance with internal reporting, segment reporting includes disclosures on total operating revenue. In addition to sales revenues, total operating revenue includes changes in work in progress and finished goods and merchandise. The Group segments' sales revenues and profitability trends are presented in detail in the section in the management report on business trends.

Sales revenues, total operating revenue, operating profit (EBITDA), profit / loss from operations (EBIT) and the pre-tax profit (EBT) are monitored by the Management Board of Balda AG separately for each segment in order to estimate the segment's profitability and decide on the allocation of resources. Investments, workforce numbers and segment assess comprise further steering metrics. The most important key indicators in this context include sales revenues, operating profits (EBITDA and EBIT), and investments. These key indicators are the relevant indicators for Balda for business trends, profitability and efficient operating performance.

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

Transfer prices between the operating segments are calculated on an arm's length basis. Segment income and segment expenses are presented on a gross basis, and also comprise intersegment revenues that are eliminated as part of consolidation.

CONSOLIDATED SEGMENT REPORTING OF BALDA AG

FINANCIAL YEAR 2014 / 2015 (01.07.2014 – 30.06.2015)

IN EUR THOUSAND	EUROPE	AMERICA	TOTAL SEGMENTS	OTHER	INTER-SEGMENT-CORREC-TIONS[3]	GROUP
Sales revenues (only external)	**37,517**	**47,920**	**85,437**	**0**	**0**	**85,437**
Total operating revenue	**36,685**	**47,155**	**83,840**	**0**	**0**	**83,840**
EBITDA	**2,095**	**–237**	**1,858**	**–341**	**0**	**1,517**
EBIT	**149**	**–11,874**	**–11,725**	**–341**	**0**	**–12,066**
Interest income	1,876	1	1,877	840	–1,930	787
Interest expenses	–471	–1,509	–1,980	0	1,930	–50
Other finance income[4]	364	5,239	5,603	–3,576	0	2,027
Dividend income	104,872	—	104,872	—	–104,872	0
EBT	**106,790**	**–8,143**	**98,647**	**–3,077**	**–104,872**	**–9,302**
Taxes on income						3,441
Consolidated net result						**–12,743**
Investments	4,380	1,356	5,736	0	0	5,736
Depreciation and amortization	1,946	3,016	4,962	0	0	4,962
Impairment losses	0	8,621	8,621	0	0	8,621
Non-cash expenses / income	2,184	–297	1,887	–3,336	0	–1,449
Segment assets[1]	**419,753**	**41,265**	**461,018**	**5,983**	**–206,032**	**260,969**
Number of employees on 30.06.[2]	224	565	789	0	0	789

CONSOLIDATED SEGMENT REPORTING OF BALDA AG

FINANCIAL YEAR 2013 / 2014 (01.07.2013 – 30.06.2014)

IN EUR THOUSAND	EUROPE	AMERICA	TOTAL SEGMENTS	OTHER	INTER-SEGMENT-CORREC-TIONS[3]	GROUP
Sales revenues (only external)	**31,815**	**38,702**	**70,517**	**0**	**0**	**70,517**
Total operating revenue	**32,343**	**38,522**	**70,865**	**0**	**0**	**70,865**
EBITDA	**–652**	**2,790**	**2,138**	**–208**	**0**	**1,930**
EBIT	**–3,513**	**–703**	**–4,216**	**–510**	**0**	**–4,726**
Interest income	2,034	9	2,043	1,546	–1,941	1,648
Interest expenses	–489	–1,521	–2,010	0	1,941	–69
Other finance income[4]	–27	–1,223	–1,250	9,721	0	8,471
Dividend income	30,000	0	30,000	0	–30,000	0
EBT	**28,005**	**–3,438**	**24,567**	**10,757**	**–30,000**	**5,324**
Taxes on income						–540
Profit / loss from continuing operations						**5,864**
Profit / loss from discontinued operations						0
Consolidated net result						**5,864**
Investments	1.,94	1,669	2,763	0	0	2,763
Depreciation and amortization	2,193	2,762	4,955	0	0	4,955
Impairment losses	667	732	1,399	302	0	1,701
Non-cash expenses / income	70	–2,320	–2,250	11,069	0	8,819
Segment assets[1]	**328,100**	**41,194**	**369,294**	**194,833**	**–305,505**	**258,622**
Number of employees on 30.06.[2]	204	582	786	0	0	786

1 Segment assets = Non-current assets plus current assets excluding deferred tax assets and current tax assets.

2 Number of employees are reporting date = including temporary help staff and trainees.

3 The intersegment corrections concern interest income / interest expenses as well as dividend income between segments as well as intra-Group receivables.

4 The other finance income consists mainly of currency gains / losses.

Revenue with external customers in the 2014 / 2015 and 2013 / 2014 financial years is attributable to the individual segments' products as follows:

IN EUR THOUSAND	2014 / 2015	2013 / 2014
Injection molded articles	74,594	58,694
Plant and tools business	10,453	11,462
Services	390	361
Total	**85,437**	**70,517**

Balda generates around 14 % of its sales revenues in the America segment with one customer (previous year: around 14 %) and with two customers in the Europe segment each with around 24 % (previous year: around 28 %), and around 15 % (previous year: around 16 %) of total consolidated sales revenues .

Sales revenues and non-current assets are allocated to the following geographical regions:

IN EUR THOUSAND	SALES REVENUES 2014/2015	SALES REVENUES 2013/2014	NON-CURRENT ASSETS 30.06.2015	NON-CURRENT ASSETS 30.06.2014
Germany	32,904	27,457	15,523	13,016
Foreign[1]	52,533	43,060	37,990	30,298
Groupwide	**85,437**	**70,517**	**52,636**	**43,314**
[1] of which in USA	47,981	38,267	22,113	27,046

The criterion according to which sales revenues and non-current assets are allocated to geographic regions is the respective country in which the respective group company has its headquarters.

The non-current assets reported comprise the property, plant and equipment, intangible assets, goodwill and financial assets. Deferred tax assets are not included.

4. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared applying IAS 7. Cash flows are divided into cash flows from operating, investing and financing activities.

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

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

4. a. Cash flow from operating activities

The Balda Group generated a cash inflow of EUR 2,550 thousand in the 2014/2015 financial year (previous year: EUR 7,714 thousand). Higher business volumes and interest payments, in particular, exerted a positive impact. A buildup of working capital made a negative contribution to operating cash flow. As a lessee, the Malaysian subsidiary received EUR 1,375 thousand of cash inflows from lease payments in the year under review.

4. b. Cash flow from investing activities

The cash outflow from investing activities totaled EUR 24,235 thousand (previous year: cash inflow of EUR 174,163 thousand).

The cash outflows from investing activities arose primarily from the purchase of borrower's note loans in an amount of EUR 24,983 thousand. In the previous year, cash deposited to secure guaranteed credit facilities (EUR 2,878 thousand) was released in the year under review and reported as a cash inflow.

Capital expenditure on property, plant and equipment and intangible assets led to cash outflows of EUR 2,141 thousand (previous year: EUR 2,754 thousand).

4. c. Cash flow from financing activities

The cash outflow from financing activities amounted to EUR 182 thousand (previous year: EUR 89,317 thousand) and arose from the redemption of bank loans. The previous year's high level of cash outflow arose especially from the EUR 88,336 thousand of dividends paid to Balda AG shareholders in January 2014.

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

The Group's total cash and cash equivalents at the 30 June 2015 reporting date amounted to EUR 139,477 thousand (previous year: EUR 160,518 thousand), corresponding to the position "cash und cash equivalents" reported in the consolidated statement of financial position. Cash comprises cash-in-hand, checks received and bank balances. No cash equivalents exist.

5. NOTES TO INDIVIDUAL CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

5. a. Property, plant and equipment

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

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

IN EUR THOUSAND	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FIXTURES, FURNITURE AND OFFICE EQUIPMENT	PREPAYMENTS AND CONSTRUCTION IN PROGRESS	PROPERTY, PLANT AND EQUIPMENT, TOTAL
Cost					
Balance on 01.07.2014	37,181	31,791	5,284	438	74,694
Currency differences	217	2,161	141	67	2,586
Additions	105	1,468	98	1,252	2,923
Disposals	0	9,368	10	0	9,378
Reclassifications	25	1,126	13	–1,164	0
Balance on 30.06.2015	37,528	27,178	5,526	593	70,825
Cumulative depreciation and impairment losses					
Balance on 01.07.2014	27,179	23,805	4,334	0	55,318
Currency differences	111	977	53	0	1,141
Additions	843	2,408	535	0	3,786
Impairment losses	0	287	0	0	287
Disposals	0	9,266	8	0	9,274
Reclassifications	0	0	0	0	0
Balance on 30.06.2015	28,133	18,211	4,914	0	51,258
Net carrying amounts					
Balance on 01.07.2014	10,002	7,986	951	438	19,377
Balance on 30.06.2015	9,395	8,967	613	593	19,568

IN EUR THOUSAND	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FIXTURES, FURNITURE AND OFFICE EQUIPMENT	PREPAYMENTS AND CONSTRUCTION IN PROGRESS	PROPERTY, PLANT AND EQUIPMENT, TOTAL
Cost					
Balance on 01.07.2013	32,519	31,364	8,982	0	72,865
Currency differences	–21	–421	–35	–13	–490
Additions	361	1,029	608	648	2,646
Addition from non-cash dividend	6,165	0	0	0	6,165
Disposals	6,165	159	168	0	6,492
Reclassifications	4,322	–22	–4,103	–197	0
Balance on 30.06.2014	37,181	31,791	5,284	438	74,694
Cumulative depreciation and impairment losses					
Balance on 01.07.2013	22,313	21,968	7,592	0	51,873
Currency differences	–8	–116	–6	0	–130
Additions	833	2,272	571	0	3,676
Disposals	0	65	36	0	101
Reclassifications	4,041	–254	–3,787	0	0
Balance on 30.06.2014	27,179	23,805	4,334	0	55,318
Net carrying amounts					
Balance on 30.06.2013	10,206	9,396	1,390	0	20,992
Balance on 30.06.2014	10,002	7,986	951	438	19,377

Property, plant and equipment of EUR 19,568 thousand was approximately at the previous year's level of EUR 19,377 thousand. The currency effects and additions from new and replacement investments in production plants are mainly offset by depreciation, amortization and impairment losses.

An impairment loss of EUR 287 thousand was applied to machinery in the year under review. These impairment losses were required after a major customer announced that it would discontinue its business relationships as of the end of the 2015/2016 financial year. The calculation of value-in-use occurred at the level of the assets deployed in order to generate the sales revenues with this major customer. The value-in-use of the machines in the America segment to which impairment losses were applied amounted to EUR 1,286 thousand as of the balance sheet date (carrying amount on the balance sheet date). The remaining residual useful life was adjusted to the end of the business relationships until the end of March 2016.

The "addition from non-cash dividend" in the previous year relates to the addition of real estate in Malaysia that the Group acquired at the end of August 2013 as settlement of a non-cash dividend receivable. The property that was received was disposed of again immediately as part of a lease agreement that was classified as a finance lease.

Loans, guarantee facilities and lease agreements are collateralized through land charges and collateral assignment of property, plant and equipment in the amount of approximately EUR 10,186 thousand (previous year: EUR 10,000 thousand).

5. b. Goodwill

The changes in the goodwill allocated to the cash-generating units are listed in the following overview and amount to EUR 9,696 thousand at the reporting date (previous year: EUR 14,023 thousand). These are distributed as follows among the operating segments:

IN EUR THOUSAND	BALDA MEDICAL ADMINISTRATION	BALDA C. BREWER	BALDA PRECISION	GOODWILL, TOTAL
	SEGMENT EUROPE	SEGMENT AMERICA	SEGMENT AMERICA	
Cost				
Balance on 01.07.2014	2	21,319	611	21,932
Currency differences	0	4,900	140	5,041
Balance on 30.06.2015	2	26,219	751	26,973
Cumulative amortization and impairment losses				
Balance on 01.07.2014	0	7,830	79	7,909
Currency differences	0	2,323	38	2,361
Additions	0	6,749	258	7,007
Balance on 30.06.2015	0	16,902	375	17,277
Net carrying amounts				
Balance on 30.06.2014	2	13,489	532	14,023
Balance on 30.06.2015	2	9,317	376	9,696

IN EUR THOUSAND	BALDA MEDICAL ADMINISTRATION	BALDA C. BREWER	BALDA PRECISION	GOODWILL, TOTAL
	SEGMENT EUROPE	SEGMENT AMERICA	SEGMENT AMERICA	
Cost				
Balance on 01.07.2013	2	18,697	4,307	23,006
Currency differences	0	–873	–201	–1,074
Reclassifications	0	3,495	–3,495	0
Balance on 30.06.2014	2	21,319	611	21,932
Cumulative amortization and impairment losses				
Balance on 01.07.2013	0	7,750	546	8,296
Currency differences	0	–362	–25	–387
Reclassifications	0	442	–442	0
Balance on 30.06.2014	0	7,830	79	7,909
Net carrying amounts				
Balance on 30.06.2013	2	10,947	3,761	14,710
Balance on 30.06.2014	2	13,489	532	14,023

When calculating both value-in-use and the fair value less costs of selling (using the DCF approach), estimation uncertainties exist for the underlying assumptions, especially in relation to:

1. Future cash flows,
2. Discounting factor,
3. Growth rate on which the extrapolation of the cash flow forecasts beyond the budget period is based.

Goodwill is measured using the criteria outlined below:

Balda C. Brewer, Inc. and Balda Precision, Inc., each comprises one cash generating unit. These form part of the America segment. Reporting occurs to the Management Board as chief operating decision-maker accordingly.

The recoverable amount of the cash-generating unit was calculated based on value-in-use. Measurement was performed by discounting the future cash flows of Balda C. Brewer, Inc. and Balda Precision, Inc. The detailed planning period comprises the years 2015 / 2016 to 2017 / 2018 and is based on assumptions about future sales prices or sales volumes and costs, taking the general economic conditions into account. For the years after 2017 / 2018, a perpetual return with a general growth rate of 1.0 % was calculated.

Balda C. Brewer, Inc.

The goodwill of Balda C. Brewer, Inc. reduced from EUR 13,489 thousand to EUR 9,317 thousand in the year under review. Impairment losses were required after a major customer announced that it would discontinue its business relationship. This reduced sales revenues growth and future cash flows for the coming years.

The impairment test was based on a weighted average cost of capital before tax of 14.5 % (previous year: 14.3 %). The value-in-use of EUR 26,580 thousand calculated in this way was EUR 7,274 thousand lower than the underlying carrying amount of EUR 33,854 thousand.

After applying the impairment loss to the goodwill, the recoverable amount corresponds to the carrying amount of the cash-generating unit.

The goodwill impairment loss could have been avoided if the future cash flows had been 27.4 % higher, or if the discounting factor had amounted to 12.0 %, and the growth rate had amounted to 3.1 %.

Balda Precision, Inc.

An impairment loss was applied to the goodwill of Balda Precision, Inc., in the year under review reducing it to EUR 376 thousand (previous year: EUR 532 thousand). A reduction in sales revenues expectations compared with the past and the resultant achievable cash flows were the reason for this impairment loss.

This was based on a weighted average cost of capital before tax of 14.2 % (previous year: 13.5 %). The value-in-use of EUR 2,242 thousand calculated in this way was EUR 279 thousand lower than the underlying carrying amount of the cash-generating unit of EUR 2,521 thousand.

After applying the impairment loss to the goodwill, the recoverable amount corresponds to the carrying amount of the cash-generating unit.

The goodwill impairment loss could have been avoided if the future cash flows had been 12.5 % higher, or if the discounting factor had amounted to 12.8 %, and the growth rate had amounted to 2.2 %.

5. c. Intangible assets

Intangible assets primarily relate to purchased lists of customers, patents and other intangible assets added as part of an acquisition.

Intangible assets report the following changes:

IN EUR THOUSAND	SOFTWARE	BRANDS, PATENTS, LICENSES, RIGHTS	INTERNALLY GENERATED INTANGIBLE ASSETS	INTANGIBLE ASSETS, TOTAL
Cost				
Balance on 01.07.2014	4,147	9,675	193	14,015
Currency differences	0	2,222	0	2,222
Additions	159	2,647	8	2,814
Balance on 30.06.2015	4,306	14,544	201	19,051
Cumulative amortization and impairment losses				
Balance on 01.07.2014	3,635	3,690	10	7,335
Currency differences	0	1,026	0	1,026
Additions	178	957	40	1,175
Impairment losses	0	1,327	0	1,327
Balance on 30.06.2015	3,813	7,000	50	10,863
Net carrying amounts				
Balance on 30.06.2014	512	5,985	183	6,680
Balance on 30.06.2015	493	7,544	151	8,188

IN EUR THOUSAND	SOFTWARE	BRANDS, PATENTS, LICENSES, RIGHTS	INTERNALLY GENERATED INTANGIBLE ASSETS	PREPAYMENTS RENDERED	INTANGIBLE ASSETS, TOTAL
Cost					
Balance on 01.07.2013	2,698	10,137	193	1,319	14,347
Currency differences	0	–474	0	0	–474
Additions	130	12	0	0	142
Disposals	0	0	0	0	0
Reclassifications	1,319	0	0	–1,319	0
Balance on 30.06.2014	4,147	9,675	193	0	14,015
Cumulative amortization and impairment losses					
Balance on 01.07.2013	2,598	2,170	0	0	4,768
Currency differences	0	–111	0	0	–111
Additions	370	899	10	0	1,279
Impairment losses	667	732	0	0	1,399
Balance on 30.06.2014	3,635	3,690	10	0	7,335
Net carrying amounts					
Balance on 30.06.2013	100	7,967	193	1,319	9,579
Balance on 30.06.2014	512	5,985	183	0	6,680

In the year under review, the Balda Group acquired a patent to manufacture a dosing pipette system. The carrying amount stands at EUR 2,613 thousand as of the balance sheet date. The useful life amounts to eleven years.

Brands, patents, licenses and rights include, inter alia, purchased customer lists (customer relationships) relationships and brand names arising from the acquisition of the US companies at the end of 2012. After a major customer announced the discontinuation of business relationships, impairment losses of EUR 494 thousand were applied accordingly to the value-in-use of the capitalized customer relationships in the America segment. The residual useful lives of the customer relationships have changed in relation to this major customer, and now amount to just nine months. This leades to an impairment loss of EUR 207 thousand for 2015 / 2016 (previous year: EUR 98 thousand). Accordingly, the residual carrying amounts of the entire customer relationships lie between nine months and nine years, and amount to EUR 4,655 thousand as of the balance sheet date. The calculation of value-in-use occurred at the level of the assets deployed in order to generate the sales revenues with this major customer.

The capitalized brand names of the US companies in the America segment were fully written down to the level of the residual carrying amount of EUR 810 thousand in the year under review. The impairment loss was required as the brand names no longer comprise any value for the company due to existing litigation.

In the income statement, impairment losses are reported under the "depreciation, amortization and impairment losses" item.

Internally generated intangible assets principally concern activated expenses for product design and prototype construction for a tablet dispenser. The asset is amortized straight-line over a residual useful life of four years. Future income is expected to cover the total costs of development.

Total research costs and development costs that cannot be capitalized amounted to EUR 989 thousand in the 2014 / 2015 financial year (2013 / 2014 financial year: EUR 1,189 thousand).

5. d. Financial assets

Financial assets as of 30 June 2015 relate to the first-time recognition of a financial investment (borrower's note loan) with a residual term until October 2016. This investment carries fixed income of 0.87 %.

The long-term portion of the lease receivable deriving from a finance lease pursuant to IAS 17.36 arose in the previous year from the rental of the property Malaysia, with a term until the end of 2016. In the 2014 / 2015 financial year, the Balda Group received lease payments of EUR 1,375 thousand in relation to the current portion of the lease receivable.

The original lease agreement for the property in Ipoh, Malaysia, was amended during the financial year under review. In June 2015, the lessor exercised a newly agreed purchase option. This lease contract now has only short-term character. For this reason, it was reclassified in an amount of EUR 2,033 thousand to the "other current assets" item.

IN EUR THOUSAND	2014 / 2015	2013 / 2014
Balance of non-current lease receivables as of 01.07.	**3,234**	**0**
Present value of minimum lease payments at start	0	+4,866
Impairment losses	–163	–302
Currency differences	+313	–80
Reclassification to other current receivables (shortening of term)	–1,375	–1,250
Reclassification to other current receivables (contract amendment)	–2,009	0
Balance of non-current lease receivables as of 30.06.	**0**	**3,234**

The impairment loss applied to the short- and longterm lease receivable changed as follows:

IN EUR THOUSAND	2014 / 2015	2013 / 2014
Balance of impairment losses at start of financial year	**302**	**0**
Additions to impairments	+164	+302
Currency differences	+71	0
Reclassification to current assets	–537	0
Balance of impairment losses at end of financial year	**0**	**302**

Pursuant to IAS 17.47, we present below the reconciliation between the gross investment amount for the receivable from lease and the present value of the minimum lease payments:

	RESIDUAL TERM		
IN EUR THOUSAND	LESS THAN 1 YEAR	BETWEEN 2 AND 5 YEARS	TOTAL
Gross investment as of 30.06.2015	3,508	0	3,508
Unrealized finance income	0	0	0
Present value of minimum lease payments as of end-date	3,508	0	3,508
Gross investment as of 30.06.2014	1,500	3,536	5,036
Unrealized finance income	0	0	0
Present value of minimum lease payments as of 30.06.2014	1,500	3,536	5,036
Impairment loss applied to lease receivable		302	302
Carrying amount of lease receivable as of 30.06.2014	1,500	3,234	4,734

5. e. Deferred taxes

The following amounts for temporary differences were recognized under deferred tax assets as of 30 June 2015 and 30 June 2014:

IN EUR THOUSAND	30.06.2014	RECOG-NIZED THROUGH PROFIT OR LOSS	EFFECTS FROM CURRENCY TRANS-LATION	BALANC-ING WITH DEFERRED TAX LIABILITIES	30.06.2015
Tax losses (loss carryforwards) and interest carryforwards	3,348	470	241	0	4,059
Offsetting with deferred tax liabilities	–1,420	0	0	–3,547	–4,967
Provisions	440	–148	86	0	377
Liabilities	668	1,120	76	0	1,864
Inventories and intangible assets	17	1,133	17	0	1,167
Property, plant and equipment, and intangible assets	965	587	47	0	1,599
Other	204	344	36	0	584
Deferred taxes according to statement of financial position	**4,222**	**3,507**	**503**	**–3,547**	**4,685**

Deferred tax assets on loss and interest carryforwards are recognized only if it appears probable as of the reporting date that taxable profits will be available against which the deductible temporary differences can be utilized. Due to business trends and tax planning calculations, the Management Board assumes that sufficient positive taxable profits will arise to realize the tax claim.

As of 30 June 2015, loss and interest carryforwards of EUR 23,605 thousand existed whose utilization depends on the availability of future taxable income that is higher than the effects on earnings from the reversal of existing taxable temporary differences. Based on the corresponding tax planning for a five-year period, it is probable that the tax assets will be realized.

As of the balance sheet date, tax loss carryforwards exist relating to German trade tax in an amount of EUR 75,920 thousand (previous year: EUR 78,315 thousand), and relating to both German and foreign corporation tax in an amount of EUR 81,831 thousand (previous year: EUR 88,937 thousand), for which no deferred taxes have been recognized. It is nevertheless assumed that it will be possible to offset these loss carryforwards against future profits. However, since these profits are expected in periods that are outside the planning horizon, they are not recognized.

Deferred taxes with respect to the German companies are calculated including a higher collection rate for the German trade tax at the tax rate of 30.4 % (previous year: 30.3 %). Tax rates of the foreign subsidiaries were as in the previous year between 40 % and 41 %. Tax rates were applicable according to the legal position as of the balance sheet date, or were expected.

Current assets

5. f. Inventories

Impairment losses are recognized on the inventories disclosed at the reporting date in the amount of EUR 9,150 thousand (previous year: EUR 8,645 thousand). For the first time in the year under review, prepayments made in relation to inventories were reported under the "other current assets" item. The previous year's figure was restated.

The impairment losses applied to inventories changed as follows:

IN EUR THOUSAND	2014/2015	2013/2014
Balance of impairment losses at start of financial year	**619**	**616**
Additions to impairments	+542	+538
Reversal of impairments	–26	0
Utilization of impairment losses	–294	–535
Currency differences	+56	0
Balance of impairment losses at end of financial year	**897**	**619**

In the 2014/2015 financial year, valuation allowances to inventories of EUR 1,083 thousand (previous year: EUR 893 thousand) were expensed.

5. g. Trade receivables

Trade receivables amount to EUR 12,771 thousand at the reporting date (previous year: EUR 8,541 thousand).

As in the previous year all receivables are due in less than one year.

The specific valuation allowances on trade receivables changed as follows:

IN EUR THOUSAND	2014/2015	2013/2014
Balance of valuation allowances at start of financial year	**17**	**131**
Additions to valuation allowances	+10	+22
Utilization of valuation allowances	0	–98
Reversal of unused valuation allowances	–21	–33
Currency differences	+4	–5
Balance of impairment losses at end of financial year	**10**	**17**

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

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

IN EUR THOUSAND	CARRYING AMOUNT	OF WHICH: NEITHER IMPAIRED NOR OVERDUE AS OF THE REPORTING DATE	OF WHICH: NOT IMPAIRED AS OF THE BALANCE SHEET DATE AND OVERDUE IN THE FOLLOWING TIME BANDS					IMPAIRED AS OF THE BALANCE SHEET DATE
			UP TO 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	BETWEEN 91 AND 120 DAYS	MORE THAN 120 DAYS	
Trade receivables as of 30 .06.2015	12,771	10,663	1,586	363	90	46	23	10
Trade receivables as of 30.06.014	8,541	7,256	967	96	112	97	13	17

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

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

Applying the percentage of completion method (POC method), sales revenues of EUR 4,513 thousand (previous year: EUR 2,490 thousand) exceeded the related partial invoices of EUR 3,226 thousand (previous year: EUR 1,904 thousand). The surplus of EUR 1,287 thousand (previous year: EUR 586 thousand) is reported among trade receivables. The following list shows the level of partial revenues and the attributable costs:

IN EUR THOUSAND	2014/2015	2013/2014
Sales revenues as per POC method	4,513	2,490
Contract costs	3,727	2,131
Profit as per POC method	786	359

5. h. Other current assets

Other current assets are comprised as follows:

IN EUR THOUSAND	30.06.2015	30.06.2014
Financial assets	44,759	35,827
Non-financial assets	2,360	1,777
Other current assets, total	**47,119**	**37,604**

Financial assets include:

IN EUR THOUSAND	30.06.2015	30.06.2014
Current portion of lease receivables arising from rental of property in Malaysia	3,508	1,500
Bank deposits with restricted access	0	2,878
Fixed term deposits with a term of more than 3 months (previous year: borrower's note loans)	30,000	30,000
Corporate bonds with a term of more than 3 months	9,983	0
Other	1,268	1,449
Total amount	**44,759**	**35,827**

In the previous year, the bank deposits with restricted access related to a cash deposit for an advance payment guarantee with a term until January 2015.

The fixed term deposits and corporate bonds have terms until a maximum of October 2015. In line with the investment volume and term, they carry an interest rate of 0.35% (previous year: interest rates between 0.7% and 0.9%). The deposited amounts are subject to the Private Banks' Deposit Protection Fund, and emitters carry a good rating (investment grade).

As of the 30 June 2015 and 30 June 2014 balance sheet dates, the financial assets that were extended were neither overdue nor impaired.

As of the balance sheet date, no indications existed that the debtors will fail to meet their payment obligations.

Other current non-financial assets are comprised as follows:

	30.06.2015		30.06.2014		01.07.2013	
IN EUR THOUSAND	TOTAL	OF WHICH CURRENT	TOTAL	OF WHICH CURRENT	TOTAL	OF WHICH CURRENT
VAT reimbursement claims	260	260	370	370	340	340
Prepayments relating to inventories	2,100	2,100	1,407	1,407	280	280
Total	**2,360**	**2,360**	**1,777**	**1,777**	**620**	**620**

5.i. Income tax claims

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

5.j. Cash and cash equivalents

Cash and cash equivalents amounting to EUR 139,477 thousand (previous year: EUR 160,518 thousand) comprise cash, checks received and bank balances. For more information on the development of cash, please refer to our comments on the statement of cash flows in section II.4. "Statement of cash flows".

No cash and cash equivalents with restricted access existed (previous year: EUR 2,878 thousand). They were reported among other current assets.

5.k. Consolidated equity

The changes in consolidated equity are presented in the statement of changes in equity.

The parent company's subscribed share capital continued to amount to EUR 58,891 thousand as of the 30 June 2015 balance sheet date. It is split into 58,890,636 no par value bearer shares that are fully dividend-entitled. One share represents a notional amount in the share capital of EUR 1.00. All shares are fully paid in.

The Group's equity amounted to EUR 234,113 thousand as of 30 June 2015, compared with EUR 241,783 thousand as of the 30 June 2014 balance sheet date.

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

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

The company's Annual General Meeting on 11 May 2012 authorized the Management Board, with the approval of the Supervisory Board, to issue convertible bonds and/or bonds with warrants, profit participation rights and/or profit participation bonds or combinations of these instruments (together "bonds") with a total face value of up to EUR 100,000,000.00 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 warrants 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 warrant obligations are based.

Neither authorized nor contingent capital had been utilized as of the balance sheet date.

The capital reserves derive mainly from premiums three issuing new shares of Balda AG. In addition, the capital reserves include the statutory reserve of Balda AG.

Differences arising from the translation of the statements of financial position and income statements of the foreign companies prepared in foreign currency are transferred to the foreign currency translation reserve under equity in accordance with IAS 21.

The currency translation items in equity changed as follows:

IN EUR THOUSAND	2014/2015	2013/2014
At start of financial year	**–5,472**	**3,373**
Change in foreign currency translation reported in comprehensive income		
Change in currency translation recognized Foreign currency translations	1,000	–10,281
Disposal from reclassification to income statement	4,073	0
Reclassification due to conversion of functional currency of a subsidiary	0	1,436
At end of financial year	**–399**	**–5,472**

Balda Investments Singapore Pte. Ltd., Singapore, converted its functional currency from the US dollar to the euro as of 1 June 2014. This switch was accompanied by a change to the foreign currency translation method applied. Due to the translation of all balance sheet items at the exchange rate prevailing on the date of the change of the functional currency, the net unappropriated profit in the previous year was transferred to the currency translation reserve in an amount of EUR 1,436 thousand.

At the end of April 2015, Balda passed a resolution to liquidate Balda Investments Singapore Pte. Ltd, Singapore, and appointed the liquidators at the same time. The company's active operating activities have been discontinued as a consequence. The remaining assets serve only to wind down the company. For this reason, the currency translation reserve attributable to the company was released through profit or loss (EUR 4,073 thousand).

Net retained profits comprise the profit or loss generated by the Group to date, less any dividend distributions. As of 30 June 2015, net retained profits amounted to EUR 139,185 thousand, following EUR 151,928 thousand in the previous year.

No dividends were paid out to shareholders in the 2014/2015 financial year.

Non-current liabilities

5.l. Bank loans

At the 30 June 2015 reporting date, bank loans of EUR 205 thousand (previous year: EUR 465 thousand) existed exclusively at the US companies. The loans still have a residual term of two years, and carry 3.36% interest. Repayment amounts due in less than twelve months are reported under 5.s "Short-term bank borrowings and short-term loans".

5. m. Deferred taxes

The deferred tax liabilities changed as follows in the 2014/2015 financial year:

IN EUR THOUSAND	BALANCE 30.06.2014	RECOG-NIZED THROUGH PROFIT OR LOSS	EFFECTS FROM CURRENCY TRANS-LATION	ADJUST-MENT FROM OFFSET-TING WITH DEFERRED TAX ASSETS	BALANCE 30.06.2015
Property, plant and equipment, and intangible assets	4,540	–590	817	0	4,767
Receivables	1,970	–1,579	0	0	391
Financial investments	758	154	0	0	912
Offsetting with deferred tax assets	–1,420	0	0	–3,547	–4,967
Other	3	1,484	4	0	1,491
Deferred taxes	**5,851**	**–531**	**821**	**–3,547**	**2,594**

In the consolidated financial statements of Balda AG, deferred tax liabilities relating to outside basis differences are generally formed only if the management plans to distribute earnings within the foreseeable future (two years). At the reporting date, deferred tax liabilities of EUR 912 thousand (previous year: EUR 757 thousand) were recognized on temporary differences between the net assets of subsidiaries and the corresponding carrying amount of the investments for tax purposes. In accordance with Section 8b (1) in conjunction with (5) of the German Corporation Tax Act (KStG), this amount constitutes the tax charge in connection with the planned dividend distributions by subsidiaries to Balda AG. Besides this, no deferred tax liabilities were formed for taxable temporary outside basis differences in an amount of EUR 6,184 thousand (previous year: EUR 10,686 thousand), because on this scale it is unlikely that these temporary differences will reverse in the foreseeable future.

5. n. Non-current provisions

Non-current provisions changed as follows:

IN EUR THOUSAND	BALANCE 30.06.2014	EXCHANGE RATE DIFFEREN-CES	UTILIZA-TION	DISPOSAL	ADDITION	BALANCE 30.06.2015
Anniversary obligation provisions	147	0	0	0	34	181
Total	**147**	**0**	**0**	**0**	**34**	**181**

Provisions for anniversary obligations relate to deferrals for future obligations to employees arising from long-term service. The amount of the obligations depends on the length of the employees' service. An interest rate of 1.33% was applied for discounting to present value at the reporting date. The interest effect recognized in the 2014/2015 financial year is EUR 2 thousand (previous year: EUR 4 thousand). Utilization depends on reaching anniversaries over a period of up to 45 years.

5. o. Non-current financial liabilities

In the financial year under review, the Balda Group acquired a patent to manufacture a dosing pipette system (see also section II.5.c). The payment of the purchase price can be distributed over a period of up to eleven years, and is based on the sales revenues generated from the patent. Given the expected sales revenues trends, the Group anticipates a total purchase price of EUR 3,000 thousand. The application of a 2.15% discount rate generates a present value of EUR 2,613 thousand, of which EUR 2,488 thousand is non-current.

Furthermore this item consists of warranty obligations arising from a customer reclamation (EUR 308 thousand).

Current liabilities

5. p. Trade payables

Trade payables principally result from deliveries of materials and services.

The increase in trade payables from EUR 5,539 thousand as of 30 June 2014 to EUR 5,854 thousand as of 30 June 2015 is primarily attributable to the rise in inventories.

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

The other current financial liabilities mainly include:

IN EUR THOUSAND	2015	2014
Personnel obligations	3,530	2,489
Miscellaneous other current liabilities	1,467	1,544
Total amount	**4,997**	**4,033**

All of the liabilities are due within one year.

The miscellaneous other current non-financial liabilities mainly include:

IN EUR THOUSAND	2015	2014
VAT obligations	100	32
Total amount	**100**	**32**

5. r. Advance payments received

The advance payments received chiefly relate to payments received on account of orders for assembly lines and tools that are already being utilized in production.

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

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

5. t. Income tax liabilities

The tax liabilities relate exclusively to obligations for income taxes in accordance with IAS 12. The increase consists mainly of tax risks from dividend income in Europe.

5. u. Current provisions

The current provisions are composed as follows:

IN EUR THOUSAND	BALANCE 30.06.2014	EXCHANGE RATE DIFFEREN-CES	UTILIZA-TION	DISPOSAL	ADDITION	BALANCE 30.06.2015
Warranty obligations	105	0	0	0	15	120
Personnel obligation	1,299	0	–72	0	361	1,588
Restructuring	0	0	0	0	525	525
Litigation	0	0	0	0	1,342	1,342
Total	**1,404**	**0**	**–72**	**0**	**2,243**	**3,575**

The warranty obligations were formed on the basis of past empirical values for obligations to customers.

The previous year's personnel obligation relates to expenditures for potential payments after the departure of the former Management Board member. The addition in the year under review includes expected payments for salaries following the laying-off of management in the America segment.

The Balda Group plans the closure of a site, as well as the consolidation of several production locations of Balda C. Brewer, Inc. into a newly rented production site. This is caused mainly by the announcement by a major customer that it would discontinue its business relationship. At the same time, the consolidation of site should generate synergy effects and allow production processes to be structured more efficiently. The resultant charges are balanced as pending losses as of the balance sheet date.

The sellers of the US companies have brought an arbitration claim against a Balda company in the USA. The sellers are claiming damage compensation of USD 5 million as well as the payment of punitive damages of a still undefined amount and have applied for the defendant Balda company to bear the costs arising from the arbitration procedure. The Group has formed provisions for the resultant obligations for its own legal advice, proportional court costs, and other charges that are anticipated as a consequence.

No assurance can be given that no additional costs arise that exceed the provisions that have been formed.

Cash outflows for the provisions are anticipated in the 2015 / 2016 financial year.

5. aa. Share-based compensation

The Group has no share-based compensation schemes.

5. ab. Additional information about financial instruments

Presentation by measurement category:

The carrying amounts and valuations by measurement category for the continuing operations are shown in the table below:

IN EUR THOUSAND 30.06.2015	MEASUREMENT CATEGORY AS PER IAS 39	CARRYING AMOUNT AS OF 30.06.2015	MEASUREMENT AS PER IAS 39: (AMORTIZED) COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE DIRECTLY TO EQUITY	MEASUREMENT AS PER OTHER IFRSS
Assets						
Cash and cash equivalents	LaR	139,477	139,477	0	0	0
Trade receivables	LaR	12,771	11,484	0	0	1,287
Other current financial assets	LaR	44,759	41,250	0	0	3,509
Financial investments	LaR	15,000	15,000	0	0	0
Liabilities						
Bank loans (non-current)	FLAC	205	205	0	0	0
Trade payables	FLAC	5,854	5,854	0	0	0
Current bank borrowings and loans	FLAC	363	363	0	0	0
Other current financial liabilities	FLAC	4,997	4,997	0	0	0
Other non-current financial liabilities	FLAC	2,796	2,796	0	0	0
Of which aggregated according to measurement categories as per IAS 39:						
Loans and Receivables (LaR)	LaR	212,007	207,211	0	0	4,796
Financial Liabilities Measured at Amortized Cost (FLAC)	FLAC	14,215	14,215	0	0	0

IN EUR THOUSAND 30.06.2014	MEASUREMENT CATEGORY AS PER IAS 39	CARRYING AMOUNT AS OF 30 JUNE 2015	MEASUREMENT AS PER IAS 39: (AMORTIZED) COST	FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE DIRECTLY TO EQUITY	MEASUREMENT AS PER OTHER IFRSS
Assets						
Cash and cash equivalents	LaR	160,518	160,518	0	0	0
Trade receivables	LaR	8,541	7,955	0	0	586
Other current financial assets	LaR	35,827	34,327	0	0	1,500
Other non-current receivables (leasing)	LaR	3,234	0	0	0	3,234
Liabilities						
Bank loans (non-current)	FLAC	465	465	0	0	0
Trade payables	FLAC	5,539	4,939	0	0	300
Current bank borrowings and loans	FLAC	285	285	0	0	0
Other current financial liabilities	FLAC	4,033	4,033	0	0	0
Of which aggregated according to measurement categories as per IAS 39:						
Loans and Receivables (LaR)	LaR	208,120	202,800	0	0	5,320
Financial Liabilities Measured at Amortized Cost (FLAC)	FLAC	10,322	10,022	0	0	300

The carrying amounts of current and non-current financial assets and liabilities, as well as non-current bank loans, approximate their fair values. In the previous year, the fair value of the other non-current (lease) receivables amounted to EUR 2,985 thousand (level 3). This fair value was measured on the basis of standard market interest rates and the agreed installment payments.

As of 30 June 2015 and 30 June 2014, the Balda Group held no financial assets or liabilities measured at fair value on its balance sheet.

IN EUR THOUSAND 30.06.2015	FROM SUBSEQUENT MEASUREMENT: AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIRMENT	FROM INTEREST PAYMENTS	FROM DISPOSAL	NET PROFIT / LOSS 2015
Loans and Receivables (LaR)	0	716	–25	787	0	1,478
Financial Liabilities Measured at Amortised Cost (FLAC)	0	5,219	0	–50	192	5,361
Total	**0**	**5,935**	**–25**	**737**	**192**	**6,839**

IN EUR THOUSAND 30.06.2014	FROM SUBSEQUENT MEASUREMENT: AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIRMENT	FROM INTEREST PAYMENTS	FROM DISPOSAL	NET PROFIT / LOSS 2014
Loans and Receivables (LaR)	0	10,035	–313	1,648	0	11,370
Financial Liabilities Measured at Amortised Cost (FLAC)	0	0	0	–69	923	854
Total	**0**	**10,035**	**–313**	**1,579**	**923**	**12,224**

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

Currency risks

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

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

The objective of the currency management function at Balda is to minimize foreign currency risks. To hedge currency risks mainly currency swaps are carried out. Currency movements are continuously observed in conjunction with the banks. The Group does not have any foreign currency holdings. Where foreign currencies are not needed and no hedging instruments can be used, foreign currency is exchanged immediately.

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

Currency risks exist within the Group mainly from US dollar-denominated bank deposits, and the liabilities of subsidiaries whose functional currency is another currency.

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

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

Transactions in foreign currency are primarily effected in US dollar for the Group's operating activities. The following table shows, from a Group perspective, the sensitivity to a rise or fall in the euro against the foreign currency in question. The sensitivity analysis merely considers outstanding monetary items in foreign currency and adjusts their translation at the end of the period in accordance with a 5 % change in the exchange rates. The sensitivity analysis includes transactions from the operating business if these transactions are denominated in a currency other than the company's functional currency. It therefore comprises the effects of a change in the exchange rate on the financial investments held. If the euro had been 5 % stronger (weaker) relative to all currencies as of 30 June 2015, total comprehensive income would have been around EUR 123 thousand (previous year: EUR 528 thousand) lower (higher).

IN EUR THOUSAND	NOMINAL VOLUME AS OF 30.06.2015	2015 +/– 5%	NOMINAL VOLUME AS OF 30.06.2014	2014 +/– 5%
Effects on comprehensive income				
from USD	2,246	112	5,115	256
from SGD	91	5	0	0
from MYR	0	0	5,185	259
from other currencies	122	6	269	13
Total		**123**		**528**

Credit risk

Actively pursued local debtor management is designed to ensure that the Group companies receive information on the creditworthiness of business partners in advance from corresponding credit bureaus and credit insurers. Moreover, customers' past payment behavior can provide additional insight. Where possible, receivables will also be hedged through credit insurance policies. In the Group's operations, receivables are continuously monitored at local level. Specific valuation allowances are recognized to make allowance for default risks. On the basis of these Group-wide regulations, the losses of the non-impaired assets are regarded as low. The corresponding carrying amounts represent the maximum credit risk for all classes of financial assets IFRS 7.36 (a).

The Group companies follow internal investment guidelines when investing monetary assets. These restrict the level of investments per bank and investment transaction depending on rating. This creates a higher level of diversification and avoids risk concentration. Investments can be made only in assets that are either covered by deposit protection funds or that carry investment-grade ratings.

Interest rate risk

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

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

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

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

As in the previous year, the Balda Group had no variable interest financial liabilities as of the balance sheet date. In the previous year, the risk to earnings amounted to EUR 329 thousand in the case of financial receivables due to a 1 % change in interest rates in relation to variable interest borrower's note loans (EUR 32,878 thousand). No variable interest financial receivables existed as of the 30 June 2015 balance sheet date.

Liquidity risk

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

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

Liquidity risk management therefore concerns the analysis of the risk and the use of financial instruments (for example, agreement of adequate credit facilities, diversification of lenders, definition of capital commitment) to hedge the risk in the environment over which the financial management function has no control. For more information, please refer to the following chapter "Objectives of capital and liquidity management".

The following table shows the contractually agreed interest and principal repayments of the primary financial liabilities (nominal value):

IN EUR THOUSAND	CARRYING AMOUNT 30.06.2015	CASH-FLOWS 2015/2016 IN-TEREST	CASH-FLOWS 2015/2016 REPAY-MENT	CASH-FLOWS 2016/2017 IN-TEREST	CASH-FLOWS 2016/2017 REPAY-MENT	CASH-FLOWS 2017/2018–2019/2020 IN-TEREST	CASH-FLOWS 2017/2018–2019/2020 REPAY-MENT	CASH-FLOWS 2020/2021 ET SEQ. IIN-TEREST	CASH-FLOWS 2020/2021 ET SEQ. REPAY-MENT
Primary financial liabilities									
Non-current bank loans	205	0	0	3	205	0	0	0	0
Current bank borrowings	363	13	363	0	0	0	0	0	0
Trade payables	5,854	0	5,854	0	0	0	0	0	0
Other current financial liabilities	4,997	0	4,997	0	0	0	0	0	0
Other non-current financial liabilities	2,796	0	0	0	358	0	485	0	2,465

The previous year is as follows:

IN EUR THOUSAND	CARRYING AMOUNT 30.06.2014	CASH-FLOWS 2014/2015 IN-TEREST	CASH-FLOWS 2014/2015 REPAY-MENT	CASH-FLOWS 2015/2016 IN-TEREST	CASH-FLOWS 2015/2016 REPAY-MENT	CASH-FLOWS 2016/2017–2018/2019 IN-TEREST	CASH-FLOWS 2016/2017–2018/2019 REPAY-MENT	CASH-FLOWS 2019/2020 ET SEQ. IIN-TEREST	CASH-FLOWS 2019/2020 ET SEQ. REPAY-MENT
Primary financial liabilities									
Non-current bank loans	465	15	0	11	298	1	167	0	0
Current bank borrowings	285	9	285	0	0	0	0	0	0
Trade payables	5,539	0	5,539	0	0	0	0	0	0
Other financial liabilities	4,033	0	4,033	0	0	0	0	0	0

Objectives of capital and liquidity management

In terms of its balance sheet equity, the main objective of the Group's capital management function is to ensure that the Balda Group remains able to repay its debts and retains a capital structure with matching maturities. The Management Board is authorized to raise short-term debt to finance current assets. For its strategic investments, the Group has at its disposal, in addition to a high level of cash reserves, the raising of loans, and the issuing of equity instruments and bonds. The Group has implemented a system with appropriate parameters for managing short-, medium- and long-term financing and liquidity requirements. The Group secures short-term solvency through holding sufficient cash and cash equivalents. Future and actual cash flows are monitored at the same time.

Important parameters of the Group's capital management system are the minimization of net financial liabilities and net gearing. Net financial liabilities include all liabilities to banks and payments received, net of cash. The high level of cash and cash equivalents results in a surplus of liquid assets above and beyond the aforementioned liabilities (= net financial receivables). Net financial receivables nevertheless reduced to a level of EUR 135,295 thousand (previous year: EUR 156,773 thousand). The ratio of net financial liabilities to the Group's equity led to a net gearing of minus 56.6 % (previous year: minus 64.7 %).

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

	30.06.2015	30.06.2014
Net financial receivables (in EUR thousand)	135,295	156,773
Net gearing (in %)	–57.8	–64.7
Equity ratio (in %)	88.1	91.8
Equity (in EUR thousands)	234,113	241,783
Return on equity (in %)	–5.4	2.4

As a consequence of the sale of TPK shares in previous years, the Group continues to hold very high cash and cash equivalents at the reporting date (bank balances as well as short-term fixed-term deposits in corporate bonds). The Group's liquidity ratios at the reporting dates were as follows:

		30.06.2015	30.06.2014
First-degree liquidity (in %)	Liquid assets + short-term money deposits / Current liabilities	691.6	1,304.4
Third-degree liquidity (in %)	Current assets / Current liabilities	804.3	1,430.4

These figures illustrate the matched maturities in the Group's financing. Over and above the investments for strategic growth, the goal is to guarantee that the Group enjoys a solid cash flow. Having a minimum reserve of cash is also designed to continue to prevent future liquidity bottlenecks for financing the Group's operations. Balda continuously exchanges information with the commercial banks. This aims to ensure the necessary provision of credit facilities to cover potential liquidity bottlenecks. The Group currently has USD 1,000 thousand of cash credit lines at its US companies (previous year: USD 1,000 thousand). To secure advance payment guarantees, credit guarantee lines also exist in Europe in an amount of EUR 8,500 thousand (previous year: EUR 8,500 thousand).

6. NOTES TO INDIVIDUAL ITEMS OF THE CONSOLIDATED INCOME STATEMENT

6. a. Sales revenues

The consolidated sales revenues of the Balda Group amounted to EUR 85,437 thousand in the 2014/2015 financial year (previous year: EUR 70,517 thousand), and are comprised as follows:

IN EUR THOUSAND	2014/2015 GERMANY	2014/2015 FOREIGN	2014/2015 TOTAL	2013/2014 GERMANY	2013/2014 FOREIGN	2013/2014 TOTAL
Goods	32,514	52,533	85,047	27,096	43,060	70,156
Services	390	0	390	361	0	361
Total	**32,904**	**52,533**	**85,437**	**27,457**	**43,060**	**70,517**

Sales revenues include contract revenue from long-term construction contracts in accordance with IAS 11 in the amount of EUR 4,513 thousand in the financial year under review (2013/2014 financial year: EUR 2,490 thousand).

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

This item concerns the change in inventories of the goods produced or processed by the Group. A decrease in inventories of EUR 1,597 thousand was reported in the 2014/2015 financial year (previous year: increase in inventories of EUR 348 thousand).

6. c. Other operating income

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

IN EUR THOUSAND	2014/2015	2013/2014
Rental income including incidental costs	841	789
Sales of materials	465	383
Other income relating to other accounting periods	312	420
Income from the invoicing of service charges	188	188
Income from charges passed on	60	70
Accounting profits from disposal of fixed assets	20	14
Income from the reversal of allowances on receivables	21	33
Insurance reimbursement payments	2	489
Income from adjustment of a variable purchase price payment	0	503
Income from insolvency proceedings	0	447
Foreign exchange gains	0	55
Miscellaneous	995	657
Total amount	**2,904**	**4,048**

The other income relating to other accounting periods concerns the provisions and liabilities built in the previous year.

6. d. Cost of materials

The cost of materials of the Balda Group stood at EUR 32,794 thousand (2013/2014 financial year: EUR 26,935 thousand). The cost of materials ratio (the ratio of the cost of materials to sales revenues including changes in inventory) amounted to 39.1 % in the 2014/2015 financial year (previous year: 38.0 %). The slight increase in the ratio reflects a higher proportion of the more materials-intensive injection molding business of the European company.

6. e. Personnel expenses

Personnel expenses in the Group amounted to EUR 33,376 thousand (2013/2014 financial year: EUR 29,253 thousand). The ratio of personnel expenses to total operating revenue was 39.8 % in the 2014/2015 financial year (previous year: 41.3 %). Expenditures due to the laying-off of staff amounted to a total of EUR 1,063 thousand (2013/2014 financial year: EUR 1,723 thousand).

Personnel expenses in the reporting year include employer contributions to pension plans in the amount of EUR 872 thousand (previous year: EUR 675 thousand).

6. f. Depreciation, amortization and impairment losses

Depreciation and amortization amounted to EUR 4,962 thousand in the reporting period (2013/2014: EUR 4,955 thousand). In addition to this, EUR 1,614 thousand of impairment losses relating to property, plant and equipment, and intangible assets, in the America segment were required after a major customer announced that it would discontinue its business relationship in the 2015/2016 financial year. For more information, please refer to sections II.5.a and II.5.c of these notes to the financial statements. In the previous year, EUR 1,399 thousand of impairment losses were required for intangible assets, and EUR 302 thousand of impairment losses were necessitated for financial investments.

The annual goodwill impairment test required the recognition of EUR 7,007 thousand of impairment losses in the financial year under review (previous year: EUR 0 thousand). For more information, please refer to section II. 5.b "Goodwill".

6. g. Other operating expenses

The other operating expenses concern:

IN EUR THOUSAND	2014/2015	2013/2014
Legal and advisory costs and litigation risks	3,949	3,085
Maintenance of premises and machinery, and operating costs	3,519	2,504
Energy costs	2,709	2,600
Travel/vehicle/advertising costs and investor relations expenses	1,944	2,286
Rent and leasing expenses	1,562	1,379
Outgoing freight and warehousing costs	1,377	1,016
Product warranties	570	0
IT costs	555	1,128
Administrative costs	511	471
Other taxes	390	337
Insurance	364	353
Training courses/incidental personnel expenses	350	310
Supervisory Board compensation	194	170
Loss on disposal of fixed assets	70	30
Expenses for costs passed on	26	138
Bad debt allowance and bad debt losses	25	13
Foreign currency exchange rate expenses	4	45
Miscellaneous	938	931
Total amount	**19,057**	**16,795**

Legal and advisory costs include EUR 402 thousand of costs connected with acquisition activities. These costs were not incurred in the previous year. In the year under review, such costs include expenses for litigation in America in an amount of EUR 1,474 thousand (previous year: EUR 184 thousand), and in Europe in an amount of EUR 719 thousand (previous year: EUR 702 thousand).

In the year under review, maintenance of premises and machinery, and operating costs, also include necessary repair measures that still arise as part of the closure of sites in America.

6. h. Net interest income/expense

The interest result is comprised as follows:

IN EUR THOUSAND	2014/2015	2013/2014
Interest expenses	50	69
Interest income	787	1,648
Net interest income/expense	**737**	**1,579**

6. i. Other finance income (net)

Other finance income is comprised as follows:

IN TEUR	2014/2015	2013/2014
Income from currency differences	7,490	9,721
Expenses from currency differences	1,390	1,250
Expenses from the release of currency diffenrences in equity	4,073	0
Total amount	**2,027**	**8,471**

Other (net) finance income includes on a net basis foreign exchange gains arising from the measurement as of the reporting date of intercompany loans denominated in foreign currencies, and the measurement as of the reporting date of cash positions denominated in foreign currencies in an amount totaling EUR 6,100 thousand (previous year: EUR 8,471 thousand).

The ordinary liquidation of Balda Investments Singapore Pte. Ltd., Singapore, was initiated in April 2015. The company's operating activities have been discontinued and liquidators have taken over the winding down of the company. Accordingly, the related currency differences until now recorded in equity were released through profit or loss (EUR 4,073 thousand).

6. j. Taxes on income

The income taxes recognized in the income statement are comprised as follows:

IN EUR THOUSAND	2014/2015	2013/2014
Current income tax expense	1,532	433
Previous years' tax expense/income	5,947	–1,167
Deferred tax expense/income arising from the origination or reversal of temporary differences	–3,569	421
Change in the deferred tax assets recognized on loss carryforwards	–470	–226
Total income tax expense (previous year: income)	**3,441**	**–540**

The applicable tax rate in Germany is composed of trade tax of 14.6% (previous year: 14.5%) and corporation tax of 15.8% (previous year: 15.8%) including the solidarity surcharge. The tax on the Group's earnings before taxes differs from the theoretical amount calculated on application of the theoretical income tax rate of around 30.4% (previous year: around 30.3%) on earnings before taxes, as follows:

IN EUR THOUSAND	2014/2015	2013/2014
Result before taxes (EBT)	–9,302	5,324
Theoretical tax expense 2014/2015: 30.4% (previous year: 30.3%)	–2,827	1,614
Non-tax deductible income and expenses	–558	–115
Non-deductible impairment losses	2,791	0
Taxes for previous years	5,947	–1,167
Tax rate differences	106	–1,972
Tax effect deriving from unutilized tax losses that are not reported as deferred tax assets	–1,491	1,183
Tax effect deriving from the recognition of deferred taxes relating to loss carryforwards and interest carried forward	–470	0
Other	–58	–81
Total income tax expense (previous year: income)	**3,441**	**–540**

6. k. Consolidated net income

The consolidated net income of EUR –12,743 thousand (2013/2014: EUR 5,864 thousand) is attributable in full to the shareholders of Balda AG.

6. l. Earnings per share—basic and diluted

Basic and diluted earnings per share are as follows:

		2014/2015	2013/2014
Group share of earnings after taxes for the year on basis of income statement	(EUR thousand)	–12,743	5,864
Weighted average number of shares issued	(in thousands)	58,891	58,891
Basic and diluted earnings per share as per IAS 33	**(EUR)**	**–0.216**	**0.10**

As in the previous year, no dilutive instruments existed in the 2014/2015 financial year.

7. STATEMENT OF COMPREHENSIVE INCOME

The other comprehensive income (EUR 5,073 thousand) in the statement of comprehensive income includes the results from the translation of the foreign companies' balance sheets and income statements that are prepared in foreign currencies, and the recognition through profit or loss of EUR 4,073 thousand of currency differences that have been recognized to date in equity, following the discontinuation of the active operating activities of the subsidiary in Singapore. In this connection, please also refer to our remarks in section II.5.k.

III. OTHER DISCLOSURES

A. AVERAGE NUMBER OF EMPLOYEES

The following figures relate to the average headcount in the Balda Group including temporary help staff and trainees from the continuing operations.

	2014/2015	2013/2014
Management Board	1	2
Commercial employees	66	70
Technical and industrial staff	513	496
Temporarily help staff	212	166
Subtotal	**792**	**734**
Trainees	5	3
Total (average) number of employees	**797**	**737**
Number of employees as of the balance sheet date	**789**	**786**

For further information please refer to our comments on employees in the management report.

B. CONTINGENT LIABILITIES

As in the previous year, no contingent liabilities existed as of reporting date.

C. OTHER FINANCIAL OBLIGATIONS

Other financial obligations of EUR 8,845 thousand (previous year EUR 7,698 thousand) are composed as follows as of 30 June:

IN EUR THOUSAND	2014/2015	2013/2014
Order commitments for investments in property, plant and equipment and intangible assets	0	0
Binding orders for materials and commodities	8,845	7,698
Financial obligations, total	**8,845**	**7,698**

For more information about the rental and leasing obligations, please refer to our comments in section III. d. "Leasing".

D. LEASING

Lessee—operating lease

As of 30 June, rental and leasing obligations amounted to:

MINIMUM LEASE PAYMENTS IN EUR THOUSAND	2014/2015	2013/2014
< 1 year	1,684	1.643
2 to 5 years	1,348	2.217
> 5 years	0	65
Total amount	**3.032**	**3.926**

Payments of EUR 1,648 thousand were expensed in the period under review (previous year: EUR 1,379 thousand), and relate exclusively to minimum lease payments.

The obligations under rental and lease agreements relate to agreements in which the Group companies are not beneficial owners in accordance with IFRS (operating leases). The rental and leasing obligations principally concern machinery. No contractual purchase options exist at the end of the lease term.

Lessee—finance lease
As in the previous year, no finance leases existed as of the 30 June 2015 reporting date.

Lessor—operating lease
In order to maximize capacity utilization at the Bad Oeynhausen manufacturing facility, production areas and office premises are leased to third parties until May 2018 and December 2019 respectively. This lease will generate the following lease payments for the Group (as of: 30 June):

MINIMUM LEASE PAYMENTS IN EUR THOUSAND	2014/2015	2013/2014
< 1 year	693	411
2 to 5 years	1,408	1,143
> 5 years	0	23
Total amount	**2,101**	**1,577**

Lessor—finance lease
The lease agreement existing in Malaysia arising from the renting of the production site of the former Balda subsidiary Balda Solutions Malaysia Sdn. Bhd. in Ipoh, Malaysia, was amended in the year under review. In June 2015, the lessor exercised a newly agreed purchase option. For more information, please refer to section II.5.d. "Financial assets".

E. CONTINGENT LIABILITIES AND ASSETS

When the convertible profit participation rights were converted in 2010, conversion costs were paid to the investors for early conversion. The Management Board considers these payments (EUR 8,105 thousand) operating expenses rather than interest-related payments subject to a capital gains tax deduction.

F. LIST OF SHAREHOLDINGS

The following represents the list of shareholdings of Balda AG as of 30 June 2015:

FULLY CONSOLIDATED EQUITY INVESTMENTS

ENTITY	DOMICILE	EQUITY INVESTMENT	PERCENTAGE INTEREST HELD AND SHARE OF VOTING RIGHTS[1]
Balda Medical GmbH & Co. KG	Bad Oeynhausen Germany	Direct	100%
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen Germany	Direct	100%
Balda Solutions GmbH (formerly: Balda Solutions Deutschland GmbH)	Bad Oeynhausen Germany	Direct	100%
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen Germany	Direct	100%
Balda Investments Netherlands B.V.	Hengelo Netherlands	Direct	100%
Balda Investments Singapore Pte. Ltd. (in Liquidation) via Balda Investments Netherlands B.V.	Singapore Singapore	Indirect	100%
Balda Investments Malaysia Pte. Ltd. via Balda Investments Netherlands B.V.	Singapore Singapore	Indirect	100%
Balda Investments USA LLC via Balda Investments Netherlands B.V.	Wilmington Delaware, USA	Indirect	100%
Balda C. Brewer, Inc. via Balda Investments USA LLC	Anaheim California, USA	Indirect	100%
Balda Precision, Inc. via Balda Investments USA LLC	Oceanside California, USA	Indirect	100%
Widesphere Sdn. Bhd. via Balda Investments Malaysia Pte. Ltd.	Kuala Lumpur Malaysia	Indirect	100%
THE FOLLOWING WERE NEWLY ADDED IN THE 2014/2015 FINANCIAL YEAR:			
Balda Medical Systems SRL via Balda Investments Netherlands B.V. (85%) and Balda Medical GmbH & Co. KG (15%)	Timisoara Romania	Indirect	100%

[1] No change compared with the previous year with the exception of Balda Medical Systems SRL, which was newly founded in the 2014/2015 financial year.

G. CORPORATE BODIES OF BALDA AG

Supervisory Board of Balda AG

- Dr. Thomas van Aubel, Berlin, since 4 September 2013 (Chairman), lawyer, VAN AUBEL & PARTNER Rechtsanwälte law firm, Berlin
- Frauke Vogler, Berlin, since 4 September 2013 (Deputy Chair), lawyer/tax adviser, VOGLER, ROESSINK, CHALUPNIK law and tax advisory firm, Berlin
- Klaus Rueth, Darmstadt, since 4 September 2013, retired, former CFO of EMD Chemicals, USA

Dr. Thomas van Aubel is also

- Supervisory Board member of
  - Rubin 33. AG, Berlin
  - Market Logic Software AG, Berlin
  - Enligna AG, Berlin (Chairman)
  - ALEA Energy Solutions AG, Berlin (Chairman)

Management Board of Balda AG

- Oliver Oechsle, Düsseldorf, sole Management Board member since 31 October 2014 (formerly: Global Sales, Global Supply Chain Management, Public and Investor Relations)
- Dr. Dieter Brenken, Hilden, until 31 October 2014, Management Board member (Global Human Resources, Accounting, Controlling, Treasury, Audit, Legal, Tax, IT)

Oliver Oechsle is also

- Chairman of the Board of Directors of
  - Balda Investments USA LLC., Wilmington, California, USA (since 31 October 2014)
- Member of the Board of Directors of
  - Balda C. Brewer, Inc., Anaheim, California, USA
  - Balda Precision, Inc., Oceanside, California, USA
  - Balda Investments Singapore Pte. Ltd., Singapore, Singapore (since 31 October 2014)
  - Balda Investments Malaysia Pte. Ltd., Singapore, Singapore (since 31 October 2014)
  - Widesphere Sdn. Bhd., Kuala Lumpur, Malaysia (since 31 October 2014)

Until his departure from the company on 31 October 2014, Dr. Dieter Brenken was also active as

- Chairman of the Board of Directors of
  - Balda Investments USA LLC., Wilmington, California, USA
- Member of the Board of Directors of
  - Balda Investments Singapore Pte. Ltd., Singapore, Singapore
  - Balda Investments Malaysia Pte. Ltd., Singapore, Singapore
  - Widesphere Sdn. Bhd., Kuala Lumpur, Malaysia

Management and Supervisory board compensation

The compensation paid to managers in key positions that must be disclosed pursuant to IAS 24 comprises compensation paid to the Management and Supervisory boards at the Balda Group. The following compensation (payments due short-term) was granted:

IN EUR THOUSAND	2014/2015	2013/2014
Management Board	506	752
Supervisory Board	194	170

Management Board compensation includes variable components in an amount of EUR 60 thousand (previous year: EUR 100 thousand). In the year under review, no charges needed to be taken into account due to the departure of Management Board members (previous year: EUR 1,299 thousand).

As also in the previous year, no loans were granted, neither to the Management Board members nor to the Supervisory Board members as of 30 June 2015; equally, no contingent liabilities were entered into on behalf of the Management and Supervisory boards.

The Management Board members receive no compensation for fulfilling their tasks at subsidiaries. Please refer to the remarks in the compensation report contained in the Group management report for individualized breakdown of pay and other detail relating to compensation.

DIRECTORS' HOLDINGS

	30.06.2015	30.06.2014	CHANGE
Oliver Oechsle	6,000	0	6,000
Management Board, total	**6,000**	**0**	**6,000**
Dr. Thomas van Aubel[1]	17,331,689	17,331,689	0
Frauke Vogler	100	100	0
Supervisory Board, total	**17,331,789**	**17,331,789**	**0**

[1] Shareholding via Elector GmbH, Berlin.

With the exception of the shares purchased by Oliver Oechsle, the company's directors made no further purchases or sales during the 2014/2015 financial year.

H. RELATED PARTY DISCLOSURES

Related parties as defined by IAS 24 are legal entities or individuals who control or exercise significant influence over Balda AG and its subsidiaries. This includes individuals and companies that are significantly influenced by Balda AG and/or its subsidiaries.

Only the members of the corporate bodies of Balda AG count as members of management in key positions within the Balda Group. Relationships with directors are presented in the compensation reports of the Management and Supervisory board in section III.g. "Corporate bodies of Balda AG" in the notes to the consolidated financial statements and in the Group management report in section 4. "Compensation report".

Supervisory Board Chairman Dr. Thomas van Aubel is the sole shareholder of Elector GmbH, Berlin, which exerts significant influence over the business of Balda AG with an approximately 29.4% interest. Elector GmbH had no business relationships with the Group company during the 2014/2015 financial year. In the previous year, Elector GmbH invoiced Balda AG for standard market outlays of EUR 251 thousand for the organization of the extraordinary general meetings. Besides this, in the previous year Dr. Thomas van Aubel received via Elector GmbH dividends of TEUR 26,449 thousand pursuant to the general terms. As in the previous year, no open items due from Elector GmbH existed as of the balance sheet date.

For his function as Supervisory Board Chairman, Dr. Thomas van Aubel received fixed compensation and meeting fees of EUR 77 thousand (previous year: EUR 56 thousand). Besides this, Dr. Thomas van Aubel receive no further payments via Elector GmbH deriving from his shareholder position.

In the year under review, the Management Board initiated an audit to ascertain whether Balda AG stood in a relationship of dependency on Elector GmbH, Berlin or on Dr. Thomas van Aubel during the 2014/2015 financial year. The result of the audit was that a relationship of dependency in the meaning of Section 17 of the German Stock Corporation Act (AktG) was not found either in relation to Elector GmbH or to Dr. Thomas van Aubel.

No other transactions occurred with related parties.

I. EVENTS AFTER THE BALANCE SHEET DATE

Realignment of America segment and new site "Ontario II"
The US subsidiary of the Balda Group will concentrate its previous four production sites into two locations in Ontario and Oceanside, both California, over the coming months, while at the same time significantly expanding production areas.

The former production site of a medical technology group, including its installed technology, was taken over for this purpose. This now offers the opportunity to further expand the business with medical technology products that require cleanroom technology at the new Ontario II site. At the same time, the location in Oceanside is being established to manufacture technical and fashion products.

Sale of the entire operating business of balda group, distributions of EUR 2.00 per share
On 23 September 2015, Balda AG concluded a purchase agreement concerning the sales of its entire operating business for a purchase price of EUR 62.9 million. The buyers are acquiring companies managed by the investment company Paragon, Munich. The sale comprises all operational subsidiaries of the Balda Group, i.e. Balda Medical GmbH & Co. KG, Bad Oeynhausen, Balda C. Brewer, Inc. and Balda Precision, Inc., both in California, USA, as well as Balda Medical Systems SRL, Romania and further assets.

The buyer will retain all employees of the operational subsidiaries and employees and members of the management of Balda AG. These to be sold subsidiaries are to be continued and further extended as operational unit in accordance with today's strategic orientation. All in all, the company receives a gross amount (including profits to be paid out for the past business year) of EUR approximately 66.7 million (before exemptions, taxes and costs).

The agreement is subject to the condition precedent of approval by the annual general meeting of Balda AG as well as the approval by the anti-trust authorities. The Management Board will shortly convene the annual general meeting scheduled for 19 November 2015. Moreover, the Management Board and the Supervisory Board intend to suggest a dividend payment of EUR 1.10 per share. In addition, on approval of the purchase agreement the Management Board and the Supervisory Board will propose to reduce the share capital from currently EUR 58,890,636.00 to EUR 5,889,063.00 and return to the shareholders the share capital thus released. This corresponds to an amount of another EUR 0.90 per current share.

In this context, the annual general meeting will also adopt a decision concerning a change of the business purpose of the company and the company name.

After the 30 June 2015 reporting date, no other events occurred of important significance for the Group's net assets, results of operations and financial position.

J. AUDITORS' FEES

The following fees were expensed for the independent auditor:

IN TEUR	2014/2015	2013/2014
Audits of financial statements	162	130
Tax advisory services	77	111
Other certification services	0	42
Other services	29	33
Total amount	**268**	**316**

The services were rendered entirely for the respective financial years.

The fees for audit services essentially consist of the fees for the audit of the consolidated financial statements as well as for the audit of the separate financial statements of Balda AG and of Balda Medical GmbH & Co. KG. As part of the Group audit during the financial year under review, the Group auditor audited areas relating to the audit of the foreign subsidiaries directly, which is why expenses were higher.

The tax advisory services relate to activities connected with the preparation of tax declarations as well as from current advisory on tax related issues. Fees for other certification services related in the previous year mainly to the auditor's reviews of interim financial statements.

K. APPLICATION OF EXEMPTIONS PURSUANT TO SECTION 264 A OF THE GERMAN COMMERCIAL CODE (HGB) IN COMBINATION WITH SECTION 264 B OF THE GERMAN COMMERCIAL CODE HGB

Balda Medical GmbH & Co. KG, Bad Oeynhausen, utilizes the exemption regulations pursuant to Section 264b of the German Commercial Code (HGB) in relation to the preparation of the management report and the notes to the financial statements, as well as in relation to disclosure.

L. CORPORATE GOVERNANCE

Balda follows and will follow the recommendations and suggestions of the German Corporate Governance Code as amended on 5 May 2015 with certain exceptions. The declaration for the 2014/2015 financial year pursuant to Section 161 of the German Stock Corporation Act (AktG) is permanently available to shareholders and the general public together with previous declarations of compliance on the Balda website under Investor Relations/Publication/Corporate Governance (www.balda-group.com). The most recent corporate governance declaration can also be downloaded from the corporate governance area of the Balda website.

Bad Oeynhausen, 24 September 2015

The Management Board

OLIVER OECHSLE SOLE MANAGEMENT BOARD MEMBER

AUDITOR´S REPORT

We have audited the consolidated financial statements prepared by the Balda Aktiengesellschaft, Bad Oeynhausen/Germany,—comprising the balance sheet, the income statement and statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements—and the group management report for the business year from 1 July 2014 to 30 June 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB ("German Commercial Code") are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the Balda Aktiengesellschaft, Bad Oeynhausen/Germany, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Abs. 1 and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt, 24 September 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

WEGNER GERMAN PUBLIC AUDITOR

LÖSER GERMAN PUBLIC AUDITOR

RESPONSIBILITY STATEMENT

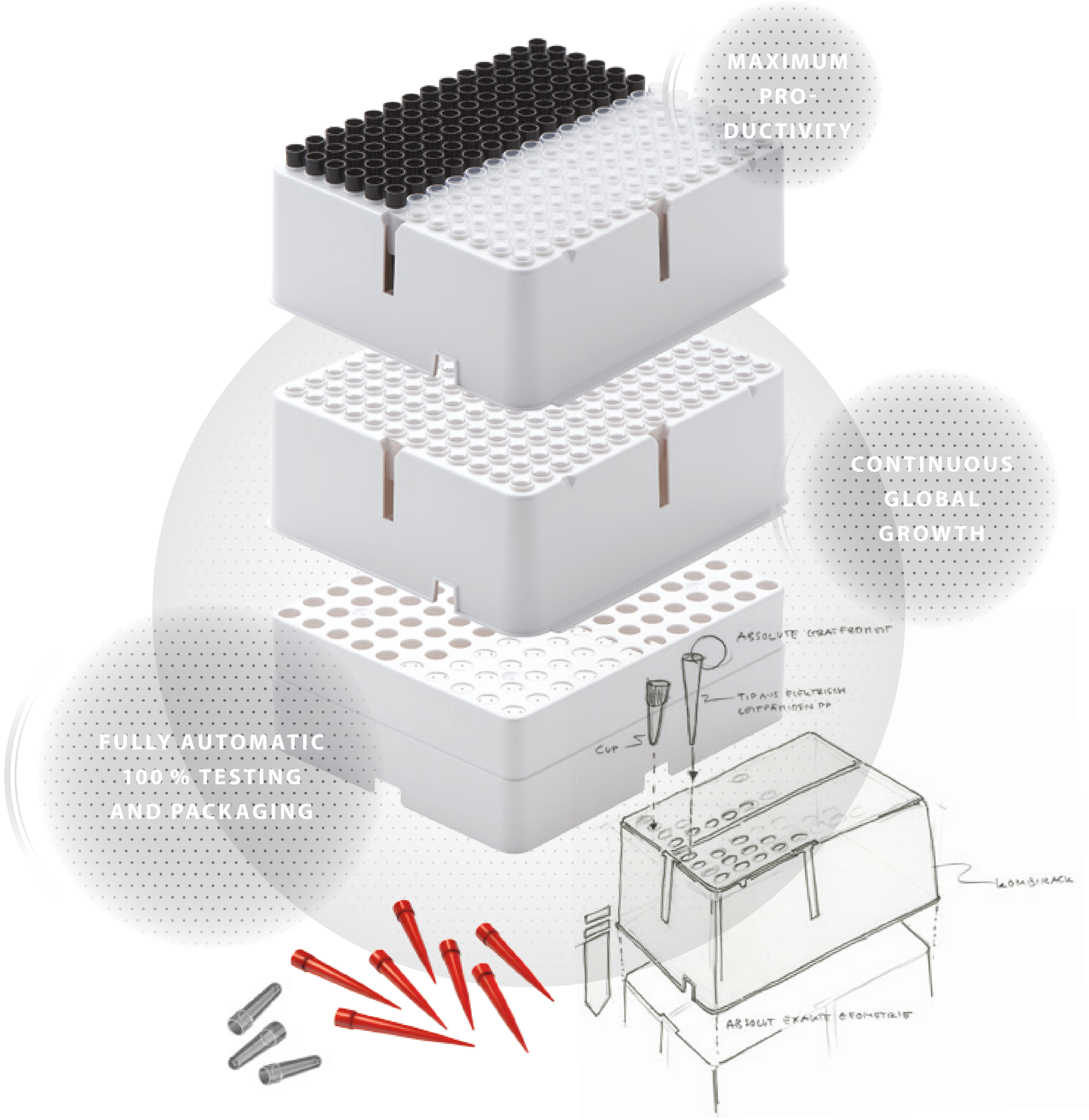
"To the best of my knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position and performance of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Balda Group, together with a description of the material opportunities and risks associated with the expected development of the Balda Group."

Bad Oeynhausen, 24 September 2015

The Management Board

OLIVER OECHSLE SOLE MANAGEMENT BOARD MEMBER

04 MORE INFORMATIONS



COMBI-RACKS WITH TIPS AND CUPS

For renowned diagnostic sector customers, Balda produces disposables that are deployed in highly automated diagnostics robots. They are utilized in high-throughput immunochemistry, for dozens of different tests. Balda assumes the industrialization for its customers, including establishing testing systems and packaging.

FINANCIAL CALENDAR

12 November 2015
Q1 report 2015 / 2016

19 November 2015
AGM 2015

11 February 2016
H1 report 2015 / 2016

12 May 2016
Q3 report 2015 / 2016

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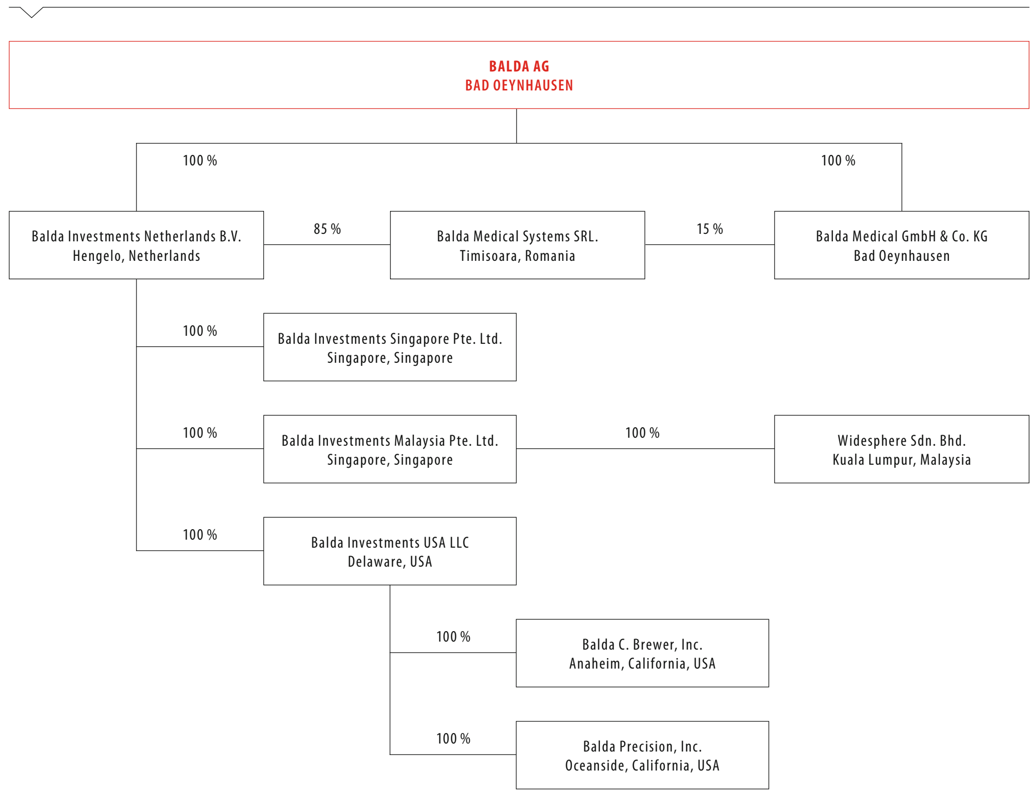
GROUP STRUCTURE

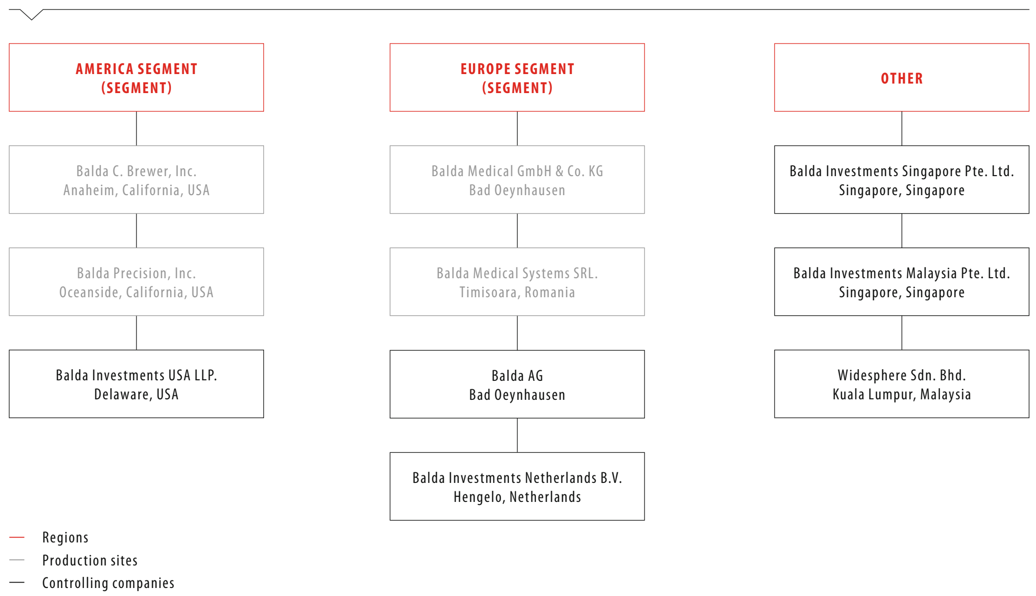
The Group's legal structure with its significant Group companies is as follows:

LEGAL STRUCTURE OF BALDA GROUP



The allocation of the production locations and regions' holding companies is as follows:

SEGMENTS OF BALDA GROUP



Balda GROUP

Solutions made in plastic